

**INTRODUCTORY SECTION**

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# WASHOE COUNTY

Office of the Comptroller

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January 25, 2016

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, 2015 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. This report represents Washoe County's commitment to sound and effective fiscal management and to responsible financial reporting based on (GAAP) established by the Governmental Accounting Standards Board.

Washoe County Management assumes 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 disclosures necessary to understand the County's activities.

Eide Bailly, LLP, Certified Public Accountants, have audited the County's financial statements for the year ended June 30, 2015 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. The 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. The County is governed by a five-member Board of County Commissioners (BCC) elected by constituents within their districts for a 4-year term. The County covers an area of 6,600 square miles in the northwest section of the state. The county seat is the City of Reno, the fourth largest city in Nevada. Other communities in the County include Sparks, Sun Valley, Wadsworth, and Incline Village.

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, each governed by a Board of Fire Commissioners. The members of the BCC serve as members of these boards. 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 non-operating expenses for proprietary funds.

## LOCAL ECONOMY AND ECONOMIC OUTLOOK

The local economy in fiscal year 2014/2015 continued to show signs of stabilization after many years of decline caused by the "Great Recession." At June 30, 2015, the County's unemployment rate was 6.4 percent, the previous year's was 7.3 percent. While this is an improvement over the prior year, the decline is partially due to a smaller labor force and continues to be slightly higher than the national average of 5.3 percent. Employment in construction jobs improved with an anticipated addition of 8,800 construction jobs in 2016. The hospitality and food services industries have remained relatively flat since stabilizing in 2009.

Home sales in the County averaged 572 per month in 2015, excluding the typical January decline. The acceleration in median sales price has slowed in comparison to sharp increase in 2012 and early 2013.

The County's largest revenue source, property taxes, has been affected by the declines in property values. For fiscal year 2016, total property taxes to governmental funds are projected by the State of Department of Taxation to increase 3.8 percent. A portion of this increase is attributed to new development. The County's unincorporated tax rate of \$1.3917 per \$100 in assessed valuation has remained unchanged over the last ten 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 2015 this revenue source saw a year-over-year increase of 7 percent, growing to \$86.46 million. Consolidated taxes have been gradually increasing since fiscal year 2011.

In June 2014, Tesla broke ground for its 72 million square foot gigafactory in northern Nevada. Other manufacturing firms, working in cooperation with Tesla to produce lithium ion batteries, are expected to build manufacturing facilities as well. Tesla is expected to be fully operational by 2017 and is anticipated to create up to 6,500 jobs. In December 2014, Ghost Systems announced the relocation of its corporate offices and data centers creating 150 jobs; Clear Capital, another technology company, announced in June 2015 a planned relocation of their headquarters with the expectation of creating 400 additional jobs. SWITCH continues their construction commitment to northern Nevada as well. Expanding its presence in Washoe County, eBay is creating an additional 45 jobs. Overall in 2015, northern Nevada recognized over 25 new or expanding companies resulting in over 3,000 new jobs. Vacancy rates in industrial sectors of Washoe County increased to 10.9 percent due in large part to new construction and the increased availability of space for lease.

### **LONG-TERM FINANCIAL PLANNING**

Several economists have expressed that the national economy for 2015/16 holds more of the same, as overall GDP growth will likely remain stuck in a range of 2 to 2.5 percent as it has for the last four years. Despite optimism every December that the New Year will bring some type of escape-velocity growth (4-6 percent), actual national economic growth has continued to disappoint investors, with a sub-2.5 percent annual growth rate.

As 2015 draws to a close, Federal government spending is projected to grow at 1 percent before adjusting for inflation, as voter pressure, pension liabilities, and limited economic growth keeps government spending compressed and on a tight budget. Based on these facts and other regional elements, the County continues to experience positive growth, but is cautious to expend or outpace revenue growth.

The County's fiscal year 2015/16 General Fund budget increased by nearly \$13 million to \$315 million. The increase was largely a result of increased costs for personnel, and includes \$3 million restricted for stabilization purposes. Ending fund balance in the General Fund budget of 8.7 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 \$3 million and a reserve for working capital of 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, without exception, to 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 downturn. As a result of the County's careful management of reserves and proactive fiscal management, the County has maintained favorable general obligation bond ratings from Standard & Poor's and Moody's of "AA" and "Aa2", respectively, with a stable outlook.

