

# INTRODUCTORY SECTION

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October 19, 2011

To the Honorable Board of County Commissioners and the Citizens of Washoe County, Nevada:

The comprehensive annual financial report of Washoe County, Nevada, for the fiscal year ended June 30, 2011, is hereby submitted. Nevada Revised Statutes (NRS) 354.624 requires the County to provide an annual audit by independent certified public accountants in accordance with generally accepted auditing standards in the United States.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based on a comprehensive framework of internal controls established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements. Management asserts that, to the best of our knowledge, the information in this report is accurate in all material respects and presents fairly the financial position of the various funds and component units of Washoe County, including all disclosures necessary to understand the County's activities.

Kafoury, Armstrong, & Co., Certified Public Accountants, have audited Washoe County's financial statements for the year ended June 30, 2011, and have issued an unqualified ("clean") opinion. The independent auditor's report is located on the first page of the financial section.

Management's discussion and analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. MD&A complement this letter of transmittal and should be read in conjunction with it.

## PROFILE OF THE GOVERNMENT

Washoe County was incorporated in 1861 and is a political subdivision of the State of Nevada. A five-member Board of County Commissioners (BCC) elected by constituents within their districts for a 4-year term governs the County. The County covers an area of 6,600 square miles in the northwest section of the state, bordering California and Oregon. The county seat is the City of Reno, the third largest city in Nevada. Other communities in Washoe County are Sparks, Sun Valley and Incline Village, at Lake Tahoe.

The County provides an array of mandated services including property appraisal and assessment; tax collection; criminal prosecution; presiding over civil, criminal, domestic and juvenile court cases; death investigations; temporary financial assistance, health care assistance and indigent burials; communicable disease control; and child protection and placement services. Regional services include adult and juvenile detention; parks and libraries; senior services; forensic services; water, sewer and flood control; animal services; emergency management; and regional public safety training. Other community services include patrol and criminal investigation; fire protection; snow removal and street repair; business licensing; and land use planning and permitting. Administrative and internal support services include management, human resources, community relations, finance, technology services, internal audit, fleet operations, purchasing, and risk management.

This report includes the financial activities of three component units: South Truckee Meadows General Improvement District, Truckee Meadows Fire Protection District, and Sierra Fire Protection District. Component units are legally separate entities for which a financial benefit or burden relationship exists between the County and the entity. The Washoe County BCC functions as the governing bodies for these entities.

The BCC is required to adopt a final budget annually on or before June 1 for the ensuing fiscal year. The annual budget serves as the foundation for Washoe County's financial planning and control. The legal level of budgetary control is at the function level for governmental funds and by the sum of operating and nonoperating expenses for proprietary funds.

## LOCAL ECONOMY AND ECONOMIC OUTLOOK

The local economy in 2011 began to see some signs of stabilizing for the first time since the economic recession began in 2007. At June 30, 2011, the County's unemployment rate was 13 percent, 1.1 percentage points lower than the previous year's, ending four years of increases. However, the unemployment rate continues to be significantly higher than the national average of 9.2 percent. Significant employment increases in natural resources and mining of 33 percent and more modest increases in professional and business services and leisure and hospitality, were offset by continued declines in manufacturing, information, financial activities and government. The construction industry which saw 28 percent decreases in the prior year had a 1.1 percent increase in employment in the current year, demonstrating some stabilization in that sector.

Home foreclosures in Washoe County continued at an unprecedented rate during the year with 3,407 foreclosures compared

to 2,948 in the prior year, and likely will not improve until there is some improvement in the job market. Because of the high foreclosure rate, housing prices continued to fall during the year with the median price of new and existing homes at \$155,000 at year-end compared with \$180,000 at the end of the prior year. Sales of new and existing single family homes declined by 8 percent year-over-year with just under 6,000 units sold. Interestingly, however, condominium sales increased by 15 percent year-over-year and increased 68 percent over a 2 year period, with 1,429 units sold and a median sales price of \$47,000. In Washoe County during the peak, homes were selling for over 6 times the median household income. According to the University of Nevada, Reno Center for Regional Studies (Center), a normal range in the County is between 2.5 and 3 times. In fiscal year 2011, homes were selling for 2.2 times the median household income of \$71,200, which is below the low end of the Center's normal range. This indicator could be a sign that housing prices are close to a bottom and may be stabilizing.

