

HUMBOLDT COUNTY COMPTROLLER

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COMPTROLLER

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November 24, 2010

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Residents of Humboldt County
The Honorable Board of County Commissioners
Humboldt County, Nevada

We are pleased to submit the Comprehensive Annual Financial Report of Humboldt County, Nevada for the fiscal year ended June 30, 2010.

Nevada Revised Statutes (NRS) 354.624 requires the County to issue an annual report on its financial position and activities and that this report be audited by an independent firm of certified public accountants.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

Kafoury, Armstrong & Co., Certified Public Accountants, have issued their unqualified ("clean") opinion on Humboldt County's financial statements for the year ended June 30, 2010. The independent auditor's report is located at the front of the financial section of this report.

Management's discussion and analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. MD&A compliment this letter of transmittal and should be read in conjunction with it.

PROFILE OF THE GOVERNMENT

Humboldt County was created in 1861 and is located in the rugged, high desert region of north-central Nevada, bordered on the north by Oregon and by neighboring Nevada counties to the west, south and east. The County's 9,626 square miles offer some of the most varied, spectacular scenery in the State and a wide array of recreational opportunities.

Humboldt County is located in the rich gold mining center of the Western U.S. and is the leading agricultural county in the State of Nevada with over 100,000 acres under cultivation. Nevada is the third largest gold producer in the world. Tourism is also a large part of the County's economic base due to the large number of visitors the gaming industry brings into the area. These visitors also enjoy the beautiful wide-open spaces, historical sites and great hunting and fishing.

The County provides an array of mandated services including property appraisal and assessment; tax collection; judicial services; public safety; and indigent services. Other services include library; juvenile and adult detention; road construction and maintenance; landfill; and television services. All services are supported by administrative services including management, finance, risk management and human resources.

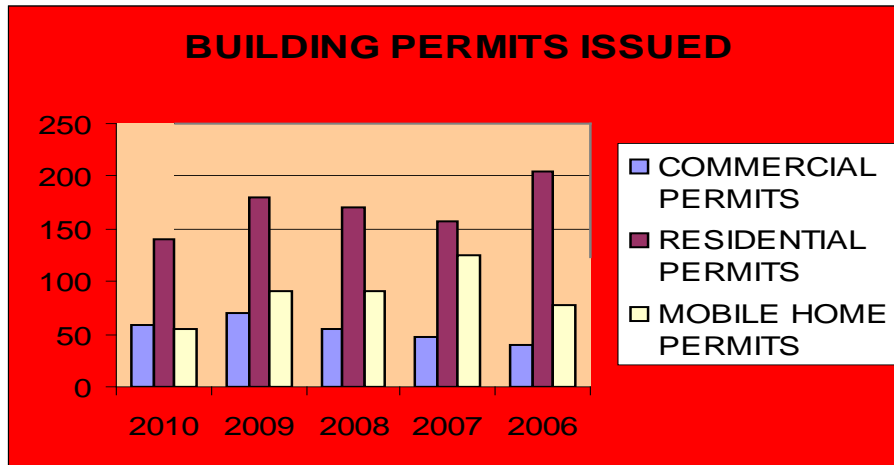
This report includes all funds of the County that are under the control or supervision of the Board of County Commissioners. Humboldt County does not have any discretely presented component units nor blended component units.

The annual budget serves as the financial plan for county operations. After departmental input, County Commission and State review and public hearings, the budget is adopted by June 1. The budget is integrated into the financial system for monitoring and control. The legal level of budgetary control is at the function level for governmental funds and at the operating and non-operating expense level for proprietary funds. The Comptroller, with Board approval, may approve budget adjustments within functions or funds. Adjustments that affect fund balance, or increase the original budget require Board approval. Additional information regarding the budget process and adjustments made can be found in Note 1 to the financial statements.

ECONOMIC CONDITION AND OUTLOOK

The County's economy is derived in large part from its main industries: mining, agriculture and agricultural services, tourism and construction. Humboldt County's population decreased over fiscal year 2009 by .002% (18,014 vs. 18,052). Assessed value decreased 2.8% over the previous fiscal year (2009) and this decrease was primarily the result of a reduction in the value of net proceeds of mines. The County's average unemployment rate (unadjusted) for June 2010 was 10.1%, while the State unemployment rate for the same period was 14.3%. Humboldt County's labor force decreased 4% over the previous year. This decrease can be attributed to the economic downturn (business closings) currently being experienced.

