

WASHOE COUNTY, NEVADA
SINGLE AUDIT REPORT
FOR THE FISCAL YEAR ENDED
JUNE 30, 2014



On the cover:

Caughlin Ranch, Reno, NV

**WASHOE COUNTY, NEVADA
SINGLE AUDIT REPORT
FOR THE FISCAL YEAR ENDED
JUNE 30, 2014**

*Prepared by the Washoe County Comptroller's Department
Paul McArthur, CPA, MBA Comptroller*



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**WASHOE COUNTY, NEVADA
SINGLE AUDIT REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

TABLE OF CONTENTS

| | PAGE |
|---|-------------|
| FINANCIAL SECTION | |
| Independent Auditor's Report | 2 |
| Management's Discussion and Analysis | 4 |
| Basic Financial Statements: | |
| Government-wide Financial Statements: | |
| Statement of Net Position | 16 |
| Statement of Activities | 17 |
| Fund Financial Statements: | |
| Balance Sheet – Governmental Funds | 19 |
| Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position | 20 |
| Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds | 21 |
| Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities | 22 |
| Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General Fund – By Function and Department | 23 |
| Statement of Revenues, Expenditures and Changes in Fund Balances – Child Protective Services Fund – Budget and Actual | 25 |
| Statement of Net Position – Proprietary Funds | 26 |
| Statement of Revenues, Expenses and Changes in Net Position – Proprietary Funds | 28 |
| Statement of Cash Flows – Proprietary Funds | 29 |
| Statement of Fiduciary Net Position | 31 |
| Statement of Changes in Fiduciary Net Position | 32 |
| Notes to the Financial Statements: | |
| Note 1 – Summary of Significant Accounting Policies | 34 |
| Note 2 – Stewardship, Compliance, and Accountability | 40 |
| Note 3 – Cash and Investments | 41 |
| Note 4 – Restricted Cash and Investments | 45 |
| Note 5 – Long-Term Assets | 45 |
| Note 6 – Capital Assets | 46 |
| Note 7 – Commitments, Contingencies and Other Liabilities | 48 |
| Note 8 – Unearned Revenue and Deferred Inflows of Resources | 49 |
| Note 9 – Long-Term Obligations | 50 |
| Note 10 – Long-Term Obligations Activity | 54 |
| Note 11 – Debt Service Requirements | 58 |
| Note 12 – Interfund Activity | 58 |
| Note 13 – Fund Balance/Net Position | 59 |
| Note 14 – Pension Program | 61 |
| Note 15 – Other Postemployment Benefits | 62 |
| Note 16 – Risk Management | 66 |
| Note 17 – Joint Ventures | 68 |
| Note 18 – Subsequent Event | 69 |
| Note 19 – Prior Period Adjustment | 69 |
| Required Supplementary Information: | |
| Schedule of Funding Progress – Other Postemployment Benefits | 70 |
| Notes to Required Supplementary Information | 70 |
| COMPLIANCE SECTION | |
| Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards | C - 2 |
| Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133 | C - 4 |
| Schedule of Expenditures of Federal Awards | C - 7 |

**WASHOE COUNTY, NEVADA
SINGLE AUDIT REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

TABLE OF CONTENTS

| | PAGE |
|---|-------------|
| Notes to the Schedule of Expenditures of Federal Awards | C - 19 |
| Schedule of Findings and Questioned Costs | C - 20 |



FINANCIAL SECTION

FINANCIAL SECTION

Page

Independent Auditor's Report..... 2

Management's Discussion and Analysis 4

Basic Financial Statements

Government-wide Financial Statements..... 16

Fund Financial Statements..... 19

Notes to the Financial Statements 34

Required Supplementary Information 70

Independent Auditor's Report

To the Honorable Board of Commissioners of
Washoe County, Nevada

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Washoe County, Nevada (the "County"), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risk of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County as of June 30, 2014, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund and the Child Protective Services Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4-14 and schedule of funding progress-other postemployment benefits on page 70 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures

to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 29, 2014, on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.

Reno, Nevada
October 29, 2014



**WASHOE COUNTY, NEVADA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2014**

As management of Washoe County (the County), we offer readers of the County's financial statements this narrative overview and analysis of the financial activities of the County for the fiscal year ended June 30, 2014. We encourage readers to read this information in conjunction with the transmittal letter, financial statements and notes to gain a more complete picture of the information presented.

FINANCIAL HIGHLIGHTS

- The County received the highest possible opinion from the independent outside auditors (unmodified opinion) on the financial statements which materially represented the financial transactions.
- The cash and investments position of \$286 million improved by \$20.6 million or 7.8% over prior year, as reported on page 16.
- The County's liquidity, defined as the ability to pay current obligations, remains very strong and is a positive sign of financial health. The County's liquidity of \$321.4 million has improved by \$12.4 million or 4.0% over prior year, as reported on page 16.
- The Statement of Net Position shows total assets of \$1,275 million, which decreased by \$14.8 million or a negative 1.1% from prior year, as capital assets depreciation outpaced new investments in capital assets and improving current assets as the County evaluates the economic outlook, as reported on page 16.
- The County's Statement of Net Position sheet shows total debt of \$268.1 million, which decreased by \$11.3 million, or a negative 4.0% from prior year, as debt service continues and new debt demands associated with capital assets reduced, as reported on page 16.
- The County's Statement of Net Position shows total net position of \$964.3 million, which decreased by \$5.8 million, or a negative 0.6% from prior year, as equity remains very strong, as reported on page 16.
- The County still maintains the highest bond ratings of AAA from the top bond rating agencies, as a symbol to investors that the County's financial metrics are positive and healthy.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the County's basic financial statements. The County's financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements. This report also contains required and other supplementary information in addition to the basic financial statements.

Government-wide financial statements. The government-wide financial statements are designed to provide a broad overview of the County's finances in a manner similar to a private-sector business.

The Statement of Net Position presents information on all of the County's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference representing net position. Over time, increases or decreases in net position may serve as a useful indicator of the financial condition of the County.

The Statement of Activities presents information showing how the County's net position changed during the fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods, such as uncollected taxes and earned but unused vacation leave.

Both of the government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the County include general government, administration of justice, public works, public safety, health and

WASHOE COUNTY, NEVADA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2014
(CONTINUED)

sanitation, welfare, culture and recreation, and community support. The business-type activities of the County include enterprise activities such as water and sewer utilities, golf courses and building permits.

The government-wide financial statements can be found on pages 16 and 17 of this report.

Fund financial statements. Fund financial statements are groupings of related accounts that are used to maintain control over resources that have been segregated for specific activities or objectives. The County, like other state and local governments, uses fund accounting to ensure and demonstrate finance-related legal compliance. All of the funds of the County can be divided into one of three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. Governmental funds are used to account for the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the County's near-term financial requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, a reconciliation is provided on page 20. This reconciliation illustrates the comparison between government-wide financial statements which present long-term transactions, such as capital assets and debt while governmental funds presentation does not.

The County maintains 20 individual governmental funds. The governmental fund financial statements provide separate details for the General Fund, the Child Protective Services Fund and the Special Assessment Debt Service Fund, which are major funds. Data from other governmental funds are combined into a single aggregated presentation. Individual fund data for each of these nonmajor funds is provided in the form of combining statements in the Nonmajor Governmental Funds Section of this report.

The County adopts an annual appropriated budget for each of its governmental funds. A budgetary comparison is provided for each of the County's governmental funds to demonstrate compliance with the budget. The budgetary comparison statement for the General Fund and Child Protective Services Fund are presented with the basic financial statements. The budgetary comparisons for all other governmental funds are included in the fund financial statements and schedules included as supplementary information.

Proprietary funds. The County maintains two different types of proprietary funds. 1) Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The County uses enterprise funds to account for water and sewer utilities, golf courses and building permits. 2) Internal service funds are an accounting grouping used to accumulate and allocate costs internally among the County's various functions. The County uses internal service funds to account for its fleet of vehicles and for self-insurance activities including liability insurance, workers' compensation and group health insurance.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate details for the Water Resources Fund, which is a major fund. Data from the remaining funds are combined into a single, aggregated presentation. All internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the remaining enterprise and internal service funds is provided in the form of combining statements elsewhere in this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of agencies outside the County. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the County's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

Notes to the Basic Financial Statements. The Notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The Notes can be found beginning on page 34 of this report.

WASHOE COUNTY, NEVADA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2014
(CONTINUED)

Other information. Following the notes in this report, required supplementary information is presented concerning the County's progress in funding its obligation to provide retiree health benefits. Other information, including combining and individual fund statements and schedules are presented after the basic financial statements, notes and required supplementary information. Unaudited statistical information is provided on a ten-year basis, as available, for trend analysis and to provide historical perspective.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Position: Net position may serve over time as a useful indicator of a government's financial position. The County's assets and deferred outflows of resources exceeded liabilities by \$964.3 million at June 30, 2014, a decrease of 0.6% from the prior year.

Government-Wide Statement of Net Position
(in Thousands)

| | Governmental Activities | | Business-Type Activities | | Total | |
|--|-------------------------|------------|--------------------------|------------|------------|------------|
| | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 |
| Assets | | | | | | |
| Current and other assets | \$ 217,697 | \$ 219,260 | \$ 145,919 | \$ 130,576 | \$ 363,616 | \$ 349,836 |
| Net capital assets | 554,622 | 579,844 | 356,793 | 360,109 | 911,415 | 939,953 |
| Total assets | 772,319 | 799,104 | 502,712 | 490,685 | 1,275,031 | 1,289,789 |
| Deferred outflows of resources | 452 | 456 | - | - | 452 | 456 |
| Liabilities | | | | | | |
| Current liabilities | 37,154 | 35,783 | 5,049 | 5,051 | 42,203 | 40,834 |
| Noncurrent liabilities due within one year | 33,290 | 32,259 | 3,436 | 3,374 | 36,726 | 35,633 |
| Noncurrent liabilities due in more than one year | 176,815 | 186,330 | 54,551 | 57,402 | 231,366 | 243,732 |
| Total liabilities | 247,259 | 254,372 | 63,036 | 65,827 | 310,295 | 320,199 |
| Net position | | | | | | |
| Net investment in capital assets | 437,044 | 455,643 | 299,618 | 300,163 | 736,662 | 755,806 |
| Restricted | 94,055 | 98,124 | 13,461 | 12,801 | 107,516 | 110,925 |
| Unrestricted | (6,491) | (8,579) | 126,597 | 111,894 | 120,106 | 103,315 |
| Total net position | \$ 524,608 | \$ 545,188 | \$ 439,676 | \$ 424,858 | \$ 964,284 | \$ 970,046 |

*For more detailed information see the Government-wide Statement of Net Position and Notes to the Financial Statements.

The largest portion of net position (76.4%) reflects investment in capital assets (e.g., land, buildings, equipment and construction in progress) less depreciation and any related outstanding debt used to acquire those assets. Net investment in capital assets declined by \$19.1 million, or a negative 2.5% from the prior year, primarily due to reduced capital spending and contributions for capital acquisition falling behind asset depreciation. The County uses these capital assets to provide services to citizens; therefore, they are not generally available for future spending. Although investment in capital assets is reported net of related debt, the resources needed to repay this debt must be provided from other sources, since capital assets would not generally be used to liquidate related debt.

Restricted net position is \$107.5 million, or 11.1% of the County's net position, and represents resources that are subject to external restrictions (statutes, bond covenants, or granting agencies) on how they may be used. Restricted net position decreased by \$3.4 million, or a negative 3.1% from the prior year, primarily due to the use of restricted resources for capital projects.

WASHOE COUNTY, NEVADA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2014
(CONTINUED)

Unrestricted net position of \$120.1 million, increased by \$16.8 million, or 16.3% over prior year. Unrestricted net position may be used to meet the County's other ongoing obligations to citizens and creditors. It is important to note that although the total unrestricted net position is \$120.1 million, the unrestricted net position of the County's business-type activities, \$126.6 million, may not be used to fund governmental activities. The County has unrestricted net position related to government type activities of a negative \$6.5 million. To assist in explaining the negative balance in government type, \$18 million in bonds outstanding for capital assets that were contributed to the Truckee River Flood Management Authority, and \$27 million in bonds outstanding for the Reno baseball stadium are classified as restricted. The County's adjusted government type unrestricted net position is \$38.5 million.

Changes in Net Position. The County's net position decreased \$5.9 million, or a negative 0.6%, during the fiscal year from the prior fiscal year.

Washoe County Changes In Net Position
(in Thousands)

| | Governmental Activities | | Business-type Activities | | Total | |
|--|-------------------------|------------|--------------------------|------------|------------|------------|
| | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 |
| Revenues: | | | | | | |
| Program revenues: | | | | | | |
| Charges for services | \$ 68,476 | \$ 67,550 | \$ 35,632 | \$ 34,300 | \$ 104,108 | \$ 101,850 |
| Operating grants, interest and contributions | 57,083 | 63,432 | 112 | 449 | 57,195 | 63,881 |
| Capital grants, interest and contributions | 12,245 | 7,413 | 8,107 | 4,448 | 20,352 | 11,861 |
| General revenues: | | | | | | |
| Ad valorem taxes | 168,009 | 167,294 | - | - | 168,009 | 167,294 |
| Consolidated taxes | 80,809 | 75,489 | - | - | 80,809 | 75,489 |
| Other intergovernmental | 19,832 | 18,530 | - | - | 19,832 | 18,530 |
| Investment earnings | 1,594 | 174 | 1,591 | (100) | 3,185 | 74 |
| Other | 8,981 | 8,934 | - | - | 8,981 | 8,934 |
| Total revenues | 417,029 | 408,816 | 45,442 | 39,097 | 462,471 | 447,913 |
| Expenses: | | | | | | |
| General government | 80,958 | 85,929 | - | - | 80,958 | 85,929 |
| Judicial | 59,317 | 57,573 | - | - | 59,317 | 57,573 |
| Public safety | 137,584 | 138,149 | - | - | 137,584 | 138,149 |
| Public works | 48,420 | 37,157 | - | - | 48,420 | 37,157 |
| Health and sanitation | 18,384 | 18,785 | - | - | 18,384 | 18,785 |
| Welfare | 65,651 | 66,370 | - | - | 65,651 | 66,370 |
| Culture and recreation | 21,803 | 23,614 | - | - | 21,803 | 23,614 |
| Community support | 178 | 343 | - | - | 178 | 343 |
| Interest/fiscal charges | 5,525 | 7,349 | - | - | 5,525 | 7,349 |
| Utilities | - | - | 28,300 | 30,844 | 28,300 | 30,844 |
| Golf courses | - | - | 952 | 979 | 952 | 979 |
| Building permits | - | - | 1,357 | 1,329 | 1,357 | 1,329 |
| Total Expenses | 437,820 | 435,269 | 30,609 | 33,152 | 468,429 | 468,421 |
| Increase (decrease) in net position before transfers | (20,791) | (26,453) | 14,833 | 5,945 | (5,958) | (20,508) |
| Transfers | 211 | 1,450 | (211) | (1,450) | - | - |
| Change in net position | (20,580) | (25,003) | 14,622 | 4,495 | (5,958) | (20,508) |
| Net position, July 1, as restated (Note 19) | 545,188 | 570,191 | 425,054 | 420,559 | 990,358 | 990,358 |
| Net position, June 30 | \$ 524,608 | \$ 545,188 | \$ 439,676 | \$ 425,054 | \$ 964,284 | \$ 970,242 |

**WASHOE COUNTY, NEVADA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2014
(CONTINUED)**

The change in net position shows the current year operations decreased by \$6 million, but has improved significantly over prior year, as total revenue of \$462.5 million increased by \$14.6 million, or 3.3% over prior year. An increase in charges for service, capital grants, and investments all contributed to drive total revenue higher than prior year. Ad valorem taxes of \$168 million, finds traction while holding level as compared to prior year. The County is encouraged by this trend and will continue to mentor the revenue mix.

Governmental Activities. Governmental activities decreased the County's net position by \$20.6 million, which is an improvement of \$4.4 million or 17.7% over prior year.