The County's largest revenue source, property taxes, has been affected by the declines in property values. However, the impact has been mitigated by caps on property tax bill increases passed in 2005 by the State of Nevada Legislature during the housing boom. Since tax bills did not increase at the same rate as property values, property tax revenues have been declining at a slower rate than values. In fiscal year 2011, property taxes declined 9 percent, and are projected to decline an additional 7 percent in fiscal year 2012. Additional impacts to the County's property tax revenues during the year were a result of legislation enacted by the State Legislature during the 2009 legislative session, which redirected revenues to the State in fiscal years 2011 and 2010. Those redirected revenues comprised 4 cents of the County's operating rate; 5 cents of the rate dedicated to capital facilities and improvements; and 2.5 cents of the rate dedicated to the County's indigent population. During the 2011 legislative session, all of the diverted taxes, except 3 cents of the rate dedicated to capital facilities, were allowed to sunset and the County will no longer be required to pay those revenues to the State. With the County's overlapping property tax rate currently at the cap of \$3.64 per \$100 of assessed value, a property tax increase is not an option. The County's individual tax rate of \$1.3917 per \$100 in assessed valuation has remained unchanged over the last seven fiscal years.

Consolidated taxes, consisting of sales, cigarette, liquor, real property transfer and government services taxes (a tax on the value of vehicles), are the second greatest revenue source for the County. This tax source has been most affected by the economic downturn, declining for 40 consecutive months leading into fiscal year 2011. The month over month declines ended during the year with consolidated taxes stabilizing at a slight increase of 1 percent. Taxable sales, the largest component of the tax, ended the year with an increase of 2 percent. While the declines have been significant since the beginning of the economic downturn, they are showing signs of stabilization. Given this trend, consolidated tax revenues for fiscal year 2012 are projected to remain flat.

With consumer spending continuing to decline in the current recession, the region's efforts to diversify the economy continue to be a priority. In fiscal year 2011, the Economic Development Authority of Western Nevada (EDAWN) reported assisting 17 companies to relocate to or expand in Washoe County, creating 670 new jobs, compared to 11 companies and 513 jobs reported last year – a 55 percent increase in the total companies and a 31 percent increase in the total jobs created year over year. The industries represented included advanced logistics, advanced manufacturing, business and financial services and clean energy. In addition to the report on business relocations to the area, EDAWN also reports 74 company and site consultant visits, more than triple in the previous year, which indicates companies are considering the area in their growth plans.

Relocation, expansion, and start-up of businesses in the region are due to the many factors attractive to business, including a liberal tax structure and strategic location. Nevada has no corporate or personal state income tax, franchise tax, unitary tax, inventory tax, inheritance or estate tax. The Reno-Sparks area is within second-day delivery to every major western city and minutes from California, the world's sixth largest market. An excellent transportation network exists with an international airport, two major interstate highways, as well as major rail transportation providing freight and passenger service. The combination of location, transportation network and warehousing space all can contribute to business growth. In 2011, *Chief Executive's* annual survey of best and worst states for business ranked Nevada in the top 10. According to leading indicator in the "Kauffman Index of Entrepreneurial Activity", Nevada tied with Georgia for the highest entrepreneurial activity in 2010.

