

Audit Report

*STOREY COUNTY,
NEVADA*

June 30, 2006

STOREY COUNTY, NEVADA
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INDEPENDENT AUDITOR'S REPORT

To the Honorable Board of County Commissioners
Storey County, Nevada

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Storey County, Nevada, as of and for the year ended June 30, 2006, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Storey County, Nevada management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Storey County, Nevada, as of June 30, 2006, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 14, 2006, on our consideration of the Storey County, Nevada internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages 3 through 7 and 44 through 60, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Storey County, Nevada, basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink, appearing to read "D. A. Pringle". The signature is stylized and written in a cursive-like font.

David A. Pringle, CPA, LTD
November 14, 2006

COUNTY OF STOREY, STATE OF NEVADA
MANAGEMENT DISCUSSION AND ANALYSIS

As management of Storey County, State of Nevada, we offer readers of Storey County's financial statements this overview and analysis of the financial activities of Storey County for the fiscal year ended June 30, 2006. We ask readers to consider the information presented, together with additional information in our letter of transmittal, which can be found within this document.

FINANCIAL HIGHLIGHTS

- The assets of Storey County exceeded its liabilities as June 30, 2006 by \$18,478,657.
- The County's unrestricted net assets increased \$3,081,513.
- At June 30, 2006, the unreserved fund balance for the general fund was \$6,883,747.
- Storey County's bonded debt at June 30, 2006 was \$828,878 which was all revenue bonds of the County's enterprise funds.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to Storey County's basic financial statements. These basic financial statements include (1) government-wide financial statements (2) fund financial statements, and (3) notes to the financial statements. Other supplementary information is also available in this report.

Government-Wide Financial Statements. The government-wide statements are designed to provide readers with a broad overview of Storey County's finances in a manner similar to private-sector business.

The statement of net assets is information on all of Storey County's assets and liabilities, with the difference between the two reported as net assets. Over time, increases in net assets may serve as an indicator to show if the financial position of Storey County is improving or declining.

The statement of activities notes information as to how the government's net assets changed during the last fiscal year. All changes in net assets are reported as soon as the event causing the change occurs, regardless of the timing of related cash flows. Revenues and expenses are reported for some items that result in cash flows in future periods, (e.g. earned, unused vacation)

The government-wide financial statements distinguish functions of Storey County that are mainly supported by taxes and intergovernmental revenues (government activities) from other functions that recover their costs through user fees and charges. The governmental activities of Storey County included general government, public safety, roads and streets, judicial and, culture and recreation. The business activities (enterprise funds) are the Water and Sewer.

The Government-wide financial statements can be found in this report on pages 8 through 10.

Fund Financial Statements. Funds are groupings of related accounts and is used to maintain control over resources segregated for specific activities or purpose. Storey County uses fund accounting to ensure compliance with state finance related requirements. The funds of Storey County are as follows: governmental, enterprise and fiduciary.

Governmental Funds. Governmental funds are used to account for the functions reported as governmental activities, in the government-wide financial statements. Unlike the Government-wide financial statements, governmental fund statements focus on near term inflows of expendable resources and on balances of expendable resources at the end of the fiscal year. This information helps with decisions as to near term financing needs.

The focus of Governmental funds is narrower than the government-wide financial statements. It is useful to compare the information for governmental funds with similar information for governmental activities in government-wide financial statements. Readers will better understand the long-term impact of governments near-term financing decisions. The governmental fund balance sheet and governmental fund statement of revenues, expenditures and changes in fund balances allow this comparison between governmental funds and activities.

Storey County has seventeen governmental funds. Financial information is stated separately in the governmental fund balance sheet and in the governmental statement of revenues, expenditures, and changes in fund balances, for the general fund and two other funds considered major funds. Data from the other fourteen governmental funds are combined. Individual fund data for non-major governmental funds are reported in combining statements in this report.

Storey County adopts an annual budget for all the above funds. A budgetary comparison statement has been provided for all funds to show compliance with the budget.

The governmental fund financial statements can be found in this report on pages 11 through 21 .

Enterprise funds. Storey County operates two enterprise funds, water and sewer, and are reported as business type activities, reported in the government-wide financial statements. Enterprise funds are presented on pages 22 through 24.

Fiduciary funds. Fiduciary funds are used to account for resources held for other entities. Fiduciary funds are not reported in the government-wide financial statement as the resources do not support Storey County's needs. The accounting used for fiduciary funds is similar to that used for enterprise funds.

Fiduciary fund financial statements can be found in this report on page 25.

Notes to the financial statements. The notes in this report provide additional information is necessary for a full understanding of the information provided in the government-wide and fund financial statements. The notes can be found on pages 26 through 36.

Other information. The combining and individual fund statements and schedules for major governmental funds can be found on page 11 of this report. This same information for non-major governmental funds can be found on pages 37 through 61 of this report.

STOREY COUNTY NEVADA
NET ASSETS

	Governmental Activities	Business Type Activities	Total
	June 30, 2006	June 30, 2006	June 30, 2006
Current and other Assets	\$ 8,812,934	\$ 1,628,635	\$ 10,441,569
Capital Assets	<u>6,715,753</u>	<u>5,000,905</u>	<u>11,716,658</u>
Total Assets	<u>\$ 15,528,687</u>	<u>\$ 6,629,540</u>	<u>\$ 22,158,227</u>
Long Term Liabilities			
Outstanding	\$ 868,702	\$ 804,044	\$ 1,672,746
Other Liabilities	<u>1,929,187</u>	<u>77,637</u>	<u>2,006,524</u>
Total Liabilities	<u>\$ 2,797,889</u>	<u>\$ 881,681</u>	<u>\$ 3,679,570</u>
 NET ASSETS			
Invested in Capital			
Assets, Net of Related Debt	\$ 5,940,172	\$ 4,172,027	\$ 10,112,199
Unrestricted	<u>6,709,626</u>	<u>1,575,832</u>	<u>8,366,458</u>
Total Net Assets	<u>\$ 12,730,798</u>	<u>\$ 5,747,859</u>	<u>\$ 18,478,657</u>

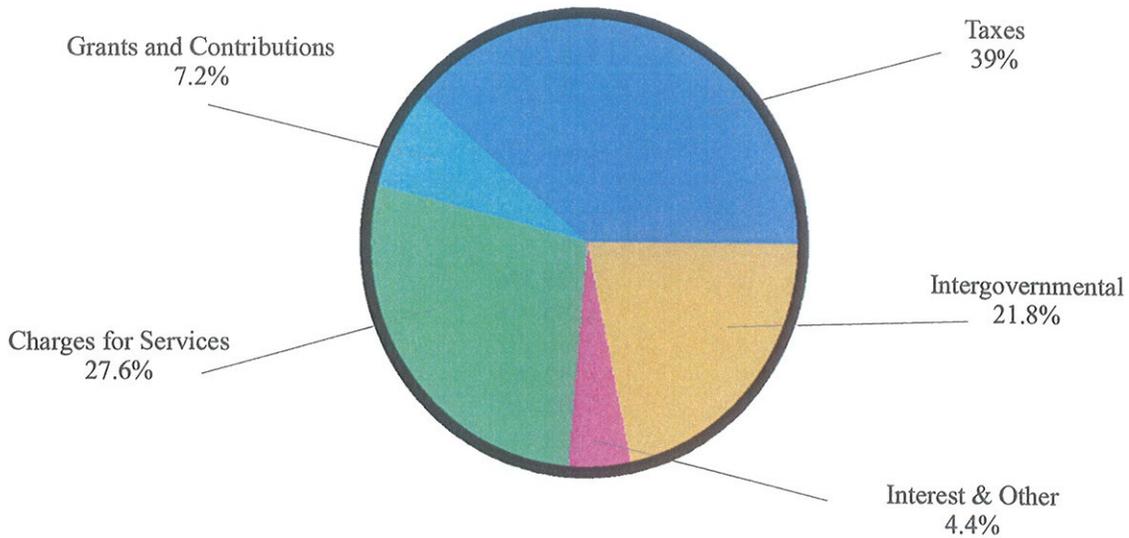
STOREY COUNTY NEVADA
CHANGES IN NET ASSETS

	Governmental Activities	Business Type Activities	Total
	June 30, 2006	June 30, 2006	June 30, 2006
REVENUES:			
Program Revenues:			
Charges For Services	\$ 3,358,034	\$ 498,710	\$ 3,856,744
Operating Grants and Contributions	741,515		741,515
Capital Grants and Contributions	46,509	226,469	272,978
General Revenues:			
Taxes	5,459,875		5,459,875
Intergovernmental	3,047,949		3,047,949
Other	<u>555,510</u>	<u>59,064</u>	<u>614,574</u>
Total Revenues	<u>13,209,392</u>	<u>784,243</u>	<u>13,993,635</u>
EXPENSES:			
General Government	2,729,376		2,729,376
Public Safety	5,845,036		5,845,036
Judicial	550,272		550,272
Health and Welfare	112,068		112,068
Culture and Recreation	347,585		347,585
Community Support	228,413		228,413
Highways and Streets	471,206		471,206
Water and Sewer	<u> </u>	<u>628,166</u>	<u>628,166</u>
Total Expenses	<u>10,283,956</u>	<u>628,166</u>	<u>10,912,122</u>
Changes In Net Assets	2,925,436	156,077	3,081,513
Net Assets July 1, 2005	<u>9,805,362</u>	<u>5,591,782</u>	<u>15,397,144</u>
Net Assets June 30, 2006	<u>\$12,730,798</u>	<u>\$ 5,747,859</u>	<u>\$18,478,657</u>

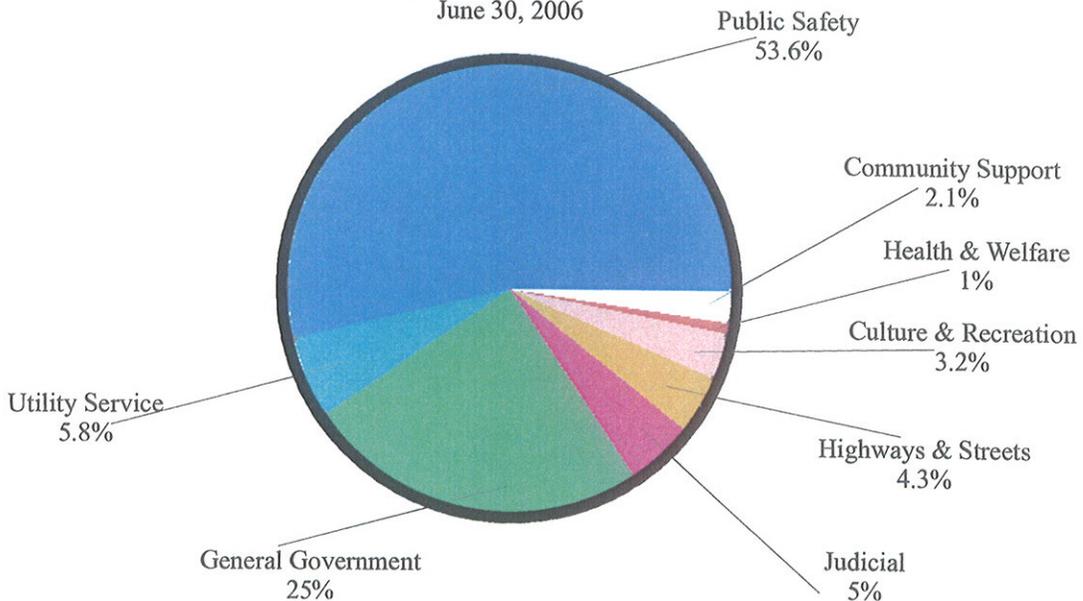
COUNTY OF STOREY, STATE OF NEVADA
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 JUNE 30, 2006

Revenues in the General Fund were \$8,133,255, which was \$870,793 more than the amount budgeted. Actual revenue exceeded budgeted amounts in all budget categories. Actual expenditures were \$5,957,101, which was \$961,832 less than appropriations for the year. Overall, the total ending fund balance was \$3,621,479 which is \$2,772,343 more than budgeted. Of the \$3,621,479 ending fund balance \$1,686,344 was designated as an opening fund balance on July 1, 2006 and \$250,000 was reserved on July 1, 2006.

Storey County, Nevada
 Revenues by Function
 June 30, 2006



Storey County, Nevada
 Expenditures by Function
 June 30, 2006



COUNTY OF STOREY, STATE OF NEVADA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2006

Business Type Activities. Business-type activities increased Storey County's net assets by \$156,077. Depreciation expense for the current fiscal year was \$112,077.

Financial Analysis of the Government's Funds. As noted earlier, Storey County uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

Governmental Funds. The focus of Storey County's governmental funds is to provide information on near term inflows, outflows, and balances of expendable resources. Such information is useful in assessing Storey County's financing requirements. In particular, unreserved fund balance may serve as a useful measure of government's net resources available for spending at the end of the fiscal year.

Budgetary Highlights-Fiscal Year June 30, 2006. The budget statements reflect a comparison of budgeted revenues and expenditures to actual for the year ended June 30, 2006. The budget statements were prepared from the final budget as filed with the Nevada Department of Taxation. Budget revenues and expenditures were adjusted for grants received in excess of original amounts budgeted. Augmentations and line item transfers were made during the year as approved by the Storey County Commissioners.

The general fund revenues exceeded expectations by \$870,793, leaving a fund balance of \$3,621,479.

Fund budget information can be found on pages 15 through 19.

