COMPREHENSIVE ANNUAL FINANCIAL REPORT
COUNTY OF EUREKA
STATE OF NEVADA
FOR THE FISCAL YEAR ENDED
JUNE 30, 2012

Prepared by:
Mike Rebaleati

COUNTY OF EUREKA
JUNE 30, 2012
TABLE OF CONTENTS

TABLE OF CONTENTS

COUNTY OF EUREKA
JUNE 30, 2012
TABLE OF CONTENTS

INTRODUCTORY SECTION

Board of

EUREKA COUNTY COMMISSIONERS
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December 19, 2012

TO THE CITIZENS OF THE COUNTY OF EUREKA:

The Comprehensive Annual Financial Report of the County of Eureka for the fiscal year ended June 30, 2012 is hereby submitted. Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rests with the County. To the best of our knowledge and belief, the enclosed data are accurate in all material respects and are reported in a manner designed to present fairly the financial position and results of operations of the various funds of the County. All disclosures necessary to enable the reader to gain an understanding of the County's financial activities have been included.

The financial reporting entity includes all funds of the primary government. Please refer to the Management's Discussion and Analysis on pages 13 – 20 for more detailed financial information and analysis.

The government provides a full range of services. These services include police, volunteer fire protection, ambulance, records retention, water, sewer, adult and juvenile recreational programs, judicial, economic development, road maintenance, snow removal, television, radio, weed and rodent control, swimming, museum, planning, cultural programs, county fairs, and senior citizen. The government also provides the construction and maintenance of the infrastructure and buildings that support the administration of these services.

Blended component units, although legally separate entities are, in substance, part of the primary government's operations and are included as part of the primary government. Accordingly, for example, the unincorporated towns of Eureka and Crescent Valley are reported as special revenue funds. The County does not have any discretely presented component units.

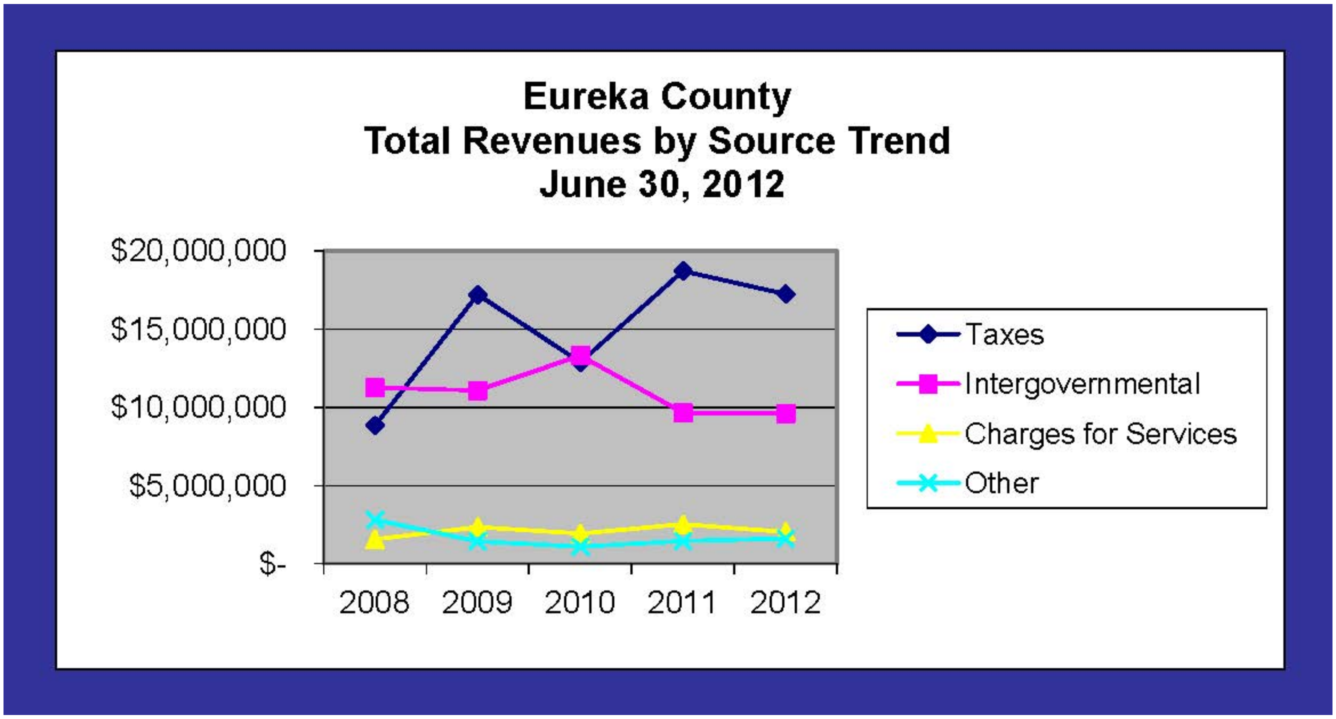
The County is located in the northeastern part of the State of Nevada. Mining activities account for over 94% of Eureka County's assessed valuation. The major gold producers are still producing approximately the same amount of gold as they were five years ago. New exploration increased in fiscal year 2012 because of higher gold prices. The current tax revenues are stable due to the gold mining activity in Eureka County. Overall county revenues are expected to remain the same if gold prices hold at the higher levels.

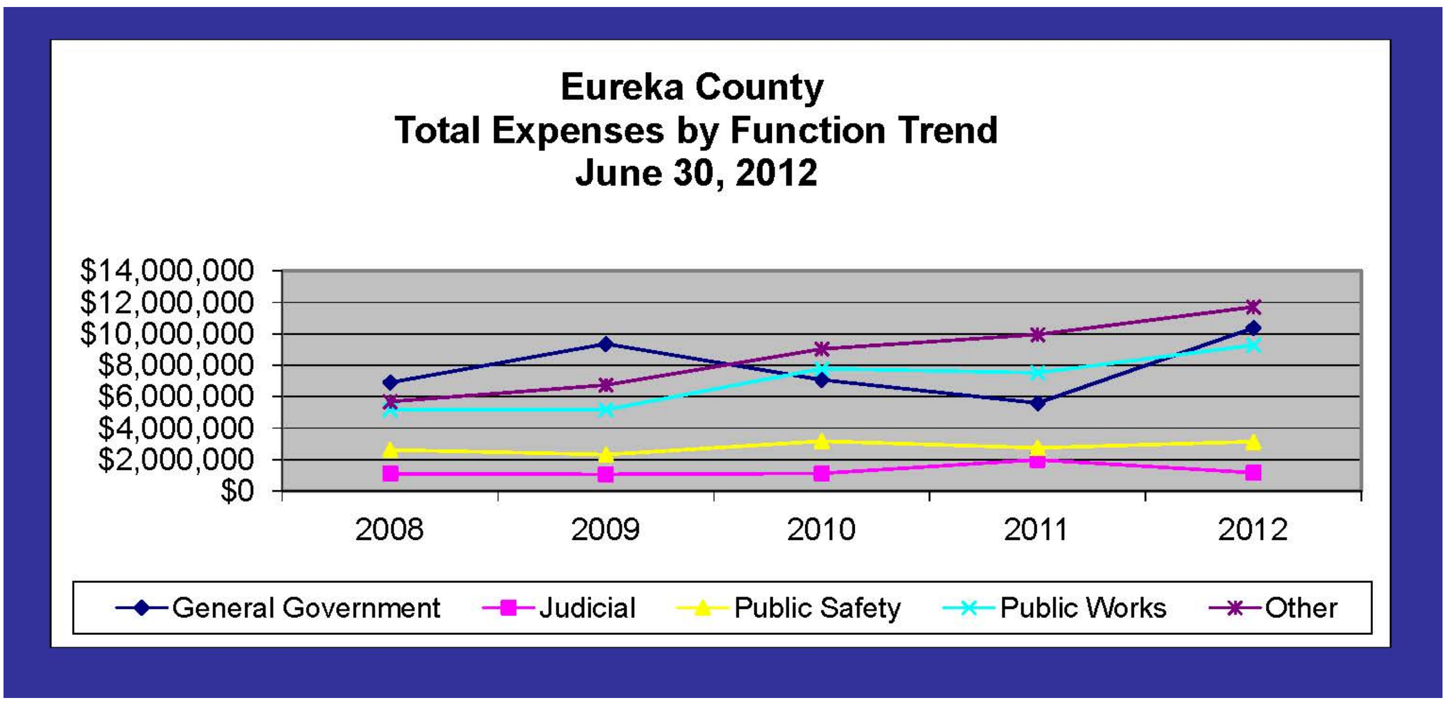
Eureka County collected more revenue than it expended in fiscal year 2012. Agriculture, the County's second largest industry, has struggled during fiscal year 2012 because the national economic crisis has affected commodity prices. The timothy and alfalfa hay produced in Diamond Valley are still some of the best on the market. Eureka County's livestock industry is surviving but new federal regulations may adversely affect its future.

MAJOR INITIATIVES

For the Year: There were several large construction projects completed in fiscal year 2012. These projects were the Eureka Main Street Water/Sewer project, a county wide road chip seal project, Devils Gate G.I.D. arsenic treatment project, and the Crescent Valley arsenic treatment project. The Crescent Valley Road/Utility building, the Water Springs Rehabilitation Project and the housing project are the only Construction in Progress projects that will carry over into fiscal year 2013. The County as of June 30, 2012 has no bonded debt. General Fund cash decreased $4,019,032. This increase was largely due to transfer to other funds.

The charts below show the trends in revenue and expenses over a five-year period.





Change in Management: The Human Resource Analyst position was filled in Fiscal Year 2012. Beverly Conley was appointed the Eureka County Clerk/Treasurer. She replaced Jackie Berg who accepted a position as the clerk of the Eureka County Commissioners.