The number of County building permits issued, including both commercial and residential permits, decreased 15% over the previous fiscal year (254 permits issued in 09/10 and 299 permits issued in 08/09). The value of these permits decreased 26% over last year. Commercial permit valuations experienced the largest decreases in valuations.

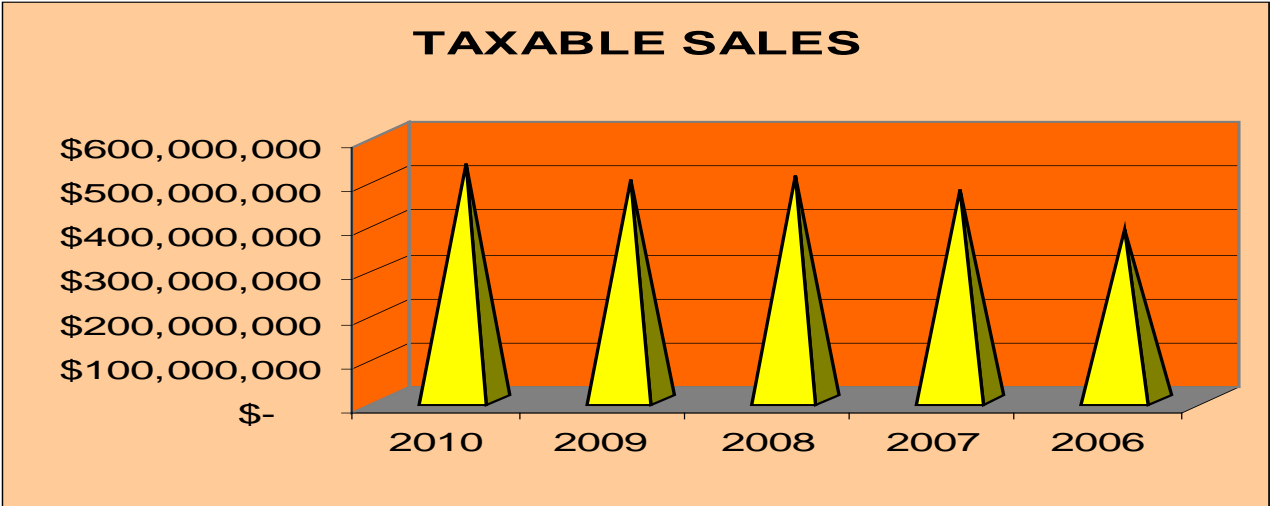


Sales taxes, along with cigarette taxes, liquor taxes, real property transfer taxes, and government services taxes are redistributed monthly back to the County from the State in a single lump sum, are called “Consolidated taxes”. County consolidated tax revenues for the last five years were:

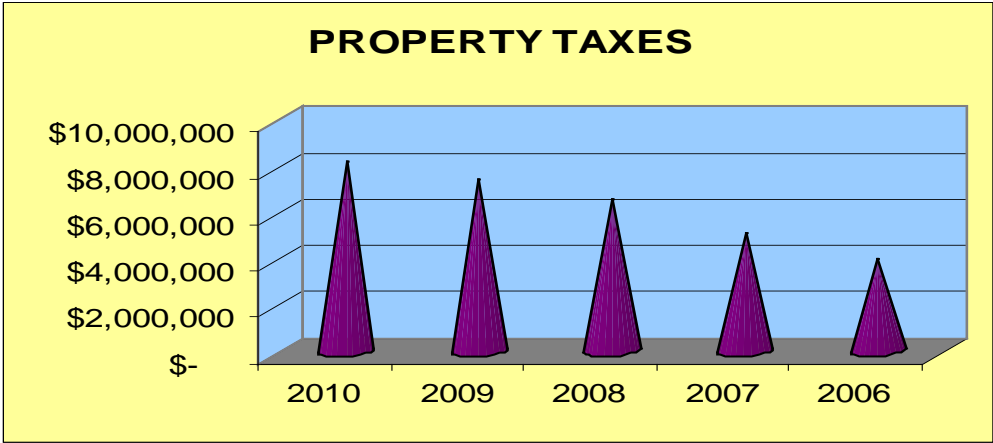


Humboldt County’s taxable sales in fiscal year 2010 increased 7% from fiscal year 2009. However, Combined Tax Revenues (CTX) actually decreased (8.3%) over the prior fiscal year. The decrease in CTX revenues was the result of state law (out-of-state sales tax revenues being allocated first to the urban counties Clark and Washoe) based upon population with only a small portion coming back to the county that receives the merchandise. Only 3 counties (Humboldt County being one of them) out of 17 state-wide, had an increase in taxable sales during the 2009-2010 fiscal year. State-wide taxable sales were down 10.3% from the previous fiscal year.

The areas that had the largest increase in taxable sales during the year were mining related activities, utilities and civil and engineering construction. Taxable sales for Humboldt County for the last five years were:



Property taxes are the County’s second largest source of revenues. Property tax revenues for the last five years were:



The increase in property tax revenues from the prior fiscal year is primarily a result of the increase in taxes on the net proceeds of mines. It should be noted that the receipt of net proceeds of mines received in 2009-2010 includes an estimate for 2010-2011 fiscal year as well. This additional distribution was the result of legislative changes enacted during the 2009 Legislature. Please see Note 1(E) 4 of the notes to the financial statements for additional information. The increase in net proceeds of mines can be directly linked to the price of gold. With the higher price of gold, mining companies increase production, expansion and exploration. This leads to greater profits and ultimately, an increase in net proceeds.

The following table provides the assessed valuation in the County and its only incorporated city.

ASSESSED VALUATIONS

Fiscal Year Ended June 30	Actual 2010	Actual 2009	Actual 2008	Actual 2007	Actual 2006
Unincorporated County	\$519,451,582	\$547,221,149	\$473,699,003	\$436,739,383	\$372,603,229
City of Winnemucca	\$153,735,683	\$145,369,070	\$140,522,651	\$132,491,306	\$117,347,730
Total	\$673,872,265	\$692,590,219	\$614,221,654	\$569,230,689	\$489,950,959
Percent Increase/Decrease	-2.8%	12.8%	7.9%	16.2%	-6.6%

The decrease in assessed value was primarily the result of the value of net proceeds of mines being lower (\$98 million in fiscal 2010 vs. \$150 million in fiscal 2009).

One of the main economic engines of Humboldt County is the mining industry, especially gold production. For fiscal year 2010, an ounce of gold ranged from \$940 per ounce in July, 2009 to over \$1,240 per ounce on June 30, 2010.

The County's first geo-thermal energy plant is operational.

The agricultural industry has remained fairly stable and the number of tourists visiting Humboldt County has increased. Some of the increased tourism activity can be attributed to the Indoor Events Center built by the County in 2000 and the concentrated efforts to bring more events into the County.

Total operating revenues exceeded total operating expenditures for the fifth year in a row, which is an indication that Humboldt County's economy has remained strong, despite the fiscal stresses being realized nationally and throughout the State of Nevada.

LONG-TERM FINANCIAL PLANNING

Unreserved, undesignated fund balance in the general fund (77% percent of general fund expenditures) exceeds the minimum policy guideline set by the County Commission (i.e. minimum of 60 percent of general fund expenditures).

During the fiscal year, the County paid off its only remaining equipment lease. As of June 30, 2010, Humboldt County has NO debt.

The County's Stabilization Fund (created by the Nevada Legislature to stabilize the operations of government and to mitigate the effects of natural disasters) has accumulated the maximum balance allowed by law.

The County's Compensated Absence Fund is now funded at 128% of the total compensated absence liability as of June 30, 2010.