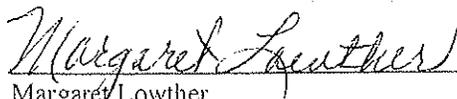
Capital Assets. Storey County's investment in capital assets for its governmental and business type activities as of June 30, 2006 amounts to \$11,716,658 (net of accumulated depreciation). This investment in capital assets includes land, buildings, and system, improvements, machinery and equipment, park facilities, roads, and bridges.

STOREY COUNTY NEVADA
CAPITAL ASSETS
JUNE 30, 2006

	Governmental Activities	Business Type Activities	Total
	June 30, 2006	June 30, 2006	June 30, 2006
Land	\$ 134,443		\$ 134,443
Buildings and Improvements	4,567,396		4,567,396
Improvements other than Buildings	481,413		481,413
Machinery and Equipment	1,532,501	\$ 182,419	1,714,920
Sewer and Water systems	<u> </u>	<u>4,818,486</u>	<u>4,818,486</u>
 Total	 <u>\$ 6,715,753</u>	 <u>\$ 5,000,905</u>	 <u>\$ 11,716,658</u>

Requests for information

This financial report is designed to provide a general overview of Storey County, Nevada's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Storey County Auditor/Recorder, P.O. Box 493, Virginia City, Nevada 89440, telephone number (775)847-0967, e-mail Recorder@StoreyCounty.org



Margaret Lowther
Recorder and Auditor

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STOREY COUNTY, NEVADA
STATEMENT OF NET ASSETS
JUNE 30, 2006

<u>ASSETS</u>	<u>GOVERNMENTAL ACTIVITIES</u>	<u>BUSINESS-TYPE ACTIVITIES</u>	<u>TOTAL</u>
Cash	\$ 8,366,416	\$ 1,570,587	\$ 9,937,003
Accounts receivables	395,376	58,048	453,424
Taxes receivable	51,142		51,142
Capital assets - net of accumulated depreciation			
Land	134,443		134,443
Buildings and improvements	4,567,396		4,567,396
Improvements other than buildings	481,413		481,413
Utility system		4,807,139	4,807,139
Machinery and equipment	1,532,501	193,766	1,726,267
Total Assets	<u>\$ 15,528,687</u>	<u>\$ 6,629,540</u>	<u>\$ 22,158,227</u>
 <u>LIABILITIES AND FUND BALANCES</u>			
Accounts payable and other current liabilities	\$ 1,929,187	\$ 52,803	\$ 1,981,990
Non-current liabilities			
Bonds payable - due within one year		24,834	24,834
- due in more than one year		804,044	804,044
Compensated absences - due in more than one year	93,121		93,121
Other non-current liabilities	775,581		775,581
Total Liabilities	<u>\$ 2,797,889</u>	<u>\$ 881,681</u>	<u>\$ 3,679,570</u>
 <u>NET ASSETS</u>			
Invested in capital assets - net of related debt	\$ 5,940,172	\$ 4,172,027	\$ 10,112,199
Unrestricted	6,790,626	1,575,832	8,366,458
Total Net Assets	<u>\$ 12,730,798</u>	<u>\$ 5,747,859</u>	<u>\$ 18,478,657</u>

The notes to financial statements are
an integral part of this statement.

STOREY COUNTY, NEVADA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2006

<u>FUNCTIONS/PROGRAMS</u>	<u>EXPENSES</u>	<u>PROGRAM REVENUES</u>		
		<u>CHARGES FOR SERVICES</u>	<u>OPERATING GRANTS AND CONTRIBUTIONS</u>	<u>CAPITAL GRANTS AND CONTRIBUTIONS</u>
Primary government:				
Governmental activities:				
General government	\$ 2,729,376	\$ 1,367,128	\$ 43,608	
Public safety	5,845,036	1,902,768	689,235	\$ 24,210
Judicial	550,272	8,363		
Health and Welfare	112,068			
Culture and recreation	347,585	36,910	8,672	22,299
Community support	228,413			
Highways and streets	471,206	42,865		
Total Governmental Activities	<u>10,283,956</u>	<u>3,358,034</u>	<u>741,515</u>	<u>46,509</u>
Business type activities:				
Water	442,539	357,733		
Sewer	185,627	140,977		
Total Business-Type Activities	<u>628,166</u>	<u>498,710</u>		
Total Primary Government	<u>\$ 10,912,122</u>	<u>\$ 3,856,744</u>	<u>\$ 741,515</u>	<u>\$ 46,509</u>

The notes to financial statements are
an integral part of this statement.

STOREY COUNTY, NEVADA
 STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED JUNE 30, 2006

FUNCTIONS/PROGRAMS	NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS		
	GOVERNMENTAL ACTIVITIES	BUSINESS	TOTAL
		TYPE ACTIVITIES	
Primary government:			
Governmental activities:			
General government	\$ (1,318,640)		\$ (1,318,640)
Public safety	(3,228,823)		(3,228,823)
Judicial	(541,909)		(541,909)
Health and Welfare	(44,187)		(44,187)
Culture and recreation	(347,585)		(347,585)
Community support	(228,413)		(228,413)
Highways and streets	(428,341)		(428,341)
Total Governmental Activities	<u>(6,137,898)</u>		<u>(6,137,898)</u>
Business type activities:			
Water		\$ (84,806)	(84,806)
Sewer		(44,650)	(44,650)
Total Business-Type Activities		<u>(129,456)</u>	<u>(129,456)</u>
Total Primary Government	<u>(6,137,898)</u>	<u>(129,456)</u>	<u>(6,267,354)</u>
General revenues:			
Property taxes	5,459,875		5,459,875
Various State Collected Pass-Through Revenues	3,047,949		3,047,949
Interest Earnings	249,042	53,064	302,106
Miscellaneous Revenue	306,468	6,000	312,468
Capital Contributions and Grants		226,469	226,469
Total General Revenues	<u>9,063,334</u>	<u>285,533</u>	<u>9,348,867</u>
Change in Net Assets	2,925,436	156,077	3,081,513
Net Assets - July 1, 2005	9,805,362	5,591,782	15,397,144
Net Assets - June 30, 2006	<u>\$ 12,730,798</u>	<u>\$ 5,747,859</u>	<u>\$ 18,478,657</u>

The notes to financial statements are an integral part of this statement.

STOREY COUNTY, NEVADA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2006

	<u>GENERAL</u>	<u>ROAD FUND</u>	<u>FIRE FUND</u>	<u>OTHER GOVERNMENTAL FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
<u>ASSETS</u>					
Cash	\$ 4,747,581	\$ 457,347	\$ 547,191	\$ 2,614,297	\$ 8,366,416
Accounts receivable	175,356	63,259	129,610	27,151	395,376
Taxes receivable	35,274		11,834	4,034	51,142
Due from other funds	127,000				127,000
Total Assets	<u>\$ 5,085,211</u>	<u>\$ 520,606</u>	<u>\$ 688,635</u>	<u>\$ 2,645,482</u>	<u>\$ 8,939,934</u>
<u>LIABILITIES AND FUND BALANCES</u>					
Liabilities					
Accounts payable	\$ 270,052	\$ 9,325	\$ 90,485	\$ 256,019	\$ 625,881
Accrued expenses	145,843	8,682	82,950	6,725	244,200
Deferred revenue	1,047,837		8,735	2,534	1,059,106
Due to other funds				127,000	127,000
Total Liabilities	<u>1,463,732</u>	<u>18,007</u>	<u>182,170</u>	<u>392,278</u>	<u>2,056,187</u>
<u>FUND BALANCES</u>					
Unreserved reported in:					
General fund	3,621,479				3,621,479
Capital projects funds				697,306	697,306
Special revenue funds		502,599	506,465	1,555,898	2,564,962
Total Fund Balances	<u>3,621,479</u>	<u>502,599</u>	<u>506,465</u>	<u>2,253,204</u>	<u>6,883,747</u>
Total Liabilities and Fund Balances	<u>\$ 5,085,211</u>	<u>\$ 520,606</u>	<u>\$ 688,635</u>	<u>\$ 2,645,482</u>	<u>\$ 8,939,934</u>

The notes to financial statements are an integral part of this statement.

STOREY COUNTY, NEVADA
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2006

Total Fund Balance - government funds - page 11	\$ 6,883,747
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets net of related depreciation are not reported in the Governmental Funds financial statements because they are not current financial resources, but they are reported in the statement of net assets	6,715,753
Long term liabilities are not due and payable in the current period and therefore are not reported in the funds.	<u>(868,702)</u>
Total Net Assets - governmental activities - page 8	<u>\$12,730,798</u>

The notes to financial statements are
an integral part of this statement.

STOREY COUNTY, NEVADA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2006

<u>REVENUES</u>	GENERAL	ROAD FUND	FIRE FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
Taxes	\$ 3,796,910		\$ 970,980	\$ 691,985	\$ 5,459,875
Licenses and permits	1,549,742			77,763	1,627,505
Intergovernmental	1,644,805	\$ 368,004	777,659	1,076,721	3,867,189
Charges for services	734,345	42,865	816,036	105,977	1,699,223
Fines and forfeitures	5,593			51,911	57,504
Miscellaneous	401,860	42,790	36,468	16,888	498,006
Total Revenues	8,133,255	453,659	2,601,143	2,021,245	13,209,302
<u>EXPENDITURES</u>					
Current:					
General government	2,464,755			144,068	2,608,823
Public safety	2,501,271		2,394,947	702,528	5,598,746
Judicial	545,903			4,369	550,272
Health and welfare	2,016			110,052	112,068
Culture and recreation	214,743			201,871	416,614
Community support	228,413				228,413
Highways and streets		433,507			433,507
Total Expenditures	5,957,101	433,507	2,394,947	1,162,888	9,948,443
Excess (deficiency) of revenues over expenditures	2,176,154	20,152	206,196	858,357	3,260,859
<u>OTHER FINANCING SOURCES (USES)</u>					
Transfers in				105,000	105,000
Transfers out	(105,000)				(105,000)
Short term loan payments				(146,972)	(146,972)
Total Other Financing Sources (Uses)	(105,000)			(41,972)	(146,972)
Net change in fund balance	2,071,154	20,152	206,196	816,385	3,113,887
Fund balance - beginning	1,550,325	482,447	300,269	1,436,819	3,769,860
Fund balance - ending	\$ 3,621,479	\$ 502,599	\$ 506,465	\$ 2,253,204	\$ 6,883,747

The notes to financial statements are an integral part of this statement.

STOREY COUNTY, NEVADA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2006

Net change in fund balances - governmental funds, page 13 \$ 3,113,887

Amounts reported for governmental activities in the statement
of activities are different because:

Capital outlays to purchase capital assets are reported in
governmental funds as expenditures. However, those costs
are shown in the statement of net assets and allocated over
their estimated useful lives as depreciation expense in the
statement of activities. This is the amount by which de-
preciation exceeded net capital outlays in the current period. (300,246)

Short term loan payments reported in governmental
funds as an expenditure 140,000

Some expenses in the statement of activities do not require
the use of current financial resources and therefore, are not
reported as expenditures in governmental funds (28,205)

Change in net assets of governmental activities, page 10 \$2,925,436

The notes to financial statements are
an integral part of this statement

STOREY COUNTY, NEVADA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2006

	BUDGETED AMOUNTS		ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
REVENUES				
Taxes:				
Property	\$ 3,181,497	\$ 3,364,570	\$ 3,755,993	\$ 391,423
Youth Services	33,701	33,701	40,917	7,216
Total Taxes	<u>3,215,198</u>	<u>3,398,271</u>	<u>3,796,910</u>	<u>398,639</u>
Licenses and permits:				
Merchandise licenses	45,000	64,221	83,980	19,759
Prostitution licenses	225,000	225,000	206,250	(18,750)
Liquor licenses	2,000	2,000	2,000	0
Utility licenses	95,000	161,732	161,815	83
Franchise tax	14,000	14,000	52,802	38,802
Building permits	180,000	963,641	1,016,166	52,525
Special use permits	10,000	10,000	26,729	16,729
Total Licenses and Permits	<u>571,000</u>	<u>1,440,594</u>	<u>1,549,742</u>	<u>109,148</u>
Intergovernmental:				
Federal and state grants			4,336	4,336
Payment in lieu of taxes	25,000	25,000	21,044	(3,956)
State shared revenues:				
Cigarette tax	26,162	26,162	25,214	(948)
Liquor tax	4,820	4,820	4,793	(27)
Gaming licenses	160,000	160,000	157,713	(2,287)
Basic CCRT	279,652	395,776	442,745	46,969
Supplemental CCRT	507,860	507,860	507,859	(1)
Motor Vehicle Privilege Tax	295,937	295,937	315,483	19,546
Virginia City Intergovernment Agreement	30,000	30,000	30,000	0
Real Property Transfer Tax	69,500	69,500	135,618	66,118
Total Intergovernmental	<u>1,398,931</u>	<u>1,515,055</u>	<u>1,644,805</u>	<u>129,750</u>
Charges for Services:				
Clerk Fees	9,000	9,000	10,723	1,723
Recorder fees	80,000	80,000	96,958	16,958
Assessor fees/commissions	40,000	109,401	111,612	2,211
Building department fees			8,200	8,200
District Court fees	4,500	4,500	3,939	(561)
Justice court fees			4,424	4,424
Candidate filing fees	1,000	1,000	1,560	560
Sheriffs fees	30,000	30,000	34,617	4,617
Dog control	2,000	2,000	1,020	(980)
Facility fees	6,000	6,000	3,720	(2,280)
Swimming pool admissions	10,000	10,000	14,348	4,348
Park facilities fees	500	500	600	100
Import tonnage fees	350,000	361,162	424,382	63,220
Swim pool - concessions	3,000	3,000	4,242	1,242
V.C. park fees	2,500	2,500	2,500	0
V.C. Highlands park fees	6,000	6,000	9,000	3,000
Mark Twain park fees	1,500	1,500	2,500	1,000
Lockwood park fees	5,000	5,000		(5,000)
Total Charges for Services	<u>551,000</u>	<u>631,563</u>	<u>734,345</u>	<u>102,782</u>

The notes to financial statements are
an integral part of this statement.

