

HUMBOLDT COUNTY
Notes to the Financial Statements
June 30, 2010

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements of Humboldt County have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP), as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting. The GASB periodically updates its codification of the existing Governmental and Financial Reporting Standards which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units.

A. Reporting entity

Humboldt County was incorporated as one of the original nine counties of the State of Nevada in 1861 and is governed by a five-member elected Board of Commissioners. The major operations of Humboldt County are property tax assessment and collections, public safety, road maintenance, judicial, recreation and administrative activities. The accompanying financial statements present Humboldt County and any component units. Humboldt County does not have any discretely presented component units nor blended component units.

B. Basic Financial Statements - Government-wide Statements

The basic financial statements include both government-wide (based upon Humboldt County as a whole) and fund financial statements. The reporting focus is on either Humboldt County as a whole or major individual funds and nonmajor funds in the aggregate (within the fund financial statements). Both the government-wide and fund financial statements (within the basic financial statements) categorize primary activities as either governmental or business type.

The government-wide financial statements (the Statement of Net Assets and Statement of Activities) report information on all of the nonfiduciary activities of Humboldt County. The effect of interfund activity has been removed from these statements. Interfund activities relating to services provided and used between functions are not eliminated. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned. 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.

In the government-wide Statement of Net Assets, both the governmental and business-type activity columns are presented on a consolidated basis by column, and are reflected on a full-accrual, economic resource basis which recognizes all long-term assets and receivables as well as long-term debt and obligations. Humboldt County's net assets are reported in two parts – invested in capital assets, net of related debt, and unrestricted net assets.

The government-wide Statement of Activities reports both the gross and net cost of each of Humboldt County's functions and business-type activities. Functions are also supported by general government revenues (property and combined taxes, certain intergovernmental revenues, interest income not legally restricted for specific programs, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating grants and capital grants. Program revenues include charges to customers, operating grants and contributions and capital grants and contributions. Program revenues must be directly associated with the function or business-type activity. Operating grants, include operating-specific and discretionary grants while the capital grants reflect capital-specific grants. The net costs (by function or business-type activity) are normally covered by general revenue.

HUMBOLDT COUNTY
Notes to the Financial Statements
June 30, 2010

C. Basic Financial Statements – Fund Financial Statements

The financial transactions of Humboldt County are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures/expenses. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter is excluded from the government-wide financial statements.

The emphasis in fund financial statements is on major funds in either governmental or business-type (proprietary) activity categories. Nonmajor funds by category are summarized into a single column. GASB Statement No. 34 sets forth minimum criteria (percentage of assets, liabilities, revenues or expenditures/expenses of either fund category or the governmental and business-type categories combined) for the determination of major funds. Humboldt County's management may electively add funds as major funds, when it is determined the funds have specific community or management focus. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

The focus of the governmental funds measurement in the fund financial statements is upon determination of financial position and changes in financial position (sources, uses and balances of financial resources) rather than upon net income.

The focus for proprietary fund measurement is upon determination of operating income, changes in net assets, financial position, and cash flows. Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. The generally accepted accounting principles applicable are those similar to businesses in the private sector.

Humboldt County's fiduciary funds are presented in the fiduciary fund financial statements by type. Since, by definition, these assets are held for the benefit of a third party and cannot be used to address activities or obligations of Humboldt County, these funds are not incorporated into the government-wide statements.

Humboldt County reports the following major governmental funds:

The **General Fund** is the government's primary operating fund. It is used to account for resources traditionally associated with Humboldt County that are not required legally or by sound financial management to be accounted in another fund.

The **Road Fund** is used to account for resources for expenditures on Humboldt County's roads.

The **Regional Transportation Fund** is used to account for resources for expenditures on road projects of regional significance.

The **6th Judicial District Fund** is used to account for the resources and expenditures for the District Court and Juvenile Probation.

The **Winnemucca Events Complex Fund** is used to account for the resources and expenditures associated with the operations of Humboldt County's fairgrounds and indoor events center.

HUMBOLDT COUNTY
Notes to the Financial Statements
June 30, 2010

The ***Indigent Medical Fund*** is used to account for the resources and expenditures relating to indigent medical care.

The ***Building Reserve Fund*** is used to account for the resources and expenditures for major capital projects.

Humboldt County reports the following major proprietary funds:

The ***Humboldt Television Fund*** is used to account for television services provided to most of the residents of Humboldt County (some County residents are provided television services from other districts).

The ***Solid Waste Management Fund*** is used to account for landfill operations of Humboldt County.

In addition, Humboldt County uses the following funds:

Agency funds are custodial in nature and do not involve measurement of results of operations. The funds account for assets held by the County as an agent for various governments, special districts and individuals. Included are funds for apportioned property and sales taxes, shared revenues and other financial resources for schools, hospital, special districts, boards and other state and city agencies; bonds posted with the District Court and Justice Courts; funds held for inmates housed at the County jail; unapportioned taxes for other local governments; and assets held on the behalf of special districts, boards and other miscellaneous agencies.

