

**NOTES TO THE FINANCIAL STATEMENTS
and
REQUIRED SUPPLEMENTARY INFORMATION**

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WASHOE COUNTY, NEVADA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Washoe County was incorporated in 1861 and is a municipality of the State of Nevada governed by a five-member elected Board of County Commissioners (BCC). The major operations of Washoe County include various tax assessments and collections, judicial functions, law enforcement, certain public health and welfare functions, road maintenance, parks, libraries, and various administrative activities.

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

A. Reporting Entity

These financial statements present the County and its component units. Component units are legally separate organizations for which the County is financially accountable. In the case of South Truckee Meadows General Improvement District, Truckee Meadows Fire Protection District, and Sierra Fire Protection District, financial accountability is determined primarily by the Board of County Commissioners' participation as the governing body of these entities. As the governing body, the Board can impose its will on significant aspects of the operations of these entities. The following component units are "blended" or included within the financial statements of Washoe County:

South Truckee Meadows General Improvement District was formed in 1981 pursuant to Chapter 318 of the Nevada Revised Statutes (NRS) to furnish water, storm drainage and sanitary sewer facilities to individuals within its geographic boundaries.

Truckee Meadows Fire Protection District (TMFPD) levies taxes and, through an interlocal agreement, pays the City of Reno to provide fire services in the district. The interlocal agreement terminated June 30, 2012, and TMFPD operations for the current fiscal year included added staffing and other expenditures required to prepare for stand-alone operations on July 1, 2012.

The Sierra Fire Protection District (SFPD) was formed pursuant to Chapter 474 of the NRS. The District levies taxes to provide emergency medical services, structural and wildland fire suppression services, and watershed protection to the unincorporated areas of Washoe County within the District's boundaries. On March 27, 2012, the Board of Fire Commissioners approved an interlocal agreement for TMFPD to take over the operations of SFPD. In April, 2012, all SFPD employees were transferred to TMFPD. SFPD pays its share of fire services to TMFPD and continues to purchase and maintain facilities and equipment supporting its district.

Separate financial statements for the three districts are filed at the Washoe County Clerk's Office, 1001 E. 9th Street Room A-115, Reno, Nevada.

B. Basic Financial Statements – Government-wide Statements

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

The government-wide financial statements (Statement of Net Assets and Statement of Activities) report information on all nonfiduciary activities of the County and its component units. For the most part, the effect of interfund activity, including indirect cost allocations, has been removed from these statements. Interfund activities relating to services provided and used between functions are not eliminated. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned. Governmental activities, which normally are supported by taxes and intergovernmental revenue, are reported separately from business-type activities, which rely to a significant extent on user fees and service charges for support.

In the government-wide Statement of Net Assets, both governmental and business-type activities are presented on a consolidated basis by column and are reflected on a full accrual, economic resources basis, which recognizes all long-term assets as well as long-term debt and obligations. The County's net assets are reported in three parts – invested in capital assets, net of related debt, restricted net assets and unrestricted net assets. The County first utilizes restricted resources to finance qualifying activities, then unrestricted resources as they are needed.

The government-wide Statement of Activities reports both the gross and net cost of each of the County's functions and business-type activities. Functions are also supported by general revenues (property and consolidated taxes, certain intergovernmental revenues, investment earnings not legally restricted for specific programs, etc.). The Statement of Activities

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reduces gross expenses (including depreciation and amortization) by related program revenues. Program revenues include charges to customers or applicants for goods, services, or privileges provided; operating grants, interest and contributions; and capital grants, interest and contributions, including special assessments and investment earnings legally restricted to support specific programs. Program revenue must be directly associated with the function or business-type activity. Operating grants include operating-specific and discretionary grants while capital grants reflect capital-specific grants. The net costs (by function or business-type activity) are normally covered by general revenue.

C. Basic Financial Statements - Fund Financial Statements

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

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

The County's internal service funds are presented in the proprietary funds financial statements. Because principal users of internal services are the County's governmental activities, the financial statements of the internal service funds are consolidated into the governmental column when presented in the government-wide financial statements. To the extent possible, the costs of these services are reported in the appropriate functional activity.

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

The County reports the following major governmental funds:

The **General Fund** is the County's primary operating fund. It accounts for all financial resources except those required to be accounted for in another fund.

The **Special Assessment Debt Service Fund** accounts for assessments and other resources used to retire debt issued for improvements benefiting those properties against which the special assessments are levied.

The County reports the following major enterprise fund:

The **Water Resources Fund** accounts for water planning, flood control and operations of the County's water and sewer systems.

The County reports the following additional fund types:

Internal Service Funds provide for property and liability claims against the County, unemployment claims, workers' compensation claims for disability, medical and rehabilitation expenses and related costs associated with on-the-job injuries, benefits and healthcare for active and retired employees, and vehicle purchases and maintenance services provided to County departments. The Truckee Meadows Fire Protection District's Workers' Compensation Fund accounts for workers' compensation claims for disability, medical and rehabilitation expenses and related costs associated with on-the-job injuries related to District employees. The Sierra Fire Protection District's Health Benefits Fund and the Truckee Meadows Fire Protection District's Health Benefits Fund provides for employee health benefits for their respective districts.

Investment Trust Fund accounts for commingled pool assets held in trust for schools, special districts, OPEB trust, and agencies, which use the County treasury as their depository.

Agency Funds are custodial in nature and do not involve measurement of results of operations. The funds account for assets held by the County as an agent for various local governments, special districts and individuals. Included are funds for apportioned property and sales taxes, shared revenues and other financial resources for schools, special districts, boards, and other state and city agencies; funds held for wards of the Public Guardian; unclaimed assets of decedents; social security, insurance and support payments for children in the welfare system; bonds posted with the District Court; social security benefits held on behalf of senior citizens; funds held for inmates housed at the County jail; employees' payroll deductions such as

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insurance, taxes, and credit union; unapportioned taxes for other local governments; contributions from property owners for payment of no-commitment special assessment debt; financial assurances for corrective action requirements of property owners; water planning fees collected from regional water customers; and assets held on behalf of special districts, boards and other miscellaneous agencies.

D. Measurement Focus, Basis of Accounting

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and trust fund financial statements. The focus is upon determination of operating income, changes in net assets, financial position, and cash flows, similar to businesses in the private sector. Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. 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 revenues in the year for which they are levied. Grants and similar items are recognized as revenue when eligibility requirements imposed by the provider have been met. Agency funds have no measurement focus but are reported using the accrual basis of accounting.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. The focus is upon determination of financial position and changes in financial position (sources, uses and balances of financial resources) rather than upon net income. Revenues are recognized when they are both measurable and available. Revenues are considered to be 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 of the end of the current fiscal period. When revenues are due but will not be collected within 60 days after year-end, the receivable is recorded and an offsetting deferred revenue account is established. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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

E. Financial Statement Amounts

Cash and Investments

Washoe County manages a common cash and investment pool for the County, Regional Transportation Commission, Washoe County School District, the Washoe County Nevada OPEB Trust, the Truckee River Flood Management Authority and other local entities. The investment pool operates in accordance with appropriate state laws and County policy. Each fund's share in the pool is displayed in the accompanying financial statements as cash and investments. Interest is allocated to the various funds based on each fund's average cash and investment balance where it is legally required to do so. Investment earnings for all other funds are credited to the General Fund, as provided by NRS 355.170–175. In addition to the cash and investment pool, certain cash deposits and investments are held separately by several County funds and reported accordingly. Investments are reported at fair value and changes in fair value are included in investment income.

For purposes of the statement of cash flows presented for proprietary funds, cash equivalents are defined as short-term, highly liquid investments, generally with original maturities of three months or less. Since all cash in proprietary funds is pooled with the rest of the County's cash and is available upon demand, all cash and investments in those funds are considered cash equivalents.

Restricted Assets

Restricted assets consist of cash and investments that are restricted in their use by bond covenants or other external agreements. They consist of remaining bond proceeds for specific capital projects, debt service obligations, and a workers' compensation deposit required by state statute.

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Property Taxes Receivable

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

Tax rates are levied by the County Commissioners immediately after the Nevada Tax Commission has certified the combined tax rate and are then submitted to the Treasurer for collection. The tax rate levied is for the current fiscal year, July 1 to June 30, and the taxes are considered a lien against real property attaching on July 1. The tax for fiscal year 2012 was due and payable on the third Monday in August, 2011. Taxes may be paid in four installments on the third Monday in August and the first Mondays in October, January and March. No provision for uncollectible amounts has been established since management does not anticipate any material collection loss in respect to delinquent balances.

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 the tax rates. The major classifications of personal property are commercial and mobile homes. In Washoe County, taxes on motor vehicles are collected by a state agency and remitted to the County based on statutory formulas.

Inventories

Inventories for proprietary funds are valued at the lower of cost or market on a first-in, first-out basis. Truckee Meadows Fire Protection District General Fund inventories are valued at base cost per the terms of the contract with the City of Reno. For all other governmental funds, Washoe County charges consumable supplies as expenditures against appropriations 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.

Capital Assets

Capital assets, which include land, land use rights, buildings, equipment, software and other intangibles, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Assets are recorded at historical cost or estimated historical cost. Contributed assets are recorded at their estimated fair market value at the date of donation. The County's capitalization level for infrastructure and intangible assets, including internally generated software, is \$100,000 and \$10,000 for all other classifications of capital assets. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Generally, capital assets are depreciated/amortized using the straight-line method over the following estimated useful lives:

	<u>YEARS</u>
Buildings	5-40
Improvements	3-40
Equipment	5-20
Vehicles	2-15
Software and other intangibles	3-75
Stormwater and Wastewater Lines and Pump Stations	10-75
Other Infrastructure	10-75

However, in the proprietary funds, a per unit of production method of depreciation may be used where it is deemed a more realistic reflection of the loss of economic value for the assets being used.

Intangible assets that are considered to have an indefinite useful life because there are no legal, contractual, regulatory, technological, or other factor that limits the useful life, are not amortized.

As used in these statements, accumulated depreciation includes amortization of intangible assets.

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Long-term Obligations, Bond Discounts and Issuance Costs

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

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

Compensated Absences

In proprietary funds, compensated absences are recorded when the liabilities are incurred. In governmental funds, the current portion is recorded as an expenditure. The long-term portion is accounted for in the governmental column of the government-wide Statement of Net Assets.

The current portion of compensated absences is defined as those benefits actually paid or accrued as a result of employees who have terminated employment by June 30. Agreements with various employees' associations provide for payment of total accrued compensatory and vacation time in all cases. Accumulated sick leave benefits are payable to terminated employees who have accumulated a set number of hours up to a specified maximum, depending on the particular employee association.

Interfund Activity

Interfund activity is reported as loans, services provided, reimbursements or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination for government-wide financial statement consolidation. Services provided, deemed at or near market rates, are treated as revenues and expenditures/expenses. Indirect cost allocations for support services are revenue and expense in the fund financial statements and are eliminated in the government-wide Statement of Activities. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost. Transfers between governmental or proprietary funds are netted as part of the reconciliation to government-wide financial statements.

Equity Classifications

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

- Invested in capital assets, net of related debt – Consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets net of unspent financing proceeds.
- Restricted net assets – Consists of net assets with constraints placed on the use either by (a) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (b) law through constitutional provisions or enabling legislation.
- Unrestricted net assets – All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

In governmental fund financial statements, fund balances are classified based primarily on the extent to which the County is bound to observe constraints imposed on the use of the resources in the funds as follows:

- Nonspendable fund balances – Consist of amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash, for example, inventories and prepaid amounts. It also includes the long-term amount of loans and notes receivable, if any.
- Restricted fund balances – Consist of amounts with constraints placed on their use either by (a) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (b) law through constitutional provisions or enabling legislation.

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- Committed fund balances – Consist of resource balances with constraints imposed by formal action of the BCC through resolution or public meeting minutes that specifically state the revenue source and purpose of the commitment. Commitments can only be modified or rescinded through public meeting actions or resolutions by the BCC. Commitments can also include resources required to meet contractual obligations approved by the BCC.
- Assigned fund balances – Consist of resource balances intended to be used for specific purposes by authorized County management that do not meet the criteria to be classified as restricted or committed. For governmental funds, excluding the General Fund, BCC approved resolutions authorizing the creation of the fund establish the specific purposes for which fund balances are assigned. In the General Fund, the assigned fund balance includes encumbrances approved by authorized County management that have been re-appropriated in the subsequent year, and amounts necessary to fund budgetary shortfalls in the next fiscal year from unassigned resources as approved by the BCC. Authorized County Management includes the County Manager, Assistant County Manager and elected or appointed department directors in accordance with County Ordinances and State Statutes.
- Unassigned fund balances – Consist of all resource balances in the General Fund not contained in other classifications. For other governmental funds, the unassigned classification is used only to report a deficit balance resulting from specific purposes for which amounts had been restricted, committed or assigned.

Based on the County's policy regarding the fund balance classification as noted above, when both restricted and unrestricted funds are available for expenditure, restricted funds should be spent first unless legal requirements disallow it. When expenditures are incurred for purposes for which amounts in any unrestricted fund balance classifications could be used, committed funds are to be spent first, assigned funds second, and unassigned funds last.

