

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

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WASHOE COUNTY, NEVADA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Washoe County (County) was incorporated in 1861 and is a municipality of the State of Nevada (State) 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 discretely presented 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. The County currently has two discretely presented component units.

Truckee Meadows Fire Protection District (TMFPD) was formed pursuant to Chapter 474 of the Nevada Revised Statutes (NRS) and levies taxes to provide emergency medical services, structural and wildland fire suppression services, and watershed protection to the unincorporated areas of the County within TMFPD's boundaries. TMFPD also provides fire services to the Sierra Fire Protection District through an interlocal agreement.

The Sierra Fire Protection District (SFPD) was formed pursuant to Chapter 474 of the NRS. SFPD levies taxes and, through an interlocal agreement, pays TMFPD to provide fire services in the district. SFPD continues to purchase and maintain facilities and equipment supporting its District.

For each discretely presented component unit, the BCC is also the Board of Fire Commissioners and thus could impose their will on the Fire Districts. However, the County does not have a financial benefit or burden relationship with the Fire Districts and support activities between the County and the Fire Districts are reimbursed under the terms of interlocal agreements.

Separate financial statements for the two 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 County has two discretely presented component units which are presented in separate columns in the government-wide statements.

The government-wide financial statements (Statement of Net Position and Statement of Activities) report information on all nonfiduciary activities of the County and its component units. The County maintains an overhead cost allocation that is charged to operating funds based on an indirect cost analysis. This indirect cost allocation is eliminated through a separate column on the Statement of Activities to provide full-cost information for the various functions. 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 Position, 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 position is reported in three parts – net investment in capital assets, restricted net position and unrestricted net position. 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

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intergovernmental revenues, investment earnings not legally restricted for specific programs, etc.). The Statement of Activities 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. 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 funds 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 **Child Protective Services Fund** accounts for ad valorem taxes, grants and other revenue sources specifically appropriated to protect against the neglect, abandonment and abuse of children.

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.

Investment Trust Fund accounts for commingled pool assets held in trust for schools, special districts, 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

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held on behalf of senior citizens; funds held for inmates housed at the County jail; employees' payroll deductions such as 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.

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/overhead are recorded as revenue and expense in the fund financial statements and are eliminated through a separate column 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 the government-wide financial statements.

During the course of operations, the County has activity between the funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental and internal service funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column. Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

D. Measurement Focus and Basis of Accounting

The measurement focus indicates the type of resources being measured such as current financial resources or economic resources. 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. 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.

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 inflow of resources 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. General capital asset acquisitions are reported as expenditures in the government funds. Issuance of long-term debt is reported as other financing sources.

Governmental revenues susceptible to accrual include: ad valorem taxes, interest, grant revenues, contractual service charges and other 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 other charges for services are recognized as revenue when they are received.

Proprietary funds are reported using the economic resources measurement focus and the accrual basis of accounting. The focus is upon determination of operating income, changes in net position, 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

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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.

Investment trust and agency funds are reported using the economic resources measurement focus and the accrual basis of accounting. The agency fund has no measurement focus but utilizes the accrual basis of accounting.

E. Financial Statement Amounts

Cash and Investments

The 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, a workers' compensation deposit required by State Statute and an operating reserve required under the terms of a federal grant.

Inventories

Inventories for proprietary funds are valued at the lower of cost or market on a first-in, first-out basis. For governmental funds, the 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.

Land and construction in progress are not depreciated. Other capital assets are generally depreciated/amortized using the straight-line method over the following estimated useful lives:

| | YEARS |
|---|--------------|
| 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 |

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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 factors limiting the useful life, are not amortized.

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

Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position and Balance Sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditure) until then. The County only has one item that qualifies for reporting in this category. It is the deferred charge on refunding reported in the government-wide Statement of Net Position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the Statement of Net Position and Balance Sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. The County has only one type of item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in governmental funds balance sheets. The governmental funds report unavailable revenues from several sources including: property taxes, special assessments, and grant reimbursements. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

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 in the Statement of Net Position. Bond premiums and discounts and any prepaid bond insurance, if applicable, 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. Prepaid bond insurance costs are reported as deferred charges and amortized over the term of the related debt. Debt issuance costs are expensed during the current period.

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.

Equity Classifications

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

- Net investment in capital assets – 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 position – Consists of equity 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 position – All other equity that does not meet the definition of “restricted” or “net investment in capital assets.”

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.

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- 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.
- Committed fund balances – Consist of resource balances with constraints imposed by formal action of the BCC through ordinance, resolution or public meeting item approval that specifically state the revenue source and purpose of the commitment. The choice of action type taken by the BCC is frequently directed by State Statutes and procedures so that any of the three types of actions noted above are considered equally binding for the BCC. Commitments can only be modified or rescinded through the same type of BCC action used to impose the restraint. Commitments can also include resources to meet major contractual obligations required by their nature and/or size to be approved by the BCC. These generally include major construction contracts of \$100,000 and over as well as other types of large contracts.
- 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 approved by the BCC for re-appropriation in the subsequent year. Authorized County management includes the County Manager, Assistant County Manager and elected or appointed department directors in accordance with County Ordinances and State Statutes. The assigned fund balance may also include amounts necessary to fund budgetary shortfalls in the next fiscal year from unassigned resources as approved by the BCC as part of the annual budget submitted to the State.
- 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.

Net Position and Fund Balance Flow Assumptions

When outlays for a particular purpose are funded from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources, a flow assumption must be made about the order in which the resources are considered to be applied. The County's Fund Balance Policy states that when both restricted and unrestricted resources are available for expenditure, restricted resources should be spent first unless legal requirements disallow it. When outlays are incurred for purposes for which amounts in any unrestricted fund balance classification 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 only after approval by the BCC when unanticipated declines in the major revenue sources (consolidated and property tax revenues) are sustained for at least 6 months and declines from budget by 2.5% or greater as well as when unbudgeted expenditures are incurred due to a declared emergency or natural disaster. In the case of a natural disaster, the BCC must declare the emergency and State Statutes further constrains the use of these stabilization funds to specific types of outlays.

Reclassifications

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

Program Revenues

Amounts reported as program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All County taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

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Property Taxes

All real property in the 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 State 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 BCC immediately after the Nevada Tax Commission has certified the combined tax rate and are then submitted to the County 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 2013 was due and payable on the third Monday in August, 2012. 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 the year assessed, 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 the County, taxes on motor vehicles are collected by a State agency and remitted to the County based on statutory formulas.

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 activities column of the government-wide Statement of Net Position.

The current portion of compensated absences is defined as benefits actually paid or accrued as a result of employees terminating employment by June 30. Agreements with various employee 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.

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.

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

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 certain other non-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 major funds, including 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 the BCC notification. Adjustments that affect fund balance, increase the original budget or affect the contingency account require BCC approval.

Encumbrance accounting is employed in governmental and proprietary funds. In governmental funds, encumbrances, which include purchase orders and contracts awarded for which goods and services have not been received at year-end, are reappropriated in the subsequent year and are reported as restricted, committed or assigned fund balances, as appropriate. An augmentation of \$18.5 million for encumbrances and restricted resources that have multiple year budgets was reappropriated in the new fiscal year.

There were no augmentations from beginning fund balance or previously unbudgeted resources for governmental funds in the current fiscal year. Augmentations in the current year for enterprise funds totaled \$149,000.

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Compliance

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

The rate of reimbursement to witnesses for meals and incidentals is governed by NRS 50.225. The rate was changed in 2007 but this change was not reflected in the payments made by the County. The impact of this oversight in the current year is estimated to be an amount not to exceed \$5,500.

While it appears that the actual fund balance in the Enhanced 911 Fund for the fiscal year ended June 30, 2013 of \$1,189,794 is over the statutory limit of \$1,000,000 per NRS 244A.7645 subsection 4, the NRS permits adjustments for outstanding commitments and the uncommitted fund balance of \$548,378 is below the statutory limit.

NOTE 3 – ACCOUNTING CHANGES AND RESTATEMENTS

During the year, changes in the relationship of the County to component units that were reported in prior years as blended component units, required a restatement of beginning fund balances and net position.

On December 11, 2012, the BCC voted to amend the County ordinance related to the South Truckee Meadows General Improvement District (the District), removing the BCC as “ex officio” Board of Trustees and establishing the elected officials of the District’s Local Managing Board as the Board of Trustees. The County’s water utility staff continues to operate the utility for the District under the terms of an interlocal agreement; however, the District has its own revenue source and reimburses the County for this support. This entity is no longer a component unit of the County and the beginning net position of the County’s business activities has been restated to reflect this change.

The operations for TMFPD and SFPD were brought together under management of TMFPD effective March 27, 2012. As part of this change, the BCC, who also sits as the Board of Fire Commissioners, approved an interlocal agreement on June 1, 2012, for administrative support from the County to TMFPD and for operating services from TMFPD to the County. The interlocal agreement identified the specific support services to be provided by each entity and provides for reimbursement costing on an equitable basis. Although the managing boards are the same, the County has no financial benefit or burden relationship with TMFPD or SFPD beyond the exchange based interlocal agreement. Both component units have been reclassified from blended component units to discretely presented component units in the current year and the beginning fund balances and net position of governmental activities have been restated to reflect this change.

The County implemented GASB Statement 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and GASB Statement 65, *Items Previously Reported as Assets and Liabilities*, in the current year which changed classifications of the balance sheet to include new categories for deferred outflows of resources or deferred inflows of resources, and redefined the net assets in proprietary funds and in government-wide statements as net position. In applying these new GASB definitions to the County, the primary impact on net position was to write-off deferred bond issuance cost leaving only a balance for bond insurance which was prepaid and is being amortized over the life of the bonds.

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The resulting restatements of beginning balances for both the organizational and component units changes are shown below.