For the Future: The outlook for fiscal year 2013 is good if the price of gold remains at its current level. A gold mine near Eureka that employs over 100 people is still in full production. The permitting and further development of a major molybdenum mine approximately 18 miles north of the Town of Eureka is expected to be awarded towards the end of 2012. When fully developed, it will employ a permanent staff of 430 employees with a 40 year mine life expectancy. The construction phase of this mine might employ up to 800 construction workers. . It is expected that this surge in mining activity will continue for several years into the future. The County's agreement with the Nevada Rural Housing Authority was restructured. The Nevada Rural Housing Authority will be operating a multifamily complex but will not be involved in the single family portion. The single family agreement may provide up to 122 single family lots but 33 buildable units will be available in November 2012.

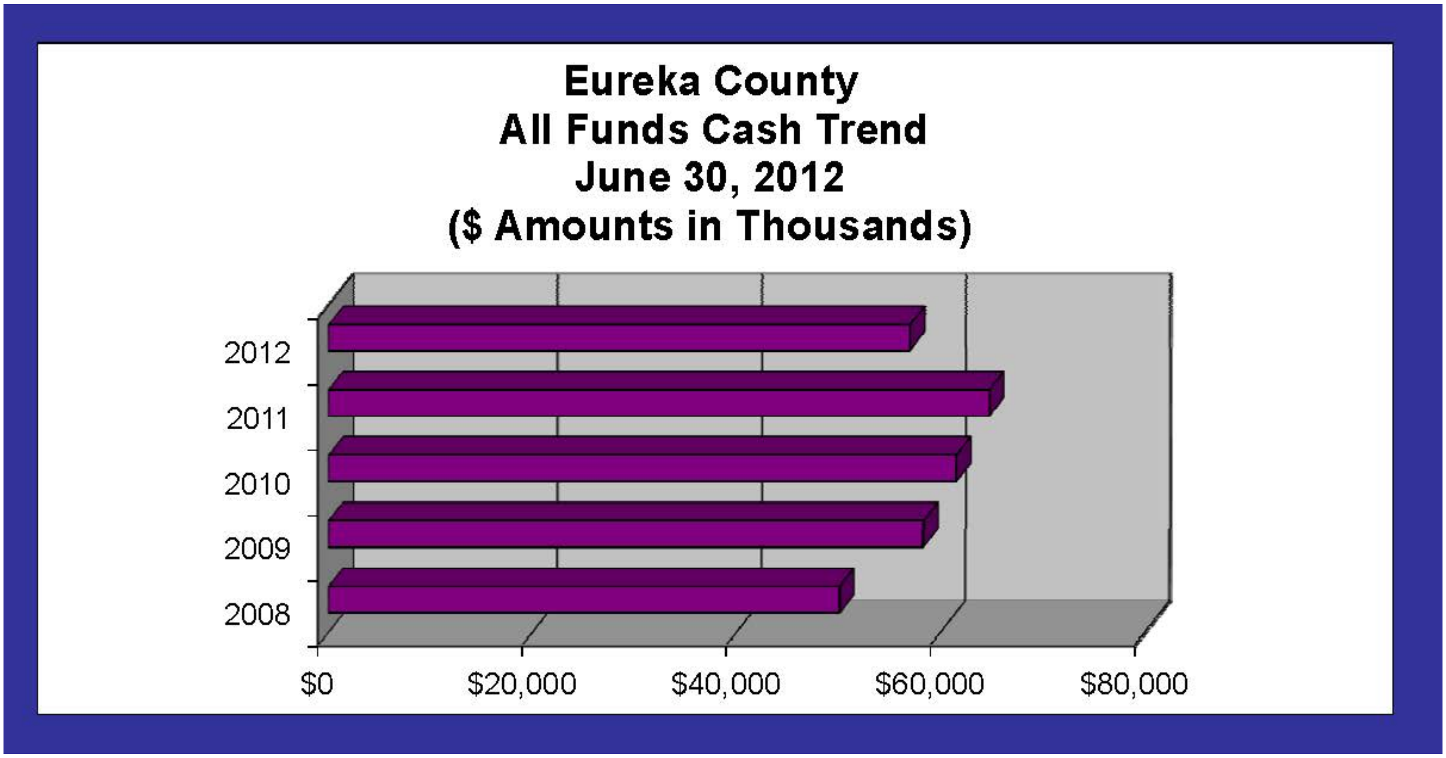
The County will rely on its Future Reserve Fund to help cushion the impact when the mines close. A Building Maintenance Reserve Fund is in place to ensure proper maintenance of all county structures. The fund balance of the Building Maintenance Reserve Fund will be reduced in Fiscal Year 2012 and Fiscal Year 2013 due to the construction a new Road/Utility Shop in Crescent Valley. In Fiscal year 2014, the fund balance of the Building Maintenance Reserve Fund will be restored to FY 2011 levels. The Regional Transportation Fund will hold reserve money for the specific purpose of constructing and maintaining county roads. These funds will give the citizens of the County a grace period to absorb the financial impact of such an event. The County does expect the sales tax revenues for fiscal year 2013 to slightly increase due to the increased mining activity. However, an increase in Net Proceeds of Mines revenues is expected.

The County continues to look to other industries such as tourism and agriculture for possible economic development. With the preservation of many historic buildings, the County hopes the tourism industry will be enhanced. The County is still providing the community with Internet access and a county web page is available at www.co.eureka.nv.us.

Cash Management: Cash temporarily idle during the year was invested with Nevada State Bank at rates ranging from .009 % to .99%.

The County's investment policy is to *minimize* market risks while preserving cash balances. The County is utilizing various financial institutions to accomplish this goal.

The chart below shows a Five Year Trend for Total Cash - All Primary Government.



Risk Management: The government provides risk management through the Nevada Public Agency Insurance Pool (NPAIP), which was created through an Inter-local cooperative agreement by participating Nevada Governments. The County participates in the programs designed to reduce risk of loss by the government to a minimum. Risk Management services provided by the NPAIP include the following:

1) Personnel consultants to help the County negotiate and manage any employment issues.
2) Assistance in the development and implementation of written safety plans.
3) Playground equipment inspections.
4) Preventive building inspections for safety and mold concerns.
5) Defensive driving training.

6) Employee wellness programs.

Employee Health Insurance Committee: The County created an Employee Health Insurance Committee. The primary purpose of this Committee is to aid the County Commissioners in selecting affordable but decent health insurance coverage for its employees. This committee also organizes and promotes health fair and employee wellness to help curb health insurance increases. The committee is currently studying the possibility of a self-funding structure for the employee health insurance coverage.

OTHER INFORMATION

Certificate of Achievement: The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the County of Eureka, State of Nevada, for its comprehensive annual financial report for the fiscal year ended 2011. This was the nine consecutive year that the County has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government 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.

Independent Audit: State statutes require an annual audit by independent certified public accountants. The accounting firm of Kafoury, Armstrong and Company audited the financial statements and related notes of the County of Eureka. In addition, to meeting the requirements set forth in state statutes, the goal of the independent audit was to provide reasonable assurance that the financial statements of Eureka County for the fiscal year ended June 30, 2012, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting policies used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that Eureka County's financial statements for the fiscal year ended June 30, 2012, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

Acknowledgments: The preparation of the Comprehensive Annual Financial Report on a timely basis was made possible by the dedicated service of the entire staff. Each employee of the County has our sincere appreciation for the contributions made in the preparation of this report.

In closing, without the leadership and support of the governing body of the County and its employees, preparation of this report would not have been possible.

Sincerely,

Leonard Fiorenzi
Chairman, Eureka County Commissioners

Michael Rebaleati
County Recorder/Auditor

Beverly Conley
County Clerk/Treasurer

FINANCIAL SECTION

KAFOURY, ARMSTRONG & CO.
A PROFESSIONAL CORPORATION
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Honorable Board of Commissioners
of Eureka County, Nevada

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 Eureka County, State of Nevada (the County), as of and for the year ended June 30, 2012, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County'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 examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes 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 County, as of June 30, 2012, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2012 on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and 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.

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, budgetary comparison information, and Schedules of Funding Progress - Other Postemployment Benefit Plans on pages 13 through 20 and on pages 53 through 68 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board (GASB), who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to management's discussion and analysis and the Schedules of Funding Progress – Other Postemployment Benefit Plans in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's financial statements as a whole. The introductory section, combining and individual nonmajor fund financial statements and schedules, statistical section, schedules of fund requirements subject to various provisions of NRS, 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 nonmajor fund financial statements and schedules and the Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain other procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. We also have previously audited, in accordance with auditing standards generally accepted in the United States, the County's basic financial statements for the year ended June 30, 2011, which are not presented with the accompanying financial statements. In our report dated December 16, 2011, we expressed unqualified opinions on the respective financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information. In our opinion, the 2011 combining and individual nonmajor fund financial statements and schedules are fairly stated in all material respects in relation to the basic financial statements for the year ended June 30, 2011, as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Elko, Nevada
December 19, 2012

Kafoury, Armstrong & Co.

1. Summary of Significant Accounting Policies

Eureka County, State of Nevada, (the "County") is a local government created under the provisions of Nevada Revised Statutes (NRS) 243.110. Eureka County is governed by an elected Board of three Commissioners who possess final decision making authority and is held primarily accountable for those decisions. The County Commission is responsible for approving the budget, establishing spending limitations, funding any deficits and borrowing funds and/or issuing bonds to finance county system operations and construction.

The accounting policies of the County conform to accounting principles generally accepted in the United States of America as applicable to governmental entities. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing these accounting and financial principles. In the government-wide Statement of Net Assets and Statement of Activities Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued before November 30, 1989, have been applied to the extent that those pronouncements do not conflict with or contradict GASB pronouncements. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The County has elected not to follow subsequent private-sector guidance.