Washoe County continues to maintain a strong and healthy fund balance and is committed to providing quality customer service for its residents while responding to and facilitating new development in the region.

### **MAJOR PROGRAMS / INITIATIVES**

The annual budget serves as the financial plan for County operations and is aligned with the County's strategic objectives. Some of the programs Washoe County initiated and/or completed during the 2015 fiscal year are:

- December 2015 – the long-anticipated consolidation of the County's water utility into the Truckee Meadows Water Authority was completed. This move is expected to result in greater efficiencies for all water customers in the Truckee Meadows region.
- In March 2015, the BCC approved a Cooperative Agreement between Washoe County and the Nevada Department of Transportation to provide a continuous, safe pedestrian sidewalk from Lois Allen Elementary School and Sun Valley Blvd.
- In December 2015, Washoe County broke ground on a new Medical Examiner's Office. The facility will be more modern and equipped with the capabilities required to better serve citizens and regional law enforcement agencies.
- Effective January 7, 2016, Washoe County was designated by the United States Environmental Protection Agency as being in attainment of all federal air quality standards for the first time since adoption of the 1970 Clean Air Act.
- FY16 is expected to see increased funding for economic development, County parks, public safety and senior citizens.

## **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, 2014. This was the 33<sup>rd</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 eligibility requirements.

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 could not have been accomplished without the efficient and dedicated services of the Comptroller Department's entire staff. More particularly, Mary Solorzano, Interim Comptroller, whose efforts were instrumental in preparing this report, Robert Andrews, Accounting Manager; Darlene Delany, CPA, Crystal Carter, MS, and Russell Morgan, CPA, Senior Accountants; Asta Dominguez, CPA, Tammera Yau, and Joyce Garrett, Accountants, and Jeri Renshaw, Administrative Secretary. Thanks also to the Communications and Engagement staff for their efforts and expertise in producing this document; the cooperation and assistance of all County departments, and to the staff from Eide Bailly, LLP, 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,

A handwritten signature in blue ink that reads "Mary Solorzano". The signature is written in a cursive style with a long horizontal flourish extending to the right.

