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October 28, 2013

www.washoecounty.us/finance/comptroller

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

The comprehensive annual financial report of Washoe County, Nevada (County), for the fiscal year ended June 30, 2013 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 (discretely presented) component units of the County, including all disclosures necessary to understand the County's activities.

Kafoury, Armstrong, & Co., Certified Public Accountants, have audited the County's financial statements for the year ended June 30, 2013, and have issued an unmodified ("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 the 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; presides 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 two discretely presented component units: Truckee Meadows Fire Protection District and Sierra Fire Protection District. Both component units are legally separate entities for which the County BCC functions as the governing bodies. However, there is no financial benefit or burden relationship between the County and the Fire Districts.

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 the 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 2012/2013 continued to show signs of stabilization after many years of decline caused by the "Great Recession". At June 30, 2013, the County's unemployment rate was 9.8 percent, 2.5 percentage points lower than the previous year's recessionary high of 12.3 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 7.6 percent. Employment in construction jobs improved, at 1.2 percent higher than last year on a year-to-date basis. Professional and business services realized a loss of 3.4 percent in jobs in the first half of 2013. The hospitality and food services industries have remained relatively flat since they found stabilization in 2009.

Home sales in the County in fiscal year 2013 have been averaging 498 per month, excluding the typical January decline. The median sales price increased and has been trending up for the past sixteen months and is up 22% year-to-date,

January 2013 over June 2013. While cautiously optimistic that we are seeing a slight recovery in the housing market, the median sales price is currently at 2003 levels and is off 39 percent from the peak of the market in 2006.

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 2013, property taxes declined 3 percent, and are projected to increase only 0.4 percent in fiscal year 2014. 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 eight fiscal years.

Consolidated taxes, consisting of sales taxes on cigarettes and 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 2013, this revenue source saw a year-over-year increase of 6.3 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 slightly less than fiscal year 2009 receipts.

In April 2013, GreatCall, Inc. and the Economic Development Authority of Western Nevada (EDAWN) announced the opening of a new call center location in Reno. It is anticipated that the move will bring approximately 400 business support jobs to Reno over the next five years. Additionally, EDAWN announced there are several other companies relocating to the Reno/Sparks area, which will have a positive impact on the local economy. A few of the companies coming to the region are: King of the West Entertainment (KWS), a motorsports entertainment company headquarters; Zuvo Water's headquarters; and, the Blackhawk Network will be opening a 130-seat business support center in Reno.

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 2013, *Chief Executive's* annual survey of best and worst states for business ranked Nevada 9th in the nation. According to the Small Business and Entrepreneurship Council, Nevada ranks second as the friendliest state in the Small Business Survival Index 2012.

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 so 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.

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. 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 60,000 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

The current effort builds upon the fiscal restraint of the past six years, in which economic uncertainty led to revenue shortfalls that necessitated cutbacks of almost \$355 million, 40.5% across all governmental funds compared to fiscal year 2008, and the elimination of funding for over 666 positions. Throughout these difficult times, our citizens and our employees rose to the challenge, repeatedly making sacrifices and volunteering their time and talents to insure that critical services were maintained. These guidelines and strategies were used to prepare a recommended governmental expenditures budget for the 2013/14 fiscal year that is \$24.7 million or 5.3 percent less than the fiscal year 2012/13 budget. The County's 2013/14 General Fund budget increased by \$11.9 million to \$287 million. The increase was largely a result of increased costs for personnel and also included \$4.1 million restricted for stabilization.

Ending fund balance in the General Fund budget of 8.5 percent is two times what is required as a minimum by State statute, and is 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 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 v). 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 2013 fiscal year to support those objectives are:

- Awarded the 2013 Cashman Good Government Award for the Fundamental Review Project, initiated by a Citizen Committee, that evaluated every program and function identifying 64 recommendations totaling \$26.8 million in potential savings. These recommendations are now being implemented by project teams under the direction of the citizen committee.
- Secured over \$40 million in federal grants
- Renovated and reopened the nationally recognized historic Bowers Mansion and spring-fed swimming pool that had been closed due to budget cuts since 2009.
- Received a Medallion Award for the Registrar of Voters' innovative and exemplary work supporting the record number of voters in recent elections.
- Upgraded and expanded the area Code Red emergency system to support reverse-911 calls to cell phones allowing residents to make evacuation plans quickly.
- Expanded citizen outreach through the County's "Openwashoe" website where citizens can make comments, suggestions and read about what other community members are saying about a particular issue.

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, 2012. This was the 31st 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, Accounting Manager; Mary Solorzano, Accounting Manager, Steve Smith and Darlene Delany, Senior Accountants; Marilyn Urbani, Dan North, Asta Dominguez 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 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



Marsha Berkgigler,
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

- Sustainability of our financial, social and natural resources
- Economic development and diversification
- Safe, secure and healthy communities
- Public participation and open, transparent communication
- Valued, engaged employee workforce



