

INTRODUCTORY SECTION

Page

Letter of Transmittal	ii
Board of County Commissioners.....	vi
Listing of County Officials.....	vii
Organization Chart	viii
Certificate of Achievement for Excellence in Financial Reporting.....	ix



October 22, 2012

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, 2012 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, 2012, 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 complements 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 fourth 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 2012 continued to show signs of stabilization after many years of decline caused by the "Great Recession". At June 30, 2012, the County's unemployment rate was 11.7 percent, 1.6 percentage points lower than the previous year's recessionary high of 13.3 percent. While this is an improvement over the prior year, the decline is partially due to a smaller labor force and continues to be stubbornly high compared to the national average of 8.2 percent. Improvements in employment in leisure and hospitality, education and health services, professional and business services, and transportation, warehousing and utilities, were partially offset by additional declines in the construction, manufacturing, and government sectors. The construction industry, which saw a 1.1 percent increase in the prior year after many years of decline, saw an additional 8.8 percent decline in employment in the current year, demonstrating that some economic challenges still exist.

Home foreclosures in Washoe County declined in fiscal year 2012 by 25 percent, with a 51 percent decline in the final quarter from the previous quarter. While the declining foreclosure activity is significant, they still continued at an elevated level of 2,561 for the year. The median sales price increased 10.4 percent to \$170,000, likely as a result of the sharp decline in foreclosures in the final quarter of the fiscal year and increasing demand. The total number of units sold during the year increased by 3 percent to 6,163 units. While we are cautiously optimistic that we are seeing a slight recovery in the housing market, high unemployment will continue to put pressure on the market.

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 2012, property taxes declined 6.8 percent, and are projected to decline an additional 2.9 percent in fiscal year 2013. 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 to help offset declining revenues. The County's unincorporated 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. During fiscal year 2012, this revenue source saw a year-over-year increase of 2.4 percent. While this is good news and a positive trend, consolidated taxes declined so drastically since the beginning of the recession that the increased revenue is only slightly better than fiscal year 2001 receipts.

The State and the region continue to focus efforts in diversifying the economy to counter the impacts of the "Great Recession". In fiscal year 2012, Apple announced its plans to build a data center in the County and has made a commitment to invest \$400 million over the next four years, and \$1 billion over 10 years. The data center is estimated to generate up to 41 jobs, 200 long-term contractors and 580 direct construction jobs. In addition to the large investment in the community promised by Apple, the Economic Development Authority of Western Nevada (EDAWN) reported assisting 16 companies to relocate to or expand in Washoe County, creating 673 new jobs and include a total investment of \$40 million. The industries represented included advanced logistics, advanced manufacturing, and business and financial services.

Business start-up, relocation, and expansion 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 2012, *Chief Executive's* annual survey of best and worst states for business ranked Nevada 12th in the nation. According to the Small Business and Entrepreneurship Council, Nevada ranks second as the friendliest state in the Small Business Survival Index 2011.

The area climate offers four distinct seasons with few extremes. Average temperatures range from winter lows in the 20's to summer highs in the 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 9,100 seat minor-league baseball stadium. The ballpark is home to the Triple-A Reno Aces baseball team, recent winners of the 2012 Gildan Triple-A National Championship. 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.

LONG-TERM FINANCIAL PLANNING

As a result of the fiscal crisis the County has faced over the past several years, the County continuously is looking for smarter, more efficient ways to deliver all of the services that citizens rely upon. Using the recommendations of a citizen-led Fundamental Service Review and priorities established by a citizen-led budget committee, the BCC established budget guidelines and strategies to form budgetary decisions.

These guidelines and strategies were used to prepare a recommended governmental expenditures budget for the 2012/13 fiscal year that is \$20.7 million or 4.4 percent less than the fiscal year 2011/12 budget. The County's 2012/13 General Fund budget declined by \$8.7 million to \$275.1 million, and is at the lowest funding level in eight years. Budget balancing measures included the strategic use of reserves, department budget reductions and efficiency savings, and reduced capital spending.

Ending fund balance in the General Fund of 8 percent is projected to be within the BCC adopted Fund Balance Policy 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 2012/13 budget includes fund balance committed for stabilization of \$4.1 million and for working capital of \$22 million.

The BCC also directed the development of three year business plans by all departments and funds to better plan for future funding and service delivery options. Those business plans will be developed in the first half of fiscal year 2012/13 and will be used to inform decisions in the development of future budgets.