**Governmental Activities
Revenues by Source
(in Millions)**

| | \$12 | \$7 | |
|----------------|--------------|----------------|--------------------------------------|
| | \$30 | \$28 | < Capital program < Other general |
| | \$57 | \$63 | < Operating program |
| | \$69 | \$68 | < Charges for services |
| | \$81 | \$76 | < Consolidated taxes |
| | \$168 | \$167 | < Ad valorem taxes |
| FY 2014 | \$417 | FY 2013 | \$409 |

The two largest revenue sources are ad valorem and consolidated taxes, which together comprise 59.7% of governmental activity revenue.

Ad valorem taxes were flat with a small increase of \$1 million, or 0.6% compared to prior year as real and personal property assessed valuations stabilize in the County. There were no increase in the tax rate from prior year.

Consolidated sales taxes, received from the State, increased by \$5.0 million, or 6.6% compared to prior year; this makes the fourth year of significant increases after several years of decline. This trend is reflective of national recovery and is encouraging.

Charges for services was flat at \$68 million as was prior year, marking a volume level plateau and demonstrating a consistency in services.

Operating program revenue decreased by \$6 million, or 9.5% compared to the prior year, due primarily to grant activity for public safety as two major programs reach completion.

Other general revenues were relatively flat compared to the prior year, as investment income increases were offset by several smaller categories.

Capital program revenue increased by \$5 million or 71.4% compared to prior year, as a new special assessment project for road improvements and several grant funded parks projects were added. This revenue is very cyclical in nature.

**WASHOE COUNTY, NEVADA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2014
(CONTINUED)**

**Governmental Activities
Expenses by Function
(in Millions)**

| \$6 | | \$7 | |
|--------------------------|--------------------------|-------------------------------|--|
| \$18 | \$19 | < Interest | |
| \$22 | \$24 | < Health & sanitation | |
| \$48 | \$37 | < Culture & recreation | |
| \$59 | \$57 | < Public works | |
| \$66 | \$67 | < Judicial | |
| \$81 | \$86 | < Welfare & Community support | |
| \$138 | \$138 | < General government | |
| \$138 | \$138 | < Public safety | |
| FY 2014 \$438 | FY 2013 \$435 | | |

The largest functional areas are public safety and general government, which together comprise 50% of governmental activities expenses.

Total governmental expenses increased by \$3 million, or 0.7% compared to prior year, due to capital project increases were offset by general government cost reductions.

Public safety is flat, as prior years' events of the Sheriff's Office, due to wage increases and detention service cost increases, as well as payments to the Truckee River Flood Management Authority (TRFMA), have a full year of reporting.

General government expenses decreased by \$5 million, or a negative 5.8% compared to prior year. This includes a \$1.3 million reduction in contributions to the OPEB Trust. Combined with others, reductions across several departments were driven by budgeted cost reductions.

Welfare costs were relatively flat, decreased by \$1 million, or a negative 1.5% compared to prior year, as major programs have stabilized and have found balance in service levels.

Judicial costs were relatively flat, with an increase of \$2 million, or 3.5% compared to prior year, as several new projects, including software and space expansion, were funded through administrative fees restricted to Court expansion and improvement.

Public works costs increased by \$11 million, or 29.7% compared to prior year, as cyclical trends in capital grant revenue increased, so will expenses.

**Governmental Activities: Program Revenues
Percent of Expenses by Function**

| | <u>FY 2014</u> | <u>FY 2013</u> |
|------------------------|----------------|----------------|
| General government | 35% | 36% |
| Judicial | 22% | 23% |
| Public safety | 17% | 17% |
| Public works | 43% | 40% |
| Health and sanitation | 66% | 62% |
| Welfare | 54% | 58% |
| Culture and recreation | 25% | 25% |
| Community support | 0% | 0% |
| Total | 32% | 32% |

Program revenues for governmental activities provided an average of 32% towards the costs of providing program services.

General government was impacted by a lower OPEB payment than last year.

Welfare programs decreased operating program revenues, largely due to lower grant funded projects while costs for Indigent reimbursements remained level.

The increase in public works expense coverage is related to several large grant projects and timing of grant reimbursements.

Business-type Activities. Net position for business-type activities increased \$14.6 million which is \$10.1 million more than prior year.

**WASHOE COUNTY, NEVADA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2014
(CONTINUED)**

Business-Type Activities: Change in Revenues

In Millions of Dollars

| | FY 2014 vs FY 2013 | % |
|-------------------------|-----------------------|------|
| | Change | |
| Charges for services | \$ 1 | 4% |
| Capital program revenue | 4 | 82% |
| Other revenues | 1 | 388% |
| Total | \$ 6 | 16% |

Total revenues for business-type activities increased from the prior year.

Utilities experienced increased capital contributions due to new development, and increased rate related revenues. Building permit activities experienced a rise in permitting activity.

Additionally, there was an increase in investment income as a result of increased rates and an increase in market values of investments.

Business-Type Activities: Program Revenues

as a Percent of Expenses

| | FY 2014 | FY 2013 |
|------------------|---------|---------|
| Utilities | 143% | 118% |
| Golf courses | 90% | 106% |
| Building permits | 184% | 130% |
| Combined | 143% | 118% |

Utilities activities favorable trend in program revenue to expense ratio was driven by increased capital contributions and rate related revenues.

The County continues to maintain the major assets at each contractually managed golf course, and revenues decreased \$185,000.

Building permit activities also saw improved profitability during the year as housing permits continued to trend up.

Business-type Activities. Net position for business-type activities was \$439.7 million, which is an increase of \$14.6 million, or 3.4% compared to prior year; this is a significant increase compared to the prior year's positive growth. Some of the driving elements include Water Resource Fund's capital contribution of \$8.1 million, related to development fees associated with the housing market showing a recovery from decade-long lows. It should be noted that this revenue source has two elements, any costs related to the fee will be incurred in the future and the Water Resource Fund, water utility activity, is proposed for transfer to Truckee Meadows Water Authority (TMWA) on December 31, 2014.

Total revenues for business-type activities were relatively flat as compared to prior year, as pricing has stabilized and customer volume has remained constant.

Operating expenses for business-types were reduced mainly through utilities by \$2.5 million, or 7.7% compared to prior year. In the utilities grouping, the Water Resources Fund's nonoperating expenses were lower due to refunds for connection fees and an increase in investment earnings. The developer connection fee increase of \$4, refunds decreased by \$2.1 million as compared to prior year, and investment earnings increased by \$1.6 million. In summary, the housing market related developer fees increased and reduced refunds totaling an estimated \$10 million effect compared to prior year.

Business-type activities core operations demonstrated revenue stability as volume and pricing remained level and operating expenses experienced no changes, compared to prior year. The non-operating activity accounted for all of the significant increase in net position, compared to prior year, as investment earnings and developer related transactions shows improvement but should not be relied upon for the future growth of operations.

FINANCIAL ANALYSIS OF GOVERNMENTAL FUNDS

The County uses fund accounting and budgetary integration to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds: The focus of the County's governmental funds is to provide information on current inflows, outflows and balances of spendable resources. Such information is useful in assessing the County's current funding requirements.

**WASHOE COUNTY, NEVADA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2014
(CONTINUED)**

Current year governmental fund combined ending fund balances of \$139.5 million reflect an increase of \$ 1.6 million, or 1.2% compared to prior year. The small increase is due to a combination of the general fund excess of \$7.6 million and lower than normal capital spending of \$4.5 million deficiency. The revenue was relatively flat at \$406.2 million, an increase of \$5.4 million or 1.3%, with contributions from intergovernmental, charges for services, and miscellaneous. The expenditures were down at \$404.7 million, a decrease of \$24.1 million, or 5.6%, due to reductions in capital outlay of \$8.8 million, debt service (principal) of \$13.7 million, general government of \$12.3 million, and a mix of other groups of \$1.2, were offset by an increase in public works of \$10.6 million.

| Governmental Fund Balance (in Millions) | |
|---|-----------------|
| | <u>2014</u> |
| Non spendable | \$ <u>0.1</u> |
| Restricted: | |
| Parks and open space projects | 20.5 |
| Debt Service | 11.8 |
| County facility improvement projects | 8.5 |
| Groundwater remediation | 5.7 |
| Court programs and expansion | 6.6 |
| Other | <u>20.2</u> |
| Total restricted | <u>73.3</u> |
| Committed: | |
| Adult, indigent, child support services | 4.1 |
| Animal control and services | 5.8 |
| Stabilization | 4.2 |
| Other | <u>3.7</u> |
| Total committed | <u>17.8</u> |
| Assigned | |
| Roadway projects | 7.5 |
| Other | <u>1.1</u> |
| Total assigned | <u>8.6</u> |
| Unassigned | <u>39.7</u> |
| Total fund balances | <u>\$ 139.5</u> |

Fund balance components have been classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the County is bound to observe constraints imposed on the use of the resources of the fund.

The largest component of fund balance, at 53% of total, is restricted at \$73.3 million. Spending of these resources is constrained by externally imposed (statutory, bond covenant, contracts, or grantors) limitations on their use.

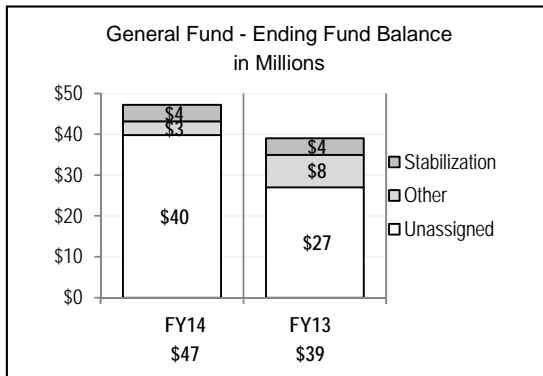
The major components of restricted fund balances are for capital and improvement projects for parks, open space, County facilities, as well as the resources restricted for debt service to repay financing of previous capital projects. Administrative fees restricted by the State for court programs and expansion can be used for technology, facilities and other court support programs.

Committed and assigned fund balances combined represent 25% of total fund balance with spending constrained either by the Board of County Commissioners (BCC) (for committed) or senior management (for assigned). Committed balances in the special revenue funds are primarily due to transfers or revenues directed by the BCC to those funds to support the programs.

Unassigned fund balance primarily consists of the General Fund remaining fund balance and is available to support general operations of the fund. A negative unassigned fund balance in the Other Restricted Special Revenue Fund is due to revenue deferrals on grants that have not yet been reimbursed.

General Fund: The General Fund is the County's primary operating fund. Cash and investments of \$50.2 million increased \$10 million, or 24.9% over prior year. The cash flow from operations were driven by the revenue side of the equation, as receivables are flat in spite of a \$10 million increase in revenue. The liabilities were also flat and expenditures were level at \$254.2 million, an increase of \$2.2 million, or .9% over the prior year.

**WASHOE COUNTY, NEVADA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2014
(CONTINUED)**



Total fund balance was \$46.6 million at the end of this fiscal year, an increase of \$7.6 million, or 19.5% compared to the prior year.

The stabilization portion represents \$4.1 million committed for stabilization based upon the Board of County Commissioner's fund balance policy and State of Nevada NRS 354.6115. This amount represents 1.6% of total expenditures and transfers out, excluding material one-time items and is unchanged from the prior year.

Other fund balance categories include restricted, committed and assigned. Restricted fund balance consists of \$750,000 for baseball stadium debt service and ad valorem taxes restricted for indigent insurance. Of the \$9.7 million needed to fund the fiscal year 2014

budgeted deficit, \$4.1 million is included in committed fund balance for stabilization and \$1.1 million is in assigned fund balance. The remaining balances are primarily for encumbrances for major contracts (committed) or other expenditures (assigned) that have been re-appropriated in the next fiscal year. Unassigned fund balance increased by \$13.3 million, or 49.3%, compared to the prior year.

Special Assessment Debt Service Fund: The Special Assessment Debt Service Fund, a major fund, accounts for assessments, penalties, investment income and other resources to retire debt issued for improvements benefiting those properties against which the special assessments are levied. Ending fund balance of \$1.7 million, an increase of \$377,000 or 29% over the prior year fund balance, is primarily due to revenue collections exceeding the debt service.

Child Protective Services Fund: The Child Protective Services Fund, a major fund managed by the Social Services Department, accounts for resources specifically appropriated to protect against the neglect, abandonment and abuse of children in the County. The primary funding source, federal and state grants, amounted to 78% of revenue with ad valorem taxes contributing another 12% of revenue. Expenditures include personnel costs, as well as expenditures for child protection and placement, including emergency shelter, professional services, foster care and adoption subsidies.

Ending fund balance of \$4.3 million was \$4.5 million below the prior year as program costs exceeded the revenue sources. Restricted fund balance of \$136,500 is largely due to donations and private foundation grants to support specific programs. The remaining fund balance of \$4.2 million has been committed to support child protective programs by the BCC through budgeted transfers over several years.

Proprietary Funds: Proprietary fund statements provide the same type of information found in the government-wide financial statements, but in greater detail and at fund level. They are accounted for using the full accrual basis of accounting; therefore, no reconciliation is required to the government-wide statements.

The **Water Resources Fund** was established to account for county-owned and operated water and sewer systems in the unincorporated areas of the County. The County is the only organization in Nevada that provides integrated water resource services for water supply, wastewater treatment, effluent reuse, flood management, and water resource planning.

Cash and investments increased by \$12.8 million during the year, driven by positive cash flow from operations and the receipt of hook-up fees from developers.

Operating revenue of \$32.3 million was 101% of budget and \$748,000 higher than the prior year. The increase was primarily due to growth in customers, a 1.7% increase in utility rates based on changes to the regional Consumer Price Index, and higher overhead revenue from the Western Regional Water Commission.

Operating expenses of \$27.1 million were 86% of budget and \$163,000 higher than the prior year. Well mitigation, repairs and maintenance, and non-capital equipment costs were all lower than anticipated while professional services, utilities, and overhead expenses were all greater than in the prior year.

**WASHOE COUNTY, NEVADA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2014
(CONTINUED)**

Capital contributions of \$8.1 million were 284% of budget and \$3.7 million higher than the prior year. This increase was mainly due to higher hook-up fee revenue by \$3.6 million and a rise in contributions from contractors by \$90,000.

On December 9, 2009, the Washoe County Board of County Commissioners and the Truckee Meadows Water Authority (TMWA) Board of Directors approved an interlocal agreement governing the consolidation of the County's water utility into the Truckee Meadows Water Authority. The purpose of the agreement is to integrate and merge the water utility into TMWA in a strategically phased manner, with TMWA as the surviving water purveyor. The contemplated consolidation is expected to benefit the community through better stewardship of water resources and more efficient use of facilities and facility planning. Pursuant to the terms of the agreement, the parties have completed a due diligence process under the direction of the TMWA General Manager and the Director of Community Services. The parties are in the process of preparing an addendum to the interlocal agreement that is expected to be submitted to the respective governing boards for their review and approval in October 2014, with a target consolidation date of December 31, 2014.

The County's water utility staff continues to operate the South Truckee Meadows General Improvement District's (STMGID) water utility under the terms of an interlocal agreement. The STMGID has its own revenue source and reimburses the County for this support. Revenue for County services is classified as services to other agencies. The STMGID Board of Trustees has also approved an interlocal agreement governing the consolidation of the STMGID's water utility with TMWA simultaneously with the County's water utility. Once the consolidation is complete, the County will continue to operate and account for various sewer systems, a reclaimed water system, and a flood detention facility in Spanish Springs in one or more enterprise funds.

CAPITAL ASSETS

The County's investment in capital assets for its governmental and business-type activities as of June 30, 2014, is \$911 million (net of accumulated depreciation), as summarized below.