The accounting and reporting framework and the more significant accounting policies are as follows:

A. Reporting Entity

The financial statements included herein present the County and its component units, entities for which the County is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the County's operations. Thus data from these units (Eureka Town, Crescent Valley Town, and Diamond Valley) are combined with data of the County. The County does not have any discretely presented component units. Each blended component unit presented has a June 30 year-end.

In addition, the County receives and disburses money in various agency accounts held for other entities, such as property taxes collected pending settlement to another entity. These accounts are maintained only in a fiduciary capacity in fiduciary funds and are not included in this report beyond that capacity.

The unincorporated towns of Eureka and Crescent Valley serve the citizens of the County. The Town of Crescent Valley has an advisory board of five elected members. The final operational and financial decisions are made by the County Commissioners. The Town of Eureka has an advisory board that is appointed by the County Commissioners. This board meets on a consistent basis but the final operational and financial decisions are also made by the County Commissioners. The property tax rates are authorized and approved by the County Commission. Any legal liabilities for the general obligations of these unincorporated towns remain with the County. The unincorporated towns are reported as special revenue funds.

Diamond Valley Weed and Rodent Control Districts are special districts created to provide services to control certain undesirable items within the districts. The Districts share the same governing boards as the general County. The districts are reported as special revenue funds.

B. Government-Wide and Fund Financial Statements

The basic financial statements consist of government-wide statements and the fund financial statements. The government-wide financial statements include a statement of net assets and a statement of activities. The government-wide statements report information on all of the non-fiduciary activities of the primary government and its component units.

1. Summary of Significant Accounting Policies (Continued)

B. Government-Wide and Fund Financial Statements - Continued

For the most part, the effect of inter-fund activity has been removed from these statements. *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 net assets presents the consolidated financial position of the County at year-end in separate columns, for both governmental and business-type activities. The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to patrons who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and revenues not properly included among program revenues are reported instead as *general revenues*. Those programs or functions with a net cost not supported by program revenues are generally dependent on general-purposes revenues, such as taxes, to remain operational. When both restricted and unrestricted resources are available for use, it is the County's policy to use restricted resources first, then unrestricted resources as they are needed.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. 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 proprietary fund and fiduciary fund financial statements. Agency funds, however, report only assets and liabilities so do not have a measurement focus. 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 for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Grant revenues have been deferred if funds have been received prior to meeting such requirements.

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. Gross receipts and sales taxes are considered "measurable" when in the hands of intermediary collecting agents or governments. Revenues are considered available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the County considers revenues to be available if they are collected within 60 days after the end of the current fiscal period. Anticipated refunds of taxes are recorded as liabilities and reductions of revenue when they are measurable and the payment seems certain. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, employment benefits, and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of

1. Summary of Significant Accounting Policies (Continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation – Continued

the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the County.

The major revenue sources of the County include consolidated tax revenues, ad valorem (property) taxes, governmental services tax, interest income and various state and federal grants. Ad valorem taxes have been deferred in the individual funds if they are not available to finance the activities of the current period.

The County's financial records are organized on the basis of funds, which are independent fiscal and accounting entities with a separate set of self-balancing accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions.

The County reports the following major governmental funds:

General Fund - The general fund is the general operating fund of the County. It is used to account for all financial resources and costs of operations traditionally associated with governments, which are not required to be accounted for in another fund.

Future Reserve Fund - To account for receipts received pursuant to NRS 362.171 to set aside funds to mitigate adverse effects upon the County from the opening or closing of a major industry.

Road Fund - To account for money received primarily from the County fuel tax. Expenditures are limited to construction, repair and maintenance of County roads and bridges, and the purchase of machinery and implements necessary to do such work.

Regional Transportation Fund – To account for proceeds of the County Option Fuel Tax pursuant to NRS 373.110. Expenditures are limited to improvements and maintenance of streets and highways.

Building Operation and Maintenance Reserve Fund – To account for money received and held for future property and equipment operation and maintenance requirements.

The County also reports the following non-major governmental funds:

Special Revenue Funds – These funds account for specific financial resources that are legally restricted to expenditures for specific purposes.

Capital Projects Fund – These funds account for financial resources to be used for the acquisition or construction of major capital assets. Resources are provided by ad valorem taxes and interest income.

The County reports the following major enterprise funds and non-major internal service fund:

Eureka Town Water / Sewer Fund – To account for all revenues and expenses used to provide water and sewer services to the residents of the town of Eureka.

Crescent Valley Water Fund – To account for all revenues and expenses used to provide water services to the residents of the town of Crescent Valley.

1. Summary of Significant Accounting Policies (Continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation – Continued

Devil's Gate General Improvement District (G.I.D.) **Enterprise Fund** - To account for all revenues and expenses used to provide water services to the residents of the Devil's Gate General Improvement District.

Retiree Health Insurance Internal Service Fund – To account for funds set aside for insurance claims and to fund other postemployment benefits.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services or producing and delivering goods in connection with the proprietary funds' principal ongoing operations. The principal operating revenues of the enterprise funds are charges for water and or sewer use and assessments to the various residents and property owners. Operating expenses for the enterprise funds include the costs of providing water and sewer services, administrative expenses, and depreciation on capital assets. Revenue and expense not meeting this definition are reported as non-operating revenues and expenses.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. The effects of interfund services provided and used have not been eliminated in those statements.

D. Budgets and Budgetary Accounting

Eureka County adheres to the Local Government Budget and Finance Act incorporated in Section 354 of the Nevada Revised Statutes. The County is required to legally adopt budgets for all funds except fiduciary funds. The budgets are filed as a matter of public record with the County Auditor and State Department of Taxation. The County staff uses the following procedures to establish, modify and control the budgetary information that is reflected in these financial statements.

a. On or before April 15, the Eureka County Board of Commissioners file a tentative budget with the Nevada Department of Taxation for all funds for the fiscal year beginning the following July 1. The tentative budget is prepared by fund, function and department and includes proposed expenditures and the means of financing them.

b. Public budget hearings on the tentative budget are held on the third Monday in May prior to the adoption of the budget to obtain taxpayer comments.

c. Prior to June 1, the Board indicates changes, if any, to be made to the tentative budget and adopts a final budget by a majority vote of the Commissioners. The final budget must then be forwarded to the Nevada Department of Taxation for final approval. The above dates may be adjusted as necessary during legislative years.

d. Formal budgetary integration in the financial records of all funds is employed to enhance management control during the year, however encumbrance accounting is not utilized. All appropriations lapse at the end of the fiscal year.

e. The appropriated budget amounts may be transferred between functions, funds, or contingency accounts if the transfer does not increase the total appropriations for fiscal year amounts subject to advisement of the Commissioners at the next subsequent meeting and must be recorded in the minutes of the meeting. Budget augmentations and amendments in excess of original budgetary amounts require prior approval of the Eureka Board of County Commissioners, following a scheduled and noticed public hearing.

1. Summary of Significant Accounting Policies (Continued)

D. Budgets and Budgetary Accounting (Continued)

f. Budgets for all funds are adopted on a basis consistent with accounting principles generally accepted in the United States of America (GAAP). Budgeted amounts reflected in the accompanying financial statements recognize budget amendments made during the year in accordance with the above procedures.

g. In accordance with state statute, actual expenditures may not exceed budgetary appropriations of the various functions of the individual governmental funds, except for bond repayments, short-term financing repayment and any other long-term contract expressly authorized by law, and certain other items specified in NRS 354.626. For Proprietary Funds the sum of operating and non-operating expenses may not exceed the sum of budgeted operating and non-operating expenses.

E. Property Taxes

All real property in Eureka County is assigned a parcel number in accordance with state law, with each parcel being subject to physical reappraisal every five years. A factoring system is used to adjust the appraised value during the years between physical appraisals. The assessed valuation of the property and its improvements is assessed at 35% of "taxable value" as defined by statute. The amount of tax levied is determined by multiplying the assessed value by the tax rate applicable to the area in which the property is located. In 2005, the Nevada State Legislature passed Assembly Bill 489 which provides for a partial abatement of the property tax levied on qualified property. For qualified property, the abatement may limit the increase of property taxes based on the previous year's assessed value.

The maximum tax rate was established in the State Constitution at $5.00 per hundred dollars of assessed valuation; however, as a result of the 1979 legislative session, the tax rate was further limited to $3.64 per hundred dollars of assessed valuation unless the electorate approves an additional rate. Legislation passed during the 1981 legislative session provided for a reduction in the property tax rate based upon a legislatively derived formula.

To help offset this loss in property tax revenue, the state sales tax was increased from 3.5% to 5.75% by the State Legislature. The 1991 legislature further increased the minimum sales tax to 6.5%. This increase in sales tax, less .5% of collections to cover administrative costs, is being returned to the local governments as a part of the consolidated tax. The amount of sales tax to be distributed to each governmental entity in Nevada is determined by a formula developed and approved by the State Legislature.

Taxes on real property are levied and the lien on the property attached on July 1 (the levy date) of the year for which the taxes are levied. Taxes are due on the third Monday in August; however, they may be paid in four installments payable on the third Monday in August, and the first Mondays in October, January and March. Any tax paid more than ten days late is assessed a penalty. In the event of nonpayment, a tax lien is taken on the first Monday in May, and the County Treasurer is authorized to hold the property for two additional 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, upon approval of the County Commissioners, obtains a tax 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.

1. Summary of Significant Accounting Policies (Continued)

E. Property Taxes (Continued)

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 Department of Taxation and tax rates described above. The major classifications of personal property are commercial, mobile homes, marine, aircraft and agricultural. In Eureka County, taxes on motor vehicles are also collected by the County Assessor and remitted to the State. The taxes are then returned to the County of origin to be apportioned based on a statutory formula as part of Consolidated Tax Revenue.

Eureka County collects property taxes for all entities with a tax rate within the County and remits the tax collected the month following collection to the appropriate entity.