STOREY COUNTY, NEVADA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2006

	BUDGETED AMOUNTS		ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
<u>REVENUES (cont'd.)</u>				
Fines and Forfeits:				
District fine				0
Juvenile fines/assessments	1,000	1,000	1,252	252
Chemical analysis fees	1,000	1,000	1,080	80
Other fines			3,261	3,261
Total Fines and Forfeits	<u>2,000</u>	<u>2,000</u>	<u>5,593</u>	<u>3,593</u>
Miscellaneous:				
Miscellaneous/other	20,000	20,000	18,906	(1,094)
Penalties - current year	15,000	15,000	52,583	37,583
Penalties - prior years	10,000	10,000	35,134	25,134
Interest	25,000	187,083	221,538	34,455
Other	25,000	42,896	73,699	30,803
Total Miscellaneous	<u>95,000</u>	<u>274,979</u>	<u>401,860</u>	<u>126,881</u>
Total Revenues	<u>5,833,129</u>	<u>7,262,462</u>	<u>8,133,255</u>	<u>870,793</u>
<u>EXPENDITURES</u>				
General Government				
Commissioners:				
Salaries and wages	208,597	208,597	213,581	(4,984)
Employee benefits	94,600	99,969	104,295	(4,326)
Services and supplies	5,800	13,300	5,589	7,711
	<u>308,997</u>	<u>321,866</u>	<u>323,465</u>	<u>(1,599)</u>
Clerk Treasurer:				
Salaries and wages	160,413	160,413	173,877	(13,464)
Employee benefits	65,313	65,313	68,285	(2,972)
Services and supplies	26,300	34,698	21,851	12,847
Capital outlay	2,500	2,500		2,500
	<u>254,526</u>	<u>262,924</u>	<u>264,013</u>	<u>(1,089)</u>
Recorder Auditor:				
Salaries and wages	211,450	211,450	224,283	(12,833)
Employee benefits	77,660	77,660	76,955	705
Services and supplies	7,925	28,079	20,551	7,528
Capital outlay	6,000	6,000	6,846	(846)
	<u>303,035</u>	<u>323,189</u>	<u>328,635</u>	<u>(5,446)</u>
Assessor:				
Salaries and wages	156,640	156,640	165,697	(9,057)
Employee benefits	72,340	72,340	75,323	(2,983)
Services and supplies	21,500	31,996	25,333	6,663
Capital outlay		25,509	24,491	1,018
	<u>250,480</u>	<u>286,485</u>	<u>290,844</u>	<u>(4,359)</u>
Administrative:				
Employee benefits	17,000	17,000	31,781	(14,781)
Services and supplies	663,908	1,742,905	984,334	758,571
Capital outlay	18,500	18,500	16,896	1,604
	<u>699,408</u>	<u>1,778,405</u>	<u>1,033,011</u>	<u>745,394</u>

The notes to financial statements are
an integral part of this statement.

STOREY COUNTY, NEVADA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2006

	BUDGETED AMOUNTS		ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
EXPENDITURES				
General Government (contd.)				
Building and Grounds:				
Salaries and wages	63,880	63,880	63,369	511
Employee benefits	28,992	28,992	25,232	3,760
Services and supplies	44,780	57,780	51,700	6,080
Capital outlay	15,000	15,000	11,368	3,632
	<u>152,652</u>	<u>165,652</u>	<u>151,669</u>	<u>13,983</u>
Planning Commission:				
Salaries and wages	59,613	59,613	55,914	3,699
Employee benefits	24,075	24,075	17,822	6,253
Services and supplies	5,700	5,700	(618)	6,318
Capital outlay	1,000	1,000		1,000
	<u>90,388</u>	<u>90,388</u>	<u>73,118</u>	<u>17,270</u>
Total General Government	<u>2,059,486</u>	<u>3,228,909</u>	<u>2,464,755</u>	<u>764,154</u>
Judicial:				
District Attorney:				
Salaries and wages	161,661	161,661	164,862	(3,201)
Employee benefits	65,614	65,614	68,795	(3,181)
Services and supplies	23,900	33,900	29,608	4,292
Capital outlay	2,000	2,000		2,000
	<u>253,175</u>	<u>263,175</u>	<u>263,265</u>	<u>(90)</u>
District Court:				
Salaries and wages	40,000	40,000	30,012	9,988
Services and supplies	58,500	58,500	31,970	26,530
Capital outlay	1,000	1,000		1,000
	<u>99,500</u>	<u>99,500</u>	<u>61,982</u>	<u>37,518</u>
Justice of the Peace:				
Salaries and wages	121,052	121,052	129,448	(8,396)
Employee benefits	64,380	64,380	66,998	(2,618)
Services and supplies	27,300	32,702	24,210	8,492
Capital outlay	2,000	2,000		2,000
	<u>214,732</u>	<u>220,134</u>	<u>220,656</u>	<u>(522)</u>
Total Judicial	<u>567,407</u>	<u>582,809</u>	<u>545,903</u>	<u>36,906</u>
Public Safety:				
Sheriff:				
Salaries and wages	1,132,015	1,132,015	1,108,510	23,505
Employee benefits	657,926	657,926	613,773	44,153
Services and supplies	99,550	99,550	164,796	(65,246)
Capital outlay		260,000	180,252	79,748
	<u>1,889,491</u>	<u>2,149,491</u>	<u>2,067,331</u>	<u>82,160</u>

The notes to financial statements are
an integral part of this statement.

STOREY COUNTY, NEVADA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2006

	BUDGETED AMOUNTS		ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
<u>EXPENDITURES</u>				
Public Safety: (contd.)				
Building Department:				
Salaries and wages	244,844	244,844	211,924	32,920
Employee benefits	98,959	98,959	87,057	11,902
Services and supplies	25,200	25,200	73,061	(47,861)
Capital outlay	12,500	32,500	21,626	10,874
	<u>381,503</u>	<u>401,503</u>	<u>393,668</u>	<u>7,835</u>
Emergency Management:				
Salaries and wages	14,600	14,600	14,600	
Employee benefits	13,657	13,657	15,281	(1,624)
Services and supplies	10,413	15,413	10,391	5,022
Capital outlay	1,000	1,000		1,000
	<u>39,670</u>	<u>44,670</u>	<u>40,272</u>	<u>4,398</u>
Total Public Safety	<u>2,310,664</u>	<u>2,595,664</u>	<u>2,501,271</u>	<u>94,393</u>
Health:				
Home Health:				
Services and supplies	2,016	2,016	2,016	0
Culture and Recreation:				
Regional Transportation Commission				
Services and supplies	3,600	3,600	2,174	1,426
Swimming Pools				
Salaries and wages	58,009	58,009	57,023	986
Employee benefits	13,324	13,324	10,877	2,447
Services and supplies	99,450	99,450	40,010	59,440
Capital outlay	2,000	2,000		2,000
	<u>172,783</u>	<u>172,783</u>	<u>107,910</u>	<u>64,873</u>
Library:				
Salaries and wages	49,228	49,228	50,537	(1,309)
Employee benefits	16,703	16,703	16,646	57
Services and supplies	19,475	23,811	25,917	(2,106)
Capital outlay	15,000	15,000	11,559	3,441
	<u>100,406</u>	<u>104,742</u>	<u>104,659</u>	<u>83</u>
Total Culture and Recreation	<u>276,789</u>	<u>281,125</u>	<u>214,743</u>	<u>66,382</u>
Community Support:				
Ageing Services:				
Salaries and wages	12,000	12,000	9,757	2,243
Employee benefits	1,368	1,368	1,119	249
Services and supplies	199,500	215,042	217,537	(2,495)
Total Community Support	<u>212,868</u>	<u>228,410</u>	<u>228,413</u>	<u>(3)</u>
Total Expenditures	<u>5,429,230</u>	<u>6,918,933</u>	<u>5,957,101</u>	<u>961,832</u>
Excess of Revenue over Expenditures	<u>403,899</u>	<u>343,529</u>	<u>2,176,154</u>	<u>1,832,625</u>

The notes to financial statements are
an integral part of this statement.

STOREY COUNTY, NEVADA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2006

	BUDGETED AMOUNTS		ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
Other Financing Sources (Uses)				
Contingency	162,880	102,510		102,510
Transfers out	105,000	105,000	105,000	0
Total Other Financing Sources (Uses)	<u>267,880</u>	<u>207,510</u>	<u>105,000</u>	<u>102,510</u>
Net Change in Fund Balance	136,019	136,019	2,071,154	1,935,135
Fund balance - beginning	<u>713,117</u>	<u>713,117</u>	<u>1,550,325</u>	<u>837,208</u>
Fund balance - ending	<u>\$ 849,136</u>	<u>\$ 849,136</u>	<u>\$ 3,621,479</u>	<u>\$ 2,772,343</u>

The notes to financial statements are
an integral part of this statement.

STOREY COUNTY, NEVADA
ROADS SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2006

	ORIGINAL AND FINAL BUDGETED AMOUNTS	ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
<u>REVENUE</u>			
Intergovernmental			
Gasoline tax	\$ 104,426	\$ 98,204	\$ (6,222)
Supplemental CCRT	269,800	269,800	0
Intergovernmental agreement	30,000		(30,000)
Charges for services			
Import tonnage fees	35,000	42,865	7,865
Other revenue			
Interest	3,000	16,593	13,593
Miscellaneous	5,000	26,197	21,197
Total Revenue	<u>447,226</u>	<u>453,659</u>	<u>6,433</u>
<u>EXPENDITURES</u>			
Highways and streets			
Salaries and wages	150,649	150,682	(33)
Salary costs	57,358	76,707	(19,349)
Services and supplies	49,300	51,297	(1,997)
Capital outlay	56,000	89,715	(33,715)
Road improvements	258,000	65,106	192,894
Total Expenditures	<u>571,307</u>	<u>433,507</u>	<u>137,800</u>
Excess (deficiency) of revenues over expenditures	(124,081)	20,152	144,233
Fund balance - beginning	<u>269,673</u>	<u>482,447</u>	<u>212,774</u>
Fund balance - ending	<u>\$ 145,592</u>	<u>\$ 502,599</u>	<u>\$ 357,007</u>

The notes to financial statements are
an integral part of this statement.

STOREY COUNTY, NEVADA
FIRE SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2006

	BUDGETED AMOUNTS		ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
<u>REVENUE</u>				
Taxes				
Property	\$ 809,196	\$ 832,712	\$ 970,980	\$ 138,268
Intergovernmental revenues				
Supplemental CCRT	777,659	777,659	777,659	0
Charges for services				
Fire/ambulance fees	40,000	82,553	94,862	12,309
Ambulance program	2,500	2,500	3,765	1,265
Inspection fees	70,000	711,788	717,409	5,621
Other revenue				
Miscellaneous - other		36,467	36,468	1
Total Revenues	<u>1,699,355</u>	<u>2,443,679</u>	<u>2,601,143</u>	<u>157,464</u>
<u>EXPENDITURES</u>				
Public Safety				
Salaries and wages	1,038,671	1,038,671	1,230,357	(191,686)
Salary costs	541,409	541,409	627,157	(85,748)
Services and supplies	205,650	485,974	504,572	(18,598)
Capital outlay		464,000	32,861	431,139
Total Expenditures	<u>1,785,730</u>	<u>2,530,054</u>	<u>2,394,947</u>	<u>135,107</u>
Excess (deficiency) of revenue over expenditures	(86,375)	(86,375)	206,196	292,571
Fund balance - beginning	<u>275,561</u>	<u>275,561</u>	<u>300,269</u>	<u>24,708</u>
Fund balance - ending	<u>\$ 189,186</u>	<u>\$ 189,186</u>	<u>\$ 506,465</u>	<u>\$ 317,279</u>

The notes to financial statements are
an integral part of this statement.

STOREY COUNTY, NEVADA
 PROPRIETARY FUNDS
 STATEMENT OF NET ASSETS
 JUNE 30, 2006

	BUSINESS-TYPE ENTERPRISE FUNDS		
	WATER SYSTEM	VIRGINIA DIVIDE SEWER	TOTAL
<u>ASSETS</u>			
Current Assets			
Cash	\$ 986,624	\$ 583,963	\$ 1,570,587
Accounts receivable	43,310	14,738	58,048
Total Current Assets	<u>1,029,934</u>	<u>598,701</u>	<u>1,628,635</u>
Noncurrent Assets			
Capital assets - net of accumulated depreciation	4,618,923	381,982	5,000,905
Total Assets	<u>5,648,857</u>	<u>980,683</u>	<u>6,629,540</u>
<u>LIABILITIES</u>			
Current Liabilities			
Accounts payable	23,632	6,518	30,150
Refundable deposits	9,030		9,030
Bonds payable - current portion	20,914	3,920	24,834
Accrued expenses	9,239	1,809	11,048
Accrued interest	2,575		2,575
Total Current Liabilities	<u>65,390</u>	<u>12,247</u>	<u>77,637</u>
Long Term Liabilities			
Bonds payable - net of current portion	724,025	80,019	804,044
<u>NET ASSETS</u>			
Invested in capital assets - net of related debt	3,873,984	298,043	4,172,027
Unrestricted	985,458	590,374	1,575,832
Total Net Assets	<u>\$ 4,859,442</u>	<u>\$ 888,417</u>	<u>\$ 5,747,859</u>

The notes to financial statements are an integral part of this statement.

