NEVADA ASSOCIATION OF COUNTIES (NACO)
Board of Directors’ Meeting
August 16, 2013, 10:00 a.m.
Eureka Opera House
31 S. Main St.
Eureka, NV 89316

AGENDA
Some Board Members may attend via telephone from other locations. Items on the agenda may be taken out of order. The NACO Board may combine two or more agenda items for consideration. The NACO Board may remove an item from the agenda or delay discussion relating to an item on the agenda at any time.

Call to Order, Roll Call

1. Approval of Agenda. For Possible Action

2. Public Comment. Please Limit Comments to 3 Minutes.

3. NACO President’s Report

4. NACO Executive Director’s Report (Attachment)

5. Presentation by Eureka County.

6. Approval of Minutes of the June 28, 2013 Meeting of the NACO Board of Directors. For Possible Action. (Attachment)

7. Acceptance of NACO’s 2012 Financial Audit. For Possible Action. (Attachment)

8. Appointment of Two Representatives of Local Governments to the Subcommittee on Governance and Funding of the Interim Legislative Study Concerning the Governance, Structure of and Funding Methods for Community Colleges in this State (SB391 Enacted in the 2013 Legislative Session). For Possible Action. (Attachment)


10. Possible Approval to Support a Request for Additional Vouchers for the Nevada Rural Housing Authority. For possible action. (Attachment)

11. Update Regarding NACO’s 2013 Joint Annual Conference with the Nevada League of Cities and Municipalities on September 10-12, and Local Government Summit (LGS) on September 13, 2013, including the Possible Approval of NACO Priorities for Federal and State Legislation for Further Discussion at the LGS. For Possible Action. (Attachment)

12. Discussion and Possible Selection of NACO’s Legislator of the Year Award, Honor Roll, and Participatory Democracy Award. For Possible Action.

13. Update on the Nevada Supreme Court’s Indigent Defense Commission. For Possible Action. (Attachment)
14. Discussion Regarding Possible Topics for Future NACO Training Sessions and Workshops.

15. Briefing on the August 14, 2013 Meeting of the Board of Trustees of the Fund for Hospital Care to Indigent Persons, and Possible Approval Amendments to the Memorandum of Understanding Between NACO and the Nevada Hospital Association Regarding the Use of the Fund for Hospital Care to Indigent Persons Approved by the Board on June 28, 2013. For Possible Action.

16. Update on NACO's Efforts Seeking to Compel the U.S. Bureau of Land Management to Comply with the Provisions of the Wild Free-Roaming Horse and Burro Act and Possible Approval for NACO to Provide Public Comment for the Wild Horse and Burro Advisory Board Meeting on September 9-11, 2013. For possible action.

17. Discussion regarding the Nevada Fires Safe Council.

18. Update on the Implementation of AB227 (Public Lands Transfer Study) Enacted in the 2013 Legislative Session. (Attachment)

19. Reports from Nevada’s Representatives to the National Association of Counties (NACo) Board of Directors and NACo’s Western Interstate Region Board of Directors.

20. Board Member Reports

21. Public Comment - Please Limit Comments to 3 Minutes

Adjourn - Action

Members of the public who are disabled and require special accommodations or assistance at the meeting are requested to notify NACO in writing at 304 S. Minnesota Street, Carson City, NV 89703, or by calling (775) 883-7863 at least three working days prior to the meeting.

This agenda was posted at the following locations:
NACO Office 304 S. Minnesota Street, Carson City, NV 89703
Washoe County Admin. Building 1001 E. Ninth Street, Reno, NV 89520
Clark County Admin. Building 500 S. Grand Central Parkway, Las Vegas, NV 89155
POOL/PACT 201 S. Roop Street, Carson City, NV 89701
Eureka County Courthouse. 10 S. Main St., Eureka, NV 89316
Agenda Item 3. Backup

NACO President’s Report

Memo:

Attachment: Handwritten note from Governor Sandoval.
July 21, 2013

Dear Nancy,

Thank you very much for the kind letter from the Nevada Association of Counties. It is a pleasure to work with all of you and I look forward to meeting the challenges of our great state together.

My best to all of you and thank you for your commitment to the people of Nevada.

Sincerely yours,

[Signature]
Agenda Item 6. Backup

Approval of Minutes of the June 28, 2013 Meeting of the NACO Board of Directors. For Possible Action.

Memo:

Attachment: June 28th Board of Directors Meeting Minutes
NEVADA ASSOCIATION OF COUNTIES (NACO)
Board of Directors’ Meeting
June 28, 2013, 9:30 a.m.
NACO Offices
304 S. Minnesota Street
Carson City, NV 89703

Attendance

Board President, Commissioner Nancy Boland, Esmeralda County; Board Vice President, Commissioner Lorinda Wichman, Nye County; Board Past President, Commissioner Jerrie Tipton, Mineral County; Commissioner Bill Sjonganven, Storey County; Commissioner Bonnie Weber, Washoe County; Commissioner Patsy A Waits, Lander County; Commissioner Doug Johnson, Douglas County; Commissioner Jim French, Humboldt County; Commissioner Dominic Papalardo, Esmeralda County; Commissioner JJ Goicoechea, Eureka County; Commissioner Tom Collins, Clark County; Commissioner Laure Carson, White Pine County; Commissioner; Commissioner Demar Dahl, Elko County; Commissioner Vida Keller, Lyon County; Mike Rebaleati, Eureka County; Bill Diest, Humboldt County; Jake Tibbits, Eureka County; Steve Walker; Elyse Monroy; NACO; Jeff Fontaine, NACO; Dagny Stapleton; NACO.

Item 1 Public Comment.

Jeff Fontaine read a letter into the record that was sent to him from Tom Baker, Chair of University of Nevada Cooperative Extension Advisory Committee. The letter has been attached to these minutes.

Item 2. Approval of Agenda.

Commissioner Jerrie Tipton moved to approve the June 28th NACO Board of Director’s Agenda. Commissioner Bonnie Weber seconded. No discussion. No opposition. Motion Carried.

Item 3. NACO President’s Report

Board President Boland stated that she was thrilled with the way that the legislative session ended, noting that NACO’s staff’s experience and the cohesive legislative committee really helped in NACO’s success with the session. She thanked staff and the legislative committee for their hard work.
Item 4. NACO Executive Director’s Report

Jeff reminded the board that he had sent out information regarding National Association of Counties Steering Committee nominations. He noted that Commissioners Bonner and Irwin submitted interest in serving on the Telecommunication and Technology Committee. Commissioner Weber requested to serve on transportation, Commissioner Jung on Economic Development or Health and Commissioner Tipton on Public Lands. He requested that everyone send in their interest by the end of the upcoming week.

Jeff brought up the current NACo President, Chris Rogers, initiative the Next Gen program which would create a database of future county elected officials. They are looking for elected officials that will be the future leaders of NACo. Their program is not limited to county officials. They are looking for names of people. Jeff asked individuals to reach to him if they are interested, or know someone would be interested in being considered in this program.

Finally Jeff covered the Federal Highway Administration Central Federal Lands, Nevada Access Program. This program provides funds for highway and public road bridges and other projects that are located on or adjacent to federal lands. The original request for projects went out in March. They have only received two requests.

He reminded the board that they authorized the first year funds be used to finish the Kyle Canyon Road project in southern Nevada. There is 2.8 million dollars beginning in FY14, which starts October 1, and 7 million dollars each year for the next 5 years. They are looking for long term projects. They are extending the project application period to August 15. They are looking for projects that are economic drivers. He noted that the counties apply for the funds and the FHWA implements the project.

Item 5. Approval of Minutes of the May 17, 2013 Meeting of the NACO Board of Directors.  Action Item

Commissioner Tipton moved to approve the May 17, 2013 Meeting minutes of the NACO Board of Directors. Commissioner Wichman Seconded. No discussion. No opposition. Motion carried.


**Item 7. Approval of the Location for the August 9, 2013 NACO Board of Directors Meeting.**

There was a brief discussion on whether or not to hold the August Board meeting in Eureka on either 16th or 23rd of August as opposed to the 9th, due to the fact there was a fair in town and lodging for the board could be an issue. No action on moving the meeting date was taken. NACO financial officer Mike Rebalitti noted that he called the Best Western and secured a room block for us. Commissioner Goicoechea noted that he secured the Opera House for us to have our meeting.

**Item 8. Nomination of NACO’s Two Representatives to the National Association of Counties Board of Directors. Action Item.**

Jeff began by saying that NACO has two representatives to the National Board of Directors that are nominated by this board to two year terms, which coincide with the NACo Annual Conference. The nominations are made by the Nevada NACO board, but the final vote is made by the National NACo Board. The current members are Commissioner Bonnie Weber of Washoe County and Commissioner Jerrie Tipton of Mineral County. Jeff noted that an email was sent to all Commissioner and Supervisors, but only received responded from Commissioner Weber and Tipton saying that they would like to remain on the board.

Commissioner Wichman motioned to keep NACO’s representation on the National Board as is. Commissioner Johnson seconded. No discussion. No objection. Motion carried.

**Item 9. Nomination of One of NACO’s Two Representatives to the National Association of Counties, Western Interstate Region Board of Directors. Action Item**

Jeff began by stating that WIR is affiliated with the National Association of Counties and they are dedicated to the promotion of western issues with in NACO. Jeff noted that NACO has two representatives, because we are a 100% state. Last January the board appointed Elko County Commissioner Demar Dahl to replace outgoing Commissioner Tom Fransway. Commissioner Dahl’s term will be until
May 31, 2014. The other member is Nye County Commissioner Lorinda Wichman; her term expired on May 31, 2013. The next term for this position would be staggered and would then be through 2015. An email was sent to all commissioner and supervisors. Lyon County Commission Arellano expressed his interest in being considered.

Jeff continued to say that when the board changed the bylaws they made the WIR board members of the NACO Board of Directors.

Commissioner Wichman noted that she would be happy to serve again, and that she believed it might be advantageous as she also attends the NACo Public Lands Committee Meetings.

Commissioner Johnson motioned to reappointed Commissioner Wichman. Commissioner Keller seconded. No discussion. No opposition. Motion Carried.

**Item 10. Update and Possible Direction to Staff Regarding the Proposed Leadership Merger for the University of Nevada Reno College of Agriculture, Biotechnology and Natural Resources, and Cooperative Extension.**

Jeff reminded the board that on March 22nd President Johnson and Provost Carmen were here to present the President’s proposed organizational structure of CABNR and UNRCE, and that this was part of a number of meetings and briefings they did around the state. He continued to say that at that meeting the board voted to oppose the proposed restructure. He noted that on May 17th there was an item to talk about the progress of the issue. At that meeting the board appointed a committee that consisted of Commissioner Weber, Commissioner Johnson, Commissioner Collins and Emeritus Committee member Norm Frey to meet with President Johnson to talk in detail about the counties collective concerns. They met on June 5th at UNR. Jeff noted that Provost Carmen came to speak about how the proposed restructure plans have changed; noting that one of the suggestions that came out of the June 5th meeting was for UNR to have quarterly meetings with counties to continue the dialogue.

