PRELIMINARY OFFICIAL STATEMENT DATED AUGUST 18, 2010

This Preliminary Official Statement supersedes the Preliminary Official Statement dated July 20, 2010. 2002. See "INTRODUCTION--General."

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

NEW ISSUE
BOOK-ENTRY ONLY

RATINGS: S&P: "A"
Moody's: "Aa2"
See "RATINGS"

In the opinion of Swendseid & Stern, a member in Sherman & Howard L.L.C., Bond Counsel, assuming continuous compliance with certain covenants described herein, interest on the 2010 Bonds is excluded from gross income under federal income tax laws pursuant to Section 103 of the Internal Revenue Code of 1986, as amended to the date of delivery of the Bonds (the "Tax Code") and interest on the 2010 Bonds is excluded from alternative minimum taxable income as defined in Section 55(b)(2) of the Tax Code. See "TAX MATTERS--Federal Tax Matters."

$21,145,000*
CITY OF RENO, NEVADA
GENERAL OBLIGATION (LIMITED TAX) SEWER REFUNDING BONDS
(ADDITIONALLY SECURED BY PLEDGED REVENUES)
SERIES 2010

Dated: Date of Delivery **Due: August 1, as shown herein**

The 2010 Bonds are issued as fully registered bonds in denominations of $5,000, or any integral multiple thereof. The 2010 Bonds initially will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), securities depository for the 2010 Bonds. Purchases of the 2010 Bonds are to be made in book-entry form only. Purchasers will not receive certificates representing their beneficial ownership interest in the 2010 Bonds. See "THE 2010 BONDS--Book-Entry Only System." The 2010 Bonds bear interest at the rates set forth below, payable on February 1, 2011, and semiannually thereafter on February 1 and August 1 of each year, to and including the maturity dates shown herein (unless the 2010 Bonds are redeemed earlier), to the registered owners of the 2010 Bonds (initially Cede & Co.). The principal of the 2010 Bonds will be payable upon presentation and surrender at the principal operations office of The Bank of New York Mellon Trust Company, N.A., Los Angeles, California, or its successor as the paying agent for the 2010 Bonds. See "THE 2010 BONDS."

The maturity schedule for the 2010 Bonds appears on the inside cover page of this Official Statement.

The 2010 Bonds are subject to optional redemption prior to maturity as described in "THE BONDS--Prior Redemption." At the option of the winning bidder, certain of the 2010 Bonds also may be subject to mandatory sinking fund redemption.

Proceeds of the 2010 Bonds will be used to: (i) refund certain City bonds, as further described herein; and (ii) pay the costs of issuing the 2010 Bonds. See "SOURCES AND USES OF FUNDS."

The 2010 Bonds constitute direct and general obligations of the City. The full faith and credit of the City is pledged for the payment of principal and interest subject to Nevada constitutional and statutory limitations on the aggregate amount of ad valorem taxes. See "SECURITY FOR THE BONDS--General Obligation Bonds." The 2010 Bonds are additionally secured by certain Pledged Revenues derived from the City's Sewer System (as described herein). See "SECURITY FOR THE BONDS--Pledged Revenues."

This cover page contains certain information for quick reference only. It is *not* a summary of this issue. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision, giving particular attention to the section entitled "CERTAIN RISK FACTORS."

The 2010 Bonds are offered when, as, and if issued and accepted by the initial purchaser, subject to the approval of legality of the Bonds by Swendseid & Stern, a member in Sherman & Howard L.L.C., Reno, Nevada, Bond Counsel, and the satisfaction of certain other conditions. Swendseid & Stern, a member in Sherman & Howard L.L.C. also has acted as special counsel to the City in connection with the preparation of this Official Statement. Certain legal matters will be passed upon for the City by the City Attorney. NSB Public Finance, a division of Zions First National Bank, Las Vegas, Nevada, is acting as Financial Advisor to the City. It is expected that the 2010 Bonds will be available for delivery through the facilities of DTC, on or about September 9, 2010.*

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*Subject to change.

$21,145,000*
CITY OF RENO, NEVADA
GENERAL OBLIGATION (LIMITED TAX) SEWER REFUNDING BONDS
(ADDITIONALLY SECURED BY PLEDGED REVENUES)
SERIES 2010

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

Maturing (August 1)	Principal Amount	Interest Rate	Price or Yield	CUSIP© Issue Number	Maturing (August 1)	Principal Amount	Interest Rate	Price or Yield	CUSIP© Issue Number
2014	$ 390,000				2028	$ 760,000			
2015	405,000				2029	800,000			
2016	425,000				2030	840,000			
2017	445,000				2031	880,000			
2018	465,000				2032	925,000			
2019	490,000				2033	975,000			
2020	515,000				2034	1,025,000			
2021	540,000				2035	1,080,000			
2022	570,000				2036	1,140,000			
2023	595,000				2037	1,200,000			
2024	625,000				2038	1,260,000			
2025	660,000				2039	1,325,000			
2026	690,000				2040	1,395,000			
2027	725,000								

* Subject to change.

USE OF INFORMATION IN THIS OFFICIAL STATEMENT

This Official Statement, which includes the cover page, the inside cover page and the appendices, does not constitute an offer to sell or the solicitation of an offer to buy any of the 2010 Bonds in any jurisdiction in which it is unlawful to make such offer, solicitation, or sale. No dealer, salesperson, or other person has been authorized to give any information or to make any representations other than those contained in this Official Statement in connection with the offering of the 2010 Bonds, and if given or made, such information or representations must not be relied upon as having been authorized by the City. The City maintains an internet website; however, the information presented there is not a part of this Official Statement and should not be relied upon in making an investment decision with respect to the 2010 Bonds.

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

The information, estimates, and expressions of opinion contained in this Official Statement are subject to change without notice, and neither the delivery of this Official Statement nor any sale of the 2010 Bonds shall, under any circumstances, create any implication that there has been no change in the affairs of the City, or in the information, estimates, or opinions set forth herein, since the date of this Official Statement.

This Official Statement has been prepared only in connection with the original offering of the 2010 Bonds, and not in connection with any subsequent sale or transfer of the 2010 Bonds, and may not be reproduced or used in whole or in part for any other purpose.

The 2010 Bonds have not been registered with the Securities and Exchange Commission due to certain exemptions contained in the Securities Act of 1933, as amended. The 2010 Bonds have not been recommended by any federal or state securities commission or regulatory authority, and the foregoing authorities have neither reviewed nor confirmed the accuracy of this document.

THE PRICES AT WHICH THE 2010 BONDS ARE OFFERED TO THE PUBLIC BY THE INITIAL PURCHASER (AND THE YIELDS RESULTING THEREFROM) MAY VARY FROM THE INITIAL PUBLIC OFFERING PRICES OR YIELDS APPEARING ON THE INSIDE COVER PAGE HEREOF. IN ADDITION, THE INITIAL PURCHASER MAY ALLOW CONCESSIONS OR DISCOUNTS FROM SUCH INITIAL PUBLIC OFFERING PRICES TO DEALERS AND OTHERS. IN ORDER TO FACILITATE DISTRIBUTION OF THE 2010 BONDS, THE INITIAL PURCHASER MAY ENGAGE IN TRANSACTIONS INTENDED TO STABILIZE THE PRICE OF THE 2010 BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

CITY OF RENO, NEVADA

MAYOR AND CITY COUNCIL
Robert A. Cashell, Mayor
David Aiazzi
Dwight Dortch
Dan Gustin
Pierre Hascheff
Jessica Sferrazza
Sharon Zadra

CITY OFFICIALS
Donna Dreska, City Manager
Jill Olsen, Acting Finance Director
John J. Kadlic, City Attorney
Lynnette Jones, City Clerk
John Flansberg, Director of Public Works

FINANCIAL ADVISOR
NSB Public Finance,
a division of Zions First National Bank
Las Vegas, Nevada

BOND AND SPECIAL COUNSEL
Swendseid & Stern, a member in
Sherman & Howard L.L.C.
Reno, Nevada

REGISTRAR AND PAYING AGENT
The Bank of New York Mellon Trust Company, N.A.
Los Angeles, California

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NOTE: Tables marked with an (*) indicate Annual Financial Information to be updated pursuant to SEC Rule 15c2-12, as amended. See "INTRODUCTION--Continuing Disclosure Undertaking."

OFFICIAL STATEMENT

$21,145,000*
CITY OF RENO, NEVADA
GENERAL OBLIGATION (LIMITED TAX) SEWER REFUNDING BONDS
(ADDITIONALLY SECURED BY PLEDGED REVENUES)
SERIES 2010

INTRODUCTION

General

General. This Official Statement, including the cover page, the inside cover page and the appendices, is furnished by the City of Reno, Nevada (the "City" and the "State," respectively), to provide information about the City's $21,145,000* General Obligation (Limited Tax) Sewer Refunding Bonds (Additionally Secured by Pledged Revenues), Series 2010 (the "2010 Bonds"). The 2010 Bonds will be issued pursuant to an ordinance (the "Bond Ordinance") adopted by the City Council of the City (the "City Council") on July 7, 2010.

The offering of the 2010 Bonds is made only by way of this Official Statement, which supersedes any other information or materials used in connection with the offer or sale of the 2010 Bonds. The following introductory material is only a brief description of and is qualified by the more complete information contained throughout this Official Statement. A full review should be made of the entire Official Statement and the documents summarized or described herein, including the section entitled "CERTAIN RISK FACTORS." Detachment or other use of this "INTRODUCTION" without the entire Official Statement, including the cover page, the inside cover page and the appendices, is unauthorized. Unless otherwise provided, capitalized terms used herein are defined in Appendix B hereto.

Replacement of Prior Preliminary Official Statement. The City previously issued a Preliminary Official Statement for the 2010 Bonds dated July 20, 2010 (the "Prior POS"). Subsequently, the City postponed the sale for the 2010 Bonds. Since the date of the Prior POS, the City has updated certain information in the Prior POS and issued an entirely new Preliminary Official Statement containing updated information. The updated information includes the addition of historical information about new sewer connections in the City, information about the hiring of a permanent City Manager, information with respect to the status of an existing forbearance agreement with the owner of certain City lease revenue bonds, correction of a typographical error in the budgeted 2011 net change in assets in the Sewer Fund, updates to the estimated 2010 and budgeted 2011 information in the City's General Fund, and updates to outstanding debt, overlapping debt and certain economic and demographic statistics. Accordingly, this Preliminary Official Statement dated August 18, 2010, replaces the Prior POS in its entirety, and investors should not rely upon the Prior POS in making a decision to purchase the 2010 Bonds.

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* Subject to change.

The Issuer

The City is a political subdivision of the State operating as a city. The City was founded in 1868 and incorporated in 1903 and serves as the county seat of Washoe County, Nevada (the "County"). The City currently encompasses approximately 105.8 square miles and is located at the base of the Sierra Nevada Mountains. The City is located on Interstate 80 approximately 220 miles east of San Francisco, California, and is about 25 miles east of Lake Tahoe. The State Demographer's office estimated the City's population to be 218,143 as of July 1, 2009 (most recent figure available). See "THE CITY."

Authority for Issuance

The 2010 Bonds are being issued pursuant to the constitution and laws of the State, including: Chapter 662, Statutes of Nevada, 1971, as amended (the "Charter"); Nevada Revised Statutes ("NRS") 350.500 through 350.720, as amended (the "Bond Act"); NRS chapter 348 (the "Supplemental Bond Law"); and the Bond Ordinance.

Purpose

Proceeds of the 2010 Bonds will be used to: (i) refund all of the installments of principal of the City's General Obligation (Limited Tax) Medium-Term Sewer Bond, Series 2008 (the "2008 Bond" or the "Refunded Bond"), currently outstanding in the aggregate principal amount of $20,845,000 (the "Refunding Project"); and (ii) pay the costs of issuing the 2010 Bonds. See "SOURCES AND USES OF FUNDS."

Security

General Obligation. The 2010 Bonds constitute direct and general obligations of the City. The full faith and credit of the City is pledged for the payment of principal and interest due thereon, subject to State constitutional and statutory limitations on the aggregate amount of ad valorem taxes. See "SECURITY FOR THE BONDS--General Obligation Bonds" and "PROPERTY TAX INFORMATION--Property Tax Limitations."

Pledged Revenues Additionally Secure the 2010 Bonds. The 2010 Bonds are additionally secured by an irrevocable lien on the Gross Revenues (also sometimes referred to as the "Pledged Revenues;" see Appendix B) of the City's Sewer System (the "System") remaining after deduction of Operation and Maintenance Expenses (the "Net Pledged Revenues"). For a further description of Gross Revenues, the System and Operation and Maintenance Expenses, see "SECURITY FOR THE BONDS--Pledged Revenues" and Appendix B - Summary of Certain Provisions of the Bond Ordinance.

Lien Priority and Additional Bonds. The pledge of the Pledged Revenues to the 2010 Bonds is on a parity with the lien thereon of $67,335,460 aggregate principal amount of City bonds, consisting of the following: (i) the City's General Obligation (Limited Tax) Sewer Bond (Additionally Secured by Pledged Revenues), Series 2004, currently outstanding in the aggregate principal amount of $60,236,221 (the "2004 Bond"); and (ii) the City's General Obligation (Limited Tax) Sewer Bond (Additionally Secured by Pledged Revenues), Series 2005, currently outstanding in the aggregate principal amount of $7,099,239 (the "2005 Bond"). The 2004 Bond and the 2005 Bond (together, the "Prior Bonds") were issued pursuant to separate loan agreements with the State and authorizing bond ordinances.

The City may issue additional bonds or securities with a lien on the Pledged Revenues that is on a parity with the lien thereon of the 2010 Bonds ("additional parity bonds," and together with the 2010 Bonds and the Prior Bonds, the "Parity Securities") or superior to the lien thereon of the Parity Securities (the "Superior Securities"). See "SECURITY FOR THE BONDS--Additional Bonds."

The 2010 Bonds; Redemption Provisions

The 2010 Bonds are issued solely as fully registered certificates in the denomination of $5,000, or any integral multiple thereof. The 2010 Bonds initially will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), the securities depository for the 2010 Bonds. Purchases of the 2010 Bonds are to be made in book-entry form only. Purchasers will not receive certificates representing their beneficial ownership interest in the 2010 Bonds. See "THE 2010 BONDS--Book-Entry Only System." The 2010 Bonds will be dated as of the date of delivery and will mature and bear interest (calculated based on a 360-day year consisting of twelve 30-day months) as set forth on the inside cover page of this Official Statement. The payment of principal and interest on the 2010 Bonds is described in "THE 2010 BONDS--Payment Provisions."

Certain 2010 Bonds are subject to redemption prior to maturity at the option of the City as described in "THE 2010 BONDS--Prior Redemption." At the option of the winning bidder, 2010 Bonds maturing on and after August 1, 2021, also may be subject to mandatory sinking fund redemption. See the Official Notice of Bond Sale in Appendix F.

Tax Matters

In the opinion of Bond Counsel, assuming continuous compliance with certain covenants described herein, interest on the 2010 Bonds is excluded from gross income under federal income tax laws pursuant to Section 103 of the Internal Revenue Code of 1986, as amended to the date of delivery of the 2010 Bonds (the "Tax Code"), and interest on the 2010 Bonds is excluded from alternative minimum taxable income as defined in Section 55(b)(2) of the Tax Code. See "TAX MATTERS--Federal Tax Matters."

The 2010 Bonds are free and exempt from taxation by the State or any subdivision thereof except for the taxes imposed pursuant to Chapter 375A of NRS and the tax on generation-skipping transfers imposed pursuant to Chapter 375B of NRS. See "TAX MATTERS--State Tax Exemption."

Professionals

Swendseid & Stern, a member in Sherman & Howard L.L.C., Reno, Nevada, has acted as Bond Counsel to the City and also has acted as Special Counsel to the City in connection with this Official Statement. The City's financial advisor in connection with the 2010 Bonds is NSB Public Finance, a division of Zions First National Bank, Las Vegas, Nevada. See "FINANCIAL ADVISOR." The fees of the Financial Advisor will be paid only from 2010 Bond proceeds at closing. The audited financial statements included in Appendix A of this Official Statement include the report of Gallina LLP, certified public accountants, Roseville, California. See "INDEPENDENT AUDITORS." The Bank of New York Mellon Trust Company, N.A., Los Angeles, California, will act as the registrar and paying agent for the 2010 Bonds (the "Registrar" and "Paying Agent").

Continuing Disclosure Undertaking

The City will execute a continuing disclosure certificate (the "Disclosure Certificate") at the time of the closing for the 2010 Bonds. The Disclosure Certificate will be executed for the benefit of the beneficial owners of the 2010 Bonds and the City will covenant in the Bond Ordinance to comply with its terms. The Disclosure Certificate will provide that so long as the 2010 Bonds remain outstanding, the City will annually provide the following information to the Municipal Securities Rulemaking Board ("MSRB"): (i) certain financial information and operating data; and (ii) notice of certain material events, as more particularly described in the Disclosure Certificate. The form of the Disclosure Certificate is attached hereto as Appendix E. The City has not failed to materially comply with any continuing disclosure undertakings entered into pursuant to the Rule in the last five years.

Forward-Looking Statements

This Official Statement, particularly (but not limited to) any statements referring to budgeted or anticipated, unaudited financial information for fiscal year 2010 or budgeted financial information for fiscal years 2010, 2011 or future years, contains statements relating to future results that are "forward-looking statements" as defined in the Private Securities Litigation Reform Act of 1995. When used in this Official Statement, the words "estimate," "forecast," "intend," "expect" and similar expressions identify forward-looking statements. Any forward-looking statement is subject to uncertainty. Accordingly, such statements are subject to risks that could cause actual results to differ, possibly materially, from those contemplated in such forward-looking statements. Inevitably, some assumptions used to develop forward-looking statements will not be realized or unanticipated events and circumstances may occur. Therefore, investors should be aware that there are likely to be differences between forward looking statements and actual results. Those differences could be materially adverse to the owners of the 2010 Bonds and could impact the availability of revenues to pay debt service on the 2010 Bonds.

Additional Information

<u>This introduction is only a brief summary of the provisions of the 2010 Bonds and the Bond Ordinance; a full review of the entire Official Statement should be made by potential investors</u>. Brief descriptions of the City, the Refunding Project, the 2010 Bonds, the Bond Ordinance and other documents are included in this Official Statement. All references herein to the 2010 Bonds, the Bond Ordinance and other documents are qualified in their entirety by reference to such documents. *This Official Statement speaks only as of its date and the information contained herein is subject to change.*

Additional information and copies of the documents referenced above are available from the City and the Financial Advisor:

City of Reno
P.O. Box 1900
Reno, Nevada 89505
Attention: Finance Director
Telephone: (775) 334-2080

NSB Public Finance,
a division of Zions First National Bank
230 Las Vegas Boulevard South, Suite 200
Las Vegas, NV 89101
Telephone: (702) 796-7080.

CERTAIN RISK FACTORS

The purchase of the 2010 Bonds involves special risks and the 2010 Bonds may not be appropriate investments for all types of investors. Each prospective investor is encouraged to read this Official Statement in its entirety and to give particular attention to the factors described below, which, among other factors discussed herein, could affect the payment of debt service on the 2010 Bonds and could affect the market price of the 2010 Bonds to an extent that cannot be determined at this time. *The following does not purport to be an exhaustive listing of risks and other considerations that may be relevant to investing in the 2010 Bonds. In addition, the order in which the following information is presented is not intended to reflect the relative importance of such risks.*

General

The payment of the 2010 Bonds is not secured by an encumbrance, mortgage or other pledge of property of the City and no property of the City shall be liable to be forfeited or taken in payment of the 2010 Bonds; other than the proceeds of general (ad valorem) taxes and the Pledged Revenues pledged for the payment of the 2010 Bonds.

Payment on the 2010 Bonds is dependent upon the generation of sufficient Pledged Revenues of the System. Certain factors, some of which are described below, may impact the generation and/or collection of Pledged Revenues. The 2010 Bonds are also the direct and general obligations of the City subject to the limitations set forth in this Official Statement. Certain factors, some of which are described below, may impact the collection of various General Fund revenues (including property tax revenues) and/or the condition of the General Fund.

Economic Factors May Affect Pledged Revenues, Property Taxes and the General Fund

Economic conditions may impact the generation and collection of Pledged Revenues as well as the collection or receipt of property tax revenues and other revenues in the General Fund, particularly consolidated tax revenues. Consolidated tax revenues, which comprised approximately 22% of City General Fund revenues in fiscal year 2010, are comprised primarily of sales tax revenues and other excise tax revenues. It is impossible to predict whether current economic conditions will continue or worsen or to predict how future conditions will affect the operation of the System or the City's finances in general. Continuing or worsening economic conditions in the national and regional housing markets may further impact housing prices and assessed valuations of property in the City. Current national and regional economic conditions may result in an increase in tax delinquencies, a decline in sales or excise tax revenues (which comprise the consolidated taxes), or an increase in the rate of nonpayment of System fees and charges by the City's customers in the future. Significant numbers of foreclosures (if they continue to occur) may decrease the amount of sewage generated by the City's customers. In addition, new construction in the City has virtually ceased as a result of economic conditions. Any drop in new construction affects the amount of connection (tap) fees collected by the City. Connection fees have declined since 2006, with sharp declines in 2008 and 2009, but are expected to increase slightly for 2010. See "THE SYSTEM--Connection Charges."

General Risks Related to Property Taxes

Delays in Property Tax Collections Could Occur. Although the 2010 Bonds are general obligations of the City, the City may only levy property taxes to pay debt service on the 2010 Bonds in accordance with State law. For a description of the State laws regulating the collection of property taxes, see "PROPERTY TAX INFORMATION--Property Tax Collections." Due to the statutory process required for the levy of taxes, in any year in which the City is required to levy property taxes, there may be a delay in the availability of property tax revenues to pay debt service on the 2010 Bonds. Accordingly, although other City revenues may be available to pay debt service on the 2010 Bonds if Pledged Revenues are insufficient, time may elapse before the City receives property taxes levied to cover any insufficiency of Pledged Revenues.

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

Economic Factors May Impact Property Values. Economic conditions have negatively impacted the City as they have the rest of the country. Economic activity has decreased in a variety of sectors throughout the City, including construction - an area that has previously provided growth to the City. Furthermore, due to the economic conditions, the City has experienced a housing slump for the past several years and has experienced declines in commercial construction. The decline in the economy, the housing slump and declines in construction activity caused the assessed valuation of taxable property in the City for fiscal years 2010 and 2011 (as further described below and in "PROPERTY TAX INFORMATION--History of Assessed Valuation"). In addition, in the last several years, foreclosures in the City increased significantly. It is likely that foreclosures will remain elevated for a period of time that cannot be determined. Foreclosures also may impact the future assessed value of property in the City; it is not possible to quantify that impact at this time.

According to published news reports (citing RealtyTrac foreclosure figures), there were 1,324 foreclosure-related activities (including notices of default, notices of trustee sale and bank-owned foreclosures) in the County in June 2010; that figure was down 2% from May 2010 and 29% from June 2009. During the second quarter of 2010, there were 3,833 foreclosure activities in the County, up 2% from the first quarter of 2010 but down 8% from June 2009. For the first half of 2010, there were 6,790 foreclosure activities, down 6% from the second half of 2009, but up 5% from the first half of 2009. However, there were 810 actual foreclosures (as apposed to foreclosure-related activity) in the County in the second quarter of 2010, up 38% from the first quarter of 2010 and 19% from the first quarter of 2009. It cannot be predicted at this time what impact these trends (or other economic trends) would have on property tax collections should the City be required to levy an ad valorem tax to pay debt service on the 2010 Bonds in the future.

Certain Risks Related to Pledged Revenues

General. The generation of sufficient Pledged Revenues by the System is important to the timely payment on the 2010 Bonds. If the System becomes inoperable due to damage, destruction, environmental restriction or for any other reason, or if the City should lack adequate water supply to serve existing customers because of drought or for any other reason, if the City is unable to increase rates and charges for any reason or if the City incurs unanticipated expenses or reduced revenues due to power rate increases or for any other reason, the City may be unable to generate adequate revenues from the System to pay debt service on the 2010 Bonds and the Prior Bonds.

Water Quality and Environmental Requirements. The System is subject to numerous federal and State regulatory requirements. Those regulations are subject to change at any time. The City, Sparks and the County have a permit from the State to discharge stormwater. In addition, wastewater treatment systems like the System are regulated by the U.S. Environmental Protection Agency (the "EPA"); the Nevada Division of Environmental Protection ("NDEP") has the authority to issue permits and enforce discharge standards. The City has obtained the necessary effluent discharge permit from the State to operate the Reno-Stead Water Reclamation Facility (the "RSWRF"); that permit expires on July 16, 2012. In addition, Sparks has obtained the necessary effluent discharge permit from the State to operate the jointly-owned Truckee Meadows Water Reclamation Facility (the "TMWRF"); that discharge permit expired on October 14, 2018. The City and Sparks have submitted a renewal application for the TMWRF permit and it remains in effect while the application is pending. The discharge permits limit the quantities of certain chemicals and other substances that may be discharged. Implementation of more stringent effluent standards in the future could result in increased operation and maintenance costs or could require substantial capital improvements to the wastewater system. Should that occur, the System's costs would increase; such increased costs could reduce the amount of Pledged Revenues available to pay debt service on the 2010 Bonds. In addition, failure to comply with regulatory changes, or the inability to comply with them in a timely manner could cause portions of the System to become unavailable. Any disruption of service could negatively impact Pledged Revenues.

The System may be subject to various environmental regulations which could subject the City to increased operating costs or capital expenditures. Such increased costs could reduce the amount of Pledged Revenues available to pay debt service on the 2010 Bonds and the Prior Bonds.

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

Issuance of Additional Bonds. The Bond Ordinance allows the issuance of Superior Securities and Parity Securities. To the extent Superior Securities or additional Parity Securities are issued in the future, the lien of the 2010 Bonds on the Pledged Revenues will be diluted. The City currently does not anticipate issuing additional Superior Securities, although it reserves the right to do so upon the satisfaction of all legal conditions. The City anticipates that additional Parity Securities will be necessary for certain System improvements in the future, but is not able to predict at this time when such additional Parity Securities will be issued or in what amount; the City currently does not expect to issue additional Parity Securities in the next 18 months, but reserves the right to do so upon the satisfaction of all legal conditions.

Acceleration of Debt Service on Prior Bonds

Each of the loan agreements with the State with respect to the Prior Bonds provides that the State may terminate the loan agreement upon violation by the City of any material provision of the loan agreement after notice from the State and an opportunity to cure the violation. If the State terminates the loan agreements, the City agrees, upon demand by the State, to immediately repay an amount equal to the current balance of the loan (including accrued interest) plus any penalty assessments due. Each loan agreement provides that interest will accrue on all amounts due at the highest legal rate of interest from the date that notice of termination is mailed to the date of full repayment by the City. Should any of the loan agreements be terminated, the acceleration provisions will have a negative impact on the Pledged Revenues available to pay debt service on the 2010 Bonds. To date, the State has never exercised its right to terminate a loan agreement entered into with a local government in Nevada, nor has it exercised its right to accelerate loan balances.

Bankruptcy and Foreclosure

The ability and willingness of an owner or operator of property (or the lenders on such properties) to pay water and wastewater rates and charges may be adversely affected by the filing of a bankruptcy proceeding by the owner. The ability to collect delinquent rates and charges using foreclosure and sale for non-payment of taxes may be forestalled or delayed by bankruptcy, reorganization, insolvency, or other similar proceedings of the owner of a taxed property or the holder of mortgage liens on the taxed property. Prosecution of such proceedings could be delayed due to crowded local court calendars or legal delaying tactics. The federal bankruptcy laws provide for an automatic stay of foreclosure and sale proceedings, thereby delaying such proceedings, perhaps for an extended period. Delays in the exercise of remedies could result in Pledged Revenues collections which may be insufficient to pay debt service on the 2010 Bonds when due.

Changes in Law

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

Limitations on Remedies Available to Owners of 2010 Bonds

No Acceleration. There is no provision for acceleration of maturity of the principal of the 2010 Bonds in the event of a default in the payment of principal of or interest on the 2010 Bonds. Consequently, remedies available to the owners of the 2010 Bonds may have to be enforced from year to year.

Bankruptcy, Federal Lien Power and Police Power. The enforceability of the rights and remedies of the owners of the 2010 Bonds and the obligations incurred by the City in issuing the 2010 Bonds are subject to the federal bankruptcy code and applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or affecting the enforcement of creditors' rights generally, now or hereafter in effect; usual equity principles which may limit the specific enforcement under State law of certain remedies; the exercise by the United States of America of the powers delegated to it by the federal Constitution; the power of the federal government to impose liens in certain situations, which could result in a federal lien on the Pledged Revenues which is superior to the lien thereon of the 2010 Bonds; and the reasonable and necessary exercise, in certain exceptional situations, of the police power inherent in the sovereignty of the State and its governmental bodies in the interest of serving a significant and legitimate public purpose. Bankruptcy proceedings or the exercise of powers by the federal or State government, if initiated, could subject the owners of the 2010 Bonds to judicial discretion and interpretation of their rights in bankruptcy or otherwise, and consequently may entail risks of delay, limitation or modification of their rights.

No Trustee. There is no bond trustee or similar person or entity to monitor or enforce the provisions of the Bond Ordinance on behalf of the Owners of the 2010 Bonds, and therefore the Owners should be prepared to enforce such provisions themselves if the need to do so ever arises.

Secondary Market

No guarantee can be made that a secondary market for the 2010 Bonds will develop or be maintained by the Initial Purchaser or others. Thus, prospective investors should be prepared to hold their 2010 Bonds to maturity.

SOURCES AND USES OF FUNDS

Sources and Uses of Funds

The proceeds from the sale of the 2010 Bonds, together with other available moneys, are expected to be applied in the following manner:

Sources and Uses of Funds

	Amount
SOURCES:	
Principal amount of 2010 Bonds	
Plus (Less): Original issue premium (discount)	
Total	
USES:	
The Refunding Project...	
Costs of issuance (including underwriting discount).......................	

Source: The Financial Advisor.

The Refunding Project

A portion of the 2010 Bond proceeds, together with other available funds, will be used to currently refund the Refunded Bond. To accomplish the Refunding Project, the City will deposit a portion of the 2010 Bond proceeds in the Refunding Account established in the Bond Ordinance. The Refunding Account will be held by the City and used immediately to pay the principal and interest on the Refunded Bond as it becomes due upon prior redemption on or about September 9, 2010.*

* Subject to change.

THE 2010 BONDS

General

The 2010 Bonds will be issued as fully registered bonds in denominations of \$5,000 and any integral multiple thereof. The 2010 Bonds will be dated as of the date of delivery and will bear interest and mature as set forth on the inside cover page of this Official Statement. The 2010 Bonds initially will be registered in the name of “Cede & Co.,” as nominee for DTC, the securities depository for the 2010 Bonds. Purchases of the 2010 Bonds are to be made in book-entry only form. Purchasers will not receive certificates evidencing their beneficial ownership interest in the 2010 Bonds. See “Book-Entry Only System” below.

Payment Provisions

The 2010 Bonds shall bear interest from their date until their maturity date at the rates set forth on the inside cover page of this Official Statement, calculated on the basis of a 360-day year of twelve 30-day months, payable on February 1 and August 1 of each year commencing on February 1, 2011. The payment of interest on any 2010 Bond shall be made to the registered owner thereof by check or draft mailed by the Paying Agent, on each interest payment date (or, if such interest payment date is not a business day, on the next succeeding business day), to the registered owner thereof, at his or her address as shown on the registration records kept by the Registrar as of the close of business on the 15th day of the calendar month next preceding each interest payment date (other than a special interest payment date hereafter fixed for payment of defaulted interest) (the "Regular Record Date"). Any such interest not so timely paid or duly provided for shall cease to be payable to the owner thereof as shown on the registration records of the Registrar as of the close of business on the Regular Record Date and shall be payable to the owner thereof, at his or her address, as shown on the registration records of the Registrar as of the close of business on a date fixed to determine the names and addresses of owners for the purpose of paying defaulted interest (the "Special Record Date"). Such Special Record Date shall be fixed by the Paying Agent whenever moneys become available for payment of the defaulted interest, and notice of the Special Record Date shall be given to the owners of the 2010 Bonds not less than 10 days prior thereto by first-class mail to each such owner as shown on the Registrar's registration records as of a date selected by the Registrar, stating the date of the Special Record Date and the date fixed for the payment of such defaulted interest. The Paying Agent may make payments of interest on any 2010 Bond by such alternative means as may be mutually agreed to between the owner of such 2010 Bond and the Paying Agent. The principal of any 2010 Bond shall be payable to the registered owner thereof as shown on the registration records kept by the Registrar upon maturity thereof and upon presentation and surrender at the office of the Paying Agent. If any 2010 Bond shall not be paid upon such presentation and surrender at or after maturity, it shall continue to draw interest at the interest rate borne by said 2010 Bond until the principal thereof is paid in full. All such payments shall be made in lawful money of the United States of America without deduction for any service charges of the Paying Agent or Registrar.

Notwithstanding the foregoing, payments of the principal of and interest on the 2010 Bonds will be made directly to DTC or its nominee, Cede & Co., by the Paying Agent, so long as DTC or Cede & Co. is the registered owner of the 2010 Bonds. Disbursement of such payments to DTC’s Participants (defined in Appendix C) is the responsibility of DTC, and disbursements of such payments to the Beneficial Owners (defined in Appendix C) is the responsibility of DTC's Participants and the Indirect Participants (defined in Appendix C), as more fully described herein. See "Book-Entry Only System" below.

Redemption Provisions

Optional Prior Redemption. The 2010 Bonds, or portions thereof, maturing on and after August 1, 2021, are subject to redemption prior to their respective maturities, at the option of the City, on and after August 1, 2020, in whole or in part at any time from any maturities selected by the City and by lot, or in such other manner in which the Registrar deems fair, within a maturity (giving proportionate weight to 2010 Bonds in denominations larger than $5,000), at a price equal to the principal amount of each 2010 Bond, or portion thereof, so redeemed, and accrued interest thereon to the redemption date.

Notice of Redemption. Unless waived by any owner of the 2010 Bonds to be redeemed, official notice of prior redemption shall be given by the Registrar on direction of the City, by mailing a copy of a notice of redemption by registered or certified mail as long as Cede & Co. or a successor nominee of a depository is the registered owner of the 2010 Bonds, and otherwise by first-class mail, at least 30 days and not more than 60 days prior to the date fixed for redemption to the Municipal Securities Rulemaking Board and the registered owner of the 2010 Bond or 2010 Bonds to be redeemed at the address shown on the records of the Registrar. Failure to give such notice to the Municipal Securities Rulemaking Board and the registered owner of any 2010 Bond, or any defect therein, shall not affect the validity of the proceedings for the redemption of any other Bonds. All such notices of redemption shall be dated and shall state: the redemption date, the redemption prices, if less than all outstanding 2010 Bonds are to be redeemed, the identification (and, in the case of partial redemption, the respective principal amounts) of the 2010 Bonds to be redeemed, that on the redemption date the redemption price will become due and payable upon each such 2010 Bond or portion thereof called for redemption, and that interest thereon shall cease to accrue from and after said date, and the place where such 2010 Bonds are to be surrendered for payment of the redemption price, which place of payment shall be the office of the Paying Agent.

The notice of redemption having been given as aforesaid, the 2010 Bonds or portions of 2010 Bonds so to be redeemed shall, on the redemption date, become due and payable at the redemption price therein specified, and from and after such date (unless the City shall default in the payment of the redemption price) such 2010 Bonds or portion of 2010 Bonds shall cease to bear interest. Upon surrender of such 2010 Bonds for redemption in accordance with said notice, such 2010 Bonds shall be paid by the Paying Agent at the redemption price. Installments of interest due prior to the redemption date and, if the redemption date is an interest payment date, on the redemption date shall be payable as herein provided for payment of interest. Accrued interest due on any 2010 Bond which is called for prior redemption on a date which is not an interest payment date will be paid at the time the principal of such 2010 Bond is paid. A certificate by the Registrar that notice of redemption has been given as provided in this section shall be conclusive as against all parties; and no owner whose 2010 Bond is called for redemption or any other holder of any 2010 Bond or any other person may object thereto or may object to the cessation of interest on the redemption date on the ground that he failed actually to receive or see such notice of call and redemption.

Notwithstanding the provisions of this section, any notice of redemption may contain a statement that the redemption is conditioned upon the receipt by the Paying Agent of funds on or before the date fixed for redemption sufficient to pay the redemption price of the 2010 Bonds so called for redemption, and that if such funds are not available, such redemption shall be cancelled by written notice to the owners of the 2010 Bonds called for redemption in the same manner as the original redemption notice was mailed.

Tax Covenant

In the Bond Ordinance, the City covenants for the benefit of the owner of the 2010 Bonds that it will not take any action or omit to take any action with respect to the 2010 Bonds, the proceeds thereof, any other funds of the City or any facilities refinanced with the proceeds of the 2010 Bond if such action or omission (i) would cause the interest on the 2010 Bond to lose its exclusion from gross income for federal income tax purposes under the Tax Code, or (ii) would cause interest on the 2010 Bond to lose its exclusion from alternative minimum taxable income as defined in Section 55(b)(2) of the Tax Code. The foregoing covenant shall remain in full force and effect notwithstanding the payment in full or defeasance of the 2010 Bonds until the date on which all obligations of the City in fulfilling the above covenant under the Tax Code have been met. .

Book-Entry Only System

The 2010 Bonds will be available in book-entry form only. DTC will act as the initial securities depository for the 2010 Bonds. The ownership of one fully registered 2010 Bond for each maturity as set forth on the inside cover page of this Official Statement, each in the aggregate principal amount of such maturity, will be registered in the name of Cede & Co., as nominee of DTC. See Appendix C - Book-Entry Only System.

SO LONG AS CEDE & CO., AS NOMINEE OF DTC, IS THE REGISTERED OWNER OF THE 2010 BONDS, REFERENCES IN THIS OFFICIAL STATEMENT TO THE REGISTERED OWNERS OF THE 2010 BONDS WILL MEAN CEDE & CO. AND WILL <u>NOT</u> MEAN THE BENEFICIAL OWNERS.

None of the City, the Registrar or the Paying Agent will have any responsibility or obligation to DTC's Participants or Indirect Participants (defined in Appendix C), or the persons for whom they act as nominees, with respect to the payments to or the providing of notice for the DTC Participants, the Indirect Participants or the beneficial owners of the 2010 Bonds as further described in Appendix C to this Official Statement.

DEBT SERVICE REQUIREMENTS

The following table sets forth the estimated debt service requirements for the 2010 Bonds in each fiscal year, the combined debt service payable on the Prior Bonds in each fiscal year, and the total estimated debt service payable from the Net Pledged Revenues in each fiscal year. For information on the total debt service payable by the City on its currently outstanding general obligation bonds, see "DEBT STRUCTURE--Annual Debt Service Requirements."

Debt Service Requirements(1)*

Fiscal Year Ending June 30	The 2010 Bonds* Principal	Interest(2)	Total	Total Debt Service on Prior Bonds	Grand Total
2011(3)	--	$ 426,537	$ 426,537	$ 5,929,303	$ 6,355,840
2012	--	1,081,363	1,081,363	5,929,303	7,010,665
2013	--	1,081,363	1,081,363	5,929,303	7,010,665
2014	--	1,081,363	1,081,363	5,929,303	7,010,665
2015	$ 390,000	1,073,563	1,463,563	5,929,303	7,392,865
2016	405,000	1,055,638	1,460,638	5,929,303	7,389,940
2017	425,000	1,034,888	1,459,888	5,929,303	7,389,190
2018	445,000	1,013,138	1,458,138	5,929,303	7,387,440
2019	465,000	990,388	1,455,388	5,929,303	7,384,690
2020	490,000	966,513	1,456,513	5,929,303	7,385,815
2021	515,000	941,388	1,456,388	5,929,303	7,385,690
2022	540,000	915,013	1,455,013	5,929,303	7,384,315
2023	570,000	887,263	1,457,263	5,929,303	7,386,565
2024	595,000	858,138	1,453,138	5,929,303	7,382,440
2025	625,000	827,638	1,452,638	1,529,892	2,982,529
2026	660,000	795,513	1,455,513	288,325	1,743,838
2027	690,000	761,763	1,451,763	--	1,451,763
2028	725,000	726,388	1,451,388	--	1,451,388
2029	760,000	689,263	1,449,263	--	1,449,263
2030	800,000	650,263	1,450,263	--	1,450,263
2031	840,000	609,263	1,449,263	--	1,449,263
2032	880,000	565,163	1,445,163	--	1,445,163
2033	925,000	517,781	1,442,781	--	1,442,781
2034	975,000	467,906	1,442,906	--	1,442,906
2035	1,025,000	415,406	1,440,406	--	1,440,406
2036	1,080,000	360,150	1,440,150	--	1,440,150
2037	1,140,000	301,875	1,441,875	--	1,441,875
2038	1,200,000	240,450	1,440,450	--	1,440,450
2039	1,260,000	175,875	1,435,875	--	1,435,875
2040	1,325,000	108,019	1,433,019	--	1,433,019
2041	1,395,000	36,619	1,431,619	--	1,431,619
Total	$21,145,000	$21,655,881	$42,800,881	$84,828,454	$127,629,335

(1) Totals may not add due to rounding.
(2) Represents interest at rates estimated by the Financial Advisor.
(3) Includes $2,964,651 in debt service payments made on the Prior Bonds on July 1, 2010.

Source: The Financial Advisor.

* Subject to change.

SECURITY FOR THE BONDS

General Obligations

General. The 2010 Bonds are direct and general obligations of the City, and the full faith and credit of the City is pledged for the payment of the Bond Requirements of the 2010 Bonds, subject to State constitutional and statutory limitations on the aggregate amount of ad valorem taxes. See "PROPERTY TAX INFORMATION--Property Tax Limitations." The 2010 Bonds are payable by the City from any source legally available therefor at the times such payments are due, including the General Fund of the City. In the event, however, that such legally available sources of funds are insufficient, the City is obligated to levy a general (ad valorem) tax (sometimes called "General Taxes") on all taxable property within the City for payment of the 2010 Bonds, subject to the limitations provided in the constitution and statutes of the State.

Limitations on Property Tax Revenues. The constitution and laws of the State limit the total ad valorem property taxes that may be levied by all overlapping taxing units within each county (including the State, the County, the Washoe County School District (the "school district") any city, or any special district) in each year. Those limitations are described in "PROPERTY TAX INFORMATION--Property Tax Limitations." In any year in which the total property taxes levied within the County by all applicable taxing units exceed such property tax limitations, the reduction to be made by those units must be in taxes levied for purposes other than the payment of their bonded indebtedness, including interest on such indebtedness. See "PROPERTY TAX INFORMATION--Property Tax Limitations."

Pledged Revenues

General. The 2010 Bonds are additionally secured by the Pledged Revenues, which are comprised primarily of an irrevocable pledge of and lien (but not necessarily an exclusive lien) on the Net Pledged Revenues received by the City in connection with the operation and use of the System. See "THE SYSTEM." The lien of the 2010 Bonds on the Pledged Revenues is subordinate to the lien thereon of any Superior Securities issued in the future and on a parity with the lien thereon of the Prior Bonds.

The Net Pledged Revenues are comprised of the Gross Revenues of the System remaining after deduction of Operation and Maintenance Expenses.

"Gross Revenues" means all income and revenues derived directly or indirectly by the City from the operation and use and otherwise pertaining to the Sewer System or any part thereof, whether resulting from repairs, enlargements, extensions, betterments or other improvements to the Sewer System, or otherwise, and includes all revenues received by the City from the Sewer System, including, without limitation, all fees, rates, and other charges for the use of the Sewer System, or for any service rendered by the City in the operation thereof, directly or indirectly, the availability of any such service or the sale or other disposal of any commodity derived therefrom, but excluding any moneys borrowed and used for the acquisition of capital improvements and any moneys received as grants, appropriations or gifts from the United States, the State or other sources, the use of which is limited by the grantor or donor to the construction of capital improvements for the Sewer System, except to the extent any such moneys shall be received as payments for the use of the Sewer System, services rendered thereby, the availability of any such service or the disposal of any such commodities. "Gross Revenues" shall also include all income or other gain from the investment of such income and revenues and of the proceeds of securities payable from Gross Revenues or Net Pledged Revenues.

"Operation and Maintenance Expenses" generally means all reasonable and necessary current expenses of the City, paid or accrued, of operating, maintaining and repairing the Sewer System. For a detailed description of Operation and Maintenance Expenses, including items that are excluded from the definition, see Appendix B - Summary of Certain Provisions of the Bond Ordinance--Certain Definitions.

As described in "Additional Bonds" below, the City may issue additional bond or securities with a lien on the Pledged Revenues that is superior to or on a parity with the lien thereon of the 2010 Bonds.

Historic Pledged Revenues and Debt Service Coverage

General. The following table sets forth a history of the Net Pledged Revenues, the actual debt service paid on the Refunded Bond and the Prior Bonds in each year, and the associated debt service coverage, calculated by dividing the Net Pledged Revenues by the total debt service paid in each year. The table includes information for fiscal years 2006 through 2009, as well as estimated information for fiscal year 2010. *The 2010 estimated results were prepared by the City in connection with the preparation of the fiscal year 2011 budget and reflect the City's current expectations for fiscal year 2010. However, those figures are estimates only, are not necessarily predictive of the final results for fiscal year 2010 and are not to be relied upon as a representation of actual results for fiscal year 2010. Actual figures for fiscal year 2010 will not be available until several months after the end of fiscal year 2010.* There is no assurance that the Pledged Revenues will continue to be realized in the amounts illustrated below or that any revenue sources will increase in future years. See "CERTAIN RISK FACTORS" and other factors described throughout this Official Statement.

After issuance of the 2010 Bonds (and after the effect of the Refunding Project), the combined maximum annual debt service on the 2010 Bonds and the Prior Bonds will be $7,392,865* in fiscal year 2015.* See "DEBT SERVICE REQUIREMENTS."

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* Subject to change.

Historic Net Pledged Revenues and Debt Service Coverage

Fiscal Year Ended June 30,	2006 Actual	2007 Actual	2008 Actual	2009 Actual	2010 Estimated
Gross Revenues					
Charges for Services (1):	$32,164,627	$35,916,389	$37,809,490	$39,094,527	$38,794,179
Connection charges	10,981,553	10,543,828	7,515,822	1,940,344	2,375,150
Licenses and permits	--	123,300	387,725	253,535	260,000
Fines and forfeits	727,343	1,365,411	1,310,266	1,829,009	1,700,000
Investment earnings (2)	590,513	1,268,263	682,364	637,039	55,000
Miscellaneous	1,759,351	174,117	1,743,364	227,322	188,800
Total Gross Revenues	46,223,387	49,391,308	49,449,031	43,981,776	43,373,129
Operation and Maintenance Expenses (3)	24,293,296	27,938,661	29,055,985	29,684,568	33,035,602
Net Pledged Revenues	$21,930,091	$21,452,647	$20,393,046	$14,297,208	$10,337,527
Annual Debt Service on Refunded Bond and Prior Bonds	$2,215,522	$2,700,190	$5,352,652	$8,773,348	$8,888,584
Coverage	9.90x	7.94x	3.81x	1.63x	1.16x

(1) Includes User Fees and other fees.
(2) In some years, may include unrealized (i.e., non-cash) gains and losses, which do not equate to cash available for expenditure.
(3) As defined in the Bond Ordinance. Excludes amortization and depreciation expenses. This amount does not include non-operating expense amounts recorded in the City's audited financial statements (Sanitary Sewer Fund) as "Net Loss from Truckee Meadows Water Reclamation Facility." Those amounts reflect the City's share of the capital costs associated with the TMWRF and its share of TMWRF depreciation.

Source: Derived from the City's Comprehensive Annual Financial Reports for fiscal years 2006-2009, from the 2010-11 Final Budget and from information provided by the City.

For fiscal year 2011, the City has budgeted Gross Revenues of $45,956,967 (comprised, in part, of $40,288,346 in charges for services and $2,359,150 in connection charges) and Operation and Maintenance Expenses of $31,712,046, resulting in budgeted Pledged Revenues of $14,244,921. Based upon the estimated debt service of $6,355,840* for fiscal year 2011, after taking the issuance of the 2010 Bonds and the Refunding Project into account (see "DEBT SERVICE REQUIREMENTS"), the debt service coverage for fiscal year 2011 would be 2.24x.*

Rate Maintenance Covenant

In the Bond Ordinance, the City covenants that it will charge against users or against purchasers of services or commodities pertaining to the System (but not necessarily all users thereof) such fees, rates and other charges as shall be sufficient together with the proceeds

* Subject to change.

from General Taxes and any other funds available therefore to produce Gross Revenues annually which, together with any other funds available therefor, will be in each Fiscal Year of the City at least equal to the sum of: (1) an amount equal to the annual Operation and Maintenance Expenses for such Fiscal Year; (2) an amount equal to the sum of the Annual Principal and Interest Requirements in such Fiscal Year on the then Outstanding Superior Securities, the Outstanding 2010 Bonds and any Outstanding Parity Securities and any amounts required to be accumulated from the Pledged Revenues into any reserves for the 2010 Bonds and such other securities; and (3) any other amounts payable from the Net Pledged Revenues and pertaining to the Sewer System, including, without limitation, debt service on any additional bonds or other additional securities payable from the Net Pledged Revenues and having a lien thereon subordinate, inferior and junior to the lien thereon of the 2010 Bonds ("Subordinate Securities") and any other securities pertaining to the System, operation and maintenance reserves, capital reserves and prior deficiencies pertaining to any account relating to Gross Revenues.

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

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

Flow of Funds

So long as the 2010 Bonds are Outstanding, as to any Bond Requirements (defined in Appendix B), the entire Gross Revenues, upon their receipt from time to time by the City, shall continue to be set aside and credited immediately to the "City of Reno, Nevada Sewer System Gross Pledged Revenues Fund" (the "Revenue Fund"). The moneys on deposit in the Revenue Fund shall be applied in the following order of priority:

<u>Operation and Maintenance Fund</u>. First, as a first charge on the Revenue Fund, from time to time there shall continue to be set aside in and credited to the Operation and Maintenance Fund, moneys sufficient to pay Operation and Maintenance Expenses as budgeted and approved in accordance with NRS 354.470 through 354.626, and all laws amendatory thereof (the "Budget Act"), as such expenses become due and payable, and thereupon they shall be promptly paid. Any surplus remaining at the end of the Fiscal Year and not needed for Operation and Maintenance Expenses shall be transferred to the Revenue Fund and shall be used for the purposes thereof, as described below.

<u>Bond Funds</u>.

Second, from any moneys remaining in the Revenue Fund and concurrently with transfers to any bond funds, reserve funds and rebate funds created with respect to Superior Securities, there shall be credited to such bond funds reserve funds, and rebate funds such amounts as are required to be deposited by the ordinances authorizing the issuance of the Superior Securities.

Third, and subject to the provisions described above, from any moneys remaining in the Revenue Fund, i.e., from the Net Pledged Revenues, and concurrently with the payments required to be made by the ordinances authorizing the issuance of Outstanding Prior Bonds into the bond funds for the Outstanding Prior Bonds and any bond fund for any Parity Securities hereafter issued, there shall be credited to the 2010 Bond Fund the following:

(1) Monthly, commencing on the first day of the month immediately succeeding the delivery of any of the 2010 Bonds, an amount in equal monthly installments necessary, together with any other moneys from time to time available therefor from whatever source, to pay the next maturing installment of interest on the Bonds, and monthly thereafter, commencing on each interest payment date, one-sixth of the amount necessary, together with any other moneys from time to time available therefor from whatever source, to pay the next maturing installment of interest on the 2010 Bonds then Outstanding, except to the extent any other moneys are available therefor.

(2) Monthly, commencing on the first day of the month immediately succeeding the delivery of any of the 2010 Bonds, an amount in equal monthly installments necessary, together with any other moneys from time to time available therefor from whatever source, to pay the next maturing installment of principal of the 2010 Bonds then Outstanding, and monthly thereafter, commencing on each principal payment date, one-twelfth of the amount necessary, together with any other moneys from time to time available therefor from whatever source, to pay the next maturing installment of principal of the 2010 Bonds then Outstanding, except to the extent any other moneys are available therefor.

The moneys credited to the 2010 Bond Fund shall be used to pay the Bond Requirements of the 2010 Bonds as such Bond Requirements become due.

<u>Termination of Deposits</u>. No payment need be made into the 2010 Bond Fund if the amounts in such fund total a sum at least equal to the entire amount of all of the Outstanding 2010 Bonds as to all Bond Requirements, to their respective maturities, and both accrued and not accrued, in which case moneys in those accounts in an amount, except for any interest or other gain to accrue from any investment of moneys in Federal Securities from the time of any such investment to the time or respective times the proceeds of any such investment or deposit shall be needed for such payment, at least equal to such Bond Requirements, shall be used, together with any such gain from such investments, solely to any such Bond Requirements as the same become due and any moneys in excess thereof in those accounts and any other moneys derived from the Pledged Revenues may be used in any lawful manner determined by the City Council.

<u>Rebate Account</u>. Fourth, after the deposits described above and from the Net Pledged Revenues, there shall be transferred and credited to a special and separate account hereby created and designated as the "City of Reno, General Obligation (Limited Tax) Sewer Refunding Bonds (Additionally Secured by Pledged Revenues), Series 2010, Rebate Account" (the "Rebate Account") and to any other fund or account established for payment of amounts due the United States under Section 148(f) of the Tax Code in connection with any securities in such amounts as are required to be deposited therein to meet the City's obligations under the tax covenant contained in the Bond Ordinance (see "THE 2010 BONDS--Tax Covenant"), in

accordance with Section 148(f) of the Tax Code. Such deposits shall be made at such times as are required by Section 148(f) of the Tax Code and such covenant and amounts in the Rebate Account shall be used for the purpose of making the payments to the United States required by such covenant and Section 148(f) of the Tax Code. Any amounts in the Rebate Account in excess of those required to be on deposit therein may be withdrawn therefrom and deposited into the Revenue Fund.

Defraying Delinquencies. If at any time the City shall for any reason fail to pay into the 2010 Bond Fund or the Rebate Account the full amount above stipulated from the Net Pledged Revenues, then an amount shall be paid into such fund at such time, equal to the difference between that paid from the Net Pledged Revenues and the full amount so stipulated. If securities (other than the 2010 Bonds) are Outstanding any lien to secure the payment of which on the Net Pledged Revenues is on a parity with the lien thereon of the 2010 Bonds, and if the proceedings authorizing issuance of those securities require the replacement of moneys in a reserve account therefor, then the moneys replaced in such reserve account shall be replaced on a pro rata basis related to the principal amount of the then Outstanding 2010 Bonds, as moneys become available therefor.

Payment of Additional Bonds. Subject to the provisions described above, but either concurrently or subsequent to the payments required in the Bond Ordinance, any moneys remaining may be used by the City for the payment of Bond Requirements of additional bonds or other additional securities payable from the Net Pledged Revenues and hereafter authorized to be issued in accordance with the Bond Ordinance, including reasonable reserves for such securities and amounts required to be rebated to the United States for such securities, as the same accrue. The lien of such additional bonds or other additional securities on the Net Pledged Revenues and the pledge thereof for the payment of such additional securities shall be superior to, on a parity with or subordinate to the lien and pledge of the 2010 Bonds as provided in the Bond Ordinance. Payments for principal, interest and rebate accounts for Parity Securities shall be made concurrently with such payments required for the 2010 Bonds, but payments for the principal, interest and rebate accounts for additional Subordinate Securities shall be made after such payments required for the 2010 Bonds.

Use of Surplus Revenues. After the payments required to be made as described above are made, any remaining Pledged Revenues may be used at any time during any Fiscal Year whenever in the Fiscal Year there shall have been credited to the Operation and Maintenance Fund, to the bond funds for the Outstanding Prior Bonds, the Rebate Account and to each other security fund and reserve fund, if any, for the payment of any other securities payable from the Net Pledged Revenues, all amounts required to be deposited in those special accounts for such portion of the Fiscal Year, as hereinabove provided, for any one or any combination of lawful purposes relating to the System, or otherwise, as the City Council may from time to time determine, including, without limitation, the payment of any Bond Requirements of any bonds or other securities relating to the Sewer System, general obligations or special obligations.

Additional Bonds

Additional Parity Securities. The Bond Ordinance authorizes the City to issue Superior Securities and additional Parity Securities; provided, however, that the following are express conditions to the authorization and issuance of any such Superior Securities and additional Parity Securities (excluding any parity refunding securities, which must meet the requirements set forth in Appendix B - Summary of Certain Provisions of the Bond Ordinance--Refunding Securities):

(1) At the time of adoption of the instrument authorizing the issuance of the additional Parity Securities, the City shall not be in default in the payment of principal of or interest on the Outstanding Superior Securities, Outstanding Prior Bonds, the 2010 Bonds or any other Parity Securities.

(2) Except as described below, the Gross Pledged Revenues projected by the Finance Director, an Independent Accountant or an Independent Engineer derived in the later of (i) the Fiscal Year immediately following the Fiscal Year in which the facilities to be financed with the proceeds of the additional Parity Securities are projected to be completed, or (ii) the first Fiscal Year for which no interest has been capitalized for the payment of any Outstanding Superior Securities, the Outstanding Bond, any other Outstanding Parity Securities of the City and the Parity Securities proposed to be issued shall be at least sufficient to pay:

(a) An amount equal to the Operation and Maintenance Expenses of the Sewer System for such Fiscal Year, and

(b) An amount equal to the principal and interest requirements to be paid during that Fiscal Year of any Outstanding Superior Securities, the Outstanding Bond, any other Outstanding Parity Securities of the City and the Parity Securities proposed to be issued (excluding any reserves therefor).

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

In any determination of whether or not additional Parity Securities may be issued in accordance with the earnings test described above, the respective annual principal (or redemption price) and interest requirements shall be reduced to the extent such requirements are scheduled to be paid with moneys held in trust or in escrow for that purpose by any trust bank within or without the State, including the known minimum yield from any investment in Federal Securities.

A written certificate or written opinion by the Finance Director, Independent Engineer or an Independent Accountant that the earnings test is met shall be conclusively presumed to be accurate in determining the right of the City to authorize, issue, sell and deliver additional Parity Securities.

In connection with the authorization of any such additional securities, the Council may on behalf of the City adopt any additional covenants or agreements with the holders of such additional securities; provided, however, that no such covenant or agreement may be in conflict with the covenants and agreements of the City in the Bond Ordinance and no such covenant or agreement may be materially adverse to the interests of the holders of the 2010 Bonds. Any finding of the City Council to the effect that the foregoing requirements are met shall, if made in good faith, conclusively establish that the foregoing requirements have been met for purposes of the Bond Ordinance.

Subordinate Securities Permitted. Nothing in the Bond Ordinance prevents the City from issuing Subordinate Securities in the future.

Superior Securities Permitted. The City may issue additional bonds or other additional securities payable from the Pledged Revenues and having a lien thereon prior and superior to the lien thereon of the 2010 Bonds, as long as the Superior Securities are issued as special obligations of the City and the requirements described in "Additional Parity Securities" above are met.