Restatements to Fund Balances / Net Position

| | July 1, 2013 As Previously Reported | Restatements | July 1, 2013, As Restated |
|--|---|-----------------|------------------------------|
| <u>Governmental Funds and Governmental Activities</u> | | | |
| Major Funds: | | | |
| General Fund | \$ 36,322,627 | \$ - | \$ 36,322,627 |
| Special Assessment Debt Service Fund | 1,858,810 | - | 1,858,810 |
| Child Protective Services Fund | - | 11,038,652 | 11,038,652 |
| Nonmajor Funds: | | | |
| Special revenue funds | 69,143,656 | (21,621,595) | 47,522,061 |
| Debt service funds | 8,949,428 | - | 8,949,428 |
| Capital projects funds | 54,011,617 | (5,216,445) | 48,795,172 |
| Total Nonmajor Fund Balances | 132,104,701 | (26,838,040) | 105,266,661 |
| Total Governmental Fund Balances | 170,286,138 | (15,799,388) | 154,486,750 |
| Internal Service Funds | | | |
| Total Net Position | 36,881,346 | (3,522,339) | 33,359,007 |
| Governmental Activities: | | | |
| GASB 65 adjustments | - | (1,871,410) | (1,871,410) |
| Component unit restructure | - | (17,090,972) | (17,090,972) |
| Other adjustments | 401,307,668 | - | 401,307,668 |
| Total Governmental Activities Net Position | \$ 608,475,152 | \$ (38,284,109) | \$ 570,191,043 |
| <u>Proprietary Funds and Business-type Activities</u> | | | |
| Major Funds: | | | |
| Water Resources Fund | \$ 406,417,451 | \$ (134,707) | \$ 406,282,744 |
| Nonmajor Enterprise Funds | 34,338,372 | (30,265,995) | 4,072,377 |
| Total Proprietary Funds Net Position | 440,755,823 | (30,400,702) | 410,355,121 |
| Business-type Activities: | | | |
| Other adjustments | 10,007,420 | - | 10,007,420 |
| Business-type Activities Net Position | 450,763,243 | (30,400,702) | 420,362,541 |
| Total Net Position | \$ 1,059,238,395 | \$ (68,684,811) | \$ 990,553,584 |

NOTE 4 – 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, the County's carrying amount of deposits was \$43,018,756 and the bank balance was \$46,848,786. 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 the 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 356.020, 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

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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 County Treasurer or his agent to take physical possession of securities purchased as an investment by the County in the name of the 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.

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, 2013, 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 | \$ 4,509,299 | \$ 4,509,299 | \$ - | \$ - | - |
| Certificates of Deposit | 49,870,155 | 10,004,200 | 39,865,955 | - | - |
| U.S. Treasury Securities | 49,575,952 | - | 15,427,576 | 9,734,033 | 24,414,343 |
| U.S. Agency Securities | 214,911,941 | 324,376 | 144,412,338 | 42,545,293 | 27,629,934 |
| Collateralized Mortgage Obligations | 1,138,960 | - | - | 1,138,960 | - |
| Corporate Notes | 73,852,631 | 462 | 50,410,290 | 23,441,879 | - |
| Total Investments | 393,858,938 | 14,838,337 | 250,116,159 | 76,860,165 | 52,044,277 |
| Total Cash | 43,018,756 | 43,018,756 | - | - | - |
| Total Cash and Investments ¹ | \$ 436,877,694 | \$ 57,857,093 | \$ 250,116,159 | \$ 76,860,165 | \$ 52,044,277 |

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, 2013 were 3.4% 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, 2013, 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 | % of Total |
|--|---------------|------------|
| <u>U.S. Agency Mortgage Back 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. | \$ 15,633,198 | 4.0 % |
| <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. | 6,559,358 | 1.7 % |
| Total | \$ 22,192,556 | |

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NOTES TO THE FINANCIAL STATEMENTS
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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, 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.

As of June 30, 2013, the County's investments are rated as follows:

| <u>S&P Rating</u> | <u>Mutual Funds</u> | <u>Certificates of Deposit</u> | <u>U.S. Treasury Securities</u> | <u>U.S. Agencies</u> | <u>CMO</u> | <u>Corporate Notes</u> | <u>Fair Value</u> |
|-----------------------|---------------------|--------------------------------|---------------------------------|-----------------------|---------------------|------------------------|-----------------------|
| AAAm | \$ 4,509,299 | \$ - | \$ - | \$ - | \$ - | \$ - | 4,509,299 |
| AAA | - | - | - | - | - | 2,369,417 | 2,369,417 |
| AA+ | - | - | 49,575,952 | 214,911,941 | 1,138,960 | 21,740,713 | 287,367,566 |
| AA | - | - | - | - | - | 22,924,853 | 22,924,853 |
| AA- | - | 9,951,690 | - | - | - | 13,772,176 | 23,723,866 |
| A+ | - | 9,899,555 | - | - | - | - | 9,899,555 |
| A | - | - | - | - | - | 10,480,304 | 10,480,304 |
| A-1+ | - | 20,012,980 | - | - | - | - | 20,012,980 |
| A-1 | - | 10,005,930 | - | - | - | 2,565,168 | 12,571,098 |
| | <u>\$ 4,509,299</u> | <u>\$ 49,870,155</u> | <u>\$ 49,575,952</u> | <u>\$ 214,911,941</u> | <u>\$ 1,138,960</u> | <u>\$ 73,852,631</u> | <u>\$ 393,858,938</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, 2013, the following investments exceeded 5% of the County's total:

| | |
|--------------------------|-------|
| Fannie Mae | 29.1% |
| Freddie Mac | 21.0% |
| U.S. Treasury Securities | 12.6% |

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.

The County administers an external investment pool combining County money with voluntary investments from Truckee Meadows Fire Protection District, Sierra Fire Protection District, 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, the South Truckee Meadows General Improvement District and the Southwest Point Fund. The BCC 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 BCC. The Investment Committee, created by Washoe County Code Section 15.220, has been delegated the investment decision making authority in the County and serves also in an advisory capacity to the Treasurer and BCC. The external investment pool is not registered with the SEC as an investment company. Public Financial Management, LLC determines the fair value of the 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 the monthly allocation of net income, realized and unrealized gains and losses. The determination of

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

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.

Investments held in the external investment pool at June 30, 2013 were:

| Investment Type: | Fair Value | Principal Amount/ No. of Shares | Rate | Maturity Dates |
|-------------------------------------|-----------------------|--|-------------|-------------------------|
| Money Market Mutual Funds | \$ 25,000 | 25,000 | Variable | 7/1/2013 |
| Certificates of Deposit | 49,870,155 | 49,900,000 | 0.4-0.7% | 03/18/2014 - 04/29/2015 |
| U.S. Treasury Securities | 49,575,952 | 46,590,000 | 0.9-8.8% | 02/28/2015 - 05/15/2021 |
| U.S. Agency Securities | 214,911,941 | 209,242,627 | 0.4-5.4% | 11/01/2013 - 06/01/2022 |
| Collateralized Mortgage Obligations | 1,138,960 | 1,125,301 | 3.0-4.0% | 01/01/2018 - 03/01/2018 |
| Corporate Notes | 73,852,631 | 73,565,000 | 0.5-3.5% | 02/15/2015 - 06/24/2018 |
| Total Investments in Pool | \$ 389,374,639 | | | |

External Investment Pool
Statement of Net Position as of June 30, 2013

| | |
|--|-----------------------|
| Assets: | |
| Cash | \$ 26,898,361 |
| Investments: | |
| Money Market Mutual Funds | 25,000 |
| Certificates of Deposit | 49,870,155 |
| U.S. Treasury Securities | 49,575,952 |
| U.S. Agency Securities | 214,911,941 |
| Collateralized Mortgage Obligations | 1,138,960 |
| Corporate Notes | 73,852,631 |
| Interest Receivable | 1,320,471 |
| Total Assets | \$ 417,593,471 |
| Net Position: | |
| Internal participants | \$ 294,443,245 |
| Component Units: | |
| Sierra Fire Protection District | 1,754,719 |
| Truckee Meadows Fire Protection District | 21,624,991 |
| External participants | 99,770,516 |
| Total Net Position Held in Trust for Pool Participants (\$1.00/par) | \$ 417,593,471 |

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

External Investment Pool
Statement of Changes in Net Position for the Year Ended June 30, 2013

| | |
|--|-----------------------|
| Additions: | |
| Investment earnings | \$ 8,097,295 |
| Net realized gain (loss) on investments | (1,008,703) |
| Net increase (decrease) in fair value of investments | <u>(6,854,141)</u> |
| Increase in net assets resulting from operations | 234,451 |
| Net capital share transactions | <u>(8,590,684)</u> |
| Change in Net Position | (8,356,233) |
| Net Position, July 1 | <u>425,949,704</u> |
| Net Position, June 30 | <u>\$ 417,593,471</u> |

NOTE 5 – 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; reserves restricted for projects for the HUD Neighborhood Stabilization Program; and reserves restricted for workers' compensation claims pursuant to NRS 616B.300. Restricted cash and investments at June 30, 2013, were as follows:

| | <u>Debt Service</u> | <u>Projects</u> | <u>Claims</u> | <u>Total</u> |
|--|----------------------|------------------|---------------------|----------------------|
| <u>Governmental Funds and Governmental Activities</u> | | | | |
| General Fund | \$ 750,000 | \$ - | \$ - | \$ 750,000 |
| Child Protective Services Fund | - | 45,406 | - | 45,406 |
| Special Assessments Debt Service Fund | <u>51,298</u> | <u>-</u> | <u>-</u> | <u>51,298</u> |
| Total Governmental Funds | 801,298 | 45,406 | - | 846,704 |
| Internal Service Funds: | | | | |
| Risk Management Fund | <u>-</u> | <u>-</u> | <u>2,172,000</u> | <u>2,172,000</u> |
| Total Governmental Activities | 801,298 | 45,406 | 2,172,000 | 3,018,704 |
| <u>Proprietary Funds and Business-type Activities</u> | | | | |
| Water Resources Fund | <u>13,476,861</u> | <u>-</u> | <u>-</u> | <u>13,476,861</u> |
| Total Restricted Cash and Investments | <u>\$ 14,278,159</u> | <u>\$ 45,406</u> | <u>\$ 2,172,000</u> | <u>\$ 16,495,565</u> |

NOTE 6 – LONG-TERM ASSETS

Governmental Activities

Long-term assets in governmental activities include \$173,530 in prepaid bond insurance and \$3,711,643 in net other postemployment benefits assets (Note 16). Long-term assets in internal service funds include \$1,416,200 in refundable lease agreement deposits and \$206,036 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 \$196,668 in prepaid bond insurance and \$213,080 in long-term receivables in the Water Resources Fund.