Property tax revenue and the related receivable have been recognized for property tax assessments in the fiscal year for which they were levied, provided that such taxes were collected within 60 days after the County's year-end. Taxes receivable not collected within such time period are recorded as deferred revenue at the County's year-end in the individual fund financial statements.

F. Cash and Cash Equivalents

For purposes of the statement of cash flows, the County of Eureka considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

G. Cash and Investments

Cash includes amounts in demand deposits as well as short-term investments with a maturity date within three months of the date of acquisition. Cash balances from most funds are combined, held and invested by the County Treasurer. Short-term investments are stated at cost, which is or approximates fair market value. Long-term investments are stated at fair value at the balance sheet date.

State statutes authorize deposits in any bank, credit union or savings and loan that are federally insured. The County may invest in the following securities:

- United States bonds and debentures, bills and notes of the United States Treasury, or obligations of the United States or a corporation sponsored by the government maturing within ten (10) years from the date of purchase.
- Certain farm loan bonds.
- Negotiable certificates of deposit from commercial banks, insured credit unions or insured savings and loan associations.
- State of Nevada Local Government Pooled Investment Fund (unrated).
- Certain securities issued by local governments of the State of Nevada.
- Certain "AAA" rated money market mutual funds that invest in federal securities.
- Other securities expressly provided by other statutes, including repurchase agreements.
- Certain banker's acceptances not to exceed 180 days maturities or 20% of the money available for investment.
- Obligations of state and local governments rated A or higher and exempt from gross income for federal income tax purposes.
- Certain corporate or depository institution commercial paper purchased from a registered broker-dealer rated A-1, P-1, or better with maturity of no more than 270 days.

H. Accounts Receivable

Accounts receivable as stated in the balance sheet are considered collectible, accordingly, an allowance for uncollectible accounts is not deemed necessary.

1. Summary of Significant Accounting Policies (Continued)

I. Inventories

Expenditures for consumable supplies and minor equipment purchases are charged against appropriations of all governmental funds at the time of purchase. Any inventories of such supplies at June 30 are not material to the individual funds and are not recognized in these financial statements.

J. Capital Assets

Capital assets are valued in accordance with policy adopted as detailed below:

a. Assets acquired prior to July 1, 1968, were valued at cost if determinable or at estimated present value by the various County officials and department supervisors.
b. County buildings were established at insurable value at June 30, 1969, except for the Diagnostic and Treatment Center that was established at cost.
c. All assets acquired since July 1, 1968, are recorded at cost.
d. All assets transferred from the Eureka Town Water and Sewer Enterprise Funds and the Crescent Valley Town Water Fund are recorded at the net book value as of July 1, 1985.
e. Prior to July 1, 2000, Governmental funds infrastructure assets were not capitalized. These assets (back to July 1, 1980) have been valued at estimated historical cost.
f. The value of land owned by the County is carried at an estimated present value as of July 1, 1968. Additions to land since that date are at cost. Tax deeded property is recorded based on the total taxes owed when the property is deeded to the County.
g. Expenditures over $500 are capitalized as capital assets.
h. Donated capital assets are valued at their estimated fair value on the date donated.

Depreciation of all exhaustible fixed assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Buildings	25-50 years
Improvements other than buildings	10-50 years
Equipment and vehicles	5-10 years
Utility system - well and system	10-50 years
Infrastructure	20-40 years

Fund Financial Statements - In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures by the governmental fund upon acquisition. Capital assets used in proprietary fund operations are not accounted for as capital outlay expenditures in the Statement of Revenues, Expenses and Changes in Net Assets - Proprietary Funds.

K. Compensated Absences

Certain County employees earn vacation leave and sick leave at rates dependent on length of employment and can be accumulated to a specified maximum number of days. The County pays limited accumulated sick leave to certain employees upon retirement. Accumulated costs for unused vacation pay and sick leave are recognized currently for those retiring prior to June 30, 2012. Remaining costs of unused vacation and sick leave are not recorded in the fund financial statements, but are included in the government-wide financial statements. These benefits have typically been paid from the General Fund.

1. Summary of Significant Accounting Policies (Continued)

L. Fund Balance/Net Assets:

Government-wide Financial Statements:
The government-wide Statement of Net Assets utilizes a net asset presentation. Net assets are categorized as invested in capital assets, net of related debt, restricted and unrestricted. Related debt is the debt outstanding that relates to the acquisition, construction, or improvement of capital assets.

Amounts restricted for capital projects consists of unspent grants, donations, funds restricted by statute, and debt proceeds with third party restrictions for use on specific projects or programs. The restriction for other purposes represents other assets restricted by statute. Unrestricted net assets represent all other available financial resources of the County.

Fund Financial Statements:
In the governmental fund financial statements, the following classifications of fund balance are used:

Nonspendable – Amounts that cannot be spent because they are either not spendable in form or are legally or contractually required to be maintained intact.

Restricted – Amounts that can be spent only for specific purposes because of constitutional provisions, enabling legislation, or because of constraints that are externally imposed by creditors, grantors, contributors, or the law or regulations of other governments.

Committed – Amounts that can only be used for specific purposes. Committed fund balance is reported pursuant to resolutions passed by the County Commissioners, the County's highest level of decision making authority.

Assigned – Amounts that the County intends to use for a specific purpose, but do not meet the definitions of restricted or committed fund balance. Under the County's adopted policy, amounts may be assigned by the Recorder/Auditor under the authorization of the Board.

Unassigned – Amounts that have not been restricted, committed, or assigned to a specific purpose within the General Fund. The County reports all amounts that meet the unrestricted General Fund Balance Policy described below as unassigned.

When an expenditure is incurred for purposes for which both restricted and unrestricted amounts are available, the County considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned amounts are available, the County considers amounts to have been spent first out of committed funds, then assigned funds, and finally, unassigned funds, as needed, unless the County Commissioners have provided otherwise in its commitment or assignment actions.

The County does not have a minimum fund balance policy.

M. Net Proceeds of Mines

The County receives net proceed of mine taxes through the State of Nevada that is then apportioned by the County. Each year the County receives a final distribution in August or September for the prior year and the amount received within 60 days after the end of the year is recognized as taxes receivable and as revenue. Final installment amounts received more than 60 days after year end are recorded as revenue in the year received rather than the previous year.

1. Summary of Significant Accounting Policies (Continued)

N. 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 of 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 Inter-local 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 POOL for its general insurance coverage. 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 sub-limits established for earthquake, flood, equipment breakdown, and money and securities.

The County has also joined together with similar public agencies, under the Nevada Inter-local Cooperation Act, to create an intergovernmental self-insured association for workers compensation insurance, the Public Agency Compensation Trust (PACT).

The County pays premiums based on payroll costs to PACT. PACT is considered a self-sustaining pool that will proved 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 POOL (airport liability, 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.

2. Cash and Temporary Investments

The County Treasurer maintains cash available for use by all funds. In addition, minor amounts of cash are separately held by other County Officials. At year-end, the County has $14,860,438 in Nevada State Bank money market accounts. The County participated in Nevada State Bank's repurchase agreement account. The balance of $2,494,946 is invested in open repurchase agreements and the market value equals the carrying amount. These are collateralized with the purchased securities. There is no restricted cash at year-end. The various bank balances were either covered by FDIC insurance or collateralized by securities held in the County's name in the Nevada State Treasurer collateral pool.

NRS 355.170 sets forth acceptable investments for Nevada local governments. The County has also adopted a formal investment policy that would 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. The County's investment policy does not limit investment maturities as a means of managing 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 its investments. The County's investment policy does not specify minimum acceptable credit ratings further than those listed in state statutes. The County is a voluntary participant in the State of Nevada Local Government Investment Pool (LGIP), an unrated external investment pool. The fair value of the investment in the pool is the same as the value of the pool shares. Nevada local governments are permitted to invest in this pool pursuant to NRS 355.167. The pool has regulatory oversight from the Board of Finance for the State of Nevada. The County's

2. Cash and Temporary Investments (Continued)

investment in LGIP 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. More information regarding this pool, including quarterly reports, may be obtained from the Nevada State Treasurer, 101 N. Carson #4, Carson City, Nevada 89701. As of June 30, 2012, all securities held were rated AA+ or better by Standard & Poor's. The County places no limit on the amount the County may invest in any one issuer. More than 5% of the County's investments are in U. S. Government Treasury Notes (33.1%), LGIP (7.3%), negotiable certificates of deposit (7.6%), Federal Home Loan Mortgage Corporate Notes (8.1%), Federal Farm Credit Banks Debentures (6.9%), Federal National Mortgage Association Notes (13.7%), and Federal Home Loan Bank Debentures (17.8%).

Custodial Credit Risk - For 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 FDIC insurance and collateralized by the Office of the State Treasurer/Nevada Collateral Pool. For an investment, custodial credit risk is the risk that in the event of the failure of the counterparty, the County will not be able to recover the value of its investments or collateral securities that are in the possession of outside parties. The County's investment policy does not further limit this exposure.