RELEVANT FINANCIAL POLICIES

The County Commission has adopted several policies that provide a framework for financial stability for the residents of Humboldt County. These include:

1. Setting a General Fund Balance minimum of 60% of General Fund Expenditures. Since Nevada's tax structure is primarily based upon sales tax, which is extremely volatile, a larger fund balance is warranted to provide resources when the economy turns downward. In addition, with an economy reliant upon the mining industry, it is also prudent to build up fund balance.
2. An attrition policy that provides vacated positions may not be filled until 120 days (90 days for public safety positions) have passed and that there is ample justification to refill. This policy was adopted a number of years ago and remains in effect.
3. Provide sufficient resources over a 5-year period to fully fund the County's outstanding liability for compensated absences.

MAJOR INITIATIVES

As the National and State economic downturn grew worse, Humboldt County looked for ways to reduce its cost of operations and maintain existing service levels. The County was able to negotiate new employee contracts with its employees that provided for a modest cost of living increase while other jurisdictions were laying employees off, reducing salaries and benefits, and reducing service. The County was able to accomplish this because of past decisions made by the County Commission that built up reserves in anticipation of poor economic times.

Much of the activities this fiscal year could be couched as defensive, meaning as most governments struggled to maintain basic services, Humboldt County continued to build up some of its financial reserves in anticipation of a long economic recovery period. By doing this, money would be available in the future to maintain existing service levels that our residents currently enjoy.

This forward thinking is what has made this County a model for most other rural counties in this State.

AWARDS AND ACKNOWLEDGEMENTS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Humboldt County for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2009. This is the seventh consecutive year that the County received this prestigious award. In order to be awarded a Certificate of Achievement, the County must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

The preparation of this report on a timely basis could not be accomplished without the efficient and dedicated services of the staff of the Comptroller's Office, specifically, Amber Black and Jessie Lindsey as well as the assistance and support provided by the County's auditors, Kafoury, Armstrong & Co., Certified Public Accountants. Special credit must also be given to the Humboldt County Commissioners and County Administrator, Bill Deist, for their unfailing support for maintaining the highest standards of professionalism in the management of Humboldt County's finances.

On December 4, 2010 I will be retiring from Humboldt County. I leave knowing that the fiscal condition of this County is very sound and I am extremely proud of the accomplishments of the Comptroller's Office these past 12 years. As the first Comptroller for Humboldt County, I believe I have set the standards very high for those who come after me. Thank you for giving me the opportunity to serve you.

Respectfully submitted,

A handwritten signature in cursive script, appearing to read "Bruce Brooks".