The area climate offers four distinct seasons with few extremes. Average temperatures range from winter lows in the 20's to summer highs in 90's. Low humidity characterizes the high-desert climate, making cold days seem not so cold and warm days not too hot. Cloudy days and rain are scarce with more than 300 days of sunshine each year and snow is a certainty, though it tends to melt by late afternoon in the valleys. All of this makes the area spectacular for enjoying the outdoors, including hunting, fishing, biking, hiking, skiing and many other activities. Efforts to diversify the economy have focused on emphasizing the area's climate and natural attractions, including Lake Tahoe and Pyramid Lake. Lake Tahoe is one of the most stunning lakes in the world. It is the largest Alpine lake in North America and is linked to Pyramid Lake by the Truckee River. Pyramid Lake, the largest natural lake located entirely within Nevada, is home to North America's largest nesting colony of white pelicans. All of these factors contributed to the area being ranked number one in outdoor recreation in U.S. Rand McNally and Reno being ranked number 6 "Most Active City" in America by Men's Health Magazine.

Additionally, the area offers a diverse array of entertainment and special events that appeal to individuals and groups. The Truckee River Whitewater Park is located in the heart of Reno's bustling downtown hotel-casino and booming arts district. It features 11 pools for kayak play, as well as a kayak racing course, and it plays host to the annual Reno River Festival, one of the country's premier competitive kayaking events. Downtown Reno is home to a newly completed 9,100 seat minor-league baseball stadium. The ballpark is home to the Triple-A Reno Aces baseball team. The area is host to Hot August

Nights, recognized as the top classic car event in the nation, the Great Reno Balloon Races, the Reno Rodeo, the Snaffle Bit Futurity and the National Championship Air Races. The area also hosts the American Bowling Congress and Women's International Bowling Congress on alternate years and the Reno-Tahoe Open, a Professional Golf Association (PGA) sanctioned tournament. The arts are well represented by the Reno Philharmonic and Chamber Orchestras, ballet, opera and Artown, a month-long event held in July that is noted by the National Endowment for the Arts as one of the country's most comprehensive festivals, and Burning Man – once a year, over 50,000 participants from all over the world gather in Nevada's Black Rock Desert in northern Washoe County to create Black Rock City, dedicated to community, art, self-expression, and self-reliance.

The attractiveness of the region to both businesses and tourists will be vital factors in pulling the region out of the recession when the national and state-wide economy begins to recover. This is evidenced by an increase in visitor volume of 5.9 percent in Washoe County in June compared to a year earlier.

## **LONG-TERM FINANCIAL PLANNING**

Recognizing the magnitude of the challenge to balance the 2010/11 budget, on top of deep reductions already experienced in the 2009/10 budget, the BCC developed a judicious approach to achieving financial sustainability so that no one part of the budget carried a disproportionate burden. This approach kept three main goals as guiding principles: (1) maintain service levels, (2) maximize employment, and (3) achieve sustainable labor costs. For the fiscal year 2011/12 budget, the plan was updated and recalibrated for changing conditions and its ability to promote organizational and financial sustainability. To that end, five strategic action points were employed to refine the basic three-point strategy, which include (1) core service funding, (2) balanced investment, (3) employee development, (4) structural cost change and (5) invest in long-term change.

With these goals and strategies in mind, the recommended governmental expenditures budget for the 2011/12 fiscal year is \$12.4 million or 2.5 percent less than the 2010/11 budget. The County's 2011/12 General Fund budget declined by \$1.7 million to \$283.8 million, and is at the lowest funding level in seven years.

The BCC also established a Fund Balance Policy during the year that sets a minimum fund balance for stabilization of 1.5 percent of expenditures and other uses (see note 1 to the financial statements) and for working capital between 8 and 10 percent. The 2011/12 budget includes fund balance committed for stabilization of \$4.3 million and for working capital of \$23.4 million. Both amounts are within the guidelines established by the policy.

Because the sustainability of the County's budget requires a balanced and collaborative approach, the BCC engaged a consultant to perform a Fundamental Services Review, which is intended to provide the BCC with an independent assessment of all operations, programs and services. The assessment is to include identification of opportunities to eliminate, modify or streamline operations which will achieve cost savings equaling or exceeding a first-year target of \$5 million and out-year target of \$15 million. By researching and analyzing alternative service delivery, organizational structure, staffing and compensation practices, business processes and other opportunities, the County intends to achieve long-term structural and financial sustainability.