Budgetary Stabilization

It is the County's policy to maintain a fund balance of 1.5% of expenditures and other financing uses, excluding material one-time items, for the purpose of budgetary stabilization. NRS 354.6115 authorizes the creation of a fund to stabilize operation of local governments and mitigate effects of natural disaster. The intent of this policy is to include a portion of the General Fund budgeted ending fund balance that will be committed to stabilization pursuant to NRS 354.6115. Fund balance that is committed to stabilization can be used after approval by the Board of County Commissioners when unanticipated declines in consolidated and property tax revenues are sustained for at least 6 months and declines from budget by 2.5% or greater or when unbudgeted expenditures are incurred due to a declared emergency or natural disaster.

Reclassifications

Certain amounts in the prior year statements have been reclassified for comparison purposes to conform with current year presentation.

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information

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

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

The legal level of budgetary control is at the function level for each of the governmental funds and by the combined operating and non-operating expenses in proprietary funds. Statutes do not require that capital outlay, debt service payments and other cash transactions normally reflected in the balance sheet of proprietary funds be limited by the budget.

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

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Encumbrance accounting is employed in governmental and proprietary funds. In governmental funds, encumbrances, which include purchase orders and contracts awarded for which goods and services have not been received at year-end, are reappropriated in the subsequent year and are reported as restricted, committed or assigned fund balances, as appropriate. Augmentations from beginning fund balance and previously unbudgeted resources increased the fund appropriations by \$26.2 million from encumbrances and net restricted resources that were reappropriated in the new fiscal year.

Compliance

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

The actual uncommitted fund balance in the Enhanced 911 Fund for the fiscal year ended June 30, 2012 of \$1,472,848 is \$472,848 over the statutory limit of \$1,000,000 per NRS 244A.7645 subsection 4. The NRS states: "If the balance in the fund created in a county whose population is 45,000 or more but less than 700,000 pursuant to subsection 3 which has not been committed for expenditure exceeds \$1,000,000 at the end of any fiscal year, the board of county commissioners shall reduce the amount of the surcharge imposed during the next fiscal year by the amount necessary to ensure that the unencumbered balance in the fund at the end of the next fiscal year does not exceed \$1,000,000." Management developed an expenditure plan, approved by the 911 Emergency Response Committee, to address needed equipment upgrades and to address the excess fund balance. This plan included \$3.7 million for radios over the next 3 years and \$511,000 for redundant connections to prevent loss of service.

Total actual general government expenditures in the Debt Service Fund exceeded budget appropriations by \$759,431. The over expenditure occurred as the result of Court ordered property tax refunds to certain properties in Incline Village. Insufficient resources existed to properly augment the budget. This is considered a one-time event that is not anticipated to reoccur.

During the fiscal year, a \$17.6 million augmentation to the General Fund was approved, partially supported by \$15.4 million in transfers from the Health Benefits and Risk Management Funds, which is a violation of NRS 354.6215 that limits the use of reserves or balances of funds created to insure risks. The NRS states that, while these funds may be transferred to the General Fund, "money so transferred is not available as a basis for augmentation of the local government's budget during the year of transfer". The augmentation occurred as the result of Court ordered property tax refunds to certain properties in Incline Village. Absent the transfers from these two funds, insufficient resources existed to properly augment the budget. This is considered a one-time event that is not anticipated to reoccur.

NOTE 3 – CASH AND INVESTMENTS

In accordance with Nevada Revised Statutes (NRS), the County's cash is deposited with insured banks and insured credit unions and those deposits that are not within the limits of insurance must be secured by collateral. At year end, Washoe County's carrying amount of deposits was \$59,132,669 and the bank balance was \$64,856,589. The difference between the carrying amount and bank balance results from outstanding checks and deposits not yet reflected in the banks' records.

Custodial Credit Risk – Deposits

All deposits are subject to custodial credit risk, which is the risk that the County's deposits may not be returned to it in the event of a bank failure. Bank balances were covered by federal depository insurance, the Securities Investor Protection Corporation, collateral held by Washoe County's agent in the County's name or by collateral held by depositories in the name of the Nevada Collateral Pool, and were not exposed to custodial credit risk. The County does not have a formal policy relating to custodial credit risk, but follows NRS. According to NRS 356.120, all monies deposited by a county treasurer that are not within the limits of insurance provided by an instrumentality of the United States must be secured by collateral composed of the same types of securities allowed for investments which are identified below. The County participates in the State of Nevada Collateral Pool which requires depositories to maintain as collateral acceptable securities having a fair market value of at least 102 percent of the amount of the uninsured balances of the public money held by the depository. Under NRS 356.360, the State Treasurer manages and monitors all collateral for all public monies deposited by members of the pool.

Investments

The County has a formal investment policy that, in the opinion of management, is designed to insure conformity with NRS and seeks to limit exposure to investment risks.

NRS 355.172 requires the Treasurer or his agent to take physical possession of securities purchased as an investment by the County in the name of Washoe County. If the securities purchased are subject to repurchase by the seller, the County may, in lieu of the requirement of possession, obtain a fully perfected, first-priority security interest having a fair market value equal to or greater than the repurchase price of the securities.

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Investments are recorded at fair value. Earnings and/or losses on investments are allocated to certain funds based on average daily cash balances.

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

	INVESTMENT MATURITIES (IN YEARS)				
	Fair Value	Less than 1	1 to 4	4 to 6	6 to 10
Investments:					
Money Market Mutual Funds	\$ 6,019,622	\$ 6,019,622	\$ -	\$ -	\$ -
Certificates of Deposit	30,035,649	10,000,429	20,035,220	-	-
U.S. Treasury Securities	41,318,540	48,214	6,887,081	19,259,253	15,123,992
U.S. Agency Securities	232,091,170	4,610,086	159,937,309	55,447,356	12,096,419
Collateralized Mortgage Obligations	3,327,203	-	-	3,327,203	-
Corporate Notes	71,601,625	-	66,437,090	5,164,535	-
Total Investments	384,393,809	20,678,351	253,296,700	83,198,347	27,220,411
Total Cash	59,132,669	59,132,669	-	-	-
Total Cash and Investments¹	\$ 443,526,478	\$ 79,811,020	\$ 253,296,700	\$ 83,198,347	\$ 27,220,411

¹Total cash and investments include restricted cash.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. This risk can be reduced by diversifying the durations of the fixed-income investments that are held at a given time. As a means of limiting its exposure to fair value losses arising from rising interest rates, the County's investment policy requires twelve to eighteen months of projected cash flow to be in investments maturing in one year or less. Investments maturing in less than one year at June 30, 2012 were 4.7% of the County's total cash and investments. The County's strategic investment plan seeks to obtain the desired average maturity of 2 to 4 years. The average maturity at June 30, 2012, was 3 years.

The County invests in the following types of securities that are considered to be highly sensitive to interest rate changes:

Investment	Fair Market Value	% of Total Investments
<u>U.S. Agency Mortgage Backed Securities and Collateralized Mortgage Obligations</u> - When interest rates fall, mortgages are refinanced and paid off early and the reduced stream of future interest payments diminish fair value.	\$ 17,824,465	4.7%
<u>Callable U.S. Agency and Corporate Note Securities</u> - On specified dates, the issuer can call the security. Because they are subject to early repayment, the fair value of these securities is more sensitive in a period of declining interest rates.	10,126,230	2.6%
Total	\$ 27,950,695	7.3%

Credit Risk

NRS allows investments in obligations of the U.S. Treasury and U.S. agencies, municipal bonds issued by local governments of the State of Nevada, corporate bonds rated "A" or better by a nationally recognized rating service, commercial paper rated "A-1," "P-1" or better by a nationally recognized rating service, repurchase agreements, certificates of deposit, money market mutual funds rated "AAA" by a nationally recognized rating service or other securities in which banking institutions may legally invest. County policy does not further restrict these investments.

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As of June 30, 2012, the County's investments are rated as follows:

S&P Rating	Mutual Funds	Certificates of Deposit	U.S. Treasury Securities	U.S. Agencies	CMO	Corporate Notes	Fair Value
AAAm	\$ 6,019,622	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,019,622
AA+	-	-	41,318,540	232,091,170	3,327,203	15,371,326	292,108,239
AA-	-	10,000,520	-	-	-	22,729,072	32,729,592
AA	-	-	-	-	-	13,335,859	13,335,859
A	-	-	-	-	-	20,165,368	20,165,368
A-1+	-	20,035,129	-	-	-	-	20,035,129
	<u>\$ 6,019,622</u>	<u>\$ 30,035,649</u>	<u>\$ 41,318,540</u>	<u>\$ 232,091,170</u>	<u>\$ 3,327,203</u>	<u>\$ 71,601,625</u>	<u>\$ 384,393,809</u>

Concentration of Credit Risk

The County's investment policy places no limit on amounts invested in direct obligations of the U.S. Treasury and securities backed by the full faith and credit of the U.S. government, while placing the following limits per issuer on all other securities: Federal Agency Securities, 35%; Federal Agency Mortgage Backed Securities, 15%; Money Market Funds, 45%; Corporate bonds and notes, 4% and obligations issued by local governments of the State of Nevada, 25%.

At June 30, 2012, the following investments exceeded 5% of the County's total:

Fannie Mae	30.3%
Freddie Mac	18.6%
Federal Home Loan Banks	12.3%
U.S. Treasury Securities	10.7%

Pooled Investments

Pooled investments are carried at fair value determined by quoted market prices, net of accrued interest. All pooled investments are physically collateralized and held by Wells Fargo Bank.

Washoe County administers an external investment pool combining Washoe County money with voluntary investments from the Washoe County School District, Regional Transportation Commission, Nevada Works, Truckee River Water Quality Settlement Agreement Joint Venture, Western Regional Water Commission, Washoe County, Nevada OPEB Trust, Truckee River Flood Management Authority, the Library Investment Fund, the Deferred Compensation Fund, and the Southwest Point Fund. The Board of County Commissioners has overall responsibility for investment of County funds, including the Investment Trust Fund, in accordance with NRS 355.175. The Washoe County Chief Investment Official is the Washoe County Treasurer, under authority delegated by the Board of County Commissioners. The Investment Committee, created by Washoe County Code Section 15.220, has been delegated the investment decision making authority in Washoe County and serves also in an advisory capacity to the Treasurer and Board of County Commissioners. The external investment pool is not registered with the SEC as an investment company. Public Financial Management, LLC determines the fair value of Washoe County investments monthly. The County has not provided or obtained any legally binding guarantees during the period to support the value of shares.

The participants' share and redemption value are calculated using the same method. Each participant's share is equal to their investment plus or minus monthly allocation of interest income, realized and unrealized gains and losses. The determination of realized gains and losses is independent of the determination of the net change in the fair value of investments for the previous year(s) as well as the current year.

WASHOE COUNTY, NEVADA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012
(CONTINUED)

Investments held in the external investment pool at June 30, 2012 were:

Investment Type:	Fair Value	Principal Amount/ No. of Shares	Rate	Maturity Dates
Money Market Mutual Funds	\$ 1,906,832	1,906,832	Variable	7/1/2012
Certificates of Deposit	30,035,649	30,000,000	0.5 - 1.4 %	02/08/2013 - 02/14/2014
U.S. Treasury Securities	41,318,540	36,665,000	2.3 - 8.8 %	02/28/2015 - 02/15/2020
U.S. Agency Securities	232,091,170	220,565,399	0.4 - 5.5 %	11/01/2012 - 10/01/2020
Collateralized Mortgage Obligations	3,327,203	3,271,425	3.0 - 4.0 %	08/01/2017 - 03/01/2018
Corporate Notes	71,601,625	69,075,000	1.3 - 5.9 %	09/13/2013 - 01/09/2017
Total Investments in Pool	\$ 380,281,019			

External Investment Pool
Statement of Net Assets as of June 30, 2012

Assets:	
Cash	\$ 44,206,781
Investments:	
Money Market Mutual Funds	1,906,832
Certificates of Deposit	30,035,649
U.S. Treasury Securities	41,318,540
U.S. Agency Securities	232,091,170
Collateralized Mortgage Obligations	3,327,203
Corporate Notes	71,601,625
Interest Receivable	1,461,904
Total Assets	\$ 425,949,704
Net Assets:	
Internal participants	\$ 345,289,271
External participants	80,660,433
Total Net Assets Held in Trust for Pool Participants (\$1.00/par)	\$ 425,949,704

External Investment Pool
Statement of Changes in Net Assets for the Year Ended June 30, 2012

Additions:	
Investment earnings	\$ 10,139,374
Net realized gain (loss) on investments	1,791,764
Net increase (decrease) in fair value of investments	2,281,995
Increase in net assets resulting from operations	14,213,133
Net capital share transactions	(39,848,152)
Change in Net Assets	(25,635,019)
Net Assets, July 1	451,584,723
Net Assets, June 30	\$ 425,949,704

WASHOE COUNTY, NEVADA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012
(CONTINUED)

NOTE 4 – RESTRICTED CASH AND INVESTMENTS

Restricted cash and investments include amounts restricted for future debt service and reserves as required by bond covenants and ordinances; unspent bond proceeds restricted for various capital projects as required by bond ordinances; and reserves restricted for workers' compensation claims pursuant to NRS 616B.300. Restricted cash and investments at June 30, 2012, were as follows:

	Debt Service and Reserves	Claims	Total
<u>Governmental Funds and Governmental Activities</u>			
General Fund	\$ 750,000	\$ -	\$ 750,000
Special Assessments Debt Service Fund	58,800	-	58,800
Total Governmental Funds	808,800	-	808,800
Internal Service Funds:			
Risk Management Fund	-	2,058,000	2,058,000
Total Governmental Activities	808,800	2,058,000	2,866,800
<u>Proprietary Funds and Business-type Activities</u>			
Water Resources Fund	13,653,413	-	13,653,413
Total Restricted Cash and Investments	\$ 14,462,213	\$ 2,058,000	\$ 16,520,213

NOTE 5 – LONG-TERM ASSETS

Governmental Activities

Long-term assets in governmental activities include \$2,120,287 in deferred bond issuance costs and \$4,362,602 in net other postemployment benefits assets (Note 15). Long-term assets in internal service funds include \$1,600,318 in refundable lease agreement deposits and \$20,368 in prepaid lease expense, all relating to leased equipment in the Equipment Services Fund.