STOREY COUNTY, NEVADA
 PROPRIETARY FUNDS
 STATEMENT OF REVENUES AND EXPENSES
 AND CHANGE IN NET ASSETS
 FOR THE YEAR ENDED JUNE 30, 2006

	BUSINESS-TYPE ENTERPRISE FUNDS		
	WATER SYSTEM	VIRGINIA DIVIDE SEWER	TOTAL
<u>OPERATING REVENUES</u>			
Charges for services	\$ 357,733	\$ 140,977	\$ 498,710
<u>OPERATING EXPENSES</u>			
Salaries and wages	146,340	53,947	200,287
Salary costs	74,824	46,647	121,471
Services and supplies	105,934	49,814	155,748
Depreciation	81,190	30,887	112,077
Total Operating Expense	408,288	181,295	589,583
Operating Income	(50,555)	(40,318)	(90,873)
<u>NONOPERATING REVENUES (EXPENSES)</u>			
Rent and miscellaneous	6,000		6,000
Interest income	34,455	18,609	53,064
Interest expense	(34,251)	(4,332)	(38,583)
Capital contributions and grants	157,760	68,709	226,469
Total Nonoperating Revenues (Expenses)	163,964	82,986	246,950
Change in net assets	113,409	42,668	156,077
Net assets - beginning	4,746,033	845,749	5,591,782
Net assets - ending	\$ 4,859,442	\$ 888,417	\$ 5,747,859

The notes to financial statements are
 an integral part of this statement.

STOREY COUNTY, NEVADA
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED JUNE 30, 2006

	BUSINESS-TYPE ENTERPRISE FUNDS		
	WATER SYSTEM	VIRGINIA DIVIDE SEWER	TOTALS
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Cash Inflows			
Sales of water/sewer fees	\$ 369,398	\$ 143,149	\$ 512,547
Cash Outflows			
Salaries and wages	(147,939)	(56,284)	(204,223)
Salary costs	(74,824)	(46,647)	(121,471)
Services and supplies	(101,544)	(49,690)	(151,234)
Net Cash Provided by Operating Activities	<u>45,091</u>	<u>(9,472)</u>	<u>35,619</u>
<u>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</u>			
Cash Inflows			
Rent	6,000		6,000
Customer deposits	(2,675)	0	(2,675)
Net Cash Provided by Non-Capital Financing Activities	<u>3,325</u>	<u>0</u>	<u>3,325</u>
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>			
Cash Inflows			
Grants	85,865		85,865
Capital contributions	71,895	68,709	140,604
Cash Outflows			
Capital outlay	(132,024)		(132,024)
Debt service	(20,487)	(3,744)	(24,231)
Interest expense	(34,801)	(4,332)	(39,133)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(29,552)</u>	<u>60,633</u>	<u>31,081</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Cash Inflows			
Interest earnings	34,455	18,609	53,064
Net Increase in Cash	53,319	69,770	123,089
Cash - beginning	933,305	514,193	1,447,498
Cash - ending	<u>\$ 986,624</u>	<u>\$ 583,963</u>	<u>\$ 1,570,587</u>

The notes to financial statements are an integral part of this statement.

STOREY COUNTY, NEVADA
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2006

	<u>AGENCY FUNDS</u>
<u>ASSETS</u>	
Cash and cash equivalents	<u>\$ 195,308</u>
<u>LIABILITIES</u>	
Due to other governments	<u>\$ 195,308</u>
Net Assets	<u>\$ 0</u>

The notes to financial statements are
an integral part of this statement.

STOREY COUNTY, NEVADA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. REPORTING ENTITY

Storey County, Nevada, a local government created under the provisions of Nevada Revised Statutes 243.110 is governed by an elected three-member board of commissioners. As required by generally accepted accounting principles, these financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities, are in substance, part of the government's operations and so data from these units are combined with data of the primary government.

Blended Component Units - The Virginia Divide Sewer Improvement District is under the direct oversight of the Storey County Board of Commissioners. The rates for users charges and bond issuance authorizations are approved by the County Commissioners, and the legal liability for the Virginia Divide Sewer District's debt remains with Storey County. The District is reported as an enterprise fund.

The governing body for the towns of Virginia City and Gold Hill is the board of County Commissioners of Storey County. The county personnel provide essentially all services for both Virginia City and Gold Hill. These towns are reported as special revenue funds.

Excluded from the reporting entity:

Storey County Schools, Storey County Senior Center, Virginia City Convention and Tourism authority, and Canyon General Improvement District.

These potential component units have separate elected or appointed boards and provide services to residents, generally within the geographic boundaries of the government. These potential component units are excluded from the reporting entity because the government does not have the ability to exercise influence over their daily operations, approve budgets, or provide funding.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported, separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degrees to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers on applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Gross receipts and sales taxes are considered "measurable" when in the hands of intermediary collecting agents or

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

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the County.

The government reports the following major governmental funds:

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

The *Fire Special Revenue Fund* accounts for money received primarily from intergovernmental sources. Expenditures are for County fire protection including the purchase of machinery and equipment to provide such services.

The government reports the following non-major governmental fund as a major fund:

The *Road Special Revenue Fund* accounts for money received primarily from gasoline taxes and other intergovernmental sources. Expenditures are for the construction and maintenance of County roads and bridges, and other road related infrastructure and the purchase of machinery and equipment required to do such work.

The *Indigent Medical Special Revenue Fund* accounts for a portion of property tax revenues. Expenditures are for services relating to medical services provided to indigent residents of the County.

The government reports the following major proprietary funds:

The *Water System Fund* accounts for the activities of the Virginia City/Gold Hill water distribution system.

The *Virginia Divide Sewer System Fund* accounts for the operations of the sewage treatment plant, pumping stations and collection systems.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the governments water and sewer functions. Eliminations of these changes would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *Program Revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as *General Revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services or producing and delivering goods in connection with the proprietary funds' principal ongoing operations. Revenue and expense not meeting this definition are reported as nonoperating revenues and expenses.

D. ASSETS, LIABILITIES AND NET ASSETS OR EQUITY

1. DEPOSITS AND INVESTMENT

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, short term investments with original maturities of three months or less from the date of acquisition, and the State Treasurer's investment pool. Investments are reported at fair value.

2. RECEIVABLES AND PAYABLES

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds".

All trade receivables are shown net of an allowance for uncollectibles. No allowance is recorded for property tax receivables. Property taxes are levied as of July 1 on property values assessed on the same date. The tax levy may be paid in four installments by the third Monday in August, and the first Monday in October, January and March. There is a ten day grace period allowed for each installment. Penalties and interest are assessed on all delinquent collections. Liens are filed on the property at one year's delinquency.

3. INVENTORIES AND PREPAID ITEMS

No inventories are maintained by the government for either operating or office supplies. These items are recorded as expenditures when purchased, rather than when consumed.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

4. RESTRICTED ASSETS

The County has no restricted assets as June 30, 2006.

5. CAPITAL ASSETS

Capital assets, which include property, plant, equipment, and infrastructure (i.e., roads, bridges, sidewalks, storm drains, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$3000 (amount not rounded) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

Major outlays for capital assets and improvements are capitalized in proprietary funds as projects are constructed. Interest incurred during the construction phase of proprietary fund fixed assets is reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds over the same period.

Property, plant and equipment are depreciated in the proprietary funds using the straight line method over the following useful lives:

<u>ASSETS</u>	<u>YEARS</u>
Public and System Infrastructure	20-100
Vehicles	5-10
Office Equipment	5-10
Equipment	10-20
Buildings	75-100
Building Improvements	35-50
Computer Equipment	5
Furniture and Fixtures	7-10

6. COMPENSATED ABSENCES

It is the government's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. Vested or accumulated vacation pay that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the fund that will pay it. Amounts of vested or accumulated vacation pay that are not expected to be liquidated with expendable available financial resources are reported as long term debt. No expenditure is reported for these amounts. No liability is recorded for nonvesting accumulating rights to receive sick pay benefits. However a liability is recognized for that portion of accumulated sick leave benefits that is required to be paid upon termination. All employees with a minimum accrued sick leave of 360 hours to a maximum of 1,000 hours shall be paid at retirement or termination of service, other than involuntary termination as follows:

<u>Years of Continuous Service</u>	<u>Other Employees</u> <u>Rate of Pay</u>	<u>Fire Department</u> <u>Rate of Pay</u>
5 years but less than 10 years	12.5¢ on the Dollar	20.0¢ on the Dollar
10 years but less than 20 years	25.0¢ on the Dollar	35.0¢ on the Dollar
20 years or more	50.0¢ on the Dollar	50.0¢ on the Dollar

7. LONG-TERM OBLIGATIONS

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities, business-type activities, or proprietary fund type statement of net assets.

The County currently has no long term bonds payable in the governmental funds. The revenue bonds reported in the proprietary fund-types incurred no bond premiums or discounts and therefore have no deferred charges or amortization.

8. FUND EQUITY

In the fund financial statements, governmental funds report designations of fund balances for amounts which represent tentative management plans that are subject to change. The County has reserved \$250,000 of the general fund balance at July 1, 2006.

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

- A. The governmental fund balance sheet includes a reconciliation between *fund balance - total governmental funds and net assets - governmental activities* as reported in the government-wide statement of net assets. One element of that reconciliation explains that "long term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds". The details of this \$6,035,501 difference are as follows: Capital assets net of related depreciation are not reported in the Governmental Funds financial statements because they are not current financial resources, but they are reported in the statement of net assets - \$6,966,328. Long term liabilities are not due and payable in the current period and therefore are not reported in the funds. - \$(930,827).
- B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities.

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances - total governmental funds and changes in net assets of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that "Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. The details of this \$217,257 difference are as follows: Capital outlays to purchase capital assets are reported in governmental funds as expenditures. However, those costs are shown in the statement of net assets and allocated over their estimated useful lives as depreciation expense in the statement of activities. This is the amount by which depreciation exceeded net capital outlays in the current period - \$(368,415). Short term loan payments reported in governmental funds as an expenditure - \$201,962. Some expenses in the statement of activities do not require the use of current financial resources and therefore, are not reported as expenditures in governmental funds - \$(50,804).

III. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. BUDGETARY INFORMATION

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds.

The County follows these procedures in establishing the budgetary date reflected in the financial statements:

1. Prior to April 15, the County budget officer submits to the County Commissioners the tentative operating budgets (4) for the fiscal year commencing the following July 1. The operating budgets include proposed expenditures and the means of financing them.
2. The tentative budgets are filed with the State Department of Taxation by April 15.
3. A public hearing is conducted at the County Court House to obtain taxpayers comments. (3rd Monday in May)
4. The final budgets are adopted and filed with the State Department of Taxation. Final budgets must be certified by a majority of all members of the governing body. The final budgets must be adopted on or before June 1.

5. Budget amounts may be transferred within funds if the governing body is advised and the action is recorded in the official minutes of the next meeting. Revisions that alter the total expenditures of any fund must be approved by the County Commissioners. Budget revisions must also be filed with the State Department of Taxation.
6. Budgets for the General, Special Revenues, Debt Service, Proprietary, and Capital Projects Funds are adopted on a basis consistent with generally accepted accounting principles. (GAAP)
7. Budget augmentations were prepared for the general fund and various special revenue funds during the fiscal year ended June 30, 2006.
8. All budget appropriations lapse at the end of each fiscal year.

In accordance with State statute, actual expenditures may not exceed budgetary appropriations of the various governmental programs of the General Fund or total appropriations of the Special Revenue and Capital Projects Funds, except as expressly authorized by law.

B. EXCESS EXPENDITURES OVER APPROPRIATIONS

For the year ended June 30, 2006, expenditures exceeded appropriations as follows:

	<u>Expenditures</u>	<u>Appropriations</u>
Water System Enterprise Fund	\$ 408,288	\$ 382,966
Virginia-Divide Sewer Improvement District	\$ 181,295	\$ 164,061

C. DEFICIT FUND EQUITY

No funds incurred a deficit fund equity at June 30, 2006.

D. COMPLIANCE - NRS 354.624

Storey County has two enterprise funds: the Water System Enterprise Fund and the Virginia-Divide Sewer Improvement District Enterprise Fund. Storey County also maintains agency funds as follows: State of Nevada Fund Storey County School District Fund, Storey County School District Debt Service Fund and the Virginia City Convention and Tourism Authority Fund. The County maintains no internal service funds, self insurance funds or funds whose balance is required by law to be used for a specific purpose other than the payment of compensation to a bargaining unit, as defined in NRS 288.028 or carried forward to the succeeding fiscal year in any designated amount.

All enterprise and agency funds maintained by Storey County:

- a) are being used in accordance with NRS 354.624
- b) are being administered in accordance with generally accepted accounting procedures
- c) all reserves in the funds are reasonable and necessary to carry out the purposes of the funds
- d) reflect the sources of revenues available for the fund during the fiscal year - including transfers from other funds
- e) are following the statutory and regulatory requirements applicable to the funds
- f) reflect the balance and retained earning of the funds

Storey County has no reserves in any of the above fund balances.

IV. CASH

At year end, the carrying amount of the bank balances was \$10,132,311. Of the bank balances \$388,945 was covered by federal depositary insurance. Additionally \$8,340,746 cash was on deposit with the Nevada State Treasurer. The fair value of all cash and investments equaled 100% of book value.