Cash and investments held by the County are allocated to the various funds as follows:

Major governmental funds	$ 35,199,353
Nonmajor governmental funds	12,304,019
Proprietary funds	9,170,594
Total Primary Government	56,673,966
Fiduciary funds	288,240
Total Cash and Investments	$ 56,962,206

Cash and deposits of the County at year end were held as follows:

Demand accounts	$ 781,789
Repurchase (sweep) account	2,494,946
Money market account	14,860,438
Total	$ 18,137,173

As of June 30, 2012 the County had the following investments:

Investment Type	Fair Value	Less Than 1	1-5	5-10
LGIP	$ 2,820,205	$ 2,820,205	$ -	$ -
Fed. Home Loan Mtg. Corp. Notes	3,154,107	201,190	1,504,600	1,448,317
Fed. Farm Credit Banks Deb.	2,659,661	-	327,101	2,332,560
Fed. Farm Credit Banks Bonds	1,003,060	-	1,003,060	-
Fed. Home Loan Bank Deb.	6,913,849	-	943,977	5,969,872

2. Cash and Temporary Investments (Continued)

Investment Type	Fair Value	Less Than 1	1-5	5-10
Federal Agricultural Mtg. Corp. Notes	851,802	-	-	851,802
Fed. Nat'l Mtg. Assn. Note	5,315,291	-	4,530,375	784,916
Financial Corp. Coupon	121,613	-	121,613	-
Negotiable certificates of Deposit	2,969,744	-	2,969,744	-
Corporate bonds	153,816	-	-	153,816
U.S. Treasury notes	12,861,885	6,804,389	5,570,349	487,147
Total	$38,825,033	$ 9,825,784	$16,970,819	$12,028,430

3. Notes Receivable

The County loaned the County of Elko $2,000,000 to build a regional juvenile detention center. The first $1,000,000 was paid through a per diem charge for juveniles housed in the facility from Eureka, White Pine and Lincoln Counties. This was paid without interest. These costs, as noted, may not actually be paid in full because charges for actual use may not generate enough funds.

The second $1,000,000 is amortized over a 15-year period including interest at 4.5% and increasing by an additional 5% at 3-year intervals. The County of Elko made their first payment in August 1998 and had a balance of $7,915 at June 30, 2012.

The County loaned the Nevada Rural Housing Authority $4,781,348 to build a 50 unit multifamily complex. The units will be available to rent in Fiscal Year 2013 and the county started receiving interest payments on this loan in Fiscal Year 2012. The County loaned an additional $1,000,000 to the Nevada Rural Housing Authority to fund the remaining costs of the multifamily complex.

Scheduled principal payments are as follows:

Fiscal Year	Amount
2013	$ 3,380,169
2014	1,409,094
2015	-
2016	-
2017	1,000,000
	$ 5,789,263

4. Capital Assets

The amounts recorded as capital assets are summarized as follows:

Governmental Activities	Balance June 30, 2011	Additions	Dispositions	Transfers	Balance June 30, 2012
Capital assets, being depreciated:					
Buildings	$29,219,738	$ 521,140	$ (6,022)	$ (46,087)	$ 29,688,769
Improvements other than buildings	3,359,195	48,979	-	(79,787)	3,328,387
Equipment and vehicles	17,202,608	2,457,821	(635,417)	(155,818)	18,869,194

4. Capital Assets (Continued)

Governmental Activities	Balance June 30, 2011	Additions	Dispositions	Transfers	Balance June 30, 2012
Infrastructure	41,284,265	1,509,520	-	(16,579,161)	32,214,624
	97,065,806	4,537,460	(641,439)	(16,860,853)	84,100,974
Less: Accumulated depreciation for:					
Buildings	(10,396,313)	(999,582)	-	24,720	(11,371,175)
Improvements other than buildings	(661,934)	(94,640)	-	23,655	(732,919)
Equipment and vehicles	(12,138,271)	(1,320,186)	618,018	101,646	(12,738,793)
Infrastructure	(20,032,765)	(1,618,154)	-	4,590,626	(17,060,293)
	(43,229,283)	(4,032,562)	618,018	4,740,647	(41,903,180)
	53,836,523	504,898	(23,421)	(12,120,206)	42,197,794
Capital assets, not being depreciated:					
Land	979,847	-	-	(20,646)	959,201
Construction in progress	1,206,000	11,364,474	(1,206,000)	-	11,364,474
	2,185,847	11,364,474	(1,206,000)	(20,646)	12,323,675
Governmental activities capital assets, net	$56,022,370	$11,869,372	$(1,229,421)	$(12,140,852	$ 54,521,469

Business-type Activities

	Balance June 30, 2011	Additions	Dispositions	Transfers	Balance June 30, 2012
Capital assets, being depreciated:					
Buildings/ Improvements	$ 5,774	$ 5,109	$ -	$ 125,874	$ 136,757
Infrastructure	3,184,822	2,915,625	-	16,579,161	22,679,608
Equipment and vehicles	7,666	5,894	-	155,818	169,378
	3,198,262	2,926,628	-	16,860,853	22,985,743
Less: Accumulated depreciation for:					
Buildings/ Improvements	(433)	(3,234)	-	(48,375)	(52,042)
Infrastructure	(486,817)	(797,660)	-	(4,590,626)	(5,875,103)
Equipment and vehicles	(4,212)	(8,950)	-	(101,646)	(114,808)
	(491,462)	(809,844)	-	(4,740,647)	(6,041,953)
	2,706,800	2,116,784	-	12,120,206	16,943,790

4. Capital Assets (Continued)

	Balance June 30, 2011	Additions	Dispositions	Transfers	Balance June 30, 2012
Capital assets, not being depreciated:					
Land	100,224	-	-	20,646	120,870
Construction in progress	-	572,112	-	-	572,112
	100,224	572,112	-	20,646	692,982
Business-type activities capital assets, net	$ 2,807,024	$2,688,896	$ -	$12,140,852	$17,636,772

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

Governmental activities:	
General government	$ 1,614,867
Public safety	206,301
Judicial	4,314
Public Works including depreciation of general infrastructure assets	1,620,269
Health and sanitation	69,497
Culture and recreation	70,158
Community support	72,180
Intergovernmental	374,976
Total depreciation expense - governmental activities	$ 4,032,562
Business-type activities:	
Water	$ 678,734
Sewer	131,110
Total depreciation expense – business-type activities	$ 809,844

Construction in progress, governmental activities, at June 30, 2012 included the following:

Airport Runway Project	$ 2,677,591
Street Maintenance	3,875,667
C.V. Road/Utility Maintenance	1,650,933
Street Maintenance, Box Culverts	1,812,741
Eureka Town Housing Project	1,347,542
	$ 11,364,474

Construction in progress, business-type activities included the following:

Eureka Water Spring Project	$ 572,112

5. Landfill Closure and Post-Closure Costs

The Environmental Protection Agency has established closure and capping requirements for all municipal solid waste landfills that received waste after October 9, 1991. The EPA also established 30-year post closure care requirements for landfills that accept solid waste after October 9, 1993.

5. Landfill Closure and Post-Closure Costs (Continued)

The County operates one landfill near the Town of Eureka and a transfer station in Crescent Valley. The County purchased insurance to cover the costs of closure and post closure of the landfill. The County is obligated to make annual payments of $33,639 to Nevada Public Agency Insurance pool for a period of fifteen years, until June 30, 2014. Since all costs for closure and post closure are covered by the insurance policy as allowed by NAC 444.6855, the County recognizes costs as the insurance premiums are paid rather than recording a liability for closure and post closure costs based on the estimated percentage of capacity used to date. The estimated costs for closure and post-closure, provided by Lumos and Associates, Inc., are $2,129,900 and $475,700, respectively. This estimate is subject to change due to inflation, deflation, technology, or changes in applicable laws or regulations.

6. Available Borrowing Capacity

The lawful County government general-obligation debt limit is established under NRS 244A.059 not to exceed ten percent of the total last assessed valuation of the taxable property of the County. The legal debt limit for unincorporated town general-obligation is established under NRS 269.425 not to exceed twenty-five percent of the last assessed valuation of the taxable property of the town.

The general-obligation debt limit and available borrowing capacity, at June 30, 2012, of the respective general County government, and unincorporated towns within Eureka County is as follows:

	Eureka General County	Town of Eureka	Town of Crescent Valley
General-obligation debt limit	$198,272,322	$ 2,603,553	$ 882,169
General obligation debt outstanding	-	-	-
Available borrowing capacity	$198,272,322	$ 2,603,553	$ 882,169

7. Long-Term Liabilities

There is no bonded long-term debt as of June 30, 2012. Other long-term liabilities, typically paid through the General Fund, consisted of the following:

	Outstanding July 1, 2011	Increases	Decreases	Outstanding June 30, 2012	Due Within One Year
Vested vacation / sick leave	$ 677,808	$ 261,471	$ 373,987	$ 565,292	$ 270,626

8. Interfund Transfers

The County transferred funds to the County General Fund from the Assessor's Tech Fund in accordance with NRS 250.085 and from the Landfill Fund to refund County transfer to the Landfill Fund not required for improvements. The County General Fund transferred monies to: Retiree Health Insurance Premiums Fund to pay current retiree insurance premium costs and set aside funds earmarked to pay future postemployment costs; Regional Transportation Fund to pay for anticipated road construction projects; Game Management Board and Landfill Fund to supplement the normal income.

The County consolidated the two Devil's Gate water funds into the remaining Devil's Gate General Improvement District. The County also transferred resources from three special revenue funds: Eureka Sewer Improvement, Eureka Water Improvement, and Crescent Valley Water Reserve Funds to two new enterprise funds: Eureka Water/Sewer and Crescent Valley Water Funds.

8. Interfund Transfers (Continued)

	Transfer In	Transfer Out
Major Governmental:		
General Fund	$ 2,000,000	$ 2,504,945
Regional Transportation Fund	2,000,000	-
Nonmajor Governmental:		
Eureka Sewer Improvement Fund	-	2,450,669
Eureka Water Improvement Fund	-	626,966
Crescent Valley Water Reserve Fund	-	728,372
Game Management Board Fund	2,000	-
Landfill Fund	2,945	1,000,000
Assessor’s Technology Fund	-	1,000,000
Total Governmental Funds Activity	4,004,945	8,310,952
Major Business-Type:		
Eureka Town Water/Sewer Fund	3,077,635	-
Crescent Valley Water Fund	728,372	-
Devil’s Gate General Improvement District	3,163,352	-
Nonmajor Business-Type:		
Devil’s Gate Improvement Fund	-	3,163,352
Internal Service:		
Retiree Health Insurance Premium Fund	500,000	-
Total Business-Type Activity	7,469,359	3,163,352
	$ 11,474,304	$ 11,474,304

9. Capital Contributions

In conjunction with the creation of two new enterprise funds, Eureka Water/Sewer and Crescent Valley Water Funds, capital assets were contributed to the funds from the general capital assets of the County totaling $12,140,852, net of accumulated depreciation.