**Washoe County Capital Assets (Net of Depreciation)
(in Thousands)**

| | Governmental Activities | | Business-Type Activities | | Total | |
|-----------------------------|-------------------------|-------------------|--------------------------|-------------------|-------------------|-------------------|
| | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 |
| Land, use rights | \$ 143,135 | \$ 142,795 | \$ 14,033 | \$ 13,987 | \$ 157,168 | \$ 156,782 |
| Plant capacity | - | - | 825 | 825 | 825 | 825 |
| Construction in progress | 10,713 | 6,910 | 3,917 | 4,550 | 14,630 | 11,460 |
| Land improvements | 21,077 | 22,254 | 1,810 | 2,010 | 22,887 | 24,264 |
| Building/improvements | 192,061 | 197,914 | 51,861 | 50,288 | 243,922 | 248,202 |
| Infrastructure | 165,085 | 183,609 | 276,806 | 280,857 | 441,891 | 464,466 |
| Equipment | 17,918 | 20,349 | 282 | 171 | 18,200 | 20,520 |
| Software | 4,633 | 6,013 | - | 108 | 4,633 | 6,121 |
| Plant capacity, depreciable | - | - | 7,259 | 7,510 | 7,259 | 7,510 |
| Total | \$ 554,622 | \$ 579,844 | \$ 356,793 | \$ 360,306 | \$ 911,415 | \$ 940,150 |

The net decrease in investment in capital assets for the current fiscal year of \$28.7 million or 3.1% was primarily due to depreciation of \$49 million, which was in excess of net capital additions by \$17 million. New capital investments during the year included \$3.6 million for road right-of-ways and improvements, \$2.9 million for vehicles and other equipment and \$6.2 million for utility infrastructure. The construction in progress balance of \$10.7 million in governmental activities included projects for regional public safety communications and technology, parks and open space and for water quality improvement at Lake Tahoe. Major commitments at year-end of \$6.9 million

**WASHOE COUNTY, NEVADA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2014
(CONTINUED)**

included continuation of the projects in progress as well as additional projects for technology improvements and infrastructure.

Additional information on the County's capital assets can be found in Notes 5 and 6.

DEBT ADMINISTRATION

At June 30, 2014, the County had a total outstanding bonded debt of \$220.7 million. Of this amount, \$171.4 million is general obligation debt backed by the full faith and credit of the County, and \$8.1 million is special assessment debt for which the County is liable in the event of default by property owners subject to the assessment. The remainder of the County's debt represents revenue bonds secured solely by specified revenue sources.

**Washoe County Outstanding Debt
(in Thousands)**

| | Governmental Activities | | Business-Type Activities | | Total | |
|--------------------------|-------------------------|------------|--------------------------|-----------|------------|------------|
| | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 |
| General Obligation Bonds | \$ 114,217 | \$ 120,146 | \$ 57,175 | \$ 59,947 | \$ 171,392 | \$ 180,093 |
| Revenue Bonds | 41,222 | 42,419 | - | - | 41,222 | 42,419 |
| Special Assessment Bonds | 8,117 | 9,061 | - | - | 8,117 | 9,061 |
| Total | \$ 163,556 | \$ 171,626 | \$ 57,175 | \$ 59,947 | \$ 220,731 | \$ 231,573 |

The County's current fiscal year outstanding debt decreased \$10.8 million as a result of principal payments on existing debt.

State Statute (NRS 244A.059) limits the amount of general obligation debt a government entity may issue to 10% of its total assessed valuation. The current limitation for the County is \$1.2 billion, which is \$963.5 million in excess of the County's outstanding general obligation debt.

Additional information regarding the County's long-term debt can be found in Notes 9, 10, and 11 to the financial statements.

REQUESTS FOR INFORMATION

This report is designed to provide a general overview of the County's finances for all interested parties. Questions concerning the information provided in this report or requests for additional financial information should be addressed to Washoe County Comptroller, P.O. Box 11130, Reno, NV 89520-0027. This report will also be available on the web site at www.washoecounty.us/finance/CAFR2014.htm. Truckee Meadows Fire Protection District (TMFPD) and Sierra Fire Protection District (SFPD) are included in this report as discretely presented component units. These entities issue separate audited financial statements that are filed at the Washoe County Clerk's Office, 1001 E. 9th Street, Room A-100, Reno, Nevada.



BASIC FINANCIAL STATEMENTS

BASIC FINANCIAL STATEMENTS

| | <u>Page</u> |
|---|--------------------|
| Government-wide Financial Statements | |
| Statement of Net Position | 16 |
| Statement of Activities | 17 |
| Fund Financial Statements | |
| Governmental Funds | 19 |
| Proprietary Funds | 26 |
| Fiduciary Funds | 31 |



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WASHOE COUNTY, NEVADA
STATEMENT OF NET POSITION
JUNE 30, 2014

| | Primary Government | | | Component Units | |
|--|----------------------------|-----------------------------|----------------|---|---------------------------------------|
| | Governmental Activities | Business-type Activities | Total | Truckee Meadows Fire Protection District | Sierra Fire Protection District |
| Assets | | | | | |
| Cash and investments (Note 3) | \$ 174,313,481 | \$ 111,724,069 | \$ 286,037,550 | \$ 20,650,712 | \$ 1,931,682 |
| Restricted cash and investments (Note 4) | 795,406 | 2,527,373 | 3,322,779 | - | - |
| Accounts receivable | 5,213,707 | 4,833,210 | 10,046,917 | 625 | - |
| Consolidated tax receivable | 14,315,970 | - | 14,315,970 | - | - |
| Property taxes receivable | 2,852,086 | - | 2,852,086 | 165,399 | 57,654 |
| Other taxes receivable | 14,144,023 | - | 14,144,023 | - | - |
| Interest receivable | 465,343 | 291,443 | 756,786 | 51,547 | 4,976 |
| Due from other funds | (51,269) | 51,269 | - | - | - |
| Due from other governments | 9,289,243 | 1,732,912 | 11,022,155 | 1,481,080 | 289,293 |
| Internal balances | (13,428,010) | 13,428,010 | - | - | - |
| Inventory | 297,763 | 198,150 | 495,913 | - | - |
| Deposits and other assets | 317,313 | 72,484 | 389,797 | 1,480,776 | - |
| Long-term restricted cash and investments (Note 4) | 2,301,657 | 10,744,524 | 13,046,181 | - | - |
| Long-term assets (Notes 5,15) | 6,870,434 | 316,240 | 7,186,674 | 1,001,338 | - |
| Capital Assets: (Note 6) | | | | | |
| Nondepreciable | 153,848,812 | 18,774,914 | 172,623,726 | 3,528,972 | 121,000 |
| Other capital assets, net of depreciation | 400,773,172 | 338,018,299 | 738,791,471 | 12,048,495 | 4,530,558 |
| Total Assets | 772,319,131 | 502,712,897 | 1,275,032,028 | 40,408,944 | 6,935,163 |
| Deferred Outflows of Resources | | | | | |
| Deferred charge on refunding (Note 10) | 452,054 | - | 452,054 | - | - |
| Liabilities | | | | | |
| Accounts payable | 13,635,370 | 1,207,914 | 14,843,284 | 1,815,079 | - |
| Accrued salaries and benefits | 9,465,373 | 303,571 | 9,768,944 | - | - |
| Contracts/retention payable | 1,885,421 | 41 | 1,885,462 | - | - |
| Tax refunds payable | 1,244,390 | - | 1,244,390 | - | - |
| Interest payable | 1,102,140 | 1,127,161 | 2,229,301 | - | - |
| Due to other funds | (95,660) | 95,660 | - | - | - |
| Due to other governments | 3,740,234 | 1,337,650 | 5,077,884 | 111,315 | 66,593 |
| Other liabilities (Note 7) | 2,306,658 | 827,817 | 3,134,475 | - | - |
| Unearned revenue (Note 8) | 3,869,734 | 149,128 | 4,018,862 | - | - |
| Noncurrent Liabilities: (Notes 9,10,11,15,16) | | | | | |
| Due within one year | 33,290,118 | 3,436,310 | 36,726,428 | 1,170,270 | - |
| Due in more than one year, payable from restricted assets | 2,301,657 | - | 2,301,657 | - | - |
| Due in more than one year | 174,513,725 | 54,551,141 | 229,064,866 | 1,373,952 | 2,141,475 |
| Total Liabilities | 247,259,160 | 63,036,393 | 310,295,553 | 4,470,616 | 2,208,068 |
| Net Position (Note 13) | | | | | |
| Net investment in capital assets | 437,044,466 | 299,618,398 | 736,662,864 | 15,577,467 | 4,651,558 |
| Restricted for: | | | | | |
| General government | 4,474,780 | - | 4,474,780 | - | - |
| Judicial | 6,768,050 | - | 6,768,050 | - | - |
| Public safety | 7,643,576 | 1,315,993 | 8,959,569 | 771,851 | 870,386 |
| Public works | 113,077 | - | 113,077 | - | - |
| Health and sanitation | 929,951 | - | 929,951 | - | - |
| Welfare | 5,482,452 | - | 5,482,452 | - | - |
| Culture and recreation | 656,825 | - | 656,825 | - | - |
| Debt service | 19,260,589 | 12,144,736 | 31,405,325 | - | - |
| Capital projects | 29,394,195 | - | 29,394,195 | 3,329,172 | - |
| Claims | 19,331,717 | - | 19,331,717 | 5,254,381 | - |
| Unrestricted | (6,491,761) | 126,597,377 | 120,105,616 | 11,005,457 | (794,849) |
| Total Net Position | \$ 524,607,917 | \$ 439,676,504 | \$ 964,284,421 | \$ 35,938,328 | \$ 4,727,095 |

The notes to the financial statements are an integral part of this statement.

**WASHOE COUNTY, NEVADA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014**

| Functions/Programs | Expenses | Indirect Expenses Allocation | Program Revenues | | |
|--|-----------------------|------------------------------|-----------------------|---|---|
| | | | Charges for Services | Operating Grants, Interest, Contributions | Capital Grants, Interest, Contributions |
| Primary Government | | | | | |
| Governmental Activities: | | | | | |
| General government | \$ 80,958,311 | \$ (8,592,643) | \$ 27,105,892 | \$ 882,816 | \$ 86,794 |
| Judicial | 59,316,649 | 8,035 | 9,904,501 | 3,172,472 | - |
| Public safety | 137,583,548 | 950,879 | 16,204,915 | 5,609,336 | 892,448 |
| Public works | 48,419,813 | 1,487,034 | 7,121,955 | 3,348,657 | 10,540,023 |
| Health and sanitation | 18,384,226 | 2,956,925 | 4,042,935 | 7,854,951 | 151,821 |
| Welfare | 65,650,977 | 2,372,329 | 2,749,703 | 32,782,806 | - |
| Culture and recreation | 21,803,131 | 817,441 | 1,346,379 | 3,432,201 | 573,501 |
| Community support | 178,296 | - | - | - | - |
| Interest on long-term debt | 5,525,321 | - | - | - | - |
| Total Governmental Activities | 437,820,272 | \$ - | 68,476,280 | 57,083,239 | 12,244,587 |
| Business-type Activities: | | | | | |
| Utilities | 28,299,955 | | 32,286,439 | 110,733 | 8,107,319 |
| Golf courses | 952,041 | | 854,192 | 1,005 | - |
| Building permits | 1,356,958 | | 2,491,146 | - | - |
| Total Business-type Activities | 30,608,954 | | 35,631,777 | 111,738 | 8,107,319 |
| Total Primary Government | \$ 468,429,226 | | \$ 104,108,057 | \$ 57,194,977 | \$ 20,351,906 |
| Component Units: | | | | | |
| Truckee Meadows Fire Protection District | \$ 22,249,275 | | \$ 6,374,245 | \$ 135,732 | \$ 750,000 |
| Sierra Fire Protection District | 8,686,631 | | - | - | 206,043 |
| Total Component Units | \$ 30,935,906 | | \$ 6,374,245 | \$ 135,732 | \$ 956,043 |

General Revenues:
Ad valorem taxes
Unrestricted intergovernmental revenues:
Consolidated taxes
LGTA sales taxes
Infrastructure sales tax
Other taxes and intergovernmental revenues
Other miscellaneous
Unrestricted investment earnings
Gain on sales of capital assets
Transfers
Total General Revenues and Transfers

Change in Net Position

Net Position, July 1, as Restated (Note 19)

Net Position, June 30

The notes to the financial statements are an integral part of this statement.

Net (Expense) Revenue and Changes in Net Position

| Primary Government | | | Component Units | |
|--------------------------------|---------------------------------|-----------------------|---|--|
| Governmental Activities | Business-type Activities | Total | Truckee Meadows Fire Protection District | Sierra Fire Protection District |
| \$ (44,290,166) | \$ - | \$ (44,290,166) | | |
| (46,247,711) | - | (46,247,711) | | |
| (115,827,728) | - | (115,827,728) | | |
| (28,896,212) | - | (28,896,212) | | |
| (9,291,444) | - | (9,291,444) | | |
| (32,490,797) | - | (32,490,797) | | |
| (17,268,491) | - | (17,268,491) | | |
| (178,296) | - | (178,296) | | |
| <u>(5,525,321)</u> | <u>-</u> | <u>(5,525,321)</u> | | |
| (300,016,166) | - | (300,016,166) | | |
| - | 12,204,536 | 12,204,536 | | |
| - | (96,844) | (96,844) | | |
| - | 1,134,188 | 1,134,188 | | |
| - | 13,241,880 | 13,241,880 | | |
| <u>(300,016,166)</u> | <u>13,241,880</u> | <u>(286,774,286)</u> | | |
| | | | \$ (14,989,298) | \$ - |
| | | | <u>-</u> | <u>(8,480,588)</u> |
| | | | <u>(14,989,298)</u> | <u>(8,480,588)</u> |
| 168,009,195 | - | 168,009,195 | 10,105,769 | 4,830,504 |
| 80,808,838 | - | 80,808,838 | 5,206,953 | 1,207,498 |
| 10,228,786 | - | 10,228,786 | 654,633 | 248,213 |
| 7,672,379 | - | 7,672,379 | - | - |
| 1,931,486 | - | 1,931,486 | 402,675 | 1,001,241 |
| 8,957,218 | - | 8,957,218 | 405,221 | 42,884 |
| 1,593,742 | 1,591,349 | 3,185,091 | 322,274 | 32,973 |
| 23,769 | - | 23,769 | - | - |
| <u>210,780</u> | <u>(210,780)</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| <u>279,436,193</u> | <u>1,380,569</u> | <u>280,816,762</u> | <u>17,097,525</u> | <u>7,363,313</u> |
| <u>(20,579,973)</u> | <u>14,622,449</u> | <u>(5,957,524)</u> | <u>2,108,227</u> | <u>(1,117,275)</u> |
| <u>545,187,890</u> | <u>425,054,055</u> | <u>970,241,945</u> | <u>33,830,101</u> | <u>5,844,370</u> |
| <u>\$ 524,607,917</u> | <u>\$ 439,676,504</u> | <u>\$ 964,284,421</u> | <u>\$ 35,938,328</u> | <u>\$ 4,727,095</u> |