Other Security Matters

No Repealer. Nevada statutes provide that no act concerning the 2010 Bonds or their security may be repealed, amended, or modified in such a manner as to impair adversely the 2010 Bonds or their security until all of the 2010 Bonds have been discharged in full or provision for their payment and redemption has been fully made.

Priority for Bonds on Tax Rates. As provided in NRS 361.463, in any year in which the total General Taxes levied against the property in the City by all overlapping units within the boundaries of the City exceeds the limitation imposed by NRS 361.453 (i.e., the $3.64 per $100 of assessed value limit) , or a lesser or greater amount fixed by the State Board of Examiners in any Fiscal Year, and it becomes necessary by reason thereof to reduce the levies made by any and all such units, the reductions so made shall be in General Taxes levied by such unit or units (including, without limitation, the City and the State) for purposes other than the payment of their bonded indebtedness, including interest thereon. The General Taxes levied for the payment of such bonded indebtedness and the interest thereon shall always enjoy a priority over General Taxes levied by each such unit (including, without limitation, the City and the State) for all other purposes where reduction is necessary in order to comply with the limitation of NRS 361.453. Also see "PROPERTY TAX INFORMATION--Property Tax Limitations - Overlapping Property Tax Caps."

No Recourse. No recourse shall be had for the payment of the principal of, any interest on, or any prior redemption premiums due in connection with any 2010 Bonds, or for any claim based thereon or otherwise upon the Bond Ordinance authorizing their issuance, against any individual member, officer, or other agent of the City, past, present or future, either directly or indirectly by virtue of any statute or rule of law.

PROPERTY TAX INFORMATION

Property Tax Base and Tax Roll

General. The State Department of Taxation reports the assessed valuation of property within the City for the fiscal year ending June 30, 2011, to be $6,444,340,298 (excluding the assessed valuation attributable to the Reno Increment District and the Reno Redevelopment Agency (together, the "Redevelopment Agency"), which represents an 8.5% decline from the assessed valuation for fiscal year 2010.

State law requires that county assessors reappraise at least once every five years all real and secured personal property (other than certain utility owned property which is centrally appraised and assessed by the Nevada Tax Commission). While the law provides that in years in which the property is not reappraised, the county assessor is to apply a factor representing typical changes in value in the area since the preceding year, it is the policy of the Washoe County Assessor to reappraise all real and secured personal property in the City each year. State law currently requires that property be assessed at 35% of taxable value; that percentage may be adjusted upward or downward by the Legislature. Based upon the assessed valuation for fiscal year 2011, the taxable value of all taxable property within the City (excluding the taxable value attributable to the Redevelopment Agency) is $18,412,400,851.

"Taxable value" is defined in the statutes as the full cash value in the case of land and as the replacement cost less straight-line depreciation in the case of improvements to land and in the case of taxable personal property, less depreciation in accordance with the regulations of the Nevada Tax Commission but in no case an amount in excess of the full cash value. Depreciation of improvements to real property must be calculated at 1.5% of the cost of replacement for each year of adjusted actual age up to a maximum of 50 years. Adjusted actual age is actual age adjusted for any addition or replacement made which is valued at 10% or more of the replacement cost after the addition or replacement. The maximum depreciation allowed is 75% of the cost of replacement. When a substantial addition or replacement is made to depreciable property, its "actual age" is adjusted i.e., reduced to reflect the increased useful term of the structure. The adjusted actual age has been used on appraisals for taxes since 1986-87.

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

History of Assessed Valuation. The following table provides a history of the total assessed valuation in the City. The assessed valuation in the City has increased in each year shown. However, due to property tax abatement laws enacted in 2005 (described in "Required Property Tax Abatements" below) the taxes collected by the City will be capped and likely will not change at the same growth rate as the assessed value.

History of Assessed Value - City of Reno, Nevada

Fiscal Year Ended June 30,	Assessed Valuation(1)	Percent Change
2006	$5,569,976,284	--
2007	6,437,304,944	15.6%
2008	6,895,546,972	7.1
2009	7,807,016,641	13.2
2010(2)	7,043,707,442	(9.8)
2011	6,444,340,298	(8.5)

(1) Excludes the assessed valuation of the Redevelopment Agency in the following amounts: 2006 - $125,150,811; 2007 - $124,799,490; 2008 - $204,353,980; 2009 - $321,791,250; 2010 - $242,446,181; and 2011 - $115,370,950.
(2) In January 2009, the County Assessor reduced the taxable value of most land within the County by 15% for the 2009-10 tax roll.

Source: Property Tax Rates for Nevada Local Governments - State of Nevada Department of Taxation, 2005-06 through 2010-11.

Property Tax Collections

In Nevada, county treasurers are responsible for collecting property taxes, and forwarding the allocable portions thereof to the overlapping taxing units within the counties. A history of the City's tax roll collection record appears in the following table.

Property Tax Levies, Collections and Delinquencies - City of Reno, Nevada (in thousands)(1)

Fiscal Year Ending June 30	Taxes Levied for the Fiscal Year(2)	Collected within the Fiscal Year of Levy: Amount	Collected within the Fiscal Year of Levy: % of Levy	Collections in Subsequent Years	Total Collections to Date: Amount	Total Collections to Date: % of Levy
2005	$48,263	$47,836	99.1%	$237	$48,073	99.6%
2006	51,949	51,203	98.6	--	51,203	98.6
2007	59,649	59,075	99.0	232	59,307	99.4
2008	64,543	64,058	99.3	358	64,416	99.8
2009	64,184(3)	61,905	96.4	786	62,691	97.7
2010(4)	62,932	61,887	98.3	885	62,772	99.8

(1) Amounts in thousands. Subject to revision. Represents the real property tax roll levies (including any supplemental real estate taxes billed) and collections.
(2) Figured on collections to net levy (actual levy less stricken taxes).
(3) Figure includes adjustments to the original levy.
(4) As of June 30, 2010.

Source: Washoe County Treasurer's Office.

Taxes on real property are due on the third Monday in August unless the taxpayer elects to pay in installments on or before the third Monday in August and the first Mondays in October, January and March of each fiscal year. Penalties are assessed if any taxes are not paid within 10 days of the due date as follows: 4% of the delinquent amount if one installment is delinquent, 5% of the delinquent amount plus accumulated penalties if two installments are delinquent, 6% of the delinquent amount plus accumulated penalties if three installments are delinquent, and 7% of the delinquent amount plus accumulated penalties if four installments are delinquent. In the event of nonpayment, the County Treasurer is authorized to hold the property for two years, subject to redemption upon payment of taxes, penalties and costs, together with interest at the rate of 10% per year from the date the taxes were due until paid. If delinquent taxes are not paid within the two-year redemption period, the County Treasurer obtains a deed to the property free of all encumbrances. Upon receipt of a deed, the County Treasurer may sell the property to satisfy the tax lien and assessments by local governments for improvements to the property. State law provides alternative remedies for the collection of taxes in certain instances, including judicial foreclosure (which may take place before the expiration of the two-year redemption period) and the issuance of a tax lien to the County Treasurer which may be sold before the expiration of the two-year redemption period (but remains subject to redemption).

Largest Taxpayers in the City

The following chart represents the ten largest taxpayers based on property-owning taxpayers in the City and the respective assessed values of the property for the 2009-2010 fiscal year. No independent investigation has been made of, and consequently there can be no representation as to, the financial conditions of the taxpayers listed, or that such taxpayers will continue to maintain their status as major taxpayers based on the assessed valuation of their property in the City.

The United States is experiencing a widespread recession accompanied, among other factors, by declines in residential real estate sales, mortgage lending and related construction activity. These trends are likely to have far-reaching effects on the economic activity in the City for an indeterminate period. The near-term and long-term impact of these factors on the northern Nevada economy and the City's operating activities cannot be predicted at this time but may be substantial. It is possible that one or more of the major taxpayers in the City may be experiencing varying degrees of financial difficulty; those or other entities may encounter future difficulties that could negatively impact the timely payment of property taxes.

City of Reno-Ten Largest Property Taxpayers (Fiscal Year 2009-10)(1)

Taxpayer	Type of Business	Assessed Value	% of Total Assessed Value(2)
Peppermill Casino Inc.	Hotel/Casino	$101,465,595	1.39%
Golden Road Motor Inn Inc.	Hotel/Casino	41,745,486	0.57
Circus & Eldorado Joint Venture	Hotel/Casino	41,165,385	0.56
Credit Markets Real Estate Corp.	Hotel/Casino	37,107,026	0.51
International Game Technology	Gaming manufacturing	35,280,000	0.48
Prologis NA3 LLC	Distribution facilities	30,508,461	0.42
Montage Marketing Corporation	Real estate/ condominium sales	24,618,520	0.34
Prologis NA3 NV V LLC	Hotel/Casino	24,255,912	0.33
Charles River Laboratories, Inc.	Drug development research	23,323,485	0.32
Harrahs Operating Company Inc.	Hotel/Casino	21,465,827	0.29
TOTAL		$380,935,697	5.23%

(1) Real property only; excludes centrally assessed property. Subject to revision.
(2) Based on the City's fiscal year 2010 total assessed valuation of $7,286,153,623 (which includes the assessed valuation of the Redevelopment Agency of $242,446,181).

Source: Washoe County Assessor's Office.

Property Tax Limitations

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

Local Government Property Tax Revenue Limitation. State statutes limit the revenues local governments, other than school districts, may receive from ad valorem property taxes for purposes other than paying certain general obligation indebtedness which is exempt from such ad valorem revenue limits. These revenue limitations do not apply to ad valorem taxes levied to repay the Bonds, which are exempt from such ad valorem revenue limits. This rate is generally limited as follows. The assessed value of property is first differentiated between that for property existing on the assessment rolls in the prior year (old property) and new property. Second, the property tax revenue derived in the prior year is increased by no more than 6% and the tax rate to generate the increase is determined against the current assessed value of the old property. Finally, this tax rate is applied against all taxable property to produce the allowable property tax revenues. This cap operates to limit property tax revenue dependent upon changes in the value of old property and the growth and value of new property.

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

The County, Reno and the City of Sparks each are levying various tax overrides as allowed or required by State statutes.

School districts levy a tax of $0.75 per $100 of assessed valuation for operating purposes. School districts are also allowed an additional levy for voter-approved pay-as-you-go tax rates, and voter approved or short-term public safety debt service.

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

Abatement of Taxes for Severe Economic Hardship

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

The legislation implementing that amendment provides that the owner of a single-family residence may file a claim with the county treasurer to postpone the payment of all or part of the property tax due against the residence if (among other requirements): the residence has an assessed value of not more than $175,000; the property owner does not own any other real property in the State with an assessed value of more than $30,000; the residence has been occupied by the owner for at least 6 months; the owner is not in bankruptcy; the owner owes no delinquent property taxes on the residence; the owner has suffered severe economic hardship caused by circumstances beyond his control (such as illness or disability expected to last for at least 12 continuous months); and the total annual income of the owner's household is at or below the federally designated poverty level. The amount of tax that may be postponed may not exceed the amount of property tax that will accrue against the residence in the succeeding three fiscal years. Any postponed property tax (and any penalties and the interest that accrue as provided in the statue) constitutes a perpetual lien against the residence until paid. The postponed tax becomes due and payable if: the residence ceases to be occupied by the claimant or is sold; any non-postponed property tax becomes delinquent; if the claimant dies; or on the date upon which the postponement expires, as determined by the county treasurer. To date, the County Treasurer has not received material requests to postpone the payment of the property tax as described above.

Required Property Tax Abatements

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

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

Levies for Debt Service. Revenues resulting from increases in the rate of ad valorem taxes for the payment of tax-secured obligations are exempt from the Abatement Act formulas if increased rates are necessary to pay debt service on the related obligation in any fiscal year if (1) the tax-secured obligations were issued before July 1, 2005; or (2) the governing body of the taxing entity and the County Debt Management Commission make findings that no increase in the rate of an ad valorem tax is anticipated to be necessary for payment of the obligations during their term. Ad valorem tax rate increases to pay debt service on the 2010 Bonds are exempt from the Abatement Act formulas.

General Effects of Abatement. Limitations on property tax revenues could negatively impact the finances and operations of the taxing entities in the State, including the County, to an extent that cannot be determined at this time.

Overlapping Tax Rates and General Obligation Indebtedness

The following table presents a five-year tabulation of the average statewide tax rate and a sample overlapping tax rates for the City. The overlapping rates for areas within the City vary depending upon location. The highest overlapping district tax rate in the City for 2010-11 is \$3.6463; the highest overlapping tax rate in the County is \$3.6600 in the Truckee Meadows Fire Protection District and in portions of the Palomino Valley General Improvement District.

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

Fiscal Year Ended June 30,	2007	2008	2009	2010	2011
Average Statewide Rate	$3.1471	$3.1526	$3.1727	$3.2162	$3.1320
Washoe County (2)	$1.3917	$1.3917	$1.3917	$1.3917	$1.3917
Washoe County School District	1.1385	1.1385	1.1385	1.1385	1.1385
City of Reno	0.9456	0.9456	0.9456	0.9456	0.9456
Truckee Meadows Underground Water Dist.	0.0017	0.0012	0.0005	0.0004	0.0005
State of Nevada (3)	0.1700	0.1700	0.1700	0.1700	0.1700
TOTAL	$3.6475	$3.6470	$3.6463	$3.6462	$3.6463

(1) Per $100 of assessed valuation.
(2) Includes the State Indigent Trust Rate of $0.0150.
(3) $0.0200 of the State rate is exempt from the $3.64 cap. See "Property Tax Limitations" above.

Source: Property Tax Rates for Nevada Local Governments - State of Nevada - Department of Taxation, 2006-07 through 2010-11.

Overlapping Debt

In addition to the general obligation indebtedness of the City (see "DEBT STRUCTURE--Outstanding Indebtedness and Other Obligations"), other taxing entities are authorized to incur general obligation debt with boundaries which overlap or partially overlap the boundaries of the City. The following chart sets forth the estimated overlapping general obligation debt within the City as of August 1, 2010.

Outstanding Overlapping Net General Obligation Indebtedness

Entity(1)	Total General Obligation Indebtedness	Presently Self-Supporting Amount	Net Direct General Obligation Indebtedness	Percent Applicable(2)	Overlapping Net General Obligation Indebtedness(3)
Washoe County	$ 365,074,467	$ 301,519,467	$ 63,555,000	47.18%	$ 29,985,249
Washoe County School District	536,848,906	--	536,848,906	47.18	253,285,314
State of Nevada	2,252,480,000	670,805,000	1,581,675,000	6.95	109,926,413
TOTAL	$3,154,403,373	$972,324,467	$2,182,078,906		$393,196,975

(1) Other taxing entities overlap the City and may issue general obligation debt in the future.
(2) Based on fiscal year 2011 assessed valuation in the respective jurisdiction.
(3) Overlapping Net General Obligation Indebtedness equals total existing general obligation indebtedness less presently self-supporting general obligation indebtedness times percent applicable.

Source: Compiled by the Financial Advisor.

The following table sets forth the total net direct and overlapping general obligation indebtedness attributable to the City as of August 1, 2010, including the issuance of the 2010 Bonds and the effect of the Refunding Project.

Net Direct & Overlapping General Obligation Indebtedness*

Total Direct General Obligation Indebtedness (1)	$147,065,460*
Less: Presently Self-Supporting General Obligation Indebtedness	(93,475,460)*
Net Direct General Obligation Indebtedness	53,590,000
Plus: Overlapping General Obligation Indebtedness	393,196,975
Direct & Overlapping General Obligation Indebtedness	$446,786,975*

(1) See "DEBT STRUCTURE--Outstanding Indebtedness and Other Obligations."

Source: Compiled by the Financial Advisor.

Selected Debt Ratios

The following table sets forth selected ratios of the gross and net direct general obligation debt of the City.

Selected Direct General Obligation Debt Ratios

Fiscal Year Ended June 30,	2007	2008	2009	2010	2011
Population (1)	220,613	223,012	218,143	218,143	218,143
Assessed Value (2)	$ 6,437,304,944	$ 6,895,546,972	$ 7,807,016,641	$ 7,043,707,442	$ 6,444,340,298
Taxable Value (2)	$18,392,299,840	$19,701,562,777	$22,305,761,831	$20,124,878,406	$18,412,400,851
Gross Direct G.O. Debt (3)	$108,321,074	$122,346,313	$156,347,110	$144,982,234	$147,065,460
RATIO TO:					
Per Capita	$491.00	$548.61	$716.72	$664.62	$674.17
Percent of Assessed Value	1.68%	1.77%	2.00%	2.06%	2.28%
Percent of Taxable Value	0.59%	0.62%	0.70%	0.72%	0.80%
Net Direct G.O. Debt (3)(4)	$19,700,000	$39,500,000	$77,609,000	$70,465,000	$53,590,000
RATIO TO:					
Per Capita	$89.30	$177.12	$355.77	$323.02	$245.66
Percent of Assessed Value	0.31%	0.57%	0.99%	1.00%	0.83%
Percent of Taxable Value	0.11%	0.20%	0.35%	0.35%	0.29%

(1) For 2007-2009, State Demographer estimates as of July 1 of each year shown. The 2009 population estimate also is used in 2010 and 2011 because it is the most recent estimate available.
(2) See "PROPERTY TAX INFORMATION--Property Tax Base and Tax Roll Collection" for an explanation of Assessed Value and Taxable Value. The assessed valuation of the Redevelopment Agency is not used in calculating debt ratios because they are not subject to taxation for retirement of general obligation debt.
(3) In 2011, reflects outstanding debt as of August 1, 2010, including the 2010 Bonds and the effect of the Refunding Project.
(4) Includes general obligation bonds and medium-term bonds, but does not include, self supporting general obligation bonds, revenue bonds, assessment district bonds, installment purchase agreements, lease purchase agreements or contingent liabilities. Excludes the 2010 Bonds.

Source: Property Tax Rates for Nevada Local Governments - State of Nevada Department of Taxation, 2006-07 through 2010-11.

* Subject to change.

THE SYSTEM

Service Area

The System's service area generally coincides with the City boundary, with the exception of a few unincorporated urban areas in the County that abut the City boundary; those unincorporated areas are served by the System and the TMWRF. In addition, pursuant to interlocal agreement, certain customers within the South Truckee Meadows portion of the City are served by the South Truckee Meadows Water Reclamation Facility (the "STMWRF"), which is owned and operated by the County.

Administration and Employees

General. Direct System management is part of the City's Public Works Department, which is under the general supervision of the City Manager. Brief biographies for the City personnel responsible for management of the System follow. A brief biography for the manager of the TMWRF, an employee of Sparks, also is included.

John Flansberg, Director of Public Works. John Flansberg was appointed the City's Director of Public Works effective April 12, 2010. Mr. Flansberg has been employed with the City since 2005, when he was hired to be the Deputy Director of Public Works. He was placed in the Interim Director of Public Works position in October 2009. Mr. Flansberg previously held several positions with the City of Carson City, Nevada between 1997 and 2005 including Street Superintendent, Street Operations Manager, Transportation Manager, and Deputy City Engineer. Prior to working for the City of Carson City, Nevada, he worked for Granite Construction Company, Nevada Operations, as a Project Manager/Estimator. Mr. Flansberg has a Bachelor of Science Degree in Civil Engineering from Oregon State University and is a licensed Professional Engineer in the State of Nevada.

Stephen W. Long, RSWRF Facility Operator. Mr. Long has been the Facility Supervisor for the RSWRF since 2002. He has 26 years of experience in wastewater treatment, including serving as the Senior Operator/Maintenance Supervisor for the City of Orem Utah Water Reclamation Facility from 1996 to 2002, as plant manager for the Subdivision of Saratoga Springs Utah from 1995 to 1999, and as a wastewater treatment plant operator for the Central Valley Water Authority (Utah) and an Operator II/Chief Operator for the Gulf Coast Waste Disposal Authority (Houston, TX). Mr. Long holds a Nevada Grade IV Wastewater Treatment Plant Operator license and also holds wastewater licenses in Utah and Texas. Among other accomplishments, he has served as the Professional Wastewater Operators Representative to the Water Environment Federation and as President of the Nevada Water Environment Federation.

Starlin Jones, Operations and Maintenance Manager - TMWRF. Mr. Jones became the Operations and Maintenance Manager of the TMWRF in 2010 after having served as the Operations Superintendent since 2004. He also worked as a Senior Operator Grade III at the TMWRF for 8 years. Mr. Jones' prior experience includes five years as a Grade I Operator and Grade II shift leader for the City of Livermore (CA) Water Reclamation Plant, Operator in Training/Grade I Operator for the City of Merced, California, and Regional Occupational Program, Wastewater Treatment Plant Operator, Dublin San Ramon Services District, California. Mr. Jones holds a Bachelor of Science degree in Business Management from the University of Phoenix, Reno, Nevada. He also holds a Nevada Wastewater Operator Grade V license and an NWEA Quality Analyst Grade I license. Among other accomplishments, Mr. Jones is a member of the Nevada Wastewater Operator Certification Board and the Professional Wastewater Operators delegate at large for the Water Environment Federation House of Delegates.

The System's employees (other than those employed at the TMWRF) are City employees; information as to the City's employee benefits, pensions and other matters can be found in "THE CITY--Employees; Benefits and Pension Matters."

The System

General. The System consists of wastewater collection facilities, wastewater treatment facilities and reclaimed water distribution facilities. The System serves all areas of Reno, including the Stead and South Truckee Meadows neighborhoods. According to the City, it has acquired, and has on file with the Office of the State Engineer, the primary and secondary water rights associated with the beneficial use of reclaimed water from the TMWRF and the RSWRF.

The collection facilities consist of approximately 80 miles of interceptor sewers, 675 miles of local sewers, and 24 pumping stations. The wastewater treatment facilities consist of the Reno-Stead Water Reclamation Facility (the RSWRF), which is located on land owned by the City, and the Truckee Meadows Water Reclamation Facility (the TMWRF), which is located on land jointly owned by the City and Sparks. The reclaimed water distribution facilities are used to discharge or beneficially reuse the water produced at the treatment facilities. The RSWRF reclaimed water is discharged to the Swan Lake playa and wetlands and is pumped to reuse sites for construction water use and for irrigation of local parks, ball fields and a golf course. The TMWRF reclaimed water is discharged to the Truckee River and is pumped to reuse sites for construction water use and for irrigation of agricultural fields, parks, sports fields, golf courses and street landscaping.

The RSWRF has been completely upgraded and expanded in series of improvement projects during the past 12 years. The RSWRF treatment and reclaimed water facilities are in very good condition. The mechanical and electrical components have a 10 year useful life. The structural components have a 45 year useful life.

The TMWRF has undergone multiple improvement projects to increase hydraulic capacity, upgrade treatment capabilities, and to replace aging unit process components in the past 12 years. The TMWRF treatment and reclaimed water facilities are in fair condition, overall, but specific TMWRF treatment processes are in poor condition. The mechanical and electrical components have a 10 year useful life. The structural components have a 45 year useful life, and about 35% of the TMWRF facility has been in service since 1966.

Some older sections of the collection system have been reconditioned in strategic locations through pipeline replacement and lining projects in the past 10 years. Five lift stations have been replaced or rebuilt during the past 10 years. The majority of the System collection system has not been rehabilitated, and it remains in fair to poor condition.

The RSWRF. The RSWRF is owned and operated by the City. It serves the Stead community, located approximately 9 miles northwest of downtown Reno, which originated with the development of an Air Force training base in the 1940's. When two residential neighborhoods were constructed in the mid-1950's to house base personnel and their families, a sewer collection system and wastewater treatment plant were constructed and operated by the

Army Corps of Engineers. The City acquired the wastewater facilities in the 1960's and in 1974 replaced the original trickling filter process with an activated sludge oxidation ditch process. The plant was modified in 1987 to improve the secondary clarification and effluent disinfection processes, and the sludge drying beds were replaced with centrifuge dewatering in 1994. The plant was improved in 1999 and then fully upgraded and expanded in 2006 to provide high quality effluent for reuse purposes.

The RSWRF has the permitted capacity to treat a maximum month flow of 2.35 million gallons per day ("mgd") of municipal wastewater. The maximum month flow in fiscal year 2010 was 1.89 mgd. The reclaimed water from the plant either discharges by gravity to Swan Creek which drains to the Swan Lake wetlands in Lemmon Valley playa, or it is pumped to community parks, ball fields and a golf course for turf irrigation.

The RSWRF treatment facilities include influent screening and grit removal, two aeration basins designed to achieve biological nutrient removal, two secondary clarifiers, six deep-bed continuous backwash effluent filters, two chlorine contact basins, a dechlorination and final outfall structure, a reclaimed water storage and pumping station, sludge storage and sludge pumping stations, chemical storage and feed facilities, and a diesel-powered generator the provides full emergency backup power. All RSWRF waste sludge is pumped to the TMWRF for treatment and disposal. All treatment processes and equipment are monitored through a sophisticated SCADA system that allows computerized and remote control of the plant operations.

<u>The Truckee Meadows Wastewater Reclamation Facility Agreement</u>. Pursuant to an agreement dated March 24, 1980 (as subsequently amended, the "TMWRF Agreement"), the City and the City of Sparks ("Sparks") jointly own and operate the TMWRF. The ownership of the TMWRF capacity is shared between Reno and Sparks as specified in the TMWRF Agreement, as follows: Reno Share - 68.63% and Sparks Share - 31.37%. Sparks leases 1.80 million gallons per day ("MGD") of its capacity to the Sun Valley General Improvement District ("SVGID") and SVGID subleases 0.48 MGD to the County. The City provides up to 1.35 MGD of its capacity to serve areas of the County.

<u>The TMWRF</u>. The TMWRF is located on the east side of the Truckee Meadows at the confluence of Steamboat Creek and the Truckee River. The facility serves the central Truckee Meadows, including areas within the City, the SVGID and portions of the County that are within the Truckee Meadows and the Spanish Springs Valley. The TMWRF sewer system conveys wastewater flows from the Truckee Meadows Valley, Spanish Springs Valley, Sun Valley, Verdi/Truckee Canyon, and portions of the Golden Valley and Lemmon Valley hydrographic basins through a combination of gravity sewers, inverted siphons and lift stations.

The City and Sparks commissioned the construction of TMWRF in 1964 and the cities have jointly owned and operated TMWRF since 1967, when the first phase of the present treatment facility was completed with a permitted capacity of 20 MGD. In 1978-80 the TMWRF permitted capacity was expanded to 30 MGD and phosphorous removal facilities were added. In the 1980s the TMWRF permitted capacity was increased to 40 MGD and nitrogen removal facilities were added. The TMWRF Phase III Expansion Project was initiated in 1999 and was completed in 2007. The goal of the project was to replace older equipment, to upgrade treatment processes, and to increase the permitted capacity of TMWRF to 46.48 MGD.

TMWRF has a permitted capacity of 44 mgd, a design capacity of 40 mgd, and currently operates at about 28 mgd. The design capacity is limited by the loading capacity of the secondary clarifiers. The TMWRF unit processes are designed and operated to meet the stringent permit limits established for the discharge of nitrogen and phosphorus to the Truckee River. The phosphorus limit is maintained with aeration basins configured with selector zones to achieve biological phosphorus removal (Bio-P), tertiary effluent filtration and the treatment of dewatering centrate with ferric chloride. The total nitrogen limit is maintained by passing all secondary clarifier effluent through nitrification towers and denitrification reactors. TMWRF effluent is disinfected and dechlorinated prior to discharge to Steamboat Creek. During irrigation season, typically April through September, approximately 4000 acre-feet (7 mgd) of the TMWRF effluent is pumped to reuse sites in the City and Sparks.

Primary solids are gravity thickened prior to anaerobic digestion and waste activated solids are thickened with diffused air floatation prior to anaerobic digestion. The thickened sludge streams are combined just prior to entering the digester complex. The anaerobic digestion process includes one acid phase digester and four standard digesters. All digesters are operated in the mesophilic range with mechanical mixing. A fourth digester is used as a holding and feed tank for the centrifuge dewatering operation. The digested sludge is dewatered with vintage Bird centrifuges. The dewatered solids are hauled daily to the local municipal landfill. The gas from the acid phase digester is flared for odor and air emission control. The gas from the standard digesters is burned to heat water. The hot water is used for heating digester sludge and for heating the TMWRF buildings. Excess gas is flared. A project to replace the aging electricity generator, which is driven by an engine fueled with digester gas, is being developed with the goal of generating nearly 40% of the TMWRF electrical demand with digester gas.

<u>Operation of the TMWRF</u>. A committee known as the Joint Coordinating Committee advises the City Council and the Sparks city council on matters relating to the TMWRF. The Joint Coordinating Committee is composed of ten members which are required to be: one City Council Member, the City Manager, the City's Director of Maintenance and Engineering (or City Engineer) and the City Finance Director, one member of the Sparks city council, the Sparks city manager, the Sparks director of public works or city engineer and the Sparks finance director. One member is appointed by the County board of commissioners and must be a board member or employee of the County; the tenth member is appointed by the board of directors of the Sun Valley Water and Sanitation District, which leases capacity in the System from the City. The Joint Coordinating Committee elects a chairman from among its members and regular meetings are held as set forth in the TMWRF Agreement. In February of each year, the Joint Coordinating Committee proposes a budget for the ensuing fiscal year. Each of the cities must approve the budget for the TMWRF.

Sparks is responsible for administration and daily operations of the TMWRF. Sparks employs the TMWRF staff and manages the day-to-day operations of the TMWRF. The City provides oversight of the TMWRF budget, capital improvements, construction-related contracts, facilities planning, regulatory compliance and permitting issues. The cost of operating and maintaining the TMWRF is divided in proportion to the volume of sewage entering from each City. Reno and Sparks share the cost of the TMWRF operations and maintenance budget pursuant to the TMWRF Agreement which apportions costs based on the measured sewer flow generated within each city's service area. Currently, Reno funds about 70% of the TMWRF costs and Sparks about 30%. The City and Sparks spend about 33% of their non-capital sewer budgets on TMWRF operation and maintenance costs. The costs of maintaining the North Truckee Interceptor also are shared between the parties. The City's share of the operation and maintenance costs are payable to Sparks quarterly in advance. The allocation of the costs of capital projects related to the TMWRF are determined by the cities on a case-by-case basis. The TMWRF Agreement provides that Sparks will lease any excess capacity to the City if certain flow capacities are met at rates set forth in the TMWRF Agreement; any lease charges are in addition to the operation and maintenance charges.

The City has paid Sparks the following amounts for TMWRF operation and maintenance: fiscal year 2006 - $11.7 million; fiscal year 2007 - $12.7; fiscal year 2009 - $12.4 million; and estimated fiscal year 2010 - $14.3 million. The City has budgeted $14.0 million for TMWRF operation and maintenance expenses for fiscal year 2011. See Note 6 in the audited financial statements attached hereto as Appendix A for a further description of the accounting treatment of the City's participation in the TMWRF.

Other System Agreements. In addition to the TMWRF Agreement, the City is a party to several interlocal agreements with respect to the TMWRF, the RSWRF and the STMWRF. For example, the City, Sparks and the County have entered into various interlocal agreements regarding planning for wastewater treatment facilities and the design and construction of expansions to the TMWRF and the STMWRF. Certain of those agreements contemplate the construction of additional facilities to increase treatment capacity at the TMWRF and the STMWRF and construction of reuse water projects in future years. However, those projects will not be undertaken until needed and until the City's user charges and connection fees can support additional bonds needed to finance the facilities.

The City and the County also have entered into a City/County Agreement Regarding Transfer and Treatment of Sewer Customers Residing in City dated July 13, 1999 (the "City/County Agreement") to provide for the provision of sewer service in areas with overlapping service areas. Pursuant to that agreement, the County transferred its sewer collection facilities located within the City boundaries to City ownership and agreed to transfer sewer collection facilities in any area annexed to the City in the future (unless needed by the County to serve its customers). In addition, pursuant to the City/County Agreement, sewer service for City residents and businesses in the South Truckee Meadows area of the City is provided by the County through the STMWRF. The County charges the City directly for provision of the service; payments are due to the County quarterly. The City collects sewer user fees from its residents and businesses pursuant to the rate ordinance, and pays the County at the County user fee rate, which currently is approximately 30% more than the City collects from customers pursuant to the rate ordinance. The City's user fee revenue is shown net of these payments. The number of accounts subject to the City/County Agreement is 8,986 (8,036 residential accounts and 950 commercial accounts).

System Capacity and Constraints. System capacity is directly linked to growth within the service area. A consensus population projection has been developed and recently updated for the regional water and wastewater service areas through the year 2030. The consensus projection is approximately 36% overall regional growth over 20 years. Should growth occur as projected in the consensus projection, the System may not have sufficient capacity to serve the growth that may occur within the City's service area. However, System capacity depends on the pattern of growth within the City service area, and the pace of growth in specific areas. The System capacity will be sufficient if certain existing restraints, listed below, are relieved.

RSWRF Constraints. RSWRF treatment capacity may need to be expanded from current 2 mgd to 3 mgd, depending on development of the North Valleys area. In addition, the RSWRF reclaimed water system may need to be expanded from current 2 mgd to 3 mgd, depending on development of the North Valleys.

TMWRF Constraints. TMWRF rehabilitation projects to replace aging structural, mechanical and electrical systems must be funded and constructed. In addition, use of the TMWRF reclaimed water system needs to be expanded to consume the entire 6,700 acre feet annually ("afa") that is available compared to the current 4,000 afa used; construction of pipeline and pumping systems to intertie the TMWRF with the STMWRF and the RSWRF reclaimed water systems may be needed to accomplish this.

TMWRF discharge to the Truckee River currently is restricted in terms of the amount of nutrients and salts that are permitted on a daily basis. Revisions to the TMWRF permitted discharge of these constituents or significant treatment upgrades may be required, depending on growth in the Central Truckee Meadows service area.

Other Constraints. The North Virginia Interceptor replacement project must be completed to accommodate projected growth in the area north of I-80. In addition, sewer rehabilitation projects to replace or recondition aging pipes and pump stations throughout the System must be funded and constructed.

Pretreatment Program. The discharge permits for the RSWRF and the TMWRF require the City to operate an industrial pretreatment program in compliance with federal law; place; that program is enforced through the NDEP. The City's pretreatment program is codified in Chapter 12.16 of the City's Municipal Code. The pretreatment program is organized and managed within the Public Works Department in a separate Environmental Control section. Currently, approximately 1,700 businesses operate under discharge permits.

Customer Rates and Charges

Sewer System Rates and Charges. The City imposes service charges and connection charges with respect to the Sewer System. The City is required by current ordinances to review, at least once every two years, the wastewater contribution of users or user classes, the total costs of operation and maintenance of the System, and its appropriate user charges. The City is required to revise the charges for users or use classes to accomplish the following: (1) maintain the proportionate distribution of operation and maintenance costs among users and user classes; (2) generate sufficient revenue to pay the total operation and maintenance costs necessary for the proper operation and maintenance of the treatment works (including replacement); and (3) apply excess revenues collected from a class of users to the operation and maintenance costs attributable to that class for the next year and adjust the rate accordingly.

General. The City imposes service (user) charges and connection charges, along with other miscellaneous charges and pass-through charges for other entities, for the sewer system. The purpose of the sewer user charge is to recover administration, collection, treatment and disposal, operation, maintenance, and repair and replacement costs, and costs connected to the TMWRF, the TMWRF's National Pollutant Discharge Elimination System Permit (the

"NPDES Permit") and State Water Quality Standards, and it is distributed based on volume and equivalent domestic strength wastewater. The operation and maintenance costs are distributed to the System's users as a monthly service charge.

The City Council has the sole power to determine and modify rates and charges for the System. The City's Financial Advisory Committee provides a review of rate studies and advises the City Council of its analysis and findings. However, the committee's recommendations are not binding on the City Council. The City typically reviews analyses and recommendations from the committee, staff and consultants when setting rates and charges.

The current schedule of sewer rates and charges is contained in Chapter 12.16 of the City's Municipal Code (the "rate ordinance"). The rate ordinance was adopted on July 6, 2005 and provided for rate increases each October 1 from 2005 through 2014. Prior to adoption of the rate ordinance, the most recent rate increase was effective April 1, 2004. The City currently is conducting a study of user fees, connection fees and System financial modeling. However, given the current state of the economy, the City is not expected to modify the current rate ordinance at the present time.

The rate ordinance establishes three customer classes: single-family, multifamily and commercial/industrial. Single-family users include duplexes, triplexes, fourplexes, mobile home lots, single-family residences and zero lot line single-family and mobile home subdivisions (as defined in the Municipal Code). Residential condominiums, townhouse condominiums, community apartments, multifamily residences and mobile home parks (as defined in the Municipal Code) are multifamily users.

Monthly Service Fees. All System users are charged a monthly service fee plus a user fee. The monthly service fee for residential users is $2.40 per bill; the service fee for commercial/industrial users is $4.20 per bill.

Residential User Charges. In addition to the monthly service fee, the City imposes a flat monthly user fee. The following table sets forth the current schedule of monthly residential user fees, which went into effect on October 1, 2009, as well as the rates for future years as set forth in the rate ordinance.

Schedule of Monthly Residential User Fees

			Multiple-Family Residential Dwelling Unit - Shared Kitchen		Rooming House	
Effective Date	Single-Family	Multi-Family	Per Kitchen	Per Bedroom	Per Kitchen	Per Bedroom
October 1, 2009	$28.37	$23.27	$17.80	$ 8.67	$17.80	$ 8.67
October 1, 2010	29.50	24.20	18.51	9.02	18.51	9.02
October 1, 2011	30.68	25.16	19.25	9.38	19.25	9.38
October 1, 2012	31.91	26.17	20.02	9.75	20.02	9.75
October 1, 2013	33.19	27.22	20.82	10.14	20.82	10.14
October 1, 2014	34.52	28.31	21.65	10.55	21.65	10.55

Commercial User Charges. Commercial/industrial users for which metered flow cannot be determined are charged an annual sewer use charge based upon weighted fixture unit charges. Weighted fixture unit charges for various fixtures (such as sinks, showers, bathtubs, dishwashers, car wash stalls, drinking fountains, etc. are assigned pursuant to the rate ordinance.

Schedule of Weighted Fixture Unit Charges (per Weighted Fixture Unit)

Effective Date	Annual Weighted Fixture Unit Charge
October 1, 2009	$16.33
October 1, 2010	16.99
October 1, 2011	17.67
October 1, 2012	18.37
October 1, 2013	19.11
October 1, 2014	19.87
October 1, 2015	20.67

Commercial/industrial sewer use rates for customers with water meters are based upon comparable costs for an equivalent single-family dwelling and are established based upon user class. The schedule of commercial/industrial sewer use rates (including applicable surcharges or cost-of-service allocations for each user class) are set forth below.

Schedule of Monthly Commercial/Industrial User Fees (per 1,000 gallons)

Effective Dates of Fees	10/1/2009	10/1/2010	10/1/2011	10/1/2012	10/1/2013	10/1/2014
User Description:						
A - Large Hotel w/ Restaurant	$5.16	$5.37	$5.58	$5.81	$6.04	$6.28
B - Small Hotel w/ Restaurant	4.43	4.61	4.79	4.98	5.18	5.39
C - Casino w/ Restaurant	5.16	5.37	5.58	5.81	6.04	6.28
D - Full Service Restaurant	6.21	6.46	6.72	6.99	7.27	7.56
E - Fast Food	6.11	6.36	6.61	6.88	7.15	7.44
F - Pizza Parlor	4.93	5.13	5.33	5.54	5.77	6.00
G - Meat, Seafood Prep	5.09	5.29	5.50	5.72	5.95	6.19
H/I - Commercial/Industrial Laundry	6.68	6.95	7.23	7.52	7.82	8.13
J - Car Wash	4.14	4.30	4.48	4.66	4.84	5.03
K - Bakery	3.93	4.09	4.25	4.42	4.60	4.79
L - Market w/ Bakery	4.80	4.99	5.19	5.40	5.61	5.84
M - Hospital, Conv. Home	4.24	4.41	4.59	4.77	4.96	5.16
N - Service and Repair Garage	4.52	4.70	4.89	5.08	5.29	5.50
P - Mortuaries	6.84	7.12	7.40	7.70	8.01	8.33
Q - Laundromat	4.43	4.61	4.79	4.98	5.18	5.39
R - Schools w/ Cafeteria	4.01	4.17	4.33	4.51	4.69	4.87
S - Doctor/Dentist/Vet	3.98	4.14	4.30	4.47	4.65	4.84
T - Bottling Plant	5.00	5.20	5.41	5.63	5.85	6.08
UA - Dairy Processing	7.57	7.88	8.19	8.52	8.86	9.22
WW - Photographic Studios	8.26	8.59	8.94	9.29	9.67	10.05
Z - All Other Commercial	4.43	4.61	4.79	4.98	5.18	5.39

Commercial/industrial accounts serviced by one or more water meters but having multiple dischargers or user categories (such as shopping malls), or that are not directly assignable under the rate ordinance have user fee rates established pursuant to the "surcharge" provisions of the rate ordinance (generally described below) are billed in $0.10 increments rounded to the nearest $0.10 increment of cost per 1000 gallons. Multiple use facilities user fees shall be calculated and billed based upon water usage per user category or fixture unit counts and hours of operation to obtain a proportional allocation of costs for billing use.

In addition to the fees described above, the City also charges surcharges to cover the costs associated with higher concentrations of waste than domestic wastes. Surcharges are based upon flow and equivalent strength as compared to domestic wastewater discharges.

Customer Information

User Information and Revenues by Customer Type. The System currently serves approximately 65,470 customers (including those subject to the City/County Agreement); approximately 93.6% of those customers are residential and 6.4% are commercial. The number of System customers has been fairly stable over the last several years.

The following table sets forth a history of the System user fee revenues collected from each category of customers.

History of Revenue by Customer Type

Fiscal Year	Residential Revenues	Commercial Revenues	Contract/Other Revenues(1)	Total Annual Revenues
2005	$16,386,578	$ 8,734,694	$ 164,230	$25,285,502
2006	20,190,634	10,411,665	529,970	31,132,269
2007	23,164,741	11,375,493	577,925	35,118,159
2008	24,157,387	12,106,141	849,807	37,113,335
2009	25,324,341	12,076,718	994,124	38,395,183
2010(2)	27,762,466	9,076,301	652,658	37,491,426

(1) Includes: payments from the County for sludge treatment at the STMWRF; payments from the City to reimburse the City for a pipeline that takes reclaimed water to the Sierra Sage Golf Course; and payments from the Truckee Meadows Water Authority for reclaimed water sold to contractors for dust control. Excludes administrative fees.

(2) Through June 30, 2010. However, commercial revenues reflect only three quarters of billings as commercial customers are billed in arrears and the July 1 billing (for service in the last quarter of fiscal year 2010) has not yet occurred. In addition, the City has yet to receive a STMWRF sludge treatment payment that will be recorded in "Other Revenues."

Source: The City.

Largest Users of the System. The following tables set forth the ten largest customers of the sewer system in fiscal year 2009. The table excludes City accounts. No independent investigation has been made of, and consequently there can be no representation as to, the financial condition of the largest System customers or their continued usage of the System at significant levels.

Ten Largest Water System Customers - 2009

Customer	Total Revenue	% of Total Revenues(1)
Medical Services & Hospital/Renown	$ 696,320	1.81%
Hotel-Casino/Grand Sierra Resort	652,263	1.70
Hotel-Casino/Peppermill Casino	636,681	1.66
Hotel-Casino/Atlantis	479,140	1.25
Hotel-Casino/Silver Legacy Resort	449,231	1.17
Hotel-Casino/Eldorado Casino	246,026	0.64
Hotel-Casino/Circus Circus	182,263	0.47
Retail Dairy/Model Dairy	177,569	0.46
Government/Washoe County General Services	171,869	0.45
Hotel-Casino/Harrahs Club Casino	165,941	0.43
Medical Services & Hospital/Saint Mary's Regional	92,764	0.24
Total	$3,950,067	10.29%

(1) Based on total sewer fee revenues of $38,395,183 in fiscal year 2009.

Source: The City.

Billing and Collection

Billing. Although bills may be sent to renters or other lessees, property owners ultimately are liable for all sewer charges imposed pursuant to the rate ordinance. Pursuant to the rate ordinance, for residential users, the billing period for charges shall be quarterly in advance. Payments are due and payable upon receipt of the bill and shall be delinquent if not fully paid on the last day for the quarter in which the bill is sent. Apartments, mobile homes and room rentals shall be classified as residential users for sewer billing purposes.

For industrial/commercial users, the billing period for charges shall be quarterly in arrears (for service during the three months prior to the billing date). Payments are due and payable upon receipt of the bill and shall be delinquent if not fully paid on the last day of the quarter in which the bill is sent.

A penalty is assessed against delinquent amounts; the penalty is equal to 15% of all unpaid amounts and is compounded each billing period. Any penalty or portion thereof assessed pursuant to this title may be reversed or modified at the discretion of the City Manager or their designee in accordance with established Finance Department policy.

Collection. All charges imposed by the rate ordinance constitute a lien against the property serviced, until paid. The City may cause to have a person's delinquent charges for sewerage collected on the County's tax roll in the same manner, by the same persons, and at the same time as, together with and not separately from, the county's general taxes. In addition, the City may collect 4% of the amount of the delinquent charges for sewerage to be collected on the tax roll or the amount estimated by the County treasurer which is necessary to collect and distribute those delinquent charges, whichever is greater.

In addition, the City's sewer service commission may, after a determination has been made at a publicly noticed meeting of the name of the person chargeable, the premises, and the delinquent charges due, order the sewer connection to be severed for default in payment of sewer fees and the cost of such severance assessed to the person chargeable for the sewer fees.

For delinquent accounts, the City sends a 30-day notice to property owners with accounts showing delinquencies of more than two quarters regardless of amount. Liens are placed on properties associated with those accounts if the payments are not received within the 30 days provided by the notice. The liens placed on the properties reflect the delinquent fees plus any other service or penalty charges accumulated due to the lien process. This process is done on quarterly basis.

In the past three years, as in the rest of the Country, the City has witnessed more foreclosures or instances of people walking away from their homes. This new trend has compelled the City to take measures to lien those properties as soon as the City is made aware of the possible failure to make a payment. The lien process followed in this case is to place the lien and at the same time send a notice to the current owner informing them of the lien placed on the property.

System Connection Charges

The City charges one-time connection fees that generally are assessed when a building permit is issued. Pursuant to the rate ordinance, the proceeds from connection charges shall be used solely for the capital costs required to construct improvements, expansion, extension or betterment of the City's sewer and stormwater facilities, and reasonable appurtenances of the City, and for costs connected to the NPDES Permit and State Water Quality Standards.

The schedule of residential connection fee rates is set forth below.

Residential Connection Fee Rates

Type of Residential Unit	Effective 10/1/2009	Effective 10/1/2010	Effective 10/1/2011	Effective 10/1/2012	Effective 10/1/2013	Effective 10/1/2014
Single-family dwelling (per dwelling)	$5,276	$5,497	$5,717	$5,939	$6,162	$6,376
Multi-family residential dwelling (per dwelling unit)	4,459	4,695	4,882	5,072	5,262	5,445
Mobile home estates or subdivisions (per mobile unit space)	5,276	5,497	5,717	5,939	6,162	6,376
Mobile home parks (per space)	4,459	4,695	4,882	5,072	5,262	5,445
Residential dwelling unit-shared kitchen or rooming house kitchen	1,879	1,958	2,036	2,115	2,194	2,271
Rooming house (per room rental)	1,689	1,760	1,830	1,901	1,973	2,041

For commercial/industrial users, the sewer connection fee is based on the number of weighted fixture units which are being connected (determined in accordance with the schedule set forth in the rate ordinance) times the current fixture unit fee per weighted fixture unit. The connection fee shall not be less than the then-current residential connection fee for a single-family dwelling per connection. The schedule of commercial/industrial connection fees is set forth below.

Commercial/Industrial Connection Fee Rates (per Weighted Fixture Unit)

Effective:	Effective 10/1/2009
October 1, 2009	$ 244
October 1, 2010	254
October 1, 2011	264
October 1, 2012	275
October 1, 2013	285
October 1, 2014	295

Connections outside the City limits for property which is not contiguous to the City but is within the sphere of influence (as defined in the Regional Plan) shall be assessed a connection fee two times the sewer connection fees described in the preceding tables. However, if application has been made for annexation at the time the connection to the sewer is made, the connection fee will be reduced to the City rate and a refund made when annexation is completed. Connections outside the City's sphere of influence shall be assessed a connection fee equal to the fee imposed by the County for a similar type of connection to a County wastewater facility. If a connection is made to the wastewater facility without a building permit and payment of connection fees, the discharger will be subject to a connection fee which is twice the applicable connection fee plus all applicable costs required to determine the illegal connection.

History of Sewer Connection Fees Collected. The following table sets forth a history of new sewer connections (based on permit activity) and the revenue derived from connection fees in each fiscal year. The figures in the following table excludes temporary sewer hook-up fees and therefore, these figures differ from the connection fee figures set forth elsewhere in this Official Statement.

History of Sewer Connection Fees Collected(1)

Fiscal	New Sewer Connections			Connection	Percent
Year	Commercial	Residential	Total	Fee Revenue	Change
2006	393	1,722	2,115	$10,981,553	--
2007	337	716	1,053	10,532,275	(4.1)%
2008	236	385	621	7,458,780	(29.2)
2009	193	123	316	1,884,908	(74.7)
2010(2)	125	165	290	2,653,887	40.8

(1) Excludes temporary sewer hook-up fees.
(2) Unaudited.

Source: The City.

History of Sanitary Sewer Fund Revenues, Expenses and Changes in Net Assets

The City accounts for the System revenues in the Sanitary Sewer Fund, which is an enterprise fund for accounting purposes.

The following table presents a combined history of the revenues, expenses and changes in net assets for the City's Sanitary Sewer Fund for the fiscal years ended June 30, 2006 through 2009. The table also provides the City's estimate of results for fiscal year 2010 and

Final Budget information for fiscal year 2011. The 2010 estimated results were prepared by the City in connection with the preparation of the fiscal year 2011 Tentative Budget and reflect the City's current expectations for fiscal year 2010. *However, those figures are estimates only, are not necessarily predictive of the final results for fiscal year 2010 and are not to be relied upon as a representation of actual results for fiscal year 2010. Actual figures for fiscal year 2010 will not be available until several months after the end of fiscal year 2010.* See "INTRODUCTION--Forward-Looking Statements."

The information in this table should be read together with the City's audited financial statements for the year ended June 30, 2009, and the accompanying notes, which are included as Appendix A hereto. Financial statements for prior years can be obtained from the sources listed in "INTRODUCTION--Additional Information."

As illustrated in the following table, the City has seen a significant decline in the amount of sewer connection fees in the past three years due primarily to the housing market crash experienced in the County. In addition, between 2006 and 2007, the City experienced a significant increase in TMWRF operating costs due to higher chemical prices and a cost allocation change made internally by Sparks. The City reports that there are a significant number of approved developments that will add users within the City limits, if and when the private developers decide to proceed with new construction. Due to current economic conditions, the City cannot predict the rate of development for the next two years. As a result, for budget purposes, the City is projecting the connection of just 200 new users during the next three fiscal years.

Combined History of Revenues, Expenses and Changes in Net Assets - Sanitary Sewer Fund

Fiscal Year Ended June 30,	2006 (Audited)	2007 (Audited)	2008 (Audited)	2009 (Audited)	2010 (Estimated)	2011 Final Budget
Operating Revenues						
Charges for services						
User fees (1)	$31,132,269	$35,118,159	$37,113,335	$38,395,183	$38,149,179	$39,645,346
Other fees	1,032,358	798,230	696,155	699,344	645,000	643,000
Licenses and permits	--	123,300	387,725	253,535	260,000	260,000
Fines and forfeits	727,343	1,365,411	1,310,266	1,829,009	1,700,000	1,650,000
Miscellaneous (2)	1,759,351	174,117	1,743,364	227,322	188,800	1,299,471
Total operating revenues	34,651,321	37,579,217	41,250,845	41,404,393	40,942,979	43,497,817
Operating Expenses						
Salaries and wages	3,940,576	4,415,908	4,926,339	5,140,227	5,204,918	5,047,303
Employee benefits	1,614,321	1,823,368	2,306,160	2,385,703	2,387,982	2,448,906
Services and supplies	7,080,168	8,374,711	9,153,695	9,792,262	9,942,702	8,715,837
Joint sewer plant (1)	11,658,231	13,324,674	12,669,791	12,366,376	15,500,000	15,500,000
Depreciation	5,936,072	6,911,502	7,231,878	7,795,584	7,800,000	7,800,000
Total operating expenses	30,229,368	34,850,163	36,287,863	37,480,152	40,835,602	39,512,046
Operating Income (Loss)	4,421,953	2,729,054	4,962,982	3,924,241	107,377	3,985,771
Nonoperating Revenues (Expenses)						
Grants (federal and private)	25,000	2,672,346	1,386,551	2,623,189	2,428,163	--
Investment earnings	590,513	1,268,263	682,364	637,039	55,000	100,000
Gain (loss) on asset disposal	(85,861)	(145,682)	2,775	(124,987)	--	--
Debt service-interest	(1,504,036)	(998,722)	(1,580,192)	(2,579,804)	(2,928,709)	(2,738,122)
Debt service-fiscal charges	(4,267)	(4,267)	(4,267)	(9,653)	--	--
Net loss from TMWRF (1)	(2,834,540)	(2,881,096)	(3,079,892)	(4,134,731)	(4,200,000)	(4,200,000)
Total nonoperating revenues (expenses)	(3,813,191)	(89,158)	(2,592,661)	(3,588,947)	(4,645,546)	(6,838,122)
Income before capital contributions and transfers	608,762	2,639,896	2,370,321	335,294	(4,538,169)	(2,852,351)
Capital Contributions						
Connection charges	10,981,553	10,543,828	7,515,822	1,940,344	2,375,150	2,359,150
Contributions of assets (3)	8,102,098	13,185,752	11,882,132	19,658,793	--	--
Total Capital Contributions	19,083,651	23,729,580	19,397,954	21,599,137	2,375,150	2,359,150
Transfers						
Transfers in	--	--	--	--	194,018	469,000
Transfers out	(597,619)	(604,277)	(481,865)	(525,532)	(262,000)	(257,337)
Total transfers	(597,619)	(604,277)	(481,865)	(525,532)	(67,982)	211,663
Changes in net assets (3)	19,094,794	25,765,199	21,286,410	21,408,899	(2,231,001)	(281,538)
Net Assets, July 1, as restated (4)(5)	247,056,299	264,949,751	290,551,735	311,336,811	332,745,710	330,514,709
Net Assets, June 30 (5)	$264,387,793	$290,714,950	$311,838,145	$332,745,710	$330,514,709	$330,233,171

Footnotes on following page.

(1) The City's user fees include amounts due to Sparks for the City's share of the operation and maintenance of the TMWRF.
(2) Includes reimbursements and restitution amounts received from other entities for work done by the City and other revenues.
(3) No amounts have yet been recorded for contribution of capital assets for 2010, nor does the City budget for such contributions (which are non-cash items).
(4) Prior period adjustments have been made as follows: 2007 - three adjustments totaling $561,958 were made to correctly record interest paid to the State on the Prior Bonds and to correctly expense sewer project costs capitalized in fiscal year 2006; 2008 - three adjustments totaling ($163,216) were made to reverse an adjusting entry to sewer revenues, to record grant revenues in the year in which the expense was incurred and to reflect a liability adjustment that should have been charged to "Investment in TMWRF but was expensed in error; and 2009 - two adjustments totaling ($572,014) were made to reverse a municipal billing that was to have been voided in fiscal year 2008 and to reduce construction in progress for project expenses that were maintenance in nature or otherwise did not meet the capitalization criteria.
(5) Net assets include all the value of all assets of the System, including capital assets which are not readily converted to cash.

Source: Derived from the City's CAFRs for 2006-2009, from the 2010-11 Final Budget and from information provided by the City.

THE CITY

General

The City is a political subdivision of the State operating as a city. The City, which is the county seat of the County, was founded in 1868 and incorporated in 1903. The City encompasses approximately 105.8 square miles and is located at the base of the Sierra Nevada Mountains. The City is located approximately 220 miles east of San Francisco, California on Interstate 80 and is about 25 miles from Lake Tahoe.

Mayor and City Council

The City operates under a charter form of government, directed by the Mayor, representing the City at large, and the City Council, composed of five council members representing their respective wards, and one council member representing the City at large. The Mayor and all six City Council members are voted upon by all of the registered voters of the City. The Mayor and the City Council members are subject to term limitations (12 years) approved by State voters in 1996; however, the limitations are applied prospectively for those in office on the effective date of the referred measure and as a result, certain officeholders may serve for more than 12 years.

The City Council holds regular meetings at noon on the second and fourth Wednesdays of each month. The current members of the City Council, their years of service and the year in which their terms expire is set forth below:

Name	Represented Area	Length of Service	Term Expires
Robert A. Cashell, Sr., Mayor	At Large	7 years	November 2010
Pierre Hascheff	At Large	17 years	November 2012
Dan Gustin	Ward 1	5 years	November 2012
Sharon Zadra	Ward 2	7 years	November 2010
Jessica Sferrazza	Ward 3	9 years	November 2012
Dwight Dortch	Ward 4	7 years	November 2010
David Aiazzi	Ward 5	13 years	November 2012

Administration

The City Manager is appointed by the City Council and is charged with performing such administrative duties as the City Council may designate and may appoint such clerical and administrative assistants as he or she may deem necessary, subject to the approval of the City Council. In effect, the City Manager oversees the day-to-day operations of the City.

Brief biographies of the key City officials involved with the issuance of the Bonds follow:

<u>Donna Dreska, City Manager</u>. Donna Dreska, was appointed the City Manager effective May 29, 2009. Ms. Dreska has been employed with the City since 2005, when she was hired to be the City's Human Resources Director. She was promoted to the position of Chief of Staff in August of 2007. Ms. Dreska has extensive experience in the senior levels of local government, having served as a City Manager for Boca Raton, Florida and Chandler, Arizona, as well as County Administrator for Los Alamos County, New Mexico. She has a Masters in Public Administration from Arizona State University.

In late July 2010, following a search for a permanent City Manager, the City Council determined to retain Ms. Dreska in that position.

Jill Olsen, Acting Finance Director. Jill Olsen has been the Interim (Acting) Finance Director since January 2009. Prior to being appointed as the Acting Finance Director, she was the Assistant Finance Director for the City for six years and served as Acting Finance Director for one year. In her capacity as the Assistant Finance Director, she assisted the Finance Director and also had direct responsibility for the Budget Division, Purchasing Division, and the Revenue Division of the City Finance Department, including the management of the City's investment portfolio. Ms. Olsen has 28 years of experience in public and private sector finance. Prior to her employment with the City, she worked for the Town of Truckee, California and was named its first Finance Director after incorporation in 1993. Other finance positions she has held include those with Fort Hays State University in Kansas, Clear Creek County in Colorado, and the cities of Flagstaff and Williams in Arizona. Ms. Olsen has a Bachelor of Science Degree in Business from Fort Hays State University in Kansas.

The City currently is not actively seeking candidates for the Finance Director position.