Credit risk classification of the County's cash is as follows:

1. Insured by Federal Deposit Insurance	\$ 388,945
2. Collateralized with securities held by The Nevada State Treasurer	8,340,746
3. Uncollateralized with the financial institution	1,401,981
4. Uncollateralized - cash on hand	639
	<u>\$10,132,311</u>

Cash held by the County is allocated to the various funds as follows:

Major governmental funds	\$ 5,752,119
Non-major governmental funds	2,614,297
Business-type funds	<u>1,570,587</u>
	9,937,003
Fiduciary funds	<u>195,308</u>
Total	<u>\$10,132,311</u>

V. RECEIVABLES

Receivables as of year end for the governments individual major funds and non-major funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	<u>General</u>	<u>Roads</u>	<u>Fire</u>	<u>Non-Major Funds</u>	<u>Proprietary Funds</u>	<u>Total</u>
Receivables:						
Taxes	\$ 35,274		\$ 11,834	\$ 4,034		\$,51,142
Accounts	<u>175,356</u>	<u>\$63,259</u>	<u>\$129,610</u>	<u>27,151</u>	<u>\$ 58,835</u>	<u>454,211</u>
Gross Receivables	210,630	63,259	141,444	31,185	58,835	505,353
Less: Allowance for uncollectibles	-----	-----	-----	-----	<u>787</u>	<u>787</u>
Net Total						
Receivables	<u>\$210,630</u>	<u>\$63,259</u>	<u>\$141,444</u>	<u>\$31,185</u>	<u>\$ 58,048</u>	<u>\$504,566</u>

The delinquent taxes receivable account represents the past three years of uncollected tax levies. No allowance for uncollectibles has been recorded by the County. Taxes received after 60 days of the year end are recorded as deferred revenue.

Accounts receivable include intergovernmental receivables. All accounts receivable, with the exception of the enterprise fund, were collected within a 60 day period, therefore no allowance for uncollectibles was recorded in those funds.

Governmental funds report *deferred revenue* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. At the end of the current fiscal year the various components of *deferred revenue* reported in the governmental funds were as follows:

Delinquent property taxes receivable:	
General fund	\$ 19,897
Fire fund	8,735
Non-major funds	2,534
Deferred revenue - property sales	955,026
Deferred revenue - District Court	<u>72,914</u>
Total	<u>\$1,059,106</u>

VI. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2006 was as follows:

Primary Government

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities				
Capital assets not being depreciated				
Land	<u>\$ 134,443</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 134,443</u>
Capital assets being depreciated				
Buildings	5,603,634	74,490	0	5,678,124

VI. CAPITAL ASSETS (cont'd.)

Primary Government (cont'd.)

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Improvements other than buildings	548,214			548,214
Machinery and equipment	4,560,847	305,797	58,822	4,807,822
Infrastructure	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total capital assets being depreciated	<u>10,712,695</u>	<u>380,287</u>	<u>58,822</u>	<u>11,034,160</u>
Less accumulated depreciation for:				
Buildings and improvements	998,400	112,328		1,110,728
Improvements other than buildings	51,137	15,664		66,801
Machinery and equipment	2,831,273	493,719	49,671	3,275,321
Infrastructure	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total accumulated depreciation	<u>3,880,810</u>	<u>621,711</u>	<u>49,671</u>	<u>4,452,850</u>
Business type activities:				
Capital assets being depreciated				
Water and sewer system	\$ 6,028,697	\$ 87,166		\$6,115,863
Machinery and equipment	<u>360,861</u>	<u>44,858</u>	<u>\$ 0</u>	<u>405,719</u>
Total Capital assets being depreciated	<u>6,389,558</u>	<u>132,024</u>	<u>0</u>	<u>6,521,582</u>
Less accumulated depreciation for:				
Water and sewer systems	1,207,874	89,503		1,297,377
Machinery and equipment	<u>200,726</u>	<u>22,574</u>	<u>0</u>	<u>223,300</u>
Total accumulated depreciation	<u>1,408,600</u>	<u>112,077</u>	<u>0</u>	<u>1,520,677</u>
Business type activities capital assets - net	<u>\$ 4,980,958</u>	<u>\$ 19,947</u>	<u>\$ 0</u>	<u>\$ 5,000,905</u>

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

Governmental activities:	
General government	\$ 149,075
Public safety	376,778
Highways and streets, including depreciation of general infrastructure assets	80,171
Culture and recreation	<u>15,687</u>
Total depreciation expense - Governmental activities	<u>\$ 621,711</u>
Business type activities:	
Water	\$ 81,190
Sewer	<u>30,887</u>
Total depreciation expense - business type activities	<u>\$ 112,077</u>

VII. INTERFUND ASSETS/LIABILITIES

The composition of interfund balances as of June 30, 2006 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Federal Grants	\$ 100,000
General	Capital Projects	<u>27,000</u>
		<u>\$ 127,000</u>

Interfund transfers:

<u>Transfer From</u>	<u>Transfer to</u>	<u>Amount</u>
General Fund	Tri Net Fund	\$ 30,000
General Fund	Capital Projects Fund	<u>75,000</u>
		<u>\$ 105,000</u>

VIII. CAPITAL LEASES

On January 11, 2002, Storey County entered into a lease agreement as lessee for financing the acquisition of (4) Pierce Hawk Wildlands fire apparatus. This lease qualifies as a capital lease for accounting purposes (title transfers at the end of the lease term), and therefore was recorded at the present value of the future minimum lease payments as of the date of inception. The following schedule represents the future minimum lease payments as of June 30, 2006.

	Fiscal Year Ending June 30,
2007	\$ 140,000
2008	140,000
2009	140,000
2010	140,000
2011	140,000
2012	140,000
2013	<u>100,276</u>
	\$ 940,276
Less amounts representing interest	<u>164,695</u>
Present value of future minimum Lease payments	<u>\$ 775,581</u>

IX. LONG TERM DEBT

Special Assessment Bonds - The County has no special assessment bonds outstanding at June 30, 2006.

Contracts Payable - The County has no contracts payable at June 30, 2006.

Revenue Bonds - The County issued bonds, where the County pledges income derived from the acquired or constructed assets to pay debt service. Revenues bonds outstanding at June 30, 2006 are as follows:

\$714,000 water revenue bonds with semi-annual installments of interest and annual payments of principal totaling \$38,801 per year through January 1, 2037, used for improvements to the Virginia City water system.

BALANCE		BALANCE
<u>6/30/05</u>	<u>RETIRED</u>	<u>6/30/06</u>
<u>\$ 651,426</u>	<u>\$9,488</u>	<u>\$ 641,938</u>

\$294,000 water revenue bonds due in annual installments of \$10,000 to \$15,000 through January 1, 2014, used for improvements to the Virginia City Water System.

BALANCE		BALANCE
<u>6/30/05</u>	<u>RETIRED</u>	<u>6/30/06</u>
<u>\$ 114,000</u>	<u>\$11,000</u>	<u>\$ 103,000</u>

\$138,000 sewer revenue bonds due at \$673 per month including principal and interest through June 1, 2021 and a final payment of approximately \$260 used for improvements to the Virginia-Divide Sewer System.

BALANCE		BALANCE
<u>6/30/05</u>	<u>RETIRED</u>	<u>6/30/06</u>
<u>\$87,683</u>	<u>\$ 3,744</u>	<u>\$ 83,939</u>

Revenue bond debt service requirements to maturity including interest of \$647,700 are as follows:

YEAR ENDING JUNE 30,	ANNUAL	TOTAL
2007 to 2014	\$63,577 to \$62,600	\$ 509,924
2015 to 2021	46,900 to 44,900	326,100
2022 to 2037	38,800	<u>620,800</u>
		<u>\$1,456,824</u>

Changes In Long-Term Liabilities - During the fiscal year ended June 30, 2006, the following changes occurred in liabilities reported in the general long term debt group:

	BALANCE <u>JULY 1, 2005</u>	ADDITIONS	REDUCTIONS	BALANCE <u>June 30, 2006</u>
Compensated absences	\$ 60,151	\$ 32,970	\$ 0	\$ 93,121
Capital leases	870,076	0	94,495	775,581
	<u>\$ 930,227</u>	<u>\$ 32,970</u>	<u>\$ 94,495</u>	<u>\$ 868,702</u>

X. SEGMENT INFORMATION - PROPRIETARY FUNDS

The County issued revenue bonds to finance its water department and sewage treatment facilities. Summary information for these funds is presented below:

	<u>Water Fund</u>	<u>Virginia Divide Sewer Fund</u>
CONDENSED STATEMENT OF NET ASSETS		
ASSETS		
Current assets	\$1,029,934	\$ 598,701
Capital assets	4,618,923	381,982
Total Assets	<u>5,648,857</u>	<u>980,683</u>
LIABILITIES		
Current liabilities	65,390	12,247
Non-current liabilities	724,025	80,019
Total Liabilities	<u>789,415</u>	<u>92,266</u>
NET ASSETS		
Invested in capital assets, net of related debt	3,873,984	298,043
Unrestricted	985,458	590,374
Total Net Assets	<u>\$4,859,442</u>	<u>\$ 888,417</u>

CONDENSED STATEMENT OF REVENUES AND EXPENSES

Operating revenue	\$ 357,733	\$ 140,977
Depreciation	(81,190)	(30,887)
Other operating expenses	(327,098)	(150,408)
Operating income	(50,555)	(40,318)
Nonoperating revenues (expenses)		
Rent income	6,000	
Interest income	34,455	18,609
Interest expense	(34,251)	(4,332)
Capital contributions and grants	157,760	68,709
Change in net assets	<u>\$ 113,409</u>	<u>\$ 42,668</u>

CONDENSED STATEMENTS OF CASH FLOWS

Net cash provided (used) by		
Operating activities	\$ 45,091	\$ (9,472)
Noncapital financing activities	3,325	0
Capital and related financing activities	(29,552)	60,633
Investing activities	34,455	18,609
Net increase	<u>53,319</u>	<u>69,770</u>
Cash - beginning	<u>933,305</u>	<u>514,193</u>
Cash - ending	<u>\$ 986,624</u>	<u>\$ 583,963</u>

XI. CONTINGENT LIABILITIES

The County participates in both Federal and State Grant Programs. The audits of these programs for or including the year ended June 30, 2006 have not been finalized. Accordingly, the County's compliance with applicable grant requirements will be established at some future date. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time although the County expects such amounts, if any, to be immaterial.

The County is currently a defendant in several lawsuits, with no other unasserted possible claims which are probable of assertion. Although the outcome of these lawsuits is not presently determinable, in the opinion of the county's attorney, resolution of these matters will not have a material adverse effect on the financial condition of the County.

XII. AVAILABLE BORROWING CAPACITY

The Nevada Revised Statutes section 244.805, limits the County's general obligation debt to 10% of the County's assessed valuation. The 2005/2006 assessed valuation is \$186,193,000 which would allow the bonding up to \$18,600,000. On June 30, 2006, the County had no outstanding general obligation bonded debt, exclusive of revenue and school district bonds.

The town of Virginia City general obligation debt limit based on the 2005/2006 assessed valuation was \$4,099,000 (NRS 269.425). The town of Virginia City has at June 30, 2006 no general obligation bonds outstanding.

The town of Gold Hill general obligation debt limit based on the 2005/2006 assessed valuation was \$862,000 (NRS 269.425). The town of Gold Hill has at June 30, 2006 no general obligation bonds outstanding.

XIII. PROPERTY TAXES

Property taxes attach as an enforceable lien as of July 1. The tax is levied for the fiscal year beginning July 1st after the Nevada Tax Commission has certified the combined tax rate for the county on May 25th.

Taxes on the property are due on the third Monday in July. Taxes may be paid in quarterly installments, due on the third Monday of July and the first Monday in October, January and March. Penalties are added if the installments are not made within ten (10) days of the due date.

XIV. PENSION PROGRAM - NEVADA STATE PUBLIC EMPLOYEES RETIREMENT SYSTEM

The County participates in the statewide government retirement system; a multiple-employer, cost sharing public employees pension plan which covers substantially all of the County's full time employees. The County has no liability for unfunded obligations of the Nevada State Public Employees Retirement System.

PERS provides retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Nevada Revised Statutes establish and amend benefit provisions to be administered by the Retirement Board. The Public Employees Retirement Board of the State of Nevada issues a publicly available financial report that includes financial statements and required supplementary information for PERS. That report may be obtained from PERS, 693 West Nye Lane, Carson City, Nevada 89703

The County pays all contributions for all employees covered under the plan. PERS basic funding policy provides for periodic contributions at a level pattern of cost as a percentage of salary throughout an employees working lifetime, in order to accumulate sufficient assets to pay benefits when due. Although PERS receives an actuarial valuation on an annual basis indicating the contribution rates as required to fund PERS on an actuarial reserve basis, both for funding purposes and GASB disclosure purposes, contributions actually made are in accordance with the required rates established by the Nevada State Legislature.

The payroll for employees covered by the system for the year ended June 30, 2006 was \$3,769,000. The County's total payroll was \$4,221,000. Storey County's contribution to the plan for the year ended June 30, 2006 was \$974,700. All costs to the County were paid or accrued at June 30, 2006. The County's contribution represented less than 1% of total contributions to the retirement system.

Currently 82 employees are covered under the retirement plan out of a total of 95 employees. Eligibility requirements are 40 hours per bi-weekly payroll period, no minimum wage is required for participation, nor is there any length of service requirement for participation. Contributions are made at a rate of 19.75% (32% for police and firemen) of annual compensation.