**WASHOE COUNTY, NEVADA
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2014**

| | <u>General Fund</u> | <u>Child Protective Services Fund</u> | <u>Special Assessment Debt Service Fund</u> | <u>Other Governmental Funds</u> | <u>Total Governmental Funds</u> |
|--|-------------------------|---|---|---|---|
| Assets | | | | | |
| Cash and investments (Note 3) | \$ 50,233,793 | \$ 3,209,462 | \$ 1,680,910 | \$ 86,927,553 | \$ 142,051,718 |
| Restricted cash and investments (Notes 3,4) | 750,000 | - | - | 45,406 | 795,406 |
| Accounts receivable | 1,738,938 | 2,259 | - | 222,583 | 1,963,780 |
| Consolidated tax receivable | 14,315,970 | - | - | - | 14,315,970 |
| Property taxes receivable | 2,315,984 | 79,633 | - | 456,469 | 2,852,086 |
| Other taxes receivable | 2,718,161 | - | 8,470,915 | 2,954,947 | 14,144,023 |
| Interest receivable | 238,494 | - | 4,237 | 149,582 | 392,313 |
| Due from other funds | 378,054 | 24,363 | - | 185,803 | 588,220 |
| Due from other governments | 1,335,116 | 4,434,678 | - | 3,519,449 | 9,289,243 |
| Deposits and prepaid items | 19,043 | - | - | 42,124 | 61,167 |
| Total Assets | \$ 74,043,553 | \$ 7,750,395 | \$ 10,156,062 | \$ 94,503,916 | \$ 186,453,926 |
| Liabilities | | | | | |
| Accounts payable | \$ 8,621,533 | \$ 2,202,855 | \$ 1,599 | \$ 1,667,963 | \$ 12,493,950 |
| Accrued salaries and benefits | 7,418,327 | 756,606 | - | 1,190,395 | 9,365,328 |
| Contracts/retention payable | 612 | - | - | 1,884,809 | 1,885,421 |
| Tax refunds payable | 1,013,016 | 36,456 | - | 194,918 | 1,244,390 |
| Due to other funds | 166,810 | 2,823 | - | 374,195 | 543,828 |
| Due to other governments | 2,864,530 | 41,850 | - | 833,616 | 3,739,996 |
| Deposits | - | - | - | 253,776 | 253,776 |
| Other liabilities (Note 7) | 2,030,743 | 986 | 21,153 | - | 2,052,882 |
| Unearned revenue (Note 8) | 3,446,375 | 28,852 | - | 394,507 | 3,869,734 |
| Total Liabilities | 25,561,946 | 3,070,428 | 22,752 | 6,794,179 | 35,449,305 |
| Deferred Inflows of Resources (Note 8) | | | | | |
| Unavailable revenue - grants and other revenue | - | 273,522 | 8,470,915 | 414,398 | 9,158,835 |
| Unavailable revenue - property taxes | 1,875,040 | 68,325 | - | 393,302 | 2,336,667 |
| Total Deferred Inflows of Resources | 1,875,040 | 341,847 | 8,470,915 | 807,700 | 11,495,502 |
| Fund Balances (Note 13) | | | | | |
| Nonspendable | 19,043 | - | - | 39,483 | 58,526 |
| Restricted | 792,259 | 136,505 | 1,662,395 | 70,727,385 | 73,318,544 |
| Committed | 4,518,775 | 4,201,615 | - | 9,071,496 | 17,791,886 |
| Assigned | 1,106,583 | - | - | 7,482,168 | 8,588,751 |
| Unassigned | 40,169,907 | - | - | (418,495) | 39,751,412 |
| Total Fund Balances | 46,606,567 | 4,338,120 | 1,662,395 | 86,902,037 | 139,509,119 |
| Total Liabilities, Deferred Inflows of Resources, and Fund Balances | \$ 74,043,553 | \$ 7,750,395 | \$ 10,156,062 | \$ 94,503,916 | \$ 186,453,926 |

The notes to the financial statements are an integral part of this statement.

WASHOE COUNTY, NEVADA
RECONCILIATION OF THE BALANCE SHEET
OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF NET POSITION
JUNE 30, 2014

| | | |
|---|----------------------|-----------------------|
| Fund Balances - Governmental Funds | | \$ 139,509,119 |
| Amounts reported for governmental activities in the statement of net position are different because: | | |
| Capital assets and long-term assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. | | |
| Governmental capital assets | \$ 1,181,164,189 | |
| Less accumulated depreciation | <u>(632,088,006)</u> | 549,076,183 |
| Other assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. | | |
| Prepaid bond insurance | 132,854 | |
| Net OPEB asset | <u>2,873,527</u> | 3,006,381 |
| Other liabilities are not due and payable in the current period and therefore are not reported in governmental funds. | | |
| Lease payable based on the amortization of non level payments | | (135,169) |
| Long-term liabilities and deferred outflows of resources, including bonds payable and accrued interest, are not due and payable in the current period and therefore are not reported in governmental funds. | | |
| Governmental bonds payable | (162,512,790) | |
| Bond premiums, discounts and charge on refundings | (1,043,492) | |
| Accrued interest payable | (1,102,140) | |
| Remediation obligation | (7,013,183) | |
| Compensated absences | <u>(24,305,081)</u> | (195,976,686) |
| Revenues that were not available to fund current expenditures and therefore are not reported in governmental funds. | | |
| | | 11,495,502 |
| Internal service funds are used by management to charge the costs of certain activities to individual funds. Net position of internal service funds is reported with governmental activities. | | |
| Total net position of internal service funds | 31,060,597 | |
| Internal balances receivable from business-type activities | <u>1,561,346</u> | 32,621,943 |
| Governmental funds report allocations of indirect expenses to enterprise funds. However, in the Statement of Activities indirect expenses are eliminated. | | |
| | | <u>(14,989,356)</u> |
| Total Net Position of Governmental Activities | | <u>\$ 524,607,917</u> |

The notes to the financial statements are an integral part of this statement.

WASHOE COUNTY, NEVADA
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2014

| | <u>General Fund</u> | <u>Child Protective Services Fund</u> | <u>Special Assessment Debt Service Fund</u> | <u>Other Governmental Funds</u> | <u>Total Governmental Funds</u> |
|--|-------------------------|---|---|---|---|
| Revenues | | | | | |
| Taxes: | | | | | |
| Ad valorem | \$ 137,635,605 | \$ 4,872,964 | \$ - | \$ 26,062,688 | \$ 168,571,257 |
| Car rental fee | - | - | - | 1,141,625 | 1,141,625 |
| Other taxes | 311,167 | - | - | 214,659 | 525,826 |
| Special assessments | - | - | 676,240 | - | 676,240 |
| Licenses and permits | 8,264,242 | 22,433 | - | 1,649,318 | 9,935,993 |
| Intergovernmental revenues | 99,891,765 | 32,964,193 | - | 35,348,586 | 168,204,544 |
| Charges for services | 23,797,197 | 2,642,498 | - | 9,254,637 | 35,694,332 |
| Fines and forfeits | 8,128,615 | - | 41,589 | 2,319,476 | 10,489,680 |
| Miscellaneous | 3,987,086 | 1,576,088 | 466,642 | 4,951,050 | 10,980,866 |
| Total Revenues | 282,015,677 | 42,078,176 | 1,184,471 | 80,942,039 | 406,220,363 |
| Expenditures | | | | | |
| Current: | | | | | |
| General government | 49,593,836 | - | - | 616,066 | 50,209,902 |
| Judicial | 50,358,766 | - | - | 5,277,753 | 55,636,519 |
| Public safety | 109,560,703 | - | - | 18,802,893 | 128,363,596 |
| Public works | 14,021,932 | - | - | 12,102,747 | 26,124,679 |
| Health and sanitation | - | - | - | 21,557,725 | 21,557,725 |
| Welfare | 15,912,180 | 46,146,959 | - | 7,305,208 | 69,364,347 |
| Culture and recreation | 11,362,946 | - | - | 6,838,624 | 18,201,570 |
| Community support | 178,296 | - | - | - | 178,296 |
| Intergovernmental | 3,213,165 | - | - | 5,577,137 | 8,790,302 |
| Capital outlay | - | - | - | 12,570,804 | 12,570,804 |
| Debt Service: | | | | | |
| Principal | - | - | 894,495 | 7,048,208 | 7,942,703 |
| Interest | - | - | 343,692 | 5,283,514 | 5,627,206 |
| Debt service fees and other fiscal charges | - | - | 45,942 | 45,798 | 91,740 |
| Assessment refunds | - | - | 6,262 | - | 6,262 |
| Total Expenditures | 254,201,824 | 46,146,959 | 1,290,391 | 103,026,477 | 404,665,651 |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | 27,813,853 | (4,068,783) | (105,920) | (22,084,438) | 1,554,712 |
| Other Financing Sources (Uses) | | | | | |
| Proceeds from asset disposition | 31,239 | - | - | 1,936 | 33,175 |
| Proceeds from insurance recoveries | - | - | - | 39,725 | 39,725 |
| Transfers in | 845,270 | - | 482,653 | 29,348,066 | 30,675,989 |
| Transfers out | (21,117,545) | (445,406) | - | (9,113,038) | (30,675,989) |
| Total Other Financing Sources (Uses) | (20,241,036) | (445,406) | 482,653 | 20,276,689 | 72,900 |
| Net Change in Fund Balances | 7,572,817 | (4,514,189) | 376,733 | (1,807,749) | 1,627,612 |
| Fund Balances, July 1 | 39,033,750 | 8,852,309 | 1,285,662 | 88,709,786 | 137,881,507 |
| Fund Balances, June 30 | \$ 46,606,567 | \$ 4,338,120 | \$ 1,662,395 | \$ 86,902,037 | \$ 139,509,119 |

The notes to the financial statements are an integral part of this statement.

**WASHOE COUNTY, NEVADA
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014**

Net Change in Fund Balances - Governmental Funds \$ 1,627,612

Amounts reported for governmental activities in the Statement of Net Position are different because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is depreciated over their estimated useful lives.

| | | |
|---|---------------------|--------------|
| Expenditures for capital assets | \$ 10,172,665 | |
| Less current year depreciation/amortization | <u>(38,712,868)</u> | (28,540,203) |

Net OPEB assets reported in governmental activities are not a current financial resource in governmental funds.

| | | |
|--------------------------|--|-----------|
| Change in Net OPEB Asset | | (838,116) |
|--------------------------|--|-----------|

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in governmental funds.

| | | |
|-------------------------------|--------------------|-----------|
| Donated capital assets | 3,334,551 | |
| Change in unavailable revenue | <u>(1,695,496)</u> | 1,639,055 |

Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities and/or deferred outflows of resources in the Statement of Net Position. Repayment of bond principal is an expenditure in governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. This is the amount by which bonds issued exceeded repayments:

| | | |
|-------------------------|--|-----------|
| Bond principal payments | | 7,942,703 |
|-------------------------|--|-----------|

Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

| | | |
|--|-----------------|---------|
| Amortization of bond premium | 134,374 | |
| Amortization of bond discount | (3,143) | |
| Amortization of deferred charge on refunding | (4,253) | |
| Amortization of bond prepaid insurance | (40,676) | |
| Change in lease payable | (52,597) | |
| Change in termination benefits | 22,769 | |
| Change in compensated absences | (438,902) | |
| Change in remediation obligation | 1,262,479 | |
| Change in accrued interest payable | 72,910 | |
| Disposition of capital assets | <u>(71,985)</u> | 880,976 |

Internal service funds are used by management to charge the costs of certain activities to individual funds. The net revenue (expense) of internal service funds is reported with governmental activities.

| | | |
|---|--------------------|------------------------|
| Change in net position of internal service funds | (1,517,423) | |
| Internal charges reported in business activities | <u>(1,774,577)</u> | <u>(3,292,000)</u> |
| Change in Net Position of Governmental Activities | | <u>\$ (20,579,973)</u> |

The notes to the financial statements are an integral part of this statement.

**WASHOE COUNTY, NEVADA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - BY FUNCTION AND ACTIVITY
FOR THE YEAR ENDED JUNE 30, 2014**

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | <u>Variance to Final Budget</u> |
|--|-------------------------|--------------------|--------------------|-------------------------------------|
| | <u>Original</u> | <u>Final</u> | | |
| Revenues | | | | |
| Taxes: | | | | |
| Ad valorem | \$ 137,565,073 | \$ 137,565,073 | \$ 137,635,605 | \$ 70,532 |
| Other taxes | 280,000 | 280,000 | 311,167 | 31,167 |
| Licenses and permits | 8,327,050 | 8,327,050 | 8,264,242 | (62,808) |
| Intergovernmental revenues | 94,489,524 | 94,649,053 | 99,891,765 | 5,242,712 |
| Charges for services | 24,380,774 | 24,221,245 | 23,797,197 | (424,048) |
| Fines and forfeits | 7,418,200 | 7,418,200 | 8,128,615 | 710,415 |
| Miscellaneous | 4,377,672 | 4,412,076 | 3,987,086 | (424,990) |
| Total Revenues | <u>276,838,293</u> | <u>276,872,697</u> | <u>282,015,677</u> | <u>5,142,980</u> |
| Expenditures by Function and Activity | | | | |
| Current: | | | | |
| General Government: | | | | |
| Legislative | 591,897 | 556,897 | 541,811 | 15,086 |
| Executive | 2,627,081 | 2,920,596 | 2,423,877 | 496,719 |
| Elections | 1,450,420 | 1,488,879 | 1,081,273 | 407,606 |
| Finance | 11,041,283 | 11,297,239 | 10,658,987 | 638,252 |
| Other General Government | 41,305,991 | 41,210,993 | 34,887,888 | 6,323,105 |
| Total General Government | <u>57,016,672</u> | <u>57,474,604</u> | <u>49,593,836</u> | <u>7,880,768</u> |
| Judicial: | | | | |
| District Courts | 16,210,736 | 16,409,513 | 14,724,340 | 1,685,173 |
| District Attorney | 17,190,940 | 17,314,633 | 16,770,416 | 544,217 |
| Public Defense | 10,646,987 | 10,648,839 | 11,089,263 | (440,424) |
| Justice Courts | 7,967,809 | 8,075,530 | 7,667,927 | 407,603 |
| Incline Constable | 107,057 | 107,132 | 106,820 | 312 |
| Total Judicial | <u>52,123,529</u> | <u>52,555,647</u> | <u>50,358,766</u> | <u>2,196,881</u> |
| Public Safety: | | | | |
| Sheriff and Detention | 89,864,077 | 91,872,497 | 91,030,408 | 842,089 |
| Medical Examiner | 2,011,585 | 2,163,263 | 2,116,252 | 47,011 |
| Fire Suppression | 852,995 | 902,995 | 695,625 | 207,370 |
| Juvenile Services | 13,108,411 | 13,108,412 | 12,482,218 | 626,194 |
| Protective Services | 3,236,755 | 3,279,112 | 3,236,200 | 42,912 |
| Total Public Safety | <u>109,073,823</u> | <u>111,326,279</u> | <u>109,560,703</u> | <u>1,765,576</u> |
| Public Works: | | | | |
| Community Services Department (CSD) | 14,480,635 | 14,643,507 | 14,021,932 | 621,575 |
| Welfare: | | | | |
| Social Services | 18,756,505 | 18,756,505 | 15,912,180 | 2,844,325 |
| Culture and Recreation: | | | | |
| Library | 7,677,316 | 7,679,792 | 7,528,198 | 151,594 |
| CSD - Regional Parks and Open Space | 3,799,580 | 3,957,188 | 3,834,748 | 122,440 |
| Total Culture and Recreation | <u>11,476,896</u> | <u>11,636,980</u> | <u>11,362,946</u> | <u>274,034</u> |
| Community Support | 369,761 | 219,520 | 178,296 | 41,224 |

(CONTINUED)

**WASHOE COUNTY, NEVADA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - BY FUNCTION AND ACTIVITY
FOR THE YEAR ENDED JUNE 30, 2014**

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | <u>Variance to Final Budget</u> |
|--|-------------------------|----------------------|----------------------|-------------------------------------|
| | <u>Original</u> | <u>Final</u> | | |
| Intergovernmental | \$ 3,216,460 | \$ 3,216,460 | \$ 3,213,165 | \$ 3,295 |
| Total Expenditures | <u>266,514,281</u> | <u>269,829,502</u> | <u>254,201,824</u> | <u>15,627,678</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | <u>10,324,012</u> | <u>7,043,195</u> | <u>27,813,853</u> | <u>20,770,658</u> |
| Other Financing Sources (Uses) | | | | |
| Proceeds from asset disposition | 5,000 | 5,000 | 31,239 | 26,239 |
| Transfers in | 470,375 | 470,375 | 845,270 | 374,895 |
| Transfers out | (19,285,071) | (20,918,360) | (21,117,545) | (199,185) |
| Contingency | <u>(1,215,000)</u> | <u>(367,515)</u> | <u>-</u> | <u>367,515</u> |
| Total Other Financing Sources (Uses) | <u>(20,024,696)</u> | <u>(20,810,500)</u> | <u>(20,241,036)</u> | <u>569,464</u> |
| Net Change in Fund Balances | <u>(9,700,684)</u> | <u>(13,767,305)</u> | <u>7,572,817</u> | <u>21,340,122</u> |
| Fund Balances, July 1 | <u>34,967,129</u> | <u>39,033,750</u> | <u>39,033,750</u> | <u>-</u> |
| Fund Balances, June 30 | <u>\$ 25,266,445</u> | <u>\$ 25,266,445</u> | <u>\$ 46,606,567</u> | <u>\$ 21,340,122</u> |

The notes to the financial statements are an integral part of this statement.