Employee Relations; Benefits and Pension Matters

General. As of June 2010, the City had approximately 1,428 employees (including temporary employees). The City considers its relations with its employees to be satisfactory. The City currently has nine employee bargaining units and one unrepresented group. The City currently has long-term contracts with all but two of those units (through fiscal year 2011). One bargaining unit voluntarily extended its contract for an additional year (through fiscal year 2011) and gave up cost-of-living increases for fiscal year 2011. The City currently is negotiating contracts with two bargaining units whose contracts expired on June 30, 2010. The City has not budgeted cost-of-living increases for those two contracts.

Benefits. The City provides its employees with a comprehensive benefits package including a medical plan, vacation and sick leave. The City is self-insured for medical insurance for certain City employees. See Note 15 in the audited financial statements attached hereto as Appendix A for a description of the Self-Funded Medical Plan Internal Service Fund.

Pension Benefits. The City's employees are covered by the Nevada Public Employees' Retirement System ("PERS"), which is administered by the State. PERS covers substantially all public employees of the State, its agencies and its political subdivisions, including the City. PERS, established by the Nevada legislature effective July 1, 1948, is governed by the Public Employees' Retirement Board whose seven members are appointed by the Governor. Retirement Board members serve for a term of four years.

All public employees who meet certain eligibility requirements participate in PERS, which is a multiple-employer cost sharing defined benefit plan. Benefits, as required by statute, are determined by the number of years of accredited service at the time of retirement and the member's highest average compensation in any 36 consecutive months. Benefit payments to which participants may be entitled under PERS include pension benefits, disability benefits, and death benefits.

Regular members of PERS currently are eligible for retirement benefits at age 65 with 5 years of service, at age 60 with 10 years of service or at any age with 30 years of service. Police and fire members are eligible for retirement benefits with 5 years of service at age 65, with 10 years of service at age 55, with 20 years of service at age 50, or at any age with 25 years of service. In its 2009 session, the Legislature made changes to the benefit structure for newly hired members of PERS on or after January 1, 2010.

PERS has an annual actuarial valuation showing unfunded liability and the contribution rates required to fund PERS on an actuarial reserve basis; however, actual contribution rates are established by the Legislature. The most recent independent actuarial valuation report of PERS was completed as of June 30, 2009. At that time, PERS reported an unfunded actuarial accrued liability ("UAAL") of approximately $9.10 billion (an increase of approximately 25.4% from the prior year UAAL). A portion of this increase is due to a change to the asset valuation method adopted since the 2008 valuation; the actuarial value of assets was previously limited to not less than 80% or greater than 120% of market value, that limitation has changed to not less than 70% or greater than 130% of the market value of assets. The amortization method used for the UAAL is the year to year closed method, with each amortization period set at 30 years. The funded ratio for all members is 72.6% in 2009, a decrease from 76.2% in fiscal year 2008.

See Note 17 in the audited financial statements attached hereto as Appendix A for additional information on PERS. In addition, copies of PERS' most recent annual financial report, including audited financial statements and required supplemental information, are available from the Public Employees Retirement System of Nevada, 693 West Nye Lane, Carson City, Nevada 89703-1599, telephone: (775) 687-4200.

Contribution rates to PERS are established by State statute. The statute allows for increases or decreases of the actuarially determined rate. Per the statute, there is no obligation on the part of the employer to pay for their proportionate share of the unfunded liability. For fiscal years 2006 and 2007, the contribution rate for regular members was 19.75% of covered payroll and the contribution rate for police was 32.0%. Beginning July 1, 2007, the contribution rate for regular members was 20.50% and for police it was 33.50%. Effective July 1, 2009, the contribution rate increased to 21.50% for regular members and 37.0% for police. The City's contributions to PERS for the fiscal years ended June 30, 2008 and 2009, were $31,043,657 and $30,309,515, respectively. Those amounts equaled the required contributions for those years.

Other Post-Employment Benefits. The City provides certain post-retirement health insurance benefits ("OPEB") to employees who retire under PERS and elect to receive and pay for the benefits. For a description of the OPEB plan, including benefits offered, costs, the actuarial valuation of unfunded accrued liabilities ("UAAL") and annual required contributions ("ARC"), funding status, significant assumptions and accounting treatment as of July 1, 2008, see Note 16 in the audited financial statements attached hereto as Appendix A. Also see the Required Supplemental Information and the related notes in the audited basic financial statements attached hereto as Appendix A.

The City has obtained an updated actuarial study with respect to its OPEB liabilities for the fiscal year ended June 30, 2010. The benefits described in the study are substantially similar to those described in Note 16 to the audited financial statements attached hereto as Appendix A. However, the prior actuarial valuation did not account for the implied rate subsidy paid by the City for retiree insurance coverage. The actuarial study assumes 2,219 covered employees (1,467 active and 742 retirees), level amortization of the UAAL over a 30-year period and an interest rate of 4%. The study makes various other assumptions, including assumptions as to benefits offered, the cost of benefits offered, benefit payments made to employees, implicit or explicit subsidies of benefit payments, retirement ages and life spans; each of those assumptions impacts the calculation of UAAL and ARC. Assuming pay-as-you-go funding (i.e., no prefunding of OPEB liabilities in a trust account), the City's UAAL as of June 30, 2010, was estimated to be $236,692,350 and its ARC as of June 30, 2010, was estimated to be $21,161,097. The total expected net OPEB obligation as of June 30, 2010, was estimated to be $35,237,654, which includes the net OPEB obligation as of July 1, 2009 ($19,879,576), interest on the net OPEB obligation ($5,150), and an employer contribution of $5,808,169. Using those figures, the actuarial study estimated that UAAL would be $252,106,597 as of June 30, 2011, and that ARC would be $22,541,760 as of June 30, 2011; assuming an employer contribution of $6,531,792 in fiscal year 2011 and an adjustment of $(32,509) for interest, the net OPEB obligation as of June 30, 2011, was estimated to be $51,215,113.

The City's contribution for OPEB benefits historically has been financed on a pay-as-you-go basis. For fiscal year 2009, the amount funded was $3,475,896. For fiscal year 2010, the amount funded was $3,700,115, and for fiscal year 2011, funding of $4,200,000 has been budgeted. These amounts are lower than those identified in the actuarial study; according to the City, it has been able to maintain health care premium increases at a rate lower than what the actuaries used, so the pay-as-you-go amount has been calculated and funded at amounts less than estimated in the actuarial reports.

Municipal Services

The City provides its citizens with a full range of municipal services, including public safety (police, fire and building inspection), public works, planning and zoning, community development, parks and recreation, wastewater treatment, and general administrative services. Electricity and natural gas is provided by NV Energy (formerly Sierra Pacific Power Company). Domestic and irrigation water is provided by the Truckee Meadows Water Authority.

Capital Program

In May 2001, the City adopted a 20-year capital improvement plan ("CIP") based upon the recommendations of the City's capital improvement advisory committee. The 20-year capital plan is intended to identify capital needs and provide the City with long-term strategies for recreation facilities, public facilities and buildings, streets, signals and bridges, wastewater/stormwater improvements, capital maintenance, downtown projects and major equipment/computer purchases. With the assistance of the advisory committee, the 20-year CIP is updated annually. Although the CIP is revised annually, as circumstances change and new needs arise, priorities may change.

The City's capital budgeting for each fiscal year has traditionally been accomplished during the same period as the operating budget, when departments formalize plans into specific capital projects. A priority listing of capital improvement projects is prepared by funding source and presented to the City Council and the public during the public hearing for the proposed budget. If approved, the projects are further analyzed and refined, and the expenditures for the budget year are submitted as part of the final budget.

For fiscal year 2009, the City Council originally approved approximately $114.2 million in capital projects; however, due to the downturn in the economy, the City amended the CIP to provide for approximately $113.23 million in capital projects.

For fiscal year 2010, the City Council adopted an amended plan to fund $43.3 million in capital projects (down from the originally approved $76.1 in capital projects). These projects include: general recreation projects ($410,000); public facilities and buildings ($50,000); street rehabilitation and signals ($25.4 million); wastewater/stormwater collection and treatment projects ($14.8 million); capital maintenance ($837,000); and major equipment ($1.6 million). These projects generally were to be funded from bond proceeds, amounts available in various funds (including the City's General Fund and Capital Projects Fund), sewer use and connection fees, property tax override revenues, community development block grants and other grants, and funds from other agencies. However, due to the City's budget difficulties, the City Council froze substantially all capital improvement projects (other than a street improvement project) for fiscal year 2010.

For fiscal year 2011, the City Council has approved approximately $56.2 million in capital projects, including: major equipment ($800,000); wastewater projects ($7.5 million); energy projects ($21.4 million); City buildings and facilities ($415,000); street projects ($25.5 million) and capital maintenance ($785,000). Those projects are anticipated to be funded with bond proceeds, amounts in the capital projects fund, sewer use and connection fees, property tax override revenues, community development block grants and other grants, and funds from other agencies.

Strategic Planning

Beginning with fiscal year 1998-99, the City has used a program-based budget instead of a division-based budget in order to better develop business plans and policy tools the City Council can use to identify the resources necessary for individual programs. The City Council has adopted funding policies for all City funds. The policies address the use of fund resources and the establishment of appropriate reserves. The budgets for all funds adhere to the adopted policies.

In addition to the program-based budgets, the City staff has developed a number of strategic plans to guide the City's decisions over the next several years. These plans include: the Master Plan and the corresponding Fiscal Model; the Capital Improvement Plan; the Strategic Information Systems Plan; the Facilities and Infrastructure Strategic Plan; and the Financial Strategic Plan.

CITY FINANCIAL INFORMATION

Annual Reports

General. The City Finance Director prepares a comprehensive annual financial report ("CAFR") setting forth the financial condition of the City as of June 30 of each fiscal year. The CAFR, which includes the audited financial statements, is the official financial report of the City. It is prepared following generally accepted accounting principles. See Note 1 in the audited financial statements attached hereto as Appendix A for a summary of the City's significant accounting policies.

The audited financial statements for the year ended June 30, 2009, which are attached hereto as Appendix A, represent the most recent audited financial statements of the City. Financial statements for prior years may be obtained from the sources listed in "INTRODUCTION--Additional Information."

Awards. The Government Finance Officer's Association (GFOA) of the United States and Canada awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its CAFR for the fiscal year ended June 30, 2008. This was the 26th consecutive year that the City has received this recognition. A certificate of achievement is valid for a period of one year only. In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized CAFR with contents conforming to program standards. Such reports must satisfy both generally accepted accounting principals and applicable legal requirements. The City has submitted its 2009 CAFR for award consideration.

Budgeting

General. Prior to April 15 of each year, the City Manager is required to submit to Taxation the tentative budget for the next fiscal year which commences on July 1. The tentative budget contains the proposed expenditures and means of financing them. After reviewing the tentative budget, Taxation is required to notify the City upon its acceptance of the budget.

Following acceptance of the proposed budget by Taxation, the City Council is required to conduct public hearings on the third Tuesday in May. The City Council is required to adopt the final budget on or before June 1.

The City Manager is authorized to transfer budgeted amounts within functions or funds, but any other transfers must be approved by the City Council. Increases to a fund's budget other than by transfers are accomplished through formal action of the City Council. With the exception of monies appropriated for specific capital projects or Federal and State grant expenditures, all unencumbered appropriations lapse at the end of the fiscal year.

Awards. The GFOA also awarded the City the Distinguished Budget Presentation Award for the annual budget for the fiscal year beginning July 1, 2009. This was the 13th consecutive year the City has received the award after a period of several years in which the City did not apply for the award.

Accounting

All governmental funds are accounted for using the modified accrual basis of accounting in which revenues are recognized when they become measurable and available (collected within 30 days of year end). Sales and use taxes, motor vehicle fuel taxes and privilege taxes are considered "measurable" when in the hands of intermediary collecting governments and are recognized as revenue at that time. Ad valorem taxes are considered measurable when received by the City.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. The exception to this general rule is principal and interest on general long-term debt which is recognized when due.

All proprietary funds are accounted for using the accrual basis of accounting in which revenues are recognized when they are earned, and their expenses are recognized when they are incurred. Unbilled service receivables are recorded at year end.

General Fund - History of Revenues and Expenditures

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

General Fund History Table. The following table presents a history of the revenues, expenditures and changes in fund balance for the fiscal years ended June 30, 2006 through 2009. The table also presents estimated year-end information for fiscal year 2010, and Final Budget information for the fiscal year ended June 30, 2011. The information for fiscal years 2006 through 2009 was derived from the City's CAFR for each of those years and the estimated 2010 and the 2011 budget information was derived from the City's 2010-11 Final Budget. *The estimated fiscal year 2010 information was prepared by the City in conjunction with preparation of the fiscal year 2010-11 Final Budget. This information represents the City's estimate of results for fiscal year 2010 based upon information available at the time of preparation of the budget for fiscal year 2011. This information is not intended to predict actual financial results for fiscal year 2010 and the actual fiscal year 2010 results will vary from the estimates shown here.*

The information in this table should be read together with the City's audited financial statements for the year ended June 30, 2009, and the accompanying notes, which are attached to this Official Statement as Appendix A.

General Fund - Comparison of Revenues, Expenditures and Changes in Fund Balances

Fiscal Year Ended June 30,	2006 (Actual)	2007 (Actual)	2008 (Actual)	2009 (Actual)	2010 (Estimated)(1)	2011 Budget
Revenues						
Taxes	$ 38,909,583	$ 44,438,035	$ 47,035,412	$50,632,981	$50,382,394	$47,893,270
Special Assessments	1,316,655	1,473,201	1,487,512	1,392,965	1,526,844	1,531,980
Fees, licenses and permits	32,138,304	35,874,449	36,427,149	35,308,525	39,011,400	38,604,709
Consolidated tax	54,708,166	55,256,937	51,266,041	43,552,723	38,172,130	36,645,245
Other intergovernmental	17,792,926	18,210,801	19,201,567	18,668,060	18,029,283	17,115,582
Grants and contributions	1,696,329	1,551,480	1,871,949	1,253,603	4,846,919	1,222,134
Charges for services (2)	3,893,987	4,041,548	4,109,739	15,111,270	15,343,577	15,002,871
Fines and forfeitures	3,576,364	4,347,193	4,492,220	4,050,660	4,490,000	4,490,000
Miscellaneous (2)	10,518,707	11,925,159	14,972,558	2,427,898	2,647,201	2,603,878
Total Revenues	164,551,021	177,118,803	180,864,147	172,398,685	174,449,748	165,109,669
Expenditures						
Current:						
General government	15,447,232	17,009,468	16,898,001	15,651,204	15,181,197	19,704,313
Judicial	5,329,249	5,551,760	6,452,189	6,617,523	6,962,508	6,935,937
Public safety	101,832,717	111,545,635	117,630,088	114,212,206	115,447,586	106,981,257
Public works	11,280,032	12,449,948	13,336,300	13,384,406	11,896,993	9,612,553
Culture and recreation	--	--	--	--	--	12,580,654
Planning and community development	1,258,748	1,436,189	1,648,939	2,513,702	2,169,421	3,399,383
Intergovernmental	5,500,472	3,872,818	4,365,179	3,773,363	3,639,591	5,486,670
Capital outlay	1,120,000	--	4,452,574	292,337	162,720	580,000
Debt service	868,690	462,515	630,470	917,757	917,757	93,822
Total Expenditures	142,637,140	152,328,333	165,413,740	157,362,498	156,377,773	165,044,589
Excess of Revenues over Expenditures	21,913,881	24,790,470	15,450,407	15,036,187	18,071,975	65,080
Other Financing Sources (Uses)						
Inception of capital leases	788,014	--	3,327,879	--	--	--
Other financing proceeds	1,120,000	--	--	--	--	--
Sale of general fixed assets	(193,131)	36,204	33,942	11,425	5,000	--
Transfers from other funds	3,832,127	3,176,711	3,778,217	9,129,953	6,062,124	2,990,768
Transfers to other funds	(26,580,279)	(29,255,340)	(24,927,872)	(28,563,604)	(26,276,777)	(4,920,090)
Total Other Financing Sources (Uses)	(21,033,269)	(26,042,425)	(17,787,834)	(19,422,226)	(20,209,653)	(1,929,322)
Net Change in Fund Balances	880,612	(1,251,955)	(2,337,427)	(4,386,039)	(2,137,678)	(1,864,242)
Fund Balance, Beginning of Year	16,773,010	16,651,915	15,396,160	14,913,404	10,067,050	7,929,372
Prior Period Adjustments (3)	(1,001,707)	(3,800)	1,854,671	(460,315)	--	--
Fund Balance, End of Year (4)	$16,651,915	$15,396,160	$14,913,404	$10,067,050	$7,929,372	$6,065,130

Footnotes on next page.

(1) Unaudited estimates only. See the text preceding the table for an explanation of the formulation of these figures. Actual year-end figures will vary from those shown here. Also see "City Financial Difficulties and Budget Considerations" below.
(2) Beginning in fiscal year 2009, the City began accounting for Strike Team Reimbursements and for indirect cost allocation payments to the General Fund (representing the costs of general services provided to other funds) as Charges for Services. In prior years, those amounts were recorded as Miscellaneous revenues.
(3) Adjustments to correct errors in prior years or to account for changes made to comply with the provisions of new accounting standards.
(4) In each year except 2011, a portion of the ending fund balance in each year is reserved and not available for expenditure. No amounts were reserved in the fiscal year 2011 budget.

Source: Derived from the City's 2006-2009 CAFRs and the City's Final Budget for 2010-11.

City Financial Difficulties and Budget Considerations. Due primarily to the downturn in the economy, the City has experienced varying levels of financial difficulties and budget shortfalls since fiscal year 2009. Until fiscal year 2009, consolidated tax revenues, which are comprised primarily of various sales taxes and other excise taxes, were the largest source of General Fund revenues. Although the magnitude of consolidated tax revenues has declined, those revenues still comprise a significant portion of General Fund revenues (approximately 25% and 22% of General Fund revenues in fiscal years 2009 and 2010, respectively). However, due to the poor economy, consolidated tax revenues have declined significantly.

The City Council began reviewing negative budget scenarios in February 2009 and implemented a "severe" budget scenario at that time. The severe scenario consisted of across-the-board employee concessions and other major cost-cutting actions to deal with continued declines in projected revenue. (Consolidated Tax revenue expectations were reduced by 15% for fiscal year 2009 and an additional 2.5% for fiscal year 2010.) The severe scenario resulted in the equivalent of 2.1% salary concessions from all City employees and larger concessions of 3.5% from the City Council and top management through July 2009. Other significant savings came from a reduction in overtime costs by reducing staff on two fire department ladder trucks and the halving of staffing on rescue vehicles in fiscal year 2009-10 in order to generate additional savings. Other measures taken pursuant to the severe scenario included the loss of almost all part time parks, recreation and community services staff and the freezing of more than 140 open full-time positions. Those measures, as well as requests for additional concessions from personnel, also were included in the 2009-10 Final Budget.

The City faced an additional budget shortfall of approximately $23.2 million for fiscal year 2009-10. To close the gap, The City Council approved several alternatives and strategies, including increasing franchise fees, decreasing Council contingency funds, reducing reserve funds, declaring a one-month premium holiday in the self-insured health insurance fund, keeping vacant positions frozen, offering an early retirement program, reducing services and supplies and eliminating the annual transfer from the General Fund to the Street Fund. In addition to those reductions, the City budgeted an additional across-the-board 3% reduction in salaries and benefits for fiscal year 2010; those reductions will be made through a freeze in cost-of-living pay raises or other concessions, including furloughs, by all bargaining units.

The 2009-10 Final Budget also included reductions designed to address the financial impacts of anticipated legislation to be approved by the 2009 Legislature. By law, the City was required to adopt the 2009-10 Final Budget before the Legislature adjourned and as a result, the 2009-10 Final Budget did not address all legislative actions. Among other actions, the Legislature increased the State's sales tax collection fee from 0.75% to 1.75% (which reduced various City sales tax revenues by as much as $1.2 million) and increased costs associated with PERS. In addition to those actions, for the 2009-11 biennium, the Legislature diverted five cents of the County's property tax rate used to fund capital improvements; the proceeds of that tax were shared with the City and Sparks and used by the City to fund certain capital improvement projects. The City had budgeted for a potential two-cent property tax shift in another area, which did not occur. The City amended the 2009-10 budget to shift funding from that two cents to capital projects. The City also implemented a reduction in force of 100 full-time equivalent ("FTE") positions in fiscal year 2009-10 with some staff leaving in February 2010 and the remainder leaving in May 2010.

The City faced a $32.4 million budget deficit for fiscal year 2010-11. Included in this deficit were a conservative estimate of consolidated tax revenues (the budget includes an additional reduction of approximately 3%), anticipated reductions in other revenue sources, increases in retiree health care costs, the City Council directive to rebuild the balance in the Stabilization Special Revenue Fund to $2 million, and the expected use of approximately $2.4 million in consolidated tax revenues to pay debt service on the City's Capital Improvements Revenue Bonds, Series 2005A, which are secured by a portion of the consolidated tax and certain room tax revenues (room tax revenues are not expected to be sufficient to pay all of the debt service due in fiscal year 2011). Over the last two fiscal years, the City has reduced 387 full-time equivalent positions, including the 100 FTE reduction in force in 2010 and 287 reductions attributable to the freezing of vacant positions and attrition. The fiscal year 2010-11 budget anticipates a savings of $26 million as a result of those reductions in force. In addition, the 2010-11 budget does not include any cost of living adjustments for police or fire personnel; the largest police union has agreed to forgo cost of living adjustments for fiscal year 2011 and negotiations are still underway with the fire union. The 2010-11 budget also eliminates a $2 million annual transfer to the Street Fund to fund ongoing street projects, reduces reserves by approximately $1.4 million (while maintaining a statutorily required minimum reserve of 4% of General Fund revenues), reduces amounts available for service and supplies in all departments, and contemplates increases in certain rates and charges, resulting in approximately $2.5 million in additional revenues.

The City will continue to monitor its budget situation and will make adjustments throughout the budget year as necessary.

Other City Funds

In fiscal year 1997, the City established two additional reserve funds to provide funds for capital improvements and accumulate funds for emergencies. Current City policies require the City to place 1% of its General Fund expenditures in the Capital Improvements Projects Fund (capital improvements) and 1% of its General Fund expenditures in the Stabilization Special Revenue Fund (emergency reserves) provided that funds are available to do so. In fiscal year 2010, the City used amounts on deposit in the Stabilization Special Revenue Fund to balance the budget; however, the 2011 budget anticipates funding this fund back to a level of approximately $2 million. The City also has a policy requiring a minimum ending budgeted unreserved fund balance in the General Fund of 4% of revenues. For fiscal year 2010, the City budgeted in conformity with that policy; the fiscal year 2011 budget also complies with that policy.

As shown in Appendix A, the City has numerous other funds, two of the largest are the Capital Projects Funds and the Trust and Agency Funds. Moneys on deposit in the Capital Projects Funds are used for the acquisition or construction of major capital facilities. The Trust and Agency Funds account for assets held by a governmental unit in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds.

See Note 18 in the audited financial statements attached hereto as Appendix A for a description of expenditures in excess of budgeted amounts and deficit fund balances/net assets for the year ended June 30, 2009.

Liability and Workers Compensation Insurance

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City has established a Risk Retention Internal Service Fund and a Self-Funded Workers Compensation Internal Service Fund to account for and finance its uninsured risks of loss. Under these programs, the funds provide coverage for up to $2.5 million for each worker's compensation claim, $1 million for each general liability claim and $10,000 for each property damage claim (except for floods and earthquakes). In fiscal year 2008, the funds provided coverage of up to the statutory limits for each worker's compensation claim and the amount for which the City is liable for each general liability claim. The City purchases commercial insurance for claims in excess of coverage and for other insurable risks of loss. Settled claims have not exceeded this commercial coverage in any of the preceding three fiscal years. According to the City's Risk Manager, the City's insurance coverage is adequate.

As of June 30, 2009, the City's Risk Retention Internal Service Fund had net assets of approximately $4.0 million. During fiscal year 2009, the City adjusted rates in order to spend down some of the available fund balance in this fund. As a result, the City finished the year ended June 30, 2009, with a $2.9 million loss. See Note 14 in the audited financial statements attached hereto as Appendix A for a discussion of the City's Risk Retention and Self-Funded Workers Compensation Funds.

As described in Note 14 to the audited financial statements attached hereto as Appendix A, the Self-Funded Worker's Compensation internal service fund had a net asset deficit for the Fiscal Year ended June 30, 2009 of $(43,217,833), as compared to net asset deficits of $(57,478,580) and $(51,982,665) for the fiscal years ended June 30, 2008 and 2007, respectively. This deficit is primarily due to a State law requirement that all heart and lung exposure for policemen and firefighters be considered job-related (and therefore subject to workers' compensation). The deficit declined between fiscal year 2008 and fiscal year 2009 due to a change in claim recognition; the City now does not recognize a claim as being incurred but not reported until an employee formally requests to become permanently and totally disabled.

This fund has had no reserves beginning with the fiscal year ended June 30, 2005. See Notes 14 and 18 in the audited financial statements attached hereto as Appendix A for further information. No transfer from the General Fund was made to this fund in fiscal years 2008, 2009 and 2010, and no transfer was budgeted for fiscal year 2011. The deficit in the Self-

Funded Worker's Compensation fund is expected to remain until the problem is legislatively addressed. At this time, the City is not able to determine when large payments will be required to be made out of this fund; the City will address the issue definitively when such payments are required.

DEBT STRUCTURE

Debt Limitation

The City's charter limits the aggregate principal amount of the City's general obligation debt to 15% of the City's total reported assessed valuation. Based upon the assessed valuation for fiscal year 2011 of $6,559,711,248 (including the assessed valuation of the Redevelopment Agency), the City is limited to general obligation indebtedness in the aggregate amount of $983,956,687. The City has $147,065,460* of general obligation debt outstanding as of August 1, 2010 (after taking the issuance of the 2010 Bonds and the Refunding Project into account).

The following table presents a record of the City's outstanding general obligation indebtedness with respect to its statutory debt limitation.

Statutory Debt Limitation*

Fiscal Year Ended June 30,	Assessed Valuation (1)	Debt Limit	Outstanding General Obligation Debt (2)	Statutory Debt Capacity
2007	$6,562,104,434	$ 984,315,665	$108,321,074	$ 875,994,591
2008	7,099,900,952	1,064,985,143	122,346,313	942,638,830
2009	8,128,807,891	1,219,321,184	156,347,110	1,062,974,074
2010	7,286,153,623	1,092,923,043	144,982,234	947,940,234
2011	6,559,711,248	983,956,687	147,065,460(3)*	836,891,227*

(1) Includes the assessed valuation of the Redevelopment Agency. These values are included for purposes of calculating the debt limit but are not subject to taxation for the retirement of general obligation bond debt.
(2) Includes general obligation bonds, general obligation revenue bonds. Excludes lease purchase agreements, installment purchase agreements and special assessment bonds.
(3) Outstanding as of August 1, 2010, after taking the issuance of the 2010 Bonds and the Refunding Project into account.

Source: Property Tax Rates for Nevada Local Governments - State of Nevada - Department of Taxation, 2006-07 through 2010-11; debt information compiled by the Financial Advisor.

Outstanding Indebtedness and Other Obligations

Outstanding Bonds. The following table presents the outstanding obligations of the City as of August 1, 2010, after taking the issuance of the 2010 Bonds into account.

* Subject to change.

City's Outstanding Debt and Other Obligations(1)*

	Dated Date	Original Amount	Amount Outstanding
GENERAL OBLIGATION BONDS (2)			
Street Refunding Bonds, Series 1997B	08/01/97	$9,025,000	$ 2,500,000
GENERAL OBLIGATION REVENUE BONDS (2)(3)			
Golf Course Refunding Bonds, Series 2004A	04/01/04	$ 3,505,000	$ 2,130,000
Sewer Bond (State Revolving Fund), Series 2004	04/09/04	73,133,162	60,236,221
Building Bonds, Series 2004	12/01/04	3,500,000	2,865,000
Sewer Bond (State Revolving Fund), Series 2005	07/27/05	8,033,095	7,099,239
Sewer Bonds, Series 2010 *(this issue)*	09/09/10*	21,145,000*	21,145,000(10)*
Total			93,475,460*
GENERAL OBLIGATION MEDIUM-TERM BONDS (4)			
Medium Term Bonds, Series 2005	12/13/05	3,275,000	2,120,000
Medium Term Sewer Bonds, Series 2008	06/05/08	25,000,000	0(10)*
Medium Term Street Bonds, Series 2009	06/25/09	45,000,000	45,000,000
Medium Term Fire Refunding Bonds, Series 2010	07/21/10	3,970,000	3,970,000
Total			51,090,000*
TOTAL GENERAL OBLIGATION BONDS			147,065,460*
REVENUE BONDS			
Capital Improvement Revenue Bonds, Series 2002 (5)	05/01/02	108,625,000	40,985,000
Building Bonds, Series 2003A (6)	01/07/03	6,100,000	6,100,000
Building Bonds (Taxable), Series 2003B (6)	01/07/03	4,800,000	735,000
Capital Improvement Revenue Refunding Bonds, Series 2005A (5)	10/26/05	73,450,000	72,200,000
Capital Improvement Revenue Bonds, Series 2005B (5)	10/26/05	6,445,154	6,445,154
Capital Improvement Revenue Bonds (Taxable), Series 2005C (5)	10/26/05	9,192,402	9,192,402
Sr. Lien Room Tax Revenue Refunding Bonds (Taxable), Series 2006 (7)	05/03/06	8,720,000	8,265,000
Taxable ReTRAC Lease Revenue Bonds, Series 2006	11/15/06	14,295,000	13,905,000
Sales Tax Increment Subordinate Lien Bonds, Series 2007 (8)	02/15/07	10,000,000	9,567,473
Taxable Fitzgeralds Lease Revenue Bonds, Series 2007 (9)	07/30/07	6,080,000	6,008,000
Sr. Lien Sales Tax Revenue Refunding Bonds, Series 2008A (8)	03/04/08	143,210,000	141,390,000
Sub. Lien Sales Tax Revenue Refunding Bonds, Series 2008B (8)	03/27/08	47,416,227	47,416,227
Sales Tax Increment Bonds (Cabela's Project), Tax-Exempt Series 2008A	10/23/08	16,525,000	16,120,000
Sales Tax Increment Bonds (Cabela's Project), Taxable Series 2008B	10/23/08	18,175,000	17,780,000
TOTAL REVENUE BONDS			396,109,256

Continued on the following page.

(1) As of August 1, 2010, after taking the issuance of the 2010 Bonds and the Refunding Project into account.
(2) General obligation bonds secured by the full faith, credit and taxing power of the City. The ad valorem tax available to pay these bonds is limited to the $3.64 statutory and the $5.00 constitutional limit.
(3) These bonds are additionally secured by pledged revenues; if revenues are not sufficient, the City is obligated to pay the difference between such revenues and debt service requirements of the respective bonds.
(4) General obligation bonds secured by the full faith, credit and payable from all legally available funds of the City. The ad valorem tax available to pay these bonds is limited to the $3.64 statutory and the $5.00 constitutional limit as well as to the City's maximum operating levy and any legally available tax overrides.
(5) Revenue bonds secured by consolidated tax revenues and room tax revenues derived from taxes imposed on the rental of transient lodging.
(6) Revenue bonds secured by consolidated tax revenues.
(7) Revenue bonds secured by room tax revenues derived from taxes imposed on the rental of transient lodging.
(8) Revenue bonds secured by a dedicated 0.125% sales tax revenues transferred to the City pursuant to an interlocal agreement.
(9) Secured by specified lease payments to be received from a lessee under a ground lease. The City has not received payments from the current lessee since September 2009 and has entered into a forbearance agreement with the owner of the bonds. See "Fitzgerald's Lease Bonds" below for further information.
(10) Assumes the issuance of the 2010 Bonds and the effect of the Refunding Project.

* Subject to change.

City's Outstanding Debt and Other Obligations (continued)

	Dated Date	Original Amount	Amount Outstanding
OTHER OBLIGATIONS (11)			
Installment Purchase Agreement (Clean Renewable Energy), Series 2009	06/09/09	$2,340,000	$ 2,184,000
Installment Purchase Agreement (Recovery Zone Economic Development Bond), Series 2010A	07/26/10	10,860,000	10,860,000
Installment Purchase Agreement (Qualified Energy Conservation), Series 2010B	07/26/10	2,261,000	2,261,000
Total			15,305,000
ASSESSMENT DISTRICTS (12)			
2001 SAD # 1999-1	01/30/01	$ 44,700	$ 4,600
2002 SAD # 1999-3	04/23/02	1,763,728	1,045,000
2002 SAD # 2000-1	06/18/02	147,438	29,488
2003 SAD # 2001-2	06/01/03	2,470,000	1,435,000
2006 SAD # 2002-5	01/05/06	7,500,000	6,590,000
1999 SAD # 2	06/29/06	13,905,000	11,535,000
2008A SAD #s (2006-1, 2006-02 & 2007-01)	06/27/08	430,000	355,000
2008B SAD #s (2004-01, 2004-02, 2004-03, 2004-04, 2005-01, 2005-02 & 2004-03)	06/27/08	1,115,000	985,000
Total			21,979,088
OTHER ASSESSMENT DISTRICTS (13)			
2002 SAD #2000-2	04/23/02	4,135,622	2,360,000
2002 SAD #2002-4	04/23/03	18,000,000	12,005,000
2002 SAD #2002-3	04/23/04	7,100,000	5,440,000
Total			19,805,000
GRAND TOTAL			$600,263,804*

(11) The installment purchase agreements are subject to annual appropriation and therefor are terminable annually at the option of the City, are payable from all legally available City revenues and also are secured by security interests in the improvements financed.

(12) Secured by assessments against property improved; the City's General Fund and taxing power are contingently liable if collections of assessments are insufficient.

(13) These bonds are not secured by the general fund of the City nor by its taxing power (except to the extent of its power to impose and collect the assessments); and neither the City nor the State of Nevada nor any political subdivision thereof has pledged its full faith and credit for the payment of these bonds. The payment of these bonds is not secured by any encumbrance, mortgage, or other pledge of the property of the City. In the event of a delinquency in the payment of any assessment installment, the City will have no obligation with respect to these bonds other than to apply available funds in a reserve fund and to commence and pursue sale or foreclosure proceedings with respect to the property in question.

Source: City of Reno.

Fitzgerald's Lease Bonds. The City's Taxable Revenue Bonds, Series 2007 (the "Lease Bonds") are secured by specified lease payments to be received by the City from a lessee under a ground lease. The City Council also adopted a resolution agreeing to consider appropriating funds for the replenishment of the reserve fund created in connection with the Lease Bonds; however, the decision of the City Council as to whether to approve and appropriate any amount for the purpose of reinstating the minimum reserve requirement for the Lease Bonds is in the sole and sound discretion of the City Council, but the City Council is never required to make the appropriations requested.

* Subject to change.

The previous lessee under the ground lease was the owner of the Fitzgerald's casino, which has closed. The City has not received payments from the current lessee since September 2009. To date, amounts on deposit in the revenue fund for the Lease Bonds have been sufficient to pay debt service on the Lease Bonds (and currently are expected to be sufficient for at least the next two years, subject to market conditions and as long as no events of default resulting in acceleration occur). In addition, there are amounts on deposit in the reserve fund. The City and the owner of the Lease Bonds have entered into discussions about restructuring the bonds and the parties have entered into a forbearance agreement; that agreement currently expires on September 16, 2010. It is likely that the current forbearance agreement will expire prior to any restructuring of the Lease Bonds; currently, it is not known whether the owner of the Lease Bonds will extend the forbearance agreement past that time. Should the forbearance agreement expire, it is possible that the owner of the Lease Bonds could declare an event of default under the bond ordinance due to the lessee's failure to make lease payments. One of the remedies under the bond ordinance authorizing the Lease Bonds is acceleration. It is not known whether the owner of the Lease Bonds would declare an event of default or invoke acceleration as a remedy. However, it is possible that the City's general obligation bond ratings could be downgraded as a result of those actions, even though the City has no legal obligation to use funds other than the pledged lease revenues to make payments on the Lease Bonds.

Other Obligations. The City also has outstanding a note payable to the U.S. Department of Housing and Urban Development ("HUD"); as of June 30, 2010, the outstanding principal balance was $369,000. The City borrowed $600,000 from HUD and loaned the proceeds to Fourth Street Partners for construction of affordable housing units within the City. The City uses loan repayments from Fourth Street Partners to pay debt service on the Note.

The City also records a liability for compensated absences. See Notes 1 and 8 in the audited financial statements attached hereto as Appendix A for a further description.

The Reno Redevelopment Agency, which is a separate legal entity (but is a component unit of the City for accounting purposes), also has various bonds and other obligations outstanding. Those obligations are described in the audited financial statements attached hereto as Appendix A. The City is not obligated to make payments on those obligations.

Debt Service Requirements. The following table presents the debt service requirements on the City's outstanding general obligation bonds. The information in this table does not yet include the issuance of the 2010 Bonds or the effect of the Refunding Project.

<u>City's Outstanding Annual Debt Service Requirements</u>(1)*
As of August 1, 2010

Fiscal Year Ended June 30	General Obligation Bonds (1)		General Obligation Revenue Bonds (2)		General Obligation Medium-Term Bonds (3)		Grand Total
	Principal	Interest	Principal	Interest	Principal	Interest	
2011	$ 1,215,000	$ 127,821	$ 2,154,855	$ 1,112,620	$ 5,838,000	$ 2,723,713	$ 13,172,010
2012	1,285,000	65,856	4,475,552	2,009,994	7,017,000	2,601,283	17,454,685
2013	--	--	4,597,735	1,880,430	7,392,000	2,364,551	16,234,716
2014	--	--	4,733,271	1,746,749	7,797,000	2,115,286	16,392,306
2015	--	--	4,877,257	1,608,648	8,528,000	1,810,389	16,824,294
2016	--	--	5,009,792	1,466,093	8,991,000	1,473,924	16,940,809
2017	--	--	5,165,978	1,318,949	9,080,000	1,127,277	16,692,205
2018	--	--	5,315,920	1,166,925	9,592,000	769,332	16,844,177
2019	--	--	5,469,724	1,009,788	6,895,000	330,125	13,704,638
2020	--	--	5,637,503	847,499	415,000	22,347	6,922,349
2021	--	--	5,529,371	685,670	390,000	7,293	6,612,333
2022	--	--	5,690,444	524,096	--	--	6,214,540
2023	--	--	5,860,843	357,759	--	--	6,218,603
2024	--	--	6,030,694	185,984	--	--	6,216,678
2025	--	--	1,496,965	32,926	--	--	1,529,892
2026	--	--	284,555	3,770	--	--	288,325
2027	--	--	--	--	--	--	--
2028	--	--	--	--	--	--	--
2029	--	--	--	--	--	--	--
2030	--	--	--	--	--	--	--
2031	--	--	--	--	--	--	--
2032	--	--	--	--	--	--	--
2033	--	--	--	--	--	--	--
2034	--	--	--	--	--	--	--
2035	--	--	--	--	--	--	--
2036	--	--	--	--	--	--	--
2037	--	--	--	--	--	--	--
2038	--	--	--	--	--	--	--
2039	--	--	--	--	--	--	--
2040	--	--	--	--	--	--	--
2041	--	--	--	--	--	--	--
TOTAL	$2,500,000	$193,678	$72,330,460	$15,957,903	$71,935,000	$15,345,519	$178,262,559

Footnotes on following page.

* Subject to change.

(1) General obligation bonds secured by the full faith, credit and taxing power of the City. The ad valorem tax available to pay these bonds is limited to the $3.64 statutory and the $5.00 constitutional limit. See "PROPERTY TAX INFORMATION - Property Tax Limitations."
(2) General obligation bonds secured by the full faith, credit and taxing power of the City. The ad valorem tax available to pay these bonds is limited to the $3.64 statutory and the $5.00 constitutional limit. These bonds are additionally secured by pledged revenues; if revenues are not sufficient, the City is obligated to pay the difference between such revenues and debt service requirements of the respective bonds. *Excludes the 2010 Bonds*. See "PROPERTY TAX INFORMATION - Property Tax Limitations."
(3) General obligation bonds secured by the full faith, credit and payable from all legally available funds of the City. The ad valorem tax rate available to pay these bonds is limited to the statutory and the constitutional limit as well as to the City's maximum operating levy. See "PROPERTY TAX INFORMATION - Property Tax Limitations." *Does not take the Refunding Project into account.*
(4) See "DEBT SERVICE REQUIREMENTS."

Source: The City; compiled by the Financial Advisor.

Interest Rate Exchange Agreements. The City has entered into interest rate exchange agreements with respect to two series of variable rate bonds. Those agreements are discussed below.

2005A Swap. In connection with the issuance of its Tax-Exempt Capital Improvement Revenue Refunding Bonds, Series 2005A (the "2005A Bonds"), the City entered into an interest rate exchange transaction (the "2005A Swap") with Goldman Sachs Capital Markets, L.P. (the "2005A Swap Counterparty"). In general, the terms of the 2005A Swap provide that the City will make semiannual payments, commencing on June 1, 2006, to the 2005A Swap Counterparty at a fixed interest rate (3.53%) based on a notional amount equal to the Outstanding principal amount of the 2005A Bonds. In return, commencing on November 3, 2005, the 2005A Swap Counterparty makes weekly payments to the City that reflect a variable rate of interest on the same notional amount. The payment obligations of the 2005A Swap Counterparty under the 2005A Swap are guaranteed by The Goldman Sachs Group, Inc. Pursuant to the 2005A Swap, the variable interest rate to be paid by the 2005A Swap Counterparty is equal to the lower of (a) USD-LIBOR ("LIBOR" means the London Interbank Offered Rate) and (b) 1-month LIBOR. For purposes of the preceding paragraph, "USD-LIBOR" means the greater of (i) 1-month LIBOR times 67% or (ii) 1-month LIBOR times 56% plus 44 basis points. The 2005A Swap was effective on October 26, 2005, and terminates on June 1, 2032 (unless terminated early in accordance with its terms). The semiannual payments made by the City under the 2005A Swap are made on a net-payment basis and are payable from specified pledged revenues (certain room tax and consolidated tax revenues) on a parity with the 2005A Bonds.

As previously described, the room tax revenues pledged to the 2005A Bonds is not expected to be sufficient to pay all of the debt service due on the 2005A Bonds in fiscal year 2011. The 2005A Bonds are additionally secured by a portion of the consolidated tax revenues and the City has budgeted approximately $2.4 million of consolidated tax revenues from the General Fund to pay debt service on the 2005A Bonds. The City currently is evaluating the economics of issuing fixed rate general obligation/revenue bonds (room tax) in order to eliminate future variable rate exposure and to restructure the debt service on the 2005A Bonds so that room tax is sufficient to pay all of the debt service due in future years. If fixed rate bonds are issued to refund the 2005A Bonds, the 2005A Swap also would be terminated.

2008A Swap. In connection with the issuance of its Senior Lien Sales Tax Revenue Refunding Bonds (ReTrac-Reno Transportation Rail Access Corridor Project), Series 2008A, the City has entered into an interest rate exchange transaction (the "2008A Swap") with Goldman Sachs Capital Markets L.P. (the "2008A Swap Counterparty"). In general, the terms of the 2008A Swap provides that the City will make semiannual payments, commencing on June 1, 2008, to the 2008A Swap Counterparty at a fixed interest rate (3.32%) based on a notional amount equal to the Outstanding principal amount of the 2008A Bonds. In return, the 2008A Swap Counterparty will make monthly payments to the City, commencing on April 1, 2008, that reflect a variable rate of interest on the same respective notional amounts. The payment obligations of the 2008A Swap Counterparty under the 2008A Swap will be guaranteed by the 2008A Swap Guarantor. Pursuant to the 2008A Swap, the variable interest rate to be paid by the 2008A Swap Counterparty is equal to 1-month LIBOR times 67%. ("LIBOR" means the London Interbank Offered Rate. Generally, "1-month LIBOR = USD-LIBOR-BBA with a designated maturity of one month, as defined in the Confirmation.) The 2008A Swap is effective on March 4, 2008, and, unless terminated early in accordance with its terms, terminates on June 1, 2042. The regularly scheduled payments made by the City under the 2008A Swap are made on a net-payment basis and are payable from specified pledged revenues (a dedicated 0.125% sales tax levied in the County) on a parity with the 2008A Bonds.

Pursuant to the 2008A Swap, the City is required to provide the 2008A Swap Counterparty a quarterly report of the results of a coverage test contained in the 2008A Swap. The City is required to report: (i) the amount of 2008 Pledged Revenues (defined below) received in the 12 months preceding each "Reporting Date" (March 1, June 1, September 1 and December 1), (ii) the combined debt service paid during that 12 month period on the 2008A Bonds (determined by applying the fixed rate on the 2008A Swap) and Series 2008B Subordinate Lien Sales Tax Revenue Refunding Bonds (the "2008B Bonds"), and (iii) the ratio of the reported 2008 Pledged Revenues to the reported debt service (the "Coverage Ratio"). If the Coverage Ratio is less than 1.15, Goldman may, at its sole option, declare an "additional termination event" under the Swap and demand that the City pay it a termination payment calculated in accordance with the terms of the Swap. Any termination payment is payable solely from any available 2008 Pledged Revenues, in the priority described below.

Payments on the 2008A Bonds, the 2008B Bonds and amounts due pursuant to the 2008A Swap (including any termination payment) are secured by and payable <u>only</u> from 2008 Pledged Revenues, which consist of the proceeds of a specific 1/8 of 1% sales tax levied in the County; they are <u>not</u> payable from any other monies or revenue of the City or any other entity and are not general obligations of the City. The City does not anticipate using monies other than 2008 Pledged Revenues to pay the 2008A Bonds, the 2008B Bonds or any amounts due pursuant to the 2008A Swap. *The 2008 Pledged Revenues are required to be applied to payments due on the 2008A Bonds and the Swap and to the payment of certain fees and expenses prior to the payment of debt service on 2008B Bonds.*

The Coverage Ratio was 1.03 for the most recent Reporting Date (June 1, 2010), which is less than the 1.15 Coverage Ratio required. Earlier in fiscal year 2010, the Coverage Ratio was not met for the September 1, 2009 Reporting Date. The Coverage Ratio was met on the December 1, 2009 and March 1, 2010 Reporting Dates, but only because the timing of the Trustee's receipt of Pledged Revenues caused 13 months of sales tax income to be received during the relevant 12 month periods preceding the respective Reporting Dates.) Consequently, Goldman now has a right to terminate the 2008A Swap if it chooses to do so.

As of June 1, 2010, the City estimated that if Goldman were to exercise its option to terminate the 2008A Swap, the City would owe Goldman a termination payment of approximately $15 million; however, the termination payment amount fluctuates from time to time. As of the July 16, 2010 valuation date, the termination payment was estimated at approximately $20.5 million. Should Goldman terminate the 2008A Swap, the City anticipates that 2008 Pledged Revenues would be sufficient to pay debt service on the 2008A Bonds, but would not be sufficient to pay the entire termination amount. As a result, if Goldman determines to terminate the 2008A Swap and demands a termination payment from the City, **no** debt service would be paid on the 2008B Bonds until the entire termination amount and the interest due thereon are paid in full. At this time, the City cannot predict whether Goldman will terminate the 2008B Swap, nor can it predict when the entire termination amount due to Goldman and interest thereon would be fully paid if Goldman does terminate the 2008B Swap.

The City has received a letter dated July 16, 2010, from Goldman (the "Goldman letter") acknowledging that it may elect at any time to exercise its option to designate an Early Termination Date under the 2008B Swap and to exercise all rights powers or privileges and/or remedies it has under the 2008B Swap. Notwithstanding the foregoing, Goldman stated in the letter that delivery of the Goldman letter does not constitute an exercise of any such option or a termination or cancellation of any transaction under the 2008B Swap, nor does it constitute a waiver or forbearance of any of Goldman's rights, powers or privileges and/or remedies. Further, the Goldman letter states that it is not a waiver of any default, Potential Event of Default or Termination Event not specified therein (including any such actions attributable to the Additional Termination Event under the Swap (also related to debt service coverage) on the September 1, 2009 Reporting Date (as described above). Finally, the Goldman letter reserves all of its rights and remedies under the 2008B Swap or other applicable agreements with the City, including without limitation, its continuing right to designate an Early Termination Date under the 2008B Swap.

The City also has received a letter dated July 2, 2010 (the "BONY letter"), from The Bank of New York Mellon ("BONY"), the provider of the direct-pay letter of credit supporting the 2008A Bonds. The BONY letter notified the City of BONY's determination that the failure to meet the Coverage Ratio constitutes an Event of Default under the Letter of Credit Reimbursement Agreement dated as of March 1, 2008, between BONY and the City (the "Agreement"). The City has notified BONY by letter that it does not agree with the analysis in the BONY letter stating that an "Event of Default" has occurred and is continuing under the Agreement. Notwithstanding the foregoing, the BONY letter also advised the City that BONY has not elected at this time to enforce any of its rights or remedies under the Agreement; however, the fact that BONY has not done so is not a waiver of, or an agreement by BONY to forebear from pursuing any such rights or remedies. Further, in the BONY letter, BONY reserves all of its rights and remedies arising out of or relating to the purported Event of Default under the Agreement as well to as any other or future Events of Default.

Should it be determined that an Event of Default exists under the Agreement, and should BONY determine to exercise its remedies under the Agreement, a mandatory tender of the 2008A Bonds will occur and BONY will required to purchase all of the 2008A Bonds. The interest rate on any 2008A Bonds held by BONY during the continuation of an Event of Default pursuant to the Agreement will increase to the "Default Rate" under the Agreement. The Default Rate is equal to the Base Rate plus 4% per annum ("Base Rate" means the higher of (i) the Federal Funds Rate plus 0.50% per annum or (ii) the Prime Rate). The Default Rate on the

2008A Bonds could be substantially higher than the variable rate that otherwise would apply to the calculation of interest on the 2008A Bonds. Any increases in payments due on the 2008A Bonds (including payments to BONY at the Default Rate) will reduce (possibly to $0) the amount of 2008 Pledged Revenues available to pay debt service on the 2008B Bonds.

See Note 8 in the audited financial statements attached hereto as Appendix A for further information on the 2005A Swap and the 2008A Swap.

Additional Contemplated Indebtedness

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

ECONOMIC AND DEMOGRAPHIC INFORMATION

This portion of the Official Statement contains general information concerning historic economic and demographic conditions in and surrounding the City and the County. It is intended only to provide prospective investors with general information regarding the City's community. The information was obtained from the sources indicated and is limited to the time periods indicated. The information is historic in nature; it is not possible to predict whether the trends shown will continue in the future. The City makes no representation as to the accuracy or completeness of data obtained from parties other than the City.

Population and Age Distribution

Population. The table below shows the population growth of the City, Washoe County and the State since 1970. Between 2000 and 2009, the City's population increased 20.9%, Washoe County increased 22.7% and the State increased 35.7% over the same time period.

Population

Year	City of Reno	% Change	Washoe County	% Change	State of Nevada	% Change
1970	72,863	--	121,068	--	488,738	--
1980	100,576	38.0%	193,623	59.9%	800,493	63.8%
1990	133,850	33.1	254,667	31.5	1,201,833	50.1
2000	180,480	34.8	339,486	33.3	1,998,257	66.3
2005	206,735	--	396,844	--	2,518,869	--
2006	214,371	3.7	409,085	3.1	2,623,050	4.1
2007	220,613	2.9	418,061	2.2	2,718,337	3.6
2008	223,012	1.1	423,833	1.4	2,738,733	0.8
2009	218,143	(2.2)	416,632	(1.7)	2,711,205	(1.0)

Sources: Figures for 1970 through 2000 were obtained from the United States Department of Commerce, Bureau of Census; figures for 2005-2009 are estimates provided by the Nevada State Demographer's Office, and are subject to periodic revision.

Age Distribution. The following table sets forth a comparative age distribution profile for the City, Washoe County, the State and the nation as of January 1, 2010.

Age Distribution

Age	City of Reno	Washoe County	State of Nevada	United States
0-17	23.4%	24.5%	25.7%	24.3%
18-24	9.0	8.9	8.4	9.7
25-34	15.1	13.6	14.3	13.3
35-44	14.0	13.4	14.5	13.6
45-54	13.6	14.6	13.8	14.4
55-64	12.0	12.5	11.4	11.5
65-74	7.2	7.3	7.0	7.0
75 and Older	5.7	5.2	4.9	6.2

Source: © 2010 The Nielsen Company, *SiteReports*.

Income

The following two tables reflect the Median Household Effective Buying Income ("EBI"), and also the percentage of households by EBI groups. EBI is defined as "money income" (defined below) less personal tax and nontax payments. "Money income" is defined as the aggregate of wages and salaries, net farm and nonfarm self-employment income, interest, dividends, net rental and royalty income, Social Security and railroad retirement income, other retirement and disability income, public assistance income, unemployment compensation, Veterans Administration payments, alimony and child support, military family allotments, net winnings from gambling, and other periodic income. Deductions are made for personal income taxes (federal, state and local), personal contributions to social insurance (Social Security and federal retirement payroll deductions), and taxes on owner-occupied nonbusiness real estate. The resulting figure is known as "disposable" or "after-tax" income.

Median Household Effective Buying Income

Year	City of Reno	Washoe County	State of Nevada	United States
2006	--	$45,322	$43,676	$40,529
2007	--	46,527	45,041	41,255
2008	--	47,116	47,381	41,792
2009	$42,017	47,885	48,138	42,513
2010	42,651	48,779	48,659	43,252

Source: © 2010 The Nielsen Company, *SiteReports*. (Years prior to 2009 provided by Nielsen Claritas-informed publication: Trade Dimensions International Inc. – Demographics USA – County Edition, 2006-2008.)

Percent of Households by Effective Buying Income Groups - 2010

Effective Buying Income Group	City of Reno Households	Washoe County Households	State of Nevada Households	United States Households
Under $24,999	25.1%	20.1%	20.0%	26.2%
$25,000 - 49,999	34.3	31.4	31.7	32.1
$50,000 - 74,999	20.2	22.1	22.6	20.1
$75,000 - 99,999	11.6	14.3	14.2	11.1
$100,000 - 149,999	5.2	7.3	7.3	6.5
$150,000 or More	3.6	4.8	4.2	4.0

Source: © 2010 The Nielsen Company, *SiteReports*.

The following table sets forth the annual per capita personal income levels for the residents of the County, the State and the nation. Per capita personal income levels in the County have consistently exceeded state and national levels during the period shown.

Per Capita Personal Income[1]

Year	Washoe County	State	United States
2004	$41,215	$35,277	$33,881
2005	43,049	38,117	35,424
2006	44,089	39,231	37,698
2007	47,513	40,930	39,392
2008	47,045	40,936	40,166
2009[2]	n/a	38,578	39,138

(1) County figures revised April 2010, state and national revised March 2010.
(2) Preliminary.

Source: United States Department of Commerce, Bureau of Economic Analysis.

Employment

The Washoe County average annual labor force summary as prepared by the State's Department of Employment, Training and Rehabilitation ("DETR") is as follows:

Average Annual Labor Force Summary
Washoe County, Nevada (Estimates in Thousands)

Calendar Year	2005	2006	2007	2008	2009	2010[4]
TOTAL LABOR FORCE[1]	209.8	217.6	226.3	231.8	224.2	224.7
Unemployment	8.1	8.6	10.4	15.7	26.0	30.2
Unemployment Rate[2]	3.9%	3.9%	4.6%	6.8%	11.6%	13.4%
Total Employment[3]	201.7	209.0	215.9	216.1	198.2	194.5

(1) Figures for 2005-2008 were revised January of each of the following years; figures for 2009 revised February 2010, and 2010 figures revised July 2010.
(2) The U.S. unemployment rates for the years 2005 through 2009 are 5.1%, 4.6%, 4.6%, 5.8%, and 9.3%, respectively. The national unemployment rate in May 2010 was 9.7%.
(3) Adjusted by census relationships to reflect number of persons by place of residence.
(4) Averaged labor force numbers through June 2010.

Source: Research and Analysis Bureau, Nevada Dept. of Employment, Training and Rehabilitation.

The following table indicates the number of persons employed, by type of employment, in non-agricultural industrial employment in Washoe County.

Establishment Based Industrial Employment
Washoe County, Nevada (Estimates in Thousands)

Calendar Year	2005	2006	2007	2008	2009
Natural Resources and Mining	0.5	0.5	0.5	0.4	0.4
Construction	22.2	23.4	20.4	16.1	11.0
Manufacturing	13.8	14.1	14.3	13.7	11.3
Trade, Transportation and Utilities	44.7	46.1	46.9	45.8	41.9
Information	3.0	2.8	2.8	2.8	2.5
Financial Activities	10.9	10.7	10.2	9.7	9.0
Professional and Business Services	26.4	28.7	28.9	26.9	24.3
Education and Health Services	19.6	19.8	20.7	21.1	21.5
Leisure and Hospitality	38.7	39.2	40.0	37.9	34.0
Other Services	5.0	5.3	5.3	5.3	5.2
Government	26.8	27.3	28.0	28.4	27.6
TOTAL ALL INDUSTRIES(1)	211.6	218.0	218.1	208.3	188.8

(1) Totals may not add due to rounding. Reflects employment by place of work. Does not necessarily coincide with labor force concept. Includes multiple job holders. All numbers are subject to periodic revision.

Source: Research and Analysis Bureau, Nevada Dept. of Employment, Training and Rehabilitation.

The table below lists the largest fifteen employers in the County. No independent investigation has been made of and consequently no assurances can be given as to the financial condition or stability of the employers listed below or the likelihood that such entities will maintain their status as major employers in the County.

Largest Employers - Washoe County, Nevada
As of 4th Quarter - 2009

Employer(1)	Employees	Industry
Washoe County School District	8,500-8,999	Public education
University of Nevada - Reno	4,000-4,499	University
Washoe County	2,500-2,999	Local government
Renown Regional Medical Center	2,000-2,499	Hospital
Peppermill Hotel Casino - Reno	2,000-2,499	Casino hotel
International Game Technology	2,000-2,499	Manufacturing
Silver Legacy Resort Casino	1,500-1,999	Casino hotel
St. Mary's Regional Medical Center	1,500-1,999	Hospital
City of Reno	1,500-1,999	Local government
Atlantis Casino Resort	1,500-1,999	Casino hotel
Grand Sierra Resort and Casino	1,500-1,999	Casino hotel
Eldorado Hotel & Casino	1,000-1,499	Casino hotel
United Parcel Service	1,000-1,499	Courier
Sierra Nevada Healthcare System	1,000-1,499	Hospital
Circus Circus Casinos Inc. - Reno	1,000-1,499	Casino hotel

(1) All employers are located in the City of Reno except for United Parcel Service and Sparks Nugget Inc.

Source: Research and Analysis Bureau, Nevada Dept. of Employment, Training and Rehabilitation.

The following table lists the firm employment size breakdown for the County.