Investment trust fund is the external investment pool administered by Humboldt County. Voluntary participants include Humboldt County School District (Debt Service), Golconda Fire Protection District and Paradise Fire Protection District.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. Humboldt County has elected not to follow subsequent private-sector guidance.

D. Measurement Focus, Basis of Accounting

The measurement focus describes the types of transactions and events that are reported in a fund's operating statement. Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized and reported in the financial statements. It relates to the timing of the measurement made, regardless of the measurement focus applied.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year that they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered *available* when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are

HUMBOLDT COUNTY
Notes to the Financial Statements
June 30, 2010

recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, other postemployment benefits and claims and judgments, are recorded only when payment is due.

Governmental revenues susceptible to accrual are ad valorem taxes, interest, grant revenues and revenues collected and distributed by the State. These include consolidated taxes, government services taxes, and motor vehicle fuel taxes. Licenses and permits, fines, and charges for services are recognized as revenue when they are received.

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

E. Financial Statement Amounts:

1. Cash and Investments

For purposes of the statement of cash flows presented for proprietary funds, cash equivalents are defined as short-term, highly liquid investments that are both readily convertible to cash and have an original maturity date of three months or less to be cash and cash equivalents. Since all cash in proprietary funds is pooled with the rest of Humboldt County's cash and is available upon demand, all cash and investments in those funds are considered cash equivalents.

All interest earned on cash deposits is recognized in the General Fund in accordance with Nevada Revised Statutes, except for amounts credited to various other funds in accordance with law or contract and is allocated based upon their combined investment balances.

Investments are recorded at fair value.

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

- ◇ Obligations of the United States, or an agency or instrumentality of the United States, or a corporation sponsored by the government, maturing within ten (10) years from the date of purchase.
- ◇ Time certificates of deposit from commercial banks and insured savings and loan associations within the State of Nevada, and certain farm loan bonds.
- ◇ Certain securities issued by local governments of the State of Nevada and other securities expressly provided by other statutes, including repurchase agreements.
- ◇ Money market mutual funds that are registered with the Securities and Exchange Commission, are AAA rated and invest only in securities of the Federal Government for fully collateralized repurchase agreements.
- ◇ State of Nevada Local Government Investment Pool.

NRS 355.172 requires Humboldt County's Treasurer or the appropriate officer to take physical possession of collateral in the name of Humboldt County for all securities except those subject to repurchase by the seller if Humboldt County has a fully perfected, first-priority interest having a fair market value equal to or greater than the repurchase price of the security.

HUMBOLDT COUNTY
Notes to the Financial Statements
June 30, 2010

Humboldt County's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

2. Investment Pool Investment Earnings

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

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

3. Property Taxes Receivable

All real property in Humboldt County is subject to physical reappraisal every five years. Annual adjustments are made to the assessed valuation to reflect general changes in property values. The assessed valuation of the property and its improvements is computed at 35% of "taxable value" as defined by statute. Taxable value is defined as full cash value for land, replacement cost less straight-line depreciation for land improvements, and statutory depreciation for personal property. The maximum depreciation allowed is 75% of replacement cost.

The maximum tax rate for all overlapping governmental units within any county, as established by the state constitution, is \$5 per \$100 assessed valuation. The combined overlapping rate for any county is further limited by state statute to \$3.64 per \$100 assessed valuation except in cases of severe financial emergency as defined in NRS 354.705. Humboldt County's individual tax rate for fiscal year 2009-2010 was \$0.7512 per \$100 of assessed valuation.

The total combined rate was \$2.2016 per \$100 of assessed valuation in the unincorporated area of Humboldt County, exclusive of special district tax rates.

Tax rates are levied by Humboldt County Commissioners immediately after the Nevada Tax Commission has certified the combined rate. Upon certification, the rates are transmitted to Humboldt County's Treasurer for billing. The tax rate levied is for the current fiscal year, July 1 to June 30, and the taxes are considered a lien against real property attaching on July 1. The tax for the 2009-2010 fiscal year was due and payable on the third Monday in August 2009. Taxes may be paid in four equal installments on the third Monday in August, and the first Mondays in October, January and March. Penalties are assessed if a taxpayer fails to pay an installment within ten days of the installment due date. After a two-year waiting period, a tax deed is issued conveying the property to Humboldt County with a lien for back taxes.

In 2005, the Nevada State Legislature passed Assembly Bill 489 which provides for a partial abatement of the ad valorem taxes levied on a qualified property. The abatement will limit the increase of a taxpayer's bill to 3% over the previous year's tax amount for a primary residence and some rental property. All other property will have a higher limit of 6%.

Taxes on personal property are collected currently. Personal property declarations are mailed out annually and the tax is computed using percentages of taxable values established by the State Department of Taxation and the tax rates. The major classifications of personal property are commercial, agricultural and mobile homes. In Humboldt County, taxes on motor vehicles are collected by a state agency and remitted to Humboldt County based on statutory formulas as a part of combined taxes.