**WASHOE COUNTY, NEVADA
CHILD PROTECTIVE SERVICES FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2014**

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | <u>Variance to Budget</u> |
|--|-------------------------|---------------------|---------------------|-------------------------------|
| | <u>Original</u> | <u>Final</u> | | |
| Revenues | | | | |
| Taxes: | | | | |
| Ad valorem | \$ 4,872,150 | \$ 4,872,150 | \$ 4,872,964 | \$ 814 |
| Licenses and Permits: | | | | |
| Day care licenses | 22,500 | 22,500 | 22,433 | (67) |
| Intergovernmental Revenues: | | | | |
| Federal grants | 20,654,650 | 20,654,650 | 17,169,589 | (3,485,061) |
| State grants | 15,859,711 | 15,859,711 | 15,794,604 | (65,107) |
| Charges for Services: | | | | |
| Service fees | 2,657,000 | 2,657,000 | 2,642,498 | (14,502) |
| Miscellaneous: | | | | |
| Contributions and donations | 60,080 | 60,080 | 56,330 | (3,750) |
| Other | - | - | 1,519,758 | 1,519,758 |
| Total Revenues | <u>44,126,091</u> | <u>44,126,091</u> | <u>42,078,176</u> | <u>(2,047,915)</u> |
| Expenditures | | | | |
| Welfare Function: | | | | |
| Salaries and wages | 14,318,787 | 14,318,787 | 13,145,404 | 1,173,383 |
| Employee benefits | 6,055,616 | 6,055,616 | 5,420,013 | 635,603 |
| Services and supplies | 28,099,376 | 28,099,376 | 25,379,676 | 2,719,700 |
| Capital outlay | 20,000 | 20,000 | 2,201,866 | (2,181,866) |
| Total Expenditures | <u>48,493,779</u> | <u>48,493,779</u> | <u>46,146,959</u> | <u>2,346,820</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | <u>(4,367,688)</u> | <u>(4,367,688)</u> | <u>(4,068,783)</u> | <u>298,905</u> |
| Other Financing Sources (Uses) | | | | |
| Transfers: | | | | |
| Other Restricted Fund | - | - | (45,406) | (45,406) |
| Debt Service Fund | (400,000) | (400,000) | (400,000) | - |
| Total Other Financing Sources (Uses) | <u>(400,000)</u> | <u>(400,000)</u> | <u>(445,406)</u> | <u>(45,406)</u> |
| Net Change in Fund Balances | <u>(4,767,688)</u> | <u>(4,767,688)</u> | <u>(4,514,189)</u> | <u>253,499</u> |
| Fund Balances, July 1 | <u>9,469,281</u> | <u>9,469,281</u> | <u>8,852,309</u> | <u>(616,972)</u> |
| Fund Balances, June 30 | <u>\$ 4,701,593</u> | <u>\$ 4,701,593</u> | <u>\$ 4,338,120</u> | <u>\$ (363,473)</u> |

The notes to the financial statements are an integral part of this statement.

**WASHOE COUNTY, NEVADA
 PROPRIETARY FUNDS
 STATEMENT OF NET POSITION
 JUNE 30, 2014**

| | <u>Business-type Activities - Enterprise Funds</u> | | | Governmental |
|---|--|---------------------------------------|----------------------|--|
| | <u>Water Resources Fund</u> | <u>Other Enterprise Funds</u> | <u>Total</u> | Activities Internal Service Funds |
| Assets | | | | |
| Current Assets: | | | | |
| Cash and investments (Note 3) | \$ 109,243,717 | \$ 2,480,352 | \$ 111,724,069 | \$ 32,261,763 |
| Restricted cash and investments (Notes 3,4) | 2,527,373 | - | 2,527,373 | - |
| Accounts receivable | 4,689,008 | 144,202 | 4,833,210 | 3,249,927 |
| Interest receivable | 286,199 | 5,244 | 291,443 | 73,030 |
| Due from other funds | 51,269 | - | 51,269 | - |
| Due from other governments | 1,732,912 | - | 1,732,912 | - |
| Inventory | 189,870 | 8,280 | 198,150 | 297,763 |
| Other assets | 72,484 | - | 72,484 | 256,146 |
| Total Current Assets | <u>118,792,832</u> | <u>2,638,078</u> | <u>121,430,910</u> | <u>36,138,629</u> |
| Noncurrent Assets: | | | | |
| Restricted cash and investments (Notes 3,4) | 10,744,524 | - | 10,744,524 | 2,301,657 |
| Long-term receivables and other assets (Note 5) | 316,240 | - | 316,240 | 3,864,053 |
| Capital Assets: (Note 6) | | | | |
| Nondepreciable: | | | | |
| Land | 13,860,227 | 173,000 | 14,033,227 | - |
| Plant capacity | - | 825,150 | 825,150 | - |
| Construction in progress | 3,916,537 | - | 3,916,537 | 34,344 |
| Depreciable: | | | | |
| Land improvements | 1,425,257 | 3,764,945 | 5,190,202 | - |
| Buildings and improvements | 70,056,702 | 1,258,356 | 71,315,058 | 24,990 |
| Infrastructure | 361,623,046 | - | 361,623,046 | - |
| Equipment | 1,337,963 | 1,043,240 | 2,381,203 | 24,007,576 |
| Software | 1,060,942 | 78,183 | 1,139,125 | 20,260 |
| Plant, well capacity | 10,030,729 | - | 10,030,729 | - |
| Less accumulated depreciation | <u>(108,913,780)</u> | <u>(4,747,284)</u> | <u>(113,661,064)</u> | <u>(18,541,369)</u> |
| Total Noncurrent Assets | <u>365,458,387</u> | <u>2,395,590</u> | <u>367,853,977</u> | <u>11,711,511</u> |
| Total Assets | <u>484,251,219</u> | <u>5,033,668</u> | <u>489,284,887</u> | <u>47,850,140</u> |
| Liabilities | | | | |
| Current Liabilities: | | | | |
| Accounts payable | 1,173,893 | 34,021 | 1,207,914 | 1,006,252 |
| Accrued salaries and benefits | 234,353 | 69,218 | 303,571 | 100,045 |
| Compensated absences (Notes 9,10) | 490,351 | 123,654 | 614,005 | 213,077 |
| Contracts/retention payable | 41 | - | 41 | - |
| Interest payable | 1,127,161 | - | 1,127,161 | - |
| Due to other funds | 95,660 | - | 95,660 | - |
| Due to other governments | 1,327,650 | 10,000 | 1,337,650 | 238 |
| Unearned revenue (Note 8) | 149,128 | - | 149,128 | - |
| Other liabilities (Note 7) | 814,817 | 13,000 | 827,817 | - |
| Notes, bonds, leases payable (Notes 9,10,11) | 2,822,305 | - | 2,822,305 | - |
| Pending claims (Note 16) | - | - | - | 6,864,000 |
| Total Current Liabilities | <u>8,235,359</u> | <u>249,893</u> | <u>8,485,252</u> | <u>8,183,612</u> |

(CONTINUED)

**WASHOE COUNTY, NEVADA
 PROPRIETARY FUNDS
 STATEMENT OF NET POSITION
 JUNE 30, 2014**

| | <u>Business-type Activities - Enterprise Funds</u> | | | Governmental Activities Internal Service Funds |
|---|--|---------------------------------------|--------------------|---|
| | <u>Water Resources Fund</u> | <u>Other Enterprise Funds</u> | <u>Total</u> | |
| Noncurrent Liabilities: (Notes 9,10,11,16) | | | | |
| Compensated absences | \$ 158,629 | \$ 40,002 | \$ 198,631 | \$ 68,931 |
| Notes, bonds, leases payable | 54,352,510 | - | 54,352,510 | - |
| Pending claims | - | - | - | 6,235,343 |
| Pending claims payable from restricted cash | - | - | - | 2,301,657 |
| Total Noncurrent Liabilities | <u>54,511,139</u> | <u>40,002</u> | <u>54,551,141</u> | <u>8,605,931</u> |
| Total Liabilities | <u>62,746,498</u> | <u>289,895</u> | <u>63,036,393</u> | <u>16,789,543</u> |
| Net Position (Note 13) | | | | |
| Net investment in capital assets | 297,222,808 | 2,395,590 | 299,618,398 | 5,545,801 |
| Restricted for public safety | - | 1,315,993 | 1,315,993 | - |
| Restricted for debt service | 12,144,736 | - | 12,144,736 | - |
| Restricted for claims | - | - | - | 19,331,717 |
| Unrestricted | <u>112,137,177</u> | <u>1,032,190</u> | <u>113,169,367</u> | <u>6,183,079</u> |
| Total Net Position | <u>\$ 421,504,721</u> | <u>\$ 4,743,773</u> | <u>426,248,494</u> | <u>\$ 31,060,597</u> |

Indirect expenses reported in the Statement of Revenues,
 Expenses and Changes in Net Position are not reported in
 the Statement of Activities to enhance comparability
 between governments that allocate indirect expenses
 and those that do not.

14,989,356

Adjustment to reflect the consolidation of internal
 service fund activities related to enterprise funds.

(1,561,346)

Net Position of Business-type Activities

\$ 439,676,504

The notes to the financial statements are an integral part of this statement.

**WASHOE COUNTY
PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2014**

| | Business-type Activities - Enterprise Funds | | | Governmental Activities Internal Service Funds |
|---|--|---------------------------------------|----------------------|---|
| | Water Resources Fund | Other Enterprise Funds | Total | |
| | | | | |
| Operating Revenues | | | | |
| Charges for Services: | | | | |
| Utility fees | \$ 30,039,182 | \$ - | \$ 30,039,182 | \$ - |
| Golf course fees | - | 793,853 | 793,853 | - |
| Building permits and fees | - | 2,387,116 | 2,387,116 | - |
| Services to other agencies | 1,166,793 | 94,593 | 1,261,386 | - |
| Services to other funds | 209,572 | - | 209,572 | - |
| Self insurance fees | - | - | - | 46,584,582 |
| Equipment service billings | - | - | - | 6,434,653 |
| Miscellaneous | 870,892 | 69,776 | 940,668 | 2,837,480 |
| Total Operating Revenues | <u>32,286,439</u> | <u>3,345,338</u> | <u>35,631,777</u> | <u>55,856,715</u> |
| Operating Expenses | | | | |
| Salaries and wages | 3,996,687 | 1,153,885 | 5,150,572 | 1,695,618 |
| Employee benefits | 1,664,925 | 455,305 | 2,120,230 | 745,581 |
| Services and supplies | 12,799,624 | 936,072 | 13,735,696 | 54,704,310 |
| Depreciation/amortization | 8,677,289 | 222,041 | 8,899,330 | 1,373,800 |
| Total Operating Expenses | <u>27,138,525</u> | <u>2,767,303</u> | <u>29,905,828</u> | <u>58,519,309</u> |
| Operating Income (Loss) | <u>5,147,914</u> | <u>578,035</u> | <u>5,725,949</u> | <u>(2,662,594)</u> |
| Nonoperating Revenues (Expenses) | | | | |
| Investment earnings | 1,533,930 | 24,771 | 1,558,701 | 502,901 |
| Net increase (decrease) in the fair value of investments | 31,501 | 1,147 | 32,648 | (536) |
| Miscellaneous | 20,321 | 1,005 | 21,326 | - |
| Federal grants | 90,412 | - | 90,412 | 265,233 |
| Gain (loss) on asset disposition | (10,000) | - | (10,000) | 166,793 |
| Interest/bond issuance costs | (2,252,074) | - | (2,252,074) | - |
| Connection fee refunds/credits | (215,629) | - | (215,629) | - |
| Total Nonoperating Revenues (Expenses) | <u>(801,539)</u> | <u>26,923</u> | <u>(774,616)</u> | <u>934,391</u> |
| Income (Loss) Before Capital Contributions, and Transfers | <u>4,346,375</u> | <u>604,958</u> | <u>4,951,333</u> | <u>(1,728,203)</u> |
| Capital Contributions | | | | |
| Hookup fees | 6,220,293 | - | 6,220,293 | - |
| Contributions | 1,879,633 | - | 1,879,633 | - |
| Federal/State grants | 7,393 | - | 7,393 | - |
| Total Capital Contributions | <u>8,107,319</u> | <u>-</u> | <u>8,107,319</u> | <u>-</u> |
| Transfers | | | | |
| Transfers in (out) | <u>(210,780)</u> | <u>-</u> | <u>(210,780)</u> | <u>210,780</u> |
| Change in Net Position | 12,242,914 | 604,958 | 12,847,872 | (1,517,423) |
| Net Position, July 1, as Restated (Note 18) | 409,261,807 | 4,138,815 | | 32,578,020 |
| Net Position, June 30 | <u>\$ 421,504,721</u> | <u>\$ 4,743,773</u> | | <u>\$ 31,060,597</u> |
| Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds. | | | <u>1,774,577</u> | |
| Change in Net Position of Business-type Activities | | | <u>\$ 14,622,449</u> | |

The notes to the financial statements are an integral part of this statement.

**WASHOE COUNTY, NEVADA
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED JUNE 30, 2014**

| | <u>Business-type Activities - Enterprise Funds</u> | | | <u>Governmental</u> |
|---|--|---------------------------------------|-----------------------|--|
| | <u>Water Resources Fund</u> | <u>Other Enterprise Funds</u> | <u>Total</u> | <u>Activities Internal Service Funds</u> |
| Increase (Decrease) in Cash and Cash Equivalents | | | | |
| Cash Flows From Operating Activities: | | | | |
| Cash received from customers | \$ 29,816,135 | \$ 3,460,736 | \$ 33,276,871 | \$ 16,877,164 |
| Cash received from other funds | 209,572 | - | 209,572 | 35,104,531 |
| Cash received from others | 2,213,058 | 431 | 2,213,489 | 3,116,831 |
| Cash payments for personnel costs | (5,677,746) | (1,603,992) | (7,281,738) | (2,430,089) |
| Cash payments for services and supplies | (11,911,760) | (916,650) | (12,828,410) | (53,853,110) |
| Cash payments for refund of hookup fees | (215,629) | - | (215,629) | - |
| Net Cash Provided (Used) by Operating Activities | <u>14,433,630</u> | <u>940,525</u> | <u>15,374,155</u> | <u>(1,184,673)</u> |
| Cash Flows From Noncapital Financing Activities: | | | | |
| Federal grants | <u>110,125</u> | <u>-</u> | <u>110,125</u> | <u>265,233</u> |
| Cash Flows From Capital and Related Financing Activities: | | | | |
| Proceeds from asset disposition | - | - | - | 114,873 |
| Cash received from Federal/State grants | 7,794 | - | 7,794 | - |
| Contributions from others | 5,401,815 | - | 5,401,815 | - |
| Principal paid on financing | (2,736,142) | - | (2,736,142) | - |
| Interest paid on financing | (2,321,325) | - | (2,321,325) | - |
| Proceeds from insurance recoveries | - | - | - | 10,368 |
| *Acquisition of capital assets | (3,891,805) | (16,493) | (3,908,298) | (1,381,406) |
| Net Cash Provided (Used) by Capital and Related Financing Activities | <u>(3,539,663)</u> | <u>(16,493)</u> | <u>(3,556,156)</u> | <u>(1,256,165)</u> |
| Cash Flows From Investing Activities: | | | | |
| Investment earnings (loss) | 1,587,986 | 24,553 | 1,612,539 | 424,378 |
| **Proceeds from assets held for sale | - | - | - | 1,647,328 |
| **Equipment supply deposit paid | - | - | - | (2,034,971) |
| Net Cash Provided (Used) by Investing Activities | <u>1,587,986</u> | <u>24,553</u> | <u>1,612,539</u> | <u>36,735</u> |
| Net Increase (Decrease) in Cash and Cash Equivalents | 12,592,078 | 948,585 | 13,540,663 | (2,138,870) |
| Cash and Cash Equivalents, July 1 | <u>109,923,536</u> | <u>1,531,767</u> | <u>111,455,303</u> | <u>36,702,290</u> |
| Cash and Cash Equivalents, June 30 | <u>\$ 122,515,614</u> | <u>\$ 2,480,352</u> | <u>\$ 124,995,966</u> | <u>\$ 34,563,420</u> |

