

INTRODUCTORY SECTION

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October 29, 2014

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, 2014 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, 2014 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. 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, Wadsworth, 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 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 fiscal year 2013/2014 continued to show signs of stabilization after many years of decline caused by the "Great Recession". At June 30, 2014, the County's unemployment rate was 7.3 percent, 2.5 percentage points lower than the previous year's recessionary high of 9.8 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 6.3 percent. Employment in construction jobs improved, at 12.8 percent higher than last year on a year-to-date basis with 7,200 additional jobs. Professional and business services is up 6.8 percent with 10,200 additional jobs. The hospitality and food services industries have remained relatively flat since they found stabilization in 2009.

Home sales in the County have averaged 522 per month in 2014, excluding the typical January decline. The acceleration in median sales price has slowed in comparison to sharp increase in 2012 and early 2013. The housing market is still off 31.5 percent from the peak in 2006. The slowing in the acceleration of median price is a positive and more normal trend.

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 2014, property taxes increased 1 percent, and are projected to increase only 2.3 percent in fiscal year 2015. 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 nine 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 2014, this revenue source saw a year-over-year increase of 7 percent. Consolidated taxes have been gradually increasing since fiscal year 2011.

In May 2014, Zulily, Inc. and the Economic Development Authority of Western Nevada (EDAWN) announced the construction of a new fulfillment center that will double the size of its existing center. This new facility could potentially hold as many as 1,600 employees, which would be the largest job growth commitment on record in EDAWN history. 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: OLE Mexican Foods (350 jobs); Garlock Printing & Converting Corporation (175 jobs); and Myers Industries (150 jobs).

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.

With the Sierra Nevada mountains as a backdrop and more than 300 days of sunshine each year, the area offers four distinct seasons with few extremes making an ideal place for tourism. 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 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 and mid-town districts. 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, 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 Barracuda Championship 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.

LONG-TERM FINANCIAL PLANNING

Several economists have expressed that the national economy for 2014/15 holds more of the same, as overall GDP growth will likely remain stuck in a range of 2.0% to 2.5% as it has for the last four years. Despite optimism every December that the New Year would bring some type of escape-velocity growth (4.0%-6.0%), the actual national economic growth has continued to disappoint investors, with sub-2.5% annual growth rate.

As 2014 draws to a close, the Federal government spending looks to be providential to grow at 1.0% before adjusting for inflation. As voter pressure, pensions 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 2014/15 General Fund budget increased by \$20 million to \$307 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 8.3 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 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.

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 2014 fiscal year to support those objectives are:

- In March 2014, the BCC unanimously approved the merger of Washoe County Department of Water Resources with Truckee Meadows Water Authority, with an expected completion date of December 31, 2014; when combined, the consolidated utilities will serve approximately 117,000 homes and business.
- The construction and successful grand opening of the North Valleys Water Splash Park, a \$3.2 million facility, opened in the spring of 2014 as a new element in the North Valleys Regional Park with tremendous success in attendance and revenues.
- In May 2014, construction to remodel the McGee Center for the implementation of The Child Advocacy Center of Northern Nevada (CAC) was completed. The Washoe County District Attorney's office worked diligently to establish this child-focused, facility-based program in which representatives from many disciplines, including law enforcement, child protection, prosecution, mental health, medical and victim advocacy, and child advocacy, work together to conduct interviews and make team decisions about investigation, treatment, management and prosecution of child abuse cases. More than \$600,000 in donations and relevant-agency contributions were collected for the CAC initiative, whose mission is to ensure the health and safety of children through a neutral, child-centered environment designed to minimize trauma to the child, provide advocacy for the child and support effective investigations.
- At June 30, Washoe County had completed the installation of Interoperability Communications gateways into Public Safety Answering Points (PSAPS) and dispatch centers around the State of Nevada. These gateways create a single resource for all stakeholders and a unified approach for enhancing interoperable communications for public safety and officials at all levels of government, and to facilitate quick and easy communications between jurisdictions during large scale and multi-agency incidents.
- In 2014, implementation of the Regional Permits Project with the cities of Reno and Sparks was accomplished. The \$1.6 million project was formally launched by an agreement with Accela, designed to bring a standardized platform to the local jurisdictions covering business licensing and building permit functions.

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, 2013. This was the 32nd 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, and Mary Solorzano, Accounting Managers; Darlene Delany CPA, Crystal Carter, MS, and Russell Morgan, CPA, Senior Accountants; Marilyn Urbani, Asta Dominguez, CPA, Tammera Yau, and Joyce Garrett, Accountants; and Sandra McGarva, Administrative Secretary Supervisor. Thanks also to the Communications and Engagement staff 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,



Paul McArthur, CPA, MBA, 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, 2014**

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

Washoe County, Nevada Organization Chart

Washoe County Citizens

Board of County Commissioners

County Manager

John Slaughter

**Assistant County Manager
Services and Operations**
Kevin Schiller

**Office of the County Manager
Management Services Director**
Al Rogers

**Assistant County Manager
Finance and Administration**
Vacant

Community Services Department
David Solaro, Interim Director

Building and Safety
Capital Projects
Code Enforcement
Engineering
Equipment Services
Facilities Management
Planning and Development
Public Works
Regional Parks and Open
Space
Roads
Water Resources

**Alternative
Sentencing Div**
Joseph Ingraham

**Regional Animal
Services⁶**

**Medical
Examiner/Coroner**
Dr. Ellen Clark

Public Defender
Jeremy Bosler

**Alternate Public
Defender**
Jennifer Lunt

Senior Services
Grady Tarbutton

Social Services
Ken Retterath

Public Guardian
Susan DeBoer

Library⁵
Arnie Maurins

Comptroller
Paul McArthur
Accounts Payable
Collections
Purchasing
Risk Management

**Technology
Services**
Laura Schmidt
WINnet
Telecommunications
Imaging & Records Mgmt.

**Human Resources /
Labor Relations**
John Listinsky

Registrar of Voters
Luanne Cutler

Courts¹

DISTRICT COURTS
LAW LIBRARY
JUVENILE SERVICES
FAMILY COURTS
JUSTICE COURTS

Elected Departments¹

ASSESSOR – Joshua Wilson
CLERK – Nancy Parent
DISTRICT ATTORNEY – Richard Gammick
INCLINE VILLAGE / CRYSTAL BAY
CONSTABLE – Joe Kubo
PUBLIC ADMINISTRATOR – Don Cavallo
RECORDER – Larry Burtness
SHERIFF – Mike Haley
TREASURER – Tammi S. Davis

Districts¹

WASHOE COUNTY HEALTH DISTRICT²
TRUCKEE MEADOWS FIRE PROTECTION DISTRICT³
SIERRA FIRE PROTECTION DISTRICT³
NORTH LAKE TAHOE FIRE PROTECTION DISTRICT³
GERLACH GENERAL IMPROVEMENT DISTRICT³
GRAND VIEW TERRACE GENERAL IMPROVEMENT DISTRICT
INCLINE VILLAGE GENERAL IMPROVEMENT DISTRICT
PALOMINO VALLEY GENERAL IMPROVEMENT DISTRICT
SOUTH TRUCKEE MEADOWS GENERAL IMPROVEMENT DISTRICT
SUN VALLEY GENERAL IMPROVEMENT DISTRICT
VERDI TV DISTRICT



1-County Manager is Liaison

2-Separately Appointed Governing Board

3-Board of County Commissioners sits as 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 a department July 1, 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, 2013

Executive Director/CEO