10. Retirement Plans

Retirement Plan Description

The County of Eureka contributes to the Public Employees Retirement System 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, disability, 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. A seven-member board authorized by Title 23, NRS Chapter 286, governs day-to-day operations. The Public Employees Retirement System of the State of Nevada 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, NV 89703-1599 or by calling (775) 687-4200.

Funding Policy

Benefits for plan members are funded under one of two methods. Under the employer pay contribution plan, the County is required to contribute all amounts due under the plan. The second funding mechanism for providing benefits is the employer/employee paid contribution plan. Under this method, employees are required to contribute a percentage of their contribution. The contribution requirements of plan members and the County are established by Chapter 286 of the Nevada Revised Statutes and may only be amended by legislation.

10. Retirement Plans (Continued)

The County has fully funded those amounts due for the past three years. The increase in from the prior year was due to salary increases and additional employees. The County's contribution rates and amounts contributed for the last three years are as follows:

	Contribution Rate				
	Regular Members		Police and Firemen		
Fiscal Year	Employer Pay	Employee-Employer	Employer Pay	Employee-Employer	Total Contribution
2011-12	23.75%	12.25%	39.75%	20.25%	$ 1,264,609
2010-11	21.50%	11.25%	37.00%	19.00%	1,108,100
2009-10	21.50%	11.25%	37.00%	19.00%	1,075,168

Plan Description

The County of Eureka also has elected to participate in the Judicial Retirement System of the State of Nevada (JRS) for the County's justice court judges. JRS is a cost sharing multiple-employer public employees defined benefit retirement plan that provides retirement, disability, and death benefits, including annual cost of living adjustments, to plan members and their beneficiaries. NRS Chapter 1A establishes the benefit provisions provided to the participants in JRS. These benefit provisions may only be amended through legislation. JRS issues a publicly available financial report that includes the financial statements and required supplementary information for JRS. That report may be obtained by writing to the Public Employees' Retirement System of the State of Nevada, 693 West Nye Lane, Carson City, NV 89703-1599 or by calling (775) 687-4200.

Funding Policy

Benefits for plan members are funded through employer contributions, where the County is required to contribute all amounts due under the plan. The contribution requirements of the County are established annually through legislation on an actuarial basis as a percentage of plan member compensation. The County's contribution rates and amounts contributed, which equaled required contributions were as follows:

Fiscal Year	Contribution Rate	Contribution
2011-12	28.25%	$ 28,424
2010-11	25.60%	28,103
2009-10	25.60%	26,136

11. Post Employment Healthcare Plans

Plan Descriptions: The County administers a single-employer defined benefit healthcare plan, Eureka County Employee Health Benefits Plan (ECHBP). Additionally, the County contributes to an agent multiple-employer defined benefit postemployment healthcare plan, Public Employees' Benefits Plan (PEBP). Each plan provides medical, dental, prescription, and life insurance benefits to eligible retired County employees and beneficiaries.

Benefit provisions for ECHBP are established pursuant to NRS 287.023 and amended through negotiations between the County and its employees. NRS 288.150 assigns the authority to establish benefit provisions to the County Council. 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. As of June 30, 2012, ten retirees were using this plan. ECHBP does not issue a publicly available financial report.

11. Post Employment Healthcare Plans (Continued)

Benefit provisions for the PEBP are administered by the State of Nevada. NRS 287.043 assigns the authority to establish and amend benefit provisions to the PEBP nine-member board of trustees. County employees who met the eligibility requirements effective September 1, 2008 for retirement within the Nevada Public Employee Retirement System had the option upon retirement to enroll in coverage under the PEBP. NRS 287.023 discontinued the option to join PEBP for County employees who retired after November 29, 2008. Local governments are required to pay the same portion of the cost of coverage for their retirees joining PEBP that the State of Nevada pays for state retirees participating in their plan. As of June 30, 2012, 18 County retirees were utilizing this benefit. PEBP does not issue a publicly available financial report.

<u>Funding Policy</u>: For ECHBP, contribution requirements of the plan members and County are established and may be amended through negotiations between the County and their employees. Direct County retirees are required to pay the difference between their premiums, based on a blended rate that blends active participants and retirees, and the retiree subsidy. For the plan year ended June 30, 2012, retirees qualified for a subsidy of $113 at five years of service and $621 at twenty years of service, with incremental increases for each year of service between. The County paid $63,250 to insurance providers on behalf of these retirees during the current fiscal year. The County did not prefund any future benefits, however, an internal service fund was opened to begin setting aside assets toward this liability.

For PEBP, NRS 287.046 establishes the subsidies to be contributed toward the premium costs of the eligible retired County employees. The contribution requirements of plan members and the County may be amended by the PEBP board. Premium rates determined by PEBP are the same for all participating members. . 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, 2012, retirees qualified for a subsidy of $105 at five years of service and $575 at twenty years of service, with incremental increases for each year of service between. As a participating employer, the County is billed for the subsidy on a monthly basis and is legally required to provide for it. For fiscal year 2012, the County contributed $24,558 to the plan.

<u>Annual OPEB Cost and Net OPEB Obligation</u>: 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 normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. As of June 30, 2012, the County has 26 years remaining of this amortization period.

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plans, and the net OPEB obligation, by amount and plan for the current and prior two fiscal years were as follows:

	Fiscal Year Ended	Annual OPEB Cost	Employer Contributions	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation (Asset)
ECHBP	6/30/12	$ 1,415,897	$ 63,250	4.47%	$ 5,314,449
ECHBP	6/30/11	1,331,407	71,694	5.39%	3,961,802
ECHBP	6/30/10	967,698	61,702	6.38%	2,702,089

11. Post Employment Healthcare Plans (Continued)

	Fiscal Year Ended	Annual OPEB Cost	Employer Contributions	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation (Asset)
PEBP	6/30/12	51,737	24,558	47.40%	33,010
PEBP	6/30/11	51,235	38,678	75.50%	5,831
PEBP	6/30/10	92,202	45,465	49.31%	(6,726)
Combined	6/30/12	1,467,634	87,808	5.99%	5,347,459
Combined	6/30/11	1,382,642	110,372	7.99%	3,967,633
Combined	6/30/10	1,059,900	107,167	10.12%	2,695,347

Fiscal year 2008 was the County's first year of prospective implementation of GASB 45, *Accounting and Financial Reporting by Employers for Postemployment Benefit Plans Other Than Pension Plans*; therefore, prior year information is unavailable. In the original actuarial study, the two plans were treated as a single plan, therefore, additional individual information regarding ECHBP and PEBP is not available prior to 6/30/10.

The net OPEB obligation (asset) (NOPEBO) as of June 30, 2012, was calculated as follows:

	ECHBP	PEBP	Total
Annual required contribution	$ 1,505,304	$ 51,869	$ 1,557,173
Interest on net OPEB obligation	158,472	233	158,705
Adjustment to annual required contribution	(247,879)	(365)	(248,244)
Annual OPEB cost (expense)	1,415,897	51,737	1,467,634
Contributions made	(63,250)	(24,558)	(87,808)
Increase in net OPEB obligation	1,352,647	27,179	1,379,826
Net OPEB obligation, beginning of year	3,961,802	5,831	3,967,633
Net OPEB obligation, end of year	$ 5,314,449	$ 33,010	$ 5,347,459

Funded Status and Funding Progress: The funded status of the plans as of June 30, 2012 was as follows:

	ECHBP	PEBP	Total
Accrued actuarial liability (a)	$ 9,887,611	$ 829,015	$10,716,626
Actuarial value of plan assets (b)	-	-	-
Unfunded Actuarial Accrued Liability (a) – (b)	$ 9,887,611	$ 829,015	$10,716,626
Funded Ratio (b) / (a)	0.00%	0.00%	
Covered payroll (c)	$ 5,830,093	N/A	
Unfunded Actuarial Accrued Liability as a Percentage of Covered Payroll ([(a) – (b)] / (c))	169.60%	N/A	

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 with past expectations and new estimates are made about the future. The schedules of funding progress, presented as required supplementary information following the notes to the

11. Post Employment Healthcare Plans (Continued)

financial statements, presents information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits. Multiyear information will be provided as it becomes available.

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 of benefit costs between the County and 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 actuarial value of assets.

Significant methods and assumptions used in the June 30, 2012 actuarial valuation were as follows:

	ECHBP	PEBP
Actuarial valuation date	6/30/10	6/30/10
Actuarial cost method	Entry age normal cost	Entry age normal cost
Amortization method	Level % of payroll	Level dollar
Amortization period (closed)	30 years	30 years
Asset valuation method	Market value	Market value
Actuarial Assumptions:		
Investment rate of return	4%	4%
Projected salary increase	4%	4%
Healthcare inflation rate*	8.5%	8.5%
PEBP subsidy inflation rate**		8.5%

* Decreasing 1% each year until ultimate trend rate of 5% is reached in 2014
**Declining annually until ultimate trend rate of 5% is reached in 2014

12. Commitments and Contingencies

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the County expects such amounts, if any, to be immaterial.

The County has been named in two lawsuits that have been ongoing for more than a year. One lawsuit awarded summary judgment to the County but the plaintiff appealed. The County intends to vigorously defend its position and a potential range of loss would not exceed the County's insurance deductible limit.

The County was in the construction or pre-construction stage for several projects at June 30, 2012 and had various architectural, engineering, construction and loan commitments as follows:

U.S. Geological Survey joint projects	$	478,926
Crescent Valley road shop		2,421,938
Airport runway		455,736
Eureka Canyon Subdivision Project		770,437

13. Prior Period Adjustment

The County entered into agreements with Nevada Rural Housing to lend money to provide additional multi-family housing within the County. Costs of $308,000 associated with one note receivable were charged to expense in the prior year and resulted in a prior period adjustment in the general fund to properly account for the funds to be repaid in the future.