The BCC continues to collaborate with regional partners, citizens, management, and the County's employees and their respective associations to enable Washoe County to continue to be one of the most fiscally responsible local governments in the State. The County adheres to, with no exceptions, the practice of adopting a final balanced budget with no deficit spending. For more than a decade, the County has not increased the General Fund budget by more than the combined increases in population and the Consumer Price Index, even during the economic boom. As a result of the County's careful management of reserves and proactive fiscal management, the County was able to maintain favorable general obligation bond ratings from Standard & Poor's of "AA" with a stable outlook.

## **MAJOR PROGRAMS/INITIATIVES**

The BCC has identified five strategic objectives to meet the mission and vision of the County (see page vi). The annual budget serves as the financial plan for County operations and is aligned with the BCC's strategic objectives. Some of the programs Washoe County has initiated and/or completed during the 2011 fiscal year to support those objectives are:

### **Safe, Secure and Healthy Communities**

- The Sheriff's Office partnered with the online community watch program AlertID to launch an innovative online tool that empowers residents with information that can help protect their neighborhoods and their families. AlertID-My Neighborhood creates instant, two-way communications between citizens and federal, state and local authorities. Washoe County residents were the first in the nation to take part in this free neighborhood online service.

### **High Quality of Life**

- The Truckee Meadows Trails Guide was selected by the National City and County Communications and Marketing Association to receive a second-place award at their annual conference. The publication was produced by the Washoe County Open Space and Parks Department with a generous grant from the Federal Highway Administration

Recreational Trails Program along with support from the RSCVA, St. Mary's Regional Medical Center and Scheels.

### **Regional Collaboration**

- The County is working with the City of Reno through a Shared Services Subcommittee of elected officials to review possible consolidation of government services. This project will be ongoing in the next fiscal year.

### **Sustainable Resources**

- The County implemented an "e-payables" program that increases the number of vendors paid through automation and saves approximately \$192,000 annually.
- Washoe County received the annual Cashman Good Government Award presented by the Nevada Taxpayers Association for its Interactive Budget Model which was developed in-house and used to provide financial data in a transparent manner to our stakeholders, including employee unions. It is credited with helping the County obtain labor cost concessions from all employee groups.

### **Regional Prosperity**

- Washoe County was awarded first place in its population category in the 2011 Digital Counties Survey, a national program aimed at highlighting innovation and achievement in technology implemented by county governments. The Center for Digital Government and Government Technology, the award's sponsor, cited Washoe County's technology services initiatives and projects that cut costs and helped their agencies cope with shrinking work forces.

### **AWARDS**

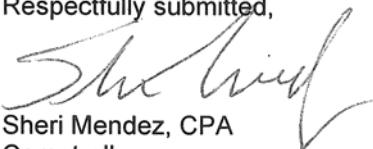
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Washoe County for its comprehensive annual financial report for the fiscal year ended June 30, 2010. This was the 29<sup>th</sup> consecutive year the County has achieved this prestigious award. In order to be awarded a Certificate of Achievement, the County must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

### **ACKNOWLEDGEMENTS**

The preparation of this report and timely issuance could not have been accomplished without the efficient and dedicated services of the Comptroller's entire staff. More particularly, Cynthia Washburn, Chief Deputy Comptroller; Mary Solorzano, Senior Accountant; Darlene Frazer, CPA, Marilyn Urbani, Dan North and Sarbani Majumdar, Accountants; Tamera Yau, Account Clerk and Sandra McGarva, Administrative Secretary Supervisor. Thanks also to the Reprographics Department for their efforts and expertise in producing this document; the Community Relations Department for providing valuable information included in this letter; the cooperation and assistance of all County departments, and to the staff from Kafoury, Armstrong & Co., Certified Public Accountants, the County's independent auditors. Special thanks to County Manager, Katy Simon; Finance Director, John Sherman, CPA; and the Board of County Commissioners for their leadership and support in the planning and conducting of the financial operations of the County in a responsible and progressive manner.