Business-type Activities

Long-term assets in business-type activities include \$340,486 in deferred bond issuance costs and \$217,792 in long-term receivables in the Water Resources Fund.

WASHOE COUNTY, NEVADA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012
(CONTINUED)

NOTE 6 – CAPITAL ASSETS

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
<u>Capital Assets - Governmental Activities</u>				
Capital assets, not being depreciated:				
Land and land use rights	\$ 192,484,242	\$ 2,164,716	\$ 51,198,306	\$ 143,450,652
Construction in progress	4,225,883	16,175,813	12,025,104	8,376,592
Total capital assets not being depreciated	196,710,125	18,340,529	63,223,410	151,827,244
Capital assets being depreciated:				
Land improvements	56,031,520	1,508,408	60,087	57,479,841
Buildings/improvements	316,422,952	6,647,839	3,725,850	319,344,941
Infrastructure	572,876,777	6,057,545	2,450,247	576,484,075
Equipment	82,961,497	3,933,131	3,365,259	83,529,369
Software	15,600,100	1,776,633	180,655	17,196,078
Plant capacity	515,804	-	515,804	-
Total capital assets being depreciated	1,044,408,650	19,923,556	10,297,902	1,054,034,304
Less accumulated depreciation for:				
Land improvements	31,186,109	2,301,776	58,003	33,429,882
Buildings/improvements	102,125,085	8,663,485	2,895,794	107,892,776
Infrastructure	366,275,852	22,419,299	1,546,157	387,148,994
Equipment	52,400,559	6,408,340	3,186,421	55,622,478
Software	8,734,061	1,565,477	165,350	10,134,188
Plant capacity	96,713	-	96,713	-
Total accumulated depreciation	560,818,379	41,358,377	7,948,438	594,228,318
Net capital assets being depreciated	483,590,271	(21,434,821)	2,349,464	459,805,986
Governmental activities capital assets, net	\$ 680,300,396	\$ (3,094,292)	\$ 65,572,874	\$ 611,633,230

Depreciation expense was charged to functions/programs for the governmental activities as follows:

Governmental Activities:	
General government	\$ 2,641,466
Judicial	2,048,002
Public safety	7,897,360
Public works	22,864,534
Health and sanitation	206,068
Welfare	539,406
Culture and recreation	3,311,547
Capital assets held by internal service funds charged to functions based on their usage of assets	1,849,994
Total Depreciation / Amortization Expense - Governmental Activities	\$ 41,358,377

WASHOE COUNTY, NEVADA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012
(CONTINUED)

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
<u>Capital Assets - Business-type Activities</u>				
Capital assets not being depreciated:				
Land and land use rights	\$ 14,401,707	\$ 207,727	\$ -	\$ 14,609,434
Plant capacity	825,150	-	-	825,150
Construction in progress	4,244,922	3,787,757	2,714,443	5,318,236
Total capital assets not being depreciated	19,471,779	3,995,484	2,714,443	20,752,820
Capital assets being depreciated:				
Land improvements	5,228,470	16,123	-	5,244,593
Buildings/improvements	65,425,246	263,709	18,835	65,670,120
Infrastructure	380,215,897	3,264,508	28,554	383,451,851
Equipment	2,421,257	48,642	31,040	2,438,859
Software	1,139,125	-	-	1,139,125
Plant, well capacity	10,273,884	-	243,155	10,030,729
Total capital assets being depreciated	464,703,879	3,592,982	321,584	467,975,277
Less accumulated depreciation for:				
Land improvements	2,753,564	230,177	-	2,983,741
Buildings/improvements	15,152,459	1,614,571	2,082	16,764,948
Infrastructure	77,226,790	7,506,473	27,931	84,705,332
Equipment	2,202,177	59,844	31,040	2,230,981
Software	781,653	125,138	-	906,791
Plant, well capacity	2,253,521	259,707	243,155	2,270,073
Total accumulated depreciation	100,370,164	9,795,910	304,208	109,861,866
Net capital assets being depreciated	364,333,715	(6,202,928)	17,376	358,113,411
Business-type activities capital assets, net	\$ 383,805,494	\$ (2,207,444)	\$ 2,731,819	\$ 378,866,231

Depreciation expense was charged to functions/programs for business activities as follows:

Business-Type Activities:	
Utilities	\$ 9,563,794
Golf courses	218,651
Building and Safety	13,465
Total Depreciation / Amortization Expense - Business-type Activities	\$ 9,795,910

WASHOE COUNTY, NEVADA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012
(CONTINUED)

NOTE 7 –COMMITMENTS, CONTINGENCIES, AND OTHER LIABILITIES

Commitments

The County utilizes encumbrance accounting to identify fund obligations. Major commitments are entered into for construction projects with contracts that can span several years. Construction in progress and remaining commitments and encumbrances for governmental activities are:

	CIP Balance June 30, 2012	Remaining Commitments and Encumbrances
<u>Governmental Funds and Governmental Activities</u>		
General Fund:		
Technology projects	\$ -	\$ 654,100
Other	-	964,664
Total General Fund	-	1,618,764
Nonmajor Governmental Funds:		
Special Revenue Funds:		
Equipment and services for grant programs	727,971	2,245,407
Road infrastructure activities	-	682,858
Water quality and remediation	-	754,340
Fire protection activities	-	145,261
Social service programs	42,004	114,882
Other	37,908	119,431
Total Special Revenue Funds	807,883	4,062,179
Capital Projects Funds:		
Parks and open space projects	1,220,524	1,255,819
Building infrastructure projects	1,176,442	631,826
Fire prevention projects	62,569	954,484
Road infrastructure projects	3,184,312	7,310,792
Pedestrian path & bike lane projects	911,647	-
Technology, systems and other projects	242,604	738,909
Water quality improvement projects	770,611	397,263
Total Capital Projects Funds	7,568,709	11,289,093
Total Governmental Funds	8,376,592	16,970,036
Internal Service Funds:		
Vehicle and equipment	-	1,742,262
Other	-	137,914
Total Internal Service Funds	-	1,880,176
Total Governmental Activities	\$ 8,376,592	\$ 18,850,212

In addition, the Water Resources Fund has entered into contracts for the construction of water related projects with outstanding balances of \$1,647,376.

Contingencies

The County is involved in various lawsuits. The outcome of these lawsuits is not presently determinable; however, management does not anticipate that they would materially impact the financial position of the County.

WASHOE COUNTY, NEVADA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012
(CONTINUED)

The County is currently the defendant in various lawsuits with property owners disputing the County Assessor's valuation methods used for property within the Lake Tahoe Basin. The County intends to vigorously defend the Assessor's valuations; however, the outcome of these lawsuits is not presently determinable. An adverse ruling could result in a rollback of property values and subsequent rebates to property owners. The impact on the County's financial condition cannot be reasonably estimated.

Washoe County is contingently liable on the following Reno-Sparks Convention & Visitors Authority (RSCVA) bonds:

Series January 2000 Bonds	\$ 35,995,330
Series November 29, 2011 Refunding Bonds	<u>88,680,000</u>
Total RSCVA Bonds	<u>\$ 124,675,330</u>

Although the County is contingently liable for the general obligation bonds of RSCVA in the event of a default, it is anticipated that RSCVA resources would be reallocated to retire the bonds. Therefore, the likelihood of Washoe County assuming the debt is remote.

Other Liabilities

Governmental Activities

Other liabilities in governmental activities consist of deposits and amounts due to others of \$2,155,141 in the General Fund for deposits and bail related to pending court cases or investigations, \$387,272 in the General Fund for refundable deposits for park facilities and developer performance guarantees, and \$650,700 for other customer and security deposits.

Business-type Activities

Other liabilities in business-type activities include \$819,416 for developer deposits and \$269,372 for customer deposits in the Water Resources Fund, and \$34,885 in other business-type funds for developer and customer deposits.

NOTE 8 –DEFERRED/UNEARNED REVENUE

Governmental funds defer revenue recognition in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also report unearned revenue in connection with resources that have been received, but not yet earned.

At the end of the current fiscal year, major components of deferred and unearned revenue reported for governmental funds were as follows:

	General Fund	Special Assessment Debt Service Fund	Nonmajor Governmental Funds	Total
Unearned:				
Federal payments in lieu of taxes	\$ 3,296,556	\$ -	\$ -	\$ 3,296,556
Other revenue	-	-	524,932	524,932
Total Unearned Revenue	<u>3,296,556</u>	<u>-</u>	<u>524,932</u>	<u>3,821,488</u>
Unavailable:				
Ad valorem taxes	2,590,195	-	941,533	3,531,728
Special assessments	-	10,080,603	-	10,080,603
Grants and other revenue	298,442	-	4,465,146	4,763,588
Total Unavailable Revenue	<u>2,888,637</u>	<u>10,080,603</u>	<u>5,406,679</u>	<u>18,375,919</u>
Total Deferred/Unearned Revenue	<u>\$ 6,185,193</u>	<u>\$ 10,080,603</u>	<u>\$ 5,931,611</u>	<u>\$ 22,197,407</u>

Unearned revenue in business-type activities consists of \$46,256 for water rights leases in the South Truckee Meadows General Improvement District and \$72,966 for water rights leases in the Water Resources Fund.

WASHOE COUNTY, NEVADA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012
(CONTINUED)

NOTE 9 – LONG-TERM OBLIGATIONS

New Financing

On December 7, 2011, Washoe County issued \$8,592,787 in Local Improvement Bonds Series 2011 on behalf of Special Assessment District (SAD) No. 32 (Spanish Springs Valley Ranches Roads). The proceeds will be used to finance the cost of street improvements. The Bonds will be retired annually through fiscal year 2032 commencing May 1, 2012. Interest is payable on May 1 and November 1, commencing May 1, 2012. The bonds are a special obligation of the County, payable from the assessments levied in SAD 32 and the County's Surplus and Deficiency Fund. The County's General Fund and taxing power further secure the bonds. The interest rate on the Bonds is 3.48%.

Current Refundings

On July 12, 2011, Washoe County issued \$17,360,000 General Obligation (Limited Tax) Park and Library Refunding Bonds Series 2011A. The proceeds were used for a current refunding of the General Obligation (Limited Tax) Park, Open Space, and Library Bond Series 2001 and to pay the bond cost of issuance. Bond principal will be retired annually through fiscal year 2026, commencing May 1, 2012. Interest is payable on November 1 and May 1, commencing on November 1, 2011. The Bonds constitute direct and general obligations of the County, and the full faith and credit of the County is pledged for the payment of principal and interest, subject to Nevada constitutional and statutory limitations regarding the aggregate amount of ad valorem taxes. The bonds have a fixed interest rate of 4.2%.

From the proceeds of the refunding bonds, \$17,196,664 was sent to Wells Fargo Bank to immediately call the General Obligation (Limited Tax) Park, Open Space, and Library Bonds Series 2001 maturities for May 1, 2012 through May 1, 2026 totaling \$17,015,000 and to pay accrued interest due of \$181,664. The reacquisition price exceeded the net carrying amount of the old debt by \$4,540. The refunding resulted in future cash savings of \$1,608,684 and an economic gain (difference between the present values of the old and new debt service payments) of \$1,194,413.

On August 3, 2011, Washoe County issued \$12,565,000 General Obligation (Limited Tax) Building Refunding Bonds (additionally secured by pledged revenues), Series 2011B. The proceeds, in addition to \$155,578 of existing resources, were used for a partial current refunding totaling \$12,275,000 of the outstanding principal for the General Obligation (Limited Tax) Building Bonds (additionally secured by pledged revenues), Series 2001A and to pay bond issuance costs. Bond principal will be retired annually through fiscal year 2027, commencing November 1, 2012. Interest is payable on November 1 and May 1, commencing on November 1, 2011. The Bonds constitute direct and general obligations of the County, and the full faith and credit of the County is pledged for the payment of principal and interest, subject to Nevada constitutional and statutory limitations regarding the aggregate amount of ad valorem taxes. The bonds have a fixed interest rate of 4.180%.

From the proceeds and existing resources, \$12,586,156 was deposited in an irrevocable trust account controlled by U.S. Bank and used to call the refunded bonds on November 1, 2011. The reacquisition price exceeded the net carrying amount of the old debt by \$53,002. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt, which is the same as the life of the new debt issued. The refunding was undertaken to reduce total debt service payments over the next 15 years by \$710,138 and resulted in an economic gain (difference between the present values of the old and new debt service payments) of \$528,404.