Size Class of Industries[(1)]
Washoe County, Nevada (Non-Government Worksites)

CALENDAR YEAR	4th Qtr 2009	4th Qtr 2008	Percent Change 2009/2008	Employment Totals 4th Qtr 2009
TOTAL NUMBER OF WORKSITES	14,060	14,484	(2.9)%	159,564
Less Than 10 Employees	10,891	11,126	(2.1)%	26,966
10-19 Employees	1,686	1,690	(0.2)	22,916
20-49 Employees	987	1,109	(11.0)	29,152
50-99 Employees	295	329	(10.3)	20,019
100-249 Employees	150	175	(14.3)	22,065
250-499 Employees	33	37	(10.8)	12,135
500-999 Employees	5	4	25.0	3,343
1000+ Employees	13	14	(7.1)	22,968

(1) Subject to revisions.

Source: Research and Analysis Bureau, Nevada Dept. of Employment, Training and Rehabilitation.

Retail Sales

Reno and Sparks are the center of a retail trade area that extends 300 miles eastward to Elko and Eureka, Nevada, 274 miles south to Goldfield, Nevada; Bishop and other Inyo County points in California, 100 miles west and northwest to Quincy, Westwood, Susanville, Truckee, Donner Summit and Lake Tahoe areas of California, and north 247 miles to Lakeview, Oregon. The following table sets forth a history of taxable sales in the County.

Taxable Sales in the County

Fiscal Year	Washoe County Total	Percent Change	State Total	Percent Change
2005	$6,687,446,595	--	$44,192,447,817	--
2006	7,268,593,250	8.7%	48,581,095,724	9.9%
2007	7,202,640,557	(0.9)	49,427,707,106	1.7
2008	6,823,700,706	(5.3)	48,196,848,945	(2.5)
2009	5,707,791,051	(16.4)	42,086,614,338	(12.7)
2010(1)	4,703,531,662	--	34,441,260,047	--

(1) Figures reflect sales from July 2009 through May 2010, and represent a (10.2%) decrease in the County total from the same period in the prior fiscal year and an (11.1%) decrease in the State total from the same period in the prior fiscal year.

Source: State of Nevada, Department of Taxation.

Construction

The following table indicates a history of the number of building permits issued in Reno, Sparks and the unincorporated County, and of their valuations.

Building Permits
(Value Amounts in Thousands)

Calendar	City of Reno		City of Sparks		Unincorporated Washoe County		Total Washoe County	
Year	Permits	Value	Permits	Value	Permits	Value	Permits	Value
2005	12,662	$1,018,620	6,030	$333,850	3,621	$356,524	22,313	$1,708,994
2006	10,891	1,119,321	4,858	320,611	2,980	268,252	18,729	1,708,184
2007	8,240	1,033,932	4,322	270,861	2,549	221,628	15,111	1,526,421
2008	5,872	594,203	2,693	228,427	1,925	132,054	10,490	954,684
2009	5,371	303,502	2,338	82,332	1,304	57,649	9,013	443,483
2010(1)	2,936	151,830	1,178	34,749	698	36,386	4,812	222,965

(1) Number of permits issued through July 2010.

Sources: Reno and Sparks Building Departments, and Washoe County Building Department.

Gaming

The economy of the State is heavily dependent upon a tourist industry based on legalized casino gambling. Gaming has been legal in Nevada since 1931 and is controlled and regulated by the State. Control is vested in a five-member Gaming Commission and a three-member Gaming Control Board. All of the board and commission members are appointed by the Governor. These bodies investigate and approve all licenses, establish operating rules, and collect gaming taxes due the State.

Prior to 2002, gross taxable gaming revenues in the State had never declined from one fiscal year to the next, notwithstanding the changing economic condition of the nation. The County gross taxable gaming revenues have fluctuated since fiscal year 2001. The County's gross taxable 2009 gaming revenue represents 8.4% of the State's total 2009 gaming revenue. The following table presents a five-year record of gross taxable gaming revenues and total gaming taxes collected on a State-wide basis and in the County

Gross Taxable Gaming Revenue and Total Gaming Taxes(1)
Washoe County, Nevada

Fiscal Year Ended June 30	Gross Taxable Gaming Revenue[2] State Total	County Total	Percent Change County	Gaming Collection[3] State Total	County Total	Percent Change County
2005	$10,609,819,932	$1,013,879,050	--	$ 904,122,239	$81,323,855	--
2006	11,802,532,867	1,066,728,641	5.7%	1,002,447,124	83,922,077	3.5%
2007	12,220,635,559	1,064,909,430	(0.2)	1,036,688,550	84,215,802	0.4
2008	11,925,274,493	994,851,881	(6.6)	980,052,427	77,529,505	(7.9)
2009	10,244,586,809	861,890,203	(13.4)	858,007,713	66,435,646	(14.3)
July 08-May 09	$9,446,633,991	$792,649,625	--	$734,223,075	$53,623,847	--
July 09-May 10	8,875,500,574	721,612,272	(9.0)%	698,840,342	50,648,103	(5.6)%

(1) The figures shown are subject to adjustments due to amended tax filings, fines and penalties.
(2) The total of all sums received as winnings less only the total of all sums paid out as losses (before operating expenses).
(3) Cash receipts of the State from all sources relating to gaming (General Fund and other revenues) including percentage license fees, quarterly flat license fees, annual license fees, casino entertainment taxes, annual slot machine taxes, penalties, advance fees, and miscellaneous collections. A portion of collections is deposited to the State funds other than the State's General Fund.

Source: State of Nevada, Gaming Control Board.

Convention Activity

The convention business is also an important factor in the area's economy. The Reno-Sparks Convention & Visitors Authority ("RSCVA") operates the Convention Center, the National Bowling Stadium (which is owned by the City of Reno and managed by RSCVA pursuant to an operating agreement), the Wildcreek Golf Course, the Livestock Events Center and the Reno Events Center. RSCVA also owns the Pioneer Center for the Performing Arts and the Incline Village Visitors Center, which are managed solely by private non-profit corporations. The Convention Center currently has 460,000 square feet of enclosed exhibition space and meeting rooms (approximately 381,000 square feet of exhibit space and more than 75,000 square feet of meeting rooms) plus 55,000 square feet of multi-purpose and pre-function space. The Reno-Sparks Livestock Events Center primarily hosts equestrian-livestock events. The main buildings include the 60,000 square-foot Main Arena, the Exhibit Hall and the Livestock Pavilion, facilities for livestock, an outdoor Rodeo Arena, a Cutting Arena, 660 animal stalls, several warm-up areas, and parking facilities. The Reno Events Center is a 118,000 square-foot building, including approximately 55,000 square feet of multipurpose space for concerts, sporting events, large dinners or small conventions and trade shows and approximately 5,000 square feet of flexible space for up to 10 meeting rooms/suites. In addition to the above, area hotels currently offer convention and meeting space.

Historical RSCVA Convention Facility Usage and Attendance

	Convention Center		Livestock Events Center		National Bowling Stadium(1)		Reno Events Center(2)	
Fiscal Year	Number of Conventions and Shows	Estimated Attendance	Number of Events	Estimated Attendance	Number of Events	Estimated Attendance	Number of Events	Estimated Attendance
2005	229	504,628	145	511,125	127	47,500	61	72,925
2006	257	552,881	135	515,125	50	119,700	48	160,339
2007	285	576,161	133	522,125	89	239,268	83	169,014
2008	263	575,372	131	517,225	185	73,738	125	213,550
2009	171	326,176	129	537,225	115	130,844	109	198,054

(1) In each year except 2005, the National Bowling Stadium hosted national tournaments, large events covering approximately four months.
(2) The Reno Events Center opened in January 2005.

Source: Reno-Sparks Convention and Visitors Authority.

Transportation

The Reno/Sparks area is located at a transportation crossroads. Interstate 80, which runs east-west, and U.S. 395, running north-south, provide adequate routes for trucking and personal transportation. The Union Pacific Railroad operates major rail lines through the County and offers connections to other major rail networks, providing both freight and Amtrak passenger service. Intermodal yards and container freight facilities are located in Sparks. Over 65 motor freight companies serve the Reno/Sparks market and approximately 25 licensed common carriers with terminals are in the Reno/Sparks area.

The Reno-Tahoe International Airport (the “Airport”) is a medium hub airport owned and operated by the Reno-Tahoe Airport Authority (the “Airport Authority”). The geographical area served by the Airport primarily encompasses the seven Nevada counties of Churchill, Douglas, Humboldt, Lyon, Pershing, Storey, and Washoe and the major cities of Reno, Sparks, and Carson City. The total air trade area for the Airport also includes the Lake Tahoe area and several communities in northeastern California. The Airport Authority continues to plan and accommodate airport facility needs. Recently, the Airport completed an airport baggage check-in project which modernized baggage screening and improved passenger flow and security.

In June 2010, the Airport was served by six major airlines offering 72 daily departures non-stop to 15 destinations. Due to the current state of the airline industry, the Airport saw a decline in 2008 and 2009 statistics. Passenger usage decreased in 2009 to 3.76 million total passengers. Air cargo pounds decreased 15% in 2009; however, the 2009 decline decreased dramatically from January (21.96% decrease) to an increase in December (3.43% increase). Year to date 2010 (June 30), the Airport Authority reports a total of 1.92 million passengers, a 1.1% increase over the same period in the previous year. During the month of June, air cargo at 8.7 million pounds increased 11.0% as compared to the same month in 2009, providing the largest percentage increase since May 2007. Year to date 2010 (June 30) air cargo increased 5.9% over 2009 year to date.

Distribution and Manufacturing

The County (Reno/Sparks) is a principal manufacturing and distribution center for the Western United States. The State's Freeport Law provides tax-free warehousing of goods while in transit through the State. Coupled with the lack of taxes common in many states, such as franchise, inventory, corporate and personal income, along with geographic location have encouraged new companies to locate in the Reno/Sparks area providing continued growth to the State's and County's industrial base. The area also has a large established Foreign Trade Zone (FTZ 126).

Economic Development

The mission of the Economic Development Authority of Western Nevada ("EDAWN") is to recruit and expand quality companies that have a positive economic impact on the quality of life in the Reno/Sparks/Lake Tahoe region.

Complementing the area's emphasis on economic diversification are the numerous business incentives unique to the State of Nevada. Competitive wage rates, an expanding labor force, low cost and readily available electrical power, low out-bound freight transportation costs as compared to other prominent Western United States markets, a deferral and/or abatement of sales and use tax on new capital equipment, personal property tax abatement, grant monies for job training, and business license tax abatement programs for qualified companies combine to give business and industry an attractive advantage.

Utilities and Other Resources

Regional Resource Management. The Truckee Meadows Regional Plan was adopted by the Legislature in June 1991 and includes several major policy initiatives for the region relating to water management. The City, Sparks and the County are currently working together to resolve the issues involved in this area, as well as to adopt a mutually acceptable annexation plan.

Regional Water Planning. In 1995 the Legislature set up a Regional Water Planning Commission for South Washoe County (excluding Lake Tahoe). The commission developed a Regional Water Management Plan that was approved by the City, the City of Reno ("Reno"), and the County and accepted by the Legislature. Any facility of "regional significance" associated with water supply, wastewater treatment and stormwater drainage must be recognized in the Regional Water Management Plan or presented for amendment to the Plan. The Board of County Commissioners, serving as the Regional Water Board, eventually approve all amendments.

Water. The primary source of water for residents and businesses of Reno and Sparks, and some areas of the County is the Truckee River, which flows from Lake Tahoe to Pyramid Lake (approximately 120 miles). Underground water and individual private wells augment the river water supply, particularly in the unincorporated areas of the County.

The Truckee Meadows Water Authority ("TMWA") purchased the water division of Sierra Power Resources ("Sierra Resources," formed in 1999 from a merger of Sierra and Nevada Power Company) in mid-2001. TMWA was formed and operates pursuant to a cooperative agreement among Reno, Sparks and the County. TMWA now provides water service to the majority of County residents, including the cities of Reno and Sparks, the major population centers in the County. The remaining areas of the County are served either by special districts, the County Department of Water Resources, private companies and/or private wells.

Wastewater Treatment and Water Reclamation. Sewage treatment within the Truckee Meadows region of the County is provided by five wastewater facilities. All the facilities are owned and operated separately or jointly by the City, Sparks, and the County. The local governments have several comprehensive programs to improve water quality throughout the Truckee Meadows region. Effluent reuse, stormwater management, water quality monitoring and modeling, and Truckee River restoration represent efforts undertaken to insure that as the Truckee Meadows region continues to grow, water quality is protected.

Education

Elementary and secondary education is primarily provided by the Washoe County School District. Private elementary and high schools also operate within the County. All public higher education in the State is administered by the Nevada System of Higher Education (the "System"). The University of Nevada, Reno ("UNR") and Truckee Meadows Community College are part of that System and both are located in Reno. The National Judicial College, which provides continuing education for state court judges throughout the nation, is located on the grounds of UNR.

LEGAL MATTERS

Litigation

In the opinion of the City Attorney, however, there is no litigation or controversy of any nature now pending, or to the knowledge of the City Attorney threatened: (i) restraining or enjoining the issuance, sale, execution or delivery of the 2010 Bonds or (ii) in any way contesting or affecting the validity of the 2010 Bonds or any proceedings of the City taken with respect to the issuance or sale thereof or the pledge or application of any moneys or security provided for the payment of the 2010 Bonds, including the Pledged Revenues. Further, the City Attorney states that as of the date hereof, to the best of his knowledge, although the City is subject to certain pending or threatened litigation or administrative proceedings, these matters either are adequately covered by insurance or, to the extent not insured, the final settlement thereof is not expected to materially, adversely affect the financial position of the City.

Sovereign Immunity

Pursuant to State statute (NRS Section 41.035), an award for damages in an action sounding in tort against the City may not include any amount as exemplary or punitive damages and is limited to $75,000 per cause of action. The limit will increase to $100,000 effective October 1, 2011. The increase in the limitation will have the effect of increasing the liability insurance costs for the City. The limitation does not apply to federal actions brought under federal law such as civil rights actions under 42 U.S.C. Section 1983 and actions under The Americans with Disabilities Act of 1990 (P.L. 101-336), or to actions in other states.

Legal Opinions

The legal opinion of Swendseid & Stern, a member in Sherman & Howard L.L.C., Bond Counsel, Reno, Nevada as to the validity and enforceability of the Bonds will be made available to the Initial Purchaser at the time of original delivery. See Appendix D - Form of Approving Opinion of Bond Counsel. Swendseid & Stern, a member in Sherman & Howard L.L.C. also has acted as special counsel to the City in connection with this Official Statement. The City Attorney will pass upon certain legal matters for the City.

Police Power

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

TAX MATTERS

Federal Tax Matters

In the opinion of Bond Counsel, assuming continuous compliance with certain covenants described below, interest on the 2010 Bonds is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended to the date of delivery of the 2010 Bonds (the "Tax Code"), and interest on the 2010 Bonds is excluded from alternative minimum taxable income as defined in Section 55(b)(2) of the Tax Code. For purposes of this paragraph and the succeeding discussion, "interest" includes the original issue discount on certain of the 2010 Bonds only to the extent such original issue discount is accrued as described herein.

The Tax Code imposes several requirements which must be met with respect to the 2010 Bonds in order for the interest thereon to be excluded from gross income and alternative minimum taxable income. Certain of these requirements must be met on a continuous basis throughout the term of the 2010 Bonds. These requirements include: (a) limitations as to the use of proceeds of the 2010 Bonds; (b) limitations on the extent to which proceeds of the 2010 Bonds may be invested in higher yielding investments; and (c) a provision, subject to certain limited exceptions, that requires all investment earnings on the proceeds of the 2010 Bonds above the yield on the 2010 Bonds to be paid to the United States Treasury. The City will covenant and represent in the Bond Ordinance that it will take all steps to comply with the requirements of the Tax Code to the extent necessary to maintain the exclusion of interest on the 2010 Bonds from gross income and alternative minimum taxable income under such federal income tax laws in effect when the 2010 Bonds are delivered. Bond Counsel's opinion as to the exclusion of interest on the 2010 Bonds from gross income and alternative minimum taxable income is rendered in reliance on these covenants, and assumes continuous compliance therewith. The failure or inability of the City to comply with these requirements could cause the interest on the 2010 Bonds to be included in gross income, alternative minimum taxable income or both from the date of issuance. Bond Counsel's opinion also is rendered in reliance upon certifications of the City and other certifications furnished to Bond Counsel. Bond Counsel has not undertaken to verify such certifications by independent investigation.

With respect to 2010 Bonds that were sold in the initial offering at a discount (the "Discount Bonds"), the difference between the stated redemption price of the Discount Bonds at maturity and the initial offering price of those bonds to the public (as defined in Section 1273 of the Tax Code) will be treated as "original issue discount" for federal income tax purposes and will, to the extent accrued as described below, constitute interest which is excluded from gross income or alternative minimum taxable income under the conditions in the preceding paragraphs. The original issue discount on the Discount Bonds is treated as accruing over the respective terms of such Discount Bonds on the basis of a constant interest rate compounded at the end of each six-month period (or shorter period from the date of original issue) ending on February 1 and August 1 with straight line interpolation between compounding dates. The amount of original issue discount accruing each period (calculated as described in the preceding sentence) constitutes interest which is excluded from gross income or alternative minimum taxable income under the conditions described in the preceding paragraphs and will be added to the owner's basis in the Discount Bonds. Such adjusted basis will be used to determine taxable gain or loss upon disposition of the Discount Bonds (including sale or payment at maturity). Owners should consult their own tax advisors with respect to the tax consequences of the ownership of the Discount Bonds.

Owners who purchase Discount Bonds after the initial offering or who purchase Discount Bonds in the initial offering at a price other than the initial offering price (as defined in Section 1273 of the Tax Code) should consult their own tax advisors with respect to the federal tax consequences of the ownership of the Discount Bonds. Owners who are subject to state or local income taxation should consult their tax advisor with respect to the state and local income tax consequences of ownership of the Discount Bonds. It is possible that, under the applicable provisions governing determination of state and local taxes, accrued original issue discount on the Discount Bonds may be deemed to be received in the year of accrual even though there will not be a corresponding cash payment.

The Tax Code contains numerous provisions which may affect an investor's decision to purchase the 2010 Bonds. Owners of the 2010 Bonds should be aware that the ownership of tax-exempt obligations by particular persons and entities, including, without limitation, financial institutions, insurance companies, recipients of Social Security or Railroad Retirement benefits, taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, foreign corporations doing business in the United States and certain "subchapter S" corporations may result in adverse federal and state tax consequences. Under Section 3406 of the Tax Code, backup withholding may be imposed on payments on the 2010 Bonds made to any owner who fails to provide certain required information, including an accurate taxpayer identification number, to certain persons required to collect such information pursuant to the Tax Code. Backup withholding may also be applied if the owner underreports "reportable payments" (including interest and dividends) as defined in Section 3406, or fails to provide a certificate that the owner is not subject to backup withholding in circumstances where such a certificate is required by the Tax Code. Certain of the 2010 Bonds were sold at a premium, representing a difference between the original offering price of those 2010 Bonds and the principal amount thereof payable at maturity. Under certain circumstances, an initial owner of such bonds (if any) may realize a taxable gain upon their disposition, even though such bonds are sold or redeemed for an amount equal to the owner's acquisition cost. Bond Counsel's opinion relates only to the exclusion of interest (and, to the extent described above for the Discount Bonds, original issue discount) on the 2010 Bonds from gross income and alternative minimum taxable income as described above and will state that no opinion is expressed regarding other federal tax consequences arising from the receipt or accrual of interest on or ownership of the 2010 Bonds. Owners of the 2010 Bonds should consult their own tax advisors as to the applicability of these consequences.

The opinions expressed by Bond Counsel are based on existing law as of the delivery date of the 2010 Bonds. No opinion is expressed as of any subsequent date nor is any opinion expressed with respect to pending or proposed legislation. Amendments to the federal or state tax laws may be pending now or could be proposed in the future that, if enacted into law, could adversely affect the value of the 2010 Bonds, the exclusion of interest (and, to the extent described above for the Discount Bonds, original issue discount) on the 2010 Bonds from gross income or alternative minimum taxable income or both from the date of issuance of the 2010 Bonds or any other date, or that could result in other adverse tax consequences. In addition, future court actions or regulatory decisions could affect the tax treatment or market value of the 2010 Bonds. Owners of the 2010 Bonds are advised to consult with their own tax advisors with respect to such matters.

The Internal Revenue Service (the "Service") has an ongoing program of auditing tax-exempt obligations to determine whether, in the view of the Service, interest on such tax-exempt obligations is includable in the gross income of the owners thereof for federal income tax purposes. No assurances can be given as to whether or not the Service will commence an audit of the 2010 Bonds. If an audit is commenced, the market value of the 2010 Bonds may be adversely affected. Under current audit procedures the Service will treat the City as the taxpayer and the 2010 Bond owners may have no right to participate in such procedures. The City has covenanted in the Bond Ordinance not to take any action that would cause the interest on the 2010 Bonds to lose its exclusion from gross income for federal income tax purposes or lose its exclusion from alternative minimum taxable income for the owners thereof for federal income tax purposes. None of the City, the Financial Advisor, the Initial Purchaser, Bond Counsel or Special Counsel is responsible for paying or reimbursing any 2010 Bonds holder with respect to any audit or litigation costs relating to the 2010 Bonds.

State Tax Exemption

In the opinion of Bond Counsel, the 2010 Bonds, their transfer, and the income therefrom are free and exempt from taxation by the State or any subdivision thereof except for the tax on estates imposed pursuant to Chapter 375A of NRS and the tax on generation-skipping transfers imposed pursuant to Chapter 375B of NRS.

RATINGS

Standard & Poor's Rating Group, a Division of the McGraw-Hill Companies, Inc. ("S&P") and Moody's Investors Service ("Moody's") have assigned the 2010 Bonds the ratings shown on the cover page of this Official Statement. Each of the ratings carries a negative outlook. An explanation of the significance of any ratings given by S&P may be obtained from S&P at 55 Water Street, New York, New York 10041. An explanation of the significance of any ratings given by Moody's may be obtained from Moody's at 7 World Trade Center at 250 Greenwich Street, New York, New York 10007.

Such ratings reflect only the views of such rating agencies, and there is no assurance that either rating will be received or will continue for any given period of time or that either rating will not be revised downward or withdrawn entirely by the applicable rating agency if, in its judgment, circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price of the 2010 Bonds. Except for its responsibilities under the Disclosure Certificate, the City has not undertaken any responsibility to bring to the attention of the owners of the 2010 Bonds any proposed change in or withdrawal of such ratings once received or to oppose any such proposed revision.

INDEPENDENT AUDITORS

The audited basic financial statements of the City as of and for the year ended June 30, 2009, and the report rendered thereon by Gallina LLP, certified public accountants, Roseville, California., have been included herein as Appendix A.

FINANCIAL ADVISOR

NSB Public Finance, a division of Zions First National Bank is serving as the Financial Advisor to the City in connection with the 2010 Bonds. Contact information for the

Financial Advisor can be found in "INTRODUCTION--Additional Information." The Financial Advisor has not audited, authenticated or otherwise verified the information set forth in this Official Statement, or any other related information available to the City, with respect to the accuracy and completeness of disclosure of such information, and no guaranty, warranty or other representation is made by the Financial Advisor respecting the accuracy and completeness of this Official Statement or any other matter related to this Official Statement.

Zions First National Bank, of which the Financial Advisor is a division, is authorized by the Bond Ordinance to bid on the 2010 Bonds.

PUBLIC SALE

The City intends to offer the 2010 Bonds at public sale on August 26, 2010. See the Official Notice of Bond Sale attached hereto as Appendix F.

OFFICIAL STATEMENT CERTIFICATION

The preparation of this Official Statement and its execution and distribution have been authorized by the City Council.

CITY OF RENO, NEVADA

By:__________________________________
Acting Finance Director

APPENDIX A

AUDITED BASIC FINANCIAL STATEMENTS OF THE CITY FOR THE FISCAL YEAR ENDED JUNE 30, 2009

GALLINA LLP
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and Council Members
of the City of Reno

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Reno, Nevada, as of and for the year ended June 30, 2009, which collectively comprise the City's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the City of Reno's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Reno, as of June 30, 2009, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 7, 2009, on our consideration of the City of Reno's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

925 Highland Pointe Drive, Suite 450, Roseville, CA 95678-5418
tel: 916.784.7800 ■ fax: 916.784.7850 ■ www.gallina.com

To the Honorable Mayor and Council Members
of the City of Reno

The Management's Discussion and Analysis (MD & A), as listed in the Table of Contents, is not a required part of the financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying combining and individual fund statements and schedules and the Schedule of Expenditures of Federal Awards (as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*) are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund statements and schedules and the Schedule of Expenditures of Federal Awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The Introductory Section and Statistical Section have not been subjected to the auditing procedures applied in the audit of the basic financial statements. Accordingly, we do not express an opinion on them.

Gallina LLP

Roseville, California
December 7, 2009

MANAGEMENT'S DISCUSSION AND ANALYSIS

City of Reno
Management Discussion and Analysis

The following management discussion and analysis is presented to provide the reader with an overview of the financial activity and overall financial condition of the City of Reno. The following document should be read in conjunction with the transmittal letter presented in the introductory section of this report to enhance the understanding of the financial information presented.

Financial Highlights

- Net assets increased by $7,694,435, or 0.78%, over the prior year balance after prior year adjustments (detailed in *Note 10 to the Financial Statements*).
- The City converted $73 million of bonds related to the Downtown Events Center and Ballroom from auction rate securities to variable rate demand bonds (weekly interest mode), which dramatically reduced the City's interest rate and associated interest expense.
- The City issued $45 million in medium-term bonds on June 30, 2009, to finance the accelerated street program beginning in FY 2010.
- The City entered into a $2,340,000 installment purchase agreement to fund the installation of solar energy panels on selected buildings.
- The City issued $34.7 million of sales tax increment bonds and the Redevelopment Agency of the City of Reno issued $850,000 in tax increment bonds related to the construction of the Cabela's outdoor sports store.
- The City's Statement of Net Assets reflects a $19.9 million net post-employment benefit obligation due to the City not fully funding its annual required contribution via a trust.
- Net capital assets grew 3.21% after prior year adjustments to improvements other than buildings and construction in progress.
- General Fund revenues totaled $172,398,685, which is a 4.68% decline over the prior year. This figure excludes other financing sources.
- General Fund expenditures decreased 4.87% to $157,362,498, excluding other financing uses such as transfers.
- Property tax revenue for the governmental activities increased by 9.29%.
- Consolidated taxes declined by $7.7 million, or 15.00%, over the prior fiscal year.
- Cash and investments at the governmental funds level declined by 3.32%, while cash and investments in the General Fund decreased by 22.56%.
- The Building Permit Enterprise Fund experienced a 13.34% decline in charges for service after experiencing a 23.28% decline in the prior year, whereas the Planning Enterprise Fund experienced a 21.10% decline after a 34.62% prior year decline in the same category – both evidence of a flat, new residential housing market and further decline in new commercial project starts.

Financial Overview

The basic financial statements of the City of Reno are comprised of government-wide financial statements, fund financial statements, and notes to the financial statements. Additionally, supplemental information to the financial statements is contained in this report.

<u>Government-wide Financial Statements</u>

The government-wide financial statements are presented to provide readers with a broad overview of the City of Reno that is similar to that of the private sector.

The Statement of Net Assets presents information on all assets and liabilities for the City of Reno. The difference between the total assets and total liabilities is reported as "net assets." Over time, increases and decreases in net assets may serve as an indicator of improvement or deterioration of financial condition.

The Statement of Activities reflects the changes which have occurred during the year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods, such as uncollected taxes.

Governmental activities which are supported primarily by taxes and intergovernmental revenues are distinguished from activities which are intended to recover all or a significant portion of costs through user fees and charges, as is the case with business-type functions, in the government-wide and fund financial statements. City of Reno governmental activities include those associated with general government; judicial; public safety; public works; planning and community development; and culture and recreation. The business-type activities for the City of Reno include sewer operations, golf operations, dispatch, planning, and building permit operations.

Fund Financial Statements

A fund is a legal and accounting entity with a self-balancing set of accounts to record activity involving assets and liabilities. The City of Reno, as with other governmental agencies, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All funds of the City of Reno are divided into governmental, proprietary, and fiduciary funds.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. Unlike the government-wide financial statements, however, governmental funds focus on the current inflows and outflows of resources. This information is useful in determining current financial requirements.

The City of Reno maintains 32 separate funds/fund groups that make up the governmental fund category. Information is presented separately in the governmental balance sheet and the governmental statement of revenues, expenditures, and changes in fund balance in the following six funds because they qualify as major funds under the GASB 34 definition – General Fund, Railroad Debt Service Fund, Downtown Events Center Debt Service Fund, Special Assessment District Debt Service Fund, Streets Capital Project Fund, and Redevelopment Agency Capital Project Fund. Information for the remaining twenty-six (26) funds, which meet the definition of non-major funds, is aggregated for reporting purposes.

A separate budget is prepared, annually, for each fund reflecting anticipated resources and uses of the collected resources. A budgetary comparison statement has been provided for each fund to demonstrate compliance with the budget.

Proprietary Funds

The City of Reno maintains enterprise and internal service proprietary fund types. Enterprise funds are used to account for functions presented in the business-type section of the government-wide financial statements. Enterprise funds consist of Sanitary Sewer, Golf Course, Dispatch Center, Planning, and Building Permit. Internal services funds are used to account for and allocate internal costs to the various functions in the City of Reno. The internal service funds include Motor Vehicle, Risk Retention, Self-funded Medical Plan, Self-funded Worker's Compensation, and Communication and Technology. These internal service functions primarily benefit governmental as opposed to business-type activities. Consequently, they have been included in the governmental activities of the government-wide financial statements.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside of the City of Reno government. These funds are not reflected in the government-wide financial statements because the resources are not available to support City of Reno programs.

Notes to the Financial Statements

Notes to the financial statements are included to provide information that is crucial to the full and complete understanding of the data provided in the government-wide and fund financial statements.

Other Information

Combining and individual fund statements and schedules are presented immediately following the notes to the financial statement section of this report.

Financial Statement Analysis

Government-Wide Financial Statement Analysis

In order to enhance analysis and provide a means for evaluating the City of Reno's financial position, comparative information is provided below.

City of Reno's Net Assets

	Governmental Activities		**Business Type Activities**		**Total**	
	2009	**2008***	**2009**	**2008***	**2009**	**2008***
Current and other assets	$228,000,658	$205,418,746	$14,025,503	$22,845,245	$242,026,161	$228,263,991
Restricted assets	-	-	22,086,323	25,539,816	22,086,323	25,539,816
Investment in Truckee Meadows Water Reclamation Facility	-	-	87,665,540	91,465,865	87,665,540	91,465,865
Delinquent accounts receivable	-	-	1,123,511	1,004,111	1,123,511	1,004,111
Capital assets	1,048,375,054	1,032,295,713	303,540,250	277,563,296	1,351,915,304	1,309,859,009
Total Assets	1,276,375,712	1,237,714,459	428,441,127	418,418,333	1,704,816,839	1,656,132,792
Current liabilities	54,335,775	54,763,760	11,265,998	15,386,759	65,601,773	70,150,519
Long-term liabilities	551,147,002	500,177,498	94,407,811	99,838,957	645,554,813	600,016,455
Total Liabilities	605,482,777	554,941,258	105,673,809	115,225,716	711,156,586	670,166,974
Net Assets:						
Invested in capital assets, net of related debt	637,593,225	605,628,846	204,952,767	185,088,496	842,545,992	790,717,342
Restricted	120,187,886	125,756,908	24,416,215	-	144,604,101	125,756,908
Unrestricted	(86,888,176)	(48,612,553)	93,398,336	118,104,121	6,510,160	69,491,568
Total Net Assets	$670,892,935	$682,773,201	$322,767,318	$303,192,617	$993,660,253	$985,965,818

*Note: Certain categories within Governmental Activities and Business-type Activities for FY 2007/08 have been restated to reflect prior year adjustments netting to ($2,266,417) and ($498,361), respectively. Governmental Activities adjustments are as follows: ($90,890) to Current and Other Assets; ($1,566,310) to Capital Assets and to Invested in Capital Assets; Net of Related Debt, ($609,217) to Current Liabilities; $419,250 to Restricted Net Assets; and ($1,119,357) to Unrestricted Net Assets. Business-type Activities adjustments are as follows: $8,610 to Current and Other Assets; ($14,745) to Restrict Assets; and ($6,135) to Unrestricted Net Assets; and ($492,226) to Capital Assets and to Investment in Capital Assets, Net of Related Debt. Explanations of the adjustments by category are presented in *Note 10 to the Financial Statements*.

Assets as of June 30, 2009, net of accumulated depreciation of $622,911,557, totaled $1,704,816,839 which represents a 2.94% increase over the prior year's adjusted total assets. Current and Other Assets include cash/investments, receivables, prepaid items, and capital assets. The change in Current and Other Assets in governmental activities is due to the characterization of capital outlay in the Redevelopment Agency as an addition to property held for resale rather than to capital assets, which was partially offset by reporting bond issuance costs on refunded debt as a component of deferred losses on refunding transactions that is reported under long-term liabilities. The (38.61%) change in Current and Other Assets in business-type activities is primarily due to spending FY 2007/08 bond proceeds on sewer projects. However, when combined with governmental activities, Current and Other Assets increased by 6.03%. Other asset investments include an $87,665,540 ownership interest in the Truckee Meadows Water Reclamation Facility. Capital asset growth is responsible for 86.39% of the overall growth in total assets.

Liabilities, which consisted primarily of long-term debt, totaled $711,156,586. Liabilities also include payables, unearned revenue, and a new component beginning in FY 2007/08 -- Net Other Post-employment Benefits (OPEB) obligation. The net OPEB obligation represents the unfunded portion of the annual required contribution (ARC) necessary to accrue for the actuarial liability for health care and other post-retirement benefit costs for future retirees. The City's ARC for FY 2008/09 was approximately $12.5 million of which $3.5 million was funded in the form of pay-as-you-go costs. Approximately $14.65 million of the $19.9 million net OPEB obligation is attributed to the Police and Fire functions.

A comparison of assets and liabilities for the government-wide financial statements reflect net assets of $993,660,253. This total reflects an improvement during the year of $7,694,435, or 0.78%, after taking into consideration prior period adjustments. The majority of the City of Reno's net assets, $842.5 million or 84.79%, are reflected in investment in capital assets (e.g., land, buildings, improvements, machinery and equipment, and construction in progress) net of related debt. The worker's compensation liability and the net OPEB obligation liability are the major contributors to the negative unrestricted net asset total for governmental activities.

Fiscal year 2008/09 activity for the government-type and business-type entities is presented in the Statement of Activities and summarized on the next page. As indicated in this statement, governmental activities reduced net assets of the City of Reno by $11,880,266. Business-type activities increased net assets by $19,574,701.

Total revenues in FY 2008/09 declined by 5.01% when compared to the previous year's total, while expenses increased 2.72%. Each function's expenses were again impacted by the City's decision to not fund the full amount of the OPEB ARC. The functions that experienced the largest impact of the OPEB-related expense were Police at $4.0 million and Fire at $2.8 million. Despite expenses related to the net OPEB obligation, the Fire and Police functions experienced declines in expenses of (15.96%) and (21.23%) primarily related to a $17.6 million reduction in the incurred-but-not-reported (IBNR) claims liability for worker's compensation. The IBNR change resulted from reducing reserves on heart/lung claims related to employees who had not become permanently and totally disabled (PTD) – an employee has to request to be a PTD and then must be approved to get that status. However, the City's former third party administrator had set high reserves on employees who either have not requested that status or have not been approved.

The almost doubling of expenses for the Planning and Community Development function is due the City's first-year operation of the women and family shelters that was supported by federal, state, county and private grants and contributions. The 39.77% increase in the Public Works function is due to $30.7 million in book-entry only payments related to the Cabela's project, which were offset by the Series 2007 Sales Tax Increment Bonds (also book entry only). Excluding the Cabela's related transaction, expenses for the Public Works function declined by 5.80%.

City of Reno Change in Net Assets

	Governmental Activities		Business Type Activities		Total	
	2009	**2008***	**2009**	**2008***	**2009**	**2008***
Revenues:						
Program revenues:						
Charges for services	$77,136,374	$73,649,297	$47,927,811	$48,925,709	$125,064,185	$122,575,006
Operating grants, interest and contributions	6,366,983	7,483,987	413,600	255,064	$6,780,583	7,739,051
Capital grants, interest and contributions	50,180,570	75,035,849	23,216,960	20,534,505	$73,397,530	95,570,354
Total Program Revenue	133,683,927	156,169,133	71,558,371	69,715,278	$205,242,298	225,884,411
General revenues:						
Ad valorem taxes	74,689,217	68,342,284	-	-	$74,689,217	68,342,284
Consolidated taxes	43,552,723	51,266,041	-	-	43,552,723	51,266,041
Shared revenues	4,553,515	5,366,694	-	-	4,553,515	5,366,694
Other taxes	31,063,910	24,576,099	-	-	31,063,910	24,576,099
Unrestricted investment & interest earnings	4,521,600	7,677,210	641,075	837,324	5,162,675	8,514,534
Other	1,455,769	1,044,345	6,036	8,841	1,461,805	1,053,186
Total Revenues	**293,520,661**	**314,441,806**	**72,205,482**	**70,561,443**	**365,726,143**	**385,003,249**
Expenses:						
General government	19,248,275	22,890,393	-	-	19,248,275	22,890,393
Judicial	8,079,846	7,842,206	-	-	8,079,846	7,842,206
Police	59,237,378	70,490,199	-	-	59,237,378	70,490,199
Fire	51,243,170	65,056,693	-	-	51,243,170	65,056,693
Public works	94,265,944	67,445,200	-	-	94,265,944	67,445,200
Planning & community						
development	11,375,172	5,837,233	-	-	11,375,172	5,837,233
Culture & recreation	21,812,749	22,368,698	-	-	21,812,749	22,368,698
Urban redevelopment	4,122,270	3,552,503	-	-	4,122,270	3,552,503
Interest & fiscal charges	25,547,548	20,945,037	-	-	25,547,548	20,945,037
Sanitary sewer	-	-	45,214,366	41,914,533	45,214,366	41,914,533
Golf courses	-	-	1,548,215	1,779,539	1,548,215	1,779,539
Building permits	-	-	6,724,452	7,773,077	6,724,452	7,773,077
Planning	-	-	3,024,012	3,776,183	3,024,012	3,776,183
Dispatch	-	-	6,588,311	6,881,512	6,588,311	6,881,512
Total Expenses	294,932,352	286,428,162	63,099,356	62,124,844	358,031,708	348,553,006
Change in net assets						
before transfers	(1,411,691)	28,013,644	9,106,126	8,436,599	7,694,435	36,450,243
Transfers	(10,468,575)	(4,566,309)	10,468,575	4,566,309	-	-
Change in Net Assets	**(11,880,266)**	**23,447,335**	**19,574,701**	**13,002,908**	**7,694,435**	**36,450,243**
Net Assets, July 1, 2008	**682,773,201**	**659,325,866**	**303,192,617**	**290,189,709**	**985,965,818**	**949,515,575**
Net Assets, June 30, 2009	**$670,892,935**	**$682,773,201**	**$322,767,318**	**$303,192,617**	**$993,660,253**	**$985,965,818**

*Note: Certain categories within Governmental Activities and Business-type Activities for FY 2007/08 have been restated to reflect prior year adjustments netting to ($2,266,714) and ($498,361), respectively. Governmental Activities adjustments are as follows: ($5,314,447) to Program Revenues, $5,173,257 to General Revenues, and $2,125,227 to Expenses. Business-type Activities adjustments are as follows: ($79,788) to Program Revenues, $73,653 to General Revenues, and $492,226 to Expenses. Explanations of the adjustments by category are presented in *Note 10 to the Financial Statements.*

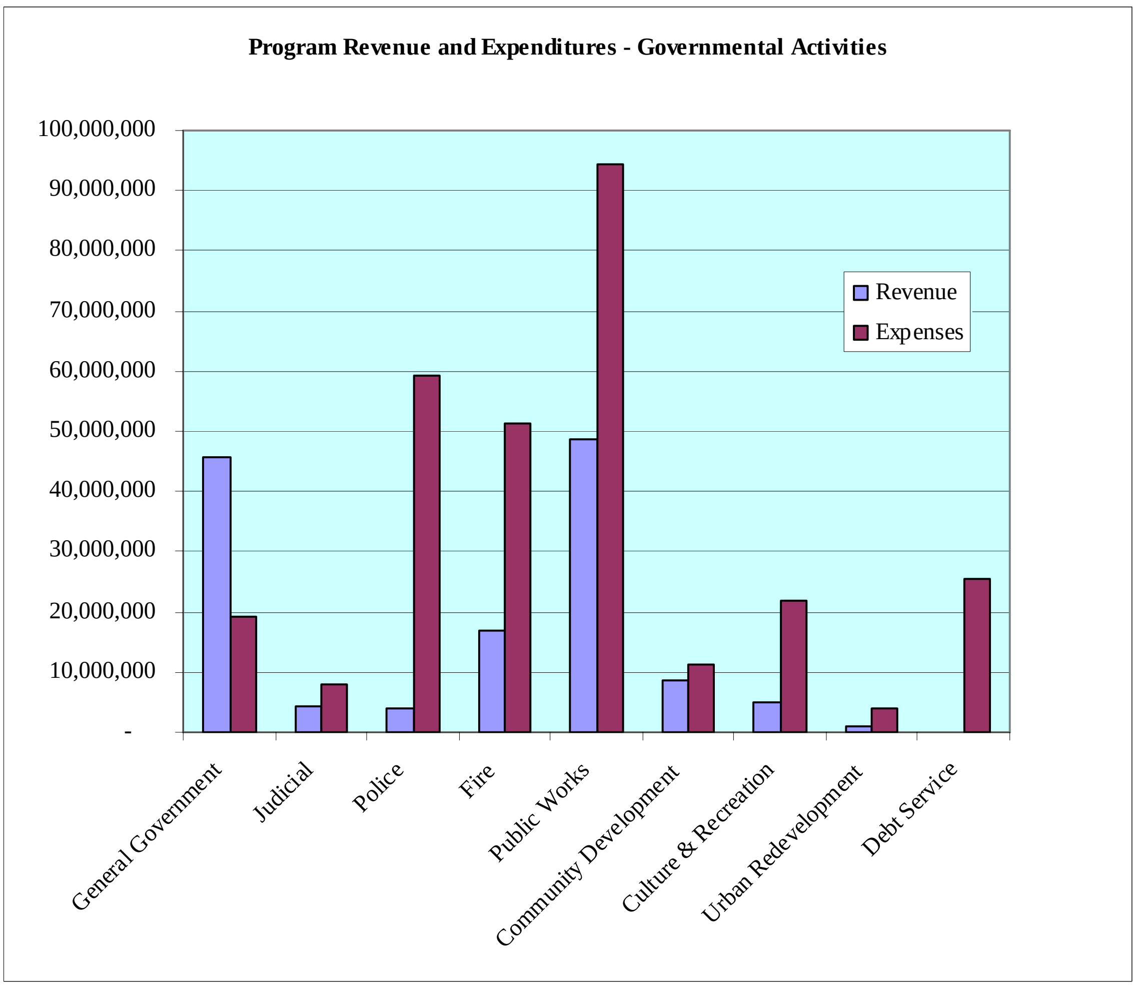
General revenues in the current year registered only a 0.86% growth over general revenues collected in the prior year. While property tax revenues registered 9.29% growth, consolidated tax revenues declined by 15.00%. Shared revenues (AB104 and County gaming taxes) registered a decline of 15.15%.

Program revenues overall declined 9.14%, primarily due to declines in grants and contributions. Charges for services experienced a modest 2.03% increase.

The largest percentage decrease in revenues occurred in the unrestricted investment and interest earnings category at (39.37%). Unrestricted investment and interest earnings decreased 41.10% for governmental activities and 23.44% for business-type activities. The drop in interest earnings is primarily due to the dramatic drop in market interest rates, as well as to overall lower cash balances.

Governmental Activities

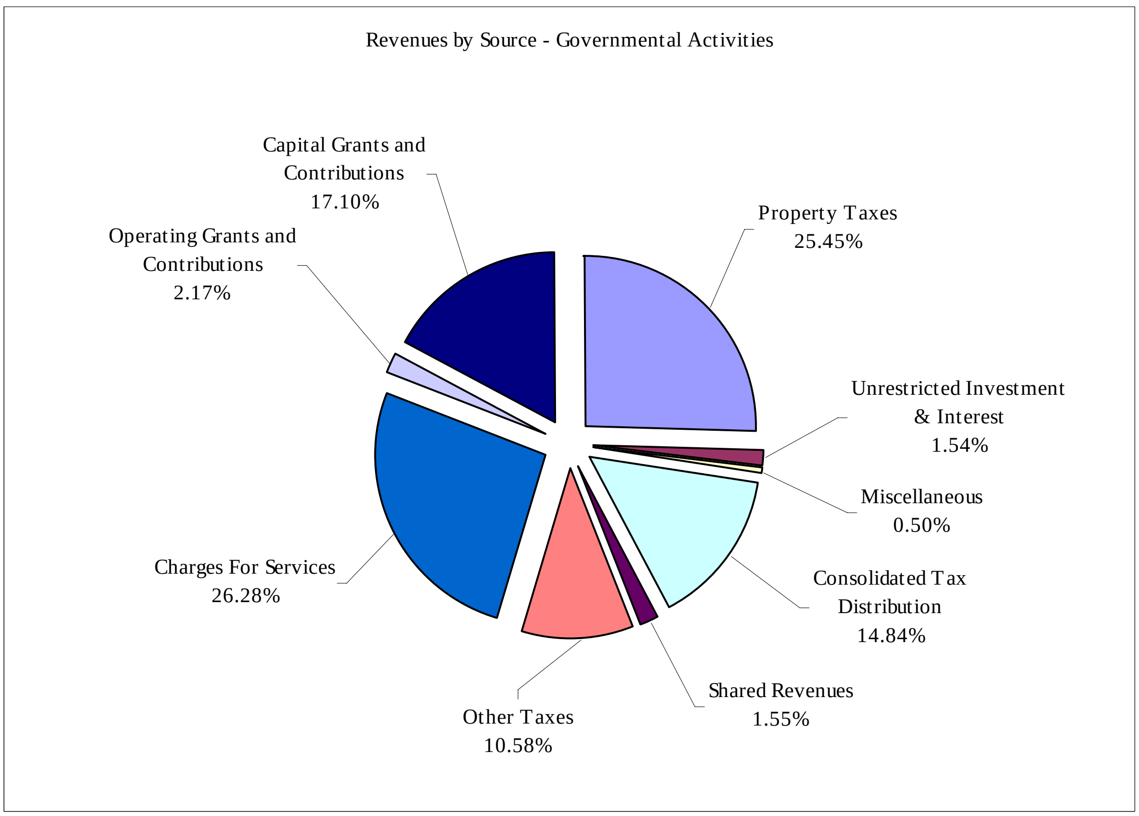
Program revenues are those revenues that are derived directly from the program itself or from parties outside of the City's taxpayers or citizenry. They reduce the net cost of the function to be financed from the City's general revenues which include property taxes and other taxes. The following chart compares the expenses for a particular program and the revenues generated by the program to defray those expenses.



Total program revenues and expenses for governmental activities amounted to $133,683,927 and $294,932,352 respectively, for the 2008/09 fiscal year. As indicated in the chart above, expenses exceeded program revenues for all functions except General Government. This indicates that services provided within those functions by the City of Reno are funded with tax dollars and other general revenues rather than from direct charges for those services. The gap between expenses and program revenues for Public Works and Community Development are lessened due to the receipt of operating and capital grants from federal and state governments, as well as due to private grants and developer contributions.

While the major source of debt payments for the depressed railway and downtown events center projects are sales taxes and/or room taxes levied by ordinances specifically for these projects, because they are taxes by nature, they are reported under general revenues rather than as program revenues. This also holds true for debt that is repaid from ad valorem taxes.

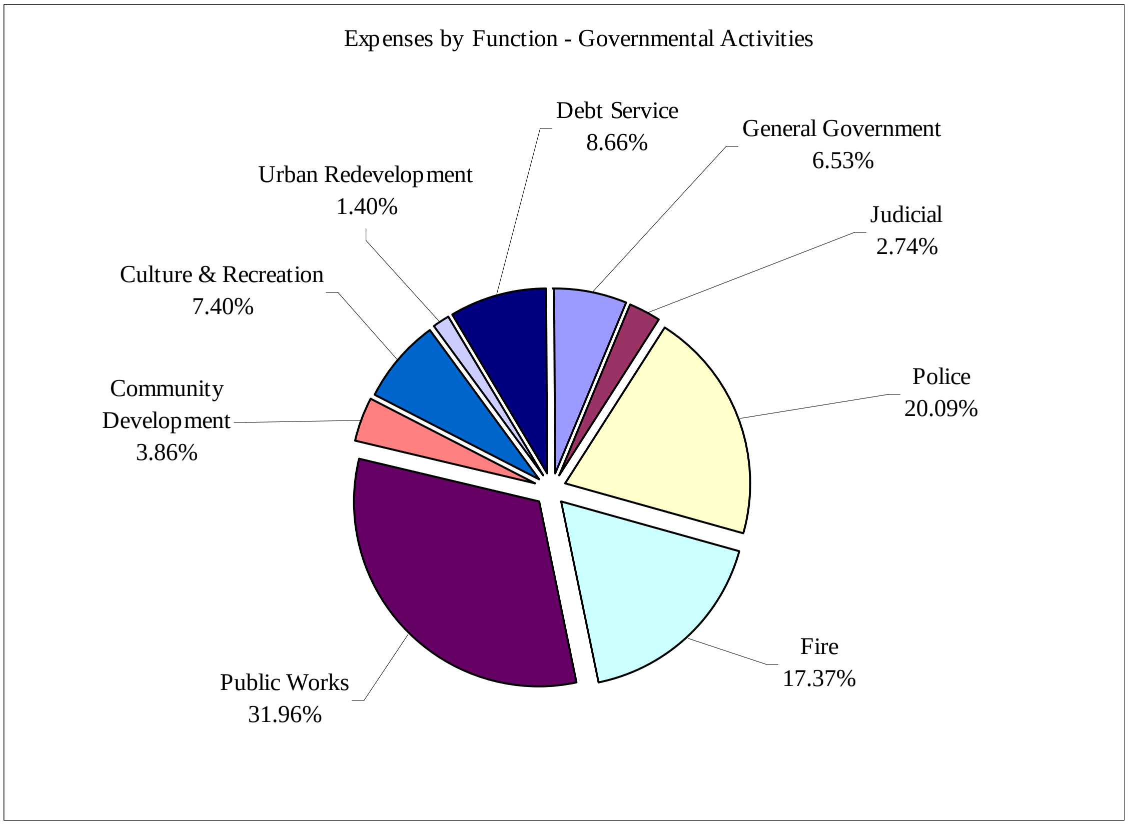
The sources of revenues have been charted to show their respective percentage of total revenues. Charges for services became the largest revenue contributor, followed by property taxes. Consolidated tax revenues that prior to fiscal year 2008/09 were the largest or second largest source of revenue dropped to the fourth largest revenue source at 14.84%, which is indicative of the decline in Nevada's economic condition over the past two fiscal years.



The 9.29% growth in property tax revenues continues to be attributable to the continued residual effect of the construction boom experienced in fiscal years 2005 through 2006. In 2005 the Nevada State Legislature passed a bill to cap residential property tax revenue growth at 3% and commercial property growth at ten-year rolling average or 8%, whichever is less. Thus, the growth in the tax base helped partially negate the effect of the property tax cap imposed by the 2005 legislation, which is also known as the Abatement Act.

In terms of prior year change, consolidated taxes percentage continued its decline from (7.22%) in FY 2007/08 to (15.00%) in FY 2008/09. With regards to the sales tax component of consolidated tax, the largest declines in Washoe County were experienced by industries related to construction (the heavy and civil engineering construction and building construction), motor vehicle and parts dealers, and consumer retailers, particularly furniture and home furnishings stores and electronics/appliance stores.

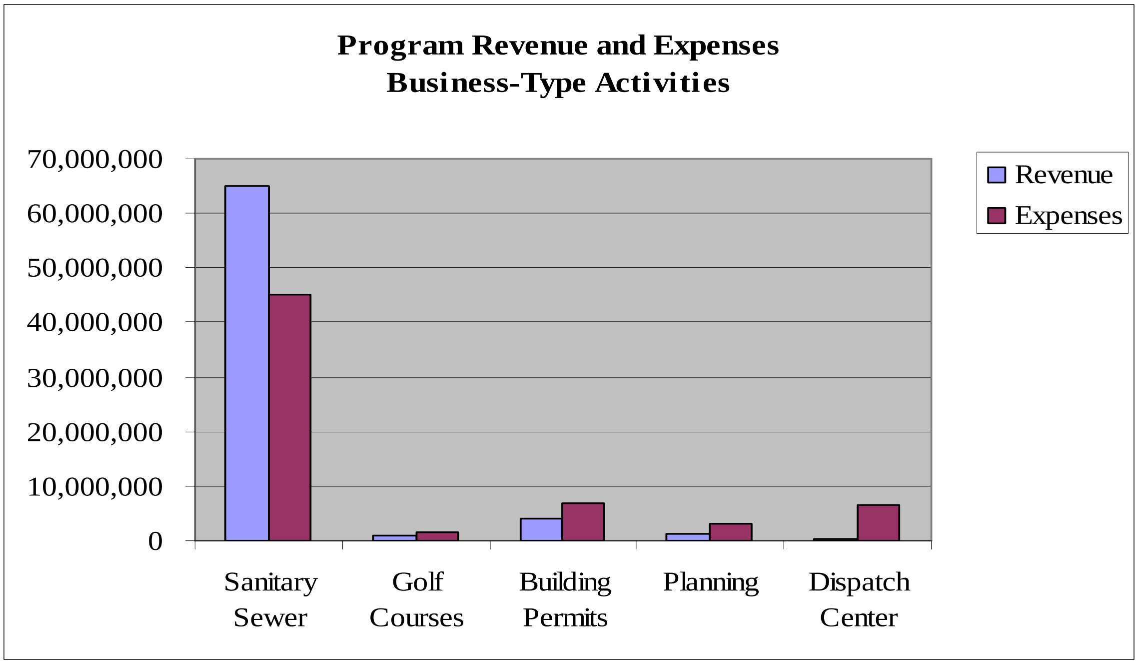
The following chart provides a comparison of expenses by function/program as a percentage of total expenses for all governmental activities. Public Works has become the largest function in terms of cost, mostly due to depreciation costs related to infrastructure assets and to a one-time, book entry only expense related to the Cabela's project. Police poses the next largest cost to the city. Fire was third in regards to expenses generated. When combined under the Public Safety category, Police and Fire collectively represent 37.46% of total governmental expenses. If Public Works expense is adjusted to remove the effect of the $30.7 million noncash item, Public Safety accounts for 41.82% of total government expenses. This is a decrease from the FY 2007/08 percentage of 47.67% of total governmental expenses. Additional explanations for the decline in expenses will be discussed under *Major Governmental Funds*.



Business-type Activities

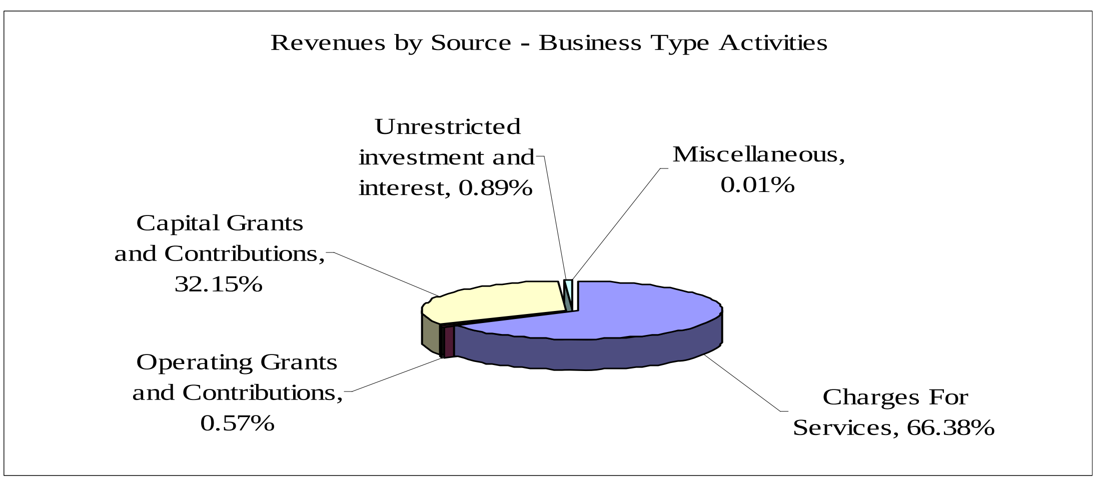
Business-type activities include sanitary sewer operations, a City-owned golf course, building permit operations, planning, and the dispatch center's operations. Total program revenues and expenses are $71,558,371 and $63,099,356, respectively, for business-type activities for the 2008/09 fiscal year. The following graphs and charts are provided to enhance understanding of these activities.

The Sanitary Sewer program continues to be self-supporting, with program revenues exceeding operating expenses by $19,799,643. The remaining programs all experienced operating losses. The Dispatch Center experienced the largest operating loss at ($6,235,686) as it is primarily funded by transfers from governmental activities (General Fund) rather than from charges for service. The Golf Course Fund experienced a net operating loss of $688,611, which is lower than the $823,143 loss experienced in FY 2007/08 due to cost-cutting measures.



The Planning Fund and Building Fund have experienced operating losses for the third year in a row. Charges for services were down by 21.10% and 13.34%, respectively, for these two funds. Washoe County saw a continued overall decline in building during the fiscal year. Total permits issued for all categories declined by 23.27% in FY 2008/09 after a decline in the prior year of 20.62% and 25.8% in FY 2007. All categories of permits have been negatively impact by the economic downturn. Operating expenses have been reduced as well, with Planning experiencing a (21.66%) reduction and Building experiencing a (14.98%) reduction. Excluding the impact of recording the unfunded ARC for OPEB, the reductions were (22.94%) and 17.12%), respectively, which reflects various cost-cutting measures taken by the City.

As expected, charges for services remain the major source of revenue for business-type activities. The percentage of total revenues for charges for services declined from 69.44% in the 2007/08 fiscal year to 66.38%. In terms of dollars, charges for services declined $997,898 despite a 4% sewer rate increase in October 2008 in the Sanitary Sewer Fund. This is due to the continued decline in charges for service in the Building and Planning Funds.