WASHOE COUNTY, NEVADA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013
(CONTINUED)

NOTE 7 – CAPITAL ASSETS

| | Beginning Balances ¹ | Increases | Decreases | Ending Balances |
|--|------------------------------------|--------------|---------------|--------------------|
| <u>Capital Assets - Governmental Activities</u> | | | | |
| Capital assets, not being depreciated: | | | | |
| Land and land use rights | \$ 142,608,106 | \$ 303,441 | \$ 116,801 | \$ 142,794,746 |
| Construction in progress | 8,223,218 | 16,602,037 | 17,915,437 | 6,909,818 |
| Total capital assets not being depreciated | 150,831,324 | 16,905,478 | 18,032,238 | 149,704,564 |
| Capital assets being depreciated: | | | | |
| Land improvements | 57,191,145 | 577,170 | - | 57,768,315 |
| Buildings/improvements | 307,513,303 | 4,239,251 | 1,120,245 | 310,632,309 |
| Infrastructure | 576,484,075 | 16,952,053 | 8,794,516 | 584,641,612 |
| Equipment | 69,960,089 | 5,340,920 | 4,214,904 | 71,086,105 |
| Software | 17,154,228 | 738,889 | 51,950 | 17,841,167 |
| Total capital assets being depreciated | 1,028,302,840 | 27,848,283 | 14,181,615 | 1,041,969,508 |
| Less accumulated depreciation for: | | | | |
| Land improvements | 33,262,446 | 2,251,646 | - | 35,514,092 |
| Buildings/improvements | 104,765,018 | 8,650,090 | 696,035 | 112,719,073 |
| Infrastructure | 387,148,994 | 22,298,856 | 8,415,500 | 401,032,350 |
| Equipment | 49,111,134 | 5,736,591 | 4,110,458 | 50,737,267 |
| Software | 10,133,026 | 1,701,925 | 7,215 | 11,827,736 |
| Total accumulated depreciation | 584,420,618 | 40,639,108 | 13,229,208 | 611,830,518 |
| Net capital assets being depreciated | 443,882,222 | (12,790,825) | 952,407 | 430,138,990 |
| Governmental activities capital assets, net | \$ 594,713,546 | \$ 4,114,653 | \$ 18,984,645 | \$ 579,843,554 |

¹As Restated

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

| | |
|---|---------------|
| Governmental Activities: | |
| General government | \$ 2,586,849 |
| Judicial | 2,404,502 |
| Public safety | 6,950,928 |
| Public works | 22,867,700 |
| Health and sanitation | 211,237 |
| Welfare | 544,149 |
| Culture and recreation | 3,286,941 |
| Capital assets held by internal service funds charged to functions based on their usage of assets | 1,786,802 |
| Total Depreciation / Amortization Expense - Governmental Activities | \$ 40,639,108 |

WASHOE COUNTY, NEVADA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013
(CONTINUED)

| | <u>Beginning Balances¹</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 | \$ 13,784,676 | \$ 233,385 | \$ 30,770 | \$ 13,987,291 |
| Plant capacity | 825,150 | - | - | 825,150 |
| Construction in progress | 5,318,236 | 3,339,321 | 4,107,259 | 4,550,298 |
| Total capital assets not being depreciated | 19,928,062 | 3,572,706 | 4,138,029 | 19,362,739 |
| Capital assets being depreciated: | | | | |
| Land improvements | 5,168,283 | - | - | 5,168,283 |
| Buildings/improvements | 65,357,062 | 3,630,294 | 1,030,919 | 67,956,437 |
| Infrastructure | 356,894,253 | 2,236,910 | 131,509 | 358,999,654 |
| Equipment | 2,262,169 | 52,270 | 66,216 | 2,248,223 |
| Software | 1,139,125 | - | - | 1,139,125 |
| Plant, well capacity | 10,030,729 | - | - | 10,030,729 |
| Total capital assets being depreciated | 440,851,621 | 5,919,474 | 1,228,644 | 445,542,451 |
| Less accumulated depreciation for: | | | | |
| Land improvements | 2,930,873 | 227,234 | - | 3,158,107 |
| Buildings/improvements | 16,753,335 | 1,590,117 | 674,432 | 17,669,020 |
| Infrastructure | 71,856,750 | 6,544,140 | 61,590 | 78,339,300 |
| Equipment | 2,088,031 | 55,400 | 66,216 | 2,077,215 |
| Software | 906,791 | 124,552 | - | 1,031,343 |
| Plant, well capacity | 2,270,073 | 250,820 | - | 2,520,893 |
| Total accumulated depreciation | 96,805,853 | 8,792,263 | 802,238 | 104,795,878 |
| Net capital assets being depreciated | 344,045,768 | (2,872,789) | 426,406 | 340,746,573 |
| Business-type activities capital assets, net | \$ 363,973,830 | \$ 699,917 | \$ 4,564,435 | \$ 360,109,312 |

¹As Restated

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

| | |
|--|--------------|
| Business-Type Activities: | |
| Utilities | \$ 8,557,566 |
| Golf courses | 222,118 |
| Building and safety | 12,579 |
| Total Depreciation / Amortization Expense - Business-type Activities | \$ 8,792,263 |

Net capital assets at June 30, 2013, for the discretely present component units were:

| | <u>Truckee Meadow Fire Protection District</u> | <u>Sierra Fire Protection District</u> |
|--------------------------------------|--|--|
| <u>Net Capital Assets</u> | | |
| Capital assets not being depreciated | \$ 1,013,751 | \$ 121,000 |
| Capital assets being depreciated | 10,904,679 | 4,335,977 |
| Capital assets, net | \$ 11,918,430 | \$ 4,456,977 |

WASHOE COUNTY, NEVADA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013
(CONTINUED)

NOTE 8 – COMMITMENTS, CONTINGENCIES, AND OTHER LIABILITIES

Commitments

The County utilizes encumbrance accounting to identify fund commitments. Major commitments, generally contracts in excess of \$100,000, are entered into for construction projects or longer term service arrangements that can span several years.

Construction in progress and major commitments for governmental activities are:

| <u>Governmental Funds and Governmental Activities</u> | <u>CIP Balance June 30, 2013</u> | <u>Major Commitments</u> |
|---|--------------------------------------|------------------------------|
| Major Governmental Funds: | | |
| General Fund: | | |
| Technology projects | \$ - | \$ 163,097 |
| Service contracts | - | 299,715 |
| Child Protective Services Fund: | | |
| Case management and support services | - | 1,712,271 |
| Study | - | 152,559 |
| Total Major Governmental Funds | - | 2,327,642 |
| Nonmajor Governmental Funds: | | |
| Special Revenue Funds: | | |
| Public safety communications, technology | 1,089,796 | - |
| Road infrastructure | - | 1,076,969 |
| Water quality and remediation | - | 1,637,688 |
| Enhanced 911 equipment and services | 479,533 | 524,651 |
| Technology improvements | - | 1,563,299 |
| Other services | 432,100 | 199,597 |
| Total Special Revenue Funds | 2,001,429 | 5,002,204 |
| Capital Projects Funds: | | |
| Parks and open space projects | 2,511,144 | 3,070,910 |
| Building infrastructure projects | 36,286 | 132,848 |
| Road infrastructure projects | 234,654 | 182,680 |
| Pedestrian path & bike lane projects | 560,090 | 282,589 |
| Technology improvements | 77,777 | 170,916 |
| Water quality improvement projects | 1,488,438 | 1,208,594 |
| Total Capital Projects Funds | 4,908,389 | 5,048,537 |
| Total Governmental Funds / Governmental Activities | \$ 6,909,818 | \$ 12,378,383 |

In addition, the Water Resources Fund has entered into contracts for the construction of water related projects with outstanding balances of \$2,415,802.

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.

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, NEVADA
NOTES TO THE FINANCIAL STATEMENTS
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(CONTINUED)

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

| | | |
|--|----|-------------|
| Series January 2000 Bonds | \$ | 33,453,457 |
| Series November 29, 2011 Refunding Bonds | | 88,680,000 |
| Total RSCVA Bonds | \$ | 122,133,457 |

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 the County assuming the debt is remote.

Other Liabilities

Governmental Activities

Other liabilities in governmental activities consist of deposits and amounts due to others of \$2,035,936 in the General Fund for deposits and bail related to pending court cases or investigations, \$370,709 in the General Fund for refundable deposits for park facilities and developer performance guarantees, and \$162,489 for other customer and security deposits.

Business-type Activities

Other liabilities in business-type activities include \$1,508,019 for developer deposits and \$84,008 for customer deposits in the Water Resources Fund, and \$14,005 in other business-type funds for developer and customer deposits.

NOTE 9 – UNEARNED REVENUE AND DEFERRED INFLOWS OF RESOURCES

Unearned revenue in connection with resources that have been received, but not yet earned is reported as a liability for governmental activities.

Deferred inflows of resources represent an acquisition of net position that applies to a future period or periods and so will not be recognized as an inflow of resources (revenue) until that time. Governmental funds reported \$13.2 million in deferred inflows of resources related to unavailable revenue.

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

| | General Fund | Child Protective Services Fund | Special Assessment Debt Service Fund | Nonmajor Governmental Funds | Total |
|--------------------------------------|-----------------|---|---|-----------------------------------|---------------|
| Liabilities | | | | | |
| Unearned revenue: | | | | | |
| Federal payments in lieu of taxes | \$ 3,216,296 | \$ - | \$ - | \$ - | \$ 3,216,296 |
| Other revenue | 2,578 | 74,960 | - | 543,114 | 620,652 |
| Total Unearned Revenue | \$ 3,218,874 | \$ 74,960 | \$ - | \$ 543,114 | \$ 3,836,948 |
| Deferred Inflows of Resources | | | | | |
| Unavailable revenue: | | | | | |
| Ad valorem taxes | \$ 2,314,462 | \$ 84,745 | \$ - | \$ 499,524 | \$ 2,898,731 |
| Special assessments | - | - | 9,147,155 | - | 9,147,155 |
| Grants and other revenue | - | 733,088 | - | 412,024 | 1,145,112 |
| Total Unavailable Revenue | \$ 2,314,462 | \$ 817,833 | \$ 9,147,155 | \$ 911,548 | \$ 13,190,998 |

Unearned revenue in business-type activities consists of \$234,607 for water rights leases and unearned utility revenue in the Water Resources Fund.