Provost Carmen gave his prepared remarks to NACO Staff to be included with the meeting minutes. He began by saying that when president Johnson first presented the proposed restructure which would bring CABNR and UNCE under a single dean it would be to better integrate the broadly overlapping missions of CABNR and UNCE and more general to enhance the statewide mission of UNCE by more effectively leveraging the extensive expertise throughout the UNR community.
Provost Carmen continued to outline the changes to the proposal for the board of
directors, noting that while they believe that combined leadership is in the best
interest of all stakeholders, they listened carefully to concerns and have decided to
postpone their decision, and maintain separate leadership for the CABNR and
UNCE. He gave the following items as an update to where their progress stands
today.

1. They have begun the process of searching for a New Dean of CABNR. The
search committee is being formed and they hope to interview candidates
next fall, with a goal of having a new dean in place by early 2014. Among
the qualifications that they will seek in the new CABNR dean will be an
individual who has extensive experience in working with Cooperative
Extension.

2. They have initiated and are near the completion of a process on identifying a
new interim dean/director of UNRCE. Four UNR candidates applied for the
interim dean/director position, and they have been interview by Provost
Carmen. The credential of these candidates has been made public.

3. The plan is for the new interim dean/director to lead Cooperative Extension
over the next two years. During that time they hope to dispel many of the
misconceptions that have developed over the past few years; including;

   o Integrity of the UNCE Budget.
   o Positions being removed from the counties and taken to the
     UNR Campus.
   o Retaining UNCE outreach efforts.

He closed by saying that two years from now, they will reevaluate their options
regarding the appropriate leadership structure for UNCE and they will continue to
meeting with NACO and county personnel quarterly.

Commissioner Weber shared her experience working with UNR on these issues,
noting that she was in opposition of the proposal in the beginning. However, after
the June 5th meeting she felt that UNR had listened to their concerns and the
meeting was extremely productive. Noting that she now believed that over time a
relationship between all stakeholders needs to be made.

Commissioner Johnson thanked Provost Carmen and President Johnson for their
time and effort for the productive meeting.
Commissioner Carson motioned for NACO to send a letter to President Johnson thanking him for hearing the county concerns in an effort to help foster the relationship building. Commissioner Wichman offered a friendly amendment to add a request for a tentative schedule for the quarterly meetings, and CC the board of regents. Commissioner Humke seconded the motion. No discussion. No opposition. Motion Carried.

_Provost Carmen’s complete prepared statements have been included as an attachment to the meeting minutes, for reference purpose._

**Item 11. Nomination of County Commissioners/Supervisors and County Social Services Directors for Possible Appointment by the Governor to the Board of Trustees of the Fund for Hospital Care to Indigent Persons (NRS 428.195).**

The Board of Trustees of the Fund for Hospital Care of Indigent Persons is made up of five members, which includes four commissioners and one social services director. They are appointed by the Governor, and nominated by the NACO Board of Directors. As of June 30th 2013 all five of the positions are open. Jeff noted that the process needed to start over. In all years since 2009 there has been some amount of money to pay a small amount of the IAF claims, but not supplemental fund claims. This year the Governor recommended and the legislature agreed to restorr the Fund, which will result in somewhere around the amount of 19 to 20 million dollars for each of the year of the next biennium. He noted that SB452 completely repurposes the indigent accident fund structure, and as a result this board has been givena lot more responsibility and authority over how that Fund is administered, including whether or not to use those funds to match federal Medicaid dollars or whether to then asses hospitals for additional funds, and use a portion of the money to help pay counties for their county match assessments.

As of June 30th three of those members will have terms that have expired, leaving only Lee Bonner, Pat Irwin and Washoe County social service admisntrator Kevin Shiller, unless replacements are made, so there is still a quorum, but individuals still need to be nominated.

The Governor’s office reached out to those individuals the NACO Board nominated earlier in the year but there was no interest in serving, or at least, no one had filled out the application. At this point the process needs to be started over.
Six commissioners and supervisor need to be nominated and three social services directors.

Kevin Schiller, Washoe County Social Services Director, Tim Burch, Clark County, Karen Good, Douglas County and Edrie Lavoye from Lyon County, are all interested in being considered for the social service director position.

Commissioner Johnson motioned to bring forth the names of Kevin Schiller, Tim Birch and Karen Good to be considered for appointment by the Governor to the Board of Trustees to of the Fund for Hospital Care of Indigent Persons. Commissioner Tipton seconded. No discussion. Motion carried.

The Board than had discussion about which individuals would be considered for nomination.

Commissioner Irwin, and Clark County Chris Giunchigliani had expressed interest in appointment. Commissioner weekly of Clark County would also like to be considered.

Commissioner Jim French and Commissioner Laurie Carson said they would be interested in being nominated. Commissioner Humke nominated Commissioner Berkbigler of Washoe County for consideration.

Commissioner Tipton motioned to bring forth the names of Pat Irwin, Chris Giunchigliani, Jim French, Laurie Carson, and Marsha Berkbigler to be considered for appointment by the Governor to the Board of Trustees to of the Fund for Hospital Care of Indigent Persons. Doug Johnson seconded. No discussion. Motion carried. Commissioner Wichman seconded. No discussion. Motion carried.

**Item 12. Appointment of a Non-Voting Member to the State Land Use Planning Advisory Council (Assembly Bill 2 Enacted in the 2013 Legislative Session). Action Item**

Jeff noted that the passed of NACO Bill AB2 did a number of things including changing how the members are appointed and allows the SLUPAC member to serve on another Governor appointed task force. He noted that it also adds one nonvoting member to be appointed by NACO and would serve at their please- so there is no term. An inquiry was sent to all commissioners and supervisor, but no one has expressed interested.
Commissioner Boland noted that it might be advantageous to appoint Dagny to this position, as it is non-voting and she might then be able to keep NACO abreast of what SLUPAC is doing.

Commissioner Weber moved to appoint Dagny Stapleton, NACO Deputy Director, as NACO’s nonvoting representative. Commissioner Wichman seconded. No discussion. Motion Carried.

**Item 13. Update Regarding NACO’s 2013 Joint Annual Conference with the Nevada League of Cities.**

Elyse Monroy, NACO Office manager, updated the board on the progress of the planning with the League of Cities, for the Conference that will take place September 11th and 12th at the MontBleu. She Thanked the Planning Committee, Tommy Rowe, Roger Mancebo, Vida Keller, Pat Irwin and Lee Bonner for the participation on the Planning Committee. The Conference will include Golf at the Carson Valley Golf Course, a CDBG Forum, POWER Classes, and social evening dinner events.

Commissioner Tipton reminded the board that staff needed feedback from the board members on what issues they felt were important for training.

Commissioner Carson suggested a civility workshop, Commissioner Boland noted that NV energy’s office of economic development would be good to reach out to for a session.

Commissioner Weber suggested a session on the Affordable Care act and the effects on the aging community.

**Item 14. Approval of a Letter to Governor Sandoval Expressing NACO’s Appreciation for Supporting Nevada’s Counties During the 2013 Legislative Session. For Possible Action. Action Item.**

Commissioner Humke moved to approve the letter to Governor Sandoval expressing NACO’s appreciation for supporting Nevada’s Counties during the 2013 legislative session. Commissioner Collins seconded. No discussion. No opposition. Motion Carried.
Item 15. Discussion and Possible Action Regarding the Nevada Supreme Court Advanced Opinion in the City of Sparks Versus Sparks Municipal Court (Case 59139). Informational Item.

Jeff presented a Nevada Supreme Court Advanced Opinion on an City of Sparks Vs. The Sparks Municipal Court. This case was brought after the Sparks Municipal Court disputed the city of Sparks’ authority over the wages of the individuals working for the Sparks Municipal Court. The City had informed the court that two of its employees’ salaries would have to be reduced, due to budget short falls. The court maintained that they were employees of the court and not the City, and therefore not subject to the cities budget reductions. The court also argued that the City had no control over the court’s budget, after the budget had been adopted. The case was heard in District Court and the Municipal Court was granted an injunction barring the City of Sparks from exercizing any control over the court employee. The City appealed and in their advanced opinion the Supreme Court reversed in part and remanded another part of the case back to district court for further review. The Supreme Court reaffirmed that the employees of the court are in fact not employees of the City and are not subject to the City’s oversight, and are not afforded any rights under the cities civil service provisions and not subject to the terms collective bargaining agreements enter in to by the City.

The Supreme Court reversed with the district court’s injunction prohibiting the City from interfering with the municipal court’s budget, and remanded this section back to district court for further consideration. Many times in the advanced opinion the Supreme Court noted that the duty to adopt a budget is a responsibility of the legislative branch of the city.

Jeff noted that the advance opinion contains language that is potentially concerning to counties. Regarding the courts ability to impact the budget process. Reading directly from the Opinion; “The municipal court does have certain specific powers to influence the budget appropriated to it, for instance; if the Municipal Court needs funds for particular items or expenses it can compel such funding shower that the requests are reasonable and or necessary to carry out its power and duties in the administration of Justice.

Jeff continued to say at this point, there is no action that would be recommended at this point. However, this issue should be monitored.

There was no action taken on these issues.
Item 16. Approval of NACO Resolution #13-02 Commending the Nevada Legislature for Working Collaboratively and Supporting Nevada’s Counties in the 2013 Legislative Session. **Action Item.**

Jeff presented a draft copy of a Resolution 13-02 which will be sent to each individual legislator thanking them for their work during the legislative session. President Boland will write personalized notes to individual representatives that work closely with NACO and counties during the session.

Commissioner Wichman motioned to approve the Resolution 13-02. Commissioner Tipton seconded the motion. No discussion. No objection. Motion carried.

Item 17. Discussion and Possible Approval of Recommendations from the June 12, 2013 NACO Public Lands and Natural Resources Committee Including, but Not Limited to; (Attachment)

a) **Efforts Seeking to Compel the Bureau of Land Management to Comply with the Provisions of the Wild Free-Roaming Horse and Burro Act. For possible action. Informational Item**

Jeff noted that Attorney Mark Pollot has begun working on a draft complaint and strategy for moving forward. Jeff also noted that NACO is looking for partners to move forward. To date the effort has received money from the Nevada Land Association, The N6 grazing board, the N4 Grazing board and Eureka County. Jeff stated that with these funds we were able to pay Mark’s retainer and this month’s monthly fee, and he continued to say that moving forward additional financial contributions will be needed.

He noted that a few individuals or groups have been identified either to participate financially or to sign on as a co-plaintiff. The committee decided to have Commissioner’s Dahl and Wichman work with Jeff and Mark on moving forward with an interview process to see how these groups and individuals might be able to be involved.

Jeff also noted that the media relations aspect on these issues will be very important, and we need to prepare for international media attention. We will need to have a good strategy and messaging. We will need people to talk about this issue.
Commission Tipton asked Jeff if there has been any further follow up with the DOI on their letter in which they stated they would be willing to meet with us to talk about our concerns. Jeff said that Mark has drafted a letter to be sent to DOI saying that if they want to meet with us about this issues, it needs to be In Nevada, in the next couple of weeks, before the suit is filed.

Commissioner Carson noted that the DOI told the RAC committee that they were waiting on solutions or a plan on how to move forward, noting that there were a number of horses in holding and that the wild horse advocates should come up with a plan for a solution for the BLM. Commissioner Carson also said that she was asked to reach out to the Cattleman’s association regarding if they are going to help with funding.

There was further discussion on the PR piece of this lawsuit. Commissioner Collins noted that there needed to be education of the media regarding negative effects of over population and mismanagement of the horses.

A guest at the meeting, Mr. Larry Johnson, who works with a number of wildlife coalitions, stated that the Nevada Bighorns have budgeted 20 thousand dollars to put towards this effort. He did note that they were unsure at this point in what capacity they would participate in the litigation. He also noted that there was some questions about some of the language in the complaint, regarding the word “wildlife.”