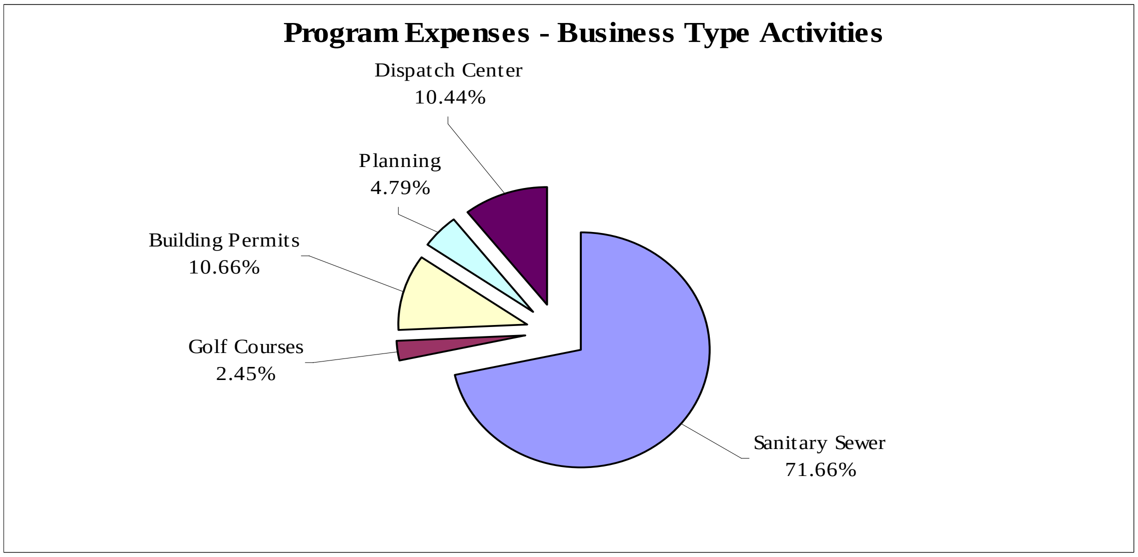
The chart below breaks out business-type expenses by category. Total business-type expenses saw an overall 1.57% increase over the prior year. Salaries and wages declined slightly despite severance/early separation payments associated with the early out program offered by the City. Employee benefits registered a slight increase, whereas services and supplies experienced the largest decline due to cost-cutting measures, including reductions associated with the motor vehicle replacement and risk programs.

Business-type Expenses by Type

	Business-type Activities		
	2009	2008	% Chg
Salaries and wages	$ 14,300,509	$ 14,351,708	-0.36%
Employee Benefits	6,325,081	6,404,681	-1.24%
Services and supplies	15,178,480	16,395,554	-7.42%
Depreciation	8,106,137	7,535,980	7.57%
Interest/issue costs	2,688,042	1,687,238	59.32%
Loss relating to Joint Sewer Plant	16,501,107	15,749,683	4.77%
Total	$ 63,099,356	$ 62,124,844	1.57%

Interest and issue costs increased as FY 2008/09 marked the first year of debt service on the 2008 Medium-term Sewer Bonds that were issued in June of 2008.

The following chart graphically presents the percentage contribution of each business-type's expenses to total expenses.



Financial Analysis of the Government's Funds

The financial information presented thus far has focused on government-wide statements prepared using the full accrual method of accounting. As previously discussed, the focus of fund accounting is to measure inflows and outflows of current resources. This serves as an important measure of working capital for service provision to Reno residents. In particular, unreserved fund balance is useful in measuring resources available for spending at fiscal year-end. Since the focus in fund accounting is on current resource activity, the balance sheet does not reflect long-term assets and debt. The following pages summarize the FY 2008/09 results under this focus.

Governmental Funds

The governmental funds of the City of Reno reflected a combined total assets and liabilities of $202,664,082 and $57,533,221, respectively. This resulted in a total combined fund balance of $145,130,861. The unreserved portion of the combined fund balance amount was $4,638,355. This represents a change of (48.53%) from the prior reporting period, which reported a $9,012,092 balance in unreserved fund balance. The decline occurred primarily in the General Fund and can be attributed, in part, to the decline in consolidated tax revenues as previously mentioned, as well as transfers to support operations of the Golf Course, Building and Planning Funds.

In response to the reduction in consolidated tax revenues for FY 2008/09, the City took another of cost-cutting measures during the year, including a mandatory across-the-board 4% reduction in services and supplies; additional reductions in services and supplies by a number of departments; either the scaling down or indefinite postponement of various capital projects; freezing vacant positions; and reduction of risk premiums and motor vehicle replacement allocations. The City also offered various early retirement and early separation programs that somewhat increased FY 2008/09 expenditures but will significantly reduce personnel costs in fiscal years 2010 and 2011 due to freezes on those vacant positions – some for up to three years.

Major Governmental Funds

The primary operating fund of the City of Reno is the General Fund. For the fiscal year ended June 30, 2009, the unreserved fund balance in the General Fund was $8,500,411 and the total fund balance was $10,067,050. This is a 32.50% decrease over the FY 2007/08 total fund balance, which is the result of negative growth in revenues and a net increase in transfers to other funds. As a measure of the General Fund's liquidity, it is useful to compare both the unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 5.40% of total fund expenditures while total fund balance represents 6.40% of expenditures. This represents less than one month of expenditures.

The largest component of the governmental funds category for the 2008/09 fiscal year with respect to total assets, excluding the General Fund, is the Streets Capital Project. Inclusion of the fund as a major fund is due to a cash infusion of $44.8 million from bond proceeds, which will be used to fund the City's accelerated streets rehabilitation project over the next three years. Total fund balance for the Streets Capital Project Fund is $44,894,514.

The next largest component of the governmental funds category with respect to total assets, excluding the General Fund, is the Redevelopment Agency Capital Projects Fund. This fund's largest asset is property held for resale, which includes the triple A baseball park and two temporary fire stations that replaced the downtown fire station displaced by the baseball park. It is anticipated that this fund will be closed out in FY 2010 and the assets transferred to the Redevelopment Agency General Fund. Total fund balance for the Redevelopment Agency Capital Projects Fund is $36,704,431.

Another major governmental fund is the Railroad Debt Service Fund. Assets total $22,646,553, or 11.17% of the total governmental fund assets and are primarily comprised of cash and investments for payment of principal and interest on outstanding debt, as well as deferred special assessment revenues that will meet debt service requirements for $12.2 million in SAD bonds outstanding. The primary repayment source is dedicated sales and room tax collections. The total fund balance for the Railroad Debt Service Fund is $10,965,108.

The Downtown Events Center Debt Service Fund accumulates money for the payment of principal and interest on outstanding revenue and special assessment district bonds used to construct the multi-purpose facility. The principal asset of the fund is deferred special assessment revenues which, as collected, will provide the funds needed to meet debt service requirements for $6.8 million in SAD bonds outstanding. Cash and investments represent the bulk of the remaining assets. The primary repayment source has been room taxes (85.76% of total revenues). Total fund balance at June 30, 2009, was $2,051,081, which represents a 66.80% decline over the FY 2007/08 balance. Fund balance rapidly declined during the fiscal year because of the failure of the auction rate bond market, which resulted in interest rates paid on $73 million of bonds climbing to 15% in September 2008 and remaining there until February when the bonds were converted from auction rate to weekly mode rate. Since conversion, the interest rate has averaged just under fifty (50) basis points.

The Special Assessment Districts Debt Service Fund accumulates money for the payment of special assessment bonds, excluding those issued for the Downtown Events Center and Railroad projects, issued by the City. The total fund balance for this fund at fiscal year-end 2008/09 is $3,136,459. No new special assessment debt was issued during the fiscal year.

Proprietary Funds

The proprietary funds of the City of Reno reflected a combined total amount of assets and liabilities of $440,913,806 and $108,523,809, respectively. This resulted in a total net assets balance of $332,389,997. After consolidation of internal service fund activities related to services provided to the enterprise funds, total net assets declined to $322,767,318. The portion of the FY 2008/09 net change in assets for internal service funds allocated to enterprise funds totaled ($1,851,995). Unrestricted net assets total $93,398,336, after consolidation of internal service fund activity. The major cost cutting efforts discussed under *Governmental Funds* have also been applied to proprietary funds.

Major Proprietary Funds

The Sanitary Sewer Fund accounts for sewer services provided to Reno's citizens and some residents of Washoe County. Unrestricted net assets at the end of the 2008/09 fiscal year amounted to $107,387,040. Total operating revenues rose 4.43% after excluding a one-time $1.6 million reimbursement from Washoe County for FY 2007/08 related to the Truckee River Water Quality Settlement Agreement. The 4.43% increase is a result of the 4% rate hike effective October 1, 2008. The rate increase is the fourth required by a rate restructuring program that commenced on October 1, 2005, when a 25% increase was implemented. Expenses rose 3.29%. After accounting for the City's share of the net loss from the Truckee Meadows Water Reclamation Facility of $4,134,731, the Sanitary Sewer Fund registered net income before capital contributions and transfers of $335,294.

The Building Permit Fund accounts for activities involved in issuing a building permit which authorizes the construction of a structure. Net assets at the end of FY 2008/09 amounted to ($1,284,313), which is a decline of 128.41% from FY 2007/08. As mentioned previously, the decline in building permits issued by the City of Reno that began in FY 2007 has continued into FY 2008/09. Although operating expenses declined 14.98%, lower revenues resulted in a net operating loss of $2.35 million.

The Planning Fund accounts for activities involved in promoting the health, safety and welfare of the community by preparing, implementing, reviewing and inspecting plans and construction projects for the physical development of the City and for conformance to applicable codes and ordinances. This fund, which was created in FY 2004/05, has been the most severely impacted by the stagnation in new and rehab construction. Operating revenues, which dropped by more than half in FY 2007, continue to decline. In FY 2008/09 charges in service registered (21.10%) growth. Despite the 21.66% drop in operating expenses, the fund realized a net operating loss of $1.53 million. The fund ended the year with ($2,320,037) in net assets. The fund's net asset position actually improved when compared to that of the prior year due to a $2.25 million cash transfer from the General Fund. Senior management continues to look at various options regarding the future of this fund.

Budgetary Highlights for General Fund

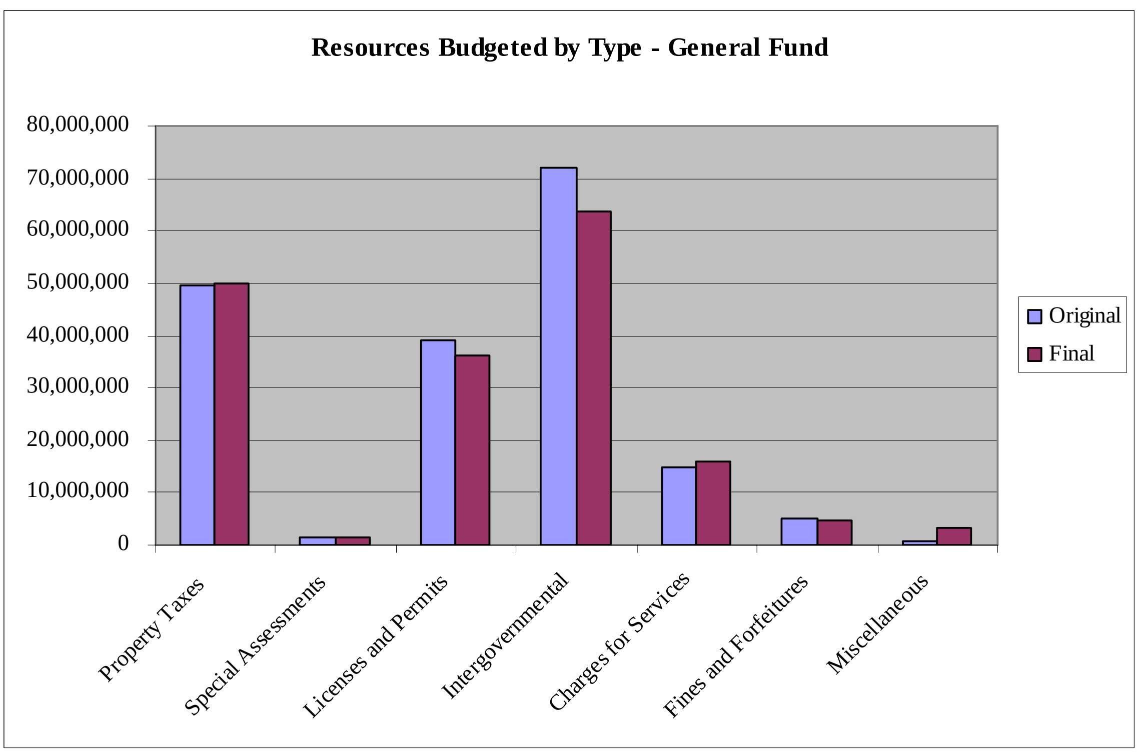
Functions represent the legal level of budgetary control. The final revised budget appropriation for the General Fund expenditures was $160,675,840, excluding other financing uses, which is 2.12% lower than the original budget of $164,151,062. As shown in the following table, half of the governmental functions' FY 2008/09 appropriations are substantially equivalent to their respective appropriations on a total budget percentage basis for the prior fiscal year 2007/08.

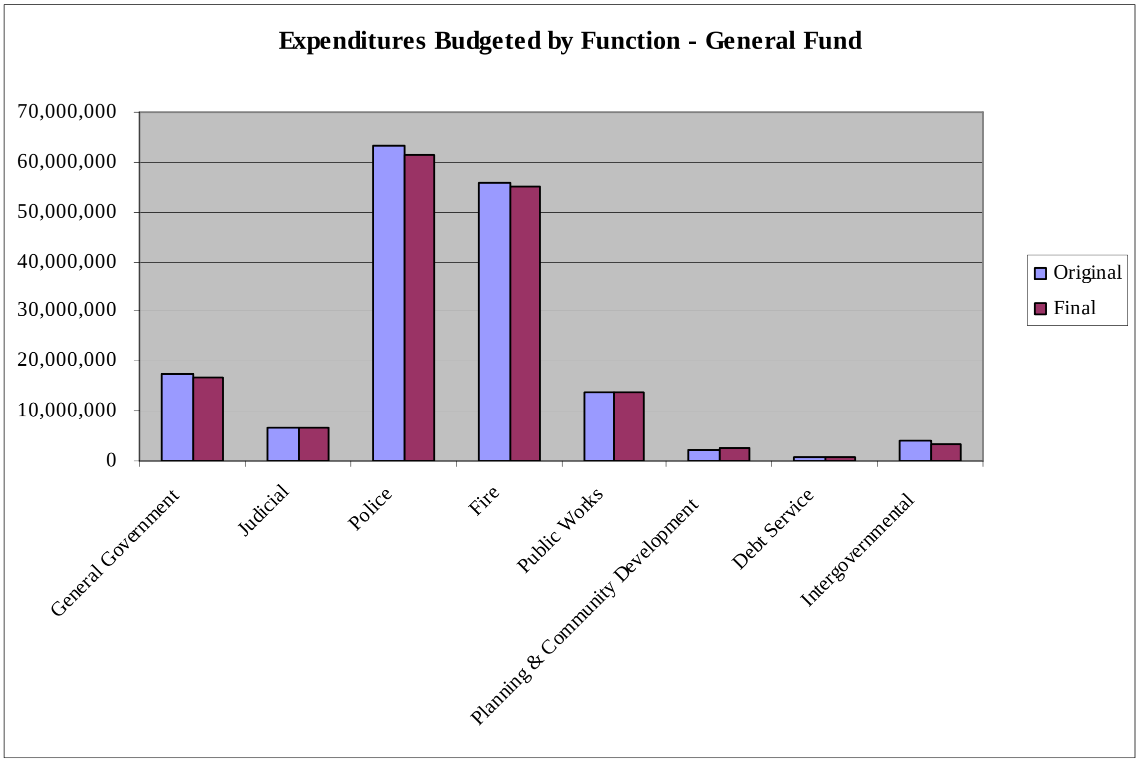
The City's recession plan implemented in FY 2000/01 requires departments to refrain from spending 2% of their services and supplies budget less internal risk premiums. Because of the decline in consolidated tax revenues, the hold-back percentage was increased to 4%, with additional departments taking higher percentage cuts where possible. These actions resulted in the General Fund's actual expenditures being lower than final budgeted expenditures by 2.06%.

Final Expenditure Budget by Function - General Fund

	2009	% of Total Budget	2008	% of Total Budget
General Government	$ 16,738,204	10.4%	$ 17,544,901	10.6%
Judicial	6,834,842	4.3%	6,593,639	4.0%
Police	61,358,441	38.2%	62,410,890	37.7%
Fire	54,977,712	34.2%	58,230,876	35.1%
Public Works	13,877,644	8.6%	13,837,945	8.4%
Planning & Community Devpt	2,506,240	1.6%	1,646,903	1.0%
Debt Service	917,757	0.6%	462,515	0.3%
Intergovernmental	3,465,000	2.2%	4,942,339	3.0%
	$ 160,675,840		$ 165,670,008	

The following charts provide a comparison of original budget and final budget numbers for revenue sources and expenditures by function.





Capital Assets Activity

As shown by the chart below, at June 30, 2009, the City of Reno had a net capital asset investment of $1,351,915,304 in governmental and business-type activities. This represents an increase of 3.21% when compared to the prior year, and includes investment in land, buildings, improvements, machinery and equipment, infrastructure, and works of art. This figure is also net of accumulated depreciation totaling $622,911,557.

Major capital investment activities for the 2008/09 fiscal year include:

- The addition of $34.9 million in newly dedicated and constructed infrastructure assets, such as streets, traffic signals, and curb and gutter;
- The addition of $19.7 million of sewer lines and storm drain assets dedicated to the City by developers; and
- The addition of $14.8 million in construction in progress, including $8.9 million for the cover over a portion of the depressed railroad trench, and $4.1 million for street rehabilitation projects.

Additional information on capital assets is presented in Note 5 in the *Notes to the Financial Statements* section of this report.

City of Reno's Capital Assets
(Net of Accumulated Depreciation)

	Governmental Activities		Business Type Activities		Total	
	2009	**2008***	**2009**	**2008***	**2009**	**2008***
Land and water rights	$147,605,672	$143,260,745	$12,371,588	$12,371,588	$159,977,260	$155,632,333
Construction in progress	31,695,922	69,522,218	59,323,069	52,441,896	91,018,991	121,964,114
Buildings	182,100,879	145,072,861	8,720,216	9,069,622	190,821,095	154,142,483
Arts and historical treasures	1,888,003	1,898,562	-	-	1,888,003	1,898,562
Improvements other than buildings	257,042,529	258,062,257	222,567,827	203,039,747	479,610,356	461,102,004
Equip't & motor vehicles	20,574,216	22,292,321	557,550	640,443	21,131,766	22,932,764
Infrastructure	407,467,833	392,186,747	-	-	407,467,833	392,186,747
Total	$1,048,375,054	$1,032,295,713	$303,540,250	$277,563,296	$1,351,915,304	$1,309,859,009

*Note: Totals for Governmental Activities for FY 2007/08 have been restated to reflect the following prior year adjustments: $21,800 net increase to Improvements Other Than Buildings, and a $1,588,110 net decrease to CIP. Totals for Business-type Activities have been restated to reflect a $492,226 net decrease to CIP. Further discussion of the adjustments is presented in the *Notes to the Financial Statements*.

Long-term Debt Activity

Long-term debt outstanding at June 30, 2009 totaled $621,597,447, a 9.78% increase when compared to the prior year. Debt for governmental activities represents 83.77% of total debt outstanding, with debt related to business-type activities accounting for 16.23% of the total debt outstanding.

As of June 30, 2009, the City of Reno had $156,347,000 of general obligation debt outstanding that is subject to the legal debt margin. After adjusting for monies currently available in the fund for debt service, this was below the legal debt limit of $1,151,934,000 by $995,587,000.

In February of 2009, the City converted the 2005A Tax-exempt Capital Improvement Revenue Refunding Bonds from auction rate securities to variable rate demand bonds, which will reduce the market rate exposure to the City. The bonds issued originally were used to fund the purchase of the National Bowling Stadium from Washoe County and to construct the Downtown Events Center and Ballroom facilities.

In additional to the debt restructuring discussed above, the following bonds and notes payable were issued:

- In October of 2008, $16,525,000 of 2007A Tax-exempt Sales Tax Increment Bonds and $18,175,000 of 2007B Taxable Sales Tax Increment Bonds were issued to provide funding for the Cabela's project. Repayment will come from incremental sales tax revenue generated by sales to out-of-state customers.
- In October of 2008, the Redevelopment Agency District Two issued $850,000 of 2008 Taxable Revenue Bonds to provide funding for the Cabela's project. The bonds will be repaid from property tax increment.
- Effective June of 2009, a $2,340,000 of Installment Purchase Agreement was issued to fund energy efficiency enhancements to various City-owned buildings. The bonds will be repaid from savings realized on utility bills.
- In June of 2009, $45,000,000 of General Obligation Medium-term Bonds to fund the accelerated street program. The bonds will be repaid with motor vehicle fuel tax revenues.

Note 8 in the *Notes to the Financial Statements* section of this report provides additional details related to new debt issued by the City of Reno during the fiscal year.

The chart below summarizes the City of Reno's outstanding debt. Additional information regarding the City of Reno's debt structure is presented in Note 8 in the Notes to Financial Statements section of this report.

City of Reno's Outstanding Debt

(Net of Discounts, Premiums and Deferred Loss (Gain) on Refunding)

	Governmental Activities		Business Type Activities		Total	
	2009	2008*	2009	2008*	2009	2008*
General obligation bonds	$ 92,291,863	$ 51,984,698	$ -	$ -	$ 92,291,863	$ 51,984,698
Special assessments	23,030,727	24,785,686	-	-	23,030,727	24,785,686
Pledged Revenues - Sales and Room taxes	337,569,427	315,927,135	-	-	337,569,427	315,927,135
Pledged Revenues - Other	27,713,321	28,535,926			27,713,321	28,535,926
Sanitary Sewer bonds			96,122,110	101,971,313	96,122,110	101,971,313
Golf Course bonds	-	-	2,465,373	2,658,411	2,465,373	2,658,411
Notes payable	5,802,000	6,453,000	-	-	5,802,000	6,453,000
Capital leases	4,374,276	5,062,334	-	-	4,374,276	5,062,334
Installment purchase agreements	2,340,000	-			2,340,000	-
Compensated absences payable	27,845,107	27,106,856	2,043,243	2,027,197	29,888,350	29,134,053
Total	$520,966,721	$459,855,635	$100,630,726	$106,656,921	$621,597,447	$566,512,556

The City of Reno maintains an Aa3 rating from Moody's and an A+ from Standard and Poor's.

Known Economic Factors

- The City of Reno is heavily reliant on property tax revenues from property within its boundaries. While the City experienced 9.29% growth in FY 2008/09, the Washoe County Assessor announced property devaluations that were factored into the FY 2010 budget, as well as additional proposed property devaluations for FY 2011.
- The City of Reno is also heavily reliant on consolidated tax revenues. In FY 2008/09, consolidated tax revenues declined 15.00%.
- Scheels, a retailing concern with 21 stores in seven mid-western states and touted as the world's largest all sports store, opened in September 2008, that will generate additional sales tax that will benefit all of Washoe County, including Reno.
- The Reno Aces, a Pacific Coast League AAA baseball team, celebrated a successful first season in its new complex, which was a joint Redevelopment Agency and private developer project. Phase II has begun to add restaurants on the baseball stadium sight. Phase III is in the planning stage and when completed will spur additional retail development in the downtown area, which will help generate the sales tax increment to be used to repay the construction/development costs. Phases II and III will occur in the newly created Sales Tax Anticipation Revenue (STAR) bond district, thus allowing for the possibility of issuing bonds to aid in the development that will be repaid from sales tax increment.
- The ReTRAC Enhancement Project – a cover over a two-block area of the depressed railroad spur that runs through the middle of downtown was completed to create an additional public plaza. This project will help stimulate activity in the downtown area.
- The Tessera STAR bond district was approved by the Governor and the City Council and will eventually lead to the revitalization of an area to the northeast of downtown Reno.
- The City's Redevelopment Agency continues to assist various small businesses, through donations and business loans, in establishing sites in the downtown area. This activity will help generate additional tax and business license revenues for the City.

- In June of 2009 the unemployment rate in the Reno MSA was 11.8%, which is 0.2% lower than the state unemployment rate of 12.0% and higher than the national rate of 9.5%, respectively. The Reno MSA unemployment is up significantly from 6.4% for the same time period one year ago. The annual job growth rate for the Reno metropolitan area between June 2008 and June 2009 was (8.1%).

Requests for Information

This financial report is designed to provide a general overview of the financial activity and condition of the City of Reno to all having such an interest in the City of Reno. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City of Reno Finance Department, One East First Street, P. O. Box 1900, Reno, Nevada, 89505.

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BASIC FINANCIAL STATEMENTS

Government-Wide Financial Statements

CITY OF RENO, NEVADA

Statement of Net Assets
June 30, 2009

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and investments	$ 112,744,839	$ 2,102,099	$ 114,846,938
Receivables:			
Accounts	4,360,115	7,496,038	11,856,153
Accrued interest	363,299	6,567	369,866
From other governments	19,603,429	3,329,609	22,933,038
Delinquent taxes	1,850,906	--	1,850,906
Special assessments	22,949,126	--	22,949,126
Long-term	850,791	10,309,896	11,160,687
Internal balances	9,622,679	(9,622,679)	--
Inventories	908,086	133,029	1,041,115
Prepaid items	439,921	11,398	451,319
Property held for resale	44,767,641	--	44,767,641
Other assets	442,930	--	442,930
Deferred charges	9,096,896	259,546	9,356,442
Restricted assets	--	22,086,323	22,086,323
Investment in Truckee Meadows Water Reclamation Facility	--	87,665,540	87,665,540
Delinquent accounts receivable	--	1,123,511	1,123,511
Capital assets, non-depreciable	179,301,594	71,694,657	250,996,251
Capital assets, depreciable (net of accumulated depreciation)	869,073,460	231,845,593	1,100,919,053
TOTAL ASSETS	1,276,375,712	428,441,127	1,704,816,839
LIABILITIES			
Accounts payable	4,234,379	205,113	4,439,492
Accrued salaries and benefits	6,097,904	520,458	6,618,362
Contracts and retained percentage payable	4,164,155	804,144	4,968,299
Accrued interest payable	1,688,842	1,038,270	2,727,112
Due to other governments	3,432,672	2,695	3,435,367
Deposits	950,418	52,904	1,003,322
Other liabilities	336,254	425,435	761,689
Unearned revenue	2,255,588	--	2,255,588
Liabilities payable from restricted assets	--	520,108	520,108
Noncurrent liabilities:			
Due within one year	31,175,563	7,696,871	38,872,434
Due in more than one year, net of bond premium and discount	551,147,002	94,407,811	645,554,813
TOTAL LIABILITIES	605,482,777	105,673,809	711,156,586
NET ASSETS			
Invested in capital assets, net of related debt	637,593,225	204,952,767	842,545,992
Restricted for:			
Capital projects	45,365,485	24,416,215	69,781,700
Debt service	55,314,814	--	55,314,814
Streets	933,662	--	933,662
Claims	17,323,551	--	17,323,551
Other purposes	1,250,374	--	1,250,374
Unrestricted (deficit)	(86,888,176)	93,398,336	6,510,160
TOTAL NET ASSETS	$ 670,892,935	$ 322,767,318	$ 993,660,253

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

CITY OF RENO, NEVADA

Statement of Activities
For the Year Ended June 30, 2009

		Program Revenues		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
PRIMARY GOVERNMENT				
FUNCTIONS/PROGRAMS				
Governmental Activities:				
General government	$ 19,248,275	$ 45,468,935	$ 252,651	$ --
Judicial	8,079,846	4,142,341	--	--
Police	59,237,378	2,398,309	1,469,200	--
Fire	51,243,170	16,336,384	484,657	--
Public works	94,265,944	3,178,543	47,021	45,446,173
Planning and community development	11,375,172	97,761	3,909,121	4,729,397
Culture and recreation	21,812,749	4,678,243	204,333	5,000
Urban redevelopment	4,122,270	835,858	--	--
Debt service:				
Interest and fiscal charges	25,547,548	--	--	--
Total Governmental Activities	294,932,352	77,136,374	6,366,983	50,180,570
Business-Type Activities:				
Sanitary sewer	45,214,366	41,383,449	413,600	23,216,960
Golf courses	1,548,215	859,604	--	--
Building permits	6,724,452	3,965,942	--	--
Planning	3,024,012	1,366,191	--	--
Dispatch center	6,588,311	352,625	--	--
Total Business-type Activities	63,099,356	47,927,811	413,600	23,216,960
TOTAL PRIMARY GOVERNMENT	$ 358,031,708	$ 125,064,185	$ 6,780,583	$ 73,397,530

GENERAL REVENUES
Taxes:
Ad valorem taxes
Consolidated tax
SCCR taxes - AB104
Dedicated sales taxes
Other taxes
Unrestricted County gaming contributions
Unrestricted Investment and interest earnings
Miscellaneous
Gain on sale of capital assets
Transfers
TOTAL GENERAL REVENUES AND TRANSFERS

CHANGE IN NET ASSETS

NET ASSETS, BEGINNING OF YEAR,
AS PREVIOUSLY REPORTED
PRIOR PERIOD ADJUSTMENT
NET ASSETS, BEGINNING OF YEAR, AS ADJUSTED

NET ASSETS, ENDING

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

	Net (Expenses) Revenues and Changes in Net Assets		
	Governmental Activities	Business-Type Activities	Total
	26,473,311	$ --	$ 26,473,311
	(3,937,505)	--	(3,937,505)
	(55,369,869)	--	(55,369,869)
	(34,422,129)	--	(34,422,129)
	(45,594,207)	--	(45,594,207)
	(2,638,893)	--	(2,638,893)
	(16,925,173)	--	(16,925,173)
	(3,286,412)	--	(3,286,412)
	(25,547,548)	--	(25,547,548)
	(161,248,425)	--	(161,248,425)
	--	19,799,643	19,799,643
	--	(688,611)	(688,611)
	--	(2,758,510)	(2,758,510)
	--	(1,657,821)	(1,657,821)
	--	(6,235,686)	(6,235,686)
	--	8,459,015	8,459,015
	(161,248,425)	8,459,015	(152,789,410)
	74,689,217	--	74,689,217
	43,552,723	--	43,552,723
	2,938,194	--	2,938,194
	9,167,714	--	9,167,714
	21,896,196	--	21,896,196
	1,615,321	--	1,615,321
	4,521,600	641,075	5,162,675
	849,805	6,036	855,841
	605,964	--	605,964
	(10,468,575)	10,468,575	--
	149,368,159	11,115,686	160,483,845
	(11,880,266)	19,574,701	7,694,435
	685,039,618	303,690,978	988,730,596
	(2,266,417)	(498,361)	(2,764,778)
	682,773,201	303,192,617	985,965,818
	$ 670,892,935	$ 322,767,318	$ 993,660,253

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

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BASIC FINANCIAL STATEMENTS

Fund Financial Statements

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CITY OF RENO, NEVADA

Balance Sheet
Governmental Funds
June 30, 2009

	General Fund	Railroad Debt Fund	Downtown Events Center Debt Fund	Special Assessment Districts Debt Fund
ASSETS				
Cash and investments	$ 6,338,935	$ 9,383,852	$ 1,768,072	$ 3,021,148
Receivables:				
Accounts	3,813,749	--	--	10,550
Accrued interest	55,405	21,326	15,146	17,663
From other governments	9,278,157	1,201,802	463,099	658
Delinquent taxes	1,199,770	--	--	--
Special assessments:				
Current	--	387,761	108,876	92,629
Delinquent	55,088	--	--	14,132
Deferred	--	11,651,812	6,676,604	3,962,224
Long-term	--	--	--	--
Due from other funds	--	--	--	--
Inventories	580,178	--	--	--
Prepaid items	19,827	--	--	271
Property held for resale	--	--	--	--
Other assets	2,930	--	--	--
TOTAL ASSETS	$ 21,344,039	$ 22,646,553	$ 9,031,797	$ 7,119,275
LIABILITIES				
Accounts payable	$ 1,773,376	$ 18,624	$ 304,112	$ 5,168
Accrued salaries and benefits	5,465,179	--	--	--
Contracts and retained percentage payable	3,979	--	--	--
Accrued interest payable	40	--	--	--
Due to other funds	--	--	--	--
Due to other governments	32,262	--	--	410
Deposits	521,866	11,009	--	15,014
Other liabilities	336,254	--	--	--
Deferred taxes	1,199,770	--	--	--
Deferred revenue	1,944,263	11,651,812	6,676,604	3,962,224
TOTAL LIABILITES	11,276,989	11,681,445	6,980,716	3,982,816
FUND BALANCES				
Reserved for:				
Encumbrances	272,092	--	--	--
Inventories	580,178	--	--	--
Prepaid items	19,827	--	--	271
Property held for resale	--	--	--	--
Technology acquisition	455,670	--	--	--
Capital projects	--	--	--	--
Park capital outlay	--	--	--	--
Future signalization	--	--	--	--
Debt service	--	10,965,108	2,051,081	3,136,188
Court assessments	--	--	--	--
Other purposes	238,872	--	--	--
Unreserved, reported in:				
General fund	8,500,411	--	--	--
Special revenue funds	--	--	--	--
Capital projects funds	--	--	--	--
TOTAL FUND BALANCES	10,067,050	10,965,108	2,051,081	3,136,459
TOTAL LIABILITIES AND FUND BALANCES	$ 21,344,039	$ 22,646,553	$ 9,031,797	$ 7,119,275

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

Streets Capital Projects Fund	Redevelopment Agency Capital Projects Fund	Other Governmental Funds	Total
$ 34,827,748	$ 469,259	$ 40,019,575	$ 95,828,589
--	--	377,544	4,201,843
931	967	154,704	266,142
--	--	8,649,470	19,593,186
--	--	651,136	1,850,906
--	--	--	589,266
--	--	--	69,220
--	--	--	22,290,640
--	--	850,791	850,791
10,270,000	--	890,539	11,160,539
--	--	128,657	708,835
--	11,346	12,110	43,554
--	36,227,428	8,540,213	44,767,641
--	--	440,000	442,930
$ 45,098,679	$ 36,709,000	$ 60,714,739	$ 202,664,082
$ 204,165	$ 4,569	$ 1,811,808	$ 4,121,822
--	--	506,867	5,972,046
--	--	4,160,176	4,164,155
--	--	680	720
--	--	11,160,539	11,160,539
--	--	3,400,000	3,432,672
--	--	402,529	950,418
--	--	--	336,254
--	--	651,120	1,850,890
--	--	1,308,802	25,543,705
204,165	4,569	23,402,521	57,533,221
--	8	750,233	1,022,333
--	--	128,657	708,835
--	11,346	12,110	43,554
--	36,227,428	8,540,213	44,767,641
--	--	--	455,670
44,894,514	465,649	8,998,027	54,358,190
--	--	5,363,719	5,363,719
--	--	517,161	517,161
--	--	15,746,744	31,899,121
--	--	97,067	97,067
--	--	1,020,343	1,259,215
--		--	8,500,411
--	--	1,173,909	1,173,909
--	--	(5,035,965)	(5,035,965)
44,894,514	36,704,431	37,312,218	145,130,861
$ 45,098,679	$ 36,709,000	$ 60,714,739	$ 202,664,082

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

CITY OF RENO, NEVADA

Reconciliation of the Governmental Funds Balance Sheet to
the Government-Wide Statement of Net Assets - Governmental Activities
June 30, 2009

TOTAL FUND BALANCES FOR THE GOVERNMENTAL FUNDS AS SHOWN ON THE BALANCE SHEET	$	145,130,861
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds		1,039,209,850
Assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds		9,096,896
Long-term liabilities and the related accrued interest payable are not due and payable in the current period and, therefore, are not reported in the governmental funds		(540,403,535)
Deferred revenue represents amounts that are not available to fund current expenditures and, therefore, are not reported in the governmental funds		25,139,007
Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Assets		(7,280,144)
TOTAL NET ASSETS FOR GOVERNMENTAL ACTIVITIES AS SHOWN ON THE STATEMENT OF NET ASSETS	$	670,892,935

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

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CITY OF RENO, NEVADA

Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2009

	General Fund	Railroad Debt Service Fund	Downtown Events Center Debt Fund	Special Assessment Districts Debt Fund
REVENUES				
Taxes	$ 50,632,981	$ 735,302	$ 5,077,055	$ --
Special assessments	1,392,965	508,298	213,892	492,838
Fees, licenses, and permits	35,308,525	--	--	--
Intergovernmental	62,220,783	7,080,474	--	--
Grants and contributions	1,253,603	--	--	--
Charges for services	15,111,270	--	--	--
Fines and forfeitures	4,050,660	45,577	13,803	36,956
Interest	349,310	1,170,631	615,562	346,923
Miscellaneous	2,078,588	38,730	--	15,656
TOTAL REVENUES	172,398,685	9,579,012	5,920,312	892,373
EXPENDITURES				
Current:				
General government	15,651,204	--	--	--
Judicial	6,617,523	--	--	--
Public safety - Police	60,060,538	--	--	--
Public safety - Fire	54,151,668	--	--	--
Public works	13,384,406	--	--	--
Planning and community development	2,513,702	--	--	--
Culture and recreation	--	--	--	--
Urban redevelopment	--	--	--	--
Intergovernmental	3,773,363	--	--	--
Capital outlay	292,337	--	--	--
Debt service:				
Principal	688,057	1,800,000	1,260,000	399,344
Interest	229,700	7,201,666	9,677,577	234,251
Bond issue costs	--	--	482,155	--
Fiscal charges	--	1,023,574	596,579	169,552
TOTAL EXPENDITURES	157,362,498	10,025,240	12,016,311	803,147
Excess (Deficiency) of Revenues Over (Under) Expenditures	15,036,187	(446,228)	(6,095,999)	89,226
OTHER FINANCING SOURCES (USES)				
Bonds issued	--	--	--	--
Premium on bonds issued	--	--	--	--
Payments to others	--	--	--	--
Sale of capital assets	11,425	--	--	--
Transfers from other funds	9,129,953	--	2,133,023	--
Transfers to other funds	(28,563,604)	--	(164,450)	(120,000)
TOTAL OTHER FINANCING SOURCES (USES)	(19,422,226)	--	1,968,573	(120,000)
NET CHANGE IN FUND BALANCES	(4,386,039)	(446,228)	(4,127,426)	(30,774)
FUND BALANCES - BEGINNING OF YEAR	14,913,404	11,391,633	6,158,111	3,157,221
PRIOR PERIOD ADJUSTMENT	(460,315)	19,703	20,396	10,012
FUND BALANCES, BEGINNING, AS RESTATED	14,453,089	11,411,336	6,178,507	3,167,233
FUND BALANCES, ENDING	$ 10,067,050	$ 10,965,108	$ 2,051,081	$ 3,136,459

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

Streets Capital Projects Fund	Redevelopment Agency Capital Projects Fund	Other Governmental Funds	Total
$ --	$ 10,239,094	$ 25,843,042	$ 92,527,474
--	--	--	2,607,993
--	--	89,874	35,398,399
--	--	7,416,793	76,718,050
--	--	16,621,740	17,875,343
--	--	4,066,407	19,177,677
--	--	38,143	4,185,139
6,658	67,080	895,653	3,451,817
--	400	7,642,254	9,775,628
6,658	10,306,574	62,613,906	261,717,520
--	--	541,344	16,192,548
--	--	682,110	7,299,633
--	--	--	60,060,538
--	--	--	54,151,668
3,769	--	11,019,717	24,407,892
--	--	8,620,137	11,133,839
--	--	17,246,463	17,246,463
--	272,408	3,561,884	3,834,292
--	--	--	3,773,363
--	--	27,723,359	28,015,696
--	--	7,796,000	11,943,401
--	--	5,098,821	22,442,015
--	--	1,088,402	1,570,557
--	--	112,686	1,902,391
3,769	272,408	83,490,923	263,974,296
2,889	10,034,166	(20,877,017)	(2,256,776)
44,853,350	--	38,036,650	82,890,000
--	--	653,362	653,362
--	--	(30,731,864)	(30,731,864)
--	--	55,500	66,925
--	--	19,550,999	30,813,975
--	--	(13,901,911)	(42,749,965)
44,853,350	--	13,662,736	40,942,433
44,856,239	10,034,166	(7,214,281)	38,685,657
36,130	26,670,265	44,330,722	106,657,486
2,145	--	195,777	(212,282)
38,275	26,670,265	44,526,499	106,445,204
$ 44,894,514	$ 36,704,431	$ 37,312,218	$ 145,130,861

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

CITY OF RENO, NEVADA

Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balances of Governmental Funds to the
Government-Wide Statement of Activities - Governmental Activities
For the Year Ended June 30, 2009

NET CHANGE IN FUND BALANCES FOR GOVERNMENTAL FUNDS AS SHOWN ON THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN THE FUND BALANCES	$ 38,685,657
Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.	(18,467,581)
The net effect of various miscellaneous transactions involving capital assets (sales, trade-ins, and donations) is to decrease Net Assets.	(27,924)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the Governmental Funds.	36,712,245
The issuance of long-term debt provides current financial resources to Governmental Funds, while the repayment of the principal of long-term debt consumes the current financial resources of Governmental Funds. Neither transaction, however, has any effect on Net Assets. Also, Governmental Funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	(70,829,004)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds	(9,352,007)
Internal service funds are used by management to charge the costs of certain activities to individual funds. The net (expense) of the internal service funds is reported with Governmental Activities.	11,398,348
CHANGES IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	$ (11,880,266)

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

CITY OF RENO, NEVADA

Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
General Fund
For the Year Ended June 30, 2009

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual Amounts	(Negative)
REVENUES				
Taxes:				
Ad valorem	$ 49,750,760	$ 50,038,361	$ 50,632,981	$ 594,620
Special assessments	1,490,090	1,445,804	1,392,965	(52,839)
Licenses and permits:				
Business licenses and permits:				
Business licenses	14,731,000	13,426,000	12,633,107	(792,893)
City gaming licenses	2,500,000	2,200,000	2,201,449	1,449
Liquor licenses	1,250,000	1,240,000	1,294,792	54,792
Non-business licenses and permits	75,000	213,291	183,997	(29,294)
Franchises:				
Electricity	6,320,000	6,250,000	6,227,461	(22,539)
Telephone	4,500,000	3,920,000	3,873,036	(46,964)
Natural gas	2,400,000	2,100,000	2,205,186	105,186
Sanitation	2,430,000	2,300,000	2,213,979	(86,021)
Water	1,040,400	1,040,400	959,311	(81,089)
Sewer	1,630,000	1,600,000	1,683,913	83,913
Cable television	2,230,000	1,942,722	1,832,294	(110,428)
Total licenses and permits	39,106,400	36,232,413	35,308,525	(923,888)
Intergovernmental:				
Federal grants	55,537	882,982	1,234,417	351,435
State grants	--	434,447	19,186	(415,261)
State shared revenues	52,500,000	43,600,000	43,552,723	(47,277)
County shared revenues:				
County gaming licenses	2,021,000	1,800,000	1,615,321	(184,679)
AB 104	3,500,000	3,000,000	2,938,194	(61,806)
Fire consolidated payment	14,054,546	14,054,546	14,054,546	--
Other	16,000	59,999	59,999	--
Total intergovernmental	72,147,083	63,831,974	63,474,386	(357,588)
Charges for services:				
General government:				
Administration fees	1,206,000	810,000	724,823	(85,177)
TMWA contract payment	287,038	287,038	287,019	(19)
Indirect cost allocations	9,591,404	9,591,404	9,591,904	500
Other	100	1,000	772	(228)
Judicial:				
Municipal court charges	255,000	205,000	112,312	(92,688)

continued

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

CITY OF RENO, NEVADA

Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (continued)
General Fund
For the Year Ended June 30, 2009

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual Amounts	(Negative)
REVENUES				
Charges for services:				
Public safety:				
Police service charges	$ 460,000	$ 834,479	$ 814,202	$ (20,277)
Work permits	62,000	80,000	47,401	(32,599)
Fire service charges	1,192,000	1,185,000	853,161	(331,839)
Strike team reimbursements	--	1,380,000	1,266,299	(113,701)
Public works:				
Engineering fees	975,000	600,000	597,946	(2,054)
Parking receipts	855,000	832,000	811,893	(20,107)
Other	75,500	15,500	3,538	(11,962)
Total charges for services	14,959,042	15,821,421	15,111,270	(710,151)
Fines and forfeits:				
Municipal court fines	4,141,000	3,810,000	3,340,318	(469,682)
Municipal court forfeitures	172,000	--	--	--
Delinquent license penalties	660,000	800,000	710,342	(89,658)
Total fines and forfeits	4,973,000	4,610,000	4,050,660	(559,340)
Miscellaneous:				
Investment earnings	350,000	300,000	349,310	49,310
Interest earnings, other	236,400	--	--	--
Rent and royalties	--	5,500	5,487	(13)
Reimbursement and restitution	--	865,547	986,086	120,539
Private grants	40,000	378,272	375,383	(2,889)
Other	200,000	1,545,332	711,632	(833,700)
Total miscellaneous	826,400	3,094,651	2,427,898	(666,753)
TOTAL REVENUES	183,252,775	175,074,624	172,398,685	(2,675,939)
EXPENDITURES				
Current:				
General government:				
City Council:				
Salaries and wages	433,918	449,250	446,850	2,400
Employee benefits	257,512	278,421	271,097	7,324
Services and supplies	575,251	582,075	514,473	67,602
Subtotal	1,266,681	1,309,746	1,232,420	77,326
City Clerk:				
Salaries and wages	740,020	680,080	672,414	7,666
Employee benefits	277,211	259,374	258,576	798
Services and supplies	557,048	494,006	463,824	30,182
Capital outlay	--	29,419	27,419	2,000
Subtotal	1,574,279	1,462,879	1,422,233	40,646

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

continued

CITY OF RENO, NEVADA

Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (continued)
General Fund
For the Year Ended June 30, 2009

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual Amounts	(Negative)
EXPENDITURES				
City Manager:				
Salaries and wages	$ 2,831,153	$ 2,747,886	$ 2,810,406	$ (62,520)
Employee benefits	1,173,438	1,106,688	1,092,595	14,093
Services and supplies	1,838,039	1,589,731	1,067,571	522,160
Subtotal	5,842,630	5,444,305	4,970,572	473,733
Finance:				
Salaries and wages	1,605,901	1,583,358	1,542,564	40,794
Employee benefits	719,943	803,815	662,483	141,332
Services and supplies	183,489	219,730	172,637	47,093
Subtotal	2,509,333	2,606,903	2,377,684	229,219
City Attorney:				
Salaries and wages	2,852,597	2,788,485	2,626,675	161,810
Employee benefits	1,176,157	1,086,558	1,047,735	38,823
Services and supplies	388,773	279,319	225,069	54,250
Subtotal	4,417,527	4,154,362	3,899,479	254,883
Human Resources:				
Salaries and wages	993,497	832,152	828,922	3,230
Employee benefits	468,676	414,713	448,760	(34,047)
Services and supplies	177,412	135,858	139,256	(3,398)
Subtotal	1,639,585	1,382,723	1,416,938	(34,215)
Civil Service Commission:				
Salaries and wages	184,147	194,744	193,695	1,049
Employee benefits	84,195	83,909	83,741	168
Services and supplies	102,965	98,633	81,861	16,772
Subtotal	371,307	377,286	359,297	17,989
General government summary:				
Salaries and wages	9,641,233	9,275,955	9,121,526	154,429
Employee benefits	4,157,132	4,033,478	3,864,987	168,491
Services and supplies	3,822,977	3,399,352	2,664,691	734,661
Capital outlay	--	29,419	27,419	2,000
Total General government	17,621,342	16,738,204	15,678,623	1,059,581

continued

CITY OF RENO, NEVADA

Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (continued)
General Fund
For the Year Ended June 30, 2009

	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget Positive (Negative)
EXPENDITURES				
Judicial:				
Salaries and wages	$ 3,896,615	$ 4,121,365	$ 4,046,364	$ 75,001
Employee benefits	1,723,632	1,843,183	1,816,542	26,641
Services and supplies	906,722	870,294	754,617	115,677
Total Judicial	6,526,969	6,834,842	6,617,523	217,319
Public safety:				
Police department:				
Salaries and wages	41,168,837	39,097,096	38,772,009	325,087
Employee benefits	19,347,278	18,030,183	17,744,190	285,993
Services and supplies	2,917,487	4,176,662	3,544,339	632,323
Capital outlay	--	54,500	39,948	14,552
Total Police Department	63,433,602	61,358,441	60,100,486	1,257,955
Fire department:				
Salaries and wages	36,314,504	35,213,112	34,886,613	326,499
Employee benefits	15,860,824	15,343,960	15,202,418	141,542
Services and supplies	3,422,338	4,206,567	4,062,637	143,930
Capital outlay	250,000	214,073	209,988	4,085
Subtotal	55,847,666	54,977,712	54,361,656	616,056
Public safety summary:				
Salaries and wages	77,483,341	74,310,208	73,658,622	651,586
Employee benefits	35,208,102	33,374,143	32,946,608	427,535
Services and supplies	6,339,825	8,383,229	7,606,976	776,253
Capital outlay	250,000	268,573	249,936	18,637
Total public safety	119,281,268	116,336,153	114,462,142	1,874,011
Public works:				
Salaries and wages	5,761,529	5,641,015	5,706,703	(65,688)
Employee benefits	2,464,058	2,267,946	2,411,811	(143,865)
Services and supplies	5,646,424	5,953,683	5,265,892	687,791
Capital Outlay	--	15,000	14,982	18
Total public works	13,872,011	13,877,644	13,399,388	478,256
Planning and community development:				
Salaries and wages	943,136	1,358,900	1,400,232	(41,332)
Employee benefits	391,571	470,988	461,147	9,841
Services and supplies	765,662	676,352	652,323	24,029
Total planning and community development	2,100,369	2,506,240	2,513,702	(7,462)

continued

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

CITY OF RENO, NEVADA

Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (continued)
General Fund
For the Year Ended June 30, 2009

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
EXPENDITURES				
Intergovernmental:				
Retired Employees Trust	$ 2,700,000	$ 3,200,000	$ 3,475,896	$ (275,896)
Miscellaneous	1,300,000	265,000	297,467	(32,467)
Total Intergovernmental	4,000,000	3,465,000	3,773,363	(308,363)
DEBT SERVICE				
Principal	565,918	688,057	688,057	--
Interest	183,185	229,700	229,700	--
Total Debt Service	749,103	917,757	917,757	--
TOTAL EXPENDITURES	164,151,062	160,675,840	157,362,498	3,313,342
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	19,101,713	14,398,784	15,036,187	637,403
OTHER FINANCING SOURCES (USES)				
Sale of capital assets	--	7,341	11,425	4,084
Transfers from other funds	4,594,961	9,141,953	9,129,953	(12,000)
Transfers to other funds	(27,248,092)	(28,563,604)	(28,563,604)	--
TOTAL OTHER FINANCING SOURCES (USES)	(22,653,131)	(19,414,310)	(19,422,226)	(7,916)
NET CHANGES IN FUND BALANCES	(3,551,418)	(5,015,526)	(4,386,039)	629,487
CONTINGENCY	(1,566,400)	(185,934)	--	185,934
FUND BALANCES, BEGINNING	11,151,207	14,913,404	14,913,404	--
PRIOR PERIOD ADJUSTMENT	--	--	(460,315)	(460,315)
FUND BALANCES, BEGINNING, AS RESTATED	11,151,207	14,913,404	14,453,089	(460,315)
FUND BALANCES, ENDING	$ 6,033,389	$ 9,711,944	$ 10,067,050	$ 355,106

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

CITY OF RENO, NEVADA

Statement of Fund Net Assets
Proprietary Funds
June 30, 2009

	Business-Type Activities - Enterprise Funds					Governmental Activities
	Sanitary Sewer Fund	Planning Fund	Building Permit Fund	Nonmajor Enterprise Funds	Total Enterprise Funds	Internal Service Funds
ASSETS						
Current Assets:						
Cash and investments	$ 1,029,617	$ 61,891	$ 45,819	$ 964,772	$ 2,102,099	$ 16,916,250
Receivables:						
Accounts receivable	7,485,835	10,203	--	--	7,496,038	158,272
Accrued interest	5,208	--	--	1,359	6,567	97,157
From other governments	3,329,609	--	--	--	3,329,609	10,243
Inventories	85,771	--	2,851	44,407	133,029	199,251
Prepaid expenses	11,398	--	--	--	11,398	396,367
Restricted assets:						
Cash and investments	20,803,640	--	--	--	20,803,640	--
Accrued interest receivable	104,931	--	--	--	104,931	--
Accounts receivable	11,553	--	--	--	11,553	--
Due from other governments	1,166,199	--	--	--	1,166,199	--
Due from other funds	2,850,000	--	--	--	2,850,000	4,570,000
Total Current Assets	36,883,761	72,094	48,670	1,010,538	38,015,063	22,347,540
Noncurrent Assets:						
Capital assets:						
Land	7,727,157	--	107,317	1,600,000	9,434,474	--
Water rights	1,812,114	--	--	1,125,000	2,937,114	--
Buildings	12,357,401	--	--	1,153,242	13,510,643	--
Improvements other than buildings	298,209,520	--	591,534	7,196,726	305,997,780	--
Machinery and equipment	1,443,034	--	69,700	483,464	1,996,198	26,114,088
Construction in progress	59,323,069	--	--	--	59,323,069	--
Total Capital Assets	380,872,295	--	768,551	11,558,432	393,199,278	26,114,088
Less accumulated depreciation	(83,807,730)	--	(243,509)	(5,607,789)	(89,659,028)	(16,948,884)
Net Capital Assets	297,064,565	--	525,042	5,950,643	303,540,250	9,165,204
Other assets:						
Delinquent accounts receivable	1,123,511	--	--	--	1,123,511	--
Long-term notes receivable	10,309,896	--	--	--	10,309,896	--
Deferred charges	202,096	--	--	57,450	259,546	--
Investment in Truckee Meadows Water Reclamation Facility	87,665,540	--	--	--	87,665,540	--
Total Noncurrent Assets	396,365,608	--	525,042	6,008,093	402,898,743	9,165,204
TOTAL ASSETS	433,249,369	72,094	573,712	7,018,631	440,913,806	31,512,744

continued

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

CITY OF RENO, NEVADA

Statement of Fund Net Assets (continued)
Proprietary Funds
June 30, 2009

	Business-Type Activities - Enterprise Funds					Governmental Activities
	Sanitary Sewer Fund	Planning Fund	Building Permit Fund	Nonmajor Enterprise Funds	Total Enterprise Funds	Internal Service Funds
LIABILITIES						
Current Liabilities:						
Accounts payable	$ 151,716	$ 6,164	$ 4,142	$ 43,091	$ 205,113	$ 112,557
Accrued salaries and benefits	208,901	31,321	93,401	186,835	520,458	125,858
Contracts and retained percentage payable	804,144	--	--	--	804,144	--
Accrued interest payable	1,038,270	--	--	--	1,038,270	--
Compensated absences payable	571,391	151,381	312,505	501,718	1,536,995	313,038
Due to other funds	--	2,100,000	750,000	--	2,850,000	4,570,000
Due to other governments	--	2,695	--	--	2,695	--
Deposits	42,158	--	--	10,746	52,904	--
Other liabilities	425,435	--	--	--	425,435	--
Bonds and notes payable	5,959,876	--	--	200,000	6,159,876	--
Liability for self-insurance	--	--	--	--	--	5,281,290
Total Current Liabilities (payable from current assets)	9,201,891	2,291,561	1,160,048	942,390	13,595,890	10,402,743
Current liabilities (payable from restricted assets):						
Accounts payable	13,052	--	--	--	13,052	--
Contracts and retained percentage payable	506,858	--	--	--	506,858	--
Accrued interest payable	198	--	--	--	198	--
Total Current Liabilities (payable from restricted assets)	520,108	--	--	--	520,108	--
Total Current Liabilities	9,721,999	2,291,561	1,160,048	942,390	14,115,998	10,402,743
Noncurrent Liabilities:						
Compensated absences payable	78,778	--	336,611	90,859	506,248	24,915
Other post-employment benefits liability	540,648	100,570	361,366	471,372	1,473,956	318,977
Bonds and notes payable	90,162,234	--	--	2,265,373	92,427,607	--
Liability for self-insurance	--	--	--	--	--	37,668,932
Total Noncurrent Liabilities	90,781,660	100,570	697,977	2,827,604	94,407,811	38,012,824
TOTAL LIABILITIES	100,503,659	2,392,131	1,858,025	3,769,994	108,523,809	48,415,567
NET ASSETS						
Invested in capital, net of related debt	200,942,455	--	525,042	3,485,270	204,952,767	9,165,204
Restricted for:						
Capital projects	24,416,215	--	--	--	24,416,215	--
Claims	--	--	--	--	--	17,323,551
Unrestricted (deficit)	107,387,040	(2,320,037)	(1,809,355)	(236,633)	103,021,015	(43,391,578)
TOTAL NET ASSETS	$ 332,745,710	$ (2,320,037)	$(1,284,313)	$ 3,248,637	332,389,997	$(16,902,823)
Adjustment to reflect the consolidation of Internal Service Fund activities related to Enterprise Funds					(9,622,679)	
Net assets of business-type activities (page 21)					$322,767,318	

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

CITY OF RENO, NEVADA

Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended June 30, 2009

	Business-Type Activities - Enterprise Funds					Governmental Activities
	Sanitary Sewer Fund	Planning Fund	Building Permit Fund	Nonmajor Enterprise Funds	Total Enterprise Funds	Internal Service Funds
OPERATING REVENUES						
Charges for services	$ 39,094,527	$ 1,366,191	$ 3,962,992	$ 1,199,529	$ 45,623,239	$ 23,644,213
Licenses and permits	253,535	--	--	--	253,535	--
Fines and forfeitures	1,829,009	--	--	--	1,829,009	--
Miscellaneous	227,322	3,212	2,950	12,905	246,389	845,618
TOTAL OPERATING REVENUES	41,404,393	1,369,403	3,965,942	1,212,434	47,952,172	24,489,831
OPERATING EXPENSES						
Salaries and wages	5,140,227	1,046,450	3,501,261	4,620,863	14,308,801	3,195,413
Employee benefits	2,385,703	537,943	1,545,122	1,866,346	6,335,114	1,452,554
Services and supplies	9,792,262	1,317,863	1,226,065	990,295	13,326,485	10,450,539
Joint Sewer plant	12,366,376	--	--	--	12,366,376	--
Depreciation	7,795,584	--	39,988	270,565	8,106,137	2,738,671
TOTAL OPERATING EXPENSES	37,480,152	2,902,256	6,312,436	7,748,069	54,442,913	17,837,177
OPERATING INCOME (LOSS)	3,924,241	(1,532,853)	(2,346,494)	(6,535,635)	(6,490,741)	6,652,654
NONOPERATING REVENUES (EXPENSES)						
Private grants	403,250	--	--	--	403,250	--
Federal grants	2,219,939	--	--	--	2,219,939	--
Investment earnings	637,039	--	--	4,036	641,075	637,483
Debt service - interest	(2,579,804)	--	--	(93,419)	(2,673,223)	--
Debt service - fiscal charges	(9,653)	--	--	(5,166)	(14,819)	--
Gain (loss) on asset disposal	(124,987)	--	--	--	(124,987)	129,292
Net loss from Truckee Meadows Water Reclamation Facility	(4,134,731)	--	--	--	(4,134,731)	--
TOTAL NONOPERATING REVENUES (EXPENSES)	(3,588,947)	--	--	(94,549)	(3,683,496)	766,775
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS	335,294	(1,532,853)	(2,346,494)	(6,630,184)	(10,174,237)	7,419,429
CAPITAL CONTRIBUTIONS						
Connection charges	1,940,344	--	--	--	1,940,344	--
Contribution of assets	19,658,793	--	--	--	19,658,793	192,728
TOTAL CAPITAL CONTRIBUTIONS	21,599,137	--	--	--	21,599,137	192,728
TRANSFERS						
Transfers in	--	2,246,261	1,623,774	6,657,293	10,527,328	4,082,428
Transfers out	(525,532)	--	--	--	(525,532)	(2,148,234)
TOTAL TRANSFERS IN (OUT)	(525,532)	2,246,261	1,623,774	6,657,293	10,001,796	1,934,194
CHANGES IN NET ASSETS	21,408,899	713,408	(722,720)	27,109	21,426,696	9,546,351
NET ASSETS - BEGINNING OF YEAR	311,838,145	(3,033,445)	(562,272)	3,219,234		(26,429,888)
PRIOR PERIOD ADJUSTMENT	(501,334)	--	679	2,294		(19,286)
NET ASSETS, BEGINNING, AS RESTATED	311,336,811	(3,033,445)	(561,593)	3,221,528		(26,449,174)
NET ASSETS, ENDING	$ 332,745,710	$ (2,320,037)	$ (1,284,313)	$ 3,248,637		$ (16,902,823)
Adjustment to reflect the consolidation of Internal Service Fund activities related to Enterprise Funds					(1,851,995)	
Change in net assets of business-type activities (page 23)					$ 19,574,701	

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

CITY OF RENO, NEVADA

Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2009

	Business-type Activities - Enterprise Funds					Governmental Activities
	Sanitary Sewer Fund	Planning Fund	Building Permit Fund	Nonmajor Enterprise Funds	Total Enterprise Funds	Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES						
Cash received from customers	$ 39,531,790	1,355,988	$ 3,965,337	$ 1,226,468	$ 46,079,583	$ --
Cash received from other funds for services	25,420	--	--	--	25,420	24,796,848
Cash received from miscellaneous income, reimbursements and restitutions	227,322	3,212	605	12,906	244,045	791,823
Cash paid for employee's salaries and benefits	(6,343,111)	(1,380,355)	(4,314,043)	(5,529,627)	(17,567,136)	(3,861,585)
Cash payments to suppliers for goods and services	(23,930,495)	(62,506)	(208,379)	(498,857)	(24,700,237)	(25,686,722)
Cash paid to other funds for motor vehicle rentals, liability and medical insurance, and indirect costs	(3,053,467)	(1,396,207)	(1,479,838)	(1,123,893)	(7,053,405)	(1,792,996)
Cash paid to deferred compensation plans	(194,455)	(41,731)	(109,256)	(104,737)	(450,179)	(104,943)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	6,263,004	(1,521,599)	(2,145,574)	(6,017,740)	(3,421,909)	(5,857,575)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Temporary loans received from other funds	--	--	550,000	--	550,000	1,970,000
Temporary loans extended to other funds	(2,850,000)	(737,745)	--	(35,000)	(3,622,745)	(1,970,000)
Cash received from private grants	403,250	--	--	--	403,250	--
Cash received from federal grants	475,474	--	--	--	475,474	--
Transfers in	--	2,246,261	1,623,774	6,657,293	10,527,328	4,082,428
Transfers out	(525,532)	--	--	--	(525,532)	(2,148,234)
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	(2,496,808)	1,508,516	2,173,774	6,622,293	7,807,775	1,934,194
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Cash received from connection charges	1,940,344	--	--	--	1,940,344	--
Investment in Truckee Meadows Water Reclamation Facility	(334,406)	--	--	--	(334,406)	--
Proceeds from sale of capital assets	--	--	--	--	--	129,292
Payments to dispose of capital assets	(124,987)	--	--	--	(124,987)	--
Acquisition and construction of capital assets	(14,424,299)	--	--	--	(14,424,299)	(1,094,432)
Payments on bonds payable	(5,849,203)	--	--	(200,000)	(6,049,203)	--
Interest and fiscal charges paid on debt	(2,647,373)	--	--	(84,081)	(2,731,454)	--
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(21,439,924)	--	--	(284,081)	(21,724,005)	(965,140)
CASH FLOWS FROM INVESTING ACTIVITIES						
Investment earnings received	705,105	--	1,713	8,461	715,279	629,192
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(16,968,623)	(13,083)	29,913	328,933	(16,622,860)	(4,259,329)
CASH AND CASH EQUIVALENTS, BEGINNING	38,801,880	74,974	15,906	635,839	39,528,599	21,175,579
CASH AND CASH EQUIVALENTS, ENDING	$ 21,833,257	$ 61,891	$ 45,819	$ 964,772	$ 22,905,739	$ 16,916,250

continued

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

CITY OF RENO, NEVADA

Statement of Cash Flows (continued)
Proprietary Funds
For the Year Ended June 30, 2009

	Business-type Activities - Enterprise Funds					Governmental Activities
	Sanitary Sewer Fund	Planning Fund	Building Permit Fund	Nonmajor Enterprise Funds	Total Enterprise Funds	Internal Service Funds
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES						
Operating income (loss)	$ 3,924,241	$ (1,532,853)	$ (2,346,494)	$ (6,535,635)	$ (6,490,741)	$ 6,652,654
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities						
Depreciation	7,795,584	--	39,988	270,565	8,106,137	2,738,671
Changes in assets and liabilities:						
(Increases) decrease:						
Accounts receivable	(385,907)	(10,203)	--	--	(396,110)	1,045,508
Deferred charges	9,653	--	--	--	9,653	--
Due from other governments	(1,249,389)	--	--	27,747	(1,221,642)	53,332
Inventories	28,936	--	6,991	(188)	35,739	(17,532)
Prepaid expenses	(11,398)	--	--	--	(11,398)	80,153
Increase (decrease):						
Accounts payable	(346,491)	926	(13,439)	(31,905)	(390,909)	(112,983)
Deposits	(20,496)	--	--	--	(20,496)	--
Accrued salaries and benefits	261,939	39,421	122,456	35,672	459,488	156,110
Compensated absences payable	(54,119)	(2,030)	44,924	216,813	205,588	29,710
Contracts and retained percentage payable	(3,725,480)	--	--	--	(3,725,480)	--
Accrued liabilities	35,931	(16,860)	--	(809)	18,262	(16,483,198)
Total adjustments	2,338,763	11,254	200,920	517,895	3,068,832	(12,510,229)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	$ 6,263,004	$ (1,521,599)	$ (2,145,574)	$ (6,017,740)	$ (3,421,909)	$ (5,857,575)
NON CASH CAPITAL AND RELATED FINANCING ACTIVITIES						
Capital contributions:						
Contribution of assets	$ 19,658,793	$ --	$ --	$ --	$ 19,658,793	$ 192,728

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

CITY OF RENO, NEVADA

Statement of Fiduciary Net Assets
Agency Funds
June 30, 2009

ASSETS		
Cash and investments	$	8,040,445
Accounts receivable		44,407
Accrued interest receivable		38,879
Special assessments:		
Current		403,845
Delinquent		17,229
TOTAL ASSETS	$	8,544,805
LIABILITIES		
Accounts payable	$	29,880
Accrued liabilities		64,841
Deposits		1,905,257
Due to other governments		50
Due to others		6,544,777
TOTAL LIABILITIES	$	8,544,805

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

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BASIC FINANCIAL STATEMENTS

Notes to the Financial Statements

Note 1: **Summary of Significant Accounting Policies**

The financial statements of the City of Reno, Nevada (the "City") have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP") as applied to government units. The Governmental Accounting Standards Board ("GASB") is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. A summary of the more significant accounting policies consistently applied in the preparation of the accompanying basic financial statements follows.