Mary Solorzano, Acting Comptroller

## WASHOE COUNTY BOARD OF COMMISSIONERS



**Marsha Berkbigler**  
*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



**Bob Lucey**  
*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*



**Jeanne Herman**  
*District Five*

**WASHOE COUNTY, NEVADA  
LISTING OF COUNTY OFFICIALS  
AS OF JUNE 30, 2015**

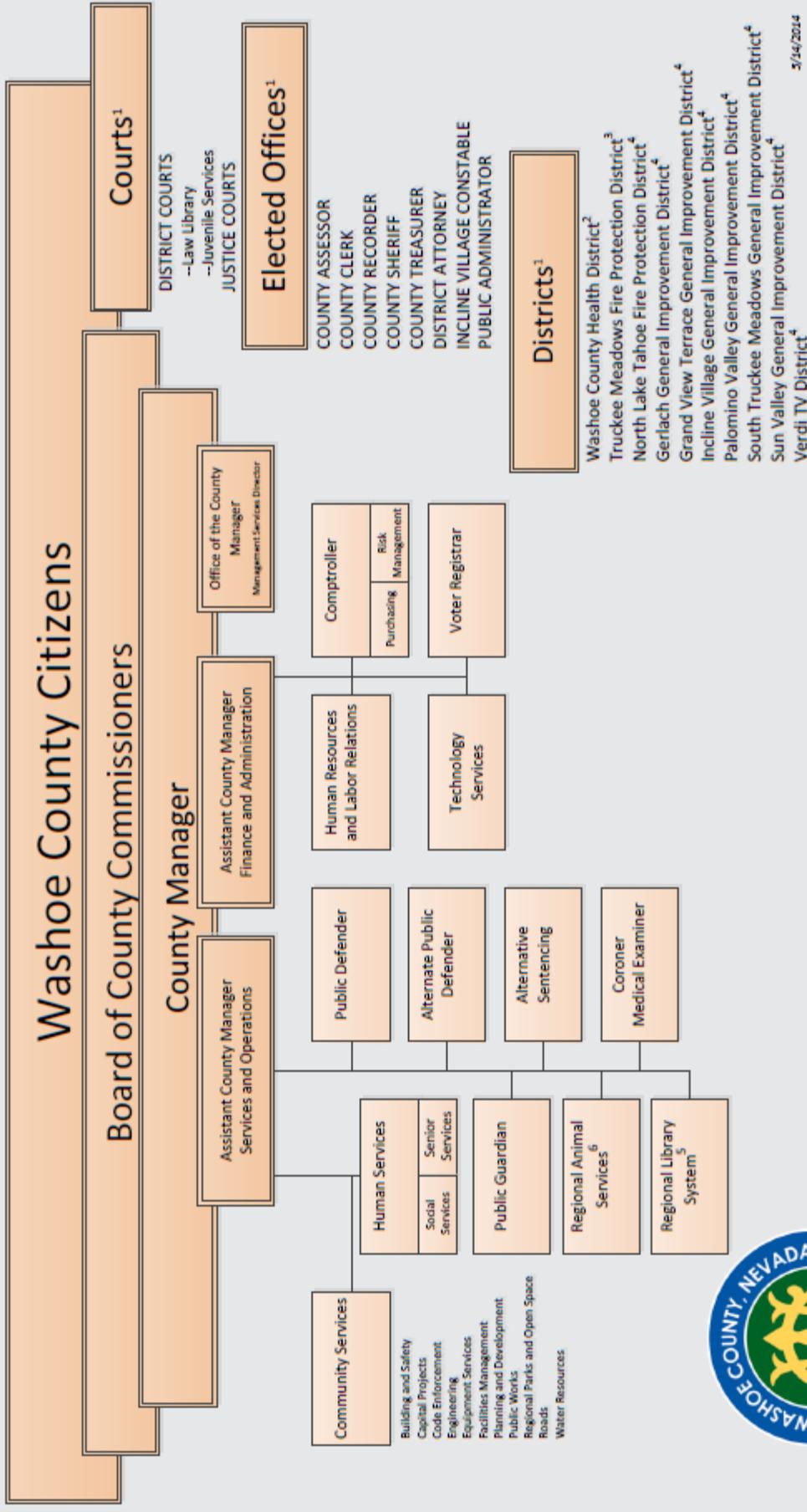
**Elected Officials**

District 1: Commissioner	Marsha Berkbigler
District 2: Commissioner	Bob Lucey
District 3: Commissioner	Kitty Jung
District 4: Commissioner	Vaughn Hartung
District 5: Commissioner	Jeanne Herman
County Assessor	Michael E. Clark
County Clerk	Nancy Parent
County Recorder	Larry Burtness
County Treasurer	Tammi S. Davis
District Attorney	Christopher Hicks
Incline Village/Crystal Bay Constable	Hans Keller
Public Administrator	Donald L. Cavallo
Sheriff	Chuck Allen

**Appointed Officials**

County Manager	John Slaughter
Assistant County Manager	Kevin Schiller
Assistant County Manager	Joey Orduna Hastings
Alternate Public Defender	Jennifer Lunt
Alternative Sentencing Chief	Joseph Ingraham
Chief Medical Examiner/Coroner	Dr. Ellen Clark
Comptroller	Mary Solorzano, Interim
Director of:	
Community Services	Dave Solaro
Community Relations	Nancy Leuenhagen
Human Resources/Labor Relations	John Listinsky
Juvenile Services	Frank Cervantes
Library	Arnie Maurins
Senior Services	Grady Tarbutton
Social Services	Kevin Schiller, Interim
Technology Services	Craig Betts
Health District	Kevin Dick
Public Defender	Jeremy Bosler
Public Guardian	Susan DeBoer
Registrar of Voters	Luanne Cutler

# Organization Chart



**Notes:**

- 1-County Manager is Liaison
- 2-Separately appointed governing board
- 3-Board of County Commissioners is Board of Fire Commissioners
- 4-Independent district with separately elected governing board
- 5-Director appointed by Library Board of Trustees
- 6-Regional Animal Services to become Department July 1, 2014



5/14/2014



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, 2014**

Executive Director/CEO