Jeff noted that they expect to move forward with in the next 30 days, however, no hard dates have been established.

There was no action taken on this item

b) Implementation of AB227 (Public Lands Transfer Study) Enacted in the 2013 Legislative Session. For possible action.

Commissioner Wichman noted that the Bill stated that the Public Lands and Natural Resources committee has scheduled a meeting for that body to meet directly after the close of this meeting. Jeff noted that many counties have already made the decision and voted on who will be the representative on that committee.
Item 19. Discussion and Possible Action Regarding Bills and Budget Measures of Interest to Nevada’s Counties Enacted in the 2013 Legislative Session. For possible action. (Attachment)

Dagny spoke very briefly about a number of bills that were enacted after the legislative sessions.

First, AB2, allows for SLUPAC representatives to serve on another governor appointed committee.

AB33, abatements for green buildings, it expanded the abatements little bit, because it now includes renovation in to the buildings that can get abatements. It did also include language for counties to have oversight of abatements. This was a big victory for counties this session. Dagny noted that this was language that they were able to get in to a few bills, which states that abatements will first go to counties for approval or denial within 30 days. With this a cost benefit analysis would have to be shown.

Dagny noted that NACO would work to help provide counties with tool that will be helpful in looking at the Cost Benefit Analysis, as it can be a complicated process.

AB239 is a bill that contains the oversight for abatement language. This bill that would require counties to enact ordinance for the approval of renewable energy projects and transmissions projects. This would also allow for an expedited SUP process for renewable projects that are out in remote areas and won’t have many impacts.

NACO will move forward with working with the PUC and the State every office on creating a model ordinance that everyone might be able to use for this.

A complete list of bills of interest was included with the board packet and will be included with the minutes for reference purposes.

Item 20. Update and Possible Approval of a Memorandum of Understanding Between NACO and the Nevada Hospital Association Regarding the Use of
the Fund for Hospital Care to Indigent Persons (Senate Bill 452 Enacted in the 2013 Legislative Session). For Possible Action. (Attachment)

Jeff gave a brief review on SB452 which is a bill that will change how the Indigent Accident fund will be used. A chart was presented to that board that reflects those changes.

Jeff noted that the original creation of the IAF/Supp fund came out of collaboration with NACO and the hospitals. The implementation and administration and strategy of restoring these funds came to a head with SB452. He noted that due to the nature of complexity of SB452 the Hospital Association wanted to have some more detail in terms of the agreements moving forwards.

Jeff quickly reviewed the chart, which will be included in the minutes for review.

He discussed the penny tax levy, which will now go to the state as part of the intergovernmental transfer that will help reduce the IGT (intergovernmental transfer) payment from Washoe and Clark for a program called DSH (disproportionate share hospitals). This will bring more equity to the DSH payments and will also keep the rural counties from having to participate in this program.

The penny and a half indigent accident fund will continue to flow into the IAF sup account along with a new source of revenue called the collection of Unmet Free Care Obligations. In Clark and Washoe hospitals are required to provide a certain amount of free care to people that can’t afford it. In Clark County the hospitals that have not met that obligation will be sending a check to Clark County. It is projected that amount could grow to as much as 13 million dollars in future years.

Jeff then reviewed the use of the funds. First the penny tax for supplemental will go to the state for DSH payments. NACO will get $60,000 in funds to administer the funds. The Board of Trustees will decide 1) whether or not to use the remainder of the money to match federal Medicaid dollars 2) they can also decide to use some of those funds up to a certain amount to help counties meet their obligations for long term care. If they use the money for matching funds, a formula will be worked out by the department of health and human services in agreement with the Hospital Association to increase payments to the hospitals based on their Medicaid rates. If that is done, there is no money left in the IAF account. In that situation, the Board would assess all of the hospitals that received money a certain amount to
come up with a total of about 8 million dollars that would be used to process the IAF claim. What drops out of this, would be the supplemental fund program. No sup fund payments would be made. The counties would be held harmless for both IAF and sup claims.

Jeff included that some decisions still needed to be made, like whether or not the funds should be used to help counties meet their long term care responsibilities on the Medicare match program.

Jeff went on to present an MOU that will be signed by NACO and the Hospital Association. He also noted minor changes in the MOU that have been made since it was send out to the Board. He noted that under item 1 they wanted to add to sub a & b that the indigent funds includes one and a half cents and any accrued interest and that the supplement funds also includes accrued interest. Second item 2c has been changed to read; “ and amount of up to 2 million dollars may be used to assist counties with county match obligations for FY13 and FY 14. In future years the amount of revenue from the one a half cents above the amount generated in FY 13 and 14 will be added to help counties with their match obligation. Under 2.e. a provision will be added that at year end any remaining monies not distributed will revert proportionally back to the hospitals providing assessments. The assessment will not exceed 9 million dollars. Finally, the recommendation to delete paragraph 7 in its entirety.

He also noted that in this agreement Clark and Washoe County are showing as signatures on this agreement, which is up to the counties whether or not the want to agree to this.

Commissioner Tipton moved to adopt the changes as discussed to the Memorandum of Understanding between NACO and the Nevada Hospital Association Regarding the Use of the Fund for Hospital Care to Indigent Persons. Commissioner Wichman seconded. No discussion. Motion carried.

**Item 20. Update on the National Association of Counties (NACo) Annual Conference in Tarrant County/Fort Worth, Texas, July 19-22, 2013, Including Possible Action Regarding the Election of NACo’s Second Vice-President and Direction to Staff Regarding Coordination of Conference Events.**

Jeff informed that board that NAOC Board members Jerrie Tipton, Bonnie Weber, Demar Dahl, Nancy Boland, Lorinda Wichman, Lee Bonner and Deputy Director
Dagny Stapleton would be attending the NACo Annual Conference in Fort Worth Texas. Jeff noted that the members will be attending a number of social events during the conference. He also noted that there is a lot of competition for the NACo second vice president; Allen Angle, Stan Bateman, Sally Clark and Tim Josie. Jeff reminded the attendees that they need to fill out their credential information, so they can vote. Jeff also reminded the attendees that NACO tries to have their representative’s vote as a block. But every county is able to vote on their own.

Commissioner Weber noted that she would like to see conference attendees go as a united group in order to help foster comradery.

**Item 21. Item Board Member Reports**

Commissioner Goicochea informed the board that the Opera house has been reserved for the Eureka Meeting on August 16th.

Commissioner Weber asked to have a discussion in the future about how Nevada NACO and the National NACo might be able to work together.

**Item Public Comment - Please Limit Comments to 3 Minutes**

Commissioner Collins noted that NACO needs to compile what the legislative priorities will be next year

**Adjournment**

Commissioner Tipton motioned to adjourn the meeting. Commissioner Collins seconded. No objection. Motion carried.
June 27, 2013

Jeff Fontaine, Executive Director
NACO Board of Directors
304 S. Minnesota Street
Carson City, NV 89703

Dear Jeff and NACO Board Members,

On behalf of the University of Nevada Cooperative Extension Advisory Committee, I’d like to thank you for your support and advocacy for Cooperative Extension during the recent Legislative Session. The final results of the session were an additional $500,000 per year to Cooperative Extension’s budget and restoration of the budget as a line item. Your concern for the citizens of Nevada was evident through NACO’s testimony and discussion with legislators regarding the budget. Your leadership in monitoring the proposed merger of Cooperative Extension with CABNR is also greatly appreciated.

As you know, the disproportion cuts that the university took to the Cooperative Extension budget in the previous biennium resulted in a reduction of nearly $5 million per year. A large number of positions have been eliminated and others have been reduced below full time status. The additional funds will restore full time status to some of these positions. However, specialist positions will only be funded at 85% employment. This includes positions critical to the issues of importance to Nevadans – dealing with and preparing for the threat of wildfire, nutritional food choices for low income families, enhancing environments for sage grouse, economic development and entrepreneurship training in communities, helping day care workers provide safe and nurturing environments for our children, fighting childhood obesity, and more. Additionally, most county 4-H coordinators will now be at 60% employment, severely reducing the reach of the program. The State 4-H Office has been reduced from 4.0 to 1.25 FTE.

I know it is the desire of all of us that the economy of Nevada will continue to rebound and grow. As this happens, it is our hope that the Governor will keep Cooperative Extension and the need for additional funds in mind so that more positions can be returned to full time status and program losses can be minimized.

Thank you for your ongoing concern and vigilance for the Cooperative Extension program in Nevada.
Sincerely,

Tom Baker, Chair
University of Nevada Cooperative Extension Advisory Committee
NACO

June 28, 2013

Kevin R. Carman
Executive Vice President and Provost
University of Nevada, Reno

Thank you for this opportunity to update you on where we stand with regards to CE leadership and structure. When President Johnson spoke with you earlier this year, he told you that we were considering bringing CABNR and UNCE under a single dean/director. The purpose of bringing CABNR and UNCE under a single leader would be to better integrate the broadly overlapping missions of CABNR and UNCE and more generally to enhance the statewide mission of UNCE by more effectively leveraging the extensive expertise throughout the UNR community. Given that there were interim dean/directors in both CABNR and UNCE, there was a unique opportunity to pursue this new leadership model. Toward that end, you may have seen the proposal that I prepared that was generated based on the task force that explored various leadership models.

President Johnson and I traveled throughout the state and met with county commissioners, CE educators, and community stakeholders to discuss the proposed new leadership structure. We had several discussions with UNCE faculty and staff, and vetted our proposal through the UNR Faculty Senate. Although the proposed leadership model received support from many statewide stakeholders and from the UNR Faculty Senate, there were also many objections and concerns raised by the UNCE faculty and staff and in particular from county commissioners and community stakeholders. Many of these objections and concerns appeared to be based on inaccurate information that had been broadly circulated.

Finally, President Johnson and I recently had a candid and, I think productive discussion with Jeff Fontaine and a few NACO representatives.

While we still feel that a combined leadership structure for CABNR and UNCE is in the best interests of all stakeholders, we listened carefully to concerns that we have heard and have decided to postpone our decision and thus to maintain separate leadership of CABNR and UNCE for the immediate future. I would like to give you an update on where things stand now and where we are headed.

- We have begun the process of searching for a new dean of CABNR. The search committee is being formed and we hope to interview candidates next fall, with a goal of having the new dean in place by early 2014. Among the qualifications that we will seek in the new CABNR dean will be an individual who has extensive experience working CE and a deep appreciation of the mission of CE.
- We have also initiated and are near the completion of a process of identifying a new interim dean/director of CE. Four UNR candidates applied for the interim dean/director position and I have interviewed all of them. The credentials of these candidates have been made public for
approximately the past 10 days and I have received thoughtful feedback from CE faculty/staff and stakeholders. I expect to make a decision and announce the new interim dean/director early next week.

Our plan is that the new interim dean/director will lead CE over the next two years. During that time we hope to dispel many of the misconceptions that have developed over the past few months, including:

- **Integrity of the UNCE budget.** UNCE will be absorbing a $2M budget reduction as of July 1. This is the budget cut that was implemented in the last biennium and which was buffered by one-time bridge funds that expire as of today. The budget reductions will be mitigated by the legislatively mandated $1M increase in the CE budget that will occur in $500k increments over the next two years. No further CE budget reductions are planned.