(CONTINUED)

**WASHOE COUNTY, NEVADA
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED JUNE 30, 2014**

| | <u>Business-type Activities - Enterprise Funds</u> | | | <u>Governmental</u> |
|---|--|---------------------------------------|----------------------|--|
| | <u>Water Resources Fund</u> | <u>Other Enterprise Funds</u> | <u>Total</u> | <u>Activities Internal Service Funds</u> |
| Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities | | | | |
| Operating income (loss) | \$ 5,147,914 | \$ 578,035 | \$ 5,725,949 | \$ (2,662,594) |
| Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities: | | | | |
| Depreciation/amortization | 8,677,289 | 222,041 | 8,899,330 | 1,373,800 |
| Contributed inventory | 92,700 | - | 92,700 | - |
| Other nonoperating revenue | 49,506 | - | 49,506 | - |
| Hookup fee refunds | (215,629) | - | (215,629) | - |
| **Imputed rental expense | - | - | - | 95,486 |
| Change in assets and liabilities: | | | | |
| (Increase) decrease in: | | | | |
| Accounts receivable | 15,951 | 115,829 | 131,780 | (830,233) |
| Due from other funds | (51,268) | - | (51,268) | - |
| Due from other governments | (202,485) | - | (202,485) | 72,044 |
| Notes receivable | 5,941 | - | 5,941 | - |
| Inventory | 7,129 | (882) | 6,247 | (59,640) |
| Other assets | - | - | - | (263,068) |
| Increase (decrease) in: | | | | |
| Accounts payable | 498,238 | 18,540 | 516,778 | (241,817) |
| Accrued salaries and benefits | 3,879 | 2,403 | 6,282 | 12,663 |
| Compensated absences | (20,013) | 2,794 | (17,219) | (1,552) |
| Due to other funds | 162,699 | - | 162,699 | - |
| Due to other governments | 347,906 | 1,765 | 349,671 | 238 |
| Other liabilities | (648) | - | (648) | - |
| Pending claims | - | - | - | 1,320,000 |
| Unearned revenue | (85,479) | - | (85,479) | - |
| Total Adjustments | 9,285,716 | 362,490 | 9,648,206 | 1,477,921 |
| Net Cash Provided (Used) by Operating Activities | <u>\$ 14,433,630</u> | <u>\$ 940,525</u> | <u>\$ 15,374,155</u> | <u>\$ (1,184,673)</u> |

****Noncash investing, capital, and financing activities:**

The Equipment Services Fund lease deposits remaining at June 30 for rental agreements total \$3,451,171. These deposits are considered to be equivalent to noninterest bearing loans. Interest income and rental expense of \$95,486 have been imputed to give recognition to these transactions. Lease deposits totaling \$1,600,318 were forfeited to acquire the leased assets which were subsequently sold during the year at a gain of \$47,010.

| | | | | |
|--|---------------------|------------------|---------------------|---------------------|
| *Acquisition of Capital Assets Financed by Cash | \$ 3,891,805 | \$ 16,493 | \$ 3,908,298 | \$ 1,381,406 |
| Capital contributions received | 1,786,933 | - | 1,786,933 | - |
| Capital transferred from other funds | - | - | - | 210,780 |
| Increase/(decrease) in liabilities | (63,882) | - | (63,882) | (156,862) |
| Total Acquisition of Capital Assets | <u>\$ 5,614,856</u> | <u>\$ 16,493</u> | <u>\$ 5,631,349</u> | <u>\$ 1,435,324</u> |

The notes to the financial statements are an integral part of this statement.

**WASHOE COUNTY, NEVADA
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2014**

| | Investment Trust Fund | Agency Funds |
|----------------------------------|----------------------------------|-------------------------|
| Assets | | |
| Cash and investments (Note 4) | \$ 100,774,059 | \$ 29,596,691 |
| Financial assurances | - | 1,421,209 |
| Accounts receivable | - | 315,419 |
| Property taxes receivable | - | 5,248,017 |
| Interest receivable | 257,388 | - |
| Due from other governments | - | 2,812,269 |
| Other deposits | - | 16,709 |
| Total Assets | 101,031,447 | 39,410,314 |
| Liabilities | | |
| Due to others/governments | - | 39,410,314 |
| Net Position | | |
| Restricted for pool participants | \$ 101,031,447 | \$ - |

The notes to the financial statements are an integral part of this statement.

**WASHOE COUNTY, NEVADA
FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED JUNE 30, 2014**

| | <u>Investment Trust Fund</u> |
|---|----------------------------------|
| Additions | |
| Investment earnings: | |
| Interest | \$ 1,574,299 |
| Net increase (decrease) in the fair value of investments | 182,444 |
| Contributions to pooled investments | <u>206,949,245</u> |
| Total Additions | 208,705,988 |
| Deductions | |
| Distributions from pooled investments | <u>207,445,057</u> |
| Change in Net Position | 1,260,931 |
| Net Position, July 1 | <u>99,770,516</u> |
| Net Position, June 30 | <u><u>\$ 101,031,447</u></u> |

The notes to the financial statements are an integral part of this statement.

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**NOTES TO THE FINANCIAL
STATEMENTS /
REQUIRED SUPPLEMENTARY
INFORMATION**

**NOTES TO THE FINANCIAL STATEMENTS
and
REQUIRED SUPPLEMENTARY INFORMATION**

| | <u>Page</u> |
|---|-------------|
| Note 1 – Summary of Significant Accounting Policies..... | 34 |
| Note 2 – Stewardship, Compliance, and Accountability..... | 40 |
| Note 3 – Cash and Investments..... | 41 |
| Note 4 – Restricted Cash and Investments..... | 45 |
| Note 5 – Long-Term Assets..... | 45 |
| Note 6 – Capital Assets..... | 46 |
| Note 7 – Commitments, Contingencies and Other Liabilities..... | 48 |
| Note 8 – Unearned Revenue and Deferred Inflows of Resources..... | 49 |
| Note 9 – Long-Term Obligations..... | 50 |
| Note 10 – Long-Term Obligations Activity..... | 54 |
| Note 11 – Debt Service Requirements..... | 58 |
| Note 12 – Interfund Activity..... | 58 |
| Note 13 – Fund Balances/Net Position..... | 59 |
| Note 14 – Pension Program..... | 61 |
| Note 15 – Other Postemployment Benefits..... | 62 |
| Note 16 – Risk Management..... | 66 |
| Note 17 – Joint Ventures..... | 68 |
| Note 18 – Subsequent Event..... | 69 |
| Note 19 – Prior Period Adjustment..... | 69 |
| Required Supplementary Information: | |
| Schedule of Funding Progress – Other Postemployment Benefits..... | 70 |
| Notes to Required Supplementary Information..... | 70 |

WASHOE COUNTY, NEVADA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Washoe County (County) was incorporated in 1861 and is a municipality of the State of Nevada (State) governed by a five-member elected Board of County Commissioners (BCC). The major operations of Washoe County include various tax assessments and collections, judicial functions, law enforcement, certain public health and welfare functions, road maintenance, parks, libraries, and various administrative activities.

The accompanying financial statements of the County and its discretely presented component units have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP), as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting. The GASB periodically updates its codification of the existing Governmental and Financial Reporting Standards which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units.

A. Reporting Entity

These financial statements present the County and its component units. Component units are legally separate organizations for which the County is financially accountable. The County currently has two discretely presented component units.

Truckee Meadows Fire Protection District (TMFPD) was formed pursuant to Chapter 474 of the Nevada Revised Statutes (NRS) and levies taxes to provide emergency medical services, structural and wildland fire suppression services, and watershed protection to the unincorporated areas of the County within TMFPD's boundaries. TMFPD also provides fire services to the Sierra Fire Protection District through an interlocal agreement.

The Sierra Fire Protection District (SFPD) was formed pursuant to Chapter 474 of the NRS. SFPD levies taxes and, through an interlocal agreement, pays TMFPD to provide fire services in the district. SFPD continues to purchase and maintain facilities and equipment supporting its District.

For each discretely presented component unit, the BCC is also the Board of Fire Commissioners and thus could impose their will on the Fire Districts. However, the County does not have a financial benefit or burden relationship with the Fire Districts and support activities between the County and the Fire Districts are reimbursed under the terms of interlocal agreements.

Separate financial statements for the two districts are filed at the Washoe County Clerk's Office, 1001 E. 9th Street Room A-115, Reno, Nevada.

B. Basic Financial Statements – Government-wide Statements

The basic financial statements include both government-wide and fund financial statements. The reporting focus is on either the County as a whole or major individual funds and nonmajor funds in the aggregate. Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type.

The County has two discretely presented component units which are presented in separate columns in the government-wide statements.

The government-wide financial statements (Statement of Net Position and Statement of Activities) report information on all nonfiduciary activities of the County and its component units. The County maintains an overhead cost allocation that is charged to operating funds based on an indirect cost analysis. This indirect cost allocation is eliminated through a separate column on the Statement of Activities to provide full-cost information for the various functions. Interfund activities relating to services provided and used between functions are not eliminated. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned. Governmental activities, which normally are supported by taxes and intergovernmental revenue, are reported separately from business-type activities, which rely to a significant extent on user fees and service charges for support.

In the government-wide Statement of Net Position, both governmental and business-type activities are presented on a consolidated basis by column and are reflected on a full accrual, economic resources basis, which recognizes all long-term assets as well as long-term debt and obligations. The County's net position is reported in three parts – net investment in capital assets, restricted net position and unrestricted net position. The County first utilizes restricted resources to finance qualifying activities, then unrestricted resources as they are needed.

WASHOE COUNTY, NEVADA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014
(CONTINUED)

The government-wide Statement of Activities reports both the gross and net cost of each of the County's functions and business-type activities. Functions are also supported by general revenues (property and consolidated taxes, certain intergovernmental revenues, investment earnings not legally restricted for specific programs, etc.). The Statement of Activities reduces gross expenses (including depreciation and amortization) by related program revenues. Program revenues include charges to customers or applicants for goods, services, or privileges provided; operating grants, interest and contributions; and capital grants, interest and contributions, including special assessments and investment earnings legally restricted to support specific programs. Program revenue must be directly associated with the function or business-type activity. Operating grants include operating-specific and discretionary grants while capital grants reflect capital-specific grants. The net costs (by function or business-type activity) are normally covered by general revenue.

C. Basic Financial Statements - Fund Financial Statements

The financial transactions of the County are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts. Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

The emphasis in fund financial statements is on major funds in either governmental or business-type activity categories. Nonmajor funds by category are summarized into a single column. GASB Statement No. 34 sets forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures/expenses of either fund category or the governmental and business-type categories combined) for the determination of major funds. County management may electively add funds as major funds, when it is determined the funds have specific community or management focus. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

The County's internal service funds are presented in the proprietary funds financial statements. Because principal users of internal services are the County's governmental activities, the financial statements of the internal service funds are consolidated into the governmental column when presented in the government-wide financial statements. To the extent possible, the costs of these services are reported in the appropriate functional activity.

The County's fiduciary funds are presented in the fiduciary funds financial statements by type. Since, by definition, these assets are held for the benefit of a third party and cannot be used to address activities or obligations of the County, these funds are not incorporated into the government-wide statements.

The County reports the following major governmental funds:

The **General Fund** is the County's primary operating fund. It accounts for all financial resources except those required to be accounted for in another fund.

The **Child Protective Services Fund** accounts for ad valorem taxes, grants and other revenue sources specifically appropriated to protect against the neglect, abandonment and abuse of children.

The **Special Assessment Debt Service Fund** accounts for assessments and other resources used to retire debt issued for improvements benefiting those properties against which the special assessments are levied.

The County reports the following major enterprise fund:

The **Water Resources Fund** accounts for water planning, flood control and operations of the County's water and sewer systems.

The County reports the following additional fund types:

Internal Service Funds provide for property and liability claims against the County, unemployment claims, workers' compensation claims for disability, medical and rehabilitation expenses and related costs associated with on-the-job injuries, benefits and healthcare for active and retired employees, and vehicle purchases and maintenance services provided to County departments.

Investment Trust Fund accounts for commingled pool assets held in trust for schools, special districts, and agencies, which use the County treasury as their depository.

WASHOE COUNTY, NEVADA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014
(CONTINUED)

Agency Funds are custodial in nature and do not involve measurement of results of operations. The funds account for assets held by the County as an agent for various local governments, special districts and individuals. Included are funds for apportioned property and sales taxes, shared revenues and other financial resources for schools, special districts, boards, and other state and city agencies; funds held for wards of the Public Guardian; unclaimed assets of decedents; social security, insurance and support payments for children in the welfare system; bonds posted with the District Court; social security benefits held on behalf of senior citizens; funds held for inmates housed at the County jail; employees' payroll deductions such as insurance, taxes, and credit union; unapportioned taxes for other local governments; contributions from property owners for payment of no-commitment special assessment debt; financial assurances for corrective action requirements of property owners; water planning fees collected from regional water customers; and assets held on behalf of special districts, boards and other miscellaneous agencies.

Interfund Activity

Interfund activity is reported as loans, services provided, reimbursements or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination for government-wide financial statement consolidation. Services provided, deemed at or near market rates, are treated as revenues and expenditures/expenses. Indirect cost allocations for support services/overhead are recorded as revenue and expense in the fund financial statements and are eliminated through a separate column in the government-wide Statement of Activities. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

During the course of operations, the County has activity between the funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental and internal service funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column. Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

D. Measurement Focus and Basis of Accounting

The measurement focus indicates the type of resources being measured such as current financial resources or economic resources. Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized and reported in the financial statements. It relates to the timing of the measurements made, regardless of the measurement focus applied.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue when eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. The focus is upon determination of financial position and changes in financial position (sources, uses and balances of financial resources) rather than upon net income. Revenues are recognized when they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the County considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. When revenues are due but will not be collected within 60 days after year-end, the receivable is recorded and an offsetting deferred inflow of resources is established. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in the government funds. Issuance of long-term debt is reported as other financing sources.

Governmental revenues susceptible to accrual include: ad valorem taxes, interest, grant revenues, contractual service charges and other revenues collected and distributed by the State. State distributions include consolidated taxes, government services taxes, and motor vehicle fuel taxes. Construction taxes, licenses and permits, fines, and other charges for services are recognized as revenue when they are received.

WASHOE COUNTY, NEVADA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014
(CONTINUED)

Proprietary funds are reported using the economic resources measurement focus and the accrual basis of accounting. The focus is upon determination of operating income, changes in net position, financial position, and cash flows, similar to businesses in the private sector. Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The Investment Trust and Agency fund is reported using the economic resources measurement focus and the accrual basis of accounting. The agency funds have no measurement focus but utilize the accrual basis of accounting.

E. Financial Statement Amounts

Cash and Investments

The County manages a common cash and investment pool for the County, Regional Transportation Commission, Washoe County School District, the Washoe County Nevada OPEB Trust, the Truckee River Flood Management Authority and other local entities. The investment pool operates in accordance with appropriate state laws and County policy. Each fund's share in the pool is displayed in the accompanying financial statements as cash and investments. Interest is allocated to the various funds based on each fund's average cash and investment balance where it is legally required to do so. Investment earnings for all other funds are credited to the General Fund, as provided by NRS 355.170–175. In addition to the cash and investment pool, certain cash deposits and investments are held separately by several County funds and reported accordingly. Investments are reported at fair value and changes in fair value are included in investment income.