Bond Redemptions

The County called \$210,000 in special assessment bonds for early redemption as funds were made available from the early payoff of special assessments.

Defeasance/Early Extinguishment of Debt

In prior years, the County defeased certain general obligation debt by placing cash from unspent bond proceeds in a irrevocable trust to provide for all future debt service payments on previously issued bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the County's financial statements. As of June 30, 2012, defeased debt consists of the Parks Revenue Series 2006 and Water Sewer Revenue Series 2005 bonds with remaining balances of \$6,140,000 and \$31,685,000, respectively.

WASHOE COUNTY, NEVADA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012
(CONTINUED)

Revenue Bonds

The county has pledged specific revenues to repay bonds in governmental and business activities.

Governmental activities

The County has pledged 15% of the Consolidated tax revenue receipts for the repayment of various General Obligation Revenue bonds consisting of the Facility Bonds Series 2001A; Office Building Bonds Series 2002A; Library Building Bonds Series 2004; Building and Parking Garage Bonds Series 2004; Public Safety Bonds Series 2006; Parks Bonds Series 2006 and Building Refunding Bonds Series 2011B, issued between fiscal years 2001 and 2011. The total principal and interest remaining to be paid on the bonds is \$92,968,749, payable through fiscal year 2036. For the current year, principal and interest paid from pledge revenues for the bonds totaled \$4,785,555, and pledged revenues totaled \$10,647,814. An additional \$12,275,000 in principal and \$311,156 in interest was paid for the Facility Bond Series 2001A from the \$12,565,000 General Obligation (Limited Tax) Building Refunding Bonds (additionally secured by pledged revenues), Series 2011B issued on August 3, 2011.

The County has pledged future infrastructure sales tax revenues to repay \$42.9 million in Flood Control Series 2006 and Sales Tax Series 1998 flood control bonds. Proceeds from the bonds provided financing for expansion of, and improvements to, the flood control system. The bonds are intended to be paid solely from infrastructure tax revenues and are payable through fiscal year 2036. Annual principal and interest payments on the bonds are expected to require as much as 38% of the pledged revenues. The total principal and interest remaining to be paid on the bonds is \$50,021,149. For the current year, principal and interest paid for the bonds totaled \$2,340,598, and pledged revenues totaled \$6,733,105.

The County has pledged future car rental fees to repay \$29.5 million in car rental fee revenue bonds issued in fiscal year 2008. Proceeds from the bonds provided financing to acquire, improve, equip, operate and maintain within the County a minor league baseball stadium project. The bonds are intended to be paid solely from car rental fee revenues and are payable through fiscal year 2058. Annual principal and interest payments on the bonds are expected to require 100% of the car rental fee revenue. The total principal and interest remaining to be paid on the bonds is \$120,521,137. For the current year, principal and interest paid for the bonds totaled \$1,388,870, and pledged revenues totaled \$1,152,133.

Business-type activities

The County has pledged future utility customer revenues and connection fees and investment earnings, net of specified operating expenses, to repay \$120.6 million in utility system revenue bonds issued between fiscal years 1997 and 2007. Proceeds from the bonds provided financing for expansion of, and improvements to, the utility system. The bonds are intended to be paid solely from utility customer net revenues and are payable through fiscal year 2035. Annual principal and interest payments on the bonds are expected to require as much as 50% of the utility's net revenues. The total principal and interest remaining to be paid on the bonds is \$95,095,610. For the current year, principal and interest paid for the bonds totaled \$5,305,711. Net pledged revenues totaled \$15,194,187.

Special Assessment Debt

Special assessment bonds are issued to finance improvements that benefit taxpayers in the defined area. Bonds are repaid from assessments levied against these taxpayers, and are secured by their real property. In case of deficiencies, the County's General Fund and taxing power further secure all bonds. Delinquent special assessments of \$10,530 were outstanding as of June 30, 2012.

The County has pledged future assessment revenues levied on special assessment districts throughout the county to repay \$13.2 million in various local improvement bonds issued between fiscal years 2003 and 2012. Proceeds from the bonds provided financing for improvements in roads, water and sewer in the various districts. The bonds are intended to be paid solely from assessment revenues and are payable through fiscal year 2032. Annual principal and interest payments on the bonds are expected to require as much as 99% of the assessment revenues. The total principal and interest remaining to be paid on the bonds is \$14,854,747. For the current year, principal and interest paid for the bonds totaled \$820,405 and pledged revenues totaled \$1,685,883.

Special Assessment District No. 23, Southwest Pointe/Arrow Creek, has outstanding debt of \$2,665,000. Washoe County is only acting as an agent for these bonds and is not liable for the debt.

WASHOE COUNTY, NEVADA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012
(CONTINUED)

Conduit Debt Obligations

The County has issued several series of revenue bonds for public and private sector activity in the public interest. The public sector revenue bonds are for the cost of constructing and maintaining certain streets and highways in the County. The revenue bonds are paid solely from certain taxes on motor vehicle fuel collected in the County. Private sector revenue bonds have been for water and gas facilities, colleges, and hospital facilities. The revenue bonds are paid solely from the revenue derived from the projects for which they were issued. The public and private revenue bonds do not become liabilities of the County under any conditions, and are therefore excluded from the County's financial statements.

Outstanding balances at June 30, 2012 follow:

	<u>Date of Issue</u>	<u>Original Issue</u>	<u>Principal Outstanding</u>
Public Sector			
Regional Transportation Commission:			
Highway Revenue Bonds Series 2009	7/8/2009	\$ 89,567,000	\$ 85,884,000
Highway Revenue Bonds Series 2010ABC	3/12/2010	90,000,000	90,000,000
Highway Revenue Bonds Series 2010DEF	12/16/2010	70,000,000	68,245,000
Slae Tax Improvement Bonds Series 2010H	12/16/2010	20,000,000	20,000,000
Subtotal Public Sector		269,567,000	264,129,000
Private Sector			
Renown Health (Washoe Medical Center):			
Hospital Revenue Bonds, Series 2001A	10/15/2001	33,875,000	33,875,000
Sierra Pacific Power Company d/b/a NV Energy:			
Gas and Water Facilities Refunding Revenue Bonds Series 2006A, 2006B and 2006C	11/22/2006	218,500,000	218,500,000
Water Facilities Refunding Revenue Bonds Series 2007A & 2007B	4/27/2007	80,000,000	80,000,000
Subtotal Private Sector		332,375,000	332,375,000
Total Conduit Debt		\$ 601,942,000	\$ 596,504,000

Operating Leases

Washoe County leases office space, land, equipment and water rights under various operating lease agreements. Total lease payments in fiscal year 2012 were \$2,551,069. Future minimum payments for these leases are:

<u>Year Ending June 30,</u>	<u>Land, Space, Water Rights</u>	<u>Equipment</u>	<u>Total</u>
2013	\$ 1,090,730	\$ 1,187,213	\$ 2,277,943
2014	780,742	786,536	1,567,278
2015	728,661	602,944	1,331,605
2016	649,965	61,473	711,438
2017	209,870	-	209,870
2018-2022	724,502	-	724,502
2023-2027	96,731	-	96,731
Totals	\$ 4,281,201	\$ 2,638,166	\$ 6,919,367

WASHOE COUNTY, NEVADA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012
(CONTINUED)

Compensated Absences

The liability for compensated absences is included in noncurrent liabilities on the government-wide Statement of Net Assets. The liability will be liquidated primarily by the General Fund for governmental activities and by the Water Resources Fund for business-type activities. In fiscal year 2012, 80% of compensated absences for governmental activities were paid by the General Fund, and in business-type activities, 82% were paid by the Water Resources Fund. Truckee Meadows Fire Protection District's (TMFPD) compensated absences are generally liquidated from the TMFPD General Fund.

Outstanding balances at June 30, 2012 follow:

	Governmental Activities	Business-type Activities	Total
Washoe County:			
Vacation	\$ 10,547,423	\$ 391,278	\$ 10,938,701
Sick Leave	7,603,627	269,255	7,872,882
Compensatory Leave	4,553,445	152,011	4,705,456
Benefits	315,418	11,783	327,201
Total County Funds	23,019,913	824,327	23,844,240
Component Units:			
Truckee Meadows FPD	632,309	-	632,309
Total Compensated Absences	\$ 23,652,222	\$ 824,327	\$ 24,476,549

Net Other Postemployment Benefits Obligation

At June 30, 2012, the net other postemployment benefit liability for Sierra Fire Protection District (SFPD) was \$832,181. SFPD provides other postemployment benefits through the Sierra Fire Protection District Retiree Group Medical Plan, a single-employer defined benefit plan, which is administered through the Washoe County, Nevada OPEB Trust (Trust), an irrevocable trust (Note 15).

Pollution Remediation Obligation

The pollution remediation activities of the Central Truckee Meadows Remediation District (CTMRD) are paid for through an annual charge billed directly to residents and businesses within the District's boundaries. Accordingly, the CTMRD's pollution remediation obligation is limited to the net assets accumulated by the fund for payment of future remediation related expenditures. All of the assets of CTMRD are held for remediation and are offset by a long-term liability for remediation. As of June 30, 2012, the remediation liability for net assets held in CTMRD was \$8,705,381.

A soil remediation project has been identified at a County park. Three gasoline underground storage systems were removed from Rancho San Rafael Park in 1997 and petroleum impacted soils were encountered during removal activities. Assessment activities have been conducted and soil samples exceeding the action level are present. The cost, based on contractor estimates, is \$450,000. Remediation expenditures for the current fiscal year totaled \$179,133 leaving a balance to complete of \$223,028. Approximately \$150,000 of the liability is estimated to be completed in fiscal year 2013.

WASHOE COUNTY, NEVADA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012
(CONTINUED)

Claims and Judgments

The claims and judgments liability of \$15,564,975 includes \$14,973,000 for pending property and liability claims, workers' compensation claims, and unprocessed health benefits claims. These claims consist of \$12,979,000 generally liquidated through the Risk Management and Health Benefits internal service funds and \$1,994,000 liquidated through Truckee Meadows Fire Protection District Workers Compensation Fund (Note 16). The Risk Management and Health Benefits Funds finance the payment of claims by charging other funds based on Management's assessment of the relative insurance risk that should be assumed by individual funds or, as needed, through transfers from the General Fund. The TMFPD Workers' Compensation Fund finances the payment of claims through transfers from the TMFPD General Fund.

Also included is the amount of \$591,975 for the County's portion of a joint settlement agreement between Washoe County, the Reno Redevelopment Authority, the City of Reno, the Washoe County School District and the State of Nevada approved by the BCC on August 28, 2012. The settlement agreement resolved different interpretations and other issues related to allocations of taxes in the Reno Increment District for the benefit of the Reno Redevelopment Agency (RDA). The settlement agreement established the minimum annual allocation of property taxes to the RDA, pursuant to NRS 279.676(3), through June 30, 2018. The payment of past shortfalls of annual tax allocations versus the agreed upon minimum totals \$1,412,153, of which Washoe County's share was \$591,975 and was paid proportionately by the funds that received the revenue on August 31, 2012. Since the settlement payments became due subsequent to year end, no provision for the liability has been made in governmental funds.

The reduction in claims and judgments includes \$15,418,322 for the County's portion of refunds due to property tax payers as a result of a decision on July 7, 2011, by the Nevada Supreme Court that affirmed a writ of mandamus issued by the Second Judicial District Court. The Second Judicial District Court ordered the County Treasurer to comply with the Washoe County Board of Equalization decision to roll back 2006-2007 taxable values for approximately 8,700 properties located in the Lake Tahoe area of Washoe County to 2002-2003 levels and to refund excess property taxes paid by property tax payers. The remaining liability of \$4,824,686 was recorded as tax refunds payable in the General Fund; Animal Services Fund, Child Protective Services Fund, Library Expansion Fund, Indigent Tax Levy Fund, Senior Services Fund and Other Restricted Fund, special revenue funds; Debt Service Fund and Capital Facilities Tax Fund. It is anticipated that full liquidation of the liability will occur by the end of FY 2013.