Respectfully submitted,

  
Sheri Mendez, CPA  
Comptroller

## WASHOE COUNTY BOARD OF COMMISSIONERS



**John Breternitz,**  
**Chair**  
*District One*

Washoe County is home to Lake Tahoe, one of the most beautiful places on earth; to the majestic Sierra Nevada mountains; to the life-giving Truckee River; to vast open ranges and blue sky; to pastoral ranches and to friendly, vibrant communities including the cities of Reno and Sparks.

**OUR VISION** is that Washoe County is the best place in the country to live, work, recreate, visit and invest.

**OUR MISSION** is working together to provide a safe, secure and healthy community.

### STRATEGIC OBJECTIVES OF THE BOARD OF COUNTY COMMISSIONERS

- Safe, secure and healthy communities
- High quality of life
- Regional collaboration
- Sustainable economic, natural, organizational, and social resources
- Regional prosperity



**David Humke,**  
*District Two*

### ORGANIZATIONAL VALUES:

#### **Many Communities, One County**

We take pride in our region, our neighborhoods, and our people, and we are dedicated to building a healthy, prosperous region with a strong sense of community.

#### **Quality Public Service**

We believe quality service is the fundamental reason that Washoe County exists.

#### **Teamwork**

We believe in the value and a spirit of cooperative effort within our organization and our community.

#### **People**

We strive to treat all people with equity, dignity, respect, and fairness. We believe that our employees are our most valuable resource. Each person's public contribution is essential to our success.

#### **Communication**

We believe in simplicity, accuracy, and clarity in communications with the public and each other. We encourage the open exchange of ideas and information.

#### **Accountability**

We are dedicated to high ethical and moral standards and uncompromising honesty in our dealings with the public and each other in conformance with our code of conduct.

#### **Transparency**

We are committed to providing the highest level of transparency in government. Transparency is the basis for accountability, increases public confidence, provides for informed participation of citizens, and facilitates an understanding of the decision making process in government.

#### **Professionalism**

We believe in high professional standards and performance that results in an objective analysis of issues, free of our personal biases.

#### **Progressive Thought**

We value innovation and creativity, and support an orientation for change and intelligent decision making.



**Kitty Jung,**  
*District Three*



**Robert Larkin,**  
*District Four*



**Bonnie Weber,**  
**Vice Chair**  
*District Five*

**WASHOE COUNTY, NEVADA  
LISTING OF COUNTY OFFICIALS  
AS OF JUNE 30, 2011**

**Elected Officials**

District 1: Chair, Board of County Commissioners	John Breternitz
District 2: Commissioner	David Humke
District 3: Commissioner	Kitty Jung
District 4: Commissioner	Robert Larkin
District 5: Vice Chair, Board of County Commissioners	Bonnie Weber
County Assessor	Joshua Wilson
County Clerk	Amy Harvey
County Recorder	Kathryn L. Burke
County Treasurer	Tammi S. Davis
District Attorney	Richard A. Gammick
Incline Village/Crystal Bay Constable	Joe Kubo
Public Administrator	Donald L. Cavallo
Sheriff	Mike Haley

**Appointed Officials**

County Manager	Katy Simon
Assistant County Manager	John Berkich
Assistant County Manager	Dave Childs
Alternate Public Defender	Jennifer Lunt
Alternative Sentencing Chief	Joseph Ingraham
Chief Medical Examiner/Coroner	Dr. Ellen Clark
Comptroller	Sheri Mendez
Director of:	
Building and Safety	Don Jeppson
Community Development	Dave Childs (Acting)
Community Relations	Kathy Carter
Finance	John Sherman
Human Resources	Katey Fox
Juvenile Services	Carey Stewart
Law Library (Interim)	Howard Conyers
Library	Arnie Maurins
Management Services	John Slaughter
Public Works	Dan St. John
Regional Parks and Open Space	Doug Doolittle
Senior Services	Grady Tarbutton
Social Services	Kevin Schiller
Technology Services	Cory Casazza
Truckee River Flood Management Project	Vacant
Water Resources	Rosemary Menard
District Health Officer	Dr. Joseph Iser
Public Defender	Jeremy Bosler
Public Guardian	Susan DeBoer
Registrar of Voters	Daniel Burk