HUMBOLDT COUNTY
Notes to the Financial Statements
June 30, 2010

Secured roll property taxes receivable reflect only those taxes receivable from the delinquent roll years. Delinquent taxes from all roll years prior to 2008-2009 have been written off. No provision for uncollectible accounts has been established since management does not anticipate any material collection loss in respect to remaining balances. Personal property taxes receivable reflect only those taxes collected within 60 days of year-end.

4. Net Proceeds of Mines

Net proceeds of mines are paid on an annual basis. For the year ended June 30, 2010 net proceeds of mines received on actual business from January through December 2009 are reflected in the financial statements. In addition, due to legislative changes occurring during the year ended June 30, 2010, the payments of net proceeds received on estimated business from January 1, 2010 through December 31, 2010 are reflected in the financial statements.

Additional amounts due, based upon actual business for the January 1, 2010 through December 31, 2010 in comparison to estimated payments, are determined subsequent to the 2010 calendar year. Credits for overpayments, based on actual business for the period of January 1, 2009 through December 31, 2009 in comparison to estimated payments, are applied to future tax payments in accordance with NRS 362.130. The overall financial impact on the County of future additional amounts due or future credits is not determinable at June 30, 2010 and are not reflected in these financial statements. It should be noted that the estimated payments for calendar year 2010 (received in fiscal year 2009-2010) were calculated using fiscal year 2009-2010 tax rates. Any true-up of these estimated payments will use fiscal year 2010-2011 tax rates. It is unknown at June 30, 2010 what, if any, impact this will have on future financial statements.

5. Inventories

The Television fund inventories are valued at cost using the first in / first out (FIFO) method. Inventories consist primarily of materials and supplies. For all other funds, Humboldt County charges consumable supplies as expenditures against appropriations at the time of purchase. All inventories of such supplies at June 30 are not material to the individual funds and are not recognized in these financial statements.

6. Capital Assets

Capital assets, which include buildings, improvements, equipment, and infrastructure assets (e.g., roads, bridges, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by Humboldt County as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Significant projects in process are depreciated once the projects are placed in service. Prior to that time, they are reported as construction in progress. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

HUMBOLDT COUNTY
Notes to the Financial Statements
June 30, 2010

Property, plant, and equipment of Humboldt County are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and improvements to buildings	15-30
Improvements other than buildings	15-30
Equipment and motor vehicles	5-15
Infrastructure	30-45

7. *Compensated Absences*

It is Humboldt County's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. In proprietary funds, compensated absences are recorded when the liabilities are incurred. In governmental funds, the current portion is recorded as an expenditure. The entire amount is accounted for in the governmental column of the government-wide statement of net assets.

The current portion of compensated absences is defined as those benefits actually paid or accrued as a result of employees who have terminated employment by June 30. Agreements with the two employee associations provide for the payment of total accrued compensatory and vacation time in all cases. Accumulated sick leave benefits are payable to terminated employees who meet specific requirements set forth in the negotiated employee association contracts.

8. *Long-term Obligations*

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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

9. *Interfund Activity*

Interfund activity is reported either as a loan, services provided, reimbursements or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed at or near market rates, are treated as revenues and expenditures/expenses. Cost allocations for support services are revenue and expense in the fund financial statements and are eliminated in the government-wide Statement of Activities.

HUMBOLDT COUNTY
Notes to the Financial Statements
June 30, 2010

10. Equity Classifications

In government-wide statements, equity is classified as net assets and displayed in two 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. Unrestricted net assets – All other net assets that do not meet the definition of “invested in capital assets, net of related debt.”

In 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 a specific purpose. Proprietary fund equity is classified the same as in the government-wide statements.

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information

Annual budgets are adopted on a basis consistent with GAAP for all funds except trust and agency funds, which do not require budgets. All annual appropriations lapse at fiscal year end.

Humboldt County adheres to the Local Government Budget and Finance Act (NRS 354.470-.626) incorporated within state statutes and the procedures set by the Department of Taxation to establish the budgetary data reflected in these financial statements. The Board adopts the budget on or before June 1 and files it with the Nevada State Department of Taxation.

The legal level of budgetary control is at the function level for the General Fund, special revenue funds, debt service and capital projects funds, and by the sum of operating and nonoperating expenses in proprietary funds. Exceptions apply for certain debt service and intergovernmental expenditures. Statutes do not require that capital outlay, debt service payments and other cash transactions normally reflected in the balance sheet of proprietary funds be limited by budget.

All budget amounts presented in these financial statements and schedules reflect the amended budget which has been adjusted for legally authorized revisions of the annual budgets during the year. Original budgets are provided for the General Fund and major special revenue funds in compliance with reporting requirements. The Comptroller may approve budget adjustments within a function. Budget adjustments between functions or funds may be approved by the Comptroller with Board notification. Adjustments that affect fund balance or increase the original budget require Board approval.

Encumbrance accounting is employed in governmental and proprietary funds. In governmental funds, encumbrances, which include purchase orders and contracts awarded for which goods and services have not been received at year-end, are reappropriated in the subsequent year and are reported as a reservation of fund balance.

