

INTRODUCTORY SECTION

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WASHOE COUNTY

Accounting / Collections / Purchasing / Risk Management

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November 29, 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, 2016 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, 2016 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, budget, 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

Washoe County continued to show signs of a robust recovery since the Great Recession. Some of the economic measures pointing to the strength of the economy in Washoe County include:

- Annual unemployment rate for 2015, 6.3% was exactly half that of 2011 (12.6%). Total employment in the County has increased nearly 10% over that time and initial jobless claims are now down more than 9% since last year.
- Median household effective buying income in Washoe County in 2016, \$48,459, exceeds the national average of \$46,738 and the State average of \$46,230.
- Through November 2015, total building permits issued were 13,690 compared to 8,354 in 2010.
- Taxable sales as of January 2016 were 7.35% higher year-over-year.

The local economy in fiscal year 2015/2016 continued to show signs of stabilization after many years of decline caused by the "Great Recession." At June 30, 2016, the County's unemployment rate was 5.9 percent, the previous year's was 6.3%. Employment in construction jobs continue to improve as well as in the manufacturing industry. Washoe County foreclosure rate of homes is 0.2 per 10,000; this is lower than the national value of 0.8. Home values have gone up 12.2% over the past year; with an anticipated forecast of an increase of 5%.

For fiscal year 2017, total property taxes to governmental funds are projected by the State of Department of Taxation to increase 3.8%. 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 eleven fiscal years.

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. Switch, the developer of SUPERNAP Data is expanding to northern Nevada. Switch will be building a 6.4 million square foot data center creating up to 400 new jobs. Overall in 2015/16, northern Nevada recognized over 30 new or expanding companies. Vacancy rates in industrial sectors of Washoe County decreased to 10.3%; the remaining vacancies are due in large part to new construction and the increased availability of space for lease.

With the influx of the tech companies relocating to northern Nevada, it is expected that more workers will be relocating to the area as well. "As such, home values have also been on the rise. The average home is valued at \$283,300, over \$100K more than the low values Reno saw in 2010, when the average home was \$167,000" (housingpredictor.com)

LONG-TERM FINANCIAL PLANNING

Several economists have expressed that the national economy for 2015/16 holds more of the same, with overall GDP growing by about 1.4% versus 2.6% in 2015. Growth will likely remain stuck in a range of 2.0% to 2.5% as it has for the last five years.

Nevada is consistently rated one of the top ten most business friendly states. This is supported with the fact that there are no corporate or personal income tax; no inventory tax and no franchise tax. This, in conjunction with the effect of the Tesla gigafactory, is continuing to draw attention of other corporations to the northern Nevada area.

The County's fiscal year 2015/16 General Fund budget increased by nearly \$8 million to \$291 million. The increase was largely a result of increased costs for personnel, and includes \$3 million restricted for stabilization purposes. Ending undesignated fund balance in the General Fund budget of over 44 million or 14.6 percent is more than three 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 10 and 17 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 2016 fiscal year are:

- Development of the North Valleys Splash Park received national recognition, being voted Best of Aquatics for its one-

- of-a-kind public amenity that reflects the heritage of the high-desert area and can be enjoyed by tots and big kids alike.
- FY17 budget includes more than \$13 million in funding to improve parks. Development of the North Valleys Regional Park will continue, with the next phase to include additional baseball fields, flat fields and additions to the trail system and parking.
- Washoe County Crossroads program was awarded the 2016 Best of Category in Human Services by the National Association of Counties. This benchmark housing program assists local men and women in making a successful transition from substance abuse and homelessness, to leading a productive and fulfilling life. The Board of County Commissioners approved the expansion of Crossroads for the senior population.
- The Board of County Commissioners approved a facility for the Sober 24 Drug and Alcohol Testing Center. The goal of Sober 24 is to combat the negative impact alcohol and drug abuse plays in our community through drug and alcohol testing.
- Washoe County expects construction to be completed on a new Medical Examiner's building in December 2016. This new facility will be more modern and equipped with the capabilities required to better serve citizens and regional law enforcement agencies.
- FY17 will reflect additional budget authority for Sheriff Deputies to enhance security, and additional funding for the regional crime lab, Alternative Sentencing program, the Juvenile Services and positions to support the innovative specialty courts in Washoe County.