# Washoe County, Nevada Organization Chart

## Washoe County Citizens

### Board of County Commissioners

#### County Manager

**Katy Simon**

#### Assistant County Manager

**Dave Childs**

#### Assistant County Manager

**John Berkich**

#### Office of the County Manager

### Courts<sup>1</sup>

DISTRICT COURTS  
FAMILY COURTS  
JUVENILE SERVICES – Carey Stewart  
JUSTICE COURTS  
LAW LIBRARY<sup>5</sup> – Howard Conyers *Interim Director*

### Elected Departments<sup>1</sup>

ASSESSOR – Joshua Wilson  
CLERK – Amy Harvey  
DISTRICT ATTORNEY – Richard Gammick  
INCLINE VILLAGE / CRYSTAL BAY  
CONSTABLE – Joe Kubo  
PUBLIC ADMINISTRATOR – Don Cavallo  
RECORDER – Kathryn Burke  
SHERIFF – Mike Haley  
TREASURER – Tammi S. Davis

### Departments Appointed by Other Boards<sup>1</sup>

DISTRICT HEALTH – Dr. Joseph Iser  
Administrative Services – Eileen Coulombe  
Air Quality – Andy Goodrich  
Community and Clinical Health – Mary Ann Brown  
Environmental Health – Bob Sack  
EPI Center – Dr. Randy Todd  
TRUCKEE MEADOWS FIRE PROTECTION DISTRICT<sup>2</sup>  
SIERRA FIRE PROTECTION DISTRICT<sup>2</sup>  
COOPERATIVE EXTENSION – Frank Flavin

Building and Safety  
Don Jeppson

Community Development  
Dave Childs (Acting)

Public Works  
Dan St. John

Roads  
Engineering  
Capital Projects  
Facility Management  
Property Management  
General Services  
Animal Services  
Equipment Services  
Reprographics & Mail Svcs.

Human Resources  
Katey Fox

Regional Parks/Open Space  
Doug Doolittle

Water Resources  
Rosemary Menard  
Water Resource Planning  
Engineering  
Finance & Customer Service  
Operations & Maintenance

Alternative Sentencing Div  
Joseph Ingraham

Medical Examiner/Coroner  
Dr. Ellen Clark

Public Defender  
Jeremy Bosler

Alternate Public Defender  
Jennifer Lunt

Senior Services  
Grady Tarbutton

Social Services  
Kevin Schiller

Public Guardian  
Susan DeBoer

Library<sup>3</sup>  
Arnie Maurins

Labor Relations  
Vacant

Finance  
John Sherman

Budget Division  
Comptroller's Office  
Purchasing Division  
Risk Management Division

Registrar of Voters  
Dan Burk

Technology Services  
Cory Casazza

WINnet  
Telecommunications  
Imaging & Records Mgmt.

Truckee River Flood Management Dept<sup>4</sup>  
Vacant

Community Relations  
Kathy Carter

Internal Audit  
Allison Gordon

Management Services Division  
John Slaughter

Commissioner Support  
Community Support  
Emergency Management  
Fire Services  
Government Affairs  
Organizational Effectiveness



1-County Manager is Liaison

2-Board of County Commissioners sits as Board of Fire Commissioners

3-Director appointed by Library Board of Trustees

4-Director appointed by Truckee River Flood Management Project Committee

5-Director appointed by Law Library Board of Trustees



# Certificate of Achievement for Excellence in Financial Reporting

Presented to

Washoe County  
Nevada

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2010

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



A stylized, handwritten signature in black ink, appearing to be "J. J.", positioned above the title "President".

President

A handwritten signature in black ink that reads "Jeffrey R. Emer", positioned above the title "Executive Director".

Executive Director

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