- **Positions will not be removed from the counties and taken to the UNR campus,** and future new positions will be located where they best serve CE and its stakeholders.

- **We will make and are making concerted efforts to assure that CE faculty are rewarded for their community-outreach work.** Progress toward this goal has already been realized through modifications of how we evaluate and reward community engagement at UNR. We are also pursuing classification as a Carnegie Engaged University.

- **We continue to feel that it is critical for CABNR and UNCE to have a very close working relationship.** As I mentioned, we will seek a CABNR dean that has experience with and is deeply committed to the mission of CE. Similarly, we are seeking an interim dean/director of CE that will actively seek to partner with CABNR and other academic programs across the UNR campus to assure that we are bringing the full breadth and depth of UNR expertise to bear as UNCE seeks to address the diverse challenges and opportunities of Nevada communities.

- **Two years from now we will reevaluate our options regarding the appropriate leadership structure for UNCE.** Regardless of leadership structure, we hope to dispel the many misconceptions that have emerged over the past few months and to demonstrate our commitment to UNCE and its mission. NACO is a vital component of this partnership as its members represent the broad and diverse interests of the 17 counties of Nevada. As we discussed with Jeff at our recent informal visit, either President Johnson or I will meet with NACO on a quarterly basis going forward. We look forward to working closely with you to establish and maintain a healthy and mutually beneficial dialogue that will help UNR fulfill its fundamental Land Grant mission of providing excellence in education and discovery, but also in bringing to bear the full and considerable expertise of UNR faculty and staff to address the needs of Nevada’s citizens. A healthy and well-integrated UNCE is vital to fulfillment of that mission and we are committed to that objective.
Agenda Item 7. Backup

Acceptance of NACO’s 2012 Financial Audit. For Possible Action.

Memo:

Attachment 1: NACO 2012 Financial Statements

Attachment 2: Audit Committee Letter
NEVADA ASSOCIATION OF COUNTY COMMISSIONERS
FINANCIAL STATEMENTS
December 31, 2012 and 2011
CONTENTS

Auditor’s Report .................................................................................. 3
Management Discussion and Analysis ............................................... 5
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INDEPENDENT AUDITOR'S REPORT

To the Executive Director and the Board of Directors
Nevada Association of County Commissioners

Report on the Financial Statements
We have audited the accompanying statement of net assets of the Nevada Association of County Commissioners (NACO), a non-profit corporation, as of December 31, 2012 and 2011 and the related statements of revenues and expenses and changes in net assets and statement of changes in cash flows for the years then ended.

Management’s Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor’s Responsibility
Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.
Opinions
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Nevada Association of County Commissioners as of December 31, 2012 and 2011 and the respective changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters
Accounting principles generally accepted in the United States of America require that the management’s discussion and analysis and budgetary comparison information on page 18 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

July 24, 2013
Carson City, Nevada
Management Discussion and Analysis
This discussion and analysis memo provides an overview of NACO’s financial activities for the year ended December 31, 2012.

Financial Highlights
NACO’s assets increased in 2012 by $45,161 to $1,993,781. Investments and fixed assets accounted for an increase in assets. Of this amount, $1,237,953 consists of unrestricted assets. NACO’s primary revenue source remains dues: $335,187 (58%). The remainder of NACO’s budget consists of the annual conference, a contract with the State of Nevada to administer the Fund for Hospital Care to Indigent Persons, national programs and the associate member program. In recent years NACO has received grants from federal and state agencies to pay contractors for fire pre suppression activities in Nevada’s counties for which NACO has been allocated administrative costs.

Financial Analysis
By far, the largest portion of NACO assets consists of investments in the amount of $848,583, which increased $40,013 from the previous year. At the end of the fiscal year, NACO had $455,762 cash or cash equivalents.

NACO’s liabilities for the year ending December 31, 2012, totaled $93,804. Of this amount, $16,385 was attributable to accrued vacation and sick leave, $30,000 was deferred revenues from the contract with the State to administer the Fund for Hospital Care to Indigent Persons, and $11,748 was attributable to mortgage for NACO’s office building. Based on the 2012 financial analysis it appears that NACO’s purchase of an office building was a prudent investment as this asset continues to grow and annual operating expenses continue to be within budget.

Economic Factors
The budget of the Nevada Association of Counties is comprised in part (58%) of dues collected from member counties. This is 4% lower when compared to 2011. The Nevada Association of Counties enjoys 100% county participation. Dues are calculated using a formula based on two components: Audited Schedule-1 revenues and population. Since 2010 Washoe County has paid on average 27 percent or $11,000 less than the full amount of its dues because of severe budget constraints. Washoe County paid its full dues in 2013.

Any changes in the economy that are reflected in the stock and bond market are reflected in accounts held by NACO. No part of the annual budget is contingent upon revenue that may be gained or lost due to market fluctuations.

Conclusion
NACO continues to be on a firm fiscal footing again showing an increase in net assets at the end of the year. Diversified investments and assets, including the office building, provide NACO with a high level of financial security. While Nevada is beginning to see incremental economic growth NACO should continue to closely monitor the financial condition of the counties to assure that it can rely on dues as its most significant source of revenue. The Legislature in 2013 returned the Indigent Accident & Supplemental Fund for its original purpose and authorized additional uses of the Fund by hospitals and counties. The Legislature also appropriated $60,000 per year for State fiscal years 14 and 15 for NACO to administer the Fund. While, the Indigent Accident & Supplemental Fund is never guaranteed beyond the current biennium, it appears that the Legislature recognizes the benefits of allowing the hospitals and NACO working together to best utilize the Fund.
The NACO Board adopted as one its goals for 2012 to diversify and enhance revenues including; seeking state and federal grant opportunities, increasing the usage of existing agreements with Nationwide Retirement Solutions and the U.S. Communities Purchasing Alliance for which NACO receives a royalty and seeking other marketing and service agreements. NACO has undertaken additional efforts to secure grants and market programs which to date has resulted in only limited success. NACO will continue to pursue these revenue generating opportunities.

Jeffrey Fontaine
Executive Director
July 24, 2013
NEVADA ASSOCIATION OF COUNTY COMMISSIONERS
STATEMENT OF NET ASSETS
December 31, 2012 and 2011

<table>
<thead>
<tr>
<th>ASSETS</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Current assets:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>$455,762</td>
<td>$625,821</td>
</tr>
<tr>
<td>Investments-Note B</td>
<td>848,583</td>
<td>803,570</td>
</tr>
<tr>
<td>Accounts receivable</td>
<td>13,729</td>
<td>2,169</td>
</tr>
<tr>
<td>Other assets</td>
<td>1,935</td>
<td>6,836</td>
</tr>
<tr>
<td><strong>Total current assets</strong></td>
<td>1,320,009</td>
<td>1,438,396</td>
</tr>
</tbody>
</table>

| Fixed Assets:                |          |          |
| Fixed assets net of accumulated depreciation-Note C | 542,772  | 379,224  |
| Land                         | 131,000  | 131,000  |
| **Total fixed assets**       | 673,772  | 510,224  |

**TOTAL ASSETS**               | $1,993,781| $1,948,620|

| LIABILITIES                  |          |          |
| Current Liabilities:         |          |          |
| Accounts payable             | 34,971   | 18,103   |
| compensated absences        | 16,385   | 17,449   |
| Other liabilities            | 700      | 12,853   |
| Deferred revenues            | 30,000   | 30,000   |
| Current portion of long-term debt-Note D | 11,748   | 11,149   |
| **Total current liabilities**| 93,804   | 89,554   |

| Noncurrent liabilities:      |          |          |
| Mortgage note payable-Note D| 321,244  | 332,591  |
| **Total long-term liabilities**| 321,244  | 332,591  |

| Net Assets:                  |          |          |
| Unrestricted                 | 1,237,953| 1,421,793|
| Invested in capital assets, net of related debt | 340,780  | 104,682  |
| **Total net assets**         | 1,578,733| 1,526,475|

**Total liabilities and net assets** | $1,993,781| $1,948,620|

See accompanying notes
NEVADA ASSOCIATION OF COUNTY COMMISSIONERS
STATEMENT OF REVENUES AND EXPENSES & CHANGES IN NET ASSETS
Years ended December 31, 2012 and 2011

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenues</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Membership and conference fees</td>
<td>$413,006</td>
<td>$398,566</td>
</tr>
<tr>
<td>Indigent accident and supplemental programs</td>
<td>60,000</td>
<td>60,000</td>
</tr>
<tr>
<td>National programs and associate sponsorships</td>
<td>55,051</td>
<td>61,597</td>
</tr>
<tr>
<td>Grant revenues</td>
<td>41,496</td>
<td>141,611</td>
</tr>
<tr>
<td>Interest income</td>
<td>224</td>
<td>253</td>
</tr>
<tr>
<td>Other income</td>
<td>5,828</td>
<td>6,120</td>
</tr>
<tr>
<td><strong>Total revenues</strong></td>
<td><strong>575,605</strong></td>
<td><strong>668,147</strong></td>
</tr>
<tr>
<td><strong>Expenses</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Salaries and employee benefits</td>
<td>308,116</td>
<td>311,639</td>
</tr>
<tr>
<td>Post retirement benefits</td>
<td>1,568</td>
<td>1,183</td>
</tr>
<tr>
<td>Mortgage interest</td>
<td>18,203</td>
<td>17,970</td>
</tr>
<tr>
<td>Property tax</td>
<td>2,883</td>
<td>2,738</td>
</tr>
<tr>
<td>Utilities</td>
<td>4,277</td>
<td>6,163</td>
</tr>
<tr>
<td>Legislative</td>
<td>300</td>
<td>2,874</td>
</tr>
<tr>
<td>Membership Conference</td>
<td>54,158</td>
<td>39,182</td>
</tr>
<tr>
<td>Publications and printing</td>
<td>6,894</td>
<td>4,991</td>
</tr>
<tr>
<td>Office and other operating expenses</td>
<td>38,366</td>
<td>43,681</td>
</tr>
<tr>
<td>Staff and representative travel</td>
<td>38,447</td>
<td>22,792</td>
</tr>
<tr>
<td>Vehicle expenses</td>
<td>4,488</td>
<td>4,009</td>
</tr>
<tr>
<td>Professional fees</td>
<td>26,579</td>
<td>12,145</td>
</tr>
<tr>
<td>Grant expenditures</td>
<td>41,496</td>
<td>141,611</td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>20,727</td>
<td>20,181</td>
</tr>
<tr>
<td><strong>Total expenses</strong></td>
<td><strong>566,502</strong></td>
<td><strong>631,159</strong></td>
</tr>
</tbody>
</table>

| **Increase in operating assets** | **9,103** | **36,988** |
| **Increase in non-operating net investment income** | 43,155 | 41,010 |
| Gain on sale of fixed assets | -   | 4,137 |
| **Increase in net assets** | **52,258** | **82,135** |

Net assets at beginning of year | $1,526,475 | $1,444,340 |
Net assets at end of year | $1,578,733 | $1,526,475 |

See accompanying notes
NEVADA ASSOCIATION OF COUNTY COMMISSIONERS  
STATEMENT OF CASH FLOWS  
Years ended December 31, 2012 and 2011