XV. SOLID WASTE LANDFILL - LOCKWOOD

In 1992 Refuse, Inc. received an amended special use permit from Storey County for the operation of a solid waste landfill, conditioned on meeting all of the requirements of federal landfill regulations (Subtitle D, 40CFR Parts 257 and 258). Under the terms of the agreement Refuse, Inc. is responsible for all closure and post closure costs. Kennedy/Jenks Consultants have estimated the costs for closure to be \$2,516,000 and the cost for post closure maintenance be \$8,463,000 for a total of \$10,979,000. There are currently no corrective action cost nor other environmental obligations. Refuse, Inc. is in complete compliance with the Financial Assurance Requirements of 40 CFR, part 258, Subpart G, as well as Nevada Administrative Code 444.685 - 444.6859. The closure and post closure costs are guaranteed by Waste Management, Inc.

XVI. RISK MANAGEMENT

Storey County is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employee and natural disasters. Storey County has joined together with other counties in the State to form Nevada Public Agency Insurance Pool, a public entity risk pool currently operating as a common risk management and insurance program for 41 governmental entities. The county pays an annual premium to PENCO for its general insurance coverage. The Agreement for Formation of the NPAIP program provides that NPAIP will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of \$100,000 for Property and Crime and \$150,000 Casualty for each insured event.

The County continues to carry commercial insurance for all other risks or loss, including workers' compensation and employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

STOREY COUNTY, NEVADA
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2006

	FIRE DISTRICT	SPECIAL REVENUE					INDIGENT MEDICAL
		EQUIPMENT ACQUISITION	INDIGENT ASSISTANCE	JUSTICE COURT FEES	DRUG COURT		
<u>ASSETS</u>							
Cash	\$ 100,043	\$ 161,211	\$ 296	\$ 25,442	\$ 3,730	\$ 523,903	
Receivables							
Taxes - property		1,114				1,332	
Accounts		5,290					
Total Assets	\$ 100,043	\$ 167,615	\$ 296	\$ 25,442	\$ 3,730	\$ 525,235	
<u>LIABILITIES</u>							
Accounts payable							
Accrued expenses							
Deferred taxes		\$ 655				\$ 906	
Due from other funds							
Total Liabilities		655				906	
<u>FUND BALANCE</u>							
Designated for future year's operations		18,682		\$ 5,000			
Undesignated	\$ 100,043	148,278	\$ 296	20,442	\$ 3,730	524,329	
Total Fund Balance	100,043	166,960	296	25,442	3,730	524,329	
Total Liabilities and Fund Balance	\$ 100,043	\$ 167,615	\$ 296	\$ 25,442	\$ 3,730	\$ 525,235	

The notes to financial statements are in integral part of this statement.

STOREY COUNTY, NEVADA
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2006

	SPECIAL REVENUE					
	JAIL BUILDING	TRI NET	INDIGENT ACCIDENT	TECHNOLOGY	TOWN OF VIRGINIA CITY	TOWN OF GOLD HILL
<u>ASSETS</u>						
Cash	\$ 128,942	\$ 41,983	\$ 39,921	\$ 36,236	\$ 228,951	\$ 26,170
Receivables	1,588	630				
Taxes - property						
Accounts						
Total Assets	\$ 130,530	\$ 42,613	\$ 39,921	\$ 36,236	\$ 228,951	\$ 26,170
<u>LIABILITIES</u>						
Accounts payable	\$ 11,887	\$ 322			\$ 1,862	\$ 179
Accrued expenses	6,725					
Deferred taxes	973					
Due from other funds						
Total Liabilities	19,585	322			1,862	179
<u>FUND BALANCE</u>						
Designated for future year's operations	60,602		\$ 7,188	\$ 10,000	80,400	
Undesignated	50,343	42,291	32,733	26,236	146,689	25,991
Total Fund Balance	110,945	42,291	39,921	36,236	227,089	25,991
Total Liabilities and Fund Balance	\$ 130,530	\$ 42,613	\$ 39,921	\$ 36,236	\$ 228,951	\$ 26,170

The notes to financial statements are an integral part of this statement.

STOREY COUNTY, NEVADA
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2006

<u>ASSETS</u>	<u>SPECIAL REVENUE FEDERAL GRANTS</u>	<u>CAPITAL PROJECTS</u>	<u>CAPITAL PROJECTS INFRASTRUCTURE</u>	<u>TOTAL</u>
Cash	\$ 545,915	\$ 78,956	\$ 672,598	\$ 2,614,297
Receivables				4,034
Taxes - property Accounts	21,231			27,151
Total Assets	<u>\$ 567,146</u>	<u>\$ 78,956</u>	<u>\$ 672,598</u>	<u>\$ 2,645,482</u>
<u>LIABILITIES</u>				
Accounts payable	\$ 214,521	\$ 27,248		\$ 256,019
Accrued expenses				6,725
Deferred taxes				2,534
Due from other funds	100,000	27,000		127,000
Total Liabilities	<u>314,521</u>	<u>54,248</u>		<u>392,278</u>
<u>FUND BALANCE</u>				
Designated for future year's operations			100,000	281,872
Undesignated	252,625	24,708	572,598	1,971,332
Total Fund Balance	<u>252,625</u>	<u>24,708</u>	<u>672,598</u>	<u>2,253,204</u>
Total Liabilities and Fund Balance	<u>\$ 567,146</u>	<u>\$ 78,956</u>	<u>\$ 672,598</u>	<u>\$ 2,645,482</u>

The notes to financial statements are
 an integral part of this statement.

STOREY COUNTY, NEVADA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2006

REVENUE	FIRE DISTRICT	SPECIAL REVENUE					INDIGENT MEDICAL
		EQUIPMENT ACQUISITION	INDIGENT ASSISTANCE	JUSTICE COURT FINES	DRUG COURT		
Taxes	\$ 245,113	\$ 111,948				\$ 134,390	
Intergovernmental		31,741					
Charges for services		67,058					
Fine and fees				\$ 2,618	\$ 650		
Licenses and permits			\$ 203				
Other revenues		6,005					
Total Revenues	245,113	216,752	203	2,618	650	134,390	
<u>EXPENDITURES</u>							
Current:							
General government							
Public safety	204,813	30,000		4,369		77,609	
Judicial							
Culture and recreation							
Welfare							
Total Expenditures	204,813	30,000		4,369		77,609	
Excess (deficiency) of revenues over expenditures	40,300	186,752	203	(1,751)	650	56,781	
<u>OTHER FINANCING SOURCES (USES)</u>							
Transfers		(146,972)					
Debt service							
Excess (deficiency) of Revenue and Other Financing Sources (Uses) over Expenditures	40,300	39,780	203	(1,751)	650	56,781	
Fund balance - beginning (deficit)	59,743	127,180	93	27,193	3,080	467,548	
Fund balance - ending	\$ 100,043	\$ 166,960	\$ 296	\$ 25,442	\$ 3,730	\$ 524,329	

The notes to financial statements are an integral part of this statement.

STOREY COUNTY, NEVADA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2006

	SPECIAL REVENUE					
	JAIL BUILDING	TRI-NET	INDIGENT ACCIDENT	TECHNOLOGY	TOWN OF VIRGINIA CITY	TOWN OF GOLD HILL
<u>REVENUE</u>						
Taxes	\$ 166,926		\$ 33,608		\$ 1,306	\$ 1,051
Intergovernmental		\$ 33,627		\$ 38,919		
Charges for services						
Fine and fees	48,643				73,147	4,616
Licenses and permits	7,331	2,949		400		
Other revenues						
Total Revenues	<u>222,900</u>	<u>36,576</u>	<u>33,608</u>	<u>39,319</u>	<u>74,453</u>	<u>5,667</u>
<u>EXPENDITURES</u>						
Current:						
General government				8,000	65,246	2,207
Public safety	201,029	38,796				
Judicial						
Culture and recreation			32,443			
Welfare						
Total Expenditures	<u>201,029</u>	<u>38,796</u>	<u>32,443</u>	<u>8,000</u>	<u>65,246</u>	<u>2,207</u>
Excess (deficiency) of revenues over expenditures	21,871	(2,220)	1,165	31,319	9,207	3,460
<u>OTHER FINANCING SOURCES (USES)</u>						
Transfers		30,000				
Debt service						
Excess (deficiency) of Revenue and Other Financing Sources (Uses) over Expenditures	21,871	27,780	1,165	31,319	9,207	3,460
Fund balance - beginning	89,074	14,511	38,756	4,917	217,882	22,531
Fund balance - ending	<u>\$ 110,945</u>	<u>\$ 42,291</u>	<u>\$ 39,921</u>	<u>\$ 36,236</u>	<u>\$ 227,089</u>	<u>\$ 25,991</u>

The notes to financial statements are an integral part of this statement.

STOREY COUNTY, NEVADA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2006

<u>REVENUE</u>	<u>SPECIAL REVENUES</u>	<u>CAPITAL PROJECTS</u>	<u>INFRASTRUCTURE</u>	<u>TOTAL</u>
Taxes				
Intergovernmental	\$ 749,971		\$ 259,025	\$ 691,985
Charges for services				1,076,721
Fine and fees				105,977
Licenses and permits				51,911
Other revenues				77,763
				<u>16,888</u>
Total Revenues	<u>749,971</u>		<u>259,025</u>	<u>2,021,245</u>
<u>EXPENDITURES</u>				
Current:				
General government		\$ 68,615		144,068
Public safety	227,890			702,528
Judicial				4,369
Culture and recreation	201,871			201,871
Welfare				110,052
				<u>1,162,888</u>
Total Expenditures	<u>429,761</u>	<u>68,615</u>		
		<u>(68,615)</u>	<u>259,025</u>	<u>858,357</u>
Excess (deficiency) of revenues over expenditures	320,210			
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers		75,000		105,000
Debt service				<u>(146,972)</u>
Excess (deficiency) of Revenue and Other Financing Sources (Uses) over Expenditures	320,210	6,385	259,025	816,385
Fund balance - beginning (deficit)	<u>(67,985)</u>	<u>18,323</u>	<u>413,573</u>	<u>1,436,819</u>
Fund balance - ending (deficit)	<u>\$ 252,625</u>	<u>\$ 24,708</u>	<u>\$ 672,598</u>	<u>\$ 2,253,204</u>

The notes to financial statements are an integral part of this statement.

STOREY COUNTY, NEVADA
 FIRE DISTRICT SPECIAL REVENUE FUND
 SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2006

	ORIGINAL AND FINAL BUDGETED AMOUNTS	ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
<u>REVENUES</u>			
Property taxes	\$ 204,813	\$ 245,113	\$ 40,300
<u>EXPENDITURES</u>			
Public safety			
Service and supplies	204,813	204,813	0
Excess (deficiency) of revenue over expenditures and other financial sources	0	40,300	40,300
Fund balance - beginning	38,194	59,743	21,549
Fund balance - ending	\$ 38,194	\$ 100,043	\$ 61,849

The notes to financial statements are
an integral part of this statement.

STOREY COUNTY, NEVADA
EQUIPMENT ACQUISITION SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURE, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2006

	ORIGINAL BUDGETED AMOUNTS	FINAL BUDGETED AMOUNTS	ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
<u>REVENUE</u>				
Taxes				
Property taxes	\$ 93,097	\$ 111,605	\$ 111,948	\$ 343
Intergovernmental				
Supplemental CCRT	31,741	31,741	31,741	0
Charges for services				
Import tonnage fees	50,000	61,634	67,058	5,424
Other revenues				
Interest	500	500	6,005	5,505
Total Revenues	<u>175,338</u>	<u>205,480</u>	<u>216,752</u>	<u>11,272</u>
<u>EXPENDITURES</u>				
Public safety				
Services and supplies		30,142	30,000	142
Debt service				
Principal	110,162	110,162	110,162	0
Interest	39,014	39,014	36,810	2,204
Total Expenditures	<u>149,176</u>	<u>179,318</u>	<u>176,972</u>	<u>2,346</u>
Excess (deficiency) of revenue over expenditures	26,162	26,162	39,780	13,618
Fund balance - beginning (deficit)	<u>103,008</u>	<u>103,008</u>	<u>127,180</u>	<u>24,172</u>
Fund balance - ending	<u>\$ 129,170</u>	<u>\$ 129,170</u>	<u>\$ 166,960</u>	<u>\$ 37,790</u>

The notes to financial statements are
an integral part of this statement.

STOREY COUNTY, NEVADA
INDIGENT ASSISTANCE SPECIAL REVENUE FUND
SCHEDULE OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2006

	ORIGINAL AND FINAL BUDGETED AMOUNTS	ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
<u>REVENUES</u>			
Other revenue	\$ 0	\$ 203	\$ 203
<u>EXPENDITURES</u>			
Welfare			
Services and supplies	0	0	0
Excess (deficiency) of revenue over expenditures	0	203	203
Fund balance - beginning	0	93	93
Fund balance - ending	\$ 0	\$ 296	\$ 296

The notes to financial statements are
an integral part of this statement.

STOREY COUNTY, NEVADA
 JUSTICE COURT SPECIAL REVENUE FUND
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2006

	ORIGINAL AND FINAL BUDGETED AMOUNTS	ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
<u>REVENUE</u>			
Fines			
Justice court fine	\$ 4,500	\$ 2,618	\$ (1,882)
<u>EXPENDITURES</u>			
Judicial			
Services and supplies	4,500	4,369	131
Excess (deficiency) of revenues over expenditures	0	(1,751)	(1,751)
Balance - beginning	23,570	27,193	3,623
Balance - ending	\$ 23,570	\$ 25,442	\$ 1,872

The notes to financial statements are
 an integral part of this statement.