WASHOE COUNTY, NEVADA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012
(CONTINUED)

NOTE 10 - LONG-TERM OBLIGATIONS ACTIVITY

	Date of Issue	Maturity Date	Interest Rate
GOVERNMENTAL ACTIVITIES			
General Obligation Bonds			
Ad Valorem:			
Library, Parks & Open Space Series 2001	5/15/2001	7/12/2011	4.2 - 6.5 %
Library, Parks & Open Space Series 2002B	10/1/2002	5/1/2030	3.0 - 5.0
Animal Control Shelter Series 2003A	8/5/2003	6/1/2030	3.0 - 4.625
Various Purpose Refunding Series 2009B	3/31/2009	5/1/2017	3.0 - 4.2
Parks and Library Refunding Series 2011A	7/12/2011	5/1/2026	4.20
Medium-Term:			
Antelope Valley Road Special Assessment 30 Series 2001B	12/1/2001	11/1/2011	3.0 - 4.5
Edison Way Property Series 2007	3/28/2007	3/1/2017	3.83
Revenue: (Note 9)			
Facility Series 2001A	12/1/2001	11/1/2011	4.0 - 5.5
Office Building Series 2002A	10/1/2002	1/1/2027	3.0 - 5.0
Library Building Series 2004	3/1/2004	3/1/2025	3.5 - 5.0
Building and Parking Garage Series 2004	12/8/2004	1/1/2025	3.75 - 5.0
Public Safety Series 2006	4/12/2006	3/1/2036	4.0 - 4.5
Flood Control Series 2006**	5/18/2006	12/1/2035	Variable
Parks Series 2006	10/18/2006	3/1/2036	4.0 - 5.0
Building Bonds Refunding Series 2011B	8/3/2011	11/1/2026	4.18
Total General Obligation Bonds			
Revenue Bonds (Note 9)			
Sales Tax Series 1998	12/1/1998	12/1/2028	4.0 - 5.1
Senior Lien Car Rental Fee Series 2008***	2/26/2008	12/1/2027	Variable
Subordinate Lien Car Rental Fee Series 2008	2/26/2008	12/1/2057	7.0
Total Revenue Bonds			
Special Assessment Bonds (with governmental commitment) (Note 9)			
SAD 21: Cold Springs Sewer Refunding	10/15/2003	7/1/2016	2.0 - 4.0
SAD 29: Mt. Rose Sewer Phase 1	11/12/2004	11/1/2024	4.55
SAD 35: Rhodes Road - \$116,141, SAD 36: Evergreen Hills Dr-\$240,587	2/25/2005	11/1/2014	3.8
SAD 31: Spearhead Way/Running Bear Drive	4/28/2006	5/1/2016	4.29
SAD 37: Spanish Spring Sewer Phase 1a	5/16/2007	5/1/2027	4.35
SAD 39: Lightning W Water System	6/12/2009	5/1/2029	7.18
SAD 32: Spanish Springs Valley Ranches Roads	12/7/2011	11/1/2031	3.48
Total Special Assessment Debt			
Deferred amounts			
Unamortized Bond Premium	N/A	N/A	N/A
Unamortized Bond Discounts	N/A	N/A	N/A
Deferred Refunding Charge	N/A	N/A	N/A
Total Deferred Amounts			

<u>Original Note / Issue</u>	<u>Principal Outstanding July 1, 2011</u>	<u>Additions/ Issued</u>	<u>Reduction/ Principal Matured / Called</u>	<u>Principal Outstanding June 30, 2012</u>	<u>Principal Due in 2012-2013</u>
\$ 22,785,000	\$ 17,015,000	\$ -	\$ 17,015,000	\$ -	\$ -
15,515,000	12,305,000	-	430,000	11,875,000	445,000
10,750,000	8,780,000	-	290,000	8,490,000	300,000
10,540,000	8,205,000	-	1,245,000	6,960,000	1,285,000
17,360,000	-	17,360,000	1,030,000	16,330,000	905,000
1,327,290	158,260	-	158,260	-	-
4,645,000	2,985,000	-	452,000	2,533,000	469,000
16,620,000	12,815,000	-	12,815,000	-	-
19,260,000	14,140,000	-	635,000	13,505,000	655,000
3,280,000	2,915,000	-	160,000	2,755,000	165,000
11,900,000	9,305,000	-	505,000	8,800,000	525,000
12,500,000	11,330,000	-	265,000	11,065,000	275,000
21,000,000	19,445,669	-	433,701	19,011,968	453,406
25,305,000	14,930,000	-	-	14,930,000	-
12,565,000	-	12,565,000	-	12,565,000	620,000
	<u>134,328,929</u>	<u>29,925,000</u>	<u>35,433,961</u>	<u>128,819,968</u>	<u>6,097,406</u>
21,915,000	16,875,000	-	595,000	16,280,000	625,000
18,500,000	17,647,800	-	515,900	17,131,900	463,200
11,000,000	9,808,025	-	-	9,808,025	-
	<u>44,330,825</u>	<u>-</u>	<u>1,110,900</u>	<u>43,219,925</u>	<u>1,088,200</u>
1,085,000	335,000	-	80,000	255,000	50,000
1,281,308	890,000	-	50,000	840,000	55,000
356,728	117,870	-	35,280	82,590	31,825
109,000	47,000	-	10,000	37,000	11,000
728,813	518,891	-	48,017	470,874	24,236
999,268	742,913	-	76,921	665,992	18,889
8,592,787	-	8,592,787	269,333	8,323,454	307,754
	<u>2,651,674</u>	<u>8,592,787</u>	<u>569,551</u>	<u>10,674,910</u>	<u>498,704</u>
N/A	1,777,383	-	352,044	1,425,339	-
N/A	(62,660)	-	(2,706)	(59,954)	-
N/A	(77,538)	(53,002)	(15,664)	(114,876)	-
	<u>1,637,185</u>	<u>(53,002)</u>	<u>333,674</u>	<u>1,250,509</u>	<u>-</u>

(CONTINUED)

WASHOE COUNTY, NEVADA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012
(CONTINUED)

NOTE 10 - LONG-TERM OBLIGATIONS ACTIVITY (CONTINUED)

NOTE 10 - LONG-TERM OBLIGATIONS ACTIVITY (CONTINUED)	Date of Issue	Maturity Date	Interest Rate
GOVERNMENTAL ACTIVITIES (Continued)			
Other Liabilities - (Notes 9, 15)			
Compensated Absences	N/A	N/A	N/A
Net other post employment benefits obligations	N/A	N/A	N/A
Remediation obligation	N/A	N/A	N/A
Claims and judgments	N/A	N/A	N/A
Total Other Liabilities			
Total Governmental Activities			
BUSINESS-TYPE ACTIVITIES *			
General Obligation Bonds			
Medium-Term:			
Water Resources Fund:			
Water Series 2001B	12/1/2001	11/1/2011	3.0 - 4.5 %
Revenue: (Note 9)			
Water Resources Fund:			
Water Sewer Series 1997	6/4/1997	2/15/2017	5.0 - 6.5
Lemmon Valley Sewer Series 1997	8/13/1997	1/1/2018	3.33
Sewer Series 2000A	6/30/2000	1/1/2020	3.7
Sewer Series 2000B	6/30/2000	1/1/2020	3.7
Sewer Series 2001	2/2/2001	7/1/2021	3.125
Sewer Series 2004	6/11/2004	1/1/2024	3.213
Water Series 2005	6/17/2005	1/1/2025	2.81
Water and Sewer Series 2005	12/21/2005	1/1/2035	4.0 - 5.0
Spanish Springs Sewer Series 2005A	8/25/2006	7/1/2026	2.931
Storm Sewer Series 2006	11/1/2006	1/1/2026	4.224
Total General Obligation Bonds			
Deferred amounts			
Unamortized Bond Premium	N/A	N/A	N/A
Other Liabilities (Note 9)			
Compensated absences	N/A	N/A	N/A
Total Business-Type Activities			
Total Washoe County Obligations			

* Business-type debt is expected to be retired primarily through operations.

** Interest on the variable-rate flood control bonds is equal to the sum of BMA (Bond Market Association) Swap Rate plus 0.70%. The remaining principal outstanding of \$19,011,968 has a current interest rate of 2.527%. Interest rate on outstanding amount will be reset May 1, 2016.

<u>Original Note / Issue</u>	<u>Principal Outstanding July 1, 2011</u>	<u>Additions/ Issued</u>	<u>Reduction/ Principal Matured / Called</u>	<u>Principal Outstanding June 30, 2012</u>	<u>Principal Due in 2012-2013</u>
\$ N/A	\$ 26,018,374	\$ 16,652,751	\$ 19,018,903	\$ 23,652,222	\$ 17,722,419
N/A	529,288	302,893	-	832,181	-
N/A	9,051,217	287,580	410,388	8,928,409	150,000
N/A	30,906,244	1,017,139	16,358,408	15,564,975	6,201,739
	66,505,123	18,260,363	35,787,699	48,977,787	24,074,158
	249,453,736	56,725,148	73,235,785	232,943,099	31,758,468
6,262,710	746,740	-	746,740	-	-
3,720,000	1,250,000	-	185,000	1,065,000	190,000
1,249,137	543,041	-	70,103	472,938	72,459
1,675,000	497,530	-	47,528	450,002	49,302
635,000	98,981	-	9,455	89,526	9,808
21,000,000	13,934,946	-	1,140,380	12,794,566	1,176,295
3,000,000	2,284,465	-	144,116	2,140,349	148,783
14,463,000	11,599,208	-	686,727	10,912,481	706,160
65,000,000	26,100,000	-	-	26,100,000	-
6,500,000	5,556,042	-	287,838	5,268,204	296,338
4,600,000	3,790,884	-	185,578	3,605,306	193,500
	66,401,837	-	3,503,465	62,898,372	2,842,645
N/A	856,375	-	41,739	814,636	-
N/A	924,391	597,606	697,670	824,327	617,661
	68,182,603	597,606	4,242,874	64,537,335	3,460,306
	\$ 317,636,339	\$ 57,322,754	\$ 77,478,659	\$ 297,480,434	\$ 35,218,774

*** Interest on the variable-rate senior lien car rental bonds is equal to the greater of: (1) the minimum rate of 3% per annum and (2) the sum of (a) 70% of the swap rate plus (b) 2.22% for each of the reset periods. The rate maximum is 6.5% for December 1, 2012 - November 30, 2017, 7.5% December 1, 2017 - November 20, 2022 and 8% for December 1, 2022- November 30, 2027. Current interest rate is 5.02% with a reset date of December 1, 2012.

**WASHOE COUNTY, NEVADA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012
(CONTINUED)**

NOTE 11 – DEBT SERVICE REQUIREMENTS

The annual requirements to amortize outstanding debt are as follows:

Governmental Activities – Primary Government

Year Ended June 30,	General Obligation Bonds		Revenue Bonds		Special Assessment Debt	
	Principal*	Interest	Principal*	Interest**	Principal*	Interest
2013	\$ 6,097,406	\$ 5,190,083	\$ 1,088,200	\$ 1,646,618	\$ 498,704	\$ 405,852
2014	6,336,008	4,955,411	1,177,200	1,592,117	514,495	386,577
2015	6,591,546	4,700,909	1,282,100	1,532,195	510,177	366,602
2016	7,503,063	4,442,467	1,397,800	1,466,305	512,231	347,047
2017	7,827,604	4,147,290	1,527,800	1,393,945	526,266	326,728
2018-2022	32,725,351	16,570,138	9,211,338	5,987,940	2,626,596	1,335,866
2023-2027	36,726,873	9,142,185	13,608,340	3,645,391	2,933,292	783,745
2028-2032	15,640,513	3,150,027	6,678,799	6,844,411	2,553,149	227,420
2033-2037	9,371,604	922,507	2,027,933	9,999,337	-	-
2038-2042	-	-	1,685,634	12,377,847	-	-
2043-2047	-	-	1,398,144	15,014,628	-	-
2048-2052	-	-	1,156,562	17,994,828	-	-
2053-2057	-	-	955,186	21,355,245	-	-
2058	-	-	24,889	690,111	-	-
Total	\$ 128,819,968	\$ 53,221,017	\$ 43,219,925	\$ 101,540,918	\$ 10,674,910	\$ 4,179,837

Business-type Activities – Primary Government

Year Ended June 30,	General Obligation Bonds	
	Principal*	Interest
2013	\$ 2,842,645	\$ 2,458,586
2014	2,936,142	2,365,113
2015	3,037,305	2,268,454
2016	3,136,212	2,168,256
2017	3,237,961	2,064,415
2018-2022	15,180,452	8,802,242
2023-2027	10,372,655	6,802,172
2028-2032	12,820,000	4,319,250
2033-2036	9,335,000	948,750
Total	\$ 62,898,372	\$ 32,197,238

*Principal amounts shown exclude discounts and premiums.

**Interest on the variable-rate flood control bonds is calculated at the current rate of 2.527%.

NOTE 12 – INTERFUND ACTIVITY

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

WASHOE COUNTY, NEVADA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012
(CONTINUED)

Interfund transfers for the year ended June 30, 2012

<u>Transfers from:</u>	<u>Transfers to:</u>	<u>Amount</u>
General Fund	Nonmajor Governmental Funds	\$ 20,272,007 (a)
	General Fund	761,646
Nonmajor Governmental Funds	Nonmajor Governmental Funds	14,925,413 (a)
	Internal Service Funds	<u>1,234,000</u>
	Subtotal	<u>16,921,059</u>
	General Fund	19,281,500 (b)
Internal Service Funds	Nonmajor Enterprise Funds	<u>45,369</u>
	Subtotal	<u>19,326,869</u>
		<u>56,519,935</u>
Total Transfers In / Out		<u>\$ 56,519,935</u>

Significant transfers during the year of a non-routine nature included: (a) \$3,919,992 from the Capital Improvement Fund and \$4,441,323 from the General Fund to create a single Roads Fund which will receive and disburse funds restricted for roads related services, and (b) \$18,581,500 from the Health Benefits and Risk Management Funds to the General Fund for general fund support and to fund one-time refunds of property taxes and related interest to property owners in the Incline Village area.

NOTE 13 – FUND BALANCES/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.

Restricted assets are assets which have externally imposed (statutory, bond covenant, contract or grantor) limitations on their use. Restricted assets are classified either by function, debt service, capital projects, or claims. Assets restricted by function relate to net assets of governmental and enterprise funds whose use is legally limited by outside parties for a specific purpose. The restriction for debt service represents assets legally restricted by statute or bond covenants for future debt service requirements of both principal and interest. The amount restricted for capital projects consists of unspent grants, donations, and debt proceeds with third party restrictions for use on specific projects or programs. Net assets restricted for claims represent the amount legally required to be held for payment of future claims in the self-insurance funds. The government-wide statement of net assets reports \$148,409,195 of restricted net assets, all of which is externally imposed.