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

Discretely Presented Component Units

At the end of the current fiscal year, major components of unavailable revenue reported for discretely presented component units were as follows:

| Truckee Meadows Fire Protection District | | | |
|--|-----------------------|---|------------|
| | TMFPD General Fund | TMFPD Emergency Fund | Total |
| Deferred Inflows of Resources | | | |
| Unavailable revenue: | | | |
| Ad valorem taxes | \$ 135,028 | \$ - | \$ 135,028 |
| Grants and other revenue | 247,985 | 141,846 | 389,831 |
| Total Unavailable Revenue | \$ 383,013 | \$ 141,846 | \$ 524,859 |
| Sierra Fire Protection District | | | |
| | SFPD General Fund | SFPD Wildland Fire Emergency Fund | Total |
| Deferred Inflows of Resources | | | |
| Unavailable revenue: | | | |
| Ad valorem taxes | \$ 61,673 | \$ - | \$ 61,673 |
| Grants and other revenue | - | 31,171 | 31,171 |
| Total Unavailable Revenue | \$ 61,673 | \$ 31,171 | \$ 92,844 |

NOTE 10 – LONG-TERM OBLIGATIONS

Advance and Current Refundings

On August 28, 2012, the 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 bonds are rated AA by Standard and Poor's and Aa2 by Moody's. The proceeds and \$164,784 of existing resources 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 July 1, 2012 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 July 1, 2012 outstanding balance of \$8,490,000. The refunded maturities are for June 1, 2016 through 2030 inclusively.

The bonds were issued at a premium of \$941,810. The proceeds and existing resources were deposited in an irrevocable trust account controlled by US Bank. The amount deposited, \$18,855,730, is deemed sufficient to meet the debt service provisions of the refunded bonds. The reacquisition price exceeded the net carrying amount of the refunded debt by \$233,620. 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 17 years by \$3,724,852 and resulted in an economic gain (difference between the present values of the old and new debt service payments) of \$2,716,254. The refunded bonds are considered defeased and the liability relating to the refunded portion of the bonds has been removed from the governmental activities column of the Statement of Net Position.

On August 28, 2012, the 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 bonds are rated AA by Standard and Poor's and Aa2 by Moody's. The proceeds and \$242,995 of existing resources 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 July 1, 2012 outstanding balance of \$14,930,000. The refunded maturities are for March 1, 2016 through 2026 inclusively.

WASHOE COUNTY, NEVADA
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(CONTINUED)

The partial advance refunding of \$18,215,000 includes the following: (1) \$11,460,000 for the General Obligation (Limited Tax) Office Building Bonds (additionally secured by pledged revenues) Series 2002A of the July 1, 2012 outstanding balance of \$13,505,000 and 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 July 1, 2012 outstanding balance of \$8,800,000 and the refunded maturities are for January 1, 2019 through 2025 inclusively; (3) \$1,445,000 for the General Obligation (Limited Tax) Library Building Bonds (additionally secured by pledged revenues) Series 2004 of the July 1, 2012 outstanding balance of \$2,755,000 and the refunded maturities are for March 1, 2020 through 2025 inclusively.

The bonds were issued at of premium of \$307,609. The proceeds and existing resources were deposited in an irrevocable trust account controlled by US Bank. The deposited amount of \$27,789,677 is deemed sufficient to meet the debt service provisions of the refunded bonds. The reacquisition price exceeded the net carrying amount of the refunded debt by \$143,775. This amount is being netted against the new debt and amortized over the life of the new debt, which is shorter than the life of the old debt. The refunding was undertaken to reduce total debt service payments over the next 14 years by \$4,079,143 and resulted in an economic gain (difference between the present values of the old and new debt service payments) of \$3,365,791. The refunded bonds are considered defeased and the liability relating to the refunded portion of the bonds has been removed from the governmental activities column of the Statement of Net Position.

Bond Redemptions

On August 17, 2012 the County called for early redemption of the remaining principal balance of \$1,065,000 of the Washoe County General Obligation (Limited Tax) Water & Sewer Improvement and Refunding Bonds (additionally secured by pledged revenues) Series 1997 using existing resources.

On May 1, 2013 the County called for early redemption of the remaining principal balance of \$945,000 of the Washoe County General Obligation (Limited Tax) Parks, Library and Open Space Series 2002B using existing resources.

The County called \$1,185,000 in special assessment bonds for early redemption as funds were made available from the early payoff of special assessments.

Defeasance/Early Extinguishment of Debt

On May 31, 2013, the County defeased \$2,685,000 of the outstanding \$6,245,000 for General Obligation Parks Bond Series 2006. The partial defeasance was financed by placing \$3,145,549 of existing resources in an irrevocable trust controlled by US Bank. The amount deposited is deemed to be sufficient to meet the debt service provisions of the defeased bond. The reacquisition price exceeded the net carrying amount of the defeased debt by \$392,637. The defeasance was undertaken to reduce total debt service payments over the next 23 years by \$2,298,983. The bonds are considered to be defeased and the liability relating to the defeased portion of the bonds has been removed from the governmental activities column of the Statement of Net Position.

The County defeased certain general obligation debt by placing funds from unspent bond proceeds, existing resources and the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on certain 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, 2013, the following are the remaining balances of the defeased portion of bond issues:

| | | |
|---|----|------------|
| Library Building Series 2004 | \$ | 1,445,000 |
| Building and Parking Garage Series 2004 | | 5,310,000 |
| Water and Sewer Series Revenue 2005 | | 30,280,000 |
| Parks Revenue Series 2006 | | 8,825,000 |
| Total Defeased Debt | \$ | 45,860,000 |

Revenue Bonds

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

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

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 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; Building Refunding Bonds Series 2011B; and Refunding Bonds Series 2012B, issued between fiscal years 2002 and 2012. The total principal and interest remaining to be paid on the bonds is \$78,789,260, payable through fiscal year 2036. For the current year, principal and interest paid from pledged revenues for the bonds totaled \$4,655,780, and pledged revenues totaled \$11,323,361. In addition (1) \$11,460,000 in principal and \$82,107 in interest was paid for the Office Building Bonds Series 2002A; (2) \$5,310,000 in principal and \$36,590 in interest was paid for the Building and Parking Garage Bonds Series 2004; (3) \$1,445,000 in principal and \$30,802 in interest was paid for the Library Building Bonds Series 2004; (4) \$8,685,000 in principal and \$171,966 in interest was paid for the Parks Bonds Series 2006 from the \$27,580,000 General Obligation (Limited Tax) Refunding Bonds (additionally secured by pledged revenues), Series 2011B issued on August 28, 2012. Parks Bonds Series 2006 additional principal of \$2,685,000 and interest of \$460,549 was paid on May 31, 2013 using existing resources.

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 36% of the pledged revenues. The total principal and interest remaining to be paid on the bonds is \$47,669,817. For the current year, principal and interest paid for the bonds totaled \$2,351,332, and pledged revenues totaled \$7,127,834.

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 \$116,108,849. For the current year, principal and interest paid for the bonds totaled \$1,143,241, and pledged revenues totaled \$1,196,251.

Business-type activities

The County has pledged future utility customer revenues and connection fees and investment earnings, net of specified operating expenses, to repay \$118.1 million in utility system revenue bonds issued between fiscal years 1998 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 49% of the utility's net revenues. The total principal and interest remaining to be paid on the bonds is \$88,799,498. For the current year, principal and interest paid for the bonds totaled \$6,147,987. Net pledged revenues totaled \$13,225,259.

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 \$3,729 were outstanding as of June 30, 2013.

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 2004 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 \$12,382,071. For the current year, principal and interest paid for the bonds totaled \$2,052,632 and pledged revenues totaled \$1,507,839.

Special Assessment District No. 23, Southwest Pointe/Arrow Creek, has outstanding debt of \$2,060,000. The County is only acting as an agent for these bonds and is not liable for the debt.

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 used for water and gas facilities and hospital facilities. The revenue bonds are paid solely from the revenue derived from the

WASHOE COUNTY, NEVADA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013
(CONTINUED)

projects for which they were issued. The public and private revenue bonds do not become liabilities of the County under any condition, and are therefore excluded from the County's financial statements. Outstanding balances at June 30, 2013 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 | \$ 82,091,000 |
| 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 | 66,250,000 |
| Sales Tax Improvement Bonds Series 2010H | 12/16/2010 | 20,000,000 | 20,000,000 |
| Highway Revenue Bonds Series 2013 | 4/16/2013 | 165,000,000 | 165,000,000 |
| Subtotal Public Sector | | 434,567,000 | 423,341,000 |
| 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 | | \$ 766,942,000 | \$ 755,716,000 |

Operating Leases

The County leases office space, land, equipment and water rights under various operating lease agreements. Total lease payments in fiscal year 2013 were \$2,400,797. 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> |
|---------------------------------|--------------------------------------|------------------|--------------|
| 2014 | \$ 886,647 | \$ 1,104,219 | \$ 1,990,866 |
| 2015 | 760,355 | 856,456 | 1,616,811 |
| 2016 | 639,888 | 321,148 | 961,036 |
| 2017 | 194,378 | 254,102 | 448,480 |
| 2018 | 165,141 | 139,130 | 304,271 |
| 2019-2023 | 743,137 | - | 743,137 |
| Totals | \$ 3,389,546 | \$ 2,675,055 | \$ 6,064,601 |

The County began a long-term lease on January 1, 2013 for the Sparks Justice Court which expires in fiscal year 2023. The terms of the lease allow uneven and artificially low payments. For fiscal year 2013, an adjustment of \$82,571 is required to reconcile the amount of expenditures in the General Fund to the straight line expense recognized in the government-wide statements.