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cash flows from operating activities:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash receipts</td>
<td>$563,934</td>
<td>$745,404</td>
</tr>
<tr>
<td>Payments to employees</td>
<td>(216,085)</td>
<td>(217,927)</td>
</tr>
<tr>
<td>Payments to vendors</td>
<td>(321,026)</td>
<td>(407,399)</td>
</tr>
<tr>
<td>Net cash from operating activities</td>
<td>26,823</td>
<td>120,078</td>
</tr>
<tr>
<td><strong>Cash flows from Investing Activities:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Purchases of buildings, land and equipment</td>
<td>(184,276)</td>
<td>(29,215)</td>
</tr>
<tr>
<td>Sale of building, land and equipment</td>
<td>-</td>
<td>4,137</td>
</tr>
<tr>
<td>Sale (Purchase) of securities</td>
<td>(18,894)</td>
<td>7,765</td>
</tr>
<tr>
<td>Interest, dividends and net gains or losses on investments</td>
<td>17,036</td>
<td>16,959</td>
</tr>
<tr>
<td>Net cash used for investing activities</td>
<td>(186,134)</td>
<td>(354)</td>
</tr>
<tr>
<td><strong>Cash flows from financing activities:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Payments of long-term debt</td>
<td>(10,748)</td>
<td>(10,981)</td>
</tr>
<tr>
<td>Net cash used for financing activities</td>
<td>(10,748)</td>
<td>(10,981)</td>
</tr>
<tr>
<td>Increase (Decrease) in Cash and Cash Equivalents</td>
<td>(170,059)</td>
<td>108,743</td>
</tr>
<tr>
<td>Cash and cash equivalents, beginning of fiscal year</td>
<td>625,821</td>
<td>517,078</td>
</tr>
<tr>
<td><strong>Cash and cash equivalents, end of fiscal year</strong></td>
<td>455,762</td>
<td>625,821</td>
</tr>
</tbody>
</table>

Reconciliation of operating income to net cash provided from operating activities

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net operating income(loss)</td>
<td>9,103</td>
<td>36,988</td>
</tr>
</tbody>
</table>

Adjustment to reconcile operating income to net cash provided by operating activities:

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Depreciation expense</td>
<td>20,727</td>
<td>20,181</td>
</tr>
<tr>
<td>(Increase) decrease in receivables</td>
<td>(11,671)</td>
<td>47,256</td>
</tr>
<tr>
<td>Increase (decrease) in prepaid expenses</td>
<td>5,012</td>
<td>(3,150)</td>
</tr>
<tr>
<td>Increase (decrease) in accounts payable</td>
<td>4,716</td>
<td>(14,204)</td>
</tr>
<tr>
<td>(Decrease) increase in accrued vacation</td>
<td>(1,064)</td>
<td>3,007</td>
</tr>
<tr>
<td>Increase in deferred income</td>
<td>-</td>
<td>30,000</td>
</tr>
<tr>
<td><strong>Net cash provided by operating activities</strong></td>
<td>$26,823</td>
<td>$120,078</td>
</tr>
</tbody>
</table>

See accompanying notes
NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities:
The association is a non-profit corporation incorporated in the state of Nevada. The association was organized for the purpose of aiding member counties in the conduct of general governmental affairs and to influence the state legislature in ways that will benefit county governments and the people they serve. The association members are elected officials of various counties in Nevada that they represent. As such, the association is considered a quasi-governmental organization. The association is more commonly known as the Nevada Association of Counties or as NACO.

Basis of Presentation, Measurement Focus – Basis of Accounting:
NACO has prepared its financial statements in accordance with accounting principles generally accepted in the United States of America. NACO has implemented Governmental Accounting Standards Board (GASB) Statement No. 34, Basic Financial Statements - and Management’s Discussion and Analysis – for State and Local Governments.

The financial statements have been prepared on the basis of accounting principles generally accepted in the United States of America for governmental entities. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Accounting principles generally accepted in the United States of America require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

Cash:
For purposes of the cash flow statements, NACO considers highly liquid asset accounts available for current use within three months or less to be cash equivalents.

Investments:
Investments consist of marketable securities in corporate and governmental securities. Securities are reported at their fair value on the balance sheet. Fair value is determined utilizing the market value of the investments as reflected on the applicable brokerage statements. Net increases and decreases in the fair value are included in the statement of revenues and expenses and changes in net asset balances.

Accounts receivable:
Accounts receivable represents amounts earned but not received on the performance of the Indigent Accident Fund grant, the Supplemental grant, and other miscellaneous receivables.

Fixed assets:
Equipment on the books is depreciated over the estimated useful lives of the assets using the straight-line method and the lives assigned to assets range from 5 years to 10 years. The office building cost is depreciated using the straight-line method over a period of 40 years with no salvage value.

Revenues:
Revenues are provided through membership fees, sponsor and conference fees, administration of the state's Indigent Accident Fund and Supplemental Fund, national insurance programs, government grants and investment income. NACO receives federal grants and contracts with a private vendor to administer the grants in behalf of NACO for the benefit of its members.
NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)
Federal income tax:
NACO is exempt from income taxes under section 501(c)(4) of the Internal Revenue Service Code.

Compensated Absences:
Compensated absences are recorded when the liabilities are incurred. Accumulated benefits are limited to a set maximum.

NOTE B - DEPOSITS AND INVESTMENTS
NACO maintains its cash, cash equivalents and investments in a commercial bank and a brokerage institution. Amounts in commercial banks are insured by the FDIC for balances up to $250,000. Amounts at the brokerage firm are insured through SPIC and additional amounts are insured by the broker through an insurance policy.

The carrying amount of NACO's deposits at commercial banks on December 31, 2012 and 2011 was $409,218 and $577,420 respectively and the bank balance was $415,697 and $591,360. The difference between the carrying amount and bank balance results from outstanding checks and deposits not yet reflected in the bank’s records.

Deposits that are greater than the FDIC insurance limit were $48,581 in 2012. In 2012, balances in excess of FDIC insurance were collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer.

Credit risk:
Credit risk is the risk that in the event of a failure of an outside party who has possession of NACO’s investments or collateral securities, NACO will not be able to recover the value of those investments or securities. NACO’s policy is to invest in corporate debt issues with a minimum of an “A” rating from standard and Poor’s rating services.

Concentration of Credit Risk:
NACO limits investments in equities of any one issuer to 5% of the total investment portfolio. No more than 20% of the portfolio may be invested in a single industry. NACO limits investments in fixed income securities to 10% of the total portfolio and no security may be purchased that has a maturity date greater than 30 years. The policy does not place a limit on the purchase of U.S. Government and U.S. Government backed securities.

Interest rate risk:
Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. NACO’s policy for managing its exposure to fair value losses arising from decreasing interest rates is to be invested in a range of 0% to 70% in fixed income securities, 0% -50% in equities and 0% to 100% in cash.
A summary of investments as of December 31, 2012 is as follows:

<table>
<thead>
<tr>
<th>Investment Maturities in Years</th>
<th>Fair Value</th>
<th>Less 1 year</th>
<th>1 – 5</th>
<th>5-10</th>
<th>Over 10</th>
<th>S &amp; P Rating</th>
</tr>
</thead>
<tbody>
<tr>
<td>U.S. Treasuries</td>
<td>$127,734</td>
<td>$71,449</td>
<td>$56,285</td>
<td>$56,285</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>U.S Government &amp; agency</td>
<td>22,979</td>
<td>-</td>
<td>22,979</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>U.S. Mortgage-backed securities</td>
<td>151,250</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>13,170</td>
<td>138,080</td>
</tr>
<tr>
<td>Corporate bonds</td>
<td>286,011</td>
<td>19,029</td>
<td>99,745</td>
<td>167,237</td>
<td>-</td>
<td>AAA to A-</td>
</tr>
<tr>
<td>Equity securities</td>
<td>260,609</td>
<td>260,609</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total investments</td>
<td>$848,583</td>
<td>$279,638</td>
<td>$194,173</td>
<td>$236,692</td>
<td>$138,080</td>
<td>-</td>
</tr>
</tbody>
</table>

Actual maturities may differ from contractual maturities as some borrowers have the right to call or prepay with or without call or prepayment penalties. Investments are reported at fair value by the investment broker as determined by an outside pricing firm.

A summary of investments as of December 31, 2011 is as follows:

<table>
<thead>
<tr>
<th>Investment Maturities in Years</th>
<th>Fair Value</th>
<th>Less 1 year or</th>
<th>1 – 5</th>
<th>5-10</th>
<th>Over 10</th>
<th>S &amp; P Rating</th>
</tr>
</thead>
<tbody>
<tr>
<td>U.S. Treasuries</td>
<td>$161,485</td>
<td>$115,486</td>
<td>$45,999</td>
<td>$45,999</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>U.S Government &amp; agency</td>
<td>23,129</td>
<td>-</td>
<td>23,129</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>U.S. Mortgage-backed securities</td>
<td>32,268</td>
<td>-</td>
<td>2,422</td>
<td>-</td>
<td>29,845</td>
<td>-</td>
</tr>
<tr>
<td>Corporate bonds</td>
<td>326,762</td>
<td>25,179</td>
<td>157,518</td>
<td>144,066</td>
<td>-</td>
<td>A+ to A-</td>
</tr>
<tr>
<td>Equity securities</td>
<td>259,926</td>
<td>259,926</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total investments</td>
<td>$803,570</td>
<td>$285,105</td>
<td>$275,426</td>
<td>$213,194</td>
<td>$29,845</td>
<td>-</td>
</tr>
</tbody>
</table>

Actual maturities may differ from contractual maturities as some borrowers have the right to call or prepay with or without call or prepayment penalties. Investments are reported at fair value by the investment broker as determined by an outside pricing firm.

**NOTE C - EQUIPMENT AND DEPRECIATION**

Depreciation is taken on the financial statements over the estimated useful lives of the assets using the straight line method. It is believed by management that the useful lives of furniture, equipment and vehicles range from five to ten years with no salvage value. For buildings, the useful life is deemed to be 40 years with no salvage value.
NOTE C - EQUIPMENT AND DEPRECIATION (cont)

When assets are disposed of the cost and related accumulated depreciation are removed from the general ledger and any resulting gain or loss is recognized in operations.

Activity for the year ended December 31 was as follows:

<table>
<thead>
<tr>
<th>Useful life</th>
<th>December 31, 2011</th>
<th>Additions</th>
<th>Dispositions</th>
<th>December 31, 2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Buildings</td>
<td>$377,624</td>
<td>$94,754</td>
<td>$</td>
<td>$472,378</td>
</tr>
<tr>
<td>Furniture and equipment</td>
<td>67,128</td>
<td>89,521</td>
<td>$</td>
<td>156,649</td>
</tr>
<tr>
<td>Vehicles</td>
<td>32,878</td>
<td>-</td>
<td>-</td>
<td>32,878</td>
</tr>
<tr>
<td>Total Assets</td>
<td>477,630</td>
<td>184,275</td>
<td>-</td>
<td>661,905</td>
</tr>
<tr>
<td>Accumulated depreciation</td>
<td>(98,406)</td>
<td>(20,727)</td>
<td>-</td>
<td>(119,133)</td>
</tr>
<tr>
<td></td>
<td>$379,224</td>
<td>$163,548</td>
<td>$</td>
<td>$542,772</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Useable life</th>
<th>December 31, 2010</th>
<th>Additions</th>
<th>Dispositions</th>
<th>December 31, 2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Buildings</td>
<td>$353,152</td>
<td>$24,472</td>
<td>$</td>
<td>$377,624</td>
</tr>
<tr>
<td>Furniture and equipment</td>
<td>70,753</td>
<td>4,743</td>
<td>(8,368)</td>
<td>67,128</td>
</tr>
<tr>
<td>Vehicles</td>
<td>32,878</td>
<td>-</td>
<td>-</td>
<td>32,878</td>
</tr>
<tr>
<td>Total Assets</td>
<td>456,783</td>
<td>29,215</td>
<td>(8,368)</td>
<td>477,630</td>
</tr>
<tr>
<td>Accumulated depreciation</td>
<td>(86,593)</td>
<td>(20,181)</td>
<td>8,368</td>
<td>(98,406)</td>
</tr>
<tr>
<td></td>
<td>$370,190</td>
<td>$9,034</td>
<td>$</td>
<td>$379,224</td>
</tr>
</tbody>
</table>
NOTE D – MORTGAGE LOAN PAYABLE
Nevada Association of Counties purchased a building as a new office located at 304 Minnesota Street in Carson City, Nevada. The purchase was financed through a loan of $356,250 with Nevada State Bank at a 5.25% annual interest rate. The note date was December 3, 2010. Repayment of the loan is through 119 monthly payments of $2,412 beginning December 20, 2010 and one principal payment of $226,158 on November 20, 2020.