Reporting Entity

The City of Reno, Nevada was incorporated on March 16, 1903. The City operates under a Council-Manager form of government and provides the following services as authorized by its charter: public safety (police, fire and building inspection), streets, culture and recreation, public improvements, planning and zoning, wastewater treatment and general administrative services.

As required by GAAP, these financial statements present the City of Reno and its component unit, the Redevelopment Agency of the City of Reno. The criteria used to include a component unit with the primary government's financial statements is one of "financial responsibility". The Redevelopment Agency of the City of Reno (RACOR) is included in the City's reporting entity because of the significance of its operational and financial relationship with the City. RACOR is dependent upon the City through taxing authority. RACOR is governed by a separate board, which is comprised of the members of the City Council. RACOR's financial information is presented in a blended format and is included in the financial statements of the City. Separate financial statements of the Redevelopment Agency of the City of Reno are filed at the City Clerk's office. Following GAAP, the General Fund of RACOR is reclassified as a Special Revenue Fund when the component unit is included within the City's financial reporting entity. Other RACOR funds included within these financial statements include the Redevelopment Agency Extraordinary Maintenance Capital Projects Fund, the Redevelopment Agency Capital Projects Fund, and the Redevelopment Agency Debt Service Fund.

Note 1: **Summary of Significant Accounting Policies** (continued)

Government-Wide and Fund Financial Statements

The government-wide financial statements report information on all of the nonfiduciary activities of the primary government and its component units. Eliminations have been made to minimize the double-counting of internal activities. Services provided by the General Fund to other funds are reported as expenditures or expenses, as appropriate, in the funds receiving the services and as reductions of expenditures in the General Fund.

Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The statement of activities demonstrates the degree to which the direct expenses of a given function or business-type activity are offset by program revenues. Direct expenses are those that are associated with a specific function or business-type activity. In addition to direct expenses, the functional expense amounts reported on the Statement of Activities include indirect expenses allocated to each function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or business-type activity and 2) grants, contributions and interest income that are restricted to meeting the operational or capital requirements of a particular function or business-type activity. Taxes and other items not properly included among program revenues are reported instead as general revenues. Interfund services provided and used are not eliminated in the process of consolidation.

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

Proprietary fund operating revenues, such as charges for services and operating expenses, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings and nonoperating expenses result from nonexchange transactions or ancillary activities.

Note 1: **Summary of Significant Accounting Policies** (continued)

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus*, and the *accrual basis of accounting*, as are the proprietary fund financial statements. Fiduciary funds have no measurement focus. Revenues are recorded when earned and expenses are recorded when liabilities are incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

All applicable pronouncements, including FASB Statements and Interpretations, APB Opinions and ARBs issued prior to November 30, 1989, except for those that conflict with or contradict GASB pronouncements have been applied in the preparation of these financial statements.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a *current financial resources measurement focus*. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets.

The modified accrual basis of accounting is used by all governmental fund types. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (when they become both measurable and available). “Measurable” means the amount of the transaction can be determined and “available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. A 90-day availability period is used for revenue recognition for special assessment revenues and all other revenues except for ad valorem taxes. The City considers ad valorem taxes as available if they are collected within 30 days after year-end. Anticipated refunds of such taxes are recorded as liabilities and reductions of revenue when they are measurable and their validity seems certain. Expenditures are recorded when the related fund liability is incurred except for principal and interest on general long-term debt, which are recorded as fund liabilities when due.

The following primary sources of revenues are considered susceptible to accrual under the modified accrual basis of accounting:

- Ad valorem taxes
- State shared revenues
- County shared revenue

Note 1: **Summary of Significant Accounting Policies** (continued)

Measurement Focus, Basis of Accounting and Financial Statement Presentation (continued)

Sales taxes are considered "available" when in the hands of the intermediary collecting government and are recognized as revenue at that time. Licenses and permits, fines and forfeitures and charges for services are the primary revenue sources not susceptible to accrual because they are generally not measurable until received in cash.

The City reports deferred revenues on its governmental funds balance sheet. Deferred revenues arise in governmental fund types when a potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when resources are received by the City before it has a legal claim to them. In subsequent periods, when both revenue recognition criteria are met, or when the City has a legal claim to the resources, the liability for deferred revenues is removed from the governmental funds balance sheet and revenue is recognized.

The City reports the following major governmental funds:

The **General Fund** is used to account for resources traditionally associated with the City that are not required legally or by sound financial management to be accounted for in another fund.

The **Railroad Debt Service Fund** is used to accumulate monies for payment of bonds issued for the purpose of constructing and expanding railroad grade projects in the City.

The **Downtown Events Center Debt Fund** is used to accumulate monies for payment of bonds issued for the purpose of the acquisition and construction of the Downtown Events Center.

The **Special Assessment Districts Debt Fund** is used to accumulate monies for payment of special assessments bonds of the City.

The **Streets Capital Projects Fund** is used to account for street capital improvement projects. Resources are provided by street project impact fees.

The **Redevelopment Agency Capital Projects Fund** is used to account for expenses related to the construction of the Triple A Ballpark and the Fire Station Relocation projects.

Note 1: **Summary of Significant Accounting Policies** (continued)

Measurement Focus, Basis of Accounting and Financial Statement Presentation (continued)

The City reports the following major enterprise funds:

The **Sanitary Sewer Fund** is used to account for sewer services provided to the residents of Reno and some residents of Washoe County and to account for connection fee revenues restricted for capital expenditures and the related projects.

The **Building Permit Fund** is used to account for the operations directly or indirectly related to the building permit process, including zoning and plan review, development engineering, plan check, inspections, and related services.

The **Planning Fund** is used to account for activities involved in promoting the health, safety and welfare of the community by preparing, implementing, reviewing and inspecting health plans and construction projects for the physical development of the City and for conformance to applicable codes and ordinances.

Additionally, the City reports the following fund types:

Internal Service Funds account for the financing of goods or services provided by one department or agency to other departments or agencies of the City and to other governmental units on a cost-reimbursement basis. The City uses internal service funds to account for its vehicle operations and self-insurance programs.

Agency Funds are custodial in nature and do not present results of operations or have a measurement focus. Agency funds are accounted for using the accrual basis of accounting. These funds are used to account for assets that the City holds for others in an agency capacity, including collections for the payment of debt for special assessment districts that are the obligation of developers, as well as to account for refundable performance deposits and cash bonds.

Budgets and Budgetary Accounting

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to April 15, the City Manager submits to the City Council a proposed operating budget for the fiscal year commencing the following July 1. This is in accordance with Nevada Revised Statutes and the City of Reno Charter. The operating budget includes proposed expenditures/expenses and the means of financing them. Appropriations are required to be detailed by object (salaries and wages, employee benefits, services and supplies, or capital outlay) within a department, within a function, within a fund.

Note 1: **Summary of Significant Accounting Policies** (continued)

Budgets and Budgetary Accounting (continued)

2. Public hearings are conducted prior to the adoption of the budget to obtain taxpayer comment.

3. On or before June 1, the budget is legally adopted by a majority vote of the City Council members.

4. The City Manager is authorized under Nevada law to amend the budget by transferring appropriations within a function or program. Transfers between any function or program within a fund or transfers of appropriations between funds and the contingency account, may be authorized subject to subsequent approval by the City Council. Revisions that alter the total appropriations of a function or fund (augmentations) must be approved in advance by the City Council in the form of a resolution. If the fund being augmented receives property tax revenue, notice is published in the local newspaper three working days in advance of the public meeting. The budgets were augmented during the year in accordance with these procedures.

5. Formal budgetary integration is employed as a management control device during the year for the General Fund, Special Revenue Funds, Debt Service Funds, Capital Projects Funds, Enterprise Funds and Internal Service Funds. Such funds have legally adopted annual budgets which lapse at year-end.

6. Budgeted appropriations may not be exceeded by actual expenditures of the various functions in the General Fund, Special Revenue Funds and Capital Projects Funds, and by operating and non-operating expenses in the proprietary fund types. Fund equity in the proprietary fund types may not be a deficit.

7. All budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America.

Cash, Cash Equivalents and Investments

The City maintains a cash and investment pool that is available for use by all funds. Monies that are not required for immediate obligations are invested.

Cash and cash equivalents includes currency on hand, demand deposits with banks, and proprietary funds' equity in the investment pool, as their balances are available on demand.

Note 1: **Summary of Significant Accounting Policies** (continued)

Cash, Cash Equivalents and Investments (continued)

Investments are reported at fair value. The fair values of investments are obtained by using quotations obtained from independent published sources.

Restricted cash and cash equivalents are monies that are restricted by legal or contractual requirements.

Accrued Interest Receivable

Interest on investments is recorded as revenue in the year the interest is earned.

Inventories

Inventories in the governmental funds are valued at cost, which approximates market, using the first-in/first-out method. Inventories of proprietary funds are valued at the lower of cost (first-in, first-out method) or market. In all funds, inventories are recorded as expenditures/expenses when consumed. Reported inventories in the governmental funds, which consist primarily of supplies and materials for resale, are equally offset by a fund balance reserve which indicates that they do not constitute "available spendable resources" even though they are a component of total assets.

Due to and Due from Other Funds

Interfund receivables and payables arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. All such balances within the governmental activities or business-type activities are eliminated in the government-wide statements. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide statements as "internal balances."

Restricted Assets

The ordinance levying a connection fee for tapping into the City's sewer lines restricts all monies received as such for the construction of and improvements to the sewer plant and sewer line system. Accordingly, a portion of the assets in the Sanitary Sewer Enterprise Fund have been restricted for that purpose.

Capital Assets

Capital assets are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined as those assets with an initial cost of $10,000 or more and an estimated useful life of more than one

Note 1: **Summary of Significant Accounting Policies** (continued)

Capital Assets (continued)

year. All purchased capital assets are valued at cost or estimated historical cost. Donated assets are recorded at their estimated fair market value on the date donated. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Capital assets are recorded at cost including capitalized interest incurred during the construction phase on debt-financed projects. Depreciation is computed using the straight-line method for all assets over the following estimated useful lives:

Assets	Life
Buildings, building components and building services	10 to 50 years
Improvements other than buildings	10 to 30 years
Equipment and motor vehicles	3 to 20 years
Infrastructure	10 to 60 years

The City's depressed railroad trench is the sole exception to this policy, with an estimated useful life of 100 years.

Compensated Absences

Unused vested vacation leave may be accumulated and is paid at the time of termination from City employment. Accumulated sick leave benefits are payable to terminated employees who have accumulated a set number of hours up to a specified maximum, depending on the particular employee association. All vacation and sick leave is accrued when incurred in the government-wide and proprietary fund statements. The City classifies the current year's usage increased by 2.5% as its current liability for compensated absences and the remaining portion as noncurrent.

Allowance for Uncollectible Receivables

The City has not established an allowance for uncollectible receivables since prior experience has shown that uncollectible receivables are not material in amount. An allowance has not been established for uncollectible delinquent accounts of the Sanitary Sewer Enterprise Fund because the accounts are secured by a lien on real property.

Prepaid Items

Payments made for services that will benefit future accounting periods are recorded as prepaid items. In the governmental fund types, there is a reservation of fund balance equal to the amount of prepaid items, since these amounts are not available for appropriation.

Note 1: **Summary of Significant Accounting Policies** (continued)

Long-Term Liabilities

General obligation and tax allocation bonds and notes payable are recognized as a liability of the Debt Service Funds when due. Long-term liabilities expected to be financed from proprietary fund operations are accounted for in those funds.

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

For governmental fund types, bond premiums and discounts, as well as issuance costs, are recognized during the current period. The face amount of bonds issued is reported as other financing sources, as are bond premiums. Bond discounts are reported as other financing uses. Issuance costs, even if withheld from the actual net proceeds received, are reported as debt service expenditures.

Fund Equity

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

a. **Invested in Capital Assets, Net of Related Debt –** Consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

b. **Restricted Net Assets –** Consists of net assets with constraints placed on their use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; (2) law through constitutional provisions or enabling legislation.

c. **Unrestricted Net Assets –** All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

The City first utilizes restricted resources to finance qualifying activities, then unrestricted resources, as needed.

Note 1: **Summary of Significant Accounting Policies** (continued)

Fund Equity (continued)

In the fund financial statements, governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved. Reservations of fund balance consist of amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Proprietary fund equity is classified the same as in the government-wide statements.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts or revenues and expenses during the reporting period. Actual results could differ from those estimates.

Note 2: **Reconciliation of Government-wide and Fund Financial Statements**

A. **Explanation of Certain Differences Between the Governmental Fund Balance Sheet and the Government-wide Statement of Net Assets**

The governmental fund balance sheet includes a reconciliation between *total fund balances – governmental funds* and *total net assets of governmental activities*. One element of that reconciliation explains that long-term liabilities and the related accrued interest payable are not due and payable in the current period and, therefore, are not reported in the funds. The details of the difference are as follows:

Bonds payable, net of bond premium and discount	$	(517,676,688)
Bond premiums (discounts outstanding)		(596,707)
Notes payable		(10,176,277)
Deferred loss on refunding transactions		36,674,982
Less: Current year amortization		(1,346,925)
Net OPEB obligation		(18,086,644)
Accrued interest payable		(1,688,122)
Compensated absences		(27,507,154)
Net Difference in Reporting Long-Term Liabilities	$	(540,403,535)

Another element of that reconciliation states that other assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.

Bond costs, deferred charges	$	9,500,438
Less: Current year amortization		(403,542)
Net Difference in Reporting Other Assets	$	9,096,896

Note 2: **Reconciliation of Government-Wide and Fund Financial Statements** (continued)

B. **Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-wide Statement of Activities**

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net change in fund balances – governmental funds* and *changes in net assets of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that "governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense." The details of this difference are as follows:

Capital outlay	$	25,131,655
Depreciation expense		(43,599,236)
Net Difference in Reporting Capital Asset Activity	$	(18,467,581)

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *Net change in fund balances – governmental funds* and *change in net assets of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that "Governmental funds report the proceeds from the sale of assets as other financing sources. However, in the statement of activities only the gain or loss on the sale is recorded." The details of this difference are as follows:

Loss on sales of assets reclassified to expenditures	$	(27,924)
Net Difference in Reporting Transactions Involving Capital Asset Sales/Disposition	$	(27,924)

Another element of that reconciliation states that "Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenue in the fund statement." The details of this difference are as follows:

Deferred revenue		685,887
Donations of capital assets		36,026,358
Net Difference in Reporting Revenues	$	36,712,245

Note 2: **Reconciliation of Government-Wide and Fund Financial Statements** (continued)

B. **Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-wide Statement of Activities** (continued)

Another element of that reconciliation states that "the issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities." The details of this difference are as follows:

Debt issued or incurred:		
General obligation bonds and refunding bonds issued	$	(82,890,000)
Less net bond premium (plus net discounts)		(653,362)
Plus bond issuance costs		1,570,557
Accrued interest		313,719
Amortization of bond premium (discount)		233,606
Amortization of deferred gain (loss) on refunding		(1,346,925)
Principal repayments:		
General obligation debt		10,604,344
Notes payable and capital leases		1,339,057
Net Difference in Reporting Long-Term Debt Transactions	$	(70,829,004)

Another element of that reconciliation states that "Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds." The details of this difference are as follows:

Note 2: **Reconciliation of Government-Wide and Fund Financial Statements** (continued)

B. **Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-wide Statement of Activities** (continued)

Amortization of current year bond costs	$	(403,542)
Net OPEB obligation liability		(8,239,923)
Compensated absences change		(708,542)
Net Difference in Reporting Other Long-Term Transactions	$	(9,352,007)

Note 3: **Cash and Investments**

The following is a reconciliation of the City's deposit and investment balances as of June 30, 2009:

Pooled Cash and Investments:		
Cash on hand	$	119,828
Cash in bank		11,072,407
Certificates of deposit		4,180,000
Investments		111,209,215
Total pooled cash and investments		126,581,450
Non-Pooled Cash and Investments		
Petty cash	$	22,750
Cash in bank		297,484
Certificates of deposit		12,597
Investments		16,776,742
Total non-pooled cash and investments		17,109,573
Total cash and investments	$	143,691,023

Total cash and investments at June 30, 2009 were presented on the City's financial statements as follows:

Govermental activities	$	112,744,839
Business-type activities		22,905,739
Fiduciary funds		8,040,445
Total cash and investments	$	143,691,023

Note 3: **Cash and Investments** (continued)

State statutes govern the City's deposit policies. City monies must be deposited in insured banks, credit unions, and savings and loan associations. The City is authorized to use demand accounts, time accounts and certificates of deposit. The fair value of investments other than investments with the Local Government Investment Pool is obtained from the City's safekeeping agent.

The City of Reno is a participant in the State of Nevada's Pooled Collateral Program. The program was created during the 2003 legislative session to monitor collateral maintained by depositories for local government agency deposits. Centralized processing and management of all pledging and maintenance of collateral is through the State Treasurer's Office rather than with each local agency. There are single collateral pledge agreements with the State Treasurer and financial institutions. This program eliminates the need for the City to establish separate custodial agreements with each financial institution to hold collateral.

The following table identifies the investment types, maximum maturity, portfolio concentration limits, and minimum credit ratings authorized for the City of Reno by NRS 355.170:

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer	Minimum Rating S & P	Moody
Banker's Acceptances	180	20%	None	A-1	P-1
Commercial Paper	270 days	20%	None	A-1	P-1
Money Market Mutual Funds	None	None	None	AAA	Aaa
Negotiable Certificates of Deposit	None	None	None	n/a	n/a
Collateralized Nonnegotiable Certificates of Deposit	None	None	None	n/a	n/a
Negotiable notes/medium-term obligations of local governments of the State of Nevada	None	None	None	n/a	n/a
Repurchase Agreements	90 days	None	None	n/a	n/a
U.S. Treasury Obligations	10 years	None	None	n/a	n/a
U.S. Agency Securities:					
Federal National Mortgage	10 years	None	None	n/a	n/a
Federal Agricultural Mortgage Corporation	10 years	None	None	n/a	n/a
Federal Farm Credit Bank	10 years	None	None	n/a	n/a
Federal Home Loan Bank	10 years	None	None	n/a	n/a
Federal Home Loan Mortgage Corporation	10 years	None	None	n/a	n/a
Government National Mortgage Association	10 years	None	None	n/a	n/a
Local Government Investment Pool	None	None	None	n/a	n/a

Note 3: **Cash and Investments** (continued)

At June 30, 2009, the City had the following investments:

	Interest Rates	Maturities	Par	Cost	Fair Value	Weighted Average Maturity (Years)
Pooled Investments						
U.S. Treasury Note - 912828KX7	1.88%	6/15/2012	$ 10,000,000	$ 10,050,000	$ 10,086,563	2.96
Federal Farm Credit Banks	2.13% - 4.00%	4/15/11 - 9/17/12	40,000,000	40,133,500	40,592,305	2.33
State of Nevada Local Government Investment Pool	Variable	On Demand	n/a	3,607,327	3,608,697	--
Repurchase Agreements	Variable	7/1/2009	n/a	56,921,650	56,921,650	--
Total Pooled Investments				110,712,477	111,209,215	1.12
Non-Pooled Investments						
Money Market Accounts	Variable	On Demand	n/a	16,776,742	16,776,742	--
Total Non-Pooled Investments				16,776,742	16,776,742	--
Total Investments					$ 127,985,957	

The Local Government Investment Pool is an external investment pool administered by the Treasurer of the State of Nevada, with oversight provided by the Board of Finance. The fair value of the City's position in the pool is the same as the value of the pool shares.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. This risk can be reduced by diversifying the durations of the fixed-income investments that are held at a given time. The City manages its exposure to declines in fair values by limiting its weighted average maturity of its investment portfolio to three years or less in accordance with its investment policy.

Credit Risk

State law sets forth the types of investments, as shown on page 58, authorized by local governments. The City's investment policy does not further restrict these investments.

The following is a summary of the credit quality distribution and concentration of credit risk by investment type as a percentage of their respective pool at June 30, 2009.

Note 3: **Cash and Investments** (continued)

Credit Risk (continued)

	S&P	Moody's	% of Portfolio
Pooled Investments			
U.S. Agency Obligations	AAA	Aaa	36.50%
U.S. Treasury Note	AAA	Aaa	9.07%
Repurchase Agreement	Unrated	Unrated	51.19%
State of Nevada Local Government Investment Pool	Unrated	Unrated	3.24%
Total Pooled Investments			100.00%

	S&P	Moody's	% of Portfolio
Non-Pooled Investments			
Money Market accounts	Unrated	Unrated	100.00%
Total Non-Pooled Investments			100.00%

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of the City's investment in a single issuer of securities. When investments are concentrated in one issuer, this concentration presents a heightened risk of potential loss. State law helps protect against this potential loss by setting limits on the maximum percentage of the investment pool that can be invested in a single issuer.

GASB Statement No. 40 requires any single issuers that do not meet certain criteria to be disclosed as concentrations of credit risk. As of the year ended June 30, 2009, more than 5% of the City's pooled investments were invested in the following issuers:

Federal Farm Credit Banks	36.50%

Note 4: **Property Tax**

Washoe County is responsible for the assessment, collection and subsequent distribution to the City of property taxes. Property taxes are billed in July of each year. They are due in installments by the third Monday in August and the first Mondays in October, January and March.

Note 4: **Property Tax** (continued)

In the event of delinquent payments, the County Treasurer must assess a 4% penalty on the first installment, a 7% penalty on two installments, 11% on three installments and a 16% penalty if all four installments are delinquent. In the event of nonpayment, the County will file a lien against the property on the first Monday in June.

If delinquent taxes and penalties are not paid after two years from the date of the lien, the County Treasurer will obtain a deed to the property and may sell the property to satisfy the lien.

The 1979 Nevada Legislature enacted provisions requiring the combined overlapping tax rate be limited to $3.64 per $100 of assessed valuation except in the case of severe financial emergencies as defined in NRS 354.705. During the 2003 legislative session, the legislature exempted 2 cents of the State's property tax rate from this limit.

The 1981 Legislature enacted "tax shift" legislation designed to further reduce the level of property taxes collected throughout the state. The overall sales tax increased from 3.50% to 5.75%; the additional revenue is being distributed to local governmental units in order to reduce the revenues they would otherwise be required to generate from property taxes for operating purchases. Such additional revenue is distributed as a component of the consolidated tax.

In 2005 the Nevada State Legislature passed a bill to cap residential property tax revenue growth at 3% and commercial property growth at ten-year rolling average or 8%, whichever is less. Revenues resulting from new growth are excluded from the cap in the first year.

Note 5: **Capital Assets**

Capital Asset activity for the year ended June 30, 2009 was as follows:

	Balance July 1, 2008 as Restated	Additions	Retirements	Transfers & Adjustments	Balance June 30, 2009
Governmental Activities:					
Capital assets, not being depreciated:					
Land	$ 143,260,745	$ 4,366,336	$ (21,408)	$ --	$ 147,605,673
Construction in progress	69,522,218	14,807,828	--	(52,634,125)	31,695,921
Total capital assets, not being depreciated	212,782,963	19,174,164	(21,408)	(52,634,125)	179,301,594
Capital assets, being depreciated:					
Buildings	175,086,015	2,524,065	(289,679)	38,389,936	215,710,337
Art and historical treasures	2,245,784	--	(19,071)	57,000	2,283,713
Improvements other than buildings	292,880,127	2,689,714	--	1,510,861	297,080,702
Equipment and motor vehicles	48,257,466	2,356,792	(1,599,452)	124,987	49,139,793
Infrastructure	789,775,562	35,659,552	--	12,676,328	838,111,442
Total capital assets, being depreciated	1,308,244,954	43,230,123	(1,908,202)	52,759,112	1,402,325,987
Less accumulated depreciation for:					
Buildings	(30,013,153)	(3,885,983)	289,679	--	(33,609,457)
Art and historical treasures	(347,222)	(61,043)	12,555	--	(395,710)
Improvements other than buildings	(34,817,870)	(5,220,303)	--	--	(40,038,173)
Equipment and motor vehicles	(25,965,144)	(4,115,784)	1,515,350	--	(28,565,578)
Infrastructure	(397,588,815)	(33,054,794)	--	--	(430,643,609)
Total accumulated depreciation	(488,732,204)	(46,337,907)	1,817,584	--	(533,252,527)
Total capital assets, being depreciated, net	819,512,750	(3,107,784)	(90,618)	52,759,112	869,073,460
Governmental activities capital assets, net	$ 1,032,295,713	$ 16,066,380	$ (112,026)	$ 124,987	$ 1,048,375,054
Business-Type Activities:					
Capital assets, not being depreciated:					
Land and water rights	$ 12,371,588	$ --	$ --	$ --	$ 12,371,588
Construction in progress	52,441,896	14,397,595	(25,730)	(7,490,692)	59,323,069
Total capital assets, not being depreciated	64,813,484	14,397,595	(25,730)	(7,490,692)	71,694,657
Capital assets, being depreciated:					
Buildings	13,510,643	--	--	--	13,510,643
Improvements other than buildings	278,820,850	19,686,238	--	7,490,692	305,997,780
Machinery and equipment	1,976,725	149,975	(5,515)	(124,987)	1,996,198
Total capital assets, being depreciated	294,308,218	19,836,213	(5,515)	7,365,705	321,504,621
Accumulated depreciation for:					
Buildings	(4,441,021)	(349,406)	--	--	(4,790,427)
Improvements other than buildings	(75,781,103)	(7,648,850)	--	--	(83,429,953)
Machinery and equipment	(1,336,282)	(107,881)	5,515	--	(1,438,648)
Total accumulated depreciation	(81,558,406)	(8,106,137)	5,515	--	(89,659,028)
Total capital assets, being depreciated, net	212,749,812	11,730,076	--	7,365,705	231,845,593
Business-type activities capital assets, net	$ 277,563,296	$ 26,127,671	$ (25,730)	$ (124,987)	$ 303,540,250

Note 5: **Capital Assets** (continued)

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

Governmental Activities:		
General government	$	1,290,377
Judicial		397,525
Police		129,157
Fire		1,004,366
Public works		37,107,347
Planning and community development		187,769
Culture and recreation		3,271,200
Urban redevelopment		211,495
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets		2,738,671
Total depreciation expense - governmental activities	$	46,337,907
Business-type Activities:		
Sanitary Sewer Fund	$	7,795,584
Golf Course Fund		270,565
Building Permit Fund		39,988
Total depreciation expense - business-type activities	$	8,106,137

Commitments outstanding for construction at June 30, 2009, totaled approximately $17.8 million.

Enterprise fund construction in progress at June 30, 2009, primarily represents progress on sewer projects, including construction of interceptors and treatment plant improvements. Outstanding construction commitments total $40.4 million for City of Reno enterprise fund projects and $80,516 for the Truckee Meadows Water Reclamation Facility expansion.

Note 6: **Investment in Truckee Meadows Water Reclamation Facility (Joint Venture)**

Pursuant to an agreement dated March 24, 1980, the Cities of Reno and Sparks jointly own and operate the wastewater treatment facility commonly know as the Truckee Meadows Water Reclamation Facility (the Facility). A committee known as the Reno-Sparks Coordinating Committee advises the City Council of Reno and Sparks on matters relating to the Joint Wastewater Treatment Facility. The Cities have joint control in approving budgets for the Facility and providing financing for the operations thereof. As of June 30, 2009, approximately 68.63% of the Facility's capacity was owned by Reno and 31.37% by Sparks.

The City of Sparks is responsible for administration and daily operations of the Facility. The City of Reno is responsible for construction-related contracts of the Facility. The cost of operating and maintaining the Facility is divided in proportion to the volume of sewage entering from each City. It has historically been the Cities' policy not to fund depreciation on the assets of the Facility, thereby creating an accumulative deficit. During the year ended June 30, 2009, the City of Reno's share of the Facility's loss after contributions and an adjustment to capital assets, as recorded in the Sanitary Sewer Enterprise Fund, was ($4,134,731).

The City of Reno uses the equity method to account for its investment in the jointly operated facility.

Separate financial statements for the Facility are available by contacting the Truckee Meadows Water Reclamation Facility, 8500 Clean Water Way, Reno, Nevada 89502.

Note 6: **Investment in Truckee Meadows Water Reclamation Facility (Joint Venture)** (continued)

Summary June 30, 2009 financial information for the Facility is as follows:

ASSETS	
Current assets	$ 6,357,438
Utility plant	116,099,225
Total Assets	122,456,663
LIABILITIES AND EQUITY	
Current liabilities	4,528,553
Noncurrent liabilities	553,329
Total Liabilities	5,081,882
Net Assets:	
Invested in capital assets, net of related debt	116,099,225
Unrestricted	1,275,556
Total Net Assets	117,374,781
OPERATING INFORMATION	
Operating revenue	18,789,291
Operating expenses before depreciation	(18,789,291)
Depreciation	(5,423,772)
Nonoperating income (expense)	48,064
Loss before contributions	(5,375,708)
Capital contributions	551,545
Change in Net Assets	(4,824,163)
Net Assets, Beginning of Year	122,198,944
Net Assets, End of Year	$ 117,374,781

The Truckee Meadows Water Reclamation Facility is nearing the completion of its expansion. Commitments outstanding for construction at June 30, 2009, totaled $80,516. These commitments will be shared based on future capacity requirements for each entity.

Note 7: Interfund Balances and Activity

The composition of interfund balances as of June 30, 2009 is as follows:

Due to/from other funds:

Receivable Fund	Payable Fund	Amount	Purpose
Nonmajor Governmental Funds	Nonmajor Governmental Funds	$ 890,539	Cover short-term cash requirements
Streets Capital Projects Funds	Nonmajor Governmental Funds	10,270,000	Cover short-term cash requirements
Sanitary Sewer Fund	Building Permit Enterprise Fund	750,000	Cover short-term cash requirements
Sanitary Sewer Fund	Planning Enterprise Fund	2,100,000	Cover short-term cash requirements
Internal Service Funds	Internal Service Funds	4,570,000	Cover short-term cash requirements
	Total	$ 18,580,539	

During the year, loans were provided to cover short-term cash requirements.

Transfers

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Note 7: **Interfund Balances and Activity** (continued)

Transfers (continued)

(a) Between Governmental and Business-Type Activities:

Transfer From	Transfer To	Amount	Purpose
General Fund	Building Fund	$ 1,623,774	Subsidize operations
	Planning Fund	2,246,261	Subsidize operations
	Nonmajor Enterprise Funds	6,271,507	Per Dispatch Fund policy/General Fund subsidy; subsidize golf course operations
		10,141,542	
Sanitary Sewer Fund	General Fund	139,746	Reimburse General Fund for 1/3 of water attorney
	Total	$ 10,281,288	

(b) Between Funds within the Governmental or Business-Type Activities:

Transfer From	Transfer To	Amount	Purpose
General Fund	Nonmajor Governmental Funds	$ 12,354,245	Per Parks, Recreation and Community Services Fund policy/General Fund subsidy of various programs
	Nonmajor Governmental Funds	448,590	Transfer special events costs of General Fund departments
	Nonmajor Governmental Funds	359,519	Transfer sales tax for debt service
	Nonmajor Governmental Funds	358,014	Transfer sales tax for debt service
	Nonmajor Governmental Funds	293,187	Subsidy for City Hall debt service
	Nonmajor Governmental Funds	171,000	Subsidy for CIP projects
	Nonmajor Governmental Funds	413,750	Contribution for City Hall acquisition
	Internal Service Funds	4,023,757	Per Technology Fund policy/General Fund subsidy
	Subtotal	18,422,062	
Downtown Events Center Debt Service Fund	Nonmajor Governmental Funds	164,450	Transfer room tax fund to cover cost of the Reno-Sparks Convention and Visitor’s Authority management of Events Center and National Bowling Stadium
	Subtotal	164,450	

Note 7: **Interfund Balances and Activity** (continued)

Transfers (continued)

(b) Between Funds within the Governmental or Business-type Activities (continued):

Transfer From	Transfer To	Amount	Purpose
Special Assessment	Nonmajor Governmental Funds	$ 120,000	Transfer excess funds to cover expenditures
	Subtotal	120,000	
Nonmajor Governmental Funds	General Fund	36,000	Transfer to cover partial costs of Economic Development Manager
	General Fund	254,152	Transfer from Street Program to cover cost of additional engineering positions hired in place of outside consultants
	General Fund	207,602	Transfer $100,000 for special events and $107,602 for web master position per Council direction
	General Fund	27,506	Transfer excess revenues from special events
	General Fund	3,731,386	Transfer of rainy day funds to General Fund for redistribution to Building, Planning and Golf Course Funds
	General Fund	847,685	Transfer from Court assessments for court expenditures such as travel/training, temporary employees, and overtime, and of excess fund balance
	General Fund	200,000	Transfer funds for collection efforts
	General Fund	129,838	Transfer of forfeiture funds to cover Police/City Attorney expenditures
	General Fund	89,777	Transfer from CMP allocation for position assigned to building maintenance
	General Fund	593,513	Reimburse General Fund for utilities and maintenance at City Hall
	General Fund	783,185	Reimburse General Fund for Redevelopment Agency portion of downtown maintenance
Nonmajor Governmental Fund	Downtown Events Center Debt Service Fund	1,100,000	Transfer available balance to debt service fund fund for bond payments
	Downtown Events Center Debt Service Funds	750,000	Transfer remaining construction funds back to debt service fund
	Downtown Events Center Debt Service Fund	283,023	Transfer available balance for bond payments

Note 7: **Interfund Balances and Activity** (continued)

Transfers (continued)

(b) Between Funds within the Governmental or Business-Type Activities (continued):

Transfer From	Transfer To	Amount	Purpose
Nonmajor Governmental Fund	Nonmajor Governmental Funds	$ 397,900	Transfer to debt service fund for bonds issued for the plaza and Community Assistance Center
Nonmajor Governmental Fund	Nonmajor Governmental Funds	24,000	Transfer to Redevelopment Agency for partial costs of positions
Nonmajor Governmental Fund	Nonmajor Governmental Funds	2,000	Transfer for partial costs of positions
Nonmajor Governmental Fund	Nonmajor Governmental Funds	147,000	Transfer to Parks, Recreation and Community Services for special event covered by Public Works staff
Nonmajor Governmental Fund	Nonmajor Governmental Funds	74,779	Transfer funds for street work for Ballroom construction
Nonmajor Governmental Fund	Nonmajor Governmental Funds	934,032	Transfer to Parks, Recreation and Community Services allocation of room tax per Council Direction
Nonmajor Governmental Fund	Nonmajor Governmental Funds	612,000	Transfer to capital projects for city hall
Nonmajor Governmental Fund	Nonmajor Governmental Funds	266,647	Transfer court construction collections for debt service
Nonmajor Governmental Fund	Nonmajor Governmental Funds	178,361	Transfer funds to close out court construction fund
Nonmajor Governmental Fund	Nonmajor Governmental Funds	300,000	Transfer of CMP funds to Parks, Recreation and Community Services for small projects
Nonmajor Governmental Fund	Nonmajor Governmental Funds	1,072,222	Transfer special ad valorem funds for specific capital projects
Nonmajor Governmental Fund	Nonmajor Governmental Funds	352,583	Transfer bond proceeds for railroad trench cover
Nonmajor Governmental Fund	Nonmajor Governmental Funds	319,098	Transfer to fund Town Square design costs
Nonmajor Governmental Fund	Nonmajor Governmental Funds	34,088	Transfer funds set aside for public art maintenance at Ballroom

Note 7: Interfund Balances and Activity (continued)

Transfers (continued)

(b) Between Funds within the Governmental or Business-Type Activities (continued):

Transfer From	Transfer To	Amount	Purpose
Nonmajor Governmental Fund	Nonmajor Governmental Funds	$ 153,534	Transfer available funds for debt service
	Subtotal	13,901,911	
Sanitary Sewer Enterprise Fund	Nonmajor Enterprise Funds	385,786	Transfer funds for temporary assistance
	Subtotal	385,786	
Internal Service Funds	General Fund	10,000	Reimburse General Fund for public works motor vehicle administration
Internal Service Funds	General Fund	2,079,563	Transfer portion of reserves to General Fund
Internal Service Funds	Internal Service Funds	58,671	Transfer from Risk for IT expenditures paid for by IT
	Subtotal	2,148,234	
	Total	$ 35,142,443	

Note 8: Long-Term Liabilities

Long-term liabilities at June 30, 2009 consisted of the following:

Type of indebtedness (purpose)	Maturities	Interest Rates	Annual Principal Installments	Original Issue Amount	Outstanding at June 30, 2009
Governmental Activities					
Tax Allocation Bonds:					
1998F Downtown Redevelopment Project *(to partially refund 1990 and 1991 downtown redevelopment project bonds)*	9/1/03 - 9/1/17	4.50-5.25%	$855,000 - $1,105,000	$ 22,685,000	$ 12,450,000
2007A Tax Increment Senior Lien (Taxable) *(to refund the Agency's 1995A downtown redevelopment projects)*	6/1/18 - 6/1/23	6.10%	$595,000 - $755,000	4,000,000	4,000,000
2007B Tax Increment Senior Lien (Tax-exempt) *(to refund the Agency's 1998A downtown redevelopment projects)*	6/1/19 - 6/1/27	5.00%	$50,000 - $1,005,000	4,000,000	4,000,000
2007C Tax Increment Subordinate Lien (Tax-exempt) *(to refund the Agency's 1995A downtown redevelopment projects)*	6/1/19 - 6/1/27	5.40%	$1,135,000 - $1,720,000	12,690,000	12,690,000
2008 Tax Increment Bonds - RDA #2 *(to partially pay cost to develop Cabela's project)*	10/23/08 - 6/29/27	6.50%	$30,000 - $75,000	850,000	840,000
Total Tax Allocation Bonds				**$ 44,225,000**	**$ 33,980,000**

Note 8: **Long-Term Liabilities** (continued)

Type of indebtedness (purpose)	Maturities	Interest Rates	Annual Principal Installments	Original Issue Amount	Outstanding at June 30, 2009
General Obligation Bonds:					
1997B Street Refunding Bonds	5/1/04 - 5/1/12	4.400 - 5.125%	$65,000 - $1,285,000	$ 9,025,000	$ 3,645,000
(to partially refund 1992 Street Bond)					
2003 Capital Improvement Refunding	4/1/04 - 4/1/10	4.00% - 5.00%	$2,465,000 - $3,615,000	21,705,000	3,615,000
(to refund 1993A Capital Improvement Bonds)					
2004 Building Bond	6/1/06 - 6/1/24	4.00% - 5.00%	$115,000 - $275,000	3,500,000	3,005,000
(to finance the acquisition, renovation, construction and improvements of the City's building projects					
2005 Medium-term (limited tax) Bonds	12/1/06 - 12/1/15	4.00%	$270,000 - $390,000	3,275,000	2,425,000
(to finance capital improvement projects, including a public plaza and a homeless shelter)					
2009 Medium-Term Street Bonds	6/1/11 - 6/1/19	3.00 - 5.00%	$3,335,000 - $6,505,000	45,000,000	45,000,000
(to finance the City's accelerated street rehab program)					
Total General Obligation Bonds				**$ 82,505,000**	**$ 57,690,000**
Revenue Bonds:					
2002 Capital Improvement Revenue Bonds	6/1/06 - 6/1/32	5.125% - 5.375%	$130,000 - $10,655,000	$ 108,625,000	$ 41,790,000
(to finance the acquisition, renovation, construction and improvements of the new Downtown Events Center)					
2003A Building Bond (Tax Exempt)	6/1/12 - 6/1/18	3.75%	$780,000 - $970,000	6,100,000	6,100,000
(to finance renovations for the new City Hall building)					
2003B Building Bond (Taxable)	6/1/04 - 6/1/11	6.170%	$480,000 - $735,000	4,800,000	1,425,000
(to finance renovations for the new City Hall building)					
2005A Capital Improvement Refunding	6/1/08 - 6/1/32	3.53%	$400,000 - $6,500,000	73,450,000	72,625,000
(to partially refund the Series 2002 Capital Improvement Revenue Bonds)					
2005B Capital Improvement Refunding	6/1/37 - 6/1/40	5.42-5.48%	$1,072,294 - $1,900,071	6,445,154	6,445,154
(to finance the acquisition, establishment, construction, expansion, and improvement of the City's MultiPurpose Bowling Facility)					
2005C Capital Improvement Refunding	6/1/33 - 6/1/37	5.78%	$845,926 - $2,268,194	9,192,402	9,192,402
(to finance the acquisition, establishment, construction, expansion, and improvement of the City's MultiPurpose Bowling Facility)					
2006 Room Tax Revenue Refunding Bonds	6/1/07 - 6/1/36	5.91%	$75,000 - -$595,000	8,720,000	8,400,000
(to refund the City's TIFIA Loan)					
2006 Sales Tax Increment Subordinate Lien Bonds	10/1/20	None	$10,000,000	10,000,000	9,567,473
(to acquire infrastructure and improvements related to Summit Sierra Retail Center)					
2006 Taxable Lease Revenue Bonds	12/1/08 - 6/1/26	Variable	$85,000 - $1,495,000	14,295,000	14,120,000
(to finance the acquisition, renovation, construction and improvements of the City's building projects					
2007 Fitzgerald's Taxable Revenue Bond	7/1/09 - 7/1/27	Variable	$72,000 - $1,560,000	6,080,000	6,080,000
(to finance the acquisition, renovation, construction and improvements of the City's building projects					
2007A Sales Tax Increment Bonds (Cabela's)	6/29/09 - 6/29/27	4.00%	$345,000 - $2,385,000	16,525,000	16,465,000
(to finance the acquisition, renovation, construction and improvements of the City's building projects					
2007B Sales Tax Increment Bonds (Cabela's)	6/29/09 - 6/29/27	6.50%	$215,000 - 2,480,000	18,175,000	17,995,000
(to finance the acquisition, renovation, construction and improvements of the City's building projects					
2008A Senior Lien ReTRAC Refund	6/1/09 - 6/1/42	3.32%	$695,000 - $8,965,000	143,210,000	142,515,000
(to refund the 2006A Tax Exempt Sales Tax Bonds)					
2008B Subordinate ReTRAC Refund	6/1/11 - 6/1/51	6.75 - 7.875%	$400,000 - $2,600,000	47,416,227	47,416,227
(to refund the 2006B Tax Exempt Sales Tax Bonds)					
Total Revenue Bonds				**$ 473,033,783**	**$ 400,136,256**

Note 8: **Long-Term Liabilities** (continued)

Type of indebtedness (purpose)	Maturities	Interest Rates	Annual Principal Installments	Original Issue Amount	Outstanding at June 30, 2009
Special Assessment Bonds:					
1997 Special Assessment District No. 2	4/1/03 - 4/1/10	6.09%	$5,000	$ 48,000	$ 5,000
(to finance sidewalks, curbs and gutter improvements)					
1997 Special Assessment District No. 3	4/1/03 - 4/1/10	6.09%	$7,000	66,000	7,000
(to finance sidewalks, curbs and gutter improvements)					
1998 Special Assessment District No. 1	4/1/03 - 4/1/10	6.09%	$23,000	214,000	23,000
(to finance sidewalks, curbs and gutter improvements)					
1998 Special Assessment District No. 2	4/1/03 - 4/1/10	6.09%	$8,000	74,000	8,000
(to finance sidewalks, curbs and gutter improvements)					
1999 Special Assessment District No. 1	1/1/03 - 1/1/11	5.90%	$4,600	44,700	9,200
(to finance sidewalks, curbs and gutter improvements)					
1999 Special Assessment District No. 3	2/1/03 - 2/1/22	4.5-5.6%	$85,000 - $90,000	1,763,728	1,135,000
(to finance sidewalks, curbs and gutter improvements)					
2000 Special Assessment District No. 1	1/15/03 - 1/15/12	4.39%	$14,744	147,438	44,232
(to finance sidewalks, curbs and gutter improvements)					
2001 Stead Special Improvement District No. 2	6/1/04 - 6/1/23	2.75-5%	$100,000 - $170,000	2,470,000	1,870,000
(to acquire and improve streets in Northwest Reno)					
2002 Special Improvement District No. 5	12/1/06 - 12/1/25	5.7-7.25%	$425,000 - $855,000	7,500,000	6,820,000
(to partially finance the construction of the Downtown Events Center)					
1999 Special Improvement District No. 2	6/1/07 - 6/1/25	6.08-7.28%	$355,000 - $1,270,000	13,905,000	12,165,000
(to partially finance the construction of the ReTRAC project)					
2008A NV Tax-exempt Local Improvement	5/1/09 - 5/01/18	4.167%	$20,000 - $56,000	430,000	392,000
(to finance sidewalk, curb and gutter improvements)					
2008B NV Taxable Local Improvement	5/1/09 - 5/01/21	7.010%	$42,000 - $95,000	1,115,000	1,052,000
(to finance sidewalk, curb and gutter improvements)					
Total Special Assessment Bonds				**$ 27,777,866**	**$ 23,530,432**
Notes Payable:					
HUD Section 108 Loan Program	8/1/03 - 8/1/20	5.00-6.62%	$33,000 - $48,000	$ 600,000	$ 402,000
(to finance Section 108 housing projects)					
RDA Nevada Land LLC	9/1/08-6/1/18	4.46%	$600,000	6,000,000	5,400,000
(to finance temporary fire stations serving downtown)					
				$ 6,600,000	**$ 5,802,000**
Capital Leases:					
Oshkosh Capital (Pierce Fire Pumpers 1 & 2)	11/6/03 - 11/6/11	5.35%	$45,016 - $204,743	$ 708,338	$ 399,427
(to finance fire department equipment)					
Oshkosh Capital (Pierce Fire Pumpers 3 & 4)	3/17/13	4.99%	$92,882 - $112,856	787,124	386,849
(to finance fire department equipment)					
Federal Signal Leasing (E-One Fire Tiller #1)	12/21/09	4.49%	$90,000 - $110,000	612,873	133,571
(to finance fire department equipment)					
Oshkosh Capital (Pierce Fire Tiller #2)	8/26/14	4.39%	$73,280 - $103,338	788,014	558,382
(to finance fire department equipment)					
Oshkosh Capital (Pierce Fire Pumpers 5 - 9)	9/18/16	4.56%	$192,321 - $274,759	2,082,602	1,890,280
(to finance fire department equipment)					
Suntrust Leasing (5 Fire Brush Trucks)	6/27/16	4.062%	$117,371 - $161,399	1,245,277	1,005,767
(to finance fire department equipment)					
Total Capital Leases				**$ 6,224,228**	**$ 4,374,276**

Note 8: **Long-Term Liabilities** (continued)

Type of indebtedness (purpose)	Maturities	Interest Rates	Annual Principal Installments		Original Issue Amount		Outstanding at June 30, 2009
Other:							
Clean Energy Renewable Bonds *(to finance PV energy installations on City buildings)*	12/15/09 - 12/15/23	1.000%	$156,000	$	2,340,000	$	2,340,000
Total Other				**$**	**2,340,000**	**$**	**2,340,000**
Total Governmental Activities				**$**	**642,705,877**	**$**	**527,852,964**
<u>Business-Type Activities</u>							
General Obligation Bonds:							
2004A Golf Course Refunding *(to refund 1993 Golf Course Bonds)*	7/1/04 - 7/1/19	2.25-4.0%	$180,000 - $270,000	$	3,505,000	$	2,535,000
2004 Sewer Revenue Bonds *(to finance plant expansion and sewer lines rehabilitation)*	7/1/06 - 7/1/24	2.990%	$553,847 - $938,969		73,133,162		65,531,199
2005 Sewer Revenue Bonds *(to construct the Lawton-Verdi interceptor)*	7/1/08 - 7/1/25	2.650%	$181,887 - $284,555		8,033,095		7,666,911
2008 Medium Term Sewer (Limited Tax) *(to fund sewer rehabilitation projects)*	4/1/09 - 4/1/18	Variable	$2,076,000 - $3,072,000		25,000,000		22,924,000
Total General Obligation Bonds				**$**	**109,671,257**	**$**	**98,657,110**
Total Business-type Activities				**$**	**109,671,257**	**$**	**98,657,110**

Note 8: **Long-Term Liabilities** (continued)

The following is a summary of long-term liability transactions for the year ended June 30, 2009:

Bonds	Balance July 1, 2008	Additions	Retirements	Adjustments	Balance June 30, 2009	Amounts Due within One Year
Governmental Activities						
Tax Allocation Bonds:						
1998F Downtown Redevelopment Project	$ 13,570,000	$ --	$ 1,120,000	$ --	$ 12,450,000	$ 1,185,000
2007A Tax Increment Senior Lien (Taxable)	4,000,000	--	--	--	4,000,000	--
2007B Tax Increment Senior Lien (Tax-exempt)	4,000,000	--	--	--	4,000,000	--
Add: Original Issue Premium	44,525	--	2,343	--	42,182	--
2007C Tax Increment Subordinate Lien (Tax-exempt)	12,690,000	--	--	--	12,690,000	--
Less: Original Issue Discount	(29,757)	--	(1,567)	--	(28,190)	--
Less: Deferred amount on refunding	(265,629)	--	(26,563)	--	(239,066)	--
2008 Tax Increment Bonds	--	850,000	10,000	--	840,000	30,000
Total Tax Allocation Bonds	**34,009,139**	**850,000**	**1,104,213**	**--**	**33,754,926**	**1,215,000**
General Obligation Bonds:						
1997 Street Refunding Bonds	4,725,000	--	1,080,000	--	3,645,000	1,145,000
2003 Capital Improvement Refunding	7,055,000	--	3,440,000	--	3,615,000	3,615,000
Add: Unamortized Premium	481,007	--	240,504	--	240,503	--
Less: Deferred amount on refunding	(209,855)	--	(104,928)	--	(104,927)	--
2005 Medium-Term Bonds	2,720,000	--	295,000	--	2,425,000	305,000
Add: Unamortized Premium	29,651	--	4,236	--	25,415	--
2004 Building Bond	3,140,000	--	135,000	--	3,005,000	140,000
Add: Unamortized Premium	34,756	--	2,172	--	32,584	--
2009 Medium-Term Bonds	--	45,000,000	--	--	45,000,000	--
Add: Original Issue Premium	--	653,362	--	--	653,362	--
Total General Obligation Bonds	**17,975,559**	**45,653,362**	**5,091,984**	**--**	**58,536,937**	**5,205,000**
Revenue Bonds:						
2002 Capital Improvement (Events Center)	42,410,000	--	620,000	--	41,790,000	805,000
Less: Unamortized Discount	(74,654)	--	(3,121)	--	(71,533)	--
2003A Building Bonds (Tax Exempt)	6,100,000	--	--	--	6,100,000	--
Less: Unamortized Discount	(9,839)	--	(984)	--	(8,855)	--
2003B Building Bond (Taxable)	2,075,000	--	650,000	--	1,425,000	690,000
Less: Unamortized Discount	(4,235)	--	(1,411)	--	(2,824)	--
2005A Capital Improvement Refunding	73,050,000	--	425,000	--	72,625,000	425,000
Less: Deferred amount on refunding	(6,568,964)	--	(281,527)	--	(6,287,437)	--
2005B Capital Improvement	6,445,154	--	--	--	6,445,154	--
2005C Capital Improvement	9,192,402	--	--	--	9,192,402	--
2006C Taxable Room Tax Bond	8,525,000	--	125,000	--	8,400,000	135,000
2006 Sales Tax Increment Sub Bonds (Summit Sierra)	9,567,473	--	--	--	9,567,473	--
2006 ReTRAC Lease Bonds (Taxable)	14,295,000	--	175,000	--	14,120,000	215,000
2007 Fitzgerald's Taxable Revenue Bond	6,080,000	--	--	--	6,080,000	72,000
2007A Sales Tax Increment Bonds (Cabela's)	--	16,525,000	60,000	--	16,465,000	345,000
2007B Sales Tax Increment Bonds (Cabela's)	--	18,175,000	180,000	--	17,995,000	215,000
2008A Senior Lien ReTRAC Refund	143,210,000	--	695,000	--	142,515,000	1,125,000
Less: Deferred amount on refunding	(16,210,707)	--	(853,645)	(11,105,951)	(26,463,013)	--
2008B Subordinate ReTRAC Refund	47,416,227	--	--	--	47,416,227	--
Less: Unamortized Discount	(239,855)	--	(5,578)	--	(234,277)	--
Plus: Deferred amount on refunding	(794,941)	--	(48,259)	(1,038,886)	(1,785,568)	--
Total Revenue Bonds	**344,463,061**	**34,700,000**	**1,735,475**	**(12,144,837)**	**365,282,749**	**4,027,000**

Note 8: **Long-Term Liabilities** (continued)

Bonds	Balance July 1, 2008	Additions	Retirements	Adjustments	Balance June 30, 2009	Amounts Due within One Year
Special Assessment Bonds:						
1995 Special Assessment District No. 1	$ 21,000	$ --	$ 21,000	$ --	$ --	$ --
1996 Special Assessment District No. 1	25,000	--	25,000	--	--	--
1997 Special Assessment District No. 2	10,000	--	5,000	--	5,000	5,000
1997 Special Assessment District No. 3	14,000	--	7,000	--	7,000	7,000
1998 Special Assessment District No. 1	46,000	--	23,000	--	23,000	23,000
1998 Special Assessment District No. 2	16,000	--	8,000	--	8,000	8,000
1999 Special Assessment District No. 1	13,800	--	4,600	--	9,200	4,600
1999 Special Assessment District No. 3	1,225,000	--	90,000	--	1,135,000	90,000
Add: Unamortized Premium	2,727	--	197	--	2,530	--
2000 Special Assessment District No. 1	58,976	--	14,744	--	44,232	14,744
2001 Stead Special Improvement District No. 2	1,970,000	--	100,000	--	1,870,000	105,000
Add: Unamortized Premium	19,602	--	1,314	--	18,288	--
2002 Special Improvement District No. 5	7,035,000	--	215,000	--	6,820,000	230,000
Less: Unamortized Discount	(71,830)		(4,196)	--	(67,634)	--
Less: Deferred amount on refunding	(284,442)	--	(32,003)	(195,606)	(448,045)	--
1999 Special Improvement District No. 2	13,145,000	--	980,000	--	12,165,000	445,000
Less: Unamortized Discount	(5,147)	--	(303)	--	(4,844)	--
2008A NV Tax-exempt Local Improvement	430,000	--	38,000	--	392,000	37,000
2008B NV Taxable Local Improvement	1,115,000	--	63,000	--	1,052,000	67,000
Total Special Assessment Bonds	**24,785,686**	**--**	**1,559,353**	**(195,606)**	**23,030,727**	**1,036,344**
Notes Payable:						
HUD Section 108 Loan Program, Series 2001A	453,000	--	51,000	--	402,000	33,000
RDA Nevada Land LLC	6,000,000	--	600,000	--	5,400,000	600,000
Total Notes Payable	**6,453,000**	**--**	**651,000**	**--**	**5,802,000**	**633,000**
Capital Leases:						
Oshkosh Capital - Pierce Fire Pumpers (1 & 2)	457,844	--	58,417	--	399,427	61,544
Oshkosh Capital - Pierce Fire Pumpers (3 & 4)	494,342	--	107,493	--	386,849	112,856
E-One - Fire Tiller	261,403	--	127,832	--	133,571	133,571
Oshkosh Capital - Fire Tiller #2	638,237	--	79,855	--	558,382	83,361
Oshkosh Capital - Pierce Fire Pumpers (5 - 9)	2,082,602	--	192,322	--	1,890,280	201,091
Suntrust Lease - Fire Brush Trucks (1 - 5)	1,127,906	--	122,139	--	1,005,767	127,100
Total Capital Leases	**5,062,334**	**--**	**688,058**	**--**	**4,374,276**	**719,523**
Other:						
Clean Energy Renewable Bonds	--	2,340,000	--	--	2,340,000	156,000
Total Other	**--**	**2,340,000**	**--**	**--**	**2,340,000**	**156,000**
Compensated absences - Governmental	27,106,856	13,465,549	12,727,298	--	27,845,107	12,902,406
Other post-employment benefits liability	10,020,793	11,448,663	3,063,835	--	18,405,621	--
Liability for unpaid claims	59,433,420	455,270	16,938,468	--	42,950,222	5,281,290
Total Governmental Activities	**$ 529,309,848**	**$ 108,912,844**	**$ 43,559,684**	**$ (12,340,443)**	**$ 582,322,565**	**$ 31,175,563**

Note 8: **Long-Term Liabilities** (continued)

Bonds	Balance July 1, 2008	Additions	Retirements	Adjustments	Balance June 30, 2009	Amounts Due within One Year
Business-Type Activities						
General Obligation Bonds:						
2004A Golf Course Refunding	$ 2,735,000	$ --	$ 200,000	$ --	$ 2,535,000	$ 200,000
Add: Unamortized Premium	6,370	--	579	--	5,791	--
Less: Deferred amount on refunding	(82,959)	--	(7,541)	--	(75,418)	--
2004 Sewer Revenue Bonds	68,938,218	--	3,407,019	--	65,531,199	3,504,924
2005 Sewer Revenue Bonds	8,033,095	--	366,184	--	7,666,911	375,952
2008 Medium Term Sewer (Limited Tax)	25,000,000	--	2,076,000	--	22,924,000	2,079,000
Total General Obligation Bonds	**104,629,724**	**--**	**6,042,241**	**--**	**98,587,483**	**6,159,876**
Compensated absences - Business-type activities	2,027,197	1,530,344	1,514,298	--	2,043,243	1,536,995
Other post-employment benefits liability	811,069	1,074,948	412,061	--	1,473,956	--
Total Business-type Activities	**$ 107,467,990**	**$ 2,605,292**	**$ 7,968,600**	**$ --**	**$ 102,104,682**	**$ 7,696,871**

Internal Service Funds predominantly serve the governmental funds. Accordingly, long-tem liabilities for them are included as part of the totals for governmental activities. Estimated compensated absences are generally liquidated by the General Fund and the following Special Revenue Funds: Street Fund, Parks and Recreation Fund, Redevelopment Agency Fund, and the Grants Fund.