Compensated Absences

The liability for compensated absences is included in noncurrent liabilities on the government-wide Statement of Net Position. 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 2013, 79% of compensated absences for governmental activities were paid by the General Fund, and in business-type activities, 80% were paid by the Water Resources Fund.

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

Outstanding balances at June 30, 2013 follow:

| | Governmental | Business-type | |
|----------------------------|---------------------|----------------------|---------------|
| | Activities | Activities | Total |
| Washoe County: | | | |
| Vacation | \$ 10,570,833 | \$ 372,821 | \$ 10,943,654 |
| Sick Leave | 8,459,675 | 310,197 | 8,769,872 |
| Compensatory Leave | 4,785,209 | 134,977 | 4,920,186 |
| Benefits | 334,022 | 11,860 | 345,882 |
| Total Compensated Absences | \$ 24,149,739 | \$ 829,855 | \$ 24,979,594 |

Net Other Postemployment Benefits Obligation

Prior to May 11, 2010, when the County established the Washoe County, Nevada OPEB Trust (Note 16), the County financed their net other post employment benefits on the pay-as-you-go basis with the funds accumulated in the Pre-Funded Retiree Health Benefits Fund. Currently, the OPEB Trust is funded from the General Fund.

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 its boundaries. Accordingly, the CTMRD's pollution remediation obligation is limited to the net position 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, 2013, the remediation liability for net position held in CTMRD was \$8,215,783.

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 \$163,149 leaving a balance to complete of \$59,879. The balance of the liability is estimated to be completed in fiscal year 2014.

Claims and Judgments

The claims and judgments liability of \$14,081,000 consists of pending property and liability claims, workers' compensation claims, and unprocessed health benefits claims. These claims will be liquidated through the Risk Management and Health Benefits Internal Service Funds (Note 17). 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.

Discretely Presented Component Units:

TMFPD's liability of \$1,049,313 for compensated absences is included in their noncurrent liabilities on the government-wide Statement of Net Position. TMFPD compensated absences are generally liquidated from the TMFPD General Fund.

Prior to July 1, 2010, when TMFPD joined the Washoe County, Nevada OPEB Trust (Note 16), they financed their net other post employment benefits on the pay-as-you-go basis with the funds accumulated in the TMFPD Pre-Funded Retiree Health Benefits Fund.

TMFPD claims and judgments liability of \$1,486,000 consisted of workers' compensation claims. These claims will be liquidated through TMFPD Workers Compensation Fund (Note 17). The TMFPD Workers' Compensation Fund finances the payment of claims through transfers from the TMFPD General Fund.

At June 30, 2013, the net other postemployment benefit liability for SFPD was \$1,169,540. 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 16). Contributions to the Trust are made from SFPD General Fund and are established each year through the annual budget process by the District's Board of Fire Commissioners.

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

NOTE 11 – LONG-TERM OBLIGATIONS ACTIVITY

| | <u>Date of Issue</u> | <u>Maturity Date</u> | <u>Interest Rate</u> | <u>Original Note / Issue</u> |
|--|--------------------------|--------------------------|--------------------------|----------------------------------|
| GOVERNMENTAL ACTIVITIES | | | | |
| General Obligation Bonds | | | | |
| Ad Valorem: | | | | |
| Library, Parks & Open Space Series 2002B | 10/2002 | 05/2013 | 3.0 - 5.0 % | \$ 15,515,000 |
| Animal Control Shelter Series 2003A | 08/2003 | 06/2015 | 3.0 - 4.625 | 10,750,000 |
| Various Purpose Refunding Series 2009B | 03/2009 | 05/2017 | 3.0 - 4.2 | 10,540,000 |
| Parks and Library Refunding Series 2011A | 07/2011 | 05/2026 | 4.20 | 17,360,000 |
| Various Purpose Refunding Series 2012A | 08/2012 | 03/2030 | 3.0 - 4.0 | 18,090,000 |
| Medium-Term: | | | | |
| Edison Way Property Series 2007 | 03/2007 | 03/2017 | 3.83 | 4,645,000 |
| Revenue: (Note 10) | | | | |
| Office Building Series 2002A | 10/2002 | 01/2015 | 3.0 - 5.0 | 19,260,000 |
| Library Building Series 2004 | 03/2004 | 03/2019 | 3.5 - 5.0 | 3,280,000 |
| Building and Parking Garage Series 2004 | 12/2004 | 01/2018 | 3.75 - 5.0 | 11,900,000 |
| Public Safety Series 2006 | 04/2006 | 03/2036 | 4.0 - 4.5 | 12,500,000 |
| Flood Control Series 2006 * | 05/2006 | 12/2035 | Variable | 21,000,000 |
| Parks Series 2006 | 10/2006 | 03/2030 | 4.0 - 5.0 | 25,305,000 |
| Building Bonds Refunding Series 2011B | 08/2011 | 11/2026 | 4.18 | 12,565,000 |
| Refunding Bonds Series 2012B | 08/2012 | 03/2027 | 1.0 - 3.0 | 27,580,000 |
| Total General Obligation Bonds | | | | |
| Revenue Bonds (Note 10) | | | | |
| Sales Tax Series 1998 | 12/1998 | 12/2028 | 4.0 - 5.1 | 21,915,000 |
| Senior Lien Car Rental Fee Series 2008 ** | 02/2008 | 12/2027 | Variable | 18,500,000 |
| Subordinate Lien Car Rental Fee Series 2008 | 02/2008 | 12/2057 | 7.0 | 11,000,000 |
| Total Revenue Bonds | | | | |
| Special Assessment Bonds (with governmental commitment) (Note 10) | | | | |
| SAD 21: Cold Springs Sewer Refunding | 10/2003 | 07/2016 | 2.0 - 4.0 | 1,085,000 |
| SAD 29: Mt. Rose Sewer Phase 1 | 11/2004 | 11/2024 | 4.55 | 1,281,308 |
| SAD 35: Rhodes Road - \$116,141, SAD 36: Evergreen Hills Dr-\$240,587 | 02/2005 | 11/2014 | 3.8 | 356,728 |
| SAD 31: Spearhead Way/Running Bear Drive | 04/2006 | 05/2016 | 4.29 | 109,000 |
| SAD 37: Spanish Spring Sewer Phase 1a | 05/2007 | 05/2027 | 4.35 | 728,813 |
| SAD 39: Lightning W Water System | 06/2009 | 05/2029 | 7.18 | 999,268 |
| SAD 32: Spanish Springs Valley Ranches Roads | 12/2011 | 11/2031 | 3.48 | 8,592,787 |
| Total Special Assessment Debt | | | | |
| Unamortized Bond Premium | N/A | N/A | N/A | N/A |
| Unamortized Bond Discounts | N/A | N/A | N/A | N/A |
| Deferred Charge on Refundings | N/A | N/A | N/A | N/A |
| Total Bonds Payable | | | | |
| Other Liabilities - (Notes 10, 16) | | | | |
| Compensated Absences | N/A | N/A | N/A | N/A |
| Remediation Obligation | N/A | N/A | N/A | N/A |
| Claims and Judgments | N/A | N/A | N/A | N/A |
| Total Other Liabilities | | | | |
| Total Governmental Activities | | | | |

| <u>Principal Outstanding July 1, 2012</u> | <u>Additions/ Issued</u> | <u>Reduction/ Principal Matured / Called</u> | <u>Principal Outstanding June 30, 2013</u> | <u>Principal Due in 2013-2014</u> |
|---|--------------------------|--|--|-----------------------------------|
| \$ 11,875,000 | \$ - | \$ 11,875,000 | \$ - | \$ - |
| 8,490,000 | - | 7,840,000 | 650,000 | 315,000 |
| 6,960,000 | - | 1,285,000 | 5,675,000 | 1,325,000 |
| 16,330,000 | - | 905,000 | 15,425,000 | 935,000 |
| - | 18,090,000 | 375,000 | 17,715,000 | - |
| 2,533,000 | - | 469,000 | 2,064,000 | 487,000 |
| 13,505,000 | - | 12,115,000 | 1,390,000 | 680,000 |
| 2,755,000 | - | 1,610,000 | 1,145,000 | 175,000 |
| 8,800,000 | - | 5,835,000 | 2,965,000 | 550,000 |
| 11,065,000 | - | 275,000 | 10,790,000 | 285,000 |
| 19,011,968 | - | 453,406 | 18,558,562 | 474,008 |
| 14,930,000 | - | 11,370,000 | 3,560,000 | - |
| 12,565,000 | - | 620,000 | 11,945,000 | 645,000 |
| - | 27,580,000 | 150,000 | 27,430,000 | - |
| 128,819,968 | 45,670,000 | 55,177,406 | 119,312,562 | 5,871,008 |
| 16,280,000 | - | 625,000 | 15,655,000 | 655,000 |
| 17,131,900 | - | 463,200 | 16,668,700 | 522,200 |
| 9,808,025 | - | - | 9,808,025 | - |
| 43,219,925 | - | 1,088,200 | 42,131,725 | 1,177,200 |
| 255,000 | - | 70,000 | 185,000 | 45,000 |
| 840,000 | - | 60,000 | 780,000 | 55,000 |
| 82,590 | - | 31,825 | 50,765 | 33,429 |
| 37,000 | - | 11,000 | 26,000 | 11,000 |
| 470,874 | - | 29,236 | 441,638 | 25,508 |
| 665,992 | - | 18,889 | 647,103 | 21,000 |
| 8,323,454 | - | 1,442,754 | 6,880,700 | 268,558 |
| 10,674,910 | - | 1,663,704 | 9,011,206 | 459,495 |
| 1,425,339 | 1,249,419 | 990,733 | 1,684,025 | - |
| (59,954) | - | (2,706) | (57,248) | - |
| (114,876) | (377,395) | (35,964) | (456,307) | - |
| 183,965,312 | 46,542,024 | 58,881,373 | 171,625,963 | 7,507,703 |
| 23,019,913 | 19,322,689 | 18,192,863 | 24,149,739 | 18,568,085 |
| 8,928,409 | 4,863 | 657,610 | 8,275,662 | 59,879 |
| 13,570,975 | 1,230,000 | 719,975 | 14,081,000 | 6,123,000 |
| 45,519,297 | 20,557,552 | 19,570,448 | 46,506,401 | 24,750,964 |
| 229,484,609 | 67,099,576 | 78,451,821 | 218,132,364 | 32,258,667 |