HUMBOLDT COUNTY
Notes to the Financial Statements
June 30, 2010

Compliance

The County conformed to all significant statutory and administrative code constraints on its financial administration during the year with the following exceptions:

Expenditures in the Judicial Function in the 6th Judicial District Fund, exceeded appropriations by \$47,078, an apparent violation of NRS 354.626.

The actual expenses of the Solid Waste Management Fund exceeded the sum of the budgeted operating and nonoperating expenses by \$18,710 an apparent violation of NRS 354.626 and NAC 354.626.

NOTE 3 – CASH AND INVESTMENTS

Deposits and investments

The following is a listing of deposits indicating collateral or insurance on those deposits. The bank balance differs from the carrying amount by outstanding checks and deposits in transit.

	<u>Carrying Amount</u>	<u>Bank Balance</u>
Insured, (FDIC)	\$ 1,189,143	\$ 1,191,307
Uninsured and collateralized, collateral held by the office of the State Treasurer/Nevada Collateral Pool	28,065,088	25,597,324
Petty Cash	<u>11,860</u>	<u>11,860</u>
Total Cash Deposits	<u>\$29,266,091</u>	<u>\$29,800,491</u>

Investments are carried at fair value. The following is a listing of those investments as of June 30, 2010:

<u>Investment Type</u>	<u>Investment Maturities (in years)</u>				
	<u>Fair Value</u>	<u>Less than 1</u>	<u>1 to 3</u>	<u>4 to 5</u>	<u>6 to 10</u>
U.S. Treasury Notes	\$ 917,147	\$ -	\$ 784,390	\$ 132,757	\$ -
Government Agencies	1,888,394	251,161	1,536,702	100,531	-
Asset Backed Fixed Income Securities	901,387	517,445	383,942	-	-
Corporate Bonds	1,406,000	89,626	1,161,657	154,717	-
Mortgage Backed Securities	3,647,184	470,166	398,640	1,007,345	1,771,033
Money Market Mutual Funds	309,228	309,228	-	-	-
State of Nevada Local Government Investment Pool	<u>19,831</u>	<u>19,831</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Investments	9,089,171	1,657,457	4,265,331	1,395,350	1,771,033
Total Cash (Carrying Amount)	<u>29,266,091</u>	<u>28,076,469</u>	<u>1,189,622</u>	<u>-</u>	<u>-</u>
Total Cash and Investments	<u>\$ 38,355,262</u>	<u>\$ 29,733,926</u>	<u>\$5,454,953</u>	<u>\$1,395,350</u>	<u>\$1,771,033</u>

HUMBOLDT COUNTY
Notes to the Financial Statements
June 30, 2010

<u>Investment Type</u>	<u>Quality Ratings Average of Moody's and Standard & Poor's</u>				
	<u>Fair Value</u>	<u>AAA</u>	<u>AA</u>	<u>A</u>	<u>Unrated</u>
<u>Debt Securities</u>					
U.S. Treasury Notes	\$ 917,147	\$ 917,147	\$ -	\$ -	\$ -
Government Agencies	1,888,394	1,888,394	-	-	-
Asset Backed Fixed					
Income Securities	901,387	901,387	-	-	-
Corporate Bonds	1,406,000	211,605	431,255	763,140	-
Mortgage Backed Securities	3,647,184	3,647,184	-	-	-
Money Market Mutual Funds	309,228	309,228	-	-	-
State of Nevada Local					
Government Investment Pool	19,831	-	-	-	19,831
Total Investments	9,089,171	7,874,945	431,255	763,140	19,831
Total Cash (Carrying Amount)	29,266,091	29,266,091	-	-	-
Total Cash and Investments	<u>\$ 38,355,262</u>	<u>\$ 37,141,036</u>	<u>\$ 431,255</u>	<u>\$ 763,140</u>	<u>\$ 19,831</u>

The County is a voluntary participant in the State of Nevada Local Government Investment Pool (LGIP), which has regulatory oversight from the State of Nevada Board of Finance.

The County's investments in both pools discussed above is equal to its original investment plus monthly allocations of interest income, and realized and unrealized gains and losses, which is the same as the value of the pool shares. The County's investment in the LGIP is reported at fair value. Wells Fargo determines the fair value of the investments in NVEST on a monthly basis.

As noted, Nevada Revised Statutes (NRS. 355.170) set forth acceptable investments for Nevada local governments. The County has not adopted a formal investment policy that would further limit its investment choices nor further limit its exposure to certain risks as set forth below.

Interest rate risk

Interest rate risk is the risk of possible reduction in the value of a security, especially a bond, resulting from a rise in interest rates. As noted above, the County does not have a formal investment policy that limits investment maturities to reduce its exposure to fair value losses arising from increasing interest rates beyond those specified in the Statute.

Credit risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation and is a function of the credit quality ratings of investments. The LGIP is an unrated external investment pool and as noted above the County does not have a formal investment policy that specifies minimum acceptable credit ratings beyond those specified in the statute.