<p>| | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Beginning mortgage balance</td>
<td>$356,250</td>
<td></td>
</tr>
<tr>
<td>Principal payments applied</td>
<td>(23,258)</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ending principal balance</td>
<td>$332,992</td>
<td></td>
</tr>
</tbody>
</table>

Interest on the loan is calculated by applying the ratio of the interest rate over a year of 360 days multiplied by the outstanding principal balance, multiplied by the actual number of days the principal balance is outstanding. Future minimum payments on this mortgage are as follows:

<table>
<thead>
<tr>
<th></th>
<th>Principal</th>
<th>Interest</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>$11,748</td>
<td>$17,202</td>
</tr>
<tr>
<td>2014</td>
<td>12,380</td>
<td>16,570</td>
</tr>
<tr>
<td>2015</td>
<td>13,046</td>
<td>15,904</td>
</tr>
<tr>
<td>2016</td>
<td>13,747</td>
<td>15,203</td>
</tr>
<tr>
<td>2017</td>
<td>14,487</td>
<td>14,463</td>
</tr>
<tr>
<td>Thereafter</td>
<td>267,584</td>
<td>37,580</td>
</tr>
<tr>
<td>Total</td>
<td>332,992</td>
<td>116,922</td>
</tr>
</tbody>
</table>

Less current portion     (11,748) (17,202)
Noncurrent portion of long-term debt $ 321,244 $ 99,720

NOTE E - RELATED PARTY TRANSACTIONS
Various directors of NACO also serve on the board of the Indigent Accident Fund, an agency who contracts with NACO for claims administration. Revenues of $60,000 in 2012 and 2011 from these contracts are identified on the financial statements as Indigent Accident and Supplemental Programs.

Mr. Wayne Carlson, executive director of the Nevada Public Agency Insurance Pool, is authorized to sign checks of NACO in the absence of NACO’s executive director with one other NACO authorized signer.

NACO contracts with PARMS for bookkeeping services and paid fees of $9,000 in 2012 and $6,000 in 2011. PARMS is solely owned by Mr. Wayne Carlson.

NOTE F – LEASES
Copier
In 2011, NACO entered into a lease agreement with Xerox Corporation for a high-speed copy machine. The copier is classified as an operating lease with minimum monthly payments of $201.17 for 60 months beginning in February 2011.
NOTE G – RETIREMENT
Deferred compensation plan
NACO offers a defined contribution plan in accordance with IRS code section 457(c) to its employees. Employee contributions are voluntarily and are made on a pre-tax basis. Employer contributions are discretionary and in the current year the organization elected to not make any contributions. Employees contributed $16,562 and $16,500 for 2012 and 2011. NACO Services, a subsidiary of the National Association of Counties, sponsors the deferred compensation program, which is administered by Nationwide Retirement Solutions.

NACO is covered by the State of Nevada Public Employees Retirement System (PERS). All public employees who meet certain eligibility requirements participate in PERS, which is a cost sharing multiple-employer defined benefit plan. The pension plan issues stand alone financial statements.

NACO does not exercise any control over PERS. Nevada Revised Statute 286.110 states that: “Respective participating public employers are not liable for any obligation of the System”.

Contribution rates are established by NRS 286.410. The statute provides for yearly increase of up to 1 percent until such time as the actuarially determined unfunded liability of PERS is reduced to zero. NACO is obligated to contribute all amounts due under PERS. The contribution rate for regular members, based on covered payroll, for 2012 was 23.75%. In 2011 it was 23.75% for the latter half of 2011 and 21.5% for the first half of that year. NACO’s contributions to the plan for 2012 and 2011 were $49,952 and $48,669.

NOTE H - INSURANCE
NACO is a member of the Nevada Public Agency Insurance Pool (Pool) and Public Agency Compensation Trust (Pact) which was formed by various Nevada municipalities for the purpose of reducing insurance premiums and providing more stable insurance costs for its members. In the event that claims and expenses exceed net assets of the Pool or Pact, special assessments may be made to their members. Pool provides property and casualty insurance and Pact provides workers compensation coverage.

NOTE I – OTHER POST EMPLOYMENT BENEFITS
Plan Description:
NACO contributes to an agent multiple-employer defined benefit postemployment healthcare plan, Public Employees’ Benefits Plan (PEBP), for eligible retired employees as per NRS 287.023. The plan provides medical, vision, dental, and life insurance benefits to eligible retired employees. Employees of NACO are not eligible for participation in the Plan, but if an employee qualifies for the Plan based on service years as an employee of the State of Nevada, NACO may be required to contribute toward the costs of providing postemployment benefits.
NOTE I – OTHER POST EMPLOYMENT BENEFITS (cont)
Benefit provisions for PEBP are administered by the State of Nevada. NRS 287.043 assigns the authority to establish and amend benefit provisions to the PEBP nine-member board of trustees. Local governments are required to pay their pro-rata cost to provide coverage for persons joining PEBP. PEBP does not issue a publicly available financial report. Some of NACO’s current and past employees may qualify for participation in the plan in the future. As of the date of the Independent Auditors’ Report, only one past employee is a participant in the Plan.

Funding Policy:
PEBP, NRS 287.046 establishes the subsidies to be contributed toward the premium costs of the eligible retired employees. The unsubsidized retiree plan rates in effect for fiscal year 2012 range from $98 to $701 depending on which plan type the retiree chooses and their length of service. The participating plan member’s monthly contribution is deducted from their pension checks based on the plan chosen, reduced by the amount of the subsidy; therefore, their contribution amounts are not available.

For the plan year ended December 31, 2012 there is one former employee who receives a subsidy from NACO for their OPEB. As a participating employer, NACO is billed for their portion of the subsidy on a monthly basis and is legally required under NRS 287.023 to provide for it. For fiscal years 2012 and 2011 NACO was billed for $1,568 and $1,183 for their share of the subsidy. The contribution requirements of plan members and NACO are established and amended by the PEBP Board of Trustees. Payments will be made annually as calculated by NEBP and expensed when paid.

PRINCIPAL VALUATION RESULTS

<table>
<thead>
<tr>
<th></th>
<th>December 31, 2012</th>
<th>December 31, 2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Present Value of Benefits</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Retiree</td>
<td>$ 50,776</td>
<td>$ 49,516</td>
</tr>
<tr>
<td>Assets</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Unfunded AAL</td>
<td>$ 50,776</td>
<td>$ 49,516</td>
</tr>
</tbody>
</table>

NOTE J – SUBSEQUENT EVENTS

Management has evaluated the activities and transactions subsequent to December 31, 2012 to determine the need for any adjustments to, and disclosure within the financial statements for the year ended December 31, 2012. Management has evaluated subsequent events through July 24, 2013 which is the date the financial statements were available for issue.

NOTE K – RESTATEMENT OF GRANT REVENUES

NACO acts as a pass-through agency for federal grants. In the past NACO reported revenues and expenditures from grants by netting expenditures against the revenues. This resulted in no revenues or expenditures being shown on the statement of revenues and expenditures in prior years. In 2012, gross revenues from grants and the gross expenditures from those grants are reported and not netted. As a result, the 2011 financial statements have been restated to reflect this change.
NOTE L – LITIGATION AGREEMENT
The NACO Board of Directors on April 19, 2013 approved a representation agreement with respect to litigation against the Department of the Interior, the Bureau of Land Management (BLM) and other relevant defendants pertaining to the failure of the BLM and relevant defendants to administer the Wild Horse and Burro program in the manner required by the Free Roaming Wild Horse and Burro Act 1971 as Amended (16 U.S.C. § 1331, et seq.). The agreement is for a flat fee of $82,500 which NACO intends to raise from outside sponsors. NACO may opt out of the agreement if it is unsuccessful in raising the funds.
## OPERATING REVENUES:

<table>
<thead>
<tr>
<th></th>
<th>Original Budget</th>
<th>Final Budget</th>
<th>Actual</th>
<th>Favorable (Unfavorable) Variance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Membership and conference fees</td>
<td>$420,188</td>
<td>$420,188</td>
<td>$413,006</td>
<td>$(7,182)</td>
</tr>
<tr>
<td>Indigent accident and supplemental programs</td>
<td>60,000</td>
<td>60,000</td>
<td>60,000</td>
<td></td>
</tr>
<tr>
<td>National programs and associate sponsors</td>
<td>31,000</td>
<td>31,000</td>
<td>55,051</td>
<td>24,051</td>
</tr>
<tr>
<td>Grant revenues</td>
<td>205,357</td>
<td>205,357</td>
<td>41,496</td>
<td>$(163,861)</td>
</tr>
<tr>
<td>Interest income</td>
<td>2,000</td>
<td>2,000</td>
<td>224</td>
<td>(1,776)</td>
</tr>
<tr>
<td>Other income</td>
<td>-</td>
<td>-</td>
<td>5,828</td>
<td>5,828</td>
</tr>
<tr>
<td><strong>Total operating revenues</strong></td>
<td><strong>718,545</strong></td>
<td><strong>718,545</strong></td>
<td><strong>575,605</strong></td>
<td><strong>(142,940)</strong></td>
</tr>
</tbody>
</table>