(CONTINUED)

WASHOE COUNTY, NEVADA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013
(CONTINUED)

| NOTE 11 – LONG-TERM OBLIGATIONS ACTIVITY (CONTINUED) | Date of Issue | Maturity Date | Interest Rate | Original Note / Issue |
|--|----------------------|----------------------|----------------------|------------------------------|
| BUSINESS-TYPE ACTIVITIES *** | | | | |
| General Obligation Bonds | | | | |
| Revenue: (Note 10) | | | | |
| Water Resources Fund: | | | | |
| Water Sewer Series 1997 | 06/1997 | 08/2012 | 5.0 - 6.5 % | \$ 3,720,000 |
| Lemmon Valley Sewer Series 1997 | 08/1997 | 01/2018 | 3.33 | 1,249,137 |
| Sewer Series 2000A | 06/2000 | 01/2020 | 3.7 | 1,675,000 |
| Sewer Series 2000B | 06/2000 | 01/2020 | 3.7 | 635,000 |
| Sewer Series 2001 | 02/2001 | 07/2021 | 3.125 | 21,000,000 |
| Sewer Series 2004 | 06/2004 | 01/2024 | 3.213 | 3,000,000 |
| Water Series 2005 | 06/2005 | 01/2025 | 2.81 | 14,463,000 |
| Water and Sewer Series 2005 | 12/2005 | 01/2035 | 4.0 - 5.0 | 65,000,000 |
| Spanish Springs Sewer Series 2005A | 08/2006 | 07/2026 | 2.931 | 6,500,000 |
| Storm Sewer Series 2006 | 11/2006 | 01/2026 | 4.224 | 4,600,000 |
| Total General Obligation Bonds | | | | |
| | | | | |
| Unamortized Bond Premium | N/A | N/A | N/A | N/A |
| Total Bonds Payable | | | | |
| Other Liabilities (Note 10) | | | | |
| Compensated Absences | N/A | N/A | N/A | N/A |
| Total Business-Type Activities | | | | |
| Total Washoe County Obligations | | | | |
| | | | | |
| * 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 \$18,558,562 has a current interest rate of 2.527%. The interest rate on outstanding amount will be reset May 1, 2016. | | | | |
| ** 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 30, 2022 and 8% for December 1, 2022- November 30, 2027. The current interest rate is 3.0% with a reset date of December 1, 2017. | | | | |
| *** Business-type debt is expected to be retired primarily through operations. | | | | |
| DISCRETELY PRESENTED COMPONENT UNITS: | | | | |
| Truckee Meadows Fire Protection District (Note10,17) | | | | |
| Compensated Absences | N/A | N/A | N/A | N/A |
| Claims and Judgments | N/A | N/A | N/A | N/A |
| Total Other Liabilities | | | | |
| | | | | |
| Sierra Fire Protection District (Note10,16) | | | | |
| Net other postemployment benefits obligations | N/A | N/A | N/A | N/A |

| <u>Principal Outstanding July 1, 2012</u> | <u>Additions/ Issued</u> | <u>Reduction/ Principal Matured / Called</u> | <u>Principal Outstanding June 30, 2013</u> | <u>Principal Due in 2013-2014</u> |
|---|------------------------------|--|--|---------------------------------------|
| \$ 1,065,000 | \$ - | \$ 1,065,000 | \$ - | \$ - |
| 472,938 | - | 72,459 | 400,479 | 74,893 |
| 450,002 | - | 49,302 | 400,700 | 51,143 |
| 89,526 | - | 9,808 | 79,718 | 10,175 |
| 12,794,566 | - | 1,176,295 | 11,618,271 | 1,213,342 |
| 2,140,349 | - | 148,783 | 1,991,566 | 153,602 |
| 10,912,481 | - | 706,160 | 10,206,321 | 726,142 |
| 26,100,000 | - | - | 26,100,000 | - |
| 5,268,204 | - | 296,338 | 4,971,866 | 305,087 |
| 3,605,306 | - | 193,500 | 3,411,806 | 201,758 |
| <u>62,898,372</u> | <u>-</u> | <u>3,717,645</u> | <u>59,180,727</u> | <u>2,736,142</u> |
| <u>814,636</u> | <u>-</u> | <u>48,784</u> | <u>765,852</u> | <u>-</u> |
| <u>63,713,008</u> | <u>-</u> | <u>3,766,429</u> | <u>59,946,579</u> | <u>2,736,142</u> |
| <u>824,327</u> | <u>691,344</u> | <u>685,816</u> | <u>829,855</u> | <u>638,054</u> |
| <u>64,537,335</u> | <u>691,344</u> | <u>4,452,245</u> | <u>60,776,434</u> | <u>3,374,196</u> |
| <u>\$ 294,021,944</u> | <u>\$ 67,790,920</u> | <u>\$ 82,904,066</u> | <u>\$ 278,908,798</u> | <u>\$ 35,632,863</u> |

| | | | | |
|---------------------|-------------------|-------------------|---------------------|-------------------|
| \$ 632,309 | \$ 807,478 | \$ 390,474 | \$ 1,049,313 | \$ 393,665 |
| <u>1,994,000</u> | <u>-</u> | <u>508,000</u> | <u>1,486,000</u> | <u>602,617</u> |
| <u>\$ 2,626,309</u> | <u>\$ 807,478</u> | <u>\$ 898,474</u> | <u>\$ 2,535,313</u> | <u>\$ 996,282</u> |
| <u>\$ 832,181</u> | <u>\$ 337,359</u> | <u>\$ -</u> | <u>\$ 1,169,540</u> | <u>\$ -</u> |

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NOTE 12 – 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 |
| 2014 | \$ 5,871,008 | \$ 4,022,829 | \$ 1,177,200 | \$ 1,260,683 | \$ 459,495 | \$ 346,392 |
| 2015 | 6,111,546 | 3,785,183 | 1,282,100 | 1,212,016 | 455,177 | 328,344 |
| 2016 | 7,838,063 | 3,544,742 | 1,397,800 | 1,158,901 | 452,231 | 310,721 |
| 2017 | 8,117,604 | 3,295,739 | 1,527,800 | 1,101,091 | 466,267 | 292,557 |
| 2018 | 6,241,216 | 3,019,927 | 1,524,800 | 1,040,082 | 422,977 | 275,044 |
| 2019-2023 | 34,626,246 | 11,934,478 | 9,998,711 | 4,520,916 | 2,426,415 | 1,104,074 |
| 2024-2028 | 32,422,851 | 5,856,570 | 14,672,848 | 2,606,176 | 2,605,087 | 593,024 |
| 2029-2033 | 12,380,316 | 1,876,600 | 3,738,109 | 8,279,993 | 1,723,557 | 120,709 |
| 2034-2038 | 5,703,712 | 330,227 | 1,953,825 | 10,458,562 | - | - |
| 2039-2043 | - | - | 1,625,031 | 12,882,611 | - | - |
| 2044-2048 | - | - | 1,346,103 | 15,581,482 | - | - |
| 2049-2053 | - | - | 1,113,224 | 18,633,040 | - | - |
| 2054-2058 | - | - | 774,174 | 18,058,055 | - | - |
| Total | \$ 119,312,562 | \$ 37,666,295 | \$ 42,131,725 | \$ 96,793,608 | \$ 9,011,206 | \$ 3,370,865 |

Business-type Activities – Primary Government

| Year Ended June 30, | General Obligation Bonds | |
|------------------------|--------------------------|----------------------|
| | Principal* | Interest |
| 2014 | \$ 2,736,142 | \$ 2,318,600 |
| 2015 | 2,822,305 | 2,232,442 |
| 2016 | 2,911,212 | 2,143,531 |
| 2017 | 3,002,961 | 2,051,783 |
| 2018 | 3,097,642 | 1,957,103 |
| 2019-2023 | 14,041,215 | 8,338,325 |
| 2024-2028 | 10,734,250 | 6,416,737 |
| 2029-2033 | 13,460,000 | 3,678,250 |
| 2034-2038 | 6,375,000 | 482,000 |
| Total | \$ 59,180,727 | \$ 29,618,771 |

*Principal amounts shown exclude discounts and premiums.

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

***Interest on the variable-rate senior lien car rental bonds is calculated at the current rate of 3.0%.

NOTE 13 – 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.

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Interfund transfers for the year ended June 30, 2013

| <u>Transfers from:</u> | <u>Transfers to:</u> | <u>Amount</u> |
|-----------------------------|-----------------------------|-------------------|
| General Fund | Nonmajor Governmental Funds | \$ 19,897,433 (a) |
| Child Protective Services | Nonmajor Governmental Funds | 400,000 |
| Nonmajor Governmental Funds | General Fund | 545,169 (b) |
| | Nonmajor Governmental Funds | 11,475,166 (c,d) |
| | Subtotal | 12,020,335 |
| Water Resources Fund | General Fund | 1,450,000 (e) |
| Internal Service Funds | General Fund | 300,000 (f) |
| | Nonmajor Governmental Funds | 34,675 |
| | Subtotal | 334,675 |
| Total Transfers In / Out | | \$ 34,102,443 |

Significant transfers during the year of a non-routine nature included: (a) \$1,000,000 from the General Fund to the Other Restricted Fund committed for maintenance of the North Valleys Regional Park, (b) \$248,174 from the Other Restricted Fund to the General Fund for court administrative assessment fees that were no longer restricted per State Statutes, (c) \$1,890,000 from the Capital Facilities Fund to the Roads Fund to support road capital improvements, (d) \$4,490,000 from the Parks Capital Projects Fund to the Debt Service Fund for early redemption of the Washoe County General Obligation (Limited Tax) Parks, Library and Open Space Series 2002B and partial defeasance of the General Obligation Parks Bond Series 2006, (e) \$1,450,000 from non-utility resources in the Water Resources Fund accumulated for General Fund water planning support to the General Fund, and (f) \$300,000 from Equipment Services to the General Fund for excess proceeds from budgeted fleet reductions.