Custodial credit risk on deposits

Custodial credit risk is the risk that in the event of a bank failure, the County's deposits may not be returned. The County's bank deposits are covered by Federal Deposit Insurance Corporation (FDIC) insurance and collateralized by the Office of the State Treasurer/Nevada Collateral Pool and various other agents in the County's name.

HUMBOLDT COUNTY
Notes to the Financial Statements
June 30, 2010

External Investment Pool

Humboldt County administers an external investment pool combining Humboldt County funds with voluntary investments from Humboldt County School District (Debt Service), Golconda Fire Protection District and Paradise Fire Protection District. The Board of County Commissioners has overall responsibility for investment of funds including the external investment pool in accordance with NRS 355.175. The Humboldt County Treasurer is delegated investment responsibilities. Monthly, Wells Fargo Bank determines the fair value of the pool's investments held by them. Each participant's share is equal to their original investment plus the monthly allocation of interest income. The County has not provided nor obtained any legally binding guarantees to support the value of shares. This is an unrated pool.

<u>Investment Type</u>	<u>Fair Value/ Carrying Amount</u>	<u>Principal Amount Number of Shares</u>	<u>Interest Rate</u>	<u>Maturity Dates</u>
Wells Fargo Savings	\$11,696,923	\$11,696,923	Variable	July 1, 2010

EXTERNAL INVESTMENT POOL CONDENSED FINANCIAL STATEMENTS
STATEMENT OF NET ASSETS
JUNE 30, 2010

ASSETS:

Wells Fargo Savings	<u>\$ 11,696,923</u>
---------------------	----------------------

NET ASSETS HELD IN TRUST FOR POOL PARTICIPANTS:

Net assets consist of:

Internal participant shares	\$ 9,464,210
External participant shares	<u>2,232,713</u>
Total Participant Shares Outstanding (\$1.00 par)	<u>\$ 11,696,923</u>

**STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2010**

Net increase (decrease) in net assets resulting from operations:	
Investment income	\$ 43,291
Net assets, July 1	<u>11,653,632</u>
Net assets, June 30	<u>\$ 11,696,923</u>

NOTE 4 – ASSESSMENT DISTRICT RECEIVABLE

During the year ended June 30, 2009, Humboldt County completed improvements on a special assessment district. The total cost of the project was \$305,101. The County contributed \$72,144 and \$232,957 was charged back to the land owners in the form of notes receivable from the landowners. The balance remaining on the assessment receivable as of June 30, 2010 is \$113,530.

HUMBOLDT COUNTY
Notes to the Financial Statements
June 30, 2010

NOTE 5 –CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2010 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities				
Capital assets, not being depreciated:				
Land	\$ 2,313,835	\$ -	\$ -	\$ 2,313,835
Construction in progress	<u>61,466</u>	<u>-</u>	<u>-</u>	<u>61,466</u>
Total capital assets, not being depreciated	<u>2,375,301</u>	<u>-</u>	<u>-</u>	<u>2,375,301</u>
Capital assets, being depreciated				
Buildings	19,998,562	73,554	-	20,072,116
Improvements other than buildings	847,233	-	-	847,233
Infrastructure	66,606,071	-	-	66,606,071
Machinery and equipment	<u>10,100,912</u>	<u>991,041</u>	<u>703,906</u>	<u>10,388,047</u>
Total assets, being depreciated	<u>97,552,778</u>	<u>1,064,595</u>	<u>703,906</u>	<u>97,913,467</u>
Less accumulated depreciation for:				
Buildings	(11,239,807)	(571,403)	-	(11,811,210)
Improvements other than buildings	(298,108)	(49,350)	-	(347,458)
Infrastructure	(19,182,587)	(1,451,617)	-	(20,634,204)
Machinery and equipment	<u>(7,650,042)</u>	<u>(579,366)</u>	<u>639,367</u>	<u>(7,590,041)</u>
Total accumulated depreciation	<u>(38,370,544)</u>	<u>(2,651,736)</u>	<u>639,367</u>	<u>(40,382,913)</u>
Total capital assets, being depreciated, net	<u>59,182,234</u>	<u>(1,587,141)</u>	<u>64,539</u>	<u>57,530,554</u>
Governmental activities capital assets, net	<u>\$ 61,557,535</u>	<u>\$ (1,587,141)</u>	<u>\$ 64,539</u>	<u>\$ 59,905,855</u>
	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type activities:				
Capital assets, being depreciated				
Buildings	\$ 24,195	\$ -	\$ -	\$ 24,195
Machinery and equipment	<u>1,082,095</u>	<u>73,841</u>	<u>20,011</u>	<u>1,135,925</u>
Total assets, being depreciated	<u>1,106,290</u>	<u>73,841</u>	<u>20,011</u>	<u>1,160,120</u>
Less accumulated depreciation for:				
Buildings	(24,195)	-	-	(24,195)
Machinery and equipment	<u>(793,863)</u>	<u>(62,556)</u>	<u>20,011</u>	<u>(836,408)</u>
Total accumulated depreciation	<u>(818,058)</u>	<u>(62,556)</u>	<u>20,011</u>	<u>(860,603)</u>
Total capital assets, being depreciated, net	<u>288,232</u>	<u>11,285</u>	<u>-</u>	<u>299,517</u>
Business-type activities capital assets, net	<u>\$ 288,232</u>	<u>\$ 11,285</u>	<u>\$ -</u>	<u>\$ 299,517</u>