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 and Moody's of "AA" and "Aa2", respectively, 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 2012 fiscal year to support those objectives are:

- Implemented energy conservation projects that created private sector jobs that are reducing our energy costs.
- Consolidated five departments into one, reducing management costs by \$1 million
- Restored the full General Fund subsidy to Senior Services
- Re-organized Regional Animal Services under the Sheriff and preserved the Animal Services tax rate at current levels
- Awarded a private contract for Court security services, saving an expected \$400,000 annually
- Secured approximately \$40 million in federal grants
- Won the #2 Digital County of the Year award for the US for our population size
- Invested a total of \$14.7 million in stimulus funds to date supporting 184 jobs and providing funding for efforts such as environmental restoration projects to restore fire-ravaged areas in Arrowcreek, Peavine, Belli Ranch, Martis, and other areas.
- Expanded our web-based services and served citizens through 174,000 hours of transactions on line, saving labor costs and improving service to the public.
- Increased the investment the County Commission is making in EDawn, the Economic Development Authority of Western Nevada, in order to enhance the resources committed to job creation.
- Initiated "wrap-around" services for at-risk families and youth, which has resulted in reunifying families and reducing the number of children in foster care from 1020 to 600, and safely keeping children out of the court system.
- Awarded \$63 million in contracts for goods and services to local vendors to keep our economy moving. Launched an e-payment program for vendors, allowing them to get paid within three to five days, and allowing the County to earn about \$200,000 annually in rebates.
- In order to prevent the insolvency of the Truckee Meadows and Sierra Fire Protection Districts by 2015, supported the standing up of a consolidated fire department, which will save taxpayers \$2 million annually

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, 2011. This was the 30th 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, Lynn Broyles, CPA, Assistant Comptroller; Mary Solorzano and Steve Smith, Senior Accountants; Marilyn Urbani, Dan North, Sarbani Majumdar, and Tammera Yau, Accountants; 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, Sheri Mendez, 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,



Cynthia Washburn, Comptroller

WASHOE COUNTY BOARD OF COMMISSIONERS



John Breternitz,
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

- Achieving long term financial sustainability
- Supporting development of the regional economy and jobs

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.



David Humke,
District Two



Kitty Jung,
District Three



Robert Larkin,
Chair
District Four



Bonnie Weber,
Vice Chair
District Five

**WASHOE COUNTY, NEVADA
LISTING OF COUNTY OFFICIALS
AS OF JUNE 30, 2012**

Elected Officials

District 1: Commissioner	John Breternitz
District 2: Commissioner	David Humke
District 3: Commissioner	Kitty Jung
District 4: Chairman, Board of County Commissioners	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
Alternate Public Defender	Jennifer Lunt
Alternative Sentencing Chief	Joseph Ingraham
Chief Medical Examiner/Coroner	Dr. Ellen Clark
Comptroller	Cynthia Washburn
Director of:	
Community Services	Rosemary Menard
Community Relations	Nancy Leuenhagen
Finance	Sheri Mendez
Human Resources/Labor Relations	John Listinsky
Juvenile Services	Carey Stewart
Library	Arnie Maurins
Management Services	John Slaughter
Senior Services	Grady Tarbutton
Social Services	Kevin Schiller
Technology Services	Cory Casazza
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

John Berkich

Office of the County Manager

Community Services Department

Rosemary Menard

Building and Safety
Don Jeppson

Community Development
Bill Whitney

Public Works
David Solaro

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

Human Resources / Labor Relations
John Listinsky

Regional Parks/Open Space
Al Rogers

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

Library³
Arnie Maurins

Finance
Sheri Mendez

Budget Division
Comptroller's Office
Purchasing Division
Risk Management Division

Registrar of Voters
Dan Burk

Technology Services
Cory Casazza

WINnet
Telecommunications
Imaging & Records Mgmt.

Community Relations
Nancy Leuenhagen

Internal Audit Program
Allison Gordon

Management Services Division
John Slaughter

Emergency Management
Fire Services
Government Affairs
Grants Management
Organizational Effectiveness

Courts¹

DISTRICT COURTS
LAW LIBRARY
FAMILY COURTS
JUVENILE SERVICES – Carey Stewart
JUSTICE COURTS

Elected Departments¹

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
Animal Services – Barry Brode
TREASURER – Tammi S. Davis

Departments Appointed by Other Boards¹

DISTRICT HEALTH – Dr. Joseph Iser
Administrative Services – Eileen Stickney
Air Quality – Andy Goodrich
Community and Clinical Health – Mary Ann Brown
Environmental Health – Bob Sack
EPI Center – Dr. Randy Todd
TRUCKEE MEADOWS FIRE PROTECTION DISTRICT²
SIERRA FIRE PROTECTION DISTRICT²



1-County Manager is Liaison

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

3-Director appointed by 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, 2011

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.



Linda C. Sandison

President

Jeffrey R. Emery

Executive Director