For purposes of the statement of cash flows presented for proprietary funds, cash equivalents are defined as short-term, highly liquid investments, generally with original maturities of three months or less. Since all cash in proprietary funds is pooled with the rest of the County's cash and is available upon demand, all cash and investments in those funds are considered cash equivalents.

Restricted Assets

Restricted assets consist of cash and investments that are restricted in their use by bond covenants or other external agreements. They consist of remaining bond proceeds for specific capital projects, debt service obligations, a workers' compensation deposit required by State Statute and an operating reserve required under the terms of a federal grant.

Inventories

Inventories for proprietary funds are valued at the lower of cost or market on a first-in, first-out basis. For governmental funds, the County charges consumable supplies as expenditures against appropriations at the time of purchase. Any inventories of such supplies at June 30 are not material to the individual funds and are not recognized in these financial statements.

Capital Assets

Capital assets, which include land, land use rights, buildings, equipment, software and other intangibles, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Assets are recorded at historical cost or estimated historical cost. Contributed assets are recorded at their estimated fair market value at the date of donation. The County's capitalization level for infrastructure and intangible assets, including internally generated software, is \$100,000 and \$10,000 for all other classifications of capital assets. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

WASHOE COUNTY, NEVADA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014
(CONTINUED)

Land and construction in progress are not depreciated. Other capital assets are generally depreciated/amortized using the straight-line method over the following estimated useful lives:

| | <u>YEARS</u> |
|---|--------------|
| Buildings | 5-40 |
| Improvements | 3-40 |
| Equipment | 5-20 |
| Vehicles | 2-15 |
| Software and other intangibles | 3-75 |
| Stormwater and Wastewater Lines and Pump Stations | 10-75 |
| Other Infrastructure | 10-75 |

However, in the proprietary funds, a per-unit of production method of depreciation may be used where it is deemed a more realistic reflection of the loss of economic value for the assets being used.

Intangible assets that are considered to have an indefinite useful life because there are no legal, contractual, regulatory, technological, or other factors limiting the useful life, are not amortized.

As used in these statements, accumulated depreciation includes amortization of intangible assets.

Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position and Balance Sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditure) until then. The County only has one item that qualifies for reporting in this category. It is the deferred charge on refunding reported in the government-wide Statement of Net Position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the Statement of Net Position and Balance Sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. The County has only one type of item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in governmental funds balance sheets. The governmental funds report unavailable revenues from several sources including: property taxes, special assessments, and grant reimbursements. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Long-term Obligations, Bond Discounts and Issuance Costs

In government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type in the Statement of Net Position. Bond premiums and discounts and any prepaid bond insurance, if applicable, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Prepaid bond insurance costs are reported as deferred charges and amortized over the term of the related debt. Debt issuance costs are expensed during the current period.

In fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Equity Classifications

In government-wide statements and in proprietary fund statements, equity is classified as net position and displayed in three components:

- Net investment in capital assets – Consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets net of unspent financing proceeds.

WASHOE COUNTY, NEVADA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014
(CONTINUED)

- Restricted net position – Consists of equity with constraints placed on the use either by (a) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (b) law through constitutional provisions or enabling legislation.
- Unrestricted net position – All other equity that does not meet the definition of “restricted” or “net investment in capital assets.”

In governmental fund financial statements, fund balances are classified based primarily on the extent to which the County is bound to observe constraints imposed on the use of the resources in the funds as follows:

- Nonspendable fund balances – Consist of amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash, for example, inventories and prepaid amounts. It also includes the long-term amount of loans and notes receivable, if any.
- Restricted fund balances – Consist of amounts with constraints placed on their use either by (a) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (b) law through constitutional provisions or enabling legislation.
- Committed fund balances – Consist of resource balances with constraints imposed by formal action of the BCC through ordinance, resolution or public meeting item approval that specifically state the revenue source and purpose of the commitment. The choice of action type taken by the BCC is frequently directed by State Statutes and procedures so that any of the three types of actions noted above are considered equally binding for the BCC. Commitments can only be modified or rescinded through the same type of BCC action used to impose the restraint. Commitments can also include resources to meet major contractual obligations required by their nature and/or size to be approved by the BCC. These generally include major construction contracts of \$100,000 and over as well as other types of large contracts.
- Assigned fund balances – Consist of resource balances intended to be used for specific purposes by authorized County management that do not meet the criteria to be classified as restricted or committed. For governmental funds, excluding the General Fund, BCC approved resolutions authorizing the creation of the fund establish the specific purposes for which fund balances are assigned. In the General Fund, the assigned fund balance includes encumbrances approved by authorized County management that have been approved by the BCC for re-appropriation in the subsequent year. Authorized County management includes the County Manager, Assistant County Manager and elected or appointed department directors in accordance with County Ordinances and State Statutes. The assigned fund balance may also include amounts necessary to fund budgetary shortfalls in the next fiscal year from unassigned resources as approved by the BCC as part of the annual budget submitted to the State.
- Unassigned fund balances – Consist of all resource balances in the General Fund not contained in other classifications. For other governmental funds, the unassigned classification is used only to report a deficit balance resulting from specific purposes for which amounts had been restricted, committed or assigned.

Net Position and Fund Balance Flow Assumptions

When outlays for a particular purpose are funded from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources, a flow assumption must be made about the order in which the resources are considered to be applied. The County's Fund Balance Policy states that when both restricted and unrestricted resources are available for expenditure, restricted resources should be spent first unless legal requirements disallow it. When outlays are incurred for purposes for which amounts in any unrestricted fund balance classification could be used, committed funds are to be spent first, assigned funds second, and unassigned funds last.

Budgetary Stabilization

It is the County's policy to maintain a fund balance of 1.5% of expenditures and other financing uses, excluding material one-time items, for the purpose of budgetary stabilization. NRS 354.6115 authorizes the creation of a fund to stabilize operation of local governments and mitigate effects of natural disaster. The intent of this policy is to include a portion of the General Fund budgeted ending fund balance that will be committed to stabilization pursuant to NRS 354.6115. Fund balance that is committed to stabilization can be used only after approval by the BCC when unanticipated declines in the major revenue

WASHOE COUNTY, NEVADA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014
(CONTINUED)

sources (consolidated and property tax revenues) are sustained for at least 6 months and decline from budget by 2.5% or greater as well as when unbudgeted expenditures are incurred due to a declared emergency or natural disaster. In the case of a natural disaster, the BCC must declare the emergency and State Statutes further constrain the use of these stabilization funds to specific types of outlays.

Reclassifications

Certain amounts in the prior year statements have been reclassified for comparison purposes to conform to current year presentation.

Program Revenues

Amounts reported as program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All County taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

Property Taxes

All real property in the County is subject to physical reappraisal every five years. Annual adjustments are made to the assessed valuation to reflect general changes in property values. The assessed valuation of the property and its improvements is computed at 35% of "taxable value" as defined by State Statute. Taxable value is defined as full cash value for land, replacement cost less straight-line depreciation for land improvements, and statutory depreciation for personal property. The maximum depreciation allowed is 75% of replacement cost.

Tax rates are levied by the BCC immediately after the Nevada Tax Commission has certified the combined tax rate and are then submitted to the County Treasurer for collection. The tax rate levied is for the current fiscal year, July 1 to June 30, and the taxes are considered a lien against real property attaching on July 1. The tax for fiscal year 2014 was due and payable on the third Monday in August, 2013. Taxes may be paid in four installments on the third Monday in August and the first Mondays in October, January and March. No provision for uncollectible amounts has been established since management does not anticipate any material collection loss in the year assessed, in respect to delinquent balances.

Taxes on personal property are collected currently. Personal property declarations are mailed out annually and the tax is computed using percentages of taxable values established by the Department of Taxation and the tax rates. The major classifications of personal property are commercial and mobile homes. In the County, taxes on motor vehicles are collected by a State agency and remitted to the County based on statutory formulas.

Compensated Absences

In proprietary funds, compensated absences are recorded when the liabilities are incurred. In governmental funds, the current portion is recorded as an expenditure. The long-term portion is accounted for in the governmental activities column of the government-wide Statement of Net Position.

The current portion of compensated absences is defined as benefits actually paid or accrued as a result of employees terminating employment by June 30. Agreements with various employee associations provide for payment of total accrued compensatory and vacation time in all cases. Accumulated sick leave benefits are payable to terminated employees who have accumulated a set number of hours up to a specified maximum, depending on the particular employee association.

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information

Annual budgets are adopted on a basis consistent with GAAP for all funds except trust and agency funds, which do not require budgets. All annual appropriations lapse at fiscal year-end.

The County adheres to the Local Government Budget and Finance Act (NRS 354.470-.626) incorporated within State Statutes and the procedures set by the Nevada Department of Taxation (NDT) to establish the budgetary data reflected in these financial statements. The BCC adopts the budget on or before June 1 and files it with the NDT.

WASHOE COUNTY, NEVADA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014
(CONTINUED)

The legal level of budgetary control is at the function level for each of the governmental funds and by the combined operating and non-operating expenses in proprietary funds. Statutes do not require that capital outlay, debt service payments and certain other non-cash transactions normally reflected in the balance sheet of proprietary funds be limited by the budget.

All budget amounts presented in these financial statements and schedules reflect the budget as amended by legally authorized revisions during the year. Original budgets are provided for major funds, including the General Fund, in compliance with reporting requirements. The Comptroller may approve budget adjustments within a function. Budget adjustments between functions or funds may be approved by the Comptroller with BCC notification. Adjustments that affect fund balance, increase the original budget or affect the contingency account require BCC approval.

Encumbrance accounting is employed in governmental and proprietary funds. In governmental funds, encumbrances, which include purchase orders and contracts awarded for which goods and services have not been received at year-end, are reappropriated in the subsequent year and are reported as restricted, committed or assigned fund balances, as appropriate. An augmentation of \$15.1 million for encumbrances and restricted resources that have multiple year budgets was reappropriated in the new fiscal year.

Augmentations from beginning fund balance or previously unbudgeted resources for governmental funds in the current fiscal year were \$7.5 million. Augmentations in the current year for enterprise funds totaled \$73,000.

Compliance

The County conformed to all significant statutory and administrative code constraints on its financial administration during the fiscal year.

NOTE 3 – CASH AND INVESTMENTS

In accordance with Nevada Revised Statutes (NRS), the County's cash is deposited with insured banks and insured credit unions and those deposits that are not within the limits of insurance must be secured by collateral. At year end, the County's carrying amount of deposits was \$89,996,795 and the bank balance was \$91,745,892. The difference between the carrying amount and bank balance results from outstanding checks and deposits not yet reflected in the banks' records.

Custodial Credit Risk – Deposits

All deposits are subject to custodial credit risk, which is the risk that the County's deposits may not be returned to it in the event of a bank failure. Bank balances were covered by Federal depository insurance, the Securities Investor Protection Corporation, collateral held by the County's agent in the County's name or by collateral held by depositories in the name of the Nevada Collateral Pool, and were not exposed to custodial credit risk. The County does not have a formal policy relating to custodial credit risk, but follows NRS. According to NRS 356.020, all monies deposited by a county treasurer that are not within the limits of insurance provided by an instrumentality of the United States must be secured by collateral composed of the same types of securities allowed for investments which are identified below. The County participates in the State of Nevada Collateral Pool which requires depositories to maintain as collateral acceptable securities having a fair market value of at least 102 percent of the amount of the uninsured balances of the public money held by the depository. Under NRS 356.360, the State Treasurer manages and monitors all collateral for all public monies deposited by members of the pool.

Investments

The County has a formal investment policy that, in the opinion of management, is designed to insure conformity with NRS and seeks to limit exposure to investment risks.

NRS 355.172 requires the County Treasurer or her agent to take physical possession of securities purchased as an investment by the County in the name of the County. If the securities purchased are subject to repurchase by the seller, the County may, in lieu of the requirement of possession, obtain a fully perfected, first-priority security interest having a fair market value equal to or greater than the repurchase price of the securities.

Investments are recorded at fair value. Earnings and/or losses on investments are allocated to certain funds based on average daily cash balances.

WASHOE COUNTY, NEVADA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014
(CONTINUED)

As of June 30, 2014, the County had the following investments and maturities:

| | INVESTMENT MATURITIES (IN YEARS) | | | | |
|---|---|--------------------|----------------|---------------|----------------|
| | Fair Value | Less than 1 | 1 to 4 | 4 to 6 | 6 to 10 |
| Investments: | | | | | |
| Money Market Mutual Funds | \$ 1,360,363 | \$ 1,360,363 | \$ - | \$ - | - |
| Certificates of Deposit | 49,881,818 | 1,100,315 | 48,781,503 | - | - |
| U.S. Treasury Securities | 77,245,730 | 7,062 | 45,275,878 | 28,599,919 | 3,362,871 |
| U.S. Agency Securities | 166,530,060 | 40,509 | 134,405,057 | 17,160,932 | 14,923,562 |
| Collateralized Mortgage Obligations | 47,525 | - | 47,525 | - | - |
| Corporate Notes | 70,297,360 | - | 61,274,788 | 9,022,572 | - |
| Total Investments | 365,362,856 | 2,508,249 | 289,784,751 | 54,783,423 | 18,286,433 |
| Total Cash | 89,996,795 | 89,996,795 | - | - | - |
| Total Cash and Investments ¹ | \$ 455,359,651 | \$ 92,505,044 | \$ 289,784,751 | \$ 54,783,423 | \$ 18,286,433 |

¹Total cash and investments include restricted cash.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. This risk can be reduced by diversifying the durations of the fixed-income investments that are held at a given time. As a means of limiting its exposure to fair value losses arising from rising interest rates, the County's investment policy requires twelve to eighteen months of projected cash flow to be in investments maturing in one year or less. Investments maturing in less than one year at June 30, 2014 were .6% of the County's total cash and investments. The County's strategic investment plan seeks to obtain the desired average maturity of 2 to 4 years. The average maturity at June 30, 2014, was 2.5 years.

The County invests in the following types of securities that are considered to be highly sensitive to interest rate changes:

| Investment | Value | Investments |
|--|---------------|--------------------|
| <u>U.S. Agency Mortgage Backed Securities and Collateralized Mortgage Obligations</u> When interest rates fall, mortgages are refinanced and paid off early and the reduced stream of future interest payments diminish fair value. | \$ 11,061,105 | 3.0% |
| <u>Callable U.S. Agency and Corporate Note Securities</u> On specified dates the issuer can call the security. Because they are subject to early repayment, the fair value of these securities is more sensitive in a period of declining interest rates. | 23,558,692 | 6.4% |
| Total | \$ 34,619,797 | |

Credit Risk

NRS allows investments in obligations of the U.S. Treasury and U.S. agencies, municipal bonds issued by local governments of the State, corporate bonds rated "A" or better by a nationally recognized rating service, commercial paper rated "A-1," "P-1" or better by a nationally recognized rating service, repurchase agreements, certificates of deposit, money market mutual funds rated "AAA" by a nationally recognized rating service or other securities in which banking institutions may legally invest. County policy does not further restrict these investments.

WASHOE COUNTY, NEVADA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014
(CONTINUED)

As of June 30, 2014, the County's investments are rated as follows:

| S&P Rating | Mutual Funds | Certificates of Deposit | U.S. Treasury Securities | U.S. Agencies | CMO | Corporate Notes | Fair Value |
|-----------------------|---------------------|--------------------------------|---------------------------------|-----------------------|------------------|------------------------|-----------------------|
| AAAm | \$ 1,360,363 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 1,360,363 |
| AAA | - | - | - | - | - | 1,361,785 | 1,361,785 |
| AA+ | - | - | 77,245,730 | 166,530,060 | 47,525 | 21,992,515 | 265,815,830 |
| AA | - | - | - | - | - | 24,316,971 | 24,316,971 |
| AA- | - | 11,096,365 | - | - | - | 6,354,631 | 17,450,996 |
| A+ | - | 10,003,300 | - | - | - | 3,098,110 | 13,101,410 |
| A | - | - | - | - | - | 10,582,178 | 10,582,178 |
| A- | - | - | - | - | - | 2,591,170 | 2,591,170 |
| A-1+ | - | 18,871,788 | - | - | - | - | 18,871,788 |
| A-1 | - | 9,910,365 | - | - | - | - | 9,910,365 |
| | <u>\$ 1,360,363</u> | <u>\$ 49,881,818</u> | <u>\$ 77,245,730</u> | <u>\$ 166,530,060</u> | <u>\$ 47,525</u> | <u>\$ 70,297,360</u> | <u>\$ 365,362,856</u> |

Concentration of Credit Risk

The County's investment policy places no limit on amounts invested in direct obligations of the U.S. Treasury and securities backed by the full faith and credit of the U.S. Government, while placing the following limits per issuer on all other securities: Federal Agency Securities, 35%; Federal Agency Mortgage Backed Securities, 15%; Money Market Funds, 45%; Corporate bonds and notes, 4% and obligations issued by local governments of the State of Nevada, 25%.