David Humke,
Chair
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



Vaughn Hartung
District Four



Bonnie Weber,
Vice Chair
District Five

**WASHOE COUNTY, NEVADA
LISTING OF COUNTY OFFICIALS
AS OF JUNE 30, 2013**

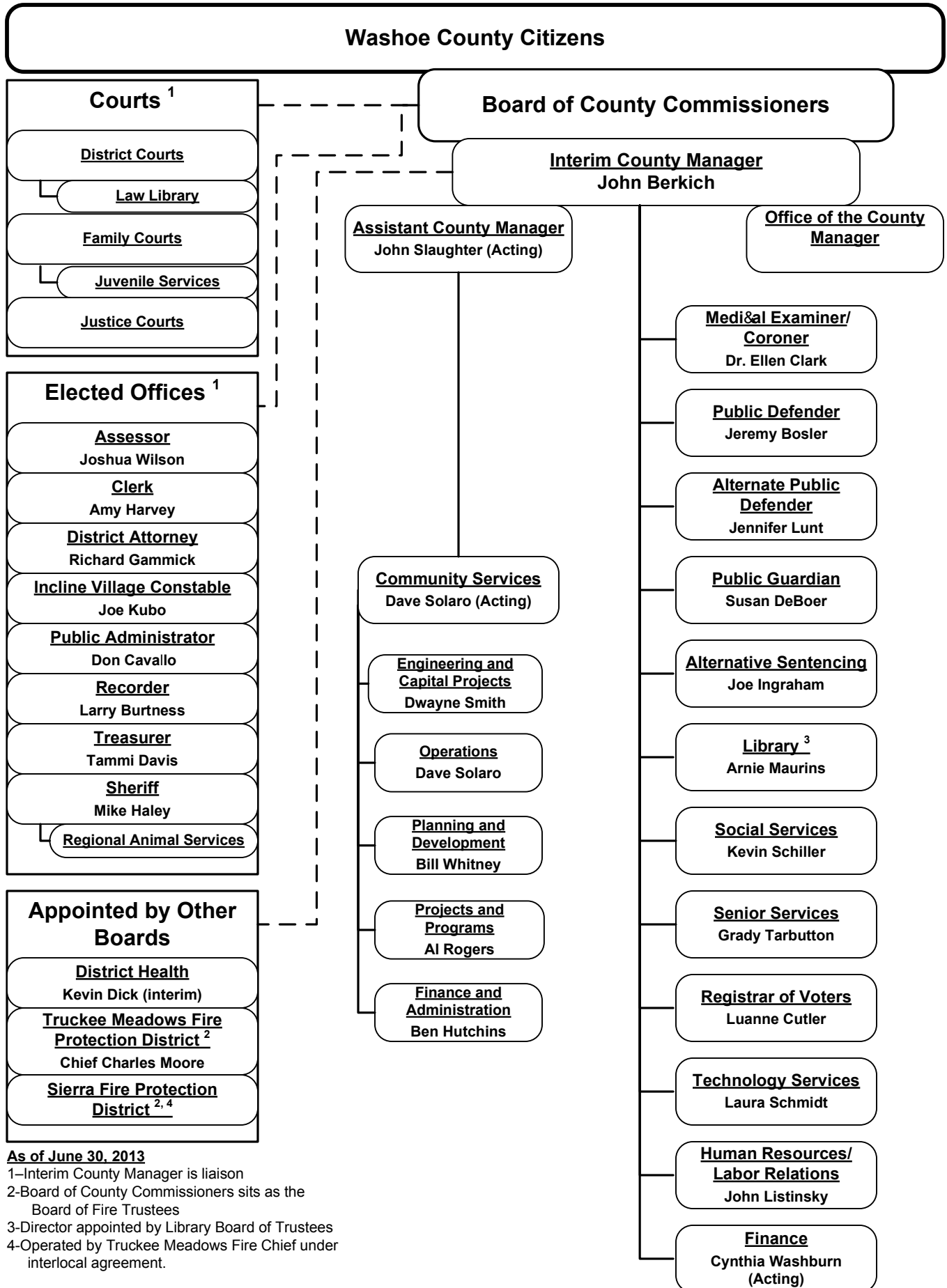
Elected Officials

District 1: Commissioner	Marsha Berkbigler
District 2: Chair, Board of County Commissioners	David Humke
District 3: Commissioner	Kitty Jung
District 4: Commissioner	Vaughn Hartung
District 5: Vice Chair, Board of County Commissioners	Bonnie Weber
County Assessor	Joshua Wilson
County Clerk	Amy Harvey
County Recorder	Larry Burtness
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	John Berkich, Interim
Assistant County Manager	John Slaughter, Interim
Alternate Public Defender	Jennifer Lunt
Alternative Sentencing Chief	Joseph Ingraham
Chief Medical Examiner/Coroner	Dr. Ellen Clark
Comptroller / Assistant Finance Director	Cynthia Washburn
Director of:	
Community Services	Dave Solaro, Interim
Community Relations	Nancy Leuenhagen
Finance	Cynthia Washburn, Interim
Human Resources/Labor Relations	John Listinsky
Juvenile Services	Frank Cervantes
Library	Arnie Maurins
Management Services	John Slaughter
Senior Services	Grady Tarbutton
Social Services	Kevin Schiller
Technology Services	Laura Schmidt
District Health Officer	Kevin Dick, Interim
Public Defender	Jeremy Bosler
Public Guardian	Susan DeBoer
Registrar of Voters	Luanne Cutler

Washoe County, Nevada Organization Chart



As of June 30, 2013

- 1-Interim County Manager is liaison
- 2-Board of County Commissioners sits as the Board of Fire Trustees
- 3-Director appointed by Library Board of Trustees
- 4-Operated by Truckee Meadows Fire Chief under interlocal agreement.



Government Finance Officers Association


**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, 2012



Executive Director/CEO