NOTE 14 – FUND BALANCES / NET POSITION

Government-wide Financial Statements

The government-wide Statement of Net Position utilizes a proprietary presentation. Net position is categorized as net investment in capital assets, restricted and unrestricted.

Restricted resources have externally imposed (statutory, bond covenant, contract or grantor) limitations on their use. Restricted resources are classified either by function, debt service, capital projects, or claims. Resources restricted by function relate to net resources of governmental and enterprise funds whose use is legally limited by outside parties for a specific purpose. The restriction for debt service represents resources legally restricted by State 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 position restricted for claims represents the amount legally required to be held for payment of future claims in the self-insurance funds. The government-wide Statement of Net Position reports \$110,924,308 of restricted net resources, all of which is externally imposed.

Unrestricted net position represents available financial resources of the County.

Fund Financial Statements

Governmental Funds

Governmental fund balances are 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 funds.

WASHOE COUNTY, NEVADA
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(CONTINUED)

Fund balances classification by County function and purpose consist of the following:

| <u>Fund Balances</u> | <u>Major Governmental Funds</u> | | | | <u>Total</u> |
|---|---------------------------------|----------------------|-------------------|---------------------|----------------|
| | <u>General</u> | <u>Child</u> | <u>Special</u> | <u>Nonmajor</u> | |
| | <u>Fund</u> | <u>Protective</u> | <u>Assessment</u> | <u>Governmental</u> | |
| | <u>Fund</u> | <u>Services Fund</u> | <u>Debt Fund</u> | <u>Funds</u> | |
| Nonspendable: | | | | | |
| Prepaid items | \$ - | \$ - | \$ - | \$ 74,612 | \$ 74,612 |
| Restricted for: | | | | | |
| Assessors, Clerk and Recorder technology | - | - | - | 3,934,502 | 3,934,502 |
| Administrative programs | - | - | - | 285,055 | 285,055 |
| Court programs and expansion | - | - | - | 5,856,917 | 5,856,917 |
| Other judicial programs | - | - | - | 421,041 | 421,041 |
| Regional flood control project | - | - | - | 1,376,695 | 1,376,695 |
| Sheriff's programs | - | - | - | 1,434,078 | 1,434,078 |
| Regional public safety communications and training | - | - | - | 3,338,535 | 3,338,535 |
| Other public safety programs | - | - | - | 603,210 | 603,210 |
| Public works programs | - | - | - | 171,760 | 171,760 |
| Regional health services and programs | - | - | - | 2,811,464 | 2,811,464 |
| Groundwater remediation | - | - | - | 7,092,756 | 7,092,756 |
| Parks and recreation programs | - | - | - | 72,997 | 72,997 |
| Library expansion | - | - | - | 118,574 | 118,574 |
| Programs for seniors | - | - | - | 91,068 | 91,068 |
| Adult, indigent and children support services | - | 242,178 | - | 4,323,359 | 4,565,537 |
| Technology upgrades | - | - | - | 2,600,000 | 2,600,000 |
| County facility improvement projects | - | - | - | 7,282,868 | 7,282,868 |
| Parks and open space projects | - | - | - | 23,113,326 | 23,113,326 |
| Intergovernmental | 50,596 | - | - | 4,464 | 55,060 |
| Debt service | 750,000 | - | 1,285,622 | 9,327,454 | 11,363,076 |
| Total Restricted | 800,596 | 242,178 | 1,285,622 | 74,260,123 | 76,588,519 |
| Committed to: | | | | | |
| Fiscal emergency / stabilization | 4,143,300 | - | - | - | 4,143,300 |
| Administrative programs | 276,869 | - | - | - | 276,869 |
| Animal control and services | - | - | - | 5,365,962 | 5,365,962 |
| Roadways | - | - | - | 1,076,969 | 1,076,969 |
| Groundwater remediation | - | - | - | 1,103,277 | 1,103,277 |
| Park maintenance and improvement | - | - | - | 1,318,228 | 1,318,228 |
| Library expansion | - | - | - | 428,579 | 428,579 |
| Adult, indigent and children support services | - | 8,610,131 | - | 264,093 | 8,874,224 |
| Other programs | 178,371 | - | - | - | 178,371 |
| Total Committed | 4,598,540 | 8,610,131 | - | 9,557,108 | 22,765,779 |
| Assigned to: | | | | | |
| Fiscal 13/14 budget funding | 5,557,384 | - | - | - | 5,557,384 |
| Court programs | - | - | - | 2,535 | 2,535 |
| Roadways | - | - | - | 5,073,936 | 5,073,936 |
| General Fund encumbrances re-appropriated for various functional departments | 1,169,382 | - | - | - | 1,169,382 |
| Total Assigned | 6,726,766 | - | - | 5,076,471 | 11,803,237 |
| Unassigned | 26,907,848 | - | - | (258,528) | 26,649,320 |
| Total Fund Balances | \$ 39,033,750 | \$ 8,852,309 | \$ 1,285,622 | \$ 88,709,786 | \$ 137,881,467 |

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(CONTINUED)

Proprietary Funds

The net position for business funds and internal services funds are categorized as net investment in capital assets, restricted and unrestricted as described for the government-wide financial statements.

Fiduciary Funds

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

NOTE 15 - PENSION PROGRAM

Plan Description

The County and two discretely presented component units, SFPD and 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 NRS 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.

Washoe County Funding Policy

Benefits for County plan members are funded under the employer pay contribution plan method. Under this method, the County is required to contribute all amounts due under the plan. The contribution requirements of plan members and the County are established by Chapter 286 of NRS and may only be amended through legislation.

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

Contribution Rates

| <u>Fiscal Year</u> | <u>Employer Pay Contribution Rate</u> | |
|--------------------|---|-------------------------|
| | <u>Regular Members</u> | <u>Police/ Fire</u> |
| | 2012-13 | 23.75% |
| 2011-12 | 23.75% | 39.75% |
| 2010-11 | 21.50% | 37.00% |

Contribution Cost

| <u>Fiscal Year</u> | <u>Annual Pension Cost (APC)</u> | <u>Percentage of APC Contributed</u> | <u>Net Pension Obligation</u> |
|--------------------|--------------------------------------|--|-----------------------------------|
| 2012-13 | \$ 41,956,283 | 100% | \$ - |
| 2011-12 | 41,399,820 | 100% | - |
| 2010-11 | 41,297,628 | 100% | - |

Discretely Presented Component Units Funding Policy

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.

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(CONTINUED)

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

SFPD and TMFPD's combined 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 |
| 2012-13 | 23.75% | 39.75% | 12.25% | 20.25% |
| 2011-12 | 23.75% | 39.75% | 12.25% | 20.25% |
| 2011-12 | 21.50% | 37.00% | 11.25% | 18.50% |

Contribution Cost

| Fiscal Year | Annual Pension Cost (APC) | Percentage of APC Contributed | Net Pension Obligation |
|-------------|------------------------------|----------------------------------|---------------------------|
| 2012-13 | \$ 2,711,873 | 100% | \$ - |
| 2011-12 | 1,247,737 | 100% | - |
| 2010-11 | 1,199,201 | 100% | - |

NOTE 16 - 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 BCC. The Trust, a multiple employer trust, was created to fund and account for the participating employers' costs of retiree healthcare benefits pursuant to NRS 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, TMFPD and SFPD, discretely presented 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 BCC 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, 2013, all employees hired before July 1, 2010 who retire from County employment and receive monthly payments under 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

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(CONTINUED)

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 2013 depends on years of full-time service and ranges from a minimum of \$118 for five years to a maximum of \$650 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 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 2013, 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 2013 was \$836. The subsidy for this plan is based on years of service and in 2013 ranged from a minimum of \$118 for five years of service to a maximum of \$650 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 Agreement for Fire Services and Consolidation, TMFPD operations were transferred to the City of Reno (City) 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 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'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 TMFPD 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 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 TMFPD and the TMFPD Fire Fighters Association.

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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 TMFPD 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 OPEB plan. As of June 30, 2013, there were five employees participating in the plan who had retired from SFPD.

In accordance with NRS, 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 from 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 SFPD 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 \$17.4 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.

The annual OPEB cost and related information for each plan for the fiscal year ended June 30, 2013 are as follows:

| | <u>RHBP</u> | <u>PEBP</u> | <u>TMFPD RGMP</u> | <u>SFPD RGMP</u> |
|--|-----------------------|---------------------|-----------------------|---------------------|
| Determination of Annual Required Contribution: | | | | |
| Normal cost | \$ 7,366,000 | \$ - | \$ 42,100 | \$ 138,300 |
| Amortization of Unfunded Actuarial Accrued Liability (UAAL) | 11,081,000 | 364,311 | 1,729 | 216,055 |
| Annual Required Contribution (ARC) | <u>\$ 18,447,000</u> | <u>\$ 364,311</u> | <u>\$ 43,829</u> | <u>\$ 354,355</u> |
| Determination of Net OPEB Obligation: | | | | |
| Annual Required Contribution | \$ 18,447,000 | \$ 364,311 | \$ 43,829 | \$ 354,355 |
| Interest on Net OPEB Obligation | (177,000) | (38,067) | (90,652) | 58,253 |
| Adjustment to ARC | 133,000 | 41,395 | 117,101 | (75,249) |
| Annual OPEB Cost | 18,403,000 | 367,639 | 70,278 | 337,359 |
| Retiree Benefit Payments Paid by Employer | (2,015,085) | - | - | - |
| Contributions Made to Trust | <u>(17,011,626)</u> | <u>(388,000)</u> | <u>-</u> | <u>-</u> |
| Increase (Decrease) in Net OPEB Obligation | (623,711) | (20,361) | 70,278 | 337,359 |
| Net OPEB Obligation (Asset), Beginning of Year | <u>(2,523,758)</u> | <u>(543,813)</u> | <u>(1,295,031)</u> | <u>832,181</u> |
| Net OPEB Obligation (Asset), End of Year | <u>\$ (3,147,469)</u> | <u>\$ (564,174)</u> | <u>\$ (1,224,753)</u> | <u>\$ 1,169,540</u> |