At June 30, 2014, the following investments exceeded 5% of the County's total:

| | |
|--------------------------|-------|
| Fannie Mae | 19.5% |
| Federal Home Loan Banks | 11.4% |
| Freddie Mac | 12.8% |
| U.S. Treasury Securities | 21.1% |

Pooled Investments

Pooled investments are carried at fair value determined by quoted market prices, net of accrued interest. All pooled investments are physically collateralized and held by Wells Fargo Bank.

The County administers an external investment pool combining County money with voluntary investments from Truckee Meadows Fire Protection District, Sierra Fire Protection District, the Washoe County School District, Regional Transportation Commission, Nevada Works, Reno-Tahoe Airport Authority, Truckee River Water Quality Settlement Agreement Joint Venture, Western Regional Water Commission, Washoe County, Nevada OPEB Trust, Truckee River Flood Management Authority, the Library Investment Fund, the Deferred Compensation Fund, the South Truckee Meadows General Improvement District and the Southwest Point Fund. The BCC has overall responsibility for investment of County funds, including the Investment Trust Fund, in accordance with NRS 355.175. The Washoe County Chief Investment Official is the Washoe County Treasurer, under authority delegated by the BCC. The Investment Committee, created by Washoe County Code Section 15.220, has been delegated the investment decision making authority in the County and serves also in an advisory capacity to the Treasurer and BCC. The external investment pool is not registered with the SEC as an investment company. Public Financial Management, LLC determines the fair value of the County investments monthly. The County has not provided or obtained any legally binding guarantees during the period to support the value of shares.

The participants' share and redemption value are calculated using the same method. Each participant's share is equal to their investment plus or minus the monthly allocation of net income, realized and unrealized gains and losses. The determination of realized gains and losses is independent of the determination of the net change in the fair value of investments for the previous year(s) as well as the current year.

WASHOE COUNTY, NEVADA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014
(CONTINUED)

Investments held in the external investment pool at June 30, 2014 were:

| Investment Type: | Fair Value | Principal Amount/ No. of Shares | Rate | Maturity Dates |
|-------------------------------------|-----------------------|--|-------------|-------------------------|
| Money Market Mutual Funds | \$ 1,360,363 | 1,360,363 | Variable | NA |
| Certificates of Deposit | 49,881,818 | 49,900,000 | 0.4-0.7% | 10/06/2014 - 06/13/2016 |
| U.S. Treasury Securities | 77,245,730 | 74,400,000 | 0.9-8.8% | 12/31/2015 - 05/15/2021 |
| U.S. Agency Securities | 166,530,060 | 162,127,487 | 0.4-5.4% | 07/01/2014 - 06/01/2022 |
| Collateralized Mortgage Obligations | 47,525 | 47,343 | 3.0-4.0% | 01/01/2018 - 03/01/2018 |
| Corporate Notes | 70,297,360 | 69,940,000 | 0.5-2.9% | 10/15/2015 - 11/01/2018 |
| Total Investments in Pool | \$ 365,362,856 | | | |

External Investment Pool
Statement of Net Position as of June 30, 2014

| | |
|--|-----------------------|
| Assets: | |
| Cash | \$ 73,245,104 |
| Investments: | |
| Money Market Mutual Funds | 1,360,363 |
| Certificates of Deposit | 49,881,818 |
| U.S. Treasury Securities | 77,245,730 |
| U.S. Agency Securities | 166,530,060 |
| Collateralized Mortgage Obligations | 47,525 |
| Corporate Notes | 70,297,360 |
| Interest Receivable | 1,068,888 |
| Total Assets | \$ 439,676,848 |
| Net Position: | |
| Internal participants | \$ 297,578,539 |
| Component Units: | |
| Sierra Fire Protection District | 1,931,682 |
| Truckee Meadows Fire Protection District | 20,650,712 |
| External participants | 119,515,915 |
| Total Net Position Held in Trust for Pool Participants (\$1.00/par) | \$ 439,676,848 |

WASHOE COUNTY, NEVADA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014
(CONTINUED)

External Investment Pool
Statement of Changes in Net Position for the Year Ended June 30, 2014

| | |
|--|-----------------------|
| Additions: | |
| Investment earnings | \$ 6,493,394 |
| Net realized gain (loss) on investments | (450,938) |
| Net increase (decrease) in fair value of investments | <u>720,028</u> |
| Increase in net assets resulting from operations | 6,762,484 |
| Net capital share transactions | <u>15,320,893</u> |
| Change in Net Position | 22,083,377 |
| Net Position, July 1 | <u>417,593,471</u> |
| Net Position, June 30 | <u>\$ 439,676,848</u> |

NOTE 4 – RESTRICTED CASH AND INVESTMENTS

Restricted cash and investments include amounts restricted for future debt service and reserves as required by bond covenants and ordinances; reserves restricted for projects for the HUD Neighborhood Stabilization Program; and reserves restricted for workers' compensation claims pursuant to NRS 616B.300. Restricted cash and investments at June 30, 2014, were as follows:

| | <u>Debt</u> | <u>Projects</u> | <u>Claims</u> | <u>Total</u> |
|--|----------------------|------------------|---------------------|----------------------|
| <u>Governmental Funds and Governmental Activities</u> | | | | |
| General Fund | \$ 750,000 | \$ - | \$ - | \$ 750,000 |
| Other Restricted Fund | - | 45,406 | - | 45,406 |
| Total Governmental Funds | 750,000 | 45,406 | - | 795,406 |
| Internal Service Funds: | | | | |
| Risk Management Fund | - | - | 2,301,657 | 2,301,657 |
| Total Governmental Activities | 750,000 | 45,406 | 2,301,657 | 3,097,063 |
| <u>Proprietary Funds and Business-type Activities</u> | | | | |
| Water Resources Fund | 13,271,897 | - | - | 13,271,897 |
| Total Restricted Cash and Investments | <u>\$ 14,021,897</u> | <u>\$ 45,406</u> | <u>\$ 2,301,657</u> | <u>\$ 16,368,960</u> |

NOTE 5 – LONG-TERM ASSETS

Governmental Activities

Long-term assets in governmental activities include \$132,854 in prepaid bond insurance and \$2,873,527 in net other postemployment benefits assets (Note 15). Long-term assets in internal service funds include \$3,451,171 in refundable lease agreement deposits and \$412,882 in prepaid lease expense, all relating to leased equipment in the Equipment Services Fund.

Business-type Activities

Long-term assets in business-type activities include \$187,557 in prepaid bond insurance and \$128,683 in long-term receivables in the Water Resources Fund.

WASHOE COUNTY, NEVADA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014
(CONTINUED)

NOTE 6 – CAPITAL ASSETS

| | <u>Beginning</u> <u>Balances</u> | <u>Increases</u> | <u>Decreases</u> | <u>Ending</u> <u>Balances</u> |
|--|-------------------------------------|------------------|------------------|----------------------------------|
| <u>Capital Assets - Governmental Activities</u> | | | | |
| Capital assets, not being depreciated: | | | | |
| Land and land use rights | \$ 142,794,746 | \$ 390,900 | 50,199 | \$ 143,135,447 |
| Construction in progress | 6,909,818 | 9,148,036 | 5,344,489 | 10,713,365 |
| Total capital assets not being depreciated | 149,704,564 | 9,538,936 | 5,394,688 | 153,848,812 |
| Capital assets being depreciated: | | | | |
| Land improvements | 57,768,315 | 1,092,091 | - | 58,860,406 |
| Buildings/improvements | 310,632,309 | 2,936,652 | - | 313,568,961 |
| Infrastructure | 584,641,612 | 3,482,907 | 378,177 | 587,746,342 |
| Equipment | 71,086,105 | 2,920,107 | 936,878 | 73,069,334 |
| Software | 17,841,167 | 316,337 | - | 18,157,504 |
| Total capital assets being depreciated | 1,041,969,508 | 10,748,094 | 1,315,055 | 1,051,402,547 |
| Less accumulated depreciation for: | | | | |
| Land improvements | 35,514,092 | 2,268,871 | - | 37,782,963 |
| Buildings/improvements | 112,719,073 | 8,788,518 | - | 121,507,591 |
| Infrastructure | 401,032,350 | 21,987,047 | 356,391 | 422,663,006 |
| Equipment | 50,737,267 | 5,345,423 | 931,420 | 55,151,270 |
| Software | 11,827,736 | 1,696,809 | - | 13,524,545 |
| Total accumulated depreciation | 611,830,518 | 40,086,668 | 1,287,811 | 650,629,375 |
| Net capital assets being depreciated | 430,138,990 | (29,338,574) | 27,244 | 400,773,172 |
| Governmental activities capital assets, net | \$ 579,843,554 | \$ (19,799,638) | \$ 5,421,932 | \$ 554,621,984 |

Depreciation expense was charged to functions/programs for the governmental activities as follows:

| | |
|---|---------------|
| Governmental Activities: | |
| General government | \$ 2,443,824 |
| Judicial | 2,527,745 |
| Public safety | 6,941,570 |
| Public works | 22,753,697 |
| Health and sanitation | 194,314 |
| Welfare | 553,879 |
| Culture and recreation | 3,297,839 |
| Capital assets held by internal service funds charged to functions based on their usage of assets | 1,373,800 |
| Total Depreciation / Amortization Expense - Governmental Activities | \$ 40,086,668 |

WASHOE COUNTY, NEVADA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014
(CONTINUED)

| | Beginning Balances ¹ | Increases | Decreases | Ending Balances |
|---|--|------------------|------------------|----------------------------|
| <u>Capital Assets - Business-type Activities</u> | | | | |
| Capital assets not being depreciated: | | | | |
| Land and land use rights | \$ 13,987,291 | \$ 45,936 | \$ - | \$ 14,033,227 |
| Plant capacity | 825,150 | - | - | 825,150 |
| Construction in progress | 4,550,298 | 3,561,472 | 4,195,233 | 3,916,537 |
| Total capital assets not being depreciated | 19,362,739 | 3,607,408 | 4,195,233 | 18,774,914 |
| Capital assets being depreciated: | | | | |
| Land improvements | 5,168,283 | 21,919 | - | 5,190,202 |
| Buildings/improvements | 67,956,437 | 3,368,621 | 10,000 | 71,315,058 |
| Infrastructure | 359,208,420 | 2,433,026 | 18,400 | 361,623,046 |
| Equipment | 2,248,223 | 371,914 | 238,934 | 2,381,203 |
| Software | 1,139,125 | - | - | 1,139,125 |
| Plant, well capacity | 10,030,729 | - | - | 10,030,729 |
| Total capital assets being depreciated | 445,751,217 | 6,195,480 | 267,334 | 451,679,363 |
| Less accumulated depreciation for: | | | | |
| Land improvements | 3,158,107 | 222,301 | - | 3,380,408 |
| Buildings/improvements | 17,669,020 | 1,784,925 | - | 19,453,945 |
| Infrastructure | 78,351,709 | 6,483,351 | 18,400 | 84,816,660 |
| Equipment | 2,077,215 | 50,633 | 28,154 | 2,099,694 |
| Software | 1,031,343 | 107,300 | - | 1,138,643 |
| Plant, well capacity | 2,520,894 | 250,820 | - | 2,771,714 |
| Total accumulated depreciation | 104,808,288 | 8,899,330 | 46,554 | 113,661,064 |
| Net capital assets being depreciated | 340,942,929 | (2,703,850) | 220,780 | 338,018,299 |
| Business-type activities capital assets, net | \$ 360,305,668 | \$ 903,558 | \$ 4,416,013 | \$ 356,793,213 |

¹ As Restated

Depreciation expense was charged to functions/programs for business activities as follows:

| | |
|--|--------------|
| Business-Type Activities: | |
| Utilities | \$ 8,677,289 |
| Golf courses | 222,041 |
| Total Depreciation / Amortization Expense - Business-type Activities | \$ 8,899,330 |

Net capital assets at June 30, 2014, for the discretely presented component units were:

| | Truckee Meadow Fire Protection District | Sierra Fire Protection District |
|--------------------------------------|--|--|
| <u>Net Capital Assets</u> | | |
| Capital assets not being depreciated | \$ 3,528,972 | \$ 121,000 |
| Capital assets being depreciated | 12,048,495 | 4,530,558 |
| Capital assets, net | \$ 15,577,467 | \$ 4,651,558 |

WASHOE COUNTY, NEVADA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014
(CONTINUED)

NOTE 7 – COMMITMENTS, CONTINGENCIES, AND OTHER LIABILITIES

Commitments

The County utilizes encumbrance accounting to identify fund commitments. Major commitments, generally contracts in excess of \$100,000, are entered into for construction projects or longer term service arrangements that can span several years.

Construction in progress and major commitments for governmental activities are:

| | <u>CIP Balance</u> <u>June 30, 2014</u> | <u>Major</u> <u>Commitments</u> |
|--|--|------------------------------------|
| <u>Governmental Funds and Governmental Activities</u> | | |
| Major Governmental Funds: | | |
| General Fund: | | |
| Technology projects | \$ - | \$ 260,475 |
| Service contracts | - | 343,107 |
| Child Protective Services Fund: | | |
| Case management and support services | - | 655,199 |
| Study | - | 432,927 |
| Total Major Governmental Funds | - | 1,691,708 |
| Nonmajor Governmental Funds: | | |
| Special Revenue Funds: | | |
| Public safety communications, technology | 1,154,635 | - |
| Road infrastructure | - | 292,646 |
| Technology improvements | - | 783,232 |
| Other services | - | 577,879 |
| Total Special Revenue Funds | 1,154,635 | 1,653,757 |
| Capital Projects Funds: | | |
| Parks and open space projects | 4,818,156 | 337,942 |
| Building infrastructure projects | 242,508 | 247,837 |
| Land | 20,000 | - |
| Pedestrian path & bike lane projects | 81,087 | 500,359 |
| Technology improvements | 998,951 | 1,947,231 |
| Water quality improvement projects | 3,363,684 | 521,875 |
| Total Capital Projects Funds | 9,524,386 | 3,555,244 |
| Total Governmental Funds / Governmental Activities | \$ 10,679,021 | \$ 6,900,709 |

In addition, the Water Resources Fund has entered into contracts for the construction of water related projects with outstanding balances of \$1,939,273.

Contingencies

The County is involved in various lawsuits. The outcome of these lawsuits is not presently determinable; however, management does not anticipate that they would materially impact the financial position of the County.

The County is currently the defendant in various lawsuits with property owners disputing the County Assessor's valuation methods used for property within the Lake Tahoe Basin. The County intends to vigorously defend the Assessor's valuations; however, the outcome of these lawsuits is not presently determinable. An adverse ruling could result in a rollback of property values and subsequent rebates to property owners. The impact on the County's financial condition cannot be reasonably estimated.

WASHOE COUNTY, NEVADA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014
(CONTINUED)

The County is contingently liable on the following Reno-Sparks Convention & Visitors Authority (RSCVA) bonds:

| | | |
|--|----|-------------|
| Series January 2000 Bonds | \$ | 30,770,797 |
| Series November 29, 2011 Refunding Bonds | | 87,925,000 |
| Total RSCVA Bonds | \$ | 118,695,797