STOREY COUNTY, NEVADA
INDIGENT MEDICAL SPECIAL REVENUE FUND
STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2006

	ORIGINAL AND FINAL BUDGETED AMOUNTS	ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
<u>REVENUES</u>			
Taxes			
Property taxes	\$ 111,716	\$ 134,390	\$ 22,674
<u>EXPENDITURES</u>			
Welfare			
Services and supplies	140,000	77,609	62,391
Excess (deficiency) of revenue over expenditures	(28,284)	56,781	85,065
Fund balance - beginning	453,236	467,548	14,312
Fund balance - ending	\$ 424,952	\$ 524,329	\$ 99,377

The notes to financial statements are
an integral part of this statement.

STOREY COUNTY, NEVADA
SHERIFF JAIL SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2006

	ORIGINAL BUDGETED AMOUNTS	FINAL BUDGETED AMOUNTS	ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
<u>REVENUE</u>				
Taxes				
Property taxes	\$ 138,714	\$ 162,613	\$ 166,926	\$ 4,313
Fines				
Court fines	50,000	50,000	48,643	(1,357)
Other revenues				
Interest	2,000	2,000	4,506	2,506
Miscellaneous			2,825	2,825
Total Revenues	<u>190,714</u>	<u>214,613</u>	<u>222,900</u>	<u>8,287</u>
<u>EXPENDITURES</u>				
Public safety				
Salaries and wages	67,235	67,235	66,850	385
Salary costs	35,564	35,564	37,250	(1,686)
Services and supplies	80,000	103,899	96,929	6,970
Total Expenditures	<u>182,799</u>	<u>206,698</u>	<u>201,029</u>	<u>5,669</u>
Excess (deficiency) of revenues over expenditures	7,915	7,915	21,871	13,956
Fund balance - beginning	<u>65,811</u>	<u>65,811</u>	<u>89,074</u>	<u>23,263</u>
Fund balance - ending	<u>\$ 73,726</u>	<u>\$ 73,726</u>	<u>\$ 110,945</u>	<u>\$ 37,219</u>

The notes to financial statements are
an integral part of this statement.

STOREY COUNTY, NEVADA
 TRI NET SPECIAL REVENUE FUND
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2006

	ORIGINAL AND FINAL BUDGETED AMOUNTS	ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
<u>REVENUES</u>			
Intergovernmental			
State grants	\$ 66,930	\$ 33,627	\$ (33,303)
Other revenue		2,949	2,949
Total Revenue	<u>66,930</u>	<u>36,576</u>	<u>(30,354)</u>
<u>EXPENDITURES</u>			
Public safety			
Salaries and wages	56,821	15,979	40,842
Salary costs	29,569	11,410	18,159
Services and supplies	18,565	11,407	7,158
Total Expenditures	<u>104,955</u>	<u>38,796</u>	<u>66,159</u>
Excess (deficiency) of revenues over expenditures	(38,025)	(2,220)	35,805
<u>OTHER FINANCING SOURCES</u>			
Transfer in	<u>30,000</u>	<u>30,000</u>	<u>0</u>
Excess (deficiency) of revenues and other financing sources over expenditures	(8,025)	27,780	35,805
Fund balance - beginning	<u>13,103</u>	<u>14,511</u>	<u>1,408</u>
Fund balance - ending	<u>\$ 5,078</u>	<u>\$ 42,291</u>	<u>\$ 37,213</u>

The notes to financial statements are
an integral part of this statement.

STOREY COUNTY, NEVADA
INDIGENT ACCIDENT SPECIAL REVENUE FUND
SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2006

	ORIGINAL BUDGETED AMOUNTS	FINAL BUDGETED AMOUNTS	ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
<u>REVENUES</u>				
Taxes				
Property taxes	\$ 27,929	\$ 33,538	\$ 33,608	\$ 70
<u>EXPENDITURES</u>				
Welfare				
Services and supplies	27,000	32,609	32,443	166
Excess (deficiency) of revenue over expenditures	929	929	1,165	236
Fund balance - beginning	42,388	42,388	38,756	(3,632)
Fund balance - ending	\$ 43,317	\$ 43,317	\$ 39,921	\$ (3,396)

The notes to financial statements are
an integral part of this statement.

STOREY COUNTY, NEVADA
 TECHNOLOGY SPECIAL REVENUE FUND
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE
 BUDGET AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2006

	ORIGINAL AND FINAL BUDGETED AMOUNTS	ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
<u>REVENUES</u>			
Charges for services	\$ 8,000	\$ 38,919	\$ 30,919
Interest income	0	400	400
Total Revenue	<u>8,000</u>	<u>39,319</u>	<u>31,319</u>
<u>EXPENDITURES</u>			
Services and supplies	<u>8,000</u>	<u>8,000</u>	<u>0</u>
Excess (deficiency) of revenues over expenditures	0	31,319	31,319
Balance - beginning	<u>3,523</u>	<u>4,917</u>	<u>1,404</u>
Balance - ending	<u>\$ 3,523</u>	<u>\$ 36,236</u>	<u>\$ 32,723</u>

The notes to financial statements are
 an integral part of this statement.

STOREY COUNTY, NEVADA
TOWN OF VIRGINIA CITY SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2006

	ORIGINAL AND FINAL BUDGETED AMOUNTS	ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
<u>REVENUE</u>			
Licenses and permits			
Business licenses	\$ 20,000	\$ 16,304	\$ (3,696)
Penalties		2,247	2,247
Licenses - liquor	8,500	12,950	4,450
Licenses - gaming	35,000	39,996	4,996
Cabaret licenses	15,000	1,650	(13,350)
Intergovernmental			
Gaming license - state	1,300	1,306	6
Total Revenues	<u>79,800</u>	<u>74,453</u>	<u>(5,347)</u>
<u>EXPENDITURES</u>			
General government			
Services and supplies	31,800	35,246	(3,446)
Intergovernmental agreement	60,000	30,000	30,000
Total Expenditures	<u>91,800</u>	<u>65,246</u>	<u>26,554</u>
Excess (deficiency) of revenues over expenditures	(12,000)	9,207	21,207
Fund balance - beginning	<u>236,213</u>	<u>217,882</u>	<u>(18,331)</u>
Fund balance - ending	<u>\$ 224,213</u>	<u>\$ 227,089</u>	<u>\$ 2,876</u>

The notes to financial statements are
an integral part of this statement.

STOREY COUNTY, NEVADA
TOWN OF GOLD HILL SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2006

	ORIGINAL AND FINAL BUDGETED AMOUNTS	ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
<u>REVENUE</u>			
Licenses and permits			
Business licenses	\$ 3,000	\$ 3,323	\$ 323
Liquor licenses	1,800	1,000	(800)
Cabaret licenses	350	150	(200)
County gaming licenses	350		(350)
Penalties		143	143
Intergovernmental			
State gaming license	1,100	1,051	(49)
Total Revenues	<u>6,600</u>	<u>5,667</u>	<u>(933)</u>
<u>EXPENDITURES</u>			
General government			
Services and supplies	3,000	2,207	793
Total Expenditures	<u>3,000</u>	<u>2,207</u>	<u>793</u>
Excess (deficiency) of revenues over expenditures	3,600	3,460	(140)
Fund balance - beginning	<u>22,205</u>	<u>22,531</u>	<u>326</u>
Fund balance - ending	<u>\$ 25,805</u>	<u>\$ 25,991</u>	<u>\$ 186</u>

The notes to financial statements are
an integral part of this statement.

STOREY COUNTY, NEVADA
 FEDERAL GRANTS SPECIAL REVENUE FUND
 SCHEDULE OF REVENUES, EXPENDITURE, AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2006

	BUDGETED AMOUNTS		ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
<u>REVENUES</u>				
Intergovernmental				
Federal grants		\$ 85,731	\$ 352,512	\$ 266,781
State grants	\$ 225,000	225,000	108,944	(116,056)
County flood		239,936	239,936	0
Emergency planning			48,579	48,579
Total Revenues	<u>225,000</u>	<u>550,667</u>	<u>749,971</u>	<u>199,304</u>
<u>EXPENDITURES</u>				
Culture and recreation				
Historic district	150,000	150,000	28,287	121,713
Other		85,731	173,584	(87,853)
Public safety				
County flood		239,936	203,526	36,410
Emergency planning			24,364	(24,364)
Total Expenditures	<u>150,000</u>	<u>475,667</u>	<u>429,761</u>	<u>45,906</u>
Excess (deficiency) of revenues over expenditures	75,000	75,000	320,210	245,210
Fund balance - beginning (deficit)	<u>61,763</u>	<u>61,763</u>	<u>(67,585)</u>	<u>(129,348)</u>
Fund balance - ending	<u>\$ 136,763</u>	<u>\$ 136,763</u>	<u>\$ 252,625</u>	<u>\$ 115,862</u>

The notes to financial statements are
 an integral part of this statement.

STOREY COUNTY, NEVADA
 CAPITAL PROJECTS FUND
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2006

	<u>ORIGINAL AND FINAL BUDGETED AMOUNTS</u>	<u>ACTUAL AMOUNTS</u>	<u>VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)</u>
<u>REVENUE</u>			
None	\$ 0	\$ 0	\$ 0
<u>EXPENDITURES</u>			
General government			
Court House	75,000	68,615	6,385
Excess (deficiency) of revenues over expenditures	(75,000)	(68,615)	6,385
<u>OTHER FINANCING SOURCES</u>			
Transfers in	75,000	75,000	0
Excess (deficiency) of revenues and other financing sources	0	6,385	6,385
Fund balance - beginning (deficit)	18,324	18,323	(1)
Fund balance - ending	<u>\$ 18,324</u>	<u>\$ 24,708</u>	<u>\$ 6,384</u>

The notes to financial statements are
 an integral part of this statement.

STOREY COUNTY, NEVADA
 INFRASTRUCTURE CAPITAL PROJECTS FUND
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2006

	ORIGINAL AND FINAL BUDGETED AMOUNTS	ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
<u>REVENUES</u>			
Intergovernmental			
¼% Optional sales tax	\$ 90,000	\$ 259,025	\$ 169,025
<u>EXPENDITURES</u>			
General government			
Services and supplies	200,000	0	200,000
Excess (deficiency) of revenues over expenditures	(110,000)	259,025	369,025
Fund balance - beginning (deficit)	133,594	413,573	279,979
Fund balance - ending	\$ 23,594	\$ 672,598	\$ 649,004

The notes to financial statements are
an integral part of this statement.

STOREY COUNTY, NEVADA
WATER SYSTEM ENTERPRISE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2006

	ORIGINAL AND FINAL BUDGETED AMOUNTS	ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
<u>OPERATING REVENUES</u>			
Sales of water	\$ 402,000	\$ 357,733	\$ (44,267)
<u>OPERATING EXPENSES</u>			
Salaries and wages	126,147	146,340	(20,193)
Salary costs	48,519	74,824	(26,305)
Services and supplies	143,300	105,934	37,366
Depreciation	65,000	81,190	(16,190)
Total Operating Expenses	<u>382,966</u>	<u>408,288</u>	<u>(25,322)</u>
Operating Income (Loss)	19,034	(50,555)	(69,589)
<u>NON-OPERATING REVENUE (EXPENSES)</u>			
Grants	949,000	85,865	(863,135)
Interest earnings	6,000	34,455	28,455
Rents	6,000	6,000	0
Interest expense	(35,014)	(34,251)	763
Net Income (Loss)	<u>\$ 945,020</u>	<u>\$ 41,514</u>	<u>\$ (903,506)</u>

The notes to financial statements are
an integral part of this statement.

STOREY COUNTY, NEVADA
WATER SYSTEM ENTERPRISE FUND
SCHEDULE OF CASH FLOWS
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2006

	ORIGINAL AND FINAL BUDGETED AMOUNTS	ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Cash In flows			
Sales of water	\$ 402,000	\$ 369,398	\$ (32,602)
Cash Out flows			
Salaries and wages	(126,147)	(147,939)	(21,792)
Salary costs	(48,519)	(74,824)	(26,305)
Services and supplies	(143,300)	(101,544)	41,756
Net Cash provided (used) by Operating Activities	<u>84,034</u>	<u>45,091</u>	<u>(38,943)</u>
<u>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</u>			
Cash In flows			
Rent	6,000	6,000	0
Customer deposits		(2,675)	(2,675)
Net Cash Provided by Non Capital Financing Activities	<u>6,000</u>	<u>3,325</u>	<u>(2,675)</u>
<u>CASH FLOWS FROM CAPITAL AND RELATED ACTIVITIES</u>			
Cash In flows			
Grants	949,000	85,865	(863,135)
Capital contributed		71,895	71,895
Cash Out flows			
Capital outlay	(949,000)	(132,024)	816,976
Debt service	(20,487)	(20,487)	0
Interest expense	(35,014)	(34,801)	213
Net Cash Provided (Used) by Capital Related Activities	<u>(55,501)</u>	<u>(29,552)</u>	<u>25,949</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Interest earnings	6,000	34,455	28,455
Net Increase (Decrease) in Cash	<u>40,533</u>	<u>53,319</u>	<u>12,786</u>
Cash - beginning	<u>1,071,579</u>	<u>933,305</u>	<u>(138,274)</u>
Cash - ending	<u>\$ 1,112,112</u>	<u>\$ 986,624</u>	<u>\$ (125,488)</u>

The notes to financial statements are
an integral part of this statement.