Bruce Brooks
Comptroller

HUMBOLDT COUNTY
LISTING OF COUNTY OFFICIALS
AS OF JUNE 30, 2010

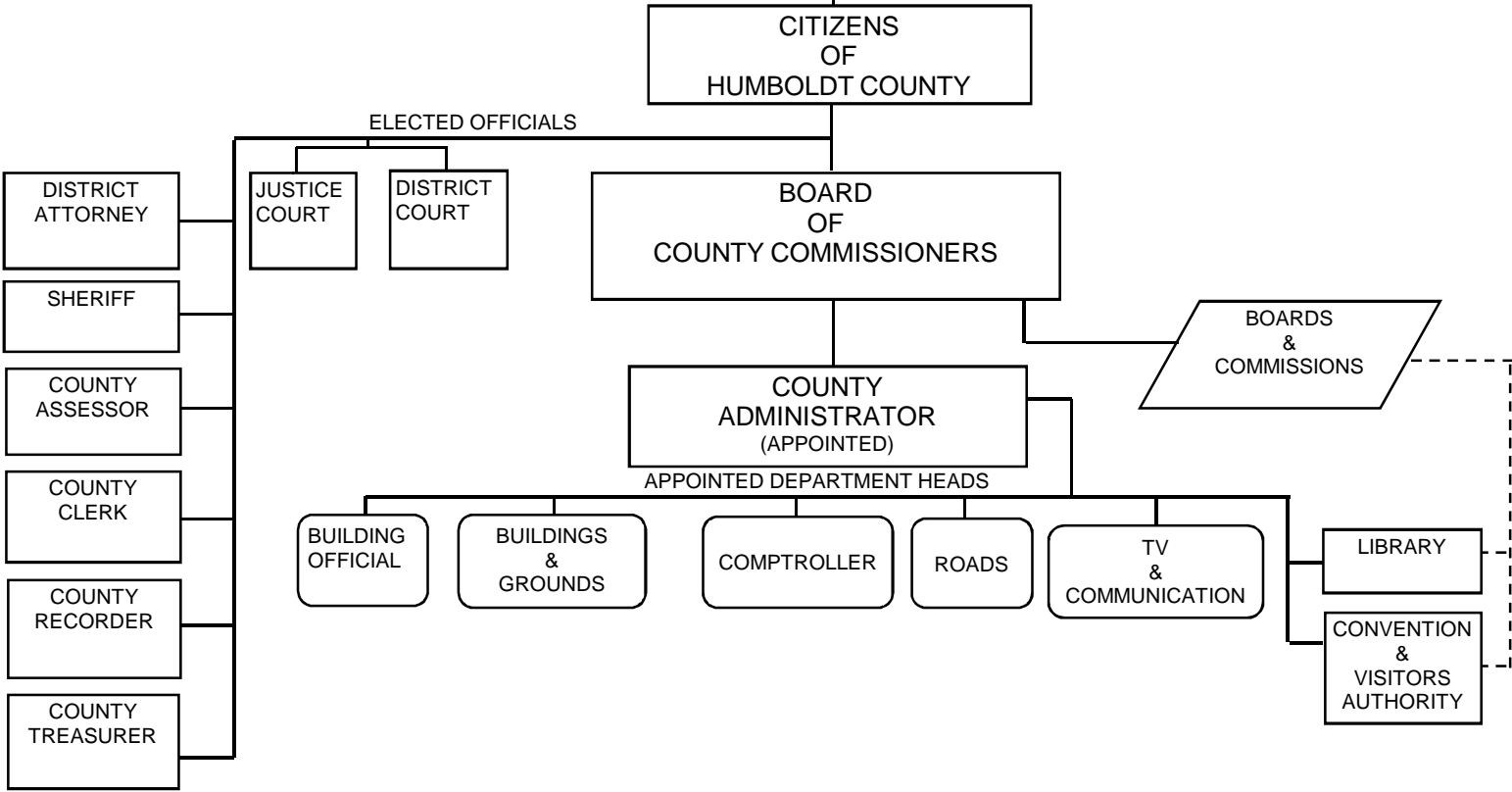
ELECTED OFFICIALS

		<u>Term Expires</u>
COUNTY COMMISSIONER	DAN CASSINELLI	1/11
COUNTY COMMISSIONER, CHAIRMAN	CHUCK GIORDANO	1/11
COUNTY COMMISSIONER, VICE CHAIRMAN	GARLEY AMOS	1/13
COUNTY COMMISSIONER	TOM FRANSWAY	1/13
COUNTY COMMISSIONER	MIKE BELL	1/13
ASSESSOR	JEFF JOHNSON	1/11
COUNTY CLERK	TAMI SPERO	1/11
DISTRICT ATTORNEY	RUSSELL SMITH	1/11
RECORDER	MARY ANN HAMMOND	1/11
SHERIFF	ED KILGORE	1/11
TREASURER	GINA RACKLEY	1/11
JUSTICE COURT	GENE WAMBOLT	1/13
DISTRICT COURT DEPT. 1	RICHARD WAGNER	1/15
DISTRICT COURT DEPT. 2	MICHAEL MONTERO	1/15

APPOINTED OFFICIALS

COUNTY ADMINISTRATOR	BILL DEIST
COMPTROLLER	BRUCE BROOKS
BUILDING OFFICIAL	BOBBY THOMAS
BUILDINGS & GROUNDS DIRECTOR	DOUG CAIN
COMMUNICATIONS DIRECTOR	PAUL BURKHOLDER
ROAD SUPERINTENDENT	BEN GARRETT
LIBRARY DIRECTOR	SHARON ALLEN
WINNEMUCCA CONVENTION & VISITOR'S AUTHORITY DIRECTOR	KIM PETERSEN

HUMBOLDT COUNTY ORGANIZATIONAL CHART



Certificate of Achievement for Excellence in Financial Reporting

Presented to

Humboldt County
Nevada

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2009

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



President

Executive Director