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The annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation at June 30, 2013 and the two preceding years for each of the plans were as follows:

| Plan | Fiscal Year Ended June 30, | Annual OPEB Cost | Employer Contribution | Percentage of Annual OPEB Cost Contributed | Net OPEB Obligation / (Asset) |
|------------|----------------------------------|---------------------|--------------------------|---|-------------------------------------|
| RHBP | 2011 | \$ 22,124,000 | \$ 13,499,575 | 61.02% | \$ (6,512,652) |
| | 2012 | 23,765,000 | 19,776,106 | 83.22% | (2,523,758) |
| | 2013 | 18,403,000 | 19,026,711 | 103.39% | (3,147,469) |
| PEBP | 2011 | 446,064 | 503,425 | 112.86% | (415,125) |
| | 2012 | 495,206 | 623,894 | 125.99% | (543,813) |
| | 2013 | 367,639 | 388,000 | 105.54% | (564,174) |
| TMFPD RGMP | 2011 | 558,363 | 3,663,438 | 656.10% | (1,342,589) |
| | 2012 | 47,558 | - | 0.00% | (1,295,031) |
| | 2013 | 70,278 | - | 0.00% | (1,224,753) |
| SFPD RGMP | 2011 | 268,355 | 531,113 | 197.91% | 529,288 |
| | 2012 | 302,893 | - | 0.00% | 832,181 |
| | 2013 | 337,359 | - | 0.00% | 1,169,540 |

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

| Valuation date | RHBP 7/1/2012 | PEBP 6/30/2012 | TMFPD RGMP 7/1/2011 | SFPD RGMP 7/1/2011 |
|--|------------------|-------------------|------------------------|-----------------------|
| Actuarial Accrued Liability (AAL) | \$ 287,185,000 | \$ 6,108,685 | \$ 3,361,331 | \$ 2,472,793 |
| Actuarial Value of Plan Assets | 91,263,000 | 1,635,802 | 3,533,063 | 530,895 |
| Unfunded Actuarial Accrued Liability (UAAL) | \$ 195,922,000 | \$ 4,472,883 | \$ (171,732) | \$ 1,941,898 |
| Funded Ratio (Actual Value of Plan Assets/AAL) | 31.78% | 26.78% | 105.11% | 21.47% |
| Covered Payroll (Active Plan Members) * | \$ 152,497,079 | n/a | \$ 793,352 | \$ 3,087,570 |
| UAAL as a Percentage of Covered Payroll * | 128.48% | n/a | -21.65% | 62.89% |

* The covered payroll for active plan members for the TMFPD RGMP reported above represents salaries and wages for the 10 former Reno firefighters who transferred from the City to TMFPD in June 2012 and who were still employed by the District at June 30, 2013. The UAAL shown for TMFPD also includes the District's proportionate share of the liability, based on service earned prior to July 1, 2000 for the 45 employees who transferred employment to the City 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 County

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and PEBP plans were based on the RP 2000 Combined Mortality Table – Male and Female. Mortality demographic assumptions for TMFPD and SFPD 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:

| | RHBP | PEBP | TMFPD RGMP | SFPD RGMP |
|-------------------------------|------------------------------------|--------------------------------|---------------------------------|---------------------------------|
| Valuation date | 7/1/2012 | 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, closed | Level dollar amount, closed | Level dollar amount, closed | Level dollar amount, closed |
| Remaining amortization period | 28 years | 29 years | 20 years | 20 years |
| Asset valuation method | Market Value | Market Value | Market Value | Market Value |
| Actuarial assumptions: | | | | |
| Investment rate of return | 7% | 7% | 7% | 7% |
| Healthcare cost trend rate** | 7% 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%.

NOTE 17 - RISK MANAGEMENT

The 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 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 internal service 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. 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:

| | Current | Long-Term | Total |
|---|----------------|------------------|---------------|
| Pending Claims: | | | |
| Property and liability claims | \$ 1,050,000 | \$ 2,368,000 | \$ 3,418,000 |
| Workers' compensation claims | 2,399,000 | 5,590,000 | 7,989,000 |
| Unprocessed Health Benefits Fund claims | 2,674,000 | - | 2,674,000 |
| Total Pending Claims | \$ 6,123,000 | \$ 7,958,000 | \$ 14,081,000 |

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 a net position of \$1,000,000 in the Risk Management 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 position of \$11,965,161 in the Risk Management Fund.

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The level of insurance coverage purchased by the County for property related claims ranges from \$500,000 to a policy limit of \$300 million depending on the incident. Deductibles generally range from \$10,000 to \$100,000. There were no settled claims in excess of insurance coverage in 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:

| | Risk Management Fund | Health Benefits Fund |
|-----------------------------------|-------------------------|-------------------------|
| Claims Liability/Activity: | | |
| 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 | 11,128,000 | 1,851,000 |
| Claims and changes in estimates | 3,433,809 | 21,413,941 |
| Claim payments | <u>(3,154,809)</u> | <u>(20,590,941)</u> |
| Claims Liability, June 30, 2013 | <u>\$ 11,407,000</u> | <u>\$ 2,674,000</u> |

The non-discounted carrying amount of unpaid claims in the Risk Management Fund at June 30 is \$12,648,000. The interest rate used for discounting was 2.5%.

Discretely Presented Component Units

South Truckee Meadows General Improvement District, a former component unit, is a participant in the County's property insurance program and self-insurance program for general liability under the terms of an interlocal operating agreement for operations and support. The TMFPD and SFPD, discretely presented component units, do not participate in the Washoe County Risk Management or Health Benefits Funds.

TMFPD and SFPD 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 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 NPAIP 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.

As of April 1, 2012, TMFPD and SFPD entered an Interlocal Agreement to consolidate fire department administration and operations. Under that Interlocal Agreement, all SFPD employees became TMFPD employees. Health insurance and workers' compensation benefits are paid by the TMFPD through their consolidated budget.

In fiscal year 2012-13, TMFPD self-funded its health benefits until June 1, 2013. The TMFPD Health Benefits Fund was established to account for life insurance, medical, prescription, dental and vision programs. The self-funded plans contained within the TMFPD Health Benefits Fund were handled through contracts with an external claims administrator and through the purchase of various insurance plans. As of June 1, 2013, the District purchased a guaranteed health benefit plan and is no longer self-funded. The SFPD health plan ceased with the transition of SFPD employees to TMFPD during the fiscal year ended June 30, 2012.

During the term of the City of Reno/Truckee Meadows Fire Protection District Interlocal Agreement, workers' compensation was fully insured with the City's self-funded workers' compensation plan. Due to the termination of the Interlocal Agreement as of July 1, 2012, TMFPD is no longer self-funded with the City but has purchased a guaranteed workers' compensation insurance plan. However, TMFPD is still required to pay workers' compensation claims costs to the City for those years the District was self funded through the City's workers' compensation plan.

During the fiscal year ended June 30, 2004, the City instituted a "pay as you go" system for workers' compensation claims. TMFPD shared the combined losses with the Reno Fire Department (RFD). Each year, TMFPD was assigned the portion of paid losses corresponding to the ratio of employees originally transferred from TMFPD to the total number of current RFD

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(CONTINUED)

employees. The ratio applied to TMFPD for the fiscal year ended June 30, 2012, which was the last fiscal year of the Interlocal Agreement, was 25%. TMFPD established the Workers' Compensation Fund to account for this program. During the fiscal year ended June 30, 2013, the District paid the City \$156,275 for the purpose of buying out its workers' compensation liability for fiscal year 2008.

The liability for workers' compensation was determined through an actuarial valuation performed for TMFPD as of December 31, 2011. Using a 70% probability level set by its actuary, claims of \$2,424,922 were determined to be long-term in nature. The non-discounted carrying amount of unpaid claims was \$2,903,000. The interest rate used for discount was 3%. Allocated loss adjustment expense is included in the actuarial calculation. Under the City's workers' compensation plan, TMFPD and the City self-insure up to a maximum of \$2.5 million for each workers' compensation claim. Claims incurred prior to fiscal year 2004 remain the liability of the City under the guaranteed payment plan in effect prior to July 1, 2003.

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

| | | <u>TMFPD Workers' Compensation Fund</u> |
|-----------------------------------|----|---|
| Claims Liability/Activity: | | |
| Claims Liability, June 30, 2011 | \$ | 2,424,922 |
| Claims and changes in estimates | | 118,938 |
| Claims payments | | <u>(549,860)</u> |
| Claims Liability, June 30, 2012 | | 1,994,000 |
| Claims and changes in estimates | | 16,731 |
| Claims payments | | <u>(524,731)</u> |
| Claims Liability, June 30, 2013 | \$ | <u><u>1,486,000</u></u> |

NOTE 18 – JOINT VENTURES

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

The 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, 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, 2013, the joint venture's net expenditures totaled \$11,912,153. Land acquired incidentally to the acquisition of water rights was sold during the year for \$37,049. Proceeds received from the resale of land or the retirement of challenged water rights are netted against expenditures when received.

The County is responsible for administration of the joint venture. Water rights will be jointly managed by the 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 \$3,970,718 have been recorded as of June 30, 2013.

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.

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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, a Nevada corporation, and to develop, manage and maintain supplies of water for the ongoing benefit of the Truckee Meadows community. TMWA issued bonds that do not constitute an obligation of Reno, Sparks, the County or the State.

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 have been made since the Authority's formation. The arrangement is considered a joint venture with no equity interest recorded on the County's balance sheet as of June 30, 2013, 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 BCC 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. TRFMA issued bonds that do not constitute an obligation of Reno, Sparks, the County or the State.

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 the County's balance sheet as of June 30, 2013, because no explicit and measurable equity interest is deemed to exist.

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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, 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% |
| July 1, 2012 | 91,263,000 | 287,185,000 | 31.78% | 195,922,000 | 152,497,079 | 128.48% |
| 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) | 793,352 | -21.65% |
| 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 | 3,087,570 | 62.89% |

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 salaries and wages for the 10 former City firefighters who transferred from the City to TMFPD in June 2012 and who were still employed by the District at June 30, 2013. The UAAL shown for TMFPD also includes the District's proportionate share of the liability, based on service earned prior to July 1, 2000 for the 45 employees who transferred employment to the City and retired during the term of the Interlocal Agreement.