New Debt Issued:

On October 23, 2008, the City of Reno issued $16,525,000 of Sales Tax Increment Bonds, Series 2007A (Tax-Exempt) and $18,175,000 of Sales Tax Increment Bonds, Series 2007B (Taxable), collectively, the “STAR Bonds”. The proceeds from the STAR Bonds were used to pay, in part, the cost of developing the Cabela’s project. Pursuant to NRS 271.A.070, the City created the Tourism Improvement District No. 2006-1 (Boomtown/Cabela’s) for the development of this property. The STAR (Sales Tax Anticipated Revenue) Bonds shall be repaid through the pledged 75% of the sales and use taxes imposed pursuant to the statute governing repayment of STAR bonds. The Bonds will mature semi-annually on June 29 and December 29, starting June 29, 2009 and ending June 29, 2027. Interest on the 2007A Bonds is 4%; interest on the 2007B Bonds is 6.5%. Both interest payments are payable on June 29 and December 29, commencing June 29, 2009. The Bonds shall not be considered or held to be a general obligation of the City of Reno.

Note 8: **Long-Term Liabilities** (continued)

New Debt Issued (continued):

On October 23, 2008, the Redevelopment Agency District 2 issued $850,000 of Taxable Revenue Bonds, Series 2008. The proceeds from the Bonds were used to pay in part the cost of developing the Cabela's project. The Bonds will mature semi-annually on June 29 and December 29 starting June 29, 2009 and ending on June 29, 2027. Interest on these bonds is 6.5% and payable on June 29 and December 29, commencing June 29, 2009. The bonds are payable from pledged property tax increment and all income from the investment and reinvestment of the Debt Service Fund and the Reserve Fund. The Bonds shall not be considered or held to be a general obligation of the City of Reno.

On May 29, 2009, effective June 9, 2009, the City of Reno entered into a $2,340,000 Installment Purchase Agreement with Banc of America Leasing & Capital, LLC for the purpose of financing, wholly or in part, the cost to acquire, improve and equip City buildings with clean, renewable energy equipment (electricity from solar energy). The City shall pay principal and 1% interest annually on December 15 each year beginning on December 15, 2009 to and including December 15, 2023. This Agreement is payable from legally available funds of the City, specifically energy savings generated by the financed projects. This Agreement does not constitute a general obligation indebtedness of the City.

On June 30, 2009, The City of Reno issued $45,000,000 of General Obligation (Limited Tax) Medium-Term Street Bonds, Series 2009. The proceeds from the Bonds were used to acquire, construct, improve and equip street projects within the City based upon the criteria set forth in the City's Accelerated Street Program. The Bonds mature annually beginning June 1, 2011 and ending on June 1, 2019. Interest on these bonds ranges from 3% - 5% and is payable on June 1 and December 1 commencing on December 1, 2009.

The Bonds constitute general obligations of the City. The principal of and interest on the Bonds will be payable from all funds of the City legally available for the purpose of making such payments. The full faith and credit of the City is pledged for the payment of the Bond Requirements. The City currently expects to pay the principal and interest on the Bonds from proceeds of its Streets Override; however, such revenues are not pledged to the payment of the Bonds.

Debt Restructuring:

On February 5, 2009 (the Mode Change Date), the Tax-Exempt Capital Improvement Revenue Refunding Bonds, Series 2005A, initially issued October 26, 2005 as auction rate securities (ARS), with an outstanding principal amount of $73,050,000 were converted from the ARS Mode to the Weekly Mode. The 2005A Bonds mature on June 1, 2032.

Note 8: **Long-Term Liabilities** (continued)

Debt Restructuring (continued):

On the Mode Change Date, the 2005A Bonds were converted to bear interest at a Weekly Rate in accordance with the provisions of the Bond Ordinance. While the 2005A Bonds bear interest at a Weekly Rate, interest will be paid on the first Business Day of each month commencing March 2, 2009. An irrevocable direct-pay letter of credit was issued by Bank of America, N.A. on February 1, 2009, and delivered to the Trustee on February 5, 2009. The Letter of Credit secures the payment of the principal of and interest on the 2005A Bonds when due and the Purchase Price of tendered 2005A Bonds only while the 2005A Bonds are in the Weekly Mode. The Letter of Credit has a stated termination date of February 5, 2012, unless terminated sooner or extended pursuant to its terms.

Prior Years' Defeasance of Debt:

On October 26, 2005, the City issued $73,450,000 of Tax-Exempt Capital Improvement Revenue Refunding Bonds, Series 2005A. The proceeds from the Bonds were used for a partial advance refunding and defeasance of the City's Capital Improvement Revenue Bonds, Series 2002. At June 30, 2009, the outstanding principal balance in the amount of $65,355,000 is considered defeased and held in trust.

On May 3, 2006, the City issued $137,425,000 of Senior Lien Sales Tax Revenue Refunding Bonds (ReTRAC-Reno Transportation Rail Access Corridor Project), Series 2006A (which were refunded with the issuance of the 2008A Bonds). The proceeds from the Bonds were used for advance refunding and defeasance of the City's ReTRAC Reno Transportation Rail Access Corridor Project, Series 2002 Senior Lien Sales and Room Tax Revenue Bonds. At June 30, 2009, the outstanding principal balance in the amount of $114,245,000 is considered defeased and held in trust.

Interest Rate Swap Agreements:

In conjunction with the issuance of the 2005A Capital Improvement Revenue Refunding Bonds, the City entered into an interest rate exchange transaction with Goldman Sachs Capital Markets L.P. In general, the terms of the 2005A Swap provides that the City will make semiannual payments to Goldman Sachs at a fixed interest rate (3.53%) based on a notional amount equal to the outstanding principal amount of the 2005A Bonds. In return, Goldman Sachs will make monthly payments to the City based on the same respective notional amount that reflect a variable rate of interest equal to the lower of (1) one-month LIBOR or (2) one-month Libor times 67% or times 56% plus 44 basis points, whichever is greater. The 2005A Swap became effective on October 26, 2005, and terminates on June 1, 2032, unless terminated early in accordance with its terms. As of June 30, 2009, the termination value was ($6,508,231).

Note 8: **Long-Term Liabilities** (continued)

Interest Rate Swap Agreements (continued):

In conjunction with the issuance of the 2008A Senior Lien Sales Tax Revenue Refunding Bonds, the City entered into an interest rate exchange transaction with Goldman Sachs Capital Markets L.P. In general, the terms of the 2008A Swap provides that the City will make semiannual payments to Goldman Sachs at a fixed interest rate (3.32%) based on a notional amount equal to the outstanding principal amount of the 2008A Bonds. In return, Goldman Sachs will make monthly payments to the City based on the same respective notional amount that reflect a variable rate of interest equal to the one-month LIBOR times 67%. The 2008A Swap became effective on March 4, 2008, and terminates on June 1, 2042, unless terminated early in accordance with its terms. As of June 30, 2009, the termination value was ($12,617,146).

Summary of Long-Term Debt

Presented below is a summary of debt service requirements to maturity of the City's governmental bonds and notes payable:

	Debt Supported by Sales Tax/Room Tax Revenues*		Debt Supported by Specific or General Revenues Installments	
Fiscal Year June 30,	Principal	Interest	Principal	Interest
2010	$ 3,050,000	$ 12,673,538	$ 305,000	$ 1,726,477
2011	3,890,000	12,547,832	3,655,000	1,857,275
2012	4,705,000	12,375,696	4,295,000	1,744,225
2013	5,415,000	12,158,446	4,545,000	1,611,775
2014	6,140,000	11,917,475	4,815,000	1,471,675
#N/A	44,400,000	54,462,415	29,810,000	4,059,325
#N/A	59,406,817	55,171,915	--	--
#N/A	76,369,586	49,198,317	--	--
#N/A	68,684,550	61,298,888	--	--
#N/A	50,698,489	91,263,389	--	--
#N/A	32,456,680	79,511,649	--	--
#N/A	5,701,161	111,673,040	--	--
#N/A	1,926,500	50,114,280	--	--
Subtotal	362,843,783	614,366,880	47,425,000	12,470,752
Unamortized Premium (Discount)	(305,810)	--	678,777	--
Deferred Gain (Loss) on Refunding	(34,536,018)	--	--	--
Total	$ 328,001,955	$ 614,366,880	$ 48,103,777	$ 12,470,752

* These totals exclude any debt service requirements for the 2006 Sales Tax Increment Subordinate Bonds as the repayment schedule on this instrument is variable.

Note 8: **Long-Term Liabilities** (continued)

Summary of Long-Term Debt (continued):

	Notes Payable		Debt Supported by Ad Valorem Tax	
Fiscal Year June 30,	Principal	Interest	Principal	Interest
2010	$ 633,000	$ 254,759	$ 6,115,000	$ 2,276,745
2011	633,000	226,115	2,630,000	1,966,966
2012	633,000	197,449	2,780,000	1,830,314
2013	633,000	168,742	1,570,000	1,687,420
2014	633,000	139,989	1,645,000	1,608,445
#N/A	2,565,000	277,669	9,475,000	6,766,665
#N/A	72,000	4,955	12,040,000	4,130,573
#N/A	--	--	7,990,000	855,533
Subtotal	5,802,000	1,269,678	44,245,000	21,122,661
Unamortized Premium (Discount)	--	--	287,079	--
Deferred Gain (Loss) on Refunding	--	--	(343,993)	--
Total	$ 5,802,000	$ 1,269,678	$ 44,188,086	$ 21,122,661

	Debt Supported by Other Specific Revenues		Debt Supported by Special Assessment Installments	
Fiscal Year June 30,	Principal	Interest	Principal	Interest
2010	$ 977,000	$ 887,513	$ 1,036,344	$ 1,568,073
2011	1,071,000	1,465,843	1,042,344	1,506,201
2012	1,165,000	1,400,598	1,089,744	1,443,229
2013	1,245,000	1,340,995	1,137,000	1,376,609
2014	1,345,000	1,276,930	1,211,000	1,305,988
#N/A	7,643,000	5,184,286	6,841,000	5,285,659
#N/A	6,852,000	3,250,027	8,585,000	2,701,461
#N/A	7,427,000	806,013	2,588,000	192,450
Subtotal	27,725,000	15,612,205	23,530,432	15,379,670
Unamortized Premium (Discount)	(11,679)	--	(51,660)	--
Deferred Gain (Loss) on Refunding	--	--	(448,045)	--
Total	$ 27,713,321	$ 15,612,205	$ 23,030,727	$ 15,379,670

Note 8: **Long-Term Liabilities** (continued)

Summary of Long-Term Debt (continued):

	Installment Purchase Contract	
Fiscal Year June 30,	Principal	Interest
2010	$ 156,000	$ 12,090
2011	156,000	21,840
2012	156,000	20,280
2013	156,000	18,720
2014	156,000	17,160
#N/A	780,000	62,400
#N/A	780,000	23,400
Total	$ 2,340,000	$ 175,890

Presented below is a summary of debt service requirements to maturity of the City's business-type bonds:

	Business-Type Activities			
	Debt Supported by Ad Valorem Tax and Specific Revenues		Debt Supported by General/ Specific Revenues Installments	
Fiscal Year June 30,	Principal	Interest	Principal	Interest
2010	$ 4,080,876	$ 2,130,104	$ 2,079,000	$ 880,282
2011	4,196,629	2,014,588	2,183,000	800,448
2012	4,320,552	1,895,147	2,292,000	716,621
2013	4,437,735	1,771,783	2,407,000	628,608
2014	4,563,271	1,644,502	2,527,000	536,179
2015-2019	24,858,672	6,168,376	11,436,000	1,124,659
2020-2024	27,493,854	2,428,059	--	--
2025-2029	1,781,521	36,696	--	--
Subtotal	75,733,110	18,089,255	22,924,000	4,686,797
Unamortized Premium (Discount)	5,791	--	--	--
Deferred Gain (Loss) on Refunding	(75,418)	--	--	--
Total	$ 75,663,483	$ 18,089,255	$ 22,924,000	$ 4,686,797

The amount of long-term debt that can be incurred by the City is limited by State statute. Total outstanding long-term obligations during a year can be no greater than 15% of the assessed value of taxable property at the beginning of the fiscal year. The City is in compliance with this limitation. There are a number of limitations and restrictions contained in the various bond indentures. The City is in compliance with such limitations and restrictions.

Note 8: **Long-Term Liabilities** (continued)

Summary of Long-Term Debt (continued):

The City has issued various special assessment bonds, the proceeds of which have been used to fund infrastructure improvements. These bonds do not constitute debt of the City within the meaning of any constitutional or statutory provision or limitation and are not considered a general obligation of the City. They are considered special obligations payable solely from assessments levied in the Districts. However, in case of deficiencies, the bonds are further secured by the General Fund, then by general ad valorem taxes.

Rebatable Arbitrage Earnings

The Tax Reform act of 1986 instituted certain arbitrage restrictions with respect to the issuance of tax-exempt bonds after August 31, 1986. Arbitrage regulations deal with the investment of all tax-exempt bond proceeds at an interest yield greater than the interest yield paid to bondholders. Generally, all interest paid to bondholders can be retroactively rendered taxable if applicable rebates are not reported and paid to the Internal Revenue Service at least every five years. During the current year, the City performed calculations of excess investment earnings on various bonds and financings and at June 30, 2009 does not expect to incur a liability.

Note 9: **Leases**

Operating Leases

The City is committed under various operating leases, primarily for office buildings and equipment (principally copiers).

Future minimum operating lease commitments are as follows:

Year Ending June 30,	
2010	$ 1,047,069
2011	815,146
2012	558,924
2013	506,968
Total	$ 2,928,107

Rent expenditures were $1,197,014 for the year ended June 30, 2009.

Note 9: **Leases** (continued)

Capital Leases

The City has entered into long-term capital lease agreements under which the related equipment will become the property of the City when all terms of the lease agreement are met.

Capital assets and accumulated depreciation held under capital leases are as follows:

	Governmental Activities
Equipment	$ 6,224,228
Less accumulated depreciation	(1,161,888)
Net capital assets	$ 5,062,340

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2009 were as follows:

Year Ending June 30,	
2010	$ 917,757
2011	738,884
2012	738,884
2013	860,714
2014	588,116
2015-2017	1,305,646
Total requirements	5,150,001
Less interest	(775,725)
Present value of remaining payments	$ 4,374,276

Note 10: **Net Asset Restatements**

Adjustments resulting from errors or a change to comply with the provisions of new accounting standards are treated as adjustments to prior periods. Accordingly, the City reports these changes as restatements of beginning net assets.

- **Governmental activities cash –** an adjustment for ($480,745) was made to reflect the refunding of an overpayment of a prior year business license renewal.

Note 10: **<u>Net Asset Restatements</u>** (continued)

- **Governmental activities due from other governments –** an adjustment for $419,250 was made to reflect the accrual of federal grant revenues in the appropriate year.
- **Governmental activities interest receivable –** an adjustment for ($79,695) related to an interest allocation error made in the prior year.
- **Governmental activities capital assets –** Two adjustments totaling ($1,566,310) were made: ($1,588,110) to reduce construction in progress for non-infrastructure project expenses that were maintenance in nature or did not otherwise meet the capital threshold; and $21,800 to reverse a prior year expense relating to an improvement other than buildings that was capitalized in the current fiscal year.
- **Governmental activities deferred charges –** an adjustment for $50,300 was made to adjust deferred charges to include bond issuance costs that were expensed in FY 2008.
- **Governmental activities accrued salaries and benefits –** an adjustment for ($90,378) was made to reduce benefits that were paid out of another fund in error.
- **Governmental activities interest payable –** an adjustment for ($518,839) was made due to an under-accrual of interest expense due to new bonds issued.
- **Governmental activities invested in capital assets net of related debt –** an adjustment for ($1,566,310) related to the capital asset adjustments described above.
- **Governmental activities restricted –** an adjustment for $419,250 was made related to the adjustment to due from other governments discussed above.
- **Governmental activities unrestricted –** an adjustments totaling ($1,119,357) was made to reflect the adjustments to cash, interest receivable, deferred charges, salaries and benefits, and interest payable discussed above.

For FY 2008 a computation error was made in calculating the June average cash balance for a fund, resulting in an overstatement of interest earnings/interest receivable by $356,755 for that fund reported as Public Works Capital Project Fund and an understatement of interest earnings/interest receivable for most other governmental funds, enterprise funds, and internal services funds having average cash balances. The net of these adjustments is zero. The affected fund categories are shown below:

Note 10: **Net Asset Restatements** (continued)

General Fund	$ 20,430
Special Revenue Funds	41,999
Major Debt Service Funds	50,111
Nonmajor Debt Service Funds	15,619
Major Capital Project Funds	2,145
Nonmajor Capital Project Funds	(281,091)
Major Enterprise Funds	71,359
Nonmajor Enterprise Funds	2,294
Internal Service Funds	71,092
Fiduciary Funds	6,042

The following adjustments to prior year balances also were recorded:

- **General Fund** – an adjustment for ($480,745) was made to reflect the refunding of a FY 2008 business license overcharge.

- **Community Development Block Grants Fund** – three adjustments totaling $430,834 were made to reflect the under-accrual of grant revenue in the prior year.

- **Public Works Capital Project Fund –** one adjustment was made for ($11,584) remove capital grant proceeds that were recorded twice in error.

- **Self-funded Medical Plan Internal Service Fund –** an adjustment of ($90,378) was made to reflect Reno Plan medical insurance- and self-funded dental insurance-related expenditures that should have been expensed against a General Fund liability account.

- **Business-type activities interest receivable** – an adjustment for $8,610 to increase interest receivable due to the allocation error mentioned previously.

- **Business-type activities restricted assets** – two adjustments totaling ($14,745) were made: an adjustment for ($79,788) to reverse a fiscal year 2007 invoice that should have been voided; and an adjustment for $65,043 to increase interest receivable due to the allocation error mentioned previously.

- **Business-type activities capital assets** – an adjustment for ($492,226) to reduce construction in progress for project expenses that were maintenance in nature or did not otherwise meet the capitalization criteria.

- **Sanitary Sewer Fund** – two adjustments totaling ($572,014) were made: ($79,788) to reverse a municipal billing that was to have been voided in FY 2008; and ($492,226) to reduce construction in progress for project expenses that were maintenance in nature or did not otherwise meet the capitalization criteria.

Note 11: **Restricted Net Assets**

Restricted net assets are assets that are subject to constraints either (1) externally imposed by creditors (such as debt covenants), grants, contributors, or laws or regulations of other governments or (2) imposed by law through constitutional provisions or enabling legislation.

Restricted net assets at June 30, 2009 for governmental activities are as follows:

Restricted for Capital Projects:		
Downtown Events Center CP Fund	$ 351,343	
Public Works CP Fund	749,097	
City Bonds CP Fund	11,343	
Parks CP Fund	5,363,719	
Street Impact CP Fund	41,164	
Special Ad Valorem Fund	2,144,388	
Redevelopment Agency Capital CP Fund	36,704,431	
		$ 45,365,485
Restricted for Debt Service		
Railroad Debt Service	23,532,816	
Events Center Debt Service Fund	13,441,467	
Special Assessment Debt Service Fund	7,276,879	
City of Reno Debt Service Fund	7,312,144	
Redevelopment Debt Service Fund	3,751,508	
		55,314,814
Restricted for Streets:		
Street Fund	933,662	
		933,662
Restricted for Claims:		
Risk Retention Fund	4,026,899	
Self-Funded Medical Plan Fund	13,296,652	
		17,323,551
Restricted for Other Purposes:		
General Fund	236,870	
Community Development Block Grant Fund	252,006	
Parks and Recreation Fund	57,911	
Courts Fund	97,067	
Drug Forfeiture Fund	538,332	
Public Works CP Fund	68,188	
		1,250,374
Total Restricted Net Assets - Governmental Activities		$ 120,187,886

Note 11: **Restricted Net Assets** (continued)

Included in total restricted net assets for the governmental activities at June 30, 2009 are net assets restricted by enabling legislation of $118,881,725.

Note 12: **Fund Balance Reserves for Other Programs**

The following are fund balances that are reserved per agreements, requirements or directives of grants, City Council, and/or federal law.

Reserved Fund balances for Other Programs as of June 30, 2009 are as follows:

General Fund:		
Neighborhood Advisory Boards	$ 16,364	
Law enforcement	59,194	
Fire activities	11,213	
Triad Haz-Mat team	150,099	
Miscellaneous	2,002	
		238,872
Nonmajor Special Revenue Funds:		
Community Development Block Grants Fund	257,191	
Parks & Recreation Fund - private grants	57,911	
Drug Forfeiture Fund	538,332	
		853,434
Nonmajor Capital Project Funds:		
City Public Works Fund - sensitive lands acquisitions	68,188	
Public art maintenance	98,721	
		166,909
Total Reserved Fund Balance for Other Programs		$ 1,259,215

Note 13: Contingent Liabilities

Litigation – The City is a defendant in a number of lawsuits arising principally from claims against the City for alleged improper actions by City employees, including alleged improper police action and negligence. Total damages claimed are substantial; however, it has been the City's experience that such actions are settled for amounts substantially less than the claimed amounts. The City has liability insurance policies which would offset damages above the self-insured retention amount of $1,000,000 per occurrence for general liability claims and for claims against public officials. The City's Risk Manager and the City Attorney estimate that the potential claims against the City would not materially affect the financial condition of the City.

The City is a defendant in one case related to the temporary displacement of a business during the ReTRAC construction project. This case is still on appeal, and has become complicated by the plaintiff's filing of bankruptcy. The attorney handling the case believes that City's exposure is less than the amount that had been previously advanced to the plaintiff for relocation. Therefore, no additional liability has been accrued.

Water Quality Settlement – Pursuant to an interlocal agreement amended and restated on June 11, 1997 and July 28, 1998, the City of Reno, the City of Sparks, and Washoe County entered into a joint venture for the purchase of water rights pursuant to the Truckee River Water Quality Settlement Agreement (TRWQSA) dated October 10, 1996. Parties to the TRWQSA are the City of Reno, Washoe County, the City of Sparks, U.S. Department of the Interior (DOI), the U.S. Department of Justice, the U.S. Environmental Protection Agency, the Nevada Division of Environmental Protection and the Pyramid Lake Paiute Tribe of Indians (TRIBE).

The TRWQSA settled and dismissed pending litigation by the TRIBE filed in 1998 relating to the expansion of the Truckee Meadows Water Reclamation Facility (TMWRF), which is operated by Reno and Sparks. It allows Reno and Sparks to use the sewage plant's full capacity in exchange for the purchase of $24,000,000 of water rights: $12,000,000 by DOI and $12,000,000 by the joint venture participants. The purchase of the remaining water rights was financed by Washoe County under the State of Nevada Water Pollution Control Revolving Fund. Pursuant to the agreement, the City began transferring a portion of the sewer connection fees to pay their share of the financing. The City has fully paid its share of the purchase and ceased remitting fees to Washoe County in FY 2007.

Washoe County is responsible for administration of the Joint Venture. The arrangement is considered a joint venture with no equity interest because no explicit and measurable equity interest is deemed to exits. All equity is reserved for purchase of water rights and repayment of debt and is therefore unavailable to the entities. Each entity (Washoe County, Reno, and Sparks) owns an undivided and equal interest in the property and water rights purchased. The amount attributable to the City of Reno at June 30, 2009 is $3,172,100.

Note 13: **Contingent Liabilities** (continued)

Separate financial statements and information for the Joint Venture are available by contacting the Washoe County Comptroller's Department, 1001 E. 9th Street, Reno, Nevada.

Truckee Meadows Water Authority – The Truckee Meadows Water Authority ("Authority") is a joint powers authority formed in November 2000, pursuant to a Cooperative Agreement (the "Agreement") among the City of Reno, Nevada ("Reno"), the City of Sparks, Nevada ("Sparks") and Washoe County, Nevada (the "County"). The Authority was formed in order to purchase the water assets, to undertake the water utility operations of Sierra Pacific Power Company ("SPPCo"), a Nevada corporation, and to develop, manage and maintain supplies of water for the benefit of the Truckee Meadows community. The Authority and SPPCo entered into an Asset Purchase Agreement dated as of January 15, 2001 in order to establish the terms and conditions of the Authority's purchase of the water system. The Authority has issued bonds that do not constitute an obligation of Reno, Sparks, the County or the State of Nevada.

The Authority is considered a joint venture because: 1) the Agreement results in a contractual entity, 2) joint control exists in a seven member governing body with three directors appointed by Reno, two directors appointed by Sparks, one director appointed by the County and one at-large director, who shall be an elected official from the governing body of a member, and 3) there is an ongoing financial relationship/responsibility on the part of the participating entities. The arrangement is considered a joint venture with no equity interest recorded on the City's balance sheet as of June 30, 2009, because no explicit and measurable equity interest is deemed to exist.

The City entered into a cancelable administrative services agreement with the Authority on June 7, 2001, the term of which was for three years, automatically renewing on an annual basis until cancelled by either party. Under the original agreement, the City provided a variety of services including, but not limited to, accounting, purchasing, investing and other financial services, budgeting, human resources, administration of payroll and employee benefits, development and maintenance of information systems, and property management. The agreement was modified on June 30, 2004, and again on December 10, 2004, to reduce the services performed by the City to primarily human resources, payroll and employee benefits. The fee for such services was $23,917 per month for fiscal year 2009. In addition to the aforementioned agreement, the Authority also contracts with the City for vehicle maintenance under a fleet services agreement. The Authority paid $323,761 during the year ended June 30, 2009 for vehicle maintenance.

Separate financial statements and information for the Joint Venture are available by contacting the Authority at 1355 Corporate Blvd., P.O. Box 30013, Reno, Nevada 89520-3013.

Note 14: Risk Retention and Self-Funded Workers Compensation Funds

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City has established a Risk Retention Internal Service Fund and a Self-Funded Workers Compensation Internal Service Fund to account for and finance these risks of loss. Under these programs, the Funds provide coverage for up to a maximum of $2,500,000 for each worker's compensation claim, $1,000,000 for each general liability claim, and $10,000 for each property damage claim, with the exception of flood and earthquake occurrences. In fiscal year 2009, the funds provided coverage of up to the statutory limits for each worker's compensation claim and the amount for which the City is liable for each general liability claim. The City purchases commercial insurance for claims in excess of coverage provided by the Funds and for other insurable risks of loss. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

All funds of the City participate in the program and make payments to the Risk Retention Internal Service Fund and the Self-Funded Workers Compensation Internal Service Fund based on actuarial estimates of the amounts needed to pay prior- and current-year claims and to establish a reserve for claims. The reserves for the Risk Retention Internal Service Fund and the Self-Funded Workers Compensation Internal Service Fund were $4,026,899 and $0, respectively, at June 30, 2009. Claims liabilities of $2,022,868 and $39,095,121 are reported in the funds at June 30, 2009, respectively. The City estimates the current portion of claims liability in these funds as $266,136 and $3,227,141, respectively.

Liabilities include other incremental costs. Changes in the funds' claims liability amounts for the past three years were:

	Risk Retention Fund	Self-Funded Workers Compensation Fund
Claims liability, June 30, 2007	$ 2,551,730	$ 53,041,943
Claims and changes in estimates	481,152	6,658,815
Claims payments	(321,856)	(4,711,014)
Claims liability, June 30, 2008	2,711,026	54,989,744
Claims and changes in estimates	(414,365)	(12,396,943)
Claims payments	(273,793)	(3,497,680)
Claims liability, June 30, 2009	$ 2,022,868	$ 39,095,121

Note 15: Self-Funded Medical Plan Internal Service Fund

The City is self-insured for medical insurance for certain City employees. Payments to the Self-Funded Medical Plan Internal Service Fund are accounted for as operating revenues and as expenditures/expenses, as appropriate, in the General Fund and other funds. The City maintains stop-loss coverage in the amount of $150,000 per employee per year. The City's maximum payment is $2 million per individual per lifetime.

A liability (included in accrued liabilities in the accompanying financial statements) for claims incurred but unasserted has been recorded in the fund in an amount as actuarially determined. The City estimates $1,788,013 of the claims liability as current. Changes in the fund's claims liability amounts for the past two years were:

Claims liability, June 30, 2007	$ 1,545,398
Claims and changes in estimates	12,951,861
Claims payments	(12,764,609)
Claims liability, June 30, 2008	1,732,650
Claims and changes in estimates	13,227,043
Claims payments	(13,127,460)
Claims liability, June 30, 2009	$ 1,832,233

Note 16: Other Post Employment Benefits

Plan Description:

Eligible retirees receive health care coverage through two plans offered by the City of Reno – City of Reno Group Health Plan or Hometown Health Plan or, if retiring prior to September 1, 2008, they may choose coverage under the Nevada Public Employee Benefit Plan (PEBP).

Retirement cost sharing provisions for the retiree health plan is as follows:

- Cost sharing for the City of Reno Group Health Plan and the Hometown Health Plan is a percentage of the full medical premium dependent upon the applicable bargaining unit contract and ranges from 50% to 100%. Coverage begins on the date of retirement from City services until age 65 or eligibility for Medicare, whichever comes first, with the exception of police which receive coverage for life.
- Cost sharing for the Nevada PEBP is a set dollar amount that varies by years of service upon retirement.

The City also offers its retirees dental, vision, and life insurance benefits.

As of July 1, 2007, the City had 604 retirees receiving benefits and 1,454 employees.

Note 16: **Other Post Employment Benefits** (continued)

Annual OPEB Cost and Net OPEB Obligation:

For fiscal year 2009 the City's annual OPEB cost was $12,523,610. The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the fiscal year ended June 30, 2009, were as follows:

Annual required contribution	$ 12,504,248
Interest on net OPEB obligation	433,274
Adjustment of annual required contribution	(413,912)
Annual OPEB cost	**12,523,610**
Contributions made	3,475,896
Change in net OPEB obligation (asset)	9,047,714
Net OPEB obligation (asset), beginning of year	10,831,862
Net OPEB obligation (asset), end of year	**$ 19,879,576**

Year Ended	Annual OPEB Cost	Actual Employer Contribution	Percentage Contributed	Net Ending OPEB Obligation (Asset)
June 30, 2008	$ 13,994,052	$ 3,162,190	22.60%	$ 10,831,862
June 30, 2009	12,523,610	3,475,896	27.75	19,879,576

In future years, three-year trend information will be presented. Fiscal year 2008 was the year of implementation of GASB Statement No. 45 and the City elected to implement prospectively; therefore, only one prior year comparative data is available.

Funded Status and Funding Progress:

The funded status of the plan based on an actuarial valuation as of July 1, 2007, and a roll-forward to July 1, 2008, was as follows:

	July 1, 2007	July 1, 2008
Actuarial accrued liability (AAL)	$ 117,483,434	$ 126,497,692
Actuarial value of plan assets	--	--
Unfunded actuarial accrued liability (UAAL)	$ 117,483,434	$ 126,497,692
Funded ratio (actuarial value of plan Assets/AAL	0.00%	0.00%
Covered payroll	$ 124,530,962	$ 123,307,077
UAAL as percentage of covered payroll	94.34%	102.59%

Note 16: **Other Post Employment Benefits** (continued)

Funded Status and Funding Progress (continued):

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

For the actuarial valuation, the unit credit actuarial cost method was used. The actuarial assumptions include a 4% discount rate. A long-term inflation assumption of 3% was used in developing level percent amortization. The pre-Medicare trend rate assumption is 13% for 2006 grading down 1% per year to 4% by 2015, and the post-Medicare trend rate is 11% grading down 1% per year to 4% by 2013. The actuarial value of assets is equal to the market value. The unfunded actuarial accrued liability is being amortized over a period of 30 years as a level percentage of projected payroll. However, for the July 1, 2007 valuation, level dollar amortization was used. The remaining amortization period at July 1, 2008 is 30 years, reflecting the City's use of an open amortization period.

The required schedule of funding progress, presented as required supplementary information following the *Notes to the Financial Statements*, will present multi-year trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the AAL for benefits. As fiscal year 2008 was the year of implementation of GASB Statement No. 45, and the City elected to apply the statement prospectively, only two years are shown. In future years, required trend data will be presented.

Note 17: **Defined Benefit Pension Plan**

Plan Description – The City of Reno contributes to the Public Employees Retirement System of the State of Nevada (PERS), a cost-sharing, multiple employer, defined benefit plan administered by the Public Employees Retirement System of the State of Nevada. PERS provides retirement benefits, disability benefits, and death benefits, including annual cost of living adjustments, to plan members and their beneficiaries. Chapter 286 of the Nevada Revised Statutes establishes the benefit provisions provided to the participants of PERS. These benefit provisions may only be amended through legislation.

The Public Employees Retirement System of the State of Nevada issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the Public Employees Retirement System of the State of Nevada, 693 West Nye Lane, Carson City, Nevada 89703-1599 or by calling (775) 687-4200.

Note 17: **Defined Benefit Pension Plan** (continued)

Funding Policy – Plan members are funded under the employer pay contribution plan, wherein the City is required to contribute all amounts due under the plan. The contribution requirements of plan members and the City are established by Chapter 286 of the Nevada Revised Statutes. Any adjustments are made on July 1 of each odd-numbered year. The City's contribution rates and amounts contributed (equal to required contribution) for the last three years are as follows:

	Contribution Rate			Percentage	
Fiscal Year	Regular Members	Police/Fire	Judicial	Total Contribution	of APC Contributed
2008-2009	20.50%	33.50%	23.75%	$ 30,309,515	100%
2007-2008	20.50%	33.50%	23.75%	31,043,657	100%
2006-2007	19.75%	32.00%	22.50%	26,659,875	100%

Note 18: **Expenditures and Expenses in Excess of Budget and Deficit Fund Balances/Net Assets**

Expenditures and operating/non-operating expenses were in excess of budget in the following funds, an apparent violation of Nevada Revised Statues (NRS) 354.626:

	Final Budget	Expenditures/ Expenses	Variance to Final Budget
Major Proprietary Funds:			
Building Permit	$ 5,821,250	$ 6,312,436	$ (491,186)

The negative variance was due to additional costs related to the City's early separation program, the year-end accrual of the net OPEB obligation that was underestimated because the final number was not known at the time the final amended budget was approved, and failure to budget for depreciation.

Planning	$ 2,748,737	$ 2,902,256	$ (153,519)

The negative variance was due to PERS buy-outs on the City's early separation program, as well as to the year-end accrual of the net OPEB obligation that was underestimated because the final number was not known at the time the final amended budget was approved.

Note 18: **Expenditures and Expenses in Excess of Budget and Deficit Fund Balances/Net Assets** (continued)

	Final Budget	Expenditures/ Expenses	Variance to Final Budget
Nonmajor Governmental Funds:			
Grants	$ 888,394	$ 3,058,931	$ (2,170,537)

This is a newly created fund and most of the activity related to the first-year operations for Phase II of the Community Assistance Center. Its non-inclusion in the amended budget was an oversight. The funding source is from solely federal, state, and private grants, as well as contributions from the County.

Streets	$ 14,499,260	$ 15,038,703	$ (539,443)

The negative variance was due the acceleration of the streets program, which resulted in FY 2009/10 budgeted costs being expended in FY 2008/09.

Courts	$ 351,427	$ 682,110	$ (330,683)

The negative variance was due to the unanticipated, additional purchase of computers and software for court personnel.

Redevelopment Agency Extraordinary Maintenance Capital Project	$ 38,848	$ 40,716	$ (1,868)

The negative variance was due to higher costs for parking gallery modifications required for health and safety concerns.

The following excesses are exempt from reporting under NRS 354.626.1, but are disclosed in compliance with GAAP:

Major Governmental Funds:			
Downtown Events Center Debt	$ 11,693,644	$ 12,016,311	$ (322,667)
Railroad Debt	9,537,793	10,025,240	(487,447)
Nonmajor Governmental Funds:			
City of Reno Debt	$ 9,810,103	$ 10,167,856	$ (357,753)

Note 18: **Expenditures and Expenses in Excess of Budget and Deficit Fund Balances/Net Assets** (continued)

The following excess is exempt from reporting under NRS 354.626.2(f), respectively, but is disclosed in compliance with GAAP:

	Final Budget	Expenditures/ Expenses	Variance to Final Budget
Nonmajor Governmental Fund:			
Railroad Capital Projects	$ 8,871,321	$ 8,985,120	$ (113,799)

The following excess is exempt from reporting under NRS 354.626.2(i), respectively, but is disclosed in compliance with GAAP:

Nonmajor Governmental Fund:			
Community Development Block Grant	$ 4,377,826	$ 5,638,332	$ (1,260,506)

Deficit Fund Balances/Net Assets

The Grants Fund had a fund balance deficit of ($173,919), which will be eliminated in FY 2009/10 from additional private grant funding and/or operating transfers from the General Fund.

The Emergency Operations Fund had a fund balance deficit of ($395,304), which will be reduced or eliminated in FY 2009/10 by a transfer from other funds that experienced flood event-related costs borne by this fund now that all FEMA reimbursements have been received.

The Railroad Capital Project Fund had a fund balance deficit of ($628,337), which will be reduced or eliminated in FY 2009/10 from miscellaneous capital project funding sources.

The Special Assessment Districts Capital Projects Fund had a fund balance deficit of ($2,037,243), which will be reduced in FY 2009/10 by fund transfers from the Streets Fund.

The Community Assistance Center Capital Project Fund had a fund balance deficit of ($2,370,385), which will be reduced by future commitments for funding made by Washoe County, the City of Sparks, and the sale of property.

The Dispatch Enterprise Fund had a net assets deficit of ($283,806), which will be eliminated in FY 2009/10 from an operating transfer from the Communications and Technology Fund.

Note 18: **Expenditures and Expenses in Excess of Budget and Deficit Fund Balances/Net Assets** (continued)

Deficit Fund Balances/Net Assets (continued)

The Building Enterprise Fund had a net assets deficit of ($1,284,313), which will be eliminated in FY 2009/10 through a transfer from the General Fund.

The Planning Enterprise Fund had a net assets deficit of ($2,320,037), which will be eliminated in FY 2009/10 through a transfer from the General Fund.

The Self-Funded Worker's Compensation Internal Service Fund had a net assets deficit of ($43,217,833). The deficit is expected to remain and perhaps grow until such time as the State Legislature provides a solution to the heart/lung liability issue.

Note 19: **Special Ad Valorem Capital Projects Fund**

Pursuant to NRS 354.598155 the Special Ad Valorem Capital Projects Fund expended $1,218,208 on the following projects:

Administration	$ 229
Sidewalk repair	72,980
Street lighting	9,192
Public Works capital projects	1,072,222
Parks equipment	5,200
Underground storage tank monitoring	33,007
Art in public places	700
Ginsberg clock storage	2,516
2008 Traffic calming	22,162
Total	$ 1,218,208

Note 20: **Conduit Debt Obligations**

During prior years the City issued Industrial Revenue Bonds to provide financial assistance to private-sector entities for the acquisition and construction of industrial and commercial facilities and for the equipment therein which is deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from the payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities and equipment transfers to the private-sector entity served by the bond issuance. The bonds, issued pursuant to NRS Chapter 268, are not obligations of the City of Reno, nor shall they ever constitute a debt of the City.

Note 20: **Conduit Debt Obligations** (continued)

On April 6, 2008, the City of Reno issued $94,030,000 of insured health facility revenue bonds (Series 2007A) for Catholic Healthcare West. The bonds were used to defease the Series 1998A & B bonds, as well as the Series 2003A & B bonds that were issued to fund the Saint Mary's Regional Medical Center project. The amount of Series 2007A bonds outstanding as of June 30, 2009, is $94,030,000. The bonds are not obligations of the City of Reno, nor shall they ever constitute a debt of the City.

On June 29, 2004, the City of Reno issued $200,000,000 of insured hospital revenue bonds (Series 2004A for $34,350,000, Series 2004B for $65,650,000, and Series 2004C for $100,000,000) for the Washoe Medical Center project (now known as Renown Regional Medical Center). The amount of 2004A and 2004C bonds outstanding as of June 30, 2009, is $123,150,000. The 2004B bonds were refunded by the Series 2009A and Series 2009B bond. The bonds are not obligations of the City of Reno, nor shall they ever constitute a debt of the City.

On February 10, 2005, the City of Reno issued $96,025,000 (Series 2005A and 2005B) of insured variable rate hospital revenue bonds and $3,975,000 of insured hospital revenue bonds (Series 2005C) for the Washoe Medical Center project (now known as Renown Regional Medical Center). The amount of bonds outstanding as of June 30, 2009, is $94,725,000 and $1,045,000, respectively. The bonds are not obligations of the City of Reno, nor shall they ever constitute a debt of the City.

On September 19, 2006, the City of Reno issued $90,000,000 of insured hospital revenue bonds (Series 2006A for $44,000,000, Series 2006B for $44,000,000, and Series C for $2,000,000) for the Washoe Medical Center project (now known as Renown Regional Medical Center). The Series 2006A and 2006B bond were refunded with the Series 2008A and 2008B bonds discussed below. The amount of 2006C bonds outstanding as of June 30, 2009, is $1,225,000. The bonds are not obligations of the City of Reno, nor shall they ever constitute a debt of the City.

On April 11, 2007, the City of Reno issued $120,000,000 of insured hospital revenue bonds (Series 2007A) for the Renown Regional Medical Center project. The amount of bonds outstanding as of June 30, 2009, is $120,000,000. The bonds are not obligations of the City of Reno, nor shall they ever constitute a debt of the City.

On June 26, 2008, the City of Reno issued $86,800,000 (Series 2008A and 2008B) of insured hospital revenue refunding bonds (variable rate bonds) that were used to refund the Series 2006A and 2006B bonds. The amount of the bonds outstanding as of June 30, 2009, is $86,800,000. The bonds are not obligations of the City of Reno, nor shall they ever constitute a debt of the City.

Note 20: **Conduit Debt Obligations** (continued)

On January 15, 2009, the City of Reno issued $63,600,000 (Series 2009A for $42,400,000 and Series 2009B for $21,200,000) of insured hospital revenue refunding bonds (variable rate bonds) that were used to refund the Series 2004B bonds. The amount of the bonds outstanding as of June 30, 2009, is $63,305,000. The bonds are not obligations of the City of Reno, nor shall they ever constitute a debt of the City.

Note 21: **Special Assessment Debt With No Government Commitment**

On April 23, 2002, the City of Reno issued $4,135,622 of 2000 Special Assessment District No. 2 bonds for the Sierra Corporate Center Project. The bonds do not represent a debt of the City, and the City will not be liable thereon except for the pledge of the special assessment revenue collected on behalf of the 2000 Special Assessment District No. 2 and the amount deposited in the bond reserve fund on behalf of the district. The amount of bonds outstanding at June 30, 2009, is $2,565,000.

On April 23, 2003, the City of Reno issued $18,000,000 of 2002 Special Assessment District No. 4 bonds for the Somersett Parkway Project. The bonds do not represent a debt of the City, and the City will not be liable thereon except for the pledge of the special assessment revenue collected on behalf of the 2002 Special Assessment District No. 4 and the amount deposited in the bond reserve fund on behalf of the district. The amount of bonds outstanding at June 30, 2009, is $13,095,000.

On April 28, 2004, the City of Reno issued $7,100,000 of 2002 Special Assessment District No. 3 bonds for the Double R Boulevard Project. The bonds do not represent a debt of the City, and the City will not be liable thereon except for the pledge of the special assessment revenue collected on behalf of the 2002 Special Assessment District No. 3 and the amount deposited in the bond reserve fund on behalf of the district. The amount of bonds outstanding at June 30, 2009, is $5,935,000.

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REQUIRED SUPPLEMENTARY INFORMATION

CITY OF RENO, NEVADA

Required Supplementary Information
June 30, 2009

Other Post-Employment Benefits Plan
Schedule of Funding Progress

Actuarial Valuation Date	(1) Actuarial Value of Plan Assets	(2) Actuarial Accrued Liability (AAL)	(3) Funded Ratio	(4) Unfunded Actuarial Accrued Liability (UAAL) (2) - (1)	(5) Annual Covered Payroll	(6) UAAL as a Percentage of Covered Payroll (4) / (5)
July 1, 2007	$ --	$ 117,483,434	0.00%	$ 117,483,434	$ 124,530,962	94.34%
July 1, 2008*	--	126,497,692	0.00%	126,497,692	123,307,077	102.59%

* Rolled forward as of the July 1, 2007 valuation

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APPENDIX B

SUMMARY OF CERTAIN PROVISIONS OF THE BOND ORDINANCE

The following is a brief summary of certain provisions of the 2010 Bond Ordinance and is qualified in its entirety by the provisions of the Bond Ordinance itself.

Definitions

As used in the 2010 Bond Ordinance, the following terms shall, for all purposes, have the following meanings unless the context clearly requires otherwise.

"Annual Principal and Interest Requirements" means the sum of the principal of and interest on the Bond and any other Outstanding Parity Securities payable from the Net Pledged Revenues having a lien on a parity with the lien on the Bonds, to be paid during any Bond Year, but excluding any reserve requirements to secure such payments unless otherwise expressly provided. In calculating this amount, the principal amount of the Bond or other securities required to be redeemed prior to maturity pursuant to a mandatory redemption schedule contained in the resolution, ordinance or other instrument authorizing the issuance of the Bonds or other securities, shall be treated as maturing in the Bond Year in which the Bonds or other securities are so required to be redeemed, rather than in the Bond Year in which the stated maturity of such bonds occurs.

"BAB Credit" means the credit described in Section 6431 of the Tax Code.

"2004 Bond" means the "City of Reno, Nevada, General Obligation (Limited Tax) Sewer Bond (Additionally Secured by Pledged Revenues), Series 2004".

"2005 Bond" means the "City of Reno, Nevada, General Obligation (Limited Tax) Sewer Bond (Additionally Secured by Pledged Revenues), Series 2005".

"2010 Bonds" or the "Bonds" means the "City of Reno, Nevada, General Obligation (Limited Tax) Sewer Refunding Bonds (Additionally Secured by Pledged Revenues), Series 2010" issued pursuant to the Ordinance.

"2010 Bond Fund" or "Bond Fund" means the "City of Reno, Nevada, General Obligation (Limited Tax) Sewer Refunding Bonds (Additionally Secured by Pledged Revenues), Series 2010, Interest and Principal Fund" created by the Ordinance.

"Bond Requirements" means the principal of, any prior redemption premiums due in connection with, and the interest on the Bonds or such other securities relating to the Sewer System as may be designated, as such principal, interest, and any premium becoming due at maturity or on a Redemption Date designated in a notice of prior redemption, or otherwise. For the purposes of issuing additional Parity Securities (including refunding securities) or complying with the Rate Covenant as set forth in Section 59 of the Ordinance, in making any calculation of the Bond Requirements to be paid for a period after the date of such calculation on any bonds payable from the Gross Revenues with respect to which the City expects to receive a BAB Credit, "interest" for any Bond Year shall be treated as the amount of interest to be paid by the City on those bonds in that Bond Year less the amount of the BAB Credit then expected to be paid by the United States with respect to interest payments on those bonds in that Bond Year and required by the ordinance or other instrument authorizing those bonds to be used to pay interest on those bonds in that Bond Year, or to reimburse the City for amounts already used to pay interest on those bonds in that Bond Year. If the BAB Credit is not expected to be received as of the date of such calculation, "interest" shall be the total amount of interest to be paid by the City on the bonds without a deduction for the credit to be paid by the United States under 6431 of the Tax Code. The Finance Director may certify in writing the expected amount and expected date of receipt of any BAB Credit, and that certificate shall be conclusive for purposes of computing the Bond Requirements and for purposes of any other computation for the issuance of additional Parity Securities (including refunding securities).

"Bond Year" means the 12 months commencing on July 1, of any calendar year and ending on June 30 of the next succeeding calendar year.

"Certificate of CFO" means the certificate executed by the CFO or his designee on or after the date of the sale of the Bonds and on or before the date of closing on the Bonds.

"CFO " means the City's Acting Chief Financial Officer, who for purposes of the Ordinance is the City's Finance Director, or any successor thereto.

"commercial bank" means a state or national bank or trust company which is a member of the Federal Deposit Insurance Corporation, including without limitation "trust bank" as defined in the Ordinance.

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

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

"Finance Director" means the duly appointed and acting Finance Director of the City, or any successor thereto.

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

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

"Gross Pledged Revenues" or "Gross Revenues" means all income and revenues derived directly or indirectly by the City from the operation and use and otherwise pertaining to the Sewer System or any part thereof, whether resulting from repairs, enlargements, extensions, betterments or other improvements to the Sewer System, or otherwise, and includes all revenues received by the City from the Sewer System, including, without limitation, all fees, rates, and other charges for the use of the Sewer System, or for any service rendered by the City in the operation thereof, directly or indirectly, the availability of any such service or the sale or other disposal of any commodity derived therefrom, but excluding any moneys borrowed and used for the acquisition of capital improvements and any moneys received as grants, appropriations or gifts from the United States, the State or other sources, the use of which is limited by the grantor or donor to the construction of capital improvements for the Sewer System, except to the extent any such moneys shall be received as payments for the use of the Sewer System, services rendered thereby, the availability of any such service or the disposal of any such commodities. "Gross Revenues" shall also include all income or other gain from the investment of such income and revenues and of the proceeds of securities payable from Gross Revenues or Net Revenues.

"Independent Accountant" means any certified public accountant, or any firm of certified public accountants, duly licensed to practice and practicing as such under laws of the State, as from time to time appointed and compensated by the Council on the behalf and in the name of the City;

(a) Who or which is, in fact, independent and not under the domination of the City;

(b) Who or which does not have any substantial interest, direct or indirect, with the City, and

(c) Who or which is not connected with the City as an officer or employee thereof, but who may be regularly retained to make annual or similar audits of any books or records of the City.

"Interest Account" means the "City of Reno, Nevada, General Obligation (Limited Tax) Sewer Refunding Bonds (Additionally Secured by Pledged Revenues), Series 2010, Interest Account" created in the Ordinance.

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

"Net Pledged Revenues" or "Net Revenues" means the Gross Pledged Revenues remaining after the payment of the Operation and Maintenance Expenses.

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

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

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

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

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

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

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

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

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

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

(j) all other administrative, general and commercial expenses pertaining to the Sewer System; but excluding:

> (i) any allowance for depreciation;
>
> (ii) any costs of extensions, enlargements, betterments and other improvements, or any combination thereof;

(iii) any reserves for major capital replacements, other than normal repairs;

(iv) any reserves for operation, maintenance or repair of the Sewer System;

(v) any allowance for the redemption of any Bond or other security or the payment of any interest thereon or any prior redemption premium due in connection therewith;

(vi) any liabilities incurred in the acquisition or improvement of any properties comprising any project or any existing facilities, or any combination thereof, pertaining to the Sewer System, or otherwise; and

(vii) any liabilities imposed on the City for any ground legal liability not based on contract, including, without limitation, negligence in the operation of the Sewer System.

"Operation and Maintenance Fund" means the special account designated as the "City of Reno, Nevada Sewer Bonds Operation and Maintenance Fund," previously created and authorized to be continued in the Ordinance.

"Ordinance" means the ordinance, designated in Section 1 of the Ordinance as the "2010 Sewer Refunding Bond Ordinance."

"Outstanding" when used with reference to the Bonds or any other designated securities and as of any particular date means all of the Bonds or any such other securities payable from the Pledged Revenues or otherwise relating to the Sewer System, as the case may be, in any manner theretofore and thereupon being executed and delivered:

(a) Except any bond or other security canceled by the City, by the Paying Agent or otherwise on the City's behalf, at or before such date;

(b) Except any bond or other security for the payment or the redemption of which moneys at least equal to its Bond Requirements to the date of maturity or to any Redemption Date shall have heretofore been deposited with a trust bank in escrow or in trust for that purpose, as provided in Section 62 of the Ordinance; and

(c) Except any bond or other security in lieu of or in substitution for which another Bond or other security shall have been executed and delivered.

"Parity Bonds" or "Parity Securities" means bonds or securities payable from the Pledged Revenues on a parity with the Bonds, the 2005 Bond and the 2004 Bond.

"Paying Agent" means The Bank of New York Mellon Trust Company, N.A., or any successor thereto under the terms of the Ordinance.

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

"Pledged Revenues" means all or a portion of the Gross Pledged Revenues. The designated term indicates sources of revenues and does not necessarily indicate all or any portion or other part of such revenues in the absence of further qualification.

"Principal Account" means the "City of Reno, Nevada, General Obligation (Limited Tax) Sewer Refunding Bonds (Additionally Secured by Pledged Revenues), Series 2010, Principal Account" created in the Ordinance.

"Prior Bonds" means the Outstanding 2004 Bond and 2005 Bond.

"Purchaser" means the bidder designated by the CFO in the Certificate of the CFO.

"Redemption Date" means a date fixed for the redemption prior to their respective maturities of any Bonds or other designated securities payable from any Pledged Revenues in any notice of prior redemption or otherwise fixed and designated by the City.