Depreciation expense was charged to functions/programs of Humboldt County as follows:

Governmental activities:	
General government	\$ 92,823
Public safety	191,958
Judicial	2,284
Public works	1,643,557
Health	1,491

HUMBOLDT COUNTY
Notes to the Financial Statements
June 30, 2010

Culture and recreation	39,968
Community support	<u>\$ 679,655</u>
Total depreciation expense – governmental activities	<u>\$ 2,651,736</u>

Business-type activities:

Humboldt Television fund	\$ 57,397
Solid waste management fund	<u>5,158</u>
Total depreciation expense – business-type activities	<u>\$ 62,555</u>

NOTE 6 – INTERFUND BALANCES AND TRANSFERS

The composition of interfund balances as of June 30, 2010 is as follows:

Due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	6 th Judicial District Fund	\$ 2,005
	Road Fund	24
	Nonmajor Governmental Funds	47,677
	Solid Waste Fund	<u>282</u>
		<u>49,988</u>
Road Fund	General Fund	35,034
	6 th Judicial District Fund	3,127
	Winnemucca Events Complex Fund	5,863
	Nonmajor Governmental Funds	1,297
	Humboldt Television Fund	<u>961</u>
		<u>46,282</u>
Nonmajor Governmental Funds	General Fund	1,850
	Indigent Medical Fund	<u>1,487</u>
		<u>3,337</u>
Humboldt Television Fund	Winnemucca Events Complex Fund	<u>83</u>
Total		<u>\$ 99,690</u>

Interfund receivables and payables include charges incurred by one fund for the benefit of another fund. An example of these types of charges is motor vehicle fuel. Bulk fuel is purchased by the road department for use by other funds. These charges are then allocated to the appropriate fund. Other examples include postage and copy charges.

HUMBOLDT COUNTY
Notes to the Financial Statements
June 30, 2010

Interfund transfers for the year ended June 30, 2010

<u>Transfers from:</u>	<u>Amount</u>	<u>Transfers to:</u>	<u>Amount</u>
6 th Judicial District	<u>\$ 5,000</u>	General Fund	<u>\$ 5,000</u>
Nonmajor Governmental Funds	<u>1,485,641</u>	Road Fund	1,460,641
		Nonmajor Governmental Funds	<u>25,000</u>
			<u>1,485,641</u>
Total Transfers Out	<u>\$1,490,641</u>	Total Transfers In	<u>\$1,490,641</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to spend them and (2) use of unrestricted revenues collected in the In-Lieu-of Tax Fund to finance various programs accounted for in other funds in accordance with budgetary authorization and (3) use of Debt Service Fund balance remaining after all debt is satisfied.

NOTE 7 – LONG TERM DEBT

Compensated absences

The liability for compensated absences is included in the noncurrent liabilities on the government-wide Statement of Net Assets. About 63 percent of the governmental funds' compensated absences were paid by the general fund. For the business-type activities, the Television fund paid for 100 percent of the compensated absences.

Changes in long-term liabilities

Long-term liability activity for the year ended June 30, 2010 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<u>Governmental activities:</u>					
Compensated absences	\$ 662,498	\$ 789,569	\$ 730,116	\$ 721,951	\$ 721,951
Capital lease	<u>73,757</u>	<u>-</u>	<u>73,757</u>	<u>-</u>	<u>-</u>
Governmental activities long-term liabilities	<u>\$ 736,255</u>	<u>\$ 789,569</u>	<u>\$ 803,873</u>	<u>\$ 721,951</u>	<u>\$ 721,951</u>
<u>Business-type activities:</u>					
Compensated absences	<u>\$ 8,308</u>	<u>\$ 11,538</u>	<u>\$ 6,680</u>	<u>\$ 13,166</u>	<u>\$ 13,166</u>
Business-type activities Long-term liabilities	<u>\$ 8,308</u>	<u>\$ 11,538</u>	<u>\$ 6,680</u>	<u>\$ 13,166</u>	<u>\$ 13,166</u>

HUMBOLDT COUNTY
Notes to the Financial Statements
June 30, 2010

Net Other Postemployment Benefits Obligation

In fiscal year 2009, the County implemented GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions*. This statement required the County to calculate and record a net other postemployment benefit obligation. At June 30, 2010, the net other postemployment benefit liability for the County was \$1,232,791. The County finances their liability on the pay-as-you-go basis.