## OPERATING EXPENSES:

<table>
<thead>
<tr>
<th></th>
<th>Original Budget</th>
<th>Final Budget</th>
<th>Actual</th>
<th>Favorable (Unfavorable) Variance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salaries and employee benefits</td>
<td>$320,018</td>
<td>$320,018</td>
<td>$308,116</td>
<td>$11,902</td>
</tr>
<tr>
<td>Post retirement benefits</td>
<td>2,021</td>
<td>2,021</td>
<td>1,568</td>
<td>453</td>
</tr>
<tr>
<td>Mortgage interest</td>
<td>28,950</td>
<td>28,950</td>
<td>18,203</td>
<td>10,747</td>
</tr>
<tr>
<td>Property tax</td>
<td>-</td>
<td>-</td>
<td>2,883</td>
<td>(2,883)</td>
</tr>
<tr>
<td>Utilities</td>
<td>6,500</td>
<td>6,500</td>
<td>4,277</td>
<td>2,223</td>
</tr>
<tr>
<td>Legislative</td>
<td>5,000</td>
<td>5,000</td>
<td>300</td>
<td>4,700</td>
</tr>
<tr>
<td>Membership conference</td>
<td>50,000</td>
<td>50,000</td>
<td>54,158</td>
<td>(4,158)</td>
</tr>
<tr>
<td>Publications and printing</td>
<td>7,500</td>
<td>7,500</td>
<td>6,894</td>
<td>606</td>
</tr>
<tr>
<td>Office and other operating expense</td>
<td>76,487</td>
<td>76,487</td>
<td>38,366</td>
<td>38,121</td>
</tr>
<tr>
<td>Staff and representative travel</td>
<td>45,000</td>
<td>45,000</td>
<td>38,447</td>
<td>6,553</td>
</tr>
<tr>
<td>Vehicle expenses</td>
<td>4,000</td>
<td>4,000</td>
<td>4,488</td>
<td>(488)</td>
</tr>
<tr>
<td>Professional fees</td>
<td>47,500</td>
<td>47,500</td>
<td>26,579</td>
<td>20,921</td>
</tr>
<tr>
<td>Grant expenditures</td>
<td>202,357</td>
<td>202,357</td>
<td>41,496</td>
<td>160,861</td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>-</td>
<td>-</td>
<td>20,727</td>
<td>(20,727)</td>
</tr>
<tr>
<td><strong>Total expenses</strong></td>
<td><strong>795,333</strong></td>
<td><strong>795,333</strong></td>
<td><strong>566,502</strong></td>
<td><strong>228,831</strong></td>
</tr>
<tr>
<td><strong>Operating income</strong></td>
<td><em>(76,788)</em></td>
<td><em>(76,788)</em></td>
<td><em>9,103</em></td>
<td><em>85,891</em></td>
</tr>
</tbody>
</table>

## NON-OPERATING REVENUES

<table>
<thead>
<tr>
<th></th>
<th>Original Budget</th>
<th>Final Budget</th>
<th>Actual</th>
<th>Favorable (Unfavorable) Variance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Increase in non-operating investment income</td>
<td>-</td>
<td>-</td>
<td>43,155</td>
<td>43,155</td>
</tr>
<tr>
<td><strong>Total non-operating revenues</strong></td>
<td><strong>-</strong></td>
<td><strong>-</strong></td>
<td><strong>43,155</strong></td>
<td><strong>43,155</strong></td>
</tr>
</tbody>
</table>

## NET INCOME

<table>
<thead>
<tr>
<th></th>
<th>Original Budget</th>
<th>Final Budget</th>
<th>Actual</th>
<th>Favorable (Unfavorable) Variance</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>NET INCOME</strong></td>
<td><em>(76,788)</em></td>
<td><em>(76,788)</em></td>
<td><em>52,258</em></td>
<td><em>129,046</em></td>
</tr>
</tbody>
</table>
June 6, 2013

Jeff Fontaine, Executive Director
Michael Rebalaeti, Fiscal Officer
Nevada Association of Counties
304 S. Minnesota St.
Carson City, NV 89703

RE: 2012 Audit Committee Letter

Dear Jeff and Michael:

The following comments and recommendations are based on the results of our audit of the association’s 2012 financial statements.

It is our responsibility to report on the fair presentation of the financial statements in all material respects. The dollar materiality for financial statement purposes was determined to be $12,000 and any adjustments that we discovered that were below that threshold may not have been proposed and recorded by management.

Management is responsible for developing and maintaining an effective system of internal accounting controls, keeping the accounting books in good order and for all amounts including the estimates that are presented in the financial statements. Our responsibility as the auditor is to examine, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit involved judgment about the number of transactions to be examined and tested. Because of the concept of reasonable assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, fraud, or other illegal acts may exist and not be detected by us.

The financial statements contain significant estimates that are the responsibility of management. The most significant is the loss reserves estimate. Management has engaged an independent actuary to assist in determining a reasonable estimate of the loss reserves and that estimate has been used in the financial statements.

1 - Communication of control deficiencies or material weakness. - Statement on Auditing Standards (SAS) 112.

Our consideration of internal controls was for the limited purpose of conducting our organization’s audit and would not necessarily identify all deficiencies in internal controls that might be significant or material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned duties to prevent or detect
Misstatements on a timely basis. A significant deficiency is a control deficiency or combination of control deficiencies that adversely effects the entity’s ability to initiate, authorize, record, process or report financial data reliably in accordance with accounting principles such that there is more than a remote likelihood that a misstatement of the entity’s financial statements, that is more than inconsequential, will not be prevented or detected by the entity’s internal controls.

A material weakness is a significant deficiency or combination of significant deficiencies that results in more than a remote likelihood that a material misstatement of the financial statements will not be detected by the entity’s internal controls.

It is important to note that control deficiencies are not necessarily problems you will choose to address. However, they do represent potential risks. Our job as your auditor is to ensure that you understand where deficiencies or weaknesses exist so that you can make informed business decisions on how best to respond to these risks. There were no material weaknesses noted. We did identify a certain deficiency in internal controls that we consider to be significant which is discussed below.

2 - Disbursements tests performed
We tested disbursement controls selecting a sample to provide a 95% confidence level.

In addition, we selected a sample of disbursements and checked for appropriate signatures and endorsements and verified that amounts agreed to invoices and were recorded to the proper accounts. The following lists sample statistics:

<table>
<thead>
<tr>
<th>Number</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total expenses (population)</td>
<td>417</td>
</tr>
<tr>
<td>Large balances selected for testing</td>
<td>14</td>
</tr>
<tr>
<td>Sample of remaining balance taken for testing</td>
<td>60</td>
</tr>
</tbody>
</table>

3 - Depreciation expense not calculated
During testing of equipment and depreciation expense it was noted that depreciation expense was not calculated for several assets. This resulted in an understatement of expense and overstatement of net assets.

We recommend that each subsidiary schedule prepared to support the general ledger not only be agreed to the general ledger, but that the calculated amounts be evaluated to determine if the results are reasonable.

4 - Delinquent accounts receivables
It was noted that there was $3,145 of accounts receivable that were over 120 days past due. In one case, there was a receivable for $1,000 that had been on the books for over two years.

We recommend that receivables be analyzed monthly and that collection procedures be timely implemented on delinquent accounts.
5 - Verification of deposits received to amounts deposited
NACO has adopted the internal control of requiring that all deposits received are to be copied by NACO personnel before being transferred to the PARMS bookkeeper for deposit. After the deposit is made, the deposit receipt is sent to NACO for verification that the amounts sent to PARMS is in agreement to the amount deposited.

It was noted that NACO staff has not been making a copy of the receipts therefore being unable to verify with written documentation that the deposits are complete.

We recommend that this established internal control be implemented.

6 - Changes made in 2011 general ledger
During our testing of the General Ledger (GL) it was discovered that a change was made in the GL after the financial statements had been issued. This change affected the 12/31/2011 balances of Accounts Receivable and Retained Earnings.

To preserve agreement between the GL and previously issued financial statements it is essential that no transactions be changed or journal entries be posted after financial statements have been issued.

7 - Update of accounting policy and procedures manual
It was noted that the current accounting policy and procedures manual does not include key cash receipts controls. The manual has not been updated for several years and it appears incomplete in some areas.

We recommend that it be reviewed and updated and made available to those involved in the accounting processes.

8 - Five day reimbursement policy
The current policy outlined in the NACO Policy Manual dated August 22, 2006 requires reimbursements to be submitted within five days. This is an unusually short period of time and as a result generated exceptions that may not be considered as such by the board.

We recommend that the board reconsiders whether this policy is to be maintained or changed to provide a greater length of time before reimbursements are required to be submitted.

9 - Tracking of grant activity
It was noted that there was not a schedule detailing the two grants awarded to NACO and a listing of draws from those grants that could be reconciled to the financial statements. One of the requests for reimbursement forms (Form 269A) and the related financial status reports (From 270) was missing.

We recommend that an excel schedule be prepared to track each grant listing the reimbursements and that those reimbursements be supported by the forms 270 and 269A.
10 - Capital expenditures expensed in current year
Multiple costs related to the new building were expensed during the current year rather than being recorded as capital expenditures and depreciated over their useful life resulting in a $94,754 reduction of income. All expenditures should be compared to NACO's capitalization policy prior to being recorded in the general ledger.

In order to track amounts spent on building improvements we recommend the preparation of a separate management report rather than using an expense account in the GL to summarize these expenditures.

11- Former authorized signers on investment account not removed
It was noted that Claudette Springmeyer is shown as an authorized signer on the investments accounts.

We recommend that this be corrected and that at any time there is a change in those authorized as signers on an account that the financial institution be contacted timely and signature cards updated.

12 - Proposed adjustments to the financial statements:
The following adjustment were recommended to management and accepted:
1. Beginning retained earnings adjusted for incorrect posting to a prior period of $750
2. WIR dues were adjusted to reflect the expense in the year services are to be provided. Net income increased by $6,968.
3. Building improvements were incorrect expenses in the amount of $94,754. An adjustment was made to reclassify this and to record depreciation for these assets. No effect on income.
4. Grant revenues had been netted against related expense in prior years. It was determined that a better presentation should be to show the gross amounts. No effect on income.
5. Mortgage interest adjusted to agree to amortization schedule. Reduction on net income by $29.33.

Cumulative changes increased income by $100,943.

13 - Passed Adjustment schedule
The following adjustments were not provided to the bookkeeper to record as they were immaterial:
1. Delinquent receivables of $3,145 if recorded would reduce income by this amount.
2. National Programs were not accrued for 4th quarter revenues that if recorded would increase income by $2,014.
3. Accrual of unpaid PERS expense of $341.
4. Interest accrual on building loan for the period 12/21/12 to 12/31/12 in the amount of $486

Cumulative adjustments that were not recorded would have decreased income by $1,472.
14 - Review of prior year comments
The following management recommendations from the prior audit were not implemented:

*Capital expenditure not capitalized.* $94,754 of capital improvements during 2012 were expensed rather than capitalized. As in the prior year, we recommend that capital expenditures be capitalized and that the schedules of capital assets be reconciled to the general ledger.

**Conclusion**
The recommendations in this report address control weaknesses that are classified as significant deficiencies and if addressed can help in the detection of material errors on a timely basis. We noted a significant improvement in the division of responsibilities and the accepting of that responsibility to process and review accounting data by the bookkeeper.

If you have any questions, please do not hesitate to contact us.

Sincerely,

*Bertrand & Associates, LLC*
<table>
<thead>
<tr>
<th>MANAGEMENT COMMENT</th>
<th>SOURCE/DOCUMENTATION</th>
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<tbody>
<tr>
<td>Disbursements tests</td>
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<tr>
<td>Depreciation expense</td>
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<tr>
<td>Delinquent receivables</td>
<td>2052 – review of receivables</td>
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<tr>
<td>Verification of deposit control</td>
<td>Bank Reconciliation control walk through</td>
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<tr>
<td>Update accounting manual</td>
<td>307- Compared flow chart of processes to documented procedures.</td>
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<tr>
<td>Reimbursement policy</td>
<td>Policy &amp; Procedures manual</td>
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<tr>
<td>Tracking of grant activity</td>
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<tr>
<td>Capital assets schedule not in agreement to financial statements &amp; depreciation not calculated</td>
<td>2103</td>
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<tr>
<td>Former authorized signers not removed from investment account</td>
<td>2050</td>
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**PRIOR YEAR COMMENTS NOT IMPLEMENTED**

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<thead>
<tr>
<th>Capital assets schedule not in agreement to financial statements</th>
<th>Prior year letter</th>
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Agenda Item 8 Back up

Appointment of Two Representatives of Local Governments to the Subcommittee on Governance and Funding of the Interim Legislative Study Concerning the Governance, Structure of and Funding Methods for Community Colleges in this State (SB391 Enacted in the 2013 Legislative Session). For Possible Action

SB391 directs the Legislative Commission to appoint a committee to conduct an interim study concerning the governance structure of and funding methods for community colleges in this State. The committee will be composed of six Legislators including; two members appointed by the Senate Majority Leader, two members appointed by the Speaker of the Assembly, one member appointed by the Senate Minority Leader, and one member appointed by the Assembly Minority Leader.