"Redemption Price" means, when used with respect to the Bonds or other designated security payable from any Net Revenues, the principal amount thereof plus accrued interest thereon to the Redemption Date plus the applicable premium, if any, payable upon the redemption thereof prior to the stated maturity date of such Bond or other security on a Redemption Date in the manner contemplated in accordance with the security's terms.

"Refunding Account" means the special account designated as the "City of Reno, Nevada, General Obligation (Limited Tax) Sewer Refunding Bonds (Additionally Secured by Pledged Revenues), Series 2010 Refunding Account," created in the Ordinance.

"Registrar" means The Bank of New York Mellon Trust Company, N.A., or any successor thereto under the terms of the Ordinance.

"Revenue Fund" means the special account designated as the "City of Reno, Nevada Sewer System Gross Pledged Revenues Fund," previously created and authorized to be continued herein.

"Subordinate Bonds" or "Subordinate Securities" means bonds or securities payable from the Pledged Revenues subordinate and junior to the lien thereon of the Bonds.

"Superior Bonds" or "Superior Securities" means special obligation bonds or securities which have a lien on the Pledged Revenues that is superior to the lien thereon of the Bonds authorized by the Ordinance.

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

"trust bank" means a "commercial bank," as defined in the Ordinance, which bank is authorized to exercise and is exercising trust powers and also means any branch of Federal Reserve Bank.

Application of Proceeds

The proceeds realized from the sale of the Bonds shall be applied as follows:

(a) First, Bond proceeds, and other available monies, in an amount sufficient to effect the refunding of the Refunded Bond shall be deposited in the Refunding Account, created by the Ordinance, to be held by the City and used solely for the purpose of immediately paying the Bond Requirements of the Refunded Bond.

(b) Second, the balance remaining after the deposit into the Refunding Account as provided in the Ordinance shall be set aside in a special account designated as the "City of Reno, Nevada, General Obligation (Limited Tax) Sewer Refunding Bonds (Additionally Secured by Pledged Revenues), Series 2010 Cost of Issuance Account" (the "Cost of Issuance Account"), to be used to pay the incidental costs of the Project. After all incidental expenses have been paid, any unexpended balance of Bond proceeds (or, unless otherwise required by law, any other moneys) remaining in the Cost of Issuance Account shall be deposited into the Bond Fund for the respective payment of the principal of or interest on the Bonds as the same become due.

Flow of Funds

So long as the Bonds shall be Outstanding, as to any Bond Requirements, the entire Gross Pledged Revenues, upon their receipt from time to time by the City, shall continue to be set aside and credited immediately to the Revenue Fund.

Under the Bond Ordinance, the Revenue Fund will be administered and the moneys on deposit therein will be applied in the following manner and order:

(a) First, as a first charge on the Revenue Fund, from time to time there shall continue to be set aside in and credited to the Operation and Maintenance Fund, moneys sufficient to pay Operation and Maintenance Expenses

(b) Second, from any moneys remaining in the Revenue Fund and concurrent with transfers to any bond funds, reserve funds and rebate funds created with respect to Superior Securities, there shall be credited to such bond funds reserve funds, and rebate funds such amounts as are required to be deposited by the ordinances authorizing the issuance of the Superior Securities.

(c) Third, and subject to the aforesaid provisions, from any moneys remaining in the Revenue Fund, i.e., from the Net Pledged Revenues, and concurrently with the payments required to be made by the ordinances authorizing the issuance of Outstanding Prior Bonds into the bond funds for the Outstanding Prior Bonds and any bond fund for any Parity Securities hereafter issued, there shall be credited to the 2010 Bond Fund the following:

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

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

(d) Fourth, after the aforementioned deposits and from the Net Pledged Revenues, there shall be transferred and credited to a special and separate account hereby created and designated as the "City of Reno, General Obligation (Limited Tax) Sewer Refunding Bonds (Additionally Secured by Pledged Revenues), Series 2010, Rebate Account" (the "Rebate Account") and to any other fund or account established for payment of amounts due the United States under § 148(f) of the Tax Code in connection with any securities in such amounts as are required to be deposited therein to meet the City's obligations under the covenant contained in § 61 of the Ordinance, in accordance with § 148(f) of the Tax Code. Such deposits shall be made at such times as are required by § 148(f) of the Tax Code and such covenant and amounts in the Rebate Account shall be used for the purpose of making the payments to the United States required by such covenant and § 148(f) of the Tax Code. Any amounts in the Rebate Account in excess of those required to be on deposit therein may be withdrawn therefrom and deposited into the Revenue Fund.

No payment need be made into the 2010 Bond Fund if the amounts in such fund total a sum at least equal to the entire amount of all of the Outstanding Bonds as to all Bond Requirements, to their respective maturities, and both accrued and not accrued, in which case moneys in those accounts in an amount, except for any interest or other gain to accrue from any investment of moneys in Federal Securities from the time of any such investment to the time or respective times the proceeds of any such investment or deposit shall be needed for such payment, at least equal to such Bond Requirements, shall be used, together with any such gain from such investments, solely to any such Bond Requirements as the same become due and any moneys in excess thereof in those accounts and any other moneys derived from the Pledged Revenues may be used in any lawful manner determined by the Council.

If at any time the City shall for any reason fail to pay into the 2010 Bond Fund or the Rebate Account the full amount stipulated from the Net Pledged Revenues, then an amount shall be paid into such fund at such time, equal to the difference between that paid from the Net Pledged Revenues and the full amount so stipulated. If securities (other than the Bonds) are Outstanding any lien to secure the payment of which on the Net Pledged Revenues is on a parity with the lien thereon of the Bonds, and if the proceedings authorizing issuance of those securities require the replacement of moneys in a reserve account therefor, then the moneys replaced in such reserve account shall be replaced on a pro rata basis related to the principal amount of the then Outstanding Bonds, as moneys become available therefor.

Subject to the provisions of the Ordinance, but either concurrently or subsequent to the payments required by the Ordinance, any moneys remaining may be used by the City for the payment of Bond Requirements of additional bonds or other additional securities payable from the Net Pledged Revenues and hereafter authorized to be issued in accordance with the Ordinance, including reasonable reserves for such securities and amounts required to be rebated to the United States for such securities, as the same accrue. The lien of such additional bonds or other additional securities on the Net Pledged Revenues and the pledge thereof for the payment of such additional securities shall be superior to, on a parity with or subordinate to the lien and pledge of the Bonds as provided in the Ordinance. Payments for principal, interest and rebate accounts for Parity Securities shall be made concurrently with such payments required for the Bonds, but payments for the principal, interest and rebate accounts for additional Subordinate Securities shall be made after such payments required for the Bonds.

After the payments required to be made by the Ordinance are made, any remaining Pledged Revenues may be used at any time during any Fiscal Year whenever in the Fiscal Year there shall have been credited to the Operation and Maintenance Fund, to the bond funds for the Outstanding Prior Bonds, the Rebate Account and to each other security fund and reserve fund, if any, for the payment of any other securities payable from the Net Pledged Revenues, all amounts required to be deposited in those special accounts for such portion of the Fiscal Year, as provided by the Ordinance, for any one or any combination of lawful purposes relating to the Sewer System, or otherwise, as the Council may from time to time determine, including, without limitation, the payment of any Bond Requirements of any bonds or other securities relating to the Sewer System, general obligations or special obligations.

Rate Maintenance Covenant

The City shall charge against users or against purchasers of services or commodities pertaining to the Sewer System (but not necessarily all users thereof) such fees, rates and other charges as shall be sufficient together with the proceeds from General Taxes and any other funds available therefore to produce Gross Revenues annually which, together with any other funds available therefor, will be in each Fiscal Year of the City at least equal to the sum of:

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

(b) an amount equal to the sum of the Annual Principal and Interest Requirements in such Fiscal Year on the then Outstanding Superior Securities, the Outstanding Bonds and any Outstanding Parity Securities and any amounts required to be accumulated from the Pledged Revenues into any reserves for the Bonds and such other securities; and

(c) any other amounts payable from the Net Pledged Revenues and pertaining to the Sewer System, including, without limitation, debt service on any Subordinate Securities and any other securities pertaining to the Sewer System, operation and maintenance reserves, capital reserves and prior deficiencies pertaining to any account relating to Gross Revenues.

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

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

Additional Parity Securities

The City may issue additional securities payable from Net Pledged Revenues and constituting a lien thereon superior to or on a parity with the lien thereon of the Bond, provided, however, that the following are express conditions to the authorization and issuance of any such Parity Securities:

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

(b) Except as otherwise provided, the Gross Pledged Revenues projected by the Finance Director, an Independent Accountant or an Independent Engineer derived in the later of (i) the Fiscal Year immediately following the Fiscal Year in which the facilities to be financed with the proceeds of the additional Parity Securities are projected to be completed, or (ii) the first Fiscal Year for which no interest has been capitalized for the payment of any Outstanding Superior Securities, the Outstanding Bond, any other Outstanding Parity Securities of the City and the Parity Securities proposed to be issued shall be at least sufficient to pay:

(i) An amount equal to the Operation and Maintenance Expenses of the Sewer System for such Fiscal Year, and

(ii) An amount equal to the principal and interest requirements to be paid during that Fiscal Year of any Outstanding Superior Securities, the

Outstanding Bond, any other Outstanding Parity Securities of the City and the Parity Securities proposed to be issued (excluding any reserves therefor).

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

In any determination of whether or not additional Parity Securities may be issued in accordance with the foregoing earnings test, the respective annual principal (or redemption price) and interest requirements shall be reduced to the extent such requirements are scheduled to be paid with moneys held in trust or in escrow for that purpose by any trust bank within or without the State, including the known minimum yield from any investment in Federal Securities.

A written certificate or written opinion by the Finance Director, Independent Engineer or an Independent Accountant that the foregoing earnings test is met shall be conclusively presumed to be accurate in determining the right of the City to authorize, issue, sell and deliver additional Parity Securities.

In connection with the authorization of any such additional securities, the Council may on behalf of the City adopt any additional covenants or agreements with the holders of such additional securities; provided, however, that no such covenant or agreement may be in conflict with the covenants and agreements of the City in the Ordinance and no such covenant or agreement may be materially adverse to the interests of the holders of the Bonds. Any finding of the Council to the effect that the foregoing requirements are met shall, if made in good faith, conclusively establish that the foregoing requirements have been met for purposes of the Ordinance.

Subordinate Securities and Superior Securities

The City may issue additional bonds or other additional securities payable from the Net Pledged Revenues having a lien thereon subordinate, inferior and junior to the lien thereon of the Bond.

The City may issue additional bonds or other additional securities payable from the Pledged Revenues and having a lien thereon prior and superior to the lien thereon of the Bond, as long as the Superior Securities are issued as special obligations and the requirements of Section 51 of the Ordinance are met.

Refunding Securities

At any time after the Bonds are issued and remain Outstanding, if the City shall find it desirable to refund any Outstanding Bonds or other Outstanding parity or Subordinate Securities, such Bonds or other securities, or any part thereof, may be refunded only if the Bonds or other securities at the time or times of their required surrender for payment shall then mature or shall be then callable for prior redemption for the purpose of refunding them at the City's option upon proper call, unless the owner or owners of all such Outstanding securities consent to such surrender and payment, regardless of whether the priority of the lien for the payment of the refunding securities on the Gross Revenues is changed (except as otherwise provided in the Ordinance).

The refunding bonds or other refunding securities so issued shall enjoy complete equality of lien with the portion of any securities of the same issue which is not refunded, if there is any, and the owner or owners of the refunding securities shall be subrogated to all of the rights and privileges enjoyed by the owner or owners of the unrefunded securities of the same issue partially refunded by the refunding securities.

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

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

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

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

(c) Unless the refunding bonds or other refunding securities are issued in compliance with the Ordinance.

Amendment of the Bond Ordinance

The Ordinance may be amended or supplemented by instruments adopted by the City, without receipt by the City of any additional consideration, but with the written consent of the insurer of the Bonds, if any, or owners of 66% in aggregate principal amount of the Bonds and Outstanding at the time of the adoption of the amendatory or supplemental instrument, excluding Bonds which may then be held or owned for the account of the City, but including such refunding securities as may be issued for the purpose of refunding any of the Bonds if the refunding securities are not owned by the City. No such instrument shall permit:

(a) A change in the maturity or in the terms of redemption of the principal or any installment thereof of any Outstanding Bond or any installment of interest thereon;

(b) A reduction in the principal amount of any Bond or the rate of interest thereon, without the unanimous consent of the owners of the then Outstanding Bonds; or

(c) A reduction of the principal amount or percentages or otherwise affecting the description of the Bonds or the consent of the owners of which is required for any modification or amendment; or

(d) The establishment of priorities as between Bonds issued and Outstanding under the provisions of the Ordinance; or

(e) The modification of, or other action which materially and prejudicially affects the rights or privileges of the owners of less than all of the Bonds then Outstanding.

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

Whenever at any time within one year from the date of such notice there shall be filed in the office of the City Clerk an instrument or instruments executed by the insurer of the Bonds, if any, or the owners of at least 66% in aggregate principal amount of the Bonds then Outstanding, which instrument or instruments shall refer to the proposed amendatory instrument described in the notice and shall specifically consent to and approve the adoption of the instrument; thereupon, but not otherwise, the Council may adopt the amendatory instrument and the instrument shall become effective.

Bonds authenticated and delivered after the effective date of any action taken as provided in the Ordinance may bear a notation by endorsement or otherwise in form approved by the City as to the action. If any Bond so authenticated and delivered shall bear such notation, then upon demand of the owner of any Bond outstanding at such effective date and upon presentation of his Bond, suitable notation shall be made on the Bond as to any such action. If the City so determines, a new Bond so modified as in the opinion of the City to conform to such action shall be prepared, registered and delivered and upon demand of the owner of any Bond then outstanding, shall be exchanged without cost to the owner of Bond then outstanding upon surrender of such Bond.

Tax Covenant

The City covenants in the Bond Ordinance for the benefit of the owner of the Bonds that it will not take any action or omit to take any action with respect to the Bonds, the proceeds thereof, any other funds of the City or any facilities refinanced with the proceeds of the Bond if such action or omission (i) would cause the interest on the Bond to lose its exclusion from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the "Tax Code"), or (ii) would cause interest on the Bond to lose its exclusion from alternative minimum taxable income as defined in Section 55(b)(2) of the Tax Code. The covenant shall remain in full force and effect notwithstanding the payment in full or defeasance of the Bonds until the date on which all obligations of the City in fulfilling the covenant under the Tax Code have been met.

APPENDIX C

BOOK-ENTRY ONLY SYSTEM

DTC will act as securities depository for the 2010 Bonds. The 2010 Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered 2010 Bond certificate will be issued for each maturity of the 2010 Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of 2010 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2010 Bonds on DTC's records. The ownership interest of each actual purchaser of each 2010 Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the 2010 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in 2010 Bonds, except in the event that use of the book-entry system for the 2010 Bonds is discontinued.

To facilitate subsequent transfers, all 2010 Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of 2010 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the 2010 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such 2010 Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of 2010 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the 2010 Bonds, such as redemptions, tenders, defaults, and proposed amendments to the 2010 Bond documents. For example, Beneficial Owners of 2010 Bonds may wish to ascertain that the nominee holding the 2010 Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Registrar and Paying Agent and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the 2010 Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the 2010 Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts 2010 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal, interest and redemption proceeds on the 2010 Bonds will be made to Cede& Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City or the Registrar on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Registrar and Paying Agent or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, interest or redemption proceeds to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or the Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the 2010 Bonds at any time by giving reasonable notice to the City or the Registrar and Paying Agent. Under such circumstances, in the event that a successor depository is not obtained, 2010 Bond certificates are required to be printed and delivered.

The City may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, 2010 Bond certificates will be printed and delivered to DTC.

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

APPENDIX D

FORM OF APPROVING OPINION OF BOND COUNSEL

[Closing date]

City of Reno, Nevada
One E. First Street
Reno, Nevada 89501

$__________
City of Reno, Nevada
General Obligation (Limited Tax)
Sewer Refunding Bonds
(Additionally Secured by Pledged Revenues)
Series 2010

Ladies and Gentlemen:

We have acted as bond counsel to the City of Reno, Nevada (the “City" and the "State," respectively), in connection with its issuance of the "City of Reno, Nevada, General Obligation (Limited Tax) Sewer Refunding Bonds (Additionally Secured by Pledged Revenues), Series 2010" in the aggregate principal amount of $________ (the "Bonds"), pursuant to an authorizing ordinance adopted and approved by the City Council of the City on July 7, 2010 (the "Ordinance"). In such capacity, we have examined the City's certified proceedings and such other documents and such law of the State and of the United States of America as we have deemed necessary to render this opinion letter. Capitalized terms not otherwise defined herein shall have the meanings ascribed to such terms in the Ordinance.

Regarding questions of fact material to our opinions, we have relied upon the City's certified proceedings and other representations and certifications of public officials and others furnished to us without undertaking to verify the same by independent investigation.

Based upon such examination, it is our opinion as bond counsel that:

1. The Bonds constitute the valid and binding limited tax general obligations of the City.

2. All of the taxable property in the City is subject to the levy of annual general (ad valorem) taxes to pay the Bonds, subject to the limitations imposed by the Constitution and laws of the State.

3. As provided in the Ordinance and in accordance with the provisions of NRS 361.463, taxes levied for the payment of the bonded indebtedness (including the Bonds) of all overlapping units within the boundaries of the City (i.e., the State, the City, and any other political subdivision therein) and for the payment of interest on such indebtedness enjoy a priority over taxes levied by each such unit (including, without limitation, the State and the City) for all other purposes (subject to any exception implied by law for the exercise of the police power) where reduction is necessary in order to comply with NRS 361.453.

4. The Bonds are additionally secured by and payable from the Pledged Revenues. The Ordinance creates a valid lien on the Pledged Revenues pledged therein for the security of the Bonds on a parity with the lien thereon of any parity securities hereafter issued, and subject to the lien of the Outstanding Prior Bonds. The Ordinance also creates a valid lien on the Bond Fund. Except as described in this paragraph, we express no opinion regarding the priority of the lien on the Pledged Revenues or on the funds and accounts created by the Ordinance.

5. Interest on the Bonds is excluded from gross income under federal income tax laws pursuant to Section 103 of the Internal Revenue Code of 1986, as amended to the date hereof (the "Tax Code"), and interest on the Bonds is excluded from alternative minimum taxable income as defined in Section 55(b)(2) of the Tax Code. The opinions expressed in this paragraph assume continuous compliance with the covenants and representations contained in the City's certified proceedings and in certain other documents and certain other certifications furnished to us.

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

The opinions expressed in this opinion letter are subject to the following:

The obligations of the City pursuant to the Bonds and the Ordinance are subject to the application of equitable principles, to the reasonable exercise in the future by the State and its governmental bodies of the police power inherent in the sovereignty of the State, and to the exercise by the United States of America of the powers delegated to it by the Federal Constitution, including without limitation, bankruptcy powers.

In this opinion letter rendered in our capacity as bond counsel, we are opining only upon those matters set forth herein, and we are not passing upon the accuracy, adequacy or completeness of the Official Statement relating to the Bonds or any other statements made in connection with any offer or sale of the Bonds or upon any state or federal tax consequences arising from the receipt or accrual of interest on or the ownership or disposition of the Bonds, except those specifically addressed herein.

This opinion letter is issued as of the date hereof and we assume no obligation to revise or supplement this opinion letter to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

Respectfully submitted,

APPENDIX E

FORM OF CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by the City of Reno, Nevada (the "Issuer") in connection with the issuance of the Issuer's City of Reno, Nevada, General Obligation (Limited Tax) Sewer Refunding Bonds (Additionally Secured by Pledged Revenues), Series 2010 (the "Bonds"). The Bonds are being issued pursuant to the bond ordinance of the Issuer adopted July 7, 2010 (the "Bond Ordinance"). The Issuer covenants and agrees as follows:

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

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

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

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

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

"MSRB" shall mean the Municipal Securities Rulemaking Board. The MSRB's required method of filing will be electronically via its Electronic Municipal Market Access (EMMA) system available on the Internet at http://emma.msrb.org.

"Participating Underwriter" shall mean any of the original underwriters of the Bonds required to comply with the Rule in connection with an offering of the Bonds.

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

SECTION 3. Provision of Annual Reports.

(a) The Issuer shall, or shall cause the Dissemination Agent to, not later than nine (9) months following the end of the Issuer's fiscal year of each year, commencing nine (9) months following the end of the Issuer's fiscal year ending June 30, 2010, provide to the MSRB in an electronic format as prescribed by the MSRB, an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. Not later than five (5) business days prior to said date, the Issuer shall provide the Annual Report to the Dissemination Agent (if other than the

Issuer). The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the Issuer may be submitted separately from the balance of the Annual Report.

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

(c) The Dissemination Agent shall:

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

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

(iii) if the Dissemination Agent is other than the Issuer, file a report with the Issuer certifying that the Annual Report has been provided pursuant to this Disclosure Certificate, stating the date it was provided and listing all the entities to which it was provided.

SECTION 4. Content of Annual Reports. The Issuer's Annual Report shall contain or incorporate by reference the following:

(a) A copy of its annual financial statements prepared in accordance with generally accepted accounting principles audited by a firm of certified public accountants. If audited annual financial statements are not available by the time specified in Section 3(a) above, unaudited financial statements will be provided as part of the Annual Report and audited financial statements will be provided when and if available.

(b) An update of the type of information identified in Exhibit "B" hereto, which is contained in the tables in the Official Statement with respect to the Bonds.

Any or all of the items listed above may be incorporated by reference from other documents, including official statements of debt issues of the Issuer or related public entities, which are available to the public on the MSRB's Internet Web Site or filed with the SEC. The Issuer shall clearly identify each such document incorporated by reference.

SECTION 5. Reporting of Material Events. The Issuer shall provide or cause to be provided, in a timely manner, notice of any of the following events with respect to the Bonds, if such event is material, to the MSRB:

(a) Principal and interest payment delinquencies;

(b) Non-payment related defaults;

(c) Unscheduled draws on debt service reserves reflecting financial difficulties;

(d) Unscheduled draws on credit enhancements reflecting financial difficulties;

(e) Substitution of credit or liquidity providers, or their failure to perform;

(f) Adverse tax opinions or events affecting the tax-exempt status of the Bonds;

(g) Modifications to rights of bondholders;

(h) Bond calls;

(i) Defeasances;

(j) Release, substitution or sale of property securing repayment of the Bonds; or

(k) Rating changes.

SECTION 6. Identifying Information. All documents provided to the MSRB pursuant to this Disclosure Certificate shall be accompanied by identifying information as prescribed by the MSRB.

SECTION 7. Termination of Reporting Obligation. The Issuer's obligations under this Disclosure Certificate shall terminate upon the earliest of: (i) the date of legal defeasance, prior redemption or payment in full of all of the Bonds; (ii) the date that the Issuer shall no longer constitute an "obligated person" within the meaning of the Rule; or (iii) the date on which those portions of the Rule which require this written undertaking are held to be invalid by a court of competent jurisdiction in a non-appealable action, have been repealed retroactively or otherwise do not apply to the Bonds.

SECTION 8. Dissemination Agent. The Issuer may, from time to time, appoint or engage a Dissemination Agent to assist the Issuer in carrying out its obligations under this Disclosure Certificate, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent.

SECTION 9. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the Issuer may amend this Disclosure Certificate, and may waive any provision of this Disclosure Certificate, without the consent of the holders and beneficial owners of the Bonds, if such amendment or waiver does not, in and of itself, cause the undertakings herein (or action of any Participating Underwriter in reliance on the undertakings herein) to violate the Rule, but taking into account any subsequent change in or official interpretation of the Rule. The Issuer will provide notice of such amendment or waiver to the MSRB.

SECTION 10. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the Issuer from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Material Event, in addition to that which is required by this Disclosure Certificate. If the Issuer chooses to include any information in any Annual Report or notice of occurrence of a Material Event in addition to that which is specifically required by this Disclosure Certificate, the Issuer shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Material Event.

SECTION 11. Default. In the event of a failure of the Issuer to comply with any provision of this Disclosure Certificate, any holder or beneficial owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Issuer to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an event of default under the Bond Ordinance, and the sole remedy under this Disclosure Certificate in the event of any failure of the Issuer to comply with this Disclosure Certificate shall be an action to compel performance.

SECTION 12. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the Issuer, the Dissemination Agent, the Participating Underwriter, and the holders and beneficial owners from time to time of the Bonds, and shall create no rights in any other person or entity.

DATE: September 9, 2010.

CITY OF RENO, NEVADA

____

Finance Director

EXHIBIT "A"

NOTICE TO REPOSITORIES OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer:	City of Reno, Nevada
Name of Bond Issue:	General Obligation (Limited Tax) Sewer Refunding Bonds (Additionally Secured by Pledged Revenues), Series 2010
Date of Issuance:	September 9, 2010
CUSIP No.:	

NOTICE IS HEREBY GIVEN that the Issuer has not provided an Annual Report with respect to the above-named Bonds as required by the Bond Ordinance adopted on July 7, 2010, and the Continuing Disclosure Certificate executed on September 9, 2010 by the Issuer. The Issuer anticipates that the Annual Report will be filed by ______________________.

Dated: ______________________

CITY OF RENO, NEVADA

By:________________________________

Its:________________________________

EXHIBIT “B”

(See page iv in the Official Statement)

APPENDIX F

OFFICIAL NOTICE OF BOND SALE

$21,145,000*
CITY OF RENO, NEVADA
GENERAL OBLIGATION (LIMITED TAX)
SEWER REFUNDING BONDS
(ADDITIONALLY SECURED BY PLEDGED REVENUES)
SERIES 2010

PUBLIC NOTICE IS HEREBY GIVEN that the City Council of the City of Reno, Nevada (the "Council," the "City," and the "State," respectively), on

THURSDAY, AUGUST 26, 2010

at the hour of 8:30 a.m.*, local time, in the office of

Swendseid & Stern
50 W. Liberty Street, Suite 1000
Reno, Nevada

the City will receive and cause to be publicly opened bids for the purchase of the bonds of the City particularly described below. Bids must be delivered (no bids will be received by mail) to the City Interim Finance Director or her designee (the "Finance Director") at the office of Swendseid & Stern, a member in Sherman & Howard LLC ("Bond Counsel") or delivered electronically via PARITY by the time and date stated above (See "MANNER OF BID SUBMITTAL" herein).

<u>EQUAL OPPORTUNITY:</u> **IT IS THE POLICY OF THE CITY TO PROVIDE MINORITY BUSINESS ENTERPRISES, WOMEN BUSINESS ENTERPRISES AND ALL OTHER BUSINESS ENTERPRISES AN EQUAL OPPORTUNITY TO PARTICIPATE IN THE PERFORMANCE OF ALL CITY CONTRACTS. BIDDERS ARE REQUESTED TO ASSIST THE CITY IN IMPLEMENTING THIS POLICY BY TAKING ALL REASONABLE STEPS TO ENSURE THAT ALL AVAILABLE BUSINESS ENTERPRISES, INCLUDING MINORITY AND WOMEN BUSINESS ENTERPRISES HAVE AN EQUAL OPPORTUNITY TO PARTICIPATE IN CITY CONTRACTS.**

BOND PROVISIONS

THE BONDS: City of Reno, Nevada, General Obligation (Limited Tax) Sewer Refunding Bonds (Additionally Secured by Pledged Revenues), Series 2010, in the aggregate principal amount of $21,145,000* (the "2010 Bonds" or the "Bonds") will be dated as of the date of delivery of the Bonds, will be issued in fully registered form, and will be registered to Cede & Co.

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* Preliminary, subject to change.

MATURITIES: The Bonds will mature on the dates and in the amount of principal (the "Maturity Schedule") as designated in the preliminary official statement relating to the Bonds (the "Preliminary Official Statement"). The amounts of the Bonds maturing in each year may be changed from those listed in the Maturity Schedule as described in "ADJUSTMENT OF MATURITIES AFTER DETERMINATION OF BEST BID" and "MANDATORY SINKING FUND REDEMPTION" below.

ADJUSTMENT OF MATURITIES AFTER DETERMINATION OF BEST BID: The aggregate principal amount and the principal amount of each serial maturity of the 2010 Bonds described herein are subject to adjustment by the City, after the determination of the best bid. Changes to be made will be communicated to the successful bidder by the time of award of the 2010 Bonds to the successful bidder, and will not reduce or increase the aggregate principal amount of the 2010 Bonds by more than fifteen percent (15%). The price bid by a successful bidder may be changed as described below, but the interest rates specified by the successful bidder for all maturities will not change. A successful bidder may not withdraw its bid as a result of any changes made within these limits. The price bid will be changed so that the percentage net compensation to the successful bidder (i.e., the percentage resulting from dividing (i) the aggregate difference between the offering price of the 2010 Bonds to the public and the price to be paid to the City, less any bond insurance premium to be paid by the bidder, by (ii) the principal amount of the 2010 Bonds) does not increase or decrease from what it would have been if no adjustment was made to the principal amounts shown in the Maturity Schedule.

To facilitate any adjustment in the principal amounts and price bid, the successful bidder is required to indicate by facsimile transmission to the City (775) 323-2339 no later than one-half hour after the bid opening, the amount of any original issue discount or premium on each maturity of the 2010 Bonds the amount received from the sale of the 2010 Bonds to the public that will be retained by the successful bidder as its compensation.

OPTIONAL PRIOR REDEMPTION: The 2010 Bonds, or portions thereof, maturing on and after August 1, 2021, are subject to redemption prior to their respective maturities, at the option of the City, on and after August 1, 2020, in whole or in part at any time from any maturities selected by the City and by lot, or in such other manner in which the Registrar deems fair, within a maturity (giving proportionate weight to 2010 Bonds in denominations larger than $5,000), at a price equal to the principal amount of each 2010 Bond, or portion thereof, so redeemed, and accrued interest thereon to the redemption date.

Redemption will be made upon not more than sixty (60) and not less than thirty (30) days' prior notice by mail addressed to the registered owner (initially Cede & Co.), in the manner and upon the conditions to be provided in the ordinance authorizing the issuance of the 2010 Bonds (the "Bond Ordinance").

MANDATORY SINKING FUND REDEMPTION: A bidder may request that one or more Bonds maturing on and after August 1, 2021 be included in a term bond (the "Term Bond(s)"). Amounts included as a Term Bond must consist of consecutive maturities, must bear the same rate of interest and must include the entire principal amount for any maturity included in the Term Bond (i.e., the principal amount maturing in any year may not be divided between a serial maturity and a mandatory sinking fund redemption). Any such Term Bond will be subject to mandatory sinking fund redemption in installments in the same amounts and on the same dates as the Bonds would have matured if they were not included in a Term Bond or Term Bonds.

Bonds redeemed pursuant to the mandatory sinking fund redemption provisions will be redeemed at a redemption price equal to the principal amount of the Bonds to be redeemed plus accrued interest to the redemption date in the manner and as otherwise provided in the Bond Ordinance. Any election to designate Bonds as being included in a Term Bond must be made in the printed official bid form (see "BID PROPOSALS" below).

INTEREST RATES AND LIMITATIONS: The following interest limitations are applicable to the Bonds:

(a) Interest on the Bonds will be payable on February 1 and August 1 of each year commencing on February 1, 2011.

(b) The interest rate specified for each maturity of the Bonds and the True Interest Cost (see "Basis of Award" below) of the Bonds may not exceed by more than 3% the "Index of Twenty Bonds" which is most recently published in The Bond Buyer before the bids are received.

(c) The interest rate specified must be stated in a multiple of 1/8th or 1/20th of 1% per annum.

(d) Each Bond as initially issued will bear interest from its date to its stated maturity date at the interest rate stated in the bid. A zero rate of interest may not be named.

(e) Only one interest rate can be stated for any maturity, i.e., all 2010 Bonds with the same maturity date must be the same rate of interest.

DISCOUNT OR PREMIUM PERMITTED: A bidder may offer to purchase the 2010 Bonds at a discount or at a premium.

BOND INSURANCE/RATING LETTERS: A municipal bond insurance policy to insure payment of the principal of and interest on the Bonds when due may be provided at bidder's option and expense. The City will pay for ratings on the Bonds from Moody's Investors Service and Standard and Poors' Ratings Services.

PAYMENT: The principal of the Bonds shall be payable at The Bank of New York Mellon Trust Company, N.A., in Los Angeles, California, as Paying Agent, or such other office as designated by the Paying Agent, to the registered owner thereof as shown on the registration records of The Bank of New York Mellon Trust Company, N.A., in Los Angeles, California, as Registrar, upon maturity thereof, upon presentation and surrender of such Bond at such Paying Agent. Payment of interest on any Bond shall be made to the registered owner thereof by check or draft mailed by the Paying Agent, on each interest payment date (or if such date is not a business day, on the next succeeding business date), to the registered owner thereof at the address as it appears on the registration records of the Registrar as of the close of business on the fifteenth day of the calendar month next preceding each interest payment date (other than a special interest payment date hereafter fixed for payment of defaulted interest) (the "Regular Record Date"). If any Bond is not paid upon presentation at maturity, it will draw interest at the same rate until the principal is paid in full. Alternative arrangements for the payment of interest may be made upon agreement between the Paying Agent and any registered owner. All such payments shall be made in lawful money of the United States of America without deduction for any service charges of the Paying Agent or Registrar.

BOOK ENTRY/TRANSFER AND EXCHANGE: The Bonds will be issued in registered form and one bond certificate for each maturity of the Bonds will be issued to The Depository Trust Company, New York, New York ("DTC"), registered in the name of its nominee, Cede & Co., and immobilized in the custody of the Paying Agent pursuant to the FAST System. A book entry system will be employed, evidencing ownership of the Bonds in principal amounts of $5,000 or any integral multiple thereof, with transfers of ownership effected on the records of DTC and its participants pursuant to rules and procedures adopted by DTC and its participants. The successful bidder(s), as a condition to delivery of the Bonds, will be required to deposit the Bond certificates with DTC, registered in the name of Cede & Co. Principal of and interest on the Bonds will be payable by the Paying Agent by wire transfer or in same day funds to DTC or its nominee as registered owner of the Bonds. Transfer of principal and interest payments to participants of DTC will be the responsibility of DTC. Transfer of principal and interest payments to the beneficial owners by participants of DTC will be the responsibility of such participants and other nominees of beneficial owners. Neither the City nor the Paying Agent will be responsible or liable for payments by DTC to its participants or by DTC participants to beneficial owners or for maintaining, supervising or reviewing the records maintained by DTC, its participants or persons acting through such participants.

ENABLING ACTS AND AUTHORIZED PURPOSES: The City is operating as a City pursuant to Chapter 662, Statutes of Nevada, 1971, as amended (the "Charter").

The 2010 Bonds are authorized to be issued pursuant to the provisions of NRS 350.020(3) and NRS 350.500 to 350.720, inclusive (the "Bond Act"). The Debt Management Commission of Washoe County has approved the issuance of the 2010 Bonds.

PURPOSE OF BONDS: The 2010 Bonds are being issued for the purpose of refinancing the City's General Obligation (Limited Tax) Medium-Term Sewer Bond, Series 2008 (the "Project").

SECURITY AND PAYMENT: The 2010 Bonds will, in the opinion of Bond Counsel, be direct general obligations of the City. The principal of and interest on the 2010 Bonds ("2010 Bond Requirements") will be payable from annual general (ad valorem) taxes (herein "General Taxes") levied against all taxable property within the City (except to the extent Pledged Revenues, as defined below, and other moneys are legally available therefor), subject to the limitations imposed by the statutes and the Constitution of the State applicable to the Bonds. See "CONSTITUTIONAL TAX LIMITATION" and "STATUTORY TAX LIMITATION" below. The 2010 Bonds will be a debt of the City, and the Council shall pledge the full faith and credit of the City for their payment.

ADDITIONAL SECURITY FOR THE BONDS: The Bonds also will be secured by an irrevocable pledge of revenues received by the City from the City's sewer system consisting of all income and revenues derived directly or indirectly by the City from the operation and use and otherwise pertaining to the sewer system or any part thereof, after the payment of the Operation and Maintenance Expenses of the sewer system (the "Pledged Revenues") See Appendix "B", SUMMARY OF CERTAIN PROVISIONS OF THE BOND ORDINANCE.

SPECIAL ACCOUNT FOR THE BONDS: As security for the payment of the Bond Requirements there will be irrevocably and exclusively pledged, pursuant to Bond Ordinance, a special account, identified as the "City of Reno, Nevada, General Obligation (Limited Tax) Sewer Refunding Bonds (Additionally Secured by Pledged Revenues), Series 2010 Interest and Principal Fund" into which account the City covenants to pay from the Pledged Revenues sums sufficient to pay when due the Bond Requirements due in connection with the Bonds, except to the extent other monies are available therefor.

BOND LIENS: The Bonds shall be equally and ratably secured by a lien on the Pledged Revenues, and the Bonds shall constitute an irrevocable lien (but not necessarily an exclusive lien) upon the Pledged Revenues, subject to and after any superior bonds or superior securities outstanding or hereafter issued with a lien on the Pledged Revenues superior to the lien of the Bonds, and on a parity with the pledge of and lien on the Pledged Revenues to secure the payment of the City of Reno, Nevada, General Obligation (Limited Tax) Sewer Bond (Additionally Secured by Pledged Revenues), Series 2004 (the "2004 Bond") and the City of Reno, Nevada, General Obligation (Limited Tax) Sewer Bond (Additionally Secured by Pledged Revenues), Series 2005 (the "2005 Bond" and together with the 2004 Bond, the "Prior Bonds") and any bonds hereafter issued with a lien on the Pledged Revenues on a parity with the Bonds (the "Parity Lien Obligations").

ISSUANCE OF SECURITIES IN ADDITION TO THE BONDS: Other securities, in addition to the Bonds and the Parity Lien Obligations, subject to expressed conditions, may be issued and made payable from the Pledged Revenues having a lien thereon subordinate and junior to the lien or, subject to additional expressed conditions, having a lien thereon superior to or on a parity with the lien of such Bonds and the Prior Bonds, in accordance with the provisions of the Bond Ordinance (See Appendix "B", SUMMARY OF CERTAIN PROVISIONS OF THE BOND ORDINANCE).

BOND ORDINANCE: The Bond Ordinance adopted on July 7, 2010 sets forth, among other matters, the form, terms and conditions of the Bonds, the manner and terms of their issuance, the manner of their execution, the method of their payment, the security therefor, and other details concerning the Bonds, the Project and the City, including, without limitation, covenants and agreements in connection therewith. A copy of the Bond Ordinance is on file with the City Clerk and is available for public inspection at her office at City Hall, One E. First Street, Reno, Nevada.

ISSUANCE OF ADDITIONAL SECURITIES: The Council reserves the privilege of issuing additional general obligation bonds at any time and from time to time for any lawful purpose.

TAX EXEMPTION: In the opinion of Bond Counsel, assuming continuous compliance with certain covenants described below, interest on the Bonds is not included in gross income under present federal income tax laws pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Tax Code"), and interest on the Bonds is not included in alternative minimum taxable income as defined in Section 55(b)(2) of the Tax Code.

STATE TAX EXEMPTION: In the opinion of Bond Counsel, under present laws of the State, the Bonds, their transfer, and the income therefrom are free and exempt from taxation by the State or any subdivision thereof, except for the tax on estates imposed pursuant to Chapter 375A of NRS and the tax on generation-skipping transfers imposed pursuant to Chapter 375B of NRS.

CONSTITUTIONAL TAX LIMITATION: Section 2, article 10, State Constitution, provides:

> "The total tax levy for all public purposes including levies for bonds, within the state, or any subdivision thereof, shall not exceed five cents on one dollar of assessed valuation."

STATUTORY TAX LIMITATION: NRS 361.453 provides:

> ". . . the total ad valorem tax levy for all public purposes must not exceed $3.64 on each $100 of assessed valuation, or a lesser or greater amount fixed by the state board of examiners if the state board of examiners is directed by law to fix a lesser or greater amount for that fiscal year."

STATUTORY PRIORITY FOR BONDS: NRS 361.463 provides:

> "1. In any year in which the total taxes levied by all overlapping units within the boundaries of the state exceed the limitation imposed by NRS 361.453, and it becomes necessary for that reason to reduce the levies made by any of those units, the reduction so made must be in taxes levied by those units (including the state) for purposes other than the payment of bonded indebtedness, including interest thereon.
>
> "2. The taxes levied for the payment of bonded indebtedness and the interest thereon enjoy a priority over taxes levied by each such unit (including the state) for all other purposes where reduction is necessary to comply with the limitation imposed by NRS 361.453."

STATUTORY PROVISION FOR TAX LEVIES: NRS 350.592 provides in relevant part:

> "1. There must be levied annually in due season a special tax on all property, both real and personal, subject to taxation within the boundaries of the municipality, fully sufficient, together with the revenue which will result from application of the rate to the net proceeds of minerals, without regard to any statutory or charter tax limitation other than the limitation set forth in NRS 361.453, to pay the interest on the general obligation municipal securities and to pay and retire the securities as provided in the Local Government Securities Law and in any act supplemental hereto. The amount of money to be raised by the tax must be included in the annual estimate or budget for each county within

the state for each year for which the tax is hereby required to be levied. The tax must be levied and collected in the same manner and at the same time as other taxes are levied and collected.

"2. The proceeds thereof levied to pay interest on the securities must be kept by the treasurer in a special fund, separate and apart from all other funds, and the proceeds of the tax levied to pay the principal of the securities must be kept by the treasurer in a special fund, separate and apart from all other funds. The two special funds must be used for no other purpose than the payment of the interest on the securities and the principal thereof, respectively, when due; . . . ."

TIMES OF LEVIES: NRS 350.594 provides:

"Such tax shall be levied immediately after the issuance of any general obligation securities issued in accordance with the provisions of the Local Government Securities Law, and annually thereafter, at the times and in the manner provided by law, until all of the securities, and the interest thereon, have been fully discharged. Such tax may be first levied after the municipality has contracted to sell any securities but before their issuance."

USE OF GENERAL FUND: NRS 350.596 provides:

"Any sums coming due on any general obligations municipal securities at any time when there are not on hand from such tax levy or levies sufficient funds to pay the same shall be promptly paid when due from the general fund of the municipality, reimbursement to be made to such general fund in the sums thus advanced when the taxes herein provided for have been collected."

USE OF OTHER FUNDS: NRS 350.598 provides:

"Nothing contained in the Local Government Securities Law shall be so construed as to prevent the municipality from applying any funds (other than taxes) that may be available for that purpose to the payment of the interest on or the principal of any general obligation municipal securities as the same respectively mature, and regardless of whether the payment of the general obligation municipal securities is additionally secured by a pledge of revenues, and upon such payments, the levy or levies of taxes provided in the Local Government Securities Law may thereupon to that extent be diminished."

STATUTORY APPROPRIATIONS: NRS 350.602 provides:

"There is by the Local Government Securities Law, and there shall be by ordinance authorizing the issuance of any indebtedness contracted in accordance with the provisions of the Local Government Securities Law, specially appropriated the proceeds of such taxes to the payment of such principal and interest; and such appropriations shall not be repealed nor the taxes postponed or diminished (except as herein otherwise expressly provided) until the principal of and interest on the municipal securities evidencing such debt have been wholly paid."

NO PLEDGE OF PROPERTY: The payment of the Bonds will not be secured by an encumbrance, mortgage or other pledge of property of the City, and no City property is liable to be forfeited or taken in payment of the Bonds.

IMMUNITY OF INDIVIDUALS: NRS 350.606 provides:

"No recourse shall be had for the payment of the principal of, any interest on, and any prior redemption premiums due in connection with any bonds or other municipal securities or for any claim based thereon or otherwise upon the ordinance authorizing their issuance or other instrument appertaining thereto, against any individual member of the governing body or any officer or other agent of the municipality, past, present or future, either directly or indirectly through the governing body or the municipality, or otherwise, whether by virtue of any constitution, statute or rule of law, or by the enforcement of any penalty or otherwise, all such liability, if any, being by the acceptance of the securities and as a part of the consideration of their issuance specially waived and released."

ACTS IRREPEALABLE: NRS 350.610 provides:

"The faith of the state is hereby pledged that the Local Government Securities Law, any law supplemental or otherwise appertaining thereto, and any other act concerning the bonds or other municipal securities, taxes or the pledged revenues or any combination of such securities, such taxes and such revenues shall not be repealed nor amended or otherwise directly or indirectly modified in such a manner as to impair adversely any outstanding municipal securities, until all such securities have been discharged in full or provision for their payment and redemption has been fully made, including without limitation the known minimum yield from the investment or reinvestment of moneys pledged therefor in federal securities."

TERMS OF SALE

BID PROPOSALS: Except as otherwise provided below in "MANNER OF BID SUBMITTAL," each bidder must use the printed official bid form provided by the City. Each bid form must be completely filled out. Any bid in any other form may be disregarded. A bidder is required to submit an unconditional bid for all the Bonds specifying:

(1) The lowest rate or rates of interest and the premium or discount at which the bidder will purchase the Bonds.

It is also requested for informational purposes only, but is not required, that each bid disclose:

(2) The True Interest Cost (i.e, actuarial yield) on the bond issue expressed as a nominal annual percentage rate. (See "BASIS OF AWARD", below).

MANNER OF BID SUBMITTAL: Bids must be submitted either:

(1) in a sealed envelope marked on the outside,

"Proposal for Bonds"

and addressed to:

City of Reno Finance Director

or

(2) if delivered via PARITY, each bid must be delivered electronically via PARITY in accordance with its Rules of Participation and this Notice, by no later than 8:30 a.m., local time on August 26, 2010. No bid will be received after the time for receiving bids specified above. By submitting a bid for the Bonds, a PARITY bidder represents and warrants to the City that such bidder's bid for the purchase of the Bonds is submitted for and on behalf of such bidder by an officer or agent who is duly authorized to bind the bidder to a legal, valid and enforceable contract for the purchase of the Bonds. Each bid shall constitute an irrevocable offer to purchase the Bonds on the terms therein provided and as set forth in this Official Notice of Bond Sale, as amended. If any provision in this Official Notice of Bond Sale conflicts with information or terms provided or represented by PARITY, the Official Notice of Bond Sale, including any amendments thereto, shall control.

Each PARITY bidder shall be solely responsible to make necessary arrangements to access PARITY for purposes of submitting its bid in a timely manner and in compliance with the requirements of this Official Notice of Bond Sale. Neither the City nor the Financial Advisor shall be responsible for proper operation of, or have any liability for any delays or interruptions of, or any damages caused by, PARITY. Any discrepancy between the terms set forth in this Official Notice of Bond Sale, as amended, and PARITY shall be resolved in favor of this Official Notice of Bond Sale, as amended. The City is using PARITY as a communication mechanism, and not as the City's agent, to conduct the electronic bidding for the Bonds.

In the event of a malfunction in the electronic bidding process, bidders may submit their bids by facsimile transmission to the Finance Director by facsimile (775) 323-2339.

GOOD FAITH DEPOSIT: Except as otherwise provided below, a good faith deposit ("Deposit") in the form of a certified or cashier's check drawn on a solvent commercial bank or trust company in the United States of America or a Financial Surety Bond issued by an insurance company licensed to issue such surety bond in the State of Nevada, made payable to

City of Reno, Nevada

in the amount of

$225,000

is required for each bid to be accepted. If a check is used, it must accompany each bid. If a Financial Surety Bond is used, such surety bond must be submitted to the City or its Financial Advisor prior to the opening of the bids. The Financial Surety Bond must identify each bidder whose Deposit is guaranteed by such Financial Surety Bond. If the winning bidder on the Bonds is determined to be a bidder utilizing a Financial Surety Bond, then that bidder is required to submit its Deposit to the City in the form of a cashier's check (or wire transfer such amount as instructed by the City or its Financial Advisor) not later than 10:00 a.m. (City's local time) on the next business day following the bid opening. If such Deposit is not received by that time, the Financial Surety Bond may be drawn by the City to satisfy the Deposit requirement.

If the apparent winning bidder on the Bonds is determined to be a bidder who has not submitted a Deposit in the form of a Financial Surety Bond or check, as provided above, the Financial Advisor will request the apparent winning bidder to immediately wire the Deposit to:

Bank of America
ABA #026009593
Account #501007286672
Reference "Proceeds 2010 M-T Refunding"

and provide the Federal wire reference number of such Deposit to the Financial Advisor within 90 minutes of such request by the Financial Advisor. The Bonds will not be officially awarded to a bidder who has not submitted a Deposit in the form of a Financial Surety Bond or check, as provided above, until such time as the bidder has provided a Federal wire reference number for the Deposit to the Financial Advisor.

No interest on the Deposit will accrue to any bidder. The Deposit of the winning bidder of the Bonds will be applied to the purchase price of the Bonds. In the event a winning bidder fails to honor its accepted bid, the Deposit plus any interest accrued on the Deposit will be retained by the City. Any investment income earned on the good faith deposit will not be paid to a successful bidder in the event the City is unable to deliver the Bonds as provided under "MANNER AND TIME OF DELIVERY", below. Deposits accompanying bids other than the bid which is accepted will be returned promptly upon the determination of the best bidder.

CUSIP NUMBERS: It is anticipated that CUSIP identification numbers will be printed on the Bonds, but neither the failure to print such number on any Bond nor any error with respect thereto shall constitute cause for a failure or refusal by a purchaser to accept delivery of any payment for the Bonds in accordance with the terms of the purchase contract. All expenses relating to printing the CUSIP numbers on the Bonds will be paid by the City; but the CUSIP Service Bureau charge for the assignment of the numbers will be the responsibility of and must be paid by the purchaser(s).

SALES RESERVATIONS: The Council reserves the privilege:

A. of waiving any irregularity or informality in any bid;

B. of rejecting any and all bids; and

C. of reoffering the Bonds for sale, as provided by law.

In addition, the City reserves the privilege of changing the date and/or time of sale of the Bonds. Any change in the date and/or time of sale of the Bonds will be communicated via PARITY or Munifacts. If the City changes the sale date and/or time, this Notice shall remain effective, except as amended by such PARITY or Munifacts communication or other amendment communicated to potential bidders.

BASIS OF AWARD: The Bonds, subject to such sale reservations, will be sold by the City to the responsible bidder making the best bid for all the Bonds. The best bid will be determined by computing the actuarial yield on the issue of Bonds (i.e., using an actuarial or true interest cost method) for each bid received and an award will be made (if any is made) to the responsible bidder submitting the bid which results in the lowest true interest cost on the Bonds. "true interest cost" on the Bonds as used herein means that yield which if used to compute the present worth as of the date of the Bonds of all payments of principal and interest to be made on the Bonds from their date to their respective maturity dates (or mandatory sinking fund redemption dates), using the interest rates specified in the bid, produces an amount equal to the principal amount of the Bonds, plus any premium bid or less any discount bid. No adjustment shall be made in such calculation for accrued interest on the Bonds from their date to the date of delivery thereof. Such calculation shall be based on a 360 day year and a semiannual compounding interval. If there are two or more equal bids and such equal bids are the best bids received, the City will determine which bid will be accepted.

REOFFERING PRICES: Within 1/2 hour of the bid opening, each successful bidder (or manager of the purchasing account) must advise the City and the Financial Advisor by facsimile transmission to (775) 323-2339 and (702) 796-2975 of the initial offering prices of the Bonds to the public. **The information about the initial offering prices shall be based on the successful bidders' expectations as of the date of sale.** The facsimile notification must be confirmed in writing in the form and substance satisfactory to Bond Counsel prior to the delivery of the Bonds, which shall be in substantially the form: "A bona fide public offering was made for all of the Bonds on this sale date at the initial public offering prices (or yields) shown on the cover page of the Official Statement. As of such sale date (i) based upon our assessment of market conditions, investor demand, sale and offering prices for comparable bonds, and the recent behavior of interest rates, we reasonably expected that the first prices (or yields) at which at least 10% of each maturity of the Bonds would be sold to the public (excluding such bond houses, brokers or similar persons or organizations acting in the capacity of underwriters or wholesalers) would be those prices (or yields) and that none of the Bonds would be sold to the public at prices higher than or at yields less than those prices (or yields), and (ii) such initial offering prices (or yields) represented a fair market value for the Bonds."

PLACE AND TIME OF AWARD: Bids will be opened at the time and place stated. The Finance Director intends to take action, upon the determination of the best bid, awarding the Bonds or rejecting all bids not later than 36 hours after the time stated for opening bids. A bid may not be withdrawn during the 36 hour period following the bid opening; however, an award may be made after the stated period if the bidder shall not have given to the Finance Director notice in writing of the withdrawal of its bid.

MANNER AND TIME OF DELIVERY: The Deposit will be credited to the purchaser at the time of delivery of the Bonds (without accruing interest). If the successful bidder for the Bonds fails, neglects, or refuses to complete the purchase of the Bonds on the date on which Bonds are made ready and are tendered by the Board for delivery, the amount of its Deposit will be forfeited (as liquidated damages for noncompliance with the bid) to the City. In that event, the Board may reoffer such Bonds for sale, as provided by law. The Bonds, registered in the name of Cede & Co., will be made available for delivery by the Board to the purchaser of the Bonds as soon as reasonably possible after the date of the sale. The Board contemplates delivering the Bonds on or about September 9, 2010. The purchaser of the Bonds will be given 72 hours' notice of the time fixed for tendering such Bonds for delivery.

PAYMENT AT AND PLACE OF DELIVERY: The successful bidder will be required to accept delivery of the Bonds at the Paying Agent on behalf of DTC, pursuant to the FAST System. Payment of the balance of the purchase price due for the Bonds at the time of their delivery must be made in Federal Reserve Bank funds or other funds acceptable to the City for immediate and unconditional credit to the account of the City, as directed by the Finance Director, at a bank designated by the Finance Director, so that such bond proceeds may be deposited or invested, as the Finance Director may determine, simultaneously with the delivery of the Bonds. The balance of the purchase price must be paid in such funds and not by any waiver of interest, and not by any other concession as a substitution for such funds.

OFFICIAL STATEMENT: The City has prepared a Preliminary Official Statement, which is deemed by the City to be final as of its date for purposes of allowing bidders to comply with Rule 15c2-12(b) of the Securities Exchange Commission (the "Rule"), except for the omission of certain information as permitted by the Rule. The Preliminary Official Statement is subject to revision, amendment and completion in a "Final Official Statement".

The City will prepare a Final Official Statement, dated as of the date of its delivery to the winning bidder(s) as soon as practicable after the date of award to the winning bidder. The City will provide to the winning bidder of the Bonds 75 copies of the Final Official Statement on or before seven business days following the date of the award to the winning bidder. The Final Official Statements will be delivered to the winning bidder at the offices of NSB Public Finance at the address listed in this Notice. If the winning bidder fails to pick up the Final Official Statements at the offices of NSB Public Finance, the Final Official Statements will be forwarded to the winning bidder by mail or another delivery service mutually agreed to between the winning bidder and NSB Public Finance. The winning bidder may obtain additional copies of the Final Official Statement at the expense of the winning bidder.

The City authorizes the winning bidder to distribute the Final Official Statement in connection with the offering of the Bonds.

For a period beginning on the date of the Final Official Statement and ending twenty five days following the date the winning bidder shall no longer hold for sale any of the Bonds (such date shall be the Closing Date unless the winning bidder advises the City in writing of another date), if any event concerning the affairs, properties or financial condition of the City shall occur as a result of which it is necessary to supplement the Final Official Statement in order to make the statements therein, in light of the circumstances existing at such time, not misleading, at the request of the winning bidder, the City shall forthwith notify the winning bidder of any such event of which it has knowledge and shall cooperate fully in the preparation and furnishing of any supplement to the Final Official Statement necessary, in the reasonable opinion of the City and the winning bidder, so that the statements therein as so supplemented will not be misleading in the light of the circumstances existing at such time.

The Official Notice of Bond Sale (the "Notice"), an Official Statement and other information concerning the City and the Bonds may be obtained prior to the sale from:

The City's Financial Advisor:

NSB Public Finance
230 Las Vegas Boulevard South, Suite 200
Las Vegas, Nevada 89101
(702) 796-7080
or

The City's Interim Finance Director:

Jill Olsen
Reno City Hall
One East First Street
Reno, Nevada 89501
(775) 326-6655

DISCLOSURE CERTIFICATES: The final certificates included in the transcript of legal proceedings will include:

1. A certificate, dated as of the Closing Date, and signed by the Mayor of the City, the Finance Director and the City Attorney or a deputy thereof, in which each of them states, after reasonable investigation, that to the best of his or her knowledge (a) no action, suit, proceeding, inquiry, or investigation, at law or in equity, before or by any court, public board, or body, is pending, or, to the best of the knowledge of each of them, threatened, in any way contesting the completeness or accuracy of the Final Official Statement, (b) the Final Official Statement as it pertains to the City and the Bonds does not contain any untrue statement of a material fact or omit to state any material fact necessary to make the statements made therein, in the light of the circumstances under which they were made, not misleading; and (c) no event affecting the City has occurred since the date of the Final Official Statement which should be disclosed therein for the purpose for which it is to be used or which it is necessary to disclose therein in order to make the statements and information therein not misleading in any respect; provided, however that the City does not make any representation concerning the pricing information contained in the Final Official Statement.

2. A certificate, dated as of the Closing Date, and signed by the Finance Director, stating after reasonable investigation, that, to the best of his knowledge, as of the Closing Date, the information contained in the Final Official Statement relating to revenues and expenditures of the City is true and correct and does not contain any untrue statement of a material fact or omit any information necessary to be included therein in order that the official statement be not misleading for the purpose for which it is to be used.

<u>CONTINUING DISCLOSURE UNDERTAKING.</u> Pursuant to the Rule, the City will undertake in a continuing disclosure certificate which is authorized in the Bond Ordinance, to provide certain ongoing disclosure, including annual operating data and financial information, audited financial statements and notices of the occurrences of certain material events. A copy of the continuing disclosure certificate is included as Appendix "E" to the Official Statement.

<u>LEGAL OPINION, BONDS AND TRANSCRIPT</u>: The validity and enforceability of the Bonds will be approved by:

Swendseid & Stern
a member in Sherman & Howard L.L.C.
50 W. Liberty Street, Suite 1000
Reno, Nevada 89501
(775) 323-1980

whose unqualified, final, approving opinion in substantially the form set forth in the Official Statement as Appendix "D," together with the printed Bonds, a certified transcript of the legal proceedings, including a certificate stating that there is no litigation pending affecting the validity of the Bonds as of the date of their delivery, and other closing documents, will be furnished to the purchaser of the Bonds on or after the Closing Date.

<u>CONSENT TO JURISDICTION</u>: a bid submitted by sealed bid or electronic bidding, if accepted by the Finance Director, or in her absence the City Manager, on behalf of the City, forms a contract between the winning bidder and the City subject to the terms of this Official Notice of Bond Sale. By submitting a bid, the bidder consents to the exclusive jurisdiction of any court of the State of Nevada located in Washoe County or the United States District Court for the State of Nevada for the purpose of any suit, action or other proceeding arising as a result of the submittal of the bid, and the bidder irrevocably agrees that all claims in respect to any such suit,
action or proceeding may be heard and determined by such court. The bidder further agrees that service of process in any such action commenced in such State or Federal court shall be effective on such bidder by deposit of the same as registered mail addressed to the bidder at the address set forth in the bid.

Dated this August 18, 2010.

CITY OF RENO, NEVADA

/s/ Jill Olsen
Acting Finance Director