NOTE 8 – RISK MANAGEMENT

The County 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 as are all entities. The County has joined together with similar public agencies (cities, counties and special districts) throughout the State of Nevada to create a pool under the Nevada Interlocal Cooperation Act. The Nevada Public Agency Insurance Pool (Pool) is a public entity risk pool currently operating as a common risk management and insurance program for its members. The County pays an annual premium and specific deductibles, as necessary, to the Pool for its general insurance coverage. The pool is considered a self-sustaining risk pool that will provide liability coverage for its members up to \$10,000,000 per event and a \$13,000,000 general aggregate per member. Property, crime and equipment breakdown coverage is provided to its members up to \$300,000,000 per loss with various sublimits established for earthquake, flood, equipment breakdown, and money and securities.

The County has also joined together with similar public agencies effective April 1, 1996, to create a pool under the Nevada Interlocal Cooperation Act for workers compensation insurance. The Public Agency Compensation Trust (PACT) is an intergovernmental self-insurance association for workers compensation insurance.

The County pays premiums based upon payroll costs to the PACT. The PACT is considered a self-sustaining pool that will provide coverage based on established statutory limits.

The County continues to carry commercial insurance for other risks of loss, including specific risks of loss not covered by the Pool (bonding and boiler coverage) and employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 9 – PENSION PROGRAM

Plan Description:

Humboldt County contributes to the Public Employees Retirement System of the State of Nevada (PERS), a cost sharing, multiple employer, defined benefit plan. 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 PERS issues a publicly available financial report that includes financial statements and required supplementary information for PERS. 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.

Funding Policy:

Benefits for plan members are funded under the employer pay contribution plan method. Under this method, the County is required to contribute all amounts due under the plan. The contribution requirements of plan members

HUMBOLDT COUNTY
Notes to the Financial Statements
June 30, 2010

and the County are established by Chapter 286 of the Nevada Revised Statutes. The funding mechanism may be only amended through legislation.

The County's contribution rates on and amounts contributed (which are equal to/or 100% of the required contribution) for the last three years are as follows:

<u>Fiscal Year</u>	<u>Contribution Rate</u>		<u>Total</u>
	<u>Regular Members</u>	<u>Police Members</u>	<u>Contributions</u>
2009-2010	21.50%	37.0%	\$2,480,209
2008-2009	20.50%	33.5%	\$2,271,033
2007-2008	20.50%	33.5%	\$2,159,446

NOTE 10 – LANDFILL CLOSURE AND POSTCLOSURE COSTS

State and federal laws and regulations require the government to place a final cover on the Humboldt County Regional Landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for 30 years after closure. During the year ended June 30, 1999, the County Commissioners approved the County's purchase of insurance to cover the costs of closure and post-closure of the landfill. The County is obligated under the insurance policy to an annual premium of \$61,646 over 15 years, with the first payment due July 1, 1999. The County expects to close the landfill in the year 2031.

At June 30, 2010 financial assurance relative to costs of closure and post-closure of the landfill was fulfilled through insurance coverage.

NOTE 11 - CONTINGENCIES

There are legal actions and claims pending against Humboldt County. The financial impact of these actions is not determinable at June 30, 2010, but in the opinion of management and legal counsel, any resulting uninsured liability will not materially affect the financial position or results of operations of the County.

NOTE 12 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

Plan Descriptions:

The County administers a single-employer defined benefit healthcare plan, Humboldt County Health Insurance Plan (HCHIP). Additionally, the County contributes to an agent multiple-employer defined benefit postemployment healthcare plan, Public Employees' Benefit Plan (PEBP). Each plan provides medical, vision, dental, and life insurance benefits to eligible retired County employees and beneficiaries.

Benefit provisions for the HCHIP are established pursuant to NRS 287.023 and amended through negotiations between the County and the respective associations. NRS 288.150 assigns the authority to establish benefit provisions to the Board of County Commissioners. The plan provides healthcare insurance for eligible retirees and their beneficiaries through the County's group health insurance plan, which covers both active and retired members. Under NRS 287.023 eligible retirees are able to participate in the plan with blended rates, thereby benefitting from an implicit subsidy. Retirees are required to pay 100% of their premiums under the plan. As of June 30, 2010, 10 retirees were using this plan. The HCHIP does not issue a publicly available financial report.

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

HUMBOLDT COUNTY
Notes to the Financial Statements
June 30, 2010

the eligibility requirements effective September 1, 2008 for retirement within the Public Employee Retirement System had the option upon retirement to enroll in coverage under the PEBP. NRS 287.023 sunsetted the option to join PEBP for County employees who retired after November 29, 2008. Local governments are required to pay the same portion of cost of coverage for those persons joining PEBP that the State of Nevada pays for those persons retired from state service who have continued to participate in the plan. As of June 30, 2010, 53 county retirees were utilizing this benefit. The PEBP issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Public Employee's Benefits Program, 901 S. Stewart Street, Suite 1001, Carson City, Nv 89701, by calling (775) 684-7000, or by accessing the website at www.pebp.state.nv.us/informed/financial.htm.