14. Fund Changes

There were two new funds created in Fiscal Year 2012, Eureka Water/Sewer Fund and Crescent Valley Water Fund. Two funds were consolidated into the Devil's Gate General Improvement District (existing fund and Devil's Gate Improvement Fund). Also three special revenue funds were discontinued and the assets transferred to the two new proprietary funds listed above.

15. Restricted Fund Balance

In accordance with GASB Statement 54, the County has restricted fund balance for the following purposes:

Fund	Amount	Purpose
Future Reserve	$ 9,678,900	Mining stabilization, NRS 362.171
Road	6,184,517	Future road projects
Agricultural Extension	909,609	Agricultural extension, NRS 549.020
Agricultural District #15	430,367	Eureka County Fair
Town of Eureka	79,770	General town services
Eureka County Television District	292,436	Television equipment upgrades/maintenance
Diamond Valley Weed	11,009	Control of noxious weeds
Diamond Valley Rodent	145,447	Control of rodent infestations
Nuclear Waste – Yucca Mountain	35,480	Federal Funding received from U.S. Dept. of Energy
Yucca Mountain	748,523	Federal Funding received from U.S. Dept. of Energy
Recreation	590,725	Maintenance of County recreational facilities, NRS 244.3358
Tourism	36,710	Promotion of tourism, NRS 244.3358
Water Mitigation	346,558	Offset adverse effects from opening or Closing of major industry, NRS 362.171
Eureka County Indigent	372,830	Provide aid and relief for indigent persons, NRS 428.285
Eureka County Indigent	1,500	Indigent legal services, NRS 19.031
Eureka County Hospital Indigent	1,633,410	Provide for medical aid of indigent persons, NRS 428.285
Landfill	911,962	Provide landfill services
Assessor's Technology	922,435	Technology improvements, NRS 250.085
Recorder's Technology	18,505	Technology improvements, NRS 247.306
Justice Court AA	89,893	Court improvements, NRS 176.059
Juvenile Court AA	43,993	Provide services to juveniles, NRS 62E.270
Justice Court Facility	89,712	Court improvements, NRS 176.0611
Capital Projects	1,732,894	Capital improvements
Total	$ 25,307,185	

16. Interest Expense

During the year ended June 30, 2012, there were no interest costs incurred or paid.

17. Budget Augmentations

The County increased its appropriations from its original adopted budget in the following funds for the year ended June 2012.

17. Budget Augmentations (Continued)

Fund	Original Appropriations	Augmented Appropriations	Increase in Appropriations	Source
Major Funds:				
General	$ 19,908,011	$ 25,353,381	$ 5,445,370	Beginning Fund Balance, Net Proceeds of Mines
Road Fund	3,364,900	3,819,656	454,756	Beginning Fund Balance
Regional Transportation Fund	2,800,000	5,300,000	2,500,000	Transfer in, Net Proceeds of Mines
NonMajor Funds:				
Eureka County Ag. Dist #15	132,000	188,117	56,117	Fair fees, Net Proceeds of Mines
Town of Eureka	97,800	147,800	50,000	Grant
Eureka Co. TV District	627,500	677,500	50,000	Net Proceeds of Mines
Game Management Board	3,500	5,500	2,000	Grant
Landfill	610,500	673,494	62,994	Beginning Fund Balance, Landfill fees and Refunds

18. Subsequent Events

After year end, the County awarded the following contracts or approved the following actions:

Water and sewer projects	$ 514,118
Street projects	4,080,525
Purchase of equipment	546,891
Other miscellaneous repairs/projects and grants	240,760

Also reimbursement for costs associated with airport runway reconstruction of $1,996,000 was received from the federal government.

19. Compliance with Nevada Revised Statutes and Administrative Code

The independent audit of the records of Eureka County for the year ended June 30, 2012, included a review of the financial activity for compliance with applicable statutes and code. The County conformed to all significant statutory and legal constraints on its financial administration during the year with the following possible exceptions:

The funds listed below over expended amounts appropriated for various functions or programs and, as such, may not be in accordance with Nevada Revised Statute 354.626:

Fund	Program or Function	Amount
General Fund	Community Support	$ 107,816
Eureka Town Water/Sewer	Operating Expenses	624,932
Crescent Valley Water	Operating Expenses	224,123
Devil's Gate General Improvement District	Operating Expenses	80,538

REQUIRED SUPPLEMENTARY INFORMATION

MAJOR GOVERNMENTAL FUNDS

NONMAJOR GOVERNMENTAL FUNDS

Regional Transportation Fund accounts for proceeds of the County Option Fuel Tax pursuant to NRS 373.110. Expenditures are limited to improvements and maintenance of streets and highways.

Agricultural Extension Fund accounts for money received from a tax levy pursuant to NRS 549.020 for extension work in agriculture and home economics. Expenditures are limited to cooperative extension work approved by the public service division of the University of Nevada System.

Agricultural District #15 accounts for money received to provide the annual Eureka County Fair.

Eureka and Crescent Valley Town General Funds account for all revenues and expenditures used to finance the traditional services associated with a town government which are not accounted for in other funds and have been combined as a component unit of the Eureka County reporting entity.

Eureka Town and Crescent Valley Water & Sewer Improvement Funds account for monies accumulated for capital outlay, for future Water & Sewer Improvements for the towns of Eureka and Crescent Valley.

Eureka County Television District Fund accounts for tax and intergovernmental receipts received that are limited to expenditures for the necessary equipment and upkeep of satellite transmission facilities to provide television broadcasting.

Diamond Valley Weed Control District Fund accounts for a tax levy and intergovernmental receipt, received pursuant to NRS 555.203 for weed control in the district.

Diamond Valley Rodent Control District Fund accounts for a tax levy and intergovernmental receipts, received pursuant to NRS 555.510 for rodent control in the district.

Nuclear Waste - Yucca Mountain Fund accounts for money from the Federal Department of Energy. These monies are to be used by the County to keep the citizens informed on the possible nuclear repository in Nevada.

FFY05 Yucca Mountain Fund accounts for money from the Federal Department of Energy after fiscal year 2005. These monies are to be used by the County to keep the citizens informed on the possible nuclear repository in Nevada.

Recreation Fund accounts for room tax receipts pursuant to NRS 244.3358. Expenditures are limited to construction, repairs, and maintenance of County recreation facilities.

Tourism Fund accounts for room tax receipts pursuant to NRS 244.3358. Expenditures are limited to the promotion of tourism.

Water Mitigation Fund accounts for water use assessment fees received pursuant to NRS 362.171 to be used to cushion adverse effects upon the County from the opening or closing of a major industry.

Game Management Board Fund accounts for money received from the Nevada Division of Wildlife. These monies are to be used by the County Game Board to conduct local meetings and travel expenses to and from State Game Board meetings.

Eureka County Indigent and Eureka County Hospital Indigent Funds account for tax money received in addition to the tax levied at NRS 428.285 to provide aid and relief to indigent persons. No County may expend or contract to expend for that aid and relief a sum in excess of that provided by the maximum ad valorem tax set forth in NRS 428.285 together with such outside resources as it may receive from third persons, including expense reimbursements, grants-in-aid or donations lawfully attributable to the County indigent fund.

Landfill Fund accounts for restricted cash to be used for the closure and post closure costs of the County's landfills.

Assessor's Technology Fund accounts for money collected from a portion of the personal property and net proceeds tax revenues. These funds are designated for technological improvements needed by the County Assessor.

Recorder's Technology Fund accounts for fees used to pay for technology improvements needed by the Recorder. The fees are collected when official documents are recorded pursuant to NRS 247.306.

Justice Court AA Fund accounts for administrative assessment fees paid in the Justice Court to be used for court improvements or to provide services.

Juvenile Court AA Fund accounts for administrative assessment fees paid in Juvenile Court to be used for court improvements or to provide services to juveniles.

Justice Court Facility Fund accounts for fees used to help finance the construction of renovation of Justice Court Facilities. The fees are collected by the Justice Court pursuant to NRS 176.0611.

Forensic Fee Fund accounts for fees received from fines to cover the State of Nevada's Forensic Fee as established under NRS 453.576.

Capital Projects Fund accounts for financial resources to be used for the acquisition or construction of major capital assets. Resources are provided by ad valorem taxes and interest income.

BUSINESS TYPE ACTIVITIES
PROPRIETARY FUNDS

GOVERNMENTAL ACTIVITIES
INTERNAL SERVICE FUNDS

FIDUCIARY FUND TYPES

STATISTICAL INFORMATION (UNAUDITED)

This portion of Eureka County's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information indicates about the County's overall financial health. Statistical information that is reported for less than the required time period per GASB 44 is noted.

Statistical information, if applicable, is presented in five categories: financial trends information, revenue capacity information, debt capacity information, demographic and economic information, and operating information. The County has no outstanding debt so schedules have not been included relating to ratios of outstanding debt, direct and overlapping debt, and pledged-revenue coverage.

The following is a description of the purpose of the five categories of statistical information:

Financial Trends Information is intended to assist readers in understanding how the County's financial performance and well-being have changed over time.

Revenue Capacity Information is intended to assist readers in understanding and assessing the factors affecting the County's ability to generate local revenues.

Debt Capacity Information is intended to assist readers in understanding and assessing the County's outstanding debt and the County's ability to issue additional debt in the future.

Demographic and Economic Information is intended to assist readers in under understanding the environment within which the County's financial activities take place and provide information that will facilitate comparison of financial statement information over time and among governments.

Operating Information is intended to provide information about the County's operations and resources to assist readers in using financial statement information to understand and asses the County's economic condition.