Unrestricted net assets represent available financial resources of the County.

Fund Financial Statements

Governmental Funds

Governmental fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the County is bound to observe constraints imposed on the use of the resources of the fund.

WASHOE COUNTY, NEVADA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012
(CONTINUED)

Fund balance classifications by County function consist of the following:

<u>Fund Balances</u>	<u>General Fund</u>	<u>Special Assesment Debt Service Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Nonspendable:				
Inventory / prepaid items	\$ 425	\$ -	\$ 289,132	\$ 289,557
Restricted for:				
General Government	-	-	4,364,168	4,364,168
Judicial	-	-	5,478,365	5,478,365
Public Safety	-	-	21,533,123	21,533,123
Public Works	-	-	2,132,439	2,132,439
Health and Sanitation	-	-	11,497,639	11,497,639
Welfare	-	-	2,062,333	2,062,333
Culture and Recreation	-	-	191,265	191,265
Capital Projects:				
General Government	-	-	8,317,246	8,317,246
Judicial	-	-	3,429,291	3,429,291
Public Safety	-	-	5,300,789	5,300,789
Public Works	-	-	9,639,888	9,639,888
Culture and Recreation	-	-	27,324,403	27,324,403
Debt Service	750,000	1,858,810	9,300,083	11,908,893
Total Restricted	750,000	1,858,810	110,571,032	113,179,842
Committed to:				
Stabilization	4,143,300	-	-	4,143,300
Public Safety	256,037	-	5,243,307	5,499,344
Health and Sanitation	-	-	1,098,414	1,098,414
Welfare	59,339	-	9,615,647	9,674,986
Culture and Recreation	-	-	1,303,499	1,303,499
Other functional activities	259,553	-	547,513	807,066
Total Committed	4,718,229	-	17,808,380	22,526,609
Assigned to:				
FY13 Budget Shortfall	4,965,060	-	-	4,965,060
Public Works	5,934	-	3,559,071	3,565,005
Other functional activities	1,037,901	-	-	1,037,901
Total Assigned	6,008,895	-	3,559,071	9,567,966
Unassigned	24,845,078	-	(122,914)	24,722,164
Total fund balances	\$ 36,322,627	\$ 1,858,810	\$ 132,104,701	\$ 170,286,138

Proprietary Funds

Net assets for business funds and internal services funds are categorized as invested in capital assets, net of related debt, restricted and unrestricted as described for the government-wide financial statements.

Fiduciary Funds

Net assets held in trust for pool participants in the Statement of Fiduciary Net Assets represent cash and investments held in trust for other agencies participating in Washoe County's investment pool.

**WASHOE COUNTY, NEVADA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012
(CONTINUED)**

NOTE 14 - PENSION PROGRAM

Plan Description

Washoe County and two component units, Sierra Fire Protection District (SFPD) and Truckee Meadows Fire Protection (TMFPD), contribute to the Public Employees Retirement System of the State of Nevada (PERS), a cost-sharing multiple employer defined benefit pension plan. PERS provides retirement benefits, disability benefits and death benefits, including annual cost-of-living adjustments, to plan members and beneficiaries. Chapter 286 of the Nevada Revised Statutes established the benefit provisions provided to the participants of PERS. These benefit provisions may only be amended through legislation. PERS issues a publicly available financial report that includes financial statements and required supplementary information for PERS. That report may be obtained by writing to the Public Employees Retirement System of the State of Nevada, 693 West Nye Lane, Carson City, NV 89703-1599 or by calling (775) 687-4200.

On March 27, 2012 the Board of Fire Commissioners approved an interlocal agreement transferring operations of SFPD to TMFPD. As of June 30, 2012, all SFPD employees were transferred to TMFPD and, therefore, SFPD no longer contributes to PERS. The employees remained participants of PERS and their accounts were transferred to TMFPD.

Funding Policy

Benefits for plan members are funded under one of two methods. Under the employer pay contribution plan method, the County, SFPD and TMFPD are required to contribute all amounts due under the plan.

The second method for providing benefits, used only by employee members of SFPD and TMFPD, is the employer/employee paid contribution plan. Under this method, employees are required to contribute a percentage of their compensation to the Plan, while SFPD and TMFPD are required to match that contribution.

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

The County's pension contributions for the last three years are as follows:

Contribution Rates

Fiscal Year	Employer Pay Contribution Rate		Employee/Employer Pay Contribution Rate	
	Regular Members	Police/ Fire	Regular Members	Police/ Fire
2011-12	23.75%	39.75%	12.25%	20.25%
2010-11	21.50%	37.00%	11.25%	18.50%
2009-10	21.50%	37.00%	11.25%	18.50%

Contribution Cost

Fiscal Year	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2011-12	\$ 42,647,557	100%	\$ -
2010-11	42,496,829	100%	-
2009-10	41,892,817	100%	-

NOTE 15 - OTHER POSTEMPLOYMENT BENEFITS

Plan Descriptions and Eligibility

The County provides other postemployment benefits (OPEB) for eligible employees through the Retiree Health Benefit Program, a single-employer defined benefit OPEB plan, and participates in the State of Nevada's Public Employee Benefit Plan, an agent multiple-employer defined benefit OPEB plan. Both plans are administered through the Washoe County, Nevada OPEB Trust (Trust), an irrevocable trust established on May 11, 2010 by the Board of Washoe County Commissioners (BCC). The Trust, a multiple employer trust, was created to fund and account for the participating employers' costs of retiree healthcare benefits

**WASHOE COUNTY, NEVADA
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pursuant to Nevada Revised Statutes 287.017. Complete financial statements of the Trust may be obtained by writing to: OPEB Trust, c/o Washoe County Comptroller's Office, P.O. Box 11130, Reno, Nevada, 89520.

Additionally, Truckee Meadows Fire Protection District (TMFPD) and Sierra Fire Protection District (SFPD), component units, provide OPEB for eligible employees through the Truckee Meadows Fire Protection District Retiree Group Medical Plan and Sierra Fire Protection District Retiree Group Medical Plan both single-employer defined benefit plans. As of July 1, 2010 both plans are also administered through the Trust.

Washoe County Retiree Health Benefit Program (RHBP)

In accordance with NRS 287.010, the Board of County Commissioners adopted the RHBP to provide postemployment benefits to eligible employees upon retirement. Retirees are offered medical, prescription, vision, life, and dental insurance for themselves and their dependents. Retirees can choose between the Self Funded Group Health Plan (SFGHP) and an HMO Plan.

As of June 30, 2012, all employees hired before July 1, 2010 who retire from County employment and receive monthly payments under the Public Employees Retirement System of Nevada (PERS) are eligible to participate in the RHBP. In addition, employees hired before this date who have terminated employment prior to retirement may enroll in the RHBP upon commencing retirement if the County is that individual's last public employer.

For eligible retirees, the County pays a portion of the retiree's premium based on years of County service. Benefits are provided under two contribution "tiers": Tier 1 includes employees hired prior to various exclusion dates between 1997 and 1999, as stipulated in employee association contracts, and Tier 2 includes all employees hired after the Tier 1 exclusion dates. Retired plan members and beneficiaries currently receiving benefits are required to contribute specified amounts monthly toward the cost of health insurance premiums depending on their respective Tier. Retirees pay 100% of the premium for dependent coverage.

For Tier 1 retirees, the retiree's contribution is determined as follows, except for the cost of dental benefits which is 100% paid for by the retiree, regardless of service:

<u>Years of Service</u>	<u>Tier 1 Retiree Contribution</u>
Less than 10	100%
10 but less than 15	50%
15 but less than 20	25%
20 or more	0%

For Tier 2 retirees, the retiree's contribution is the monthly premium amount less a County-paid premium subsidy equal to the Non-State Retiree Subsidy Adjustment set annually by the State of Nevada's Public Employee Benefit Plan. The County's monthly subsidy for fiscal year 2012 depends on years of full-time service and ranges from a minimum of \$105 for five years to a maximum of \$575 for 20 or more years.

State of Nevada's Public Employee Benefit Plan (PEBP)

NRS 287.023 allowed County retirees to join the State's PEBP through September 1, 2008, at the County's expense. Eligibility and subsidy requirements are governed by statutes of the State of Nevada and can only be amended through legislation. PEBP is administered by a nine member governing board and provides medical, dental, prescription, vision, life and accident insurance for retirees.

Through collective bargaining agreements, the County is required to provide a subsidy for their eligible retirees that have elected to join PEBP. Contribution requirements are assessed by the PEBP Board annually. In fiscal year 2012, retirees age 64 and under were offered coverage through a high-deductible health plan; the monthly unsubsidized non-State retiree share plan rate in effect for fiscal year 2012 was \$751. The subsidy for this plan is based on years of service and in 2012 ranged from a minimum of \$105 for five years of service to a maximum of \$575 for 20 or more years of service. Retirees age 65 and over are required to enroll in a Medicare Advantage Plan at their own expense and receive monthly Health Reimbursement Account contributions of between \$50 and \$200 based on years of service.

TMFPD Retiree Group Medical Plan (TMFPD RGMP)

Prior to July 1, 2000, TMFPD provided health insurance benefits to retired employees through a single-employer defined benefit plan. At June 30, 2000, ten retirees were participating in the TMFPD RGMP. On July 1, 2000, pursuant to an Interlocal

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Agreement for Fire Services and Consolidation, TMFPD operations were transferred to the City of Reno and the City accepted liability for the ten retirees under this plan. TMFPD pays a proportionate share of employees' retiree health benefit costs based on service earned prior to July 1, 2000, for those employees who transferred employment to the City of Reno and retired during the term of the Interlocal Agreement. Benefits under the City's plan include medical, dental, prescription, vision and life insurance.

Eligible retirees who retired during the term of the Interlocal Agreement are allowed coverage through the City of Reno's health and life benefit programs. The exact coverage depends on the retirees' union membership. Local #731 retirees prior to age 65 or eligibility for Medicare are required to pay for 40% of their benefits as well as 40% of the benefits of their spouse. Thereafter, retirees are required to pay for 50% of their coverage and 100% of their spouse's coverage. Local #39 retirees prior to age 65 or eligibility for Medicare are required to pay for 25% of their coverage if they have at least 15 but less than 30 years of service and 0% if they have over 30 years of service. There is no coverage after age 65 and spouses are not covered.

The Interlocal Agreement was terminated on June 30, 2012, and TMFPD assumed responsibility for its own fire district operations as of July 1, 2012. As of June 30, 2012, to prepare for standing up the new fire operations, 11 former Reno firefighters had transferred to TMFPD with the provision that it would provide retiree health benefits for those 11 employees. No other new employees hired by TMFPD are eligible for retiree health benefits. Any former TMFPD employee remaining employed by the City of Reno as of July 1, 2012, retained retiree health benefits with the City and the City retained the liability for those employees. Benefits under the new TMFPD RGMP, a single-employer defined benefit plan, include health, dental, vision and prescription insurance coverage. Eligible retirees who retire from the District will be required to pay for 50% of the retirees' health insurance premium and 100% of the cost of coverage for their spouses. Eligibility requirements, benefit levels, employee contributions, and employer contributions may be amended by the mutual agreement of the Truckee Meadows Fire Protection District and the TMFPD Fire Fighters Association.

SFPD Retiree Group Medical Plans (SFPD RGMP)

SFPD provides health insurance benefits to eligible retired employees who transferred from State service on July 1, 2006 or transferred from SFPD service to the Truckee Meadows Fire Protection District in fiscal year 2012. As of April 1, 2012, all SFPD employees transferred to TMFPD under the terms of an Interlocal Agreement for Fire Services and Consolidation between the two districts. Health insurance benefits are through the TMFPD RGMP; however, the liability for the payment for these retiree health benefits is retained by each district. The plan is a single-employer defined benefit other postemployment benefit (OPEB) plan. As of June 30, 2012, there were five employees participating in the plan who had retired from SFPD.

In accordance with Nevada Revised Statutes, the Board of Fire Commissioners for SFPD entered into an agreement with the Sierra Firefighters Association for retiree health insurance. This employee agreement was assumed by TMFPD as of April 1, 2012; however, the payment of the monthly benefits continues to be paid from SFPD's portion of the Trust. Eligible employees who retire from TMFPD employment and receive monthly payments under the Public Employees Retirement System (PERS) of Nevada are allowed coverage in the TMFPD RGMP. Benefits include medical, vision, dental and prescription insurance coverage. SFPD pays 50% of the cost of health premiums of retirees who transferred to SFPD as of July 1, 2006 or from SFPD to TMFPD in fiscal year 2012 and retire directly from TMFPD with 10 or more years of combined service with the Nevada Division of Forestry or the Districts. Retirees are responsible for the remaining 50% of the health premiums. Eligibility requirements, benefit levels, employee contributions, and employer contributions may be amended by the mutual agreement of the Sierra Fire Protection District and the TMFPD Fire Fighters Association.

Funding Policy and Annual OPEB Cost

The amount of contributions each year for RHPB, TMFPD RGHP and SFPD RGHP are established through the annual budget process by the Board of County Commissioners and the TMFPD and SFPD Boards of Fire Commissioners, respectively, and may be amended through negotiations with their respective employee associations. The required contributions are based on projected pay-as-you-go financing requirements, with an additional amount, generally equal to the normal cost, to prefund benefits.

Additionally, the County is required to provide a subsidy for their retirees that have elected to join PEBP which is established and may be amended by the State of Nevada Legislature. The subsidy is paid on the pay-as-you-go basis, with an additional amount contributed to prefund future benefits. Contribution requirements for plan members and the participating employers are assessed by the PEBP Board annually.

The County, TMFPD and SFPD fund the OPEB costs from their respective General Funds. During the current fiscal year the County transferred \$20.4 million to the Trust to fund future retiree health benefits for both the RHBP and PEBP. These contributions were allocated between the RHBP and the PEBP based on the proportionate share of each plan's Unfunded Actuarial Accrued Liability to the total. Neither TMFPD nor SFPD made transfers to the Trust during the current fiscal year.

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The annual OPEB cost and related information for each plan for the fiscal year ended June 30, 2012 are as follows:

	<u>RHBP</u>	<u>PEBP</u>	<u>TMFPD RGMP</u>	<u>SFPD RGMP</u>
Determination of Annual Required Contribution:				
Normal cost	\$ 11,931,000	\$ -	\$ 39,310	\$ 129,234
Amortization of Unfunded Actuarial Accrued Liability (UAAL)	<u>11,953,000</u>	<u>493,000</u>	<u>(16,211)</u>	<u>183,302</u>
Annual Required Contribution (ARC)	<u>\$ 23,884,000</u>	<u>\$ 493,000</u>	<u>\$ 23,099</u>	<u>\$ 312,536</u>
Determination of Net OPEB Obligation:				
Annual Required Contribution	\$ 23,884,000	\$ 493,000	\$ 23,099	\$ 312,536
Interest on Net OPEB Obligation	(456,000)	(29,059)	(93,981)	37,050
Adjustment to ARC	<u>337,000</u>	<u>31,265</u>	<u>118,440</u>	<u>(46,693)</u>
Annual OPEB Cost	23,765,000	495,206	47,558	302,893
Contributions Made to Trust	<u>(19,776,106)</u>	<u>(623,894)</u>	<u>-</u>	<u>-</u>
Increase (Decrease) in Net OPEB Obligation	3,988,894	(128,688)	47,558	302,893
Net OPEB Obligation (Asset), Beginning of Year	<u>(6,512,652)</u>	<u>(415,125)</u>	<u>(1,342,589)</u>	<u>529,288</u>
Net OPEB Obligation (Asset), End of Year	<u>\$ (2,523,758)</u>	<u>\$ (543,813)</u>	<u>\$ (1,295,031)</u>	<u>\$ 832,181</u>

The annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation at June 30, 2012 and the two preceding years for each of the plans were as follows:

<u>Plan</u>	<u>Fiscal Year Ended June 30,</u>	<u>Annual OPEB Cost</u>	<u>Employer Contribution</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation / (Asset)</u>
RHBP	2010	\$ 29,461,000	\$ 78,951,077	267.99%	\$ (15,137,077)
	2011	22,124,000	13,499,575	61.02%	(6,512,652)
	2012	23,765,000	19,776,106	83.22%	(2,523,758)
PEBP	2010	674,049	1,625,912	241.22%	(357,764)
	2011	446,064	503,425	112.86%	(415,125)
	2012	495,206	623,894	125.99%	(543,813)
TMFPD RGMP	2010	665,302	143,256	21.53%	1,762,486
	2011	558,363	3,663,438	656.10%	(1,342,589)
	2012	47,558	-	0.00%	(1,295,031)
SFPD RGMP	2010	305,218	15,859	5.20%	792,046
	2011	268,355	531,113	197.91%	529,288
	2012	302,893	-	0.00%	832,181

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Listed below is the funded status of each plan, as of their most recent actuarial valuations:

	<u>RHBP</u>	<u>PEBP</u>	<u>TMFPD RGMP</u>	<u>SFPD RGMP</u>
Valuation date	7/1/2010	6/30/2012	7/1/2011	7/1/2011
Actuarial Accrued Liability (AAL)	\$ 273,801,000	\$ 6,108,685	\$ 3,361,331	\$ 2,472,793
Actuarial Value of Plan assets	<u>70,887,000</u>	<u>1,635,802</u>	<u>3,533,063</u>	<u>530,895</u>
Unfunded Actuarial Accrued Liability (UAAL)	\$ 202,914,000	\$ 4,472,883	\$ (171,732)	\$ 1,941,898
Funded Ratio (Actual Value of Plan Assets/AAL)	25.89%	26.78%	105.11%	21.47%
Covered Payroll (Active Plan Members) *	\$ 150,313,509	n/a	\$ 26,564	\$ 3,011,094
UAAL as a Percentage of Covered Payroll *	134.99%	n/a	-646.48%	64.49%

* The covered payroll for active plan members for the TMFPD RGMP reported above represents 13 days of salaries and wages for the 11 former Reno firefighters who transferred from the City of Reno to TMFPD shortly before the end of the year. The UAAL shown for TMFPD includes the proportionate share of the liability, based on service earned prior to July 1, 2000 for the 45 employees who transferred employment to the City of Reno and retired during the term of the Interlocal agreement.

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

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. Mortality demographic assumptions used for the Washoe County and PEBP plans were based on the RP 2000 Combined Mortality Table – Male and Female. Mortality demographic assumptions for Truckee Meadows and Sierra Fire plans were based on the RP 2000 Combined Mortality Table – Male and Female for healthy life, and the 1977 Railroad Retirement Board for disabled life.

Significant methods and assumptions were as follows:

	<u>RHBP</u>	<u>PEBP</u>	<u>TMFPD RGMP</u>	<u>SFPD RGMP</u>
Valuation date	7/1/2010	6/30/2012	7/1/2011	7/1/2011
Actuarial cost method	Projected unit credit	Projected unit credit	Projected unit credit	Projected unit credit
Amortization method	Level percentage of pay, open	Level dollar amount, closed	Level dollar amount, closed	Level dollar amount, closed
Remaining amortization period	30 years	29 years	20 years	20 years
Asset valuation method	5-year smoothed market	5-year smoothed market	5-year smoothed market	5-year smoothed market
Actuarial assumptions:				
Investment rate of return	7%	7%	7%	7%
Healthcare cost trend rate**	10% initial 4.75% ultimate	7% initial 4.75% ultimate	7.25% initial 4.75% ultimate	7.25% initial 4.75% ultimate

**The healthcare cost trend rate for all plans includes an inflation component of 2.75%.

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NOTE 16 - RISK MANAGEMENT

Washoe County currently self-funds its fiscal responsibility related to exposures of loss from torts; theft of, damage to, or destruction of assets; and errors or omissions. Since 1981, when Washoe County started self-funding its workers' compensation obligation, it has increased the number of programs where self-funding is practiced and the proportion of the loss exposure which it self-funds.

Two funds were established to account for these programs. The Risk Management Fund accounts for costs related to general liability, auto liability, workers' compensation, property coverage and unemployment compensation. The property program combines self-funding with insurance purchased from outside carriers with a \$10,000 to \$50,000 deductible. The Health Benefits Fund accounts for life, medical, prescription, dental and vision insurance programs. The plans contained within the Health Benefits Fund are handled through contracts with an external claims administrator, a preferred provider organization for medical services and through the purchase of various insurance plans.

Annually, there are a number of lawsuits and unresolved disputes involving the County, which are administered by the Risk Management Division. These items are reviewed by the Risk Manager, with input from the District Attorney's Office and the appropriate third party administrator, to set values to the extent a value is determinable. Claims liabilities are reevaluated periodically to take into consideration recently settled claims, including the effects of specific incremental claim adjustment expenses, salvage and subrogation. Allocated claim adjustment expenses are included. Annually, an aggregate value is placed on all claims through the performance of an actuarial study.

The values set by the actuary for both short and long-term liabilities, using a 75% confidence level, are as follows:

	<u>Current</u>	<u>Long-Term</u>	<u>Total</u>
Pending Claims:			
Property and liability claims	\$ 1,225,000	\$ 2,420,000	\$ 3,645,000
Workers' compensation claims	1,931,000	5,552,000	7,483,000
Unprocessed Health Benefits Fund claims	<u>1,851,000</u>	<u>-</u>	<u>1,851,000</u>
Total Pending Claims	<u>\$ 5,007,000</u>	<u>\$ 7,972,000</u>	<u>\$ 12,979,000</u>

Many items involving the Risk Management Fund do not specifically fall within the criteria used by the actuaries for evaluation. Such items include contract disputes and noninsurance items. In the 1980's, management declared their intention to have \$1,000,000 of net assets in the Fund available for claims that fall into areas not recognized in the actuarial studies, or for possible catastrophic losses that exceed parameters of the actuarial studies. Currently, there is a net asset balance of \$9,844,934.

The level of insurance coverage purchased this year by the County remains the same as the previous year. There were no settlements in excess of insurance coverage in any of the three prior fiscal years.

Claims liability and activity for the Risk Management and the Health Benefits Funds for the fiscal years ending June 30 were as follows:

	<u>Risk Management Fund</u>	<u>Health Benefits Fund</u>
Claims Liability/Activity:		
Claims Liability, June 30, 2010	\$ 10,546,000	\$ 2,701,000
Claims and changes in estimates	3,862,068	21,342,788
Claim payments	<u>(3,551,068)</u>	<u>(21,837,788)</u>
Claims Liability, June 30, 2011	10,857,000	2,206,000
Claims and changes in estimates	4,815,267	19,123,021
Claim payments	<u>(4,544,267)</u>	<u>(19,478,021)</u>
Claims Liability, June 30, 2012	<u>\$ 11,128,000</u>	<u>\$ 1,851,000</u>

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The non-discounted carrying amount of unpaid claims in the Risk Management Fund at June 30 is \$12,522,000. The interest rate used for discounting was 3%.

South Truckee Meadows General Improvement District, a component unit, is a participant in Washoe County's property insurance program and self-insurance program for general liability.

Truckee Meadows Fire Protection District (TMFPD) and Sierra Fire Protection District (SFPD), component units, are exposed, as are all entities, to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. TMFPD and SFPD have joined together with similar public agencies throughout the State of Nevada to create a pool, Nevada Public Agency Insurance Pool (NPAIP), under the Nevada Interlocal Cooperation Act. Property and liability is fully insured with NPAIP. Each District pays an annual premium and specific deductibles, as necessary, to the Pool for its general insurance coverage. The Pool is considered a self-sustaining risk pool that provides coverage for its members up to \$10 million per event and a \$13 million general aggregate per member. Property, crime and equipment breakdown coverage is provided to its members up to \$300 million per loss with various sub-limits established for earthquake, flood, equipment breakdown, and money and securities.

TMFPD's workers' compensation for claims incurred during the term of the Interlocal Agreement for Fire Service and Consolidation between TMFPD and the City of Reno is fully insured with the City's self-funded workers' compensation plan. Under the plan, TMFPD and the City of Reno are self-insured up to a maximum of \$2.5 million for each workers' compensation claim. All claims incurred prior to fiscal year 2004 remain the liability of City of Reno under the guaranteed payment plan in effect prior to July 1, 2003. During the fiscal year ended June 30, 2004, TMFPD and the City of Reno instituted a "pay as you go" system for workers' compensation claims. TMFPD shares the combined losses with the Reno Fire Department (RFD). Each year, TMFPD is assigned the portion of paid losses corresponding to the ratio of employees originally transferred from TMFPD to the total number of current RFD employees. The ratio applied to TMFPD for fiscal year ended June 30, 2012 was approximately 25%. TMFPD established the Workers' Compensation Fund to account for this program.

The liability for workers' compensation claims was determined through an actuarial valuation performed for TMFPD as of December 31, 2011. The actuarial estimates are on a net basis with respect to excess insurance and recoveries from subrogation, and do not contain any provisions for uncollectible excess insurance. Allocated loss adjustment expense is included in the actuarial calculations. The undiscounted carrying amount of unpaid claims as of June 30, 2012 was estimated at \$2,903,000. The interest rate used for discounting was 3%.

Claims liability and activity for the fiscal years ending June 30 were as follows:

		TMFPD Workers' Compensation Fund
Claims Liability/Activity:		
Claims Liability, June 30, 2010	\$	4,886,423
Claims and changes in estimates		(1,269,349)
Claim payments		<u>(1,192,152)</u>
Claims Liability, June 30, 2011		2,424,922
Claims and changes in estimates		118,938
Claim payments		<u>(549,860)</u>
Claims Liability, June 30, 2012	\$	<u><u>1,994,000</u></u>

The Interlocal Agreement with the City of Reno was terminated on June 30, 2012, and TMFPD assumed responsibility for its own fire district operations as of July 1, 2012. TMFPD will continue to retain the liability for claims incurred during the term of the Interlocal Agreement.

As of April 1, 2012, all SFPD employees transferred to TMFPD under the terms of an Interlocal Agreement for Fire Services and Consolidation between the two districts. During the fiscal year, to prepare for standing up the new fire operations, TMFPD joined the Nevada Public Agencies Insurance Pool, Public Agency Compensation Trust (PACT), in order to pool workers' compensation risk in a common public agencies risk management and insurance program. The PACT is considered a self-sustaining risk pool that will provide coverage based on established statutory limits. SFPD was a member of the PACT through year end. TMFPD and SFPD paid annual premiums to the PACT to fully fund their workers' compensation liability based on payroll costs.