Funding Policy and Annual OPEB Cost:

For HCHIP, contribution requirements of the plan members and the County are established and may be amended through negotiations between the County and the associations. Retirees pay 100% of the pay-as-you-go premiums based on a blended rate that blends active participants and retirees. The County's contribution requirements for retirees relate to the implicit subsidy that results from using the blended rates and is determined in actuarial studies contracted for by the County. The implicit subsidy as determined by the actuary is \$29,585.

For the PEBP plan, NRS 287.046 establishes the subsidies to be contributed toward the premium costs of the eligible retired County employees. Plan members receiving benefits have their monthly contribution deducted from their pension checks based on the health plan chosen by the retiree as reduced by the amount of the subsidy therefore, their contributions are not available. For the plan year ended June 30, 2010, retirees qualify for a subsidy of \$79 at five years of service and \$436 at 20 years of service with incremental increases for years of service between. The contribution requirements of plan members and the County are established and amended by the PEBP board of trustees. As a participating employer, the County is billed for the subsidy on a monthly basis and is legally required under NRS 287.023 to provide for it. For fiscal year 2010, the County contributed \$145,614 to the plan for current premiums. The County did not prefund any future benefits.

Annual OPEB Cost and Net OPEB Obligation:

The County's annual other postemployment benefit (OPEB) cost (expense) for the plans is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

HUMBOLDT COUNTY
Notes to the Financial Statements
June 30, 2010

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plans, and the net OPEB obligations (assets), by plan, for fiscal years 2010 and 2009 were as follows:

	Fiscal Year Ended	Annual OPEB Cost	Employer Contributions	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
HCHIP	6/30/10	\$ 651,487	\$ 29,585	4.54%	\$ 1,183,890
HCHIP	6/30/09	\$ 597,515	\$ 35,528	5.95%	\$ 561,987
PEBP	6/30/10	\$ 181,302	\$ 145,614	80.32%	\$ 48,901
PEBP	6/30/09	\$ 178,357	\$ 165,144	92.59%	\$ 13,213
Combined Totals	6/30/10	\$ 832,789	\$ 175,199		\$ 1,232,791
Combined Totals	6/30/09	\$ 775,872	\$ 200,672		\$ 575,200

Note that the fiscal year 2008-09 was the first year of prospective implementation; therefore, only one prior year was available for disclosure.

The net OPEB obligation (NOPEBO) as of June 30, 2010, was calculated as follows:

	HCHIP	PEBP	Totals
Annual required contribution (ARC)	\$ 642,455	\$ 176,308	\$ 818,763
Interest on the beginning net OPEB obligation	41,533	5,758	47,291
ARC Adjustment	(32,500)	(764)	(33,264)
Annual OPEB cost	651,488	181,302	832,790
Contributions made	(29,585)	(145,614)	(175,199)
Increase (decrease) in net OPEB obligation	621,903	35,688	657,591
Net OPEB obligation (asset), beginning of year	561,987	13,213	575,200
Net OPEB obligation (asset), end of year	\$ 1,183,890	\$ 48,901	\$ 1,232,791

Funded Status and Funding Progress:

The funded status of the plans as of June 30, 2010, was as follows:

	HCHIP	PEBP	Totals
Accrued actuarial liability (a)	\$ 3,262,137	\$ 4,019,118	\$ 7,281,255
Actuarial value of plan assets (b)	-	-	-
Unfunded actuarial accrued liability (a) – (b)	\$ 3,262,137	\$ 4,019,118	\$ 7,281,255
Funded ratio (b) / (a)	0.00%	0.00%	0.00%
Covered payroll (c)	\$ 9,836,233	N/A	
Unfunded actuarial accrued liability as a percentage of covered payroll ((a) – (b)) / (c)	33.16%	N/A	

HUMBOLDT COUNTY
Notes to the Financial Statements
June 30, 2010

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actual accrued liabilities for benefits.

Actuarial Methods and Assumptions:

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the County and the plan members to that point. Actuarial calculations reflect long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

Significant methods and assumptions used in the October 1, 2007 actuarial valuation were as follows:

	HCHIP	PEBP
Actuarial valuation date	10/01/07	10/01/07
Actuarial cost method	Entry Age Normal Cost – Closed	Entry Age Normal Cost – Closed
Amortization method	Level % of pay	Level % of pay
Amortization period (open)	30 years	30 years
Asset valuation method	Market value	Market value
<u>Actuarial assumptions:</u>		
Investment rate of return	4.00%	4.00%
Projected salary increases-Regular	6.50%	6.50%
Projected salary increases-Police & Fire	8.00%	8.00%
Healthcare inflation rate*	9.00%	9.00%
*Decreasing 1.00% each year until ultimate trend rate of 5.00% is reached		

HUMBOLDT COUNTY
 Required Supplementary Information
 June 30, 2010

Schedule of Funding Progress – Other Post Employment Benefits

	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) – Entry Age Normal Cost (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ([b-a]/c)
HCHIP	07/01/08	-	\$3,262,137	\$3,262,137	0.00%	\$9,836,233	33.16%
PEBP	07/01/08	-	\$4,019,118	\$4,019,118	0.00%	N/A	N/A

*Prospective implementation as of June 30, 2009.