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

COMPLIANCE SECTION

KAFOURY, ARMSTRONG & CO.
A PROFESSIONAL CORPORATION
CERTIFIED PUBLIC ACCOUNTANTS

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

To the Honorable Board of Commissioners of
Eureka County, Nevada

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Eureka County, State of Nevada (the County) as of and for the year ended June 30, 2012, which collectively comprise the County's basic financial statements and have issued our report thereon dated December 19, 2012. 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.

Internal Control Over Financial Reporting
Management of the County is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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

We noted certain matters that we reported to management of the County in a separate letter dated December 19, 2012.

This report is intended solely for the information and use of the board of commissioners, management, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Kafoury, Armstrong & Co.

Elko, Nevada
December 19, 2012

KAFOURY, ARMSTRONG & CO.
A PROFESSIONAL CORPORATION
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Honorable Board of Commissioners of
Eureka County, Nevada

Compliance

We have audited Eureka County, State of Nevada's (the County) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Eureka County's major federal programs for the year ended June 30, 2012. The County's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments and Non-profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the County's compliance with those requirements.

As described in items 2012-01 and 2012-02 in the accompanying schedule of findings and questioned costs, the County did not comply with requirements regarding Davis-Bacon and Reporting that are applicable to its Airport Improvement Grant. Compliance with such requirements is necessary, in our opinion, for the County to comply with the requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, the County complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2012.

Internal Control Over Compliance

Management of the County is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the County's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2012-01 and 2012-02 to be material weaknesses.

The County's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the County's responses and, accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of the Board of Commissioners, management, others within the entity, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Kafoury, Armstrong & Co.

Elko, Nevada
December 19, 2012

BASIS OF PRESENTATION:

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of Eureka County, State of Nevada under programs of the federal government for the year ended June 30, 2012. The information in this schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the schedule presents only a selected portion of the operations of Eureka County, it is not intended to and does not present the financial position, changes in net assets or cash flows of Eureka County.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

(1) Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

(2) Pass-through entity identifying numbers are presented where available.

(3) There were no sub recipients to disclose for the year ended June 30, 2012.

(4) There was no program income for the year ended June 30, 2012.

RELATIONSHIP TO THE BASIC FINANCIAL STATEMENTS:

Expenditures of federal awards have been included in the individual funds of the County as follows:

General Fund	$ 2,226,565
Road Fund	249,307
Nonmajor Special Revenue Funds	256,891
	$ 2,732,763

COUNTY OF EUREKA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012
(Page 1 of 3)

SECTION I - SUMMARY OF AUDIT RESULTS

Financial Statements

Type of auditor's report issued:		Unqualified opinion
Internal control over financial reporting:		
• Material weaknesses identified?	______ Yes	__X__ No
• Significant deficiencies identified?	______ Yes	__X__ None reported
Noncompliance material to financial statements noted?	______ Yes	__X__ No

Federal Awards

Internal control over major programs:		
• Material weaknesses identified?	__X__ Yes	______ No
• Significant deficiencies identified?	__X__ Yes	______ None reported
Type of auditor's report issued on compliance for major programs:		Qualified opinion
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	__X__ Yes	______ No
Identification of major programs:		
Airport Improvement Grant		CFDA 20.106
Dollar threshold used to distinguish between Type A and Type B programs:		$300,000
Auditee qualified as a low-risk auditee?	__X__ Yes	______ No

SECTION II - FINANCIAL STATEMENT FINDINGS:

None reported

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS:

See Findings 2012-01 and 2012-02.

2012-01 Davis-Bacon
U.S. Department of Transportation, Direct Award
Airport Improvement Program, CFDA 20.106, Award No. 03-32-0007-08 and 03-32-0007-09

Criteria:	CFR 29 Section 5.5a(3)(ii)(A) indicates the contractor shall submit weekly for each week in which any contract work is performed, a copy of all payrolls to the owner.
Condition/Context/Cause:	Adequate control procedures were not in place to ensure certified payroll documentation was submitted in a timely manner as required. Eureka County requested and received the weekly certified payroll information only after the information was requested by the audit team. Although the information appears to be correct, it was not submitted weekly as required and County personnel did not request the information as work was progressing. County personnel indicated they relied on a contracted professional to ensure all single audit requirements were met.
Questioned Costs:	None.
Effect:	Material noncompliance with the Davis-Bacon Act by a contractor could occur and not be detected or followed up on by the County in a timely manner.
Recommendation:	We recommend the County implement controls to ensure certified payroll documentation is submitted in a timely manner as required. This could include providing a checklist to departments with oversight of federal grants including all compliance requirements that may be applicable. We recommend not relying on outside contracted professionals to oversee the appropriate compliance requirements. We also recommend providing additional single audit training to one or more employees to enable them to better oversee the federal grants received by the County.
Management's Response:	We will require 100% internal auditing oversight of the administration of federal or state grants. Individual county employees or contractors will not have the right to solely apply for or administer federal or state grants. This oversight will include all required weekly and monthly reports. County employees may face disciplinary action for not complying and contractors may face financial penalties for not complying with these requirements. We will enhance more internal education related to federal and state grants. This education will include key county staff members attending grant administration classes as needed. Eureka County Commissioners will also receive semi-monthly updates of the status of these grants at their regular scheduled meetings.

2012-02 Federal Financial Reports
U.S. Department of Transportation, Direct Award
Airport Improvement Program, CFDA 20.106, Award No. 03-32-0007-08 and 03-32-0007-09

Criteria:	In accordance with 49 CFR 18.41 Eureka County is required to submit certain financial reports to summarize grant expenditures. Per the *AIP Grant Reporting Policy,* the County is required to submit form SF-271 with each payment request, as well as annually (due 90 days after the end of each fiscal year) to summarize requests for reimbursements, and additionally as a final financial report during closeout. The County is also required to submit form SF-425 for each open grant annually (due 90 days after the end of each fiscal year) to monitor outlays and program income on a cash or accrual basis and additionally as a final financial report during closeout.
Condition/Context/Cause:	The County submitted form SF-271 through the Delphi e-invoicing system. The County has not completed and filed form SF-425. Information for this report must be collected outside of the Delphi e-invoicing system.
Questioned Costs:	None.
Effect:	Required federal financial reports were not submitted to the federal agency.
Recommendation:	We recommend the County develop a checklist to be provided to all departments with oversight of federal grants including all compliance requirements that may be applicable. We also recommend providing additional single audit training to one or more employees to enable them to better oversee the federal grants received by the County.
Management's Response:	We will require 100% internal auditing oversight of the administration and the required reporting. Individual county employees or contractors will not have the right to solely apply for or administer federal or state grants. This oversight will include all required weekly and monthly reports. County employees may face disciplinary action for not complying and contractors may face financial penalties for not complying with these requirements. We will enhance more internal education for the reporting of federal and state grants. This education will include key county staff members attending grant administration classes as needed. Eureka County Commissioners will also receive semi-monthly updates of the status of these grants at their regular scheduled meetings.

2011-1 Cash Management
U.S. Department of Energy, Passed through State of Nevada Office of Energy
ARRA Energy Efficiency and Conservation Block Grant Program, CFDA 81.128, Award # DE-EE0000687

Criteria:	Circular A-102 2a. indicates procedures for drawdown of federal funds should minimize the time elapsing between the transfer of funds from the U.S. Treasury and disbursement.
Condition/Context/Cause:	Eureka County received the full amount of award funds prior to beginning the project and prior to submitting a reimbursement request. The County was still holding approximately $88,000 at year end which was more than a year after the funds were received.
Questioned Costs:	None.
Effect:	The County was holding more cash than required at all times throughout the year.
Recommendation:	We recommended the County provide additional training to grant personnel including additional monitoring of federal cash balances.
Management's Response:	The County will provide additional training regarding the various federal grant requirements.
Current Status:	The County returned the excess funds and had no upfront cash draws during the current year.

2011-2 Review of Federal Financial Reports
U.S. Department of Energy, Passed through State of Nevada Office of Energy
ARRA Energy Efficiency and Conservation Block Grant Program, CFDA 81.128, Award # DE-EE0000687

Criteria:	Internal controls should be in place to provide assurance that federal financial reports are properly completed on a timely basis, and supported by the underlying financial records of the County. OMB Circular A-133 Compliance Supplement also indicates a supervisory review of reports should be performed to assure accuracy and completeness of data and information included in the reports.
Condition/Context/Cause:	We examined four of twelve Federal financial reports, SF-425. The reports were timely submitted and supported by the underlying records; however, there was no evidence the reports were reviewed prior to submission. A review may have occurred as we were told, however, unless the review is documented, the control cannot be deemed to be in place and functioning properly.
Questioned Costs:	None.
Effect:	The County may submit incomplete or inaccurate federal financial reports.
Recommendation:	We recommended the person responsible for reviewing the federal financial reports initial and date the report to provide evidence the review is occurring on a timely basis.
Management's Response:	Responsible officials will indicate evidence of review in the future.
Current Status:	Copies of reports retained by the County were signed and dated to indicate evidence of review.

AUDITOR'S COMMENTS

CURRENT YEAR STATUTE COMPLIANCE

The required disclosure on compliance with the Nevada Revised Statutes and the Nevada Administrative Code is contained in Note 19 to the financial statements.

PROGRESS ON PRIOR YEAR STATUTE COMPLIANCE

Statute violations related to overexpenditures of budget were noted in the prior year audit report. Similar items were noted in the current year report.

DISPOSITION OF PRIOR YEAR RECOMMENDATIONS

During the audit of the prior year basic financial statements no financial weaknesses were found to be of such magnitude to be included in our audit report.

CURRENT YEAR AUDIT RECOMMENDATIONS

During the audit of the current year basic financial statements of Eureka County, no weaknesses in the County's financial accountability were found to be of such magnitude to be included in our audit report.