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In fiscal year 2012, both TMFPD and SFPD self-funded health benefits. The TMFPD Health Benefits Fund and the SFPD Health Benefits Fund were established to account for costs related to medical, prescription, dental, vision, and life insurance programs. The plans contained within each Health Benefits Fund are handled through contracts with an external claims administrator, a preferred provider organization for medical services and through the purchase of various insurance plans. Claims liability and activity for the TMFPD and SFPD Health Benefits Funds for the fiscal years ending June 30 were as follows:

	TMFPD	SFPD
	Health Benefits	Health Benefits
	Fund	Fund
Claims Liability/Activity:		
Claims Liability, June 30, 2011	\$ -	\$ -
Claims and changes in estimates	125,436	457,421
Claim payments	<u>(125,436)</u>	<u>(457,421)</u>
Claims Liability, June 30, 2012	<u>\$ -</u>	<u>\$ -</u>

The SFPD health plan ceased with the transition of SFPD employees to TMFPD during the year. The TMFPD health benefits plan, operational for only part of the fiscal year, does not yet have sufficient history for a projected claims liability.

There were no settled claims in excess of insurance coverage in the three prior fiscal years for any of the County's component units.

NOTE 17 – JOINT VENTURES

Local Government Oversight Committee Joint Venture (Truckee River Water Quality Settlement Agreement)

Washoe County and the Cities of Reno and Sparks have entered into a joint venture for the purchase of water rights pursuant to the Truckee River Water Quality Settlement Agreement (TRWQSA) dated October 10, 1996. Parties to the TRWQSA are Washoe County, City of Reno, City of Sparks, United States Department of the Interior (DOI), U.S. Department of Justice, U.S. Environmental Protection Agency, Nevada Division of Environmental Protection and the Pyramid Lake Paiute Tribe of Indians (Tribe).

The agreement settled and dismissed pending litigation by the Tribe relating to the expansion of the Truckee Meadows Water Reclamation Facility (TMWRF), which is operated by the Cities of Reno and Sparks. It allows Reno and Sparks to use the sewage plant's full capacity in exchange for the expenditure of \$24,000,000 (\$12,000,000 by DOI and \$12,000,000 by the joint venture) for the acquisition of Truckee River water rights. As of June 30, 2012, the joint venture's net expenditures totaled \$11,916,604; included in this total is land acquired incidentally to the acquisition of water rights and valued at approximately \$50,000. Challenged water rights were sold during the year for \$234,495. Proceeds received from the resale of land or the retirement of challenged water rights are netted against expenditures when received.

Washoe County is responsible for administration of the joint venture. Water rights will be jointly managed by Washoe County, Reno, Sparks and DOI. The arrangement is considered a joint venture with no equity interest because no explicit and measurable equity interest is deemed to exist. All equity is reserved for purchase of water rights and is therefore unavailable to the entities. Each entity (Washoe County, Reno and Sparks) will own an undivided and equal interest in the property and water rights purchased. The County's proportionate share of the water rights and related property purchases are included in capital assets when purchased. Assets of \$3,964,582 have been recorded as of June 30, 2012.

Separate audited financial statements and information for the joint venture are available by contacting the Washoe County Department of Water Resources, 4930 Energy Way, Reno, NV 89502.

Truckee Meadows Water Authority

The Truckee Meadows Water Authority (Authority) is a joint powers authority formed in November 2000, pursuant to a Cooperative Agreement among the Cities of Reno and Sparks and Washoe County (Members). The Authority was formed in order to purchase water assets and undertake water utility operations of Sierra Pacific Power Company (SPPCo), a Nevada corporation, and to develop, manage and maintain supplies of water for the ongoing benefit of the Truckee Meadows community. The Authority issued bonds that do not constitute an obligation of Reno, Sparks, the County or the State of Nevada.

Under the terms of the Cooperative Agreement, the Authority's Board of Directors has the power to periodically assess the Members directly for budgets and for the satisfaction of any liabilities imposed against the Authority. No such assessments

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have been made since the Authority's formation. The arrangement is considered a joint venture with no equity interest recorded on Washoe County's balance sheet as of June 30, 2012, because no explicit and measurable equity interest is deemed to exist. The County appoints two directors of a seven-member governing body.

On December 9, 2009, the Board of County Commissioners and the Truckee Meadows Water Authority Board of Directors approved an interlocal agreement governing the merger of the Washoe County Department of Water Resources Water Utility into the Authority, which is intended to be the surviving water purveyor. The parties are currently engaged in a due diligence process, following which the governing boards will have an opportunity to review and approve an addendum to the agreement to move ahead with the consolidation.

Separate audited financial statements and information for the joint venture are available by contacting the Authority's Chief Financial Officer at P.O. Box 30013, Reno, NV 89520-3013.

Truckee River Flood Management Authority

The Truckee River Flood Management Authority (TRFMA) is a joint powers authority formed in March, 2011, pursuant to a Cooperative Agreement among the Cities of Reno and Sparks and Washoe County (Members). The governing body of each Member appoints two directors who must be elected officials of the Member's governing body. The TRFMA was formed in order to regulate and control waters of the Truckee River that flow through their territories to reduce or mitigate flooding for the ongoing benefit of the Truckee Meadows community and is authorized to issue bonds that do not constitute an obligation of the City of Reno, the City of Sparks, the County or the State of Nevada.

The primary source of revenue for the TRFMA consists of the net revenues of the Infrastructure Tax pledged by the County to support the TRFMA. The Infrastructure Tax is collected by the State of Nevada Department of Taxation and remitted to the County pursuant to procedures established in NRS Chapter 377B that restricts spending of these proceeds to projects for the management of floodplains, the prevention of floods or facilities relating to public safety. Net revenues consist of the balance remaining after paying or reserving for County obligations for existing flood project related debt obligations.

Under the terms of the Cooperative Agreement, the TRFMA Board of Directors has the power to periodically impose, assess, levy, collect and enforce fees, rates and charges in an amount sufficient for services or facilities, or both services or facilities and also to discharge any debt instruments or financing agreements. No such assessments have been made since the TRFMA's formation. The arrangement is considered a joint venture with no equity interest recorded on Washoe County's balance sheet as of June 30, 2012, because no explicit and measurable equity interest is deemed to exist.

On June 1, 2012, the County completed an agreement with TRFMA, to convey title to all real property, personal property, contract rights, and cash or fund balances acquired by the County from proceeds of the Truckee River Flood Management Infrastructure Fund. As of June 30, 2012, a special item was recorded for \$67,831,905 consisting of \$50,045,061 in capital assets contributed to TRMA and \$17,786,844 in payments of uncommitted cash and investment balances.

NOTE 18 – SUBSEQUENT EVENTS

Debt Related Events

On August 28, 2012, Washoe County issued \$18,090,000 General Obligation (Limited Tax) Various Purpose Refunding Bonds Series 2012A. Bond principal will be retired annually through fiscal year 2030, commencing March 1, 2013. Interest is payable on September and March 1, commencing on March 1, 2013. Interest rates on the bonds range from 3% to 4%. The proceeds were used for a partial advance refunding of \$18,025,000 in total for two previous bond issues and to pay the bond cost of issuance. The bonds refunded \$10,485,000 for General Obligation (Limited Tax) Park, Open Space, and Library Bonds Series 2002B of the currently outstanding balance of \$11,875,000. The refunded maturities are for May 1, 2016 through 2030 inclusively. The bonds also refunded \$7,540,000 for General Obligation (Limited Tax) Animal Control Bonds Series 2003A of the currently outstanding balance of \$8,490,000. The refunded maturities are for June 1, 2016 through 2030 inclusively.

On August 28, 2012, Washoe County issued \$27,580,000 General Obligation (Limited Tax) Refunding Bonds (additionally secured by pledged revenues), Series 2012B. Bond principal will be retired annually through fiscal year 2027, commencing March 1, 2013. Interest is payable on September and March 1, commencing on March 1, 2013. Interest rates on the bonds range from 1% to 3%. The proceeds were used for a partial current refunding of \$8,685,000 and partial advance refunding of \$18,215,000 for a total refunding of \$26,900,000 of various general obligation bonds and to pay the bond cost of issuance.

The partial current refunding of \$8,685,000 is for the General Obligation (Limited Tax) Parks Bonds (additionally secured by pledged revenues) Series 2006 of the current outstanding balance of \$14,930,000. The refunded maturities are for March 1, 2016 through 2026 inclusively.

WASHOE COUNTY, NEVADA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012
(CONTINUED)

The partial advance refunding of \$18,215,000 includes: (1) \$11,460,000 for the General Obligation (Limited Tax) Office Building Bonds (additionally secured by pledged revenues) Series 2002A of the currently outstanding balance of \$13,505,000. The refunded maturities are for January 1, 2016 through 2027 inclusively; (2) \$5,310,000 for the General Obligation (Limited Tax) Building and Parking Garage Bonds (additionally secured by pledged revenues) Series 2004 of the currently outstanding balance of \$8,800,000. The refunded maturities are for January 1, 2019 through 2025 inclusively; and (3) \$1,445,000 for the General Obligation (Limited Tax) Library Building Bonds (additionally secured by pledged revenues) Series 2004 of the currently outstanding balance of \$2,755,000. The refunded maturities are for March 1, 2020 through 2025 inclusively.

Other Events

On August 28, 2012, the BCC approved a joint settlement agreement between Washoe County, the Reno Redevelopment Authority, the City of Reno, the Washoe County School District and the State of Nevada that resolved different interpretations and other issues related to allocations of taxes in the Reno Tax Increment District for the benefit of the Reno Redevelopment Authority (RDA). A variance in the classification of exempt property from the standards as set forth in NRS 279.676(1)(a) was valued at \$4,172,501, with Washoe County's share totaling \$1,673,278. This classification change will also affect the future tax base for property tax distributions to the RDA. The payment of \$1,673,278 for the classification variance was made by the Risk Management Fund and is recorded in the current fiscal year.

The settlement agreement also established the minimum allocation of property taxes to the RDA, pursuant to NRS 279.676(3), through June 30, 2018. The payment of past shortfalls of tax allocations versus this agreed upon minimum totals \$1,412,153, of which Washoe County's share was \$591,975 and will be paid proportionately by the funds that received the revenue. Since the settlement payments became due subsequent to year end, no provision for the liability has been made in governmental funds. (See Note 9, Claims and Judgments).

**WASHOE COUNTY, NEVADA
REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2012**

SCHEDULE OF FUNDING PROGRESS – OTHER POSTEMPLOYMENT BENEFITS

Actuarial Valuation Date	(a) Actuarial Value of Assets	(b) Actuarial Accrued Liability (AAL)	(a / b) Funded Ratio	(b - a) Unfunded Actuarial Accrued Liability (UAAL)	(c) Covered Payroll	[(b - a) / c] UAAL as a Percent of Covered Payroll
RHBP						
July 1, 2007	\$ -	\$ 245,970,000	0.00%	\$ 245,970,000	\$ 186,318,007	132.02%
July 1, 2008	-	276,684,000	0.00%	276,684,000	181,854,743	152.15%
July 1, 2010	70,887,000	273,801,000	25.89%	202,914,000	150,313,509	134.99%
PEBP						
June 30, 2008	-	9,717,075	0.00%	9,717,075	n/a	n/a
June 30, 2010	1,925,471	7,437,111	25.89%	5,511,640	n/a	n/a
June 30, 2012	1,635,802	6,108,685	26.78%	4,472,883	n/a	n/a
TMFPD RGMP						
July 1, 2006	-	4,374,648	0.00%	4,374,648	n/a	n/a
July 1, 2009	-	4,472,236	0.00%	4,472,236	n/a	n/a
July 1, 2011	3,533,063	3,361,331	105.11%	(171,732)	26,564	-646.48%
SFPD RGMP						
July 1, 2007	-	1,296,221	0.00%	1,296,221	2,610,906	49.65%
July 1, 2009	-	1,769,515	0.00%	1,769,515	2,306,835	76.71%
July 1, 2011	530,895	2,472,793	21.47%	1,941,898	3,011,094	64.49%

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

NOTE 1 – SCHEDULE OF FUNDING PROGRESS

The County and its component units implemented GASB Statement No. 45 prospectively for the fiscal year ended June 30, 2008. Information in the Schedule of Funding Progress for prior years is not available.

NOTE 2 – EMPLOYER CONTRIBUTIONS

The County funds the RHBP and the PEBP via contributions to the Washoe County, Nevada OPEB Trust (Trust). TMFPD and SFPD also fund their retiree group medical plans through the Trust. Information on employer contributions can be found in the Trust's separately issued financial statements, a copy of which can be obtained by writing to: OPEB Trust, c/o Washoe County Comptroller's office, PO Box 11130, Reno, NV 89520.

NOTE 3 – TMFPD COVERED PAYROLL

The covered payroll for active plan members for the TMFPD RGMP reported above represents 13 days of salaries and wages for the 11 former Reno firefighters who transferred from the City of Reno to TMFPD shortly before the end of the year. The UAAL shown for TMFPD includes the proportionate share of the liability, based on service earned prior to June 2, 2000 for the 45 employees who transferred employment to the City of Reno and retired during the term of the Interlocal agreement.