STOREY COUNTY, NEVADA
 VIRGINIA DIVIDE SEWER IMPROVEMENT DISTRICT ENTERPRISE FUND
 SCHEDULE OF REVENUES AND EXPENSES - BUDGET AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2006

	ORIGINAL AND FINAL BUDGETED AMOUNTS	ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
<u>OPERATING REVENUES</u>			
Service use fees	\$ 189,500	\$ 140,977	\$ (48,523)
<u>OPERATING EXPENSES</u>			
Salaries and wages	53,574	53,947	(373)
Salary costs	21,187	46,647	(25,460)
Services and supplies	59,300	49,814	9,486
Depreciation	30,000	30,887	(887)
Total Operating Expenses	164,061	181,295	(17,234)
Operating Income (Loss)	25,439	(40,318)	(65,757)
<u>NON OPERATING REVENUES (EXPENSE)</u>			
Interest income	3,000	18,609	15,609
Interest expense	(4,347)	(4,332)	15
Net income (Loss)	\$ 24,092	\$ (26,041)	\$ (50,133)

The notes to financial statements are
 an integral part of this statement.

STOREY COUNTY, NEVADA
 VIRGINIA DIVIDE SEWER IMPROVEMENT DISTRICT ENTERPRISE FUND
 SCHEDULE OF CASH FLOWS - BUDGET AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2006

	ORIGINAL AND FINAL BUDGETED AMOUNTS	ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Cash In Flows			
Sewer Fees	\$ 189,500	\$ 143,149	\$ (46,351)
Cash Out Flows			
Salaries and wages	(53,574)	(56,284)	(2,710)
Salary costs	(21,187)	(46,647)	(25,460)
Service and supplies	(59,300)	(49,690)	9,610
Net cash provided (used) by Operating Activities	<u>55,439</u>	<u>(9,472)</u>	<u>(64,911)</u>
<u>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</u>			
None	<u>0</u>	<u>0</u>	<u>0</u>
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>			
Cash In Flows			
Capital contributed by customers		68,709	68,709
Cash Out Flows			
Interest expense	(4,347)	(4,332)	15
Principal - revenue bonds	(3,728)	(3,744)	(16)
Net cash provided (used) by capital related Financing Activities	<u>(8,075)</u>	<u>60,633</u>	<u>68,708</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Interest income	<u>3,000</u>	<u>18,609</u>	<u>15,609</u>
Net Increase (Decrease) in Cash	50,364	69,770	19,406
Cash - beginning	<u>319,365</u>	<u>514,193</u>	<u>194,828</u>
Cash - ending	<u>\$ 369,729</u>	<u>\$ 583,963</u>	<u>\$ 214,234</u>

The notes to financial statements are
an integral part of this statement.

STOREY COUNTY, NEVADA
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 ALL AGENCY FUNDS
 FOR THE YEAR ENDED JUNE 30, 2006

	BALANCE JULY 1, 2005	ADDITIONS	DEDUCTIONS	BALANCE JUNE 30, 2006
<u>STATE OF NEVADA FUND</u>				
Assets				
Cash	\$ 107,344	\$ 1,147,726	\$ 1,166,032	\$ 89,038
Liabilities				
Due Other Governments	\$ 107,344	\$ 1,147,726	\$ 1,166,032	\$ 89,038
<u>STOREY COUNTY SCHOOL DISTRICT</u>				
Assets				
Cash	\$ 7,002	\$ 1,706,372	\$ 1,706,225	\$ 7,149
Liabilities				
Due Other Governments	\$ 7,002	\$ 1,706,372	\$ 1,706,225	\$ 7,149
<u>STOREY COUNTY SCHOOL DISTRICT DEBT SERVICE</u>				
Assets				
Cash	\$ 1,012	\$ 325,780	\$ 326,118	\$ 674
Liabilities				
Due Other Governments	\$ 1,012	\$ 325,780	\$ 326,118	\$ 674
<u>VIRGINIA CITY CONVENTION AND TOURISM AUTHORITY</u>				
Assets				
Cash	\$ 78,310	\$ 355,682	\$ 341,924	\$ 92,068
Liabilities				
Due Other Governments	\$ 78,310	\$ 355,682	\$ 341,924	\$ 92,068
<u>DISTRICT ATTORNEY RESTITUTION FUND</u>				
Assets				
Cash	\$ 5,650	\$ 6,962	\$ 6,233	\$ 6,379
Liabilities				
Due Other Governments	\$ 5,650	\$ 6,962	\$ 6,233	\$ 6,379
<u>TOTAL - ALL FUNDS</u>				
Assets				
Cash	\$ 199,318	\$ 3,542,522	\$ 3,546,532	\$ 195,308
Liabilities				
Due Other Governments	\$ 199,318	\$ 3,542,522	\$ 3,546,532	\$ 195,308

The notes to financial statements are
 an integral part of this statement.

STOREY COUNTY, NEVADA
 COMPARATIVE SCHEDULES OF GENERAL FIXED ASSETS
 BY SOURCE
 JUNE 30, 2006 AND 2005

	JUNE 30,	
	2006	2005
<u>GOVERNMENTAL FUNDS CAPITAL ASSETS:</u>		
Land	\$ 134,443	\$ 134,443
Building and improvements	5,678,124	5,603,634
Machinery and equipment	4,807,822	4,560,847
Park Improvements	548,214	548,214
Total General Fixed Assets	\$ 11,168,603	\$ 10,847,138
 <u>INVESTMENTS IN GOVERNMENTAL FUNDS</u>		
<u>CAPITAL ASSETS BY SOURCE:</u>		
General Fund	4,335,969	4,076,171
Road Fund	1,366,131	1,325,325
Fire Fund	2,078,885	2,046,024
Fire District Fund	836,324	848,324
Fourth Ward Trustee	1,579,368	1,579,368
Sheriff's Jail	971,926	971,926
Total Investment in General Fixed Assets	\$ 11,168,603	\$ 10,847,138

The notes to financial statements are
 an integral part of this statement.

STOREY COUNTY, NEVADA
SCHEDULE OF GENERAL FIXED ASSETS - BY FUNCTION AND ACTIVITY
JUNE 30, 2006

FUNCTION AND ACTIVITY	LAND	BUILDING AND IMPROVEMENTS	PARK IMPROVEMENTS	MACHINERY AND EQUIPMENT	TOTAL
GENERAL GOVERNMENT					
Commissioners				\$ 2,595	\$ 2,595
Clerk-Treasurers				0	0
Recorder-Auditor				69,134	69,134
Assessor				42,463	42,463
Building-Grounds				24,298	24,298
Other - Administrative	\$ 134,443	\$ 1,841,916	\$ 0	79,975	2,056,334
Total General Government	<u>134,443</u>	<u>1,841,916</u>	<u>0</u>	<u>218,465</u>	<u>2,194,824</u>
JUDICIAL					
Justice Court				4,090	4,090
District Attorney				35,371	35,371
District Court				0	0
Total Judicial	<u>0</u>	<u>0</u>	<u>0</u>	<u>39,461</u>	<u>39,461</u>
PUBLIC SAFETY					
Sheriff		971,926		435,360	1,407,286
Fire		6,309		2,072,576	2,078,885
Fire District		65,375		770,949	836,324
Emergency Management				272,049	272,049
Building Department				74,453	74,453
Total Public Safety	<u>0</u>	<u>1,043,610</u>	<u>0</u>	<u>3,625,387</u>	<u>4,668,997</u>
HIGHWAY AND STREET					
	<u>0</u>	<u>509,651</u>	<u>0</u>	<u>856,480</u>	<u>1,366,131</u>
CULTURE AND RECREATION					
	<u>0</u>	<u>2,282,947</u>	<u>548,214</u>	<u>68,029</u>	<u>2,899,190</u>
 Total Capital Assets	 <u>\$ 134,443</u>	 <u>\$ 5,678,124</u>	 <u>\$ 548,214</u>	 <u>\$ 4,807,822</u>	 <u>\$ 11,168,603</u>

The notes to financial statements are
an integral part of this statement.

STOREY COUNT, NEVADA
SCHEDULE OF GENERAL FIXED ASSETS - BY FUNCTION AND ACTIVITY
JUNE 30, 2006

FUNCTION AND ACTIVITY	GOVERNMENTAL FUNDS			GOVERNMENTAL FUNDS
	CAPITAL ASSETS JULY 1, 2005	ADDITIONS	DELETIONS	CAPITAL ASSETS JUNE 30, 2006
GENERAL GOVERNMENT				
Commissioners	\$ 2,595			\$ 2,595
Recorder-Auditor	69,134			69,134
Assessor	18,000	\$ 24,463		42,463
Building-Grounds	24,298			24,298
Other-Administrative	2,060,371		\$ (11,822)	2,048,549
Total General Government	<u>2,174,398</u>	<u>24,463</u>	<u>(11,822)</u>	<u>2,187,039</u>
JUDICIAL				
District Attorney	35,371			35,371
District Court	4,090			4,090
Total Judicial	<u>39,461</u>	<u>0</u>	<u>0</u>	<u>39,461</u>
PUBLIC SAFETY				
Sheriff	1,261,830	180,456	(35,000)	1,407,286
Fire	2,046,022	32861		2,078,883
Fire District	848,324		(12,000)	836,324
Emergency Management	275,656			275,656
Building Department	62,982	15,652		78,634
Total Public Safety	<u>4,494,814</u>	<u>228,969</u>	<u>(47,000)</u>	<u>4,676,783</u>
HIGHWAY AND STREETS				
	<u>1,325,325</u>	<u>40,806</u>	<u>0</u>	<u>1,366,131</u>
CULTURE AND RECREATION				
	<u>2,813,140</u>	<u>86,049</u>	<u>0</u>	<u>2,899,189</u>
Total General Fixed Assets	<u>\$ 10,847,138</u>	<u>\$ 380,287</u>	<u>\$ (58,822)</u>	<u>\$ 11,168,603</u>

The notes to financial statements are
an integral part of this statement.

STOREY COUNTY, NEVADA
 SCHEDULE OF GENERAL OBLIGATIONS BONDS
 AND OTHER CONTRACTUAL OBLIGATIONS FROM FUTURE REVENUES
 JUNE 30, 2006

<u>COUNTY BONDS</u>	<u>DATE OF ISSUE</u>	<u>AMOUNT OF ISSUE</u>	<u>INTEREST RATE</u>	<u>BALANCE JUNE 30, 2005</u>	<u>PAID DURING YEAR</u>	<u>BALANCE JUNE 30, 2006</u>	<u>TERMS OF PAYMENT OF OUTSTANDING BALANCE</u>
Revenue Bonds County of Storey Water Revenues Bonds of 1974 (Due United States of American Farmer's Home Administration)	6/26/74	\$ 294,000	5%	\$ 114,000	\$ 11,000	\$ 103,000	\$ 11,000 Annually - Jan 1, 2006-2007 \$ 12,000 Annually - Jan 1, 2008-2010 \$ 13,000 January 1, 2011 \$ 14,000 Annually - Jan 1, 2012 - 2013 \$ 15,000 January 1, 2014
<u>WATER REVENUE BOND - SERIES 1998</u> <u>U.S.D.A. - Rural Development Loan</u>	1/28/97	\$ 714,000	4 1/2%	\$ 651,426	\$ 9,487	\$ 641,939	\$ 38,801 Fiscal Years 6/30/05-6/30/2037 with interest only paid on July 1, and interest and principal paid on January 1, of each year.
<u>VIRGINIA - DIVIDE SEWER</u> <u>IMPROVEMENTS DISTRICT</u> Sewer Revenue Bonds Series 1981 (Due General Electric Credit Corp. Master Services - acquired from United States of America Farmers Home Administration on 09/23/1987)	11/1/81	\$ 138,000	5%	\$ 87,683	\$ 3,744	\$ 83,939	\$ 673 per month

The notes to financial statements are an integral part of this statement.

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

To the Honorable Board of County Commissioners
Storey County, Nevada

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Storey County, Nevada as of and for the year ended June 30, 2006, which collectively comprise Storey County, Nevada's, basic financial statements and have issued our report thereon dated November 14, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Storey County, Nevada's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to the management of Storey County, Nevada, in a separate letter dated November 14, 2006.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Storey County, Nevada's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain matters that we reported to management of Storey County, Nevada, in a separate letter dated November 14, 2006.

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



David A. Pringle, CPA, LTD
November 14, 2006

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AUDITORS REPORT ON PRIOR YEAR'S RECOMMENDATIONS

To The Honorable Board of County Commissioners
Storey County, Nevada

We have reviewed the status of our recommendations included in last year's audit report dated November 14, 2005. This review indicated that the budgets of the special revenue funds did not exceed appropriations nor were there any deficit balances.



David A. Pringle, CPA, LTD.
Certified Public Accountant

November 14, 2006

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AUDITORS REPORT ON CURRENT YEAR'S RECOMMENDATIONS

To the Honorable Board of County Commissioners
Storey County, Nevada

We have audited the financial statements of Storey County, Nevada for the year ended June 30, 2006, and have issued our report thereon dated November 14, 2006. As part of our audit, we made a study and evaluation of the County's system of internal accounting control to the extent we considered necessary solely to determine the nature, timing and extent of our auditing procedures. Our study and evaluation was more limited than would be necessary to express an opinion on the system of internal accounting control taken as a whole, and we do not express such an opinion.

However during our audit we became aware of certain matters that, while not involving material weaknesses in internal accounting control, are opportunities for increasing controls and operating efficiency. This letter does not affect our report dated October 9, 2006, on the financial statements of Storey County, Nevada.

Current Years Audit Recommendations

1. Cash flow data entered in the computer system relating to the County's enterprise funds should be compared to the final budgeted amounts, as some incorrect amounts were recorded in the system.
2. Expenditures exceeded appropriations in the Water System Enterprise Fund and the Virginia Divide Sewer Enterprise Fund. Expenditures must be monitored to budget amounts.

The status of the above recommendations must be reviewed during your next audit engagement. We have already discussed these recommendations with the County Recorder/Auditor, and will be pleased to discuss them in further detail at your convenience.



David A. Pringle, CPA, LTD
Certified Public Accountants

November 14, 2006