AWARDS

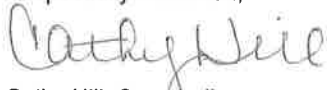
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Washoe County for its comprehensive annual financial report for the fiscal year ended June 30, 2015. This was the 34th consecutive year the 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, Robert Andrews and Mary Solorzano, CPA, Accounting Managers; Darlene Delany, CPA, Crystal Varnum, MS, Russell Morgan, CPA and Asta Dominquez, CPA, Senior Accountants; Tamera Yau, Joyce Garrett and Martin Williams, Accountants, and Jeri Renshaw and Edwin Smith, Administrative Secretaries. 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,



Cathy Hill, 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



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, 2016**

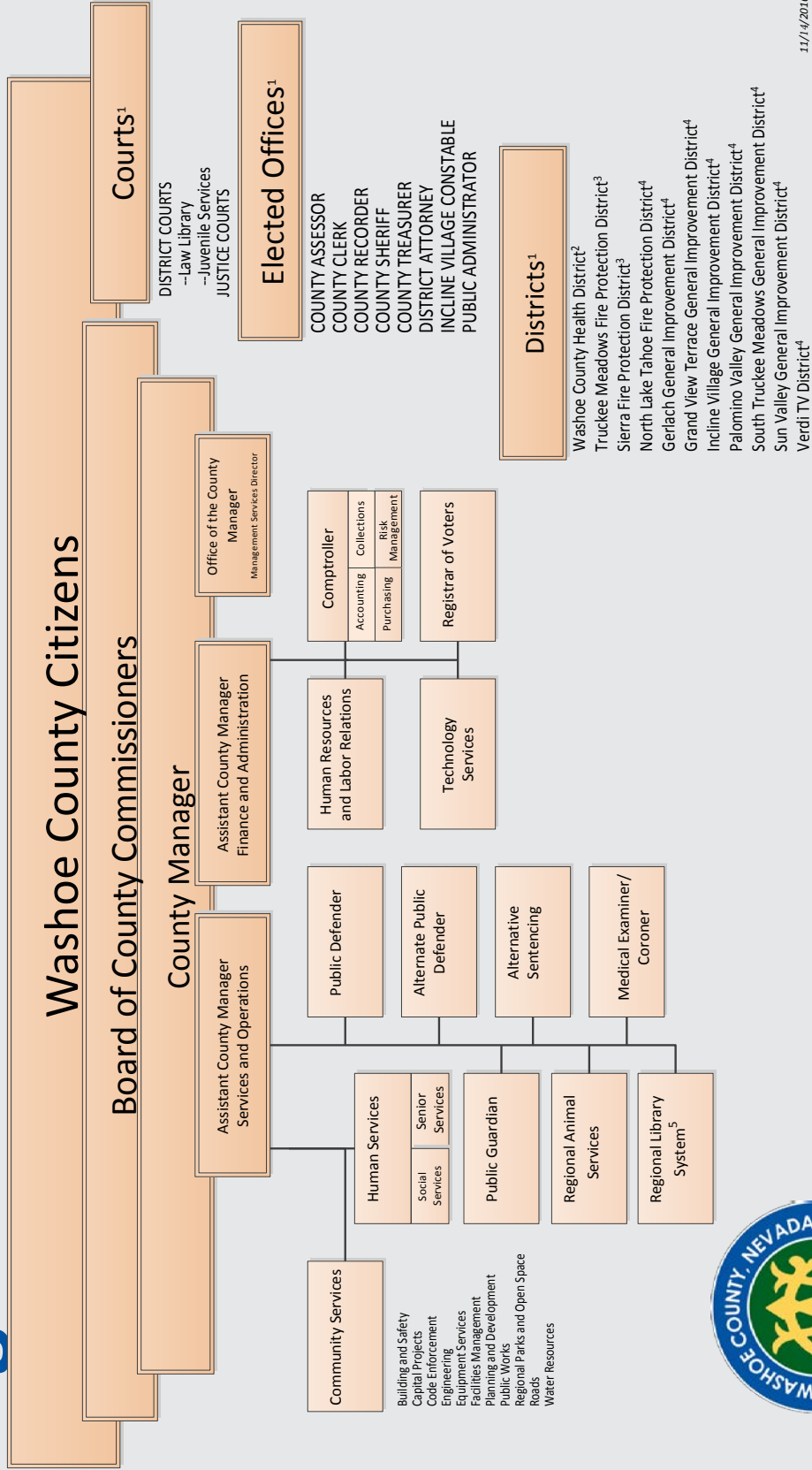
Elected Officials

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	Cathy Hill
Director of:	
Community Services	Dave Solaro
Communications	Nancy Leuenhagen
Human Resources/Labor Relations	John Listinsky
Juvenile Services	Frank Cervantes
Library	Jeffrey Scott
Senior Services	Kevin Schiller, Interim
Social Services	Amber Howell
Technology Services	Craig Betts
Health District	Kevin Dick
Public Defender	Jeremy Bosler
Public Guardian	Susan DeBoer
Registrar of Voters	Luanne Cutler

Organization Chart



11/14/2016



- 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





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, 2015

Executive Director/CEO