The Interim Committee is also required to appoint a Subcommittee on Governance and Funding, which consists of: three members who are members of the Interim Committee, one member who is a member of the Board of Regents of the University of Nevada, appointed by the Chair of the Board; one member who is a representative of K-12 education, appointed by the Superintendent of Public Instruction, two members who are representatives of local governments, appointed by the Nevada Association of Counties, or its successor organization, one member who is a representative of local governments, appointed by the Nevada League of Cities, or its successor, and any other members appointed by the Chair of the Interim Committee.

The Legislative findings in SB391 are:

- Community colleges are a key component of the State Plan for Economic Development developed by the Executive Director of the Office of Economic Development.
- Certain community colleges have a regional presence for vast areas of rural Nevada.
- Recent economic problems in this State highlight the need for community colleges to be responsive to the students, business communities and regions of this State that they serve.
- It is important to determine whether a new method of governing and funding community colleges in this State is necessary to improve and advance the purpose of the State’s community colleges.

http://www.leg.state.nv.us/Session/77th2013/Bills/SB/SB391_EN.pdf
Agenda Item 10. Backup

Possible Approval to Support a Request for Additional Vouchers for the Nevada Rural Housing Authority. For possible action.

Memo:

Attachment 1. HUD Assisted Units Map

Attachment 1. Percentage of Very Low Income Renters Map

Attachment 3. Letter regarding summary of Additional Housing Vouchers Program
August 8, 2013

To the Nevada Association of Counties Board of Directors:

The Nevada Rural Housing Authority (NRHA), a High Performing PHA since 2004, has been requesting additional Housing Choice Vouchers (HCV) for over nine years. NRHA made these requests because of the critical and growing need. In 1976, when this organization was formed, the population of NRHA's jurisdiction was 118,000 and with 1,573 vouchers was able to serve 1.3% of that population. Nevada's rural population is now at 851,376 with no corresponding increase in vouchers.

At a HUD conference in October of 2010 in Reno, HUD focused on "preventing short falls, terminations and under-utilization of vouchers." At that meeting HUD staff provided statistical confirmation of Nevada's need and demand. Attachment 1 shows Nevada ranked 49th in vouchers assigned. Attachment 2 demonstrates that Nevada is second in percentage of need with over 56.7% of Nevada families suffering a severe rent burden. This data was compiled on estimates from 2005 to 2007, prior to the downturn in the economy and today our unemployment is the highest in the Nation.

The most disturbing fact learned at this conference was that there are over thirty thousand unused vouchers not being utilized by under or non-performing PHA's.

During the last 12 months NRHA restructured its entire Housing Programs Department by purging its files and reopening the waiting list. NRHA’s voucher utilization rate is at 100.2%, demonstrating once again that this agency is a high performing agency which is dedicated to serving the poor and unemployed residents of state. We currently have over 1700 families on our waiting list and anticipate that number to grow.

At the White House Conference on Nevada Housing in May 2012, we asked to examine this and re-allocate some of the tens of thousands of unused vouchers to high-performing agencies. Any vouchers transferred to NRHA, and other high-performing agencies, require no additional funding, because the dollars have already been budgeted through the Annual Contribution Contracts signed by the non-performing PHAs. The only additional funding NRHA requires is the one-time start up fees, similar to those provided in the 1970’s. NRHA requires $1000 per new voucher to incorporate the new vouchers into our system.

We are requesting three thousand five hundred (3,500) additional vouchers be allocated to the Nevada Rural Housing Authority, along with the appropriate startup costs. This would enable us to serve nearly 1% of the rural population, including the additional 1700 families on our waiting list.
Agenda Item 11. Backup

Update Regarding NACO’s 2013 Joint Annual Conference with the Nevada League of Cities and Municipalities on September 10-12, and Local Government Summit (LGS) on September 13, 2013, including the Possible Approval of NACO Priorities for Federal and State Legislation for Further Discussion at the LGS. For Possible Action.

Memo:

Attachment Conference Preliminary Agenda
Nevada Association of Counties  
& 
Nevada League of Cities and Municipalities

MontBleu Resort  
Stateline, Douglas County, NV

September 10-12, 2013  
Douglas County, Town of Gardnerville, Gardnerville Ranchos GID  
Indian Hills GID

“Building the Legacy of Local Government”

Tuesday, September 10th

7:30 – 8:00  P.O.W.E.R. – Part 1 & 2 Registration
8:00 – 4:30  P.O.W.E.R. – 1 & 2 Certified Public Official Workshop  
P.O.W.E.R. – Lunch
8:00 – 4:30  CDBG Forum  
CDBG Lunch
8:00 – 1:30  Golf Tournament – Carson Valley Golf Course  
Luncheon and Awards
12:00 – 4:00  Exhibit Set Up and Registration
1:00 – 5:00  LOGMAN
8:00 – 5:00  NACO/NLC&M Committee and Affiliate Meetings
4:00 – 5:00  Joint NACO/NLC&M Executive Board Meeting
6:00 – 8:00  President’s Reception – TBA

Wednesday, September 11th

7:30 – 9:00  NACO Board Meeting
7:30 – 9:00  NLC&M Concurrent Meetings
8:00 – 9:00  Business Portal Roundtable
8:00 – 4:00 Conference Registration

8:00 – 4:00 Exhibits Open

9:00 - 11:30 Opening General Session
Invocation/Blessing – Washoe Indian Tribe
Presentation of Colors
National Anthem
911 Tribute
Welcoming Remarks – President March + President Boland
Greetings – Douglas County, Town of Gardnerville, Gardnerville Ranchos GID, Indian Hills GID
Honored Guests (Legislators, Delegation Members, Governor or Constitutional Officers)
Nevada Financial Health Snapshot – Rick Phillips
Federal Update – Ryan McGinness

11:45 – 1:15 Luncheon
POWER Awards
Sponsor Comments
Tahoe/Douglas County Historian – Mark McLaughlin

1:30 – 3:00 Educational Session 1A – Media Relations/Social Media
Educational Session 1B – Planning and Land Use
Educational Session 1C – Senior Services

3:00 – 3:15 Refreshment Break

3:15 – 4:45 Educational Session 2A – Budget & Finance
Educational Session 2B – Affordable HealthCare Act
Educational Session 2C – Meetings/Civility

6:00 – 9:00 NACO and NLC&M Annual Banquet
Cocktail Hour
Dinner
Awards Presentation
Entertainment

Thursday, September 12th

8:00 – 4:00 Exhibits Open

8:00 – 4:00 Conference Registration

8:00 – 9:30 Educational Session 3A – Veterans Services
Educational Session 3B – Meeting Infrastructure Challenges
Educational Session 3C – Economic Development

9:30 – 9:45 Refreshment Break

9:45 – 11:15 Educational Session 4A – Ethics
Educational Session 4B – Public Lands
Educational Session 4C – Information Technology
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<th>Time</th>
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<tr>
<td>11:30 – 1:15</td>
<td>Luncheon</td>
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<td>Sponsor Comments</td>
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<td>Speaker – Doug Watson</td>
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<td>Silent Auction Winner Posting Announcement</td>
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<td>1:15 – 3:15</td>
<td>General Session</td>
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<td>Speaker – Meagan Johnson</td>
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<td>Legislative Panel</td>
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<td>3:30 – 4:30</td>
<td>NLC&amp;M Board Meeting</td>
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<td>3:30 – 4:30</td>
<td>NACO Event</td>
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<td>5:00 – 8:30</td>
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Agenda Item 13. Backup

Update on the Nevada Supreme Court’s Indigent Defense Commission. For Possible Action.

Nye County Assistant Manager Joni Eastley and NACO Executive Director Jeff Fontaine were recently appointed by the Nevada Supreme Court to serve on the Rural Subcommittee of the Nevada Indigent Defense Commission.

Information regarding the IDC can be found at:

http://www.nevadajudiciary.us/index.php/indigentdefensecommission
Agenda Item 18. Backup

Update on the Implementation of AB227 (Public Lands Transfer Study) Enacted in the 2013 Legislative Session.

Memo:

Attachment: Nevada Land Management Task Force August 26 Meeting Agenda
PUBLIC MEETING NOTICE

Nevada Land Management Task Force
(Established Pursuant to Assembly Bill 227 enacted in the 2013 Legislative Session)

August 16, 2013, 1:00 p.m.
Eureka Opera House
31 S. Main St.
Eureka, NV 89316

AGENDA

Some Task Force members may attend via telephone from other locations. Items on the agenda may be taken out of order. The Task Force may combine two or more agenda items for consideration. The Task Force may remove an item from the agenda or delay discussion relating to an item on the agenda at any time.

Call to Order, Roll Call

1. Public Comment. Please Limit Comments to 3 Minutes

2. Approval of Agenda. For Possible Action.

3. Approval of the Minutes of the June 28, 2013 Meeting of the Nevada Land Management Task Force. For Possible Action. (Attachment)

4. Overview of Legislation in Other Western States Regarding the Transfer of Public Lands.


6. Initial Discussion on Potential Lands to be Included in a Transfer of Public Lands from the Federal Government to Nevada. (Attachment)

7. Initial Discussion of Cost and Revenue Implications of the Transfer of Public Lands to Nevada. (Attachment)

8. Initial Discussion on Transferring Multiple Uses, Including but not Limited to Outdoor Recreation, Mining and Prospecting, Timber, Grazing, and Fish and Wildlife Purposes, with the Transfer of Public Lands.

9. Initial Discussion on Which Public Lands, if Transferred to State Ownership, Should be Sold or Exchanged into the Private Sector and How Should the Sales Take Place?

10. Suggested Agenda Items for the Next Meeting Including the Possible Continuation of Agenda Items from the August 16th, 2013 Meeting, Identifying Additional Stakeholders, and Approval of Dates and Locations for Future Task Force Meetings. For Possible Action.

11. Discussion and Possible Approval of Topics for Future Task Force Meetings. For Possible Action.

12. Public Comment - Please Limit Comments to 3 Minutes

Adjourn - Action
Members of the public who are disabled and require special accommodations or assistance at the meeting are requested to notify NACO in writing at 304 S. Minnesota Street, Carson City, NV 89703, or by calling (775) 883-7863 at least three working days prior to the meeting.

This agenda was posted at the following locations:
NACO Office 304 S. Minnesota Street, Carson City, NV 89703
Washoe County Admin. Building 1001 E. Ninth Street, Reno, NV 89520
Clark County Admin. Building 500 S. Grand Central Parkway, Las Vegas, NV 89155
Eureka County 10 South Main Street, Eureka Nevada
POOL/PACT 201 S. Roop Street, Carson City, NV 89701

Members of the public can request copies of the supporting material for the meeting by contacting Elyse Monroy at (775) 883-7863. Supporting material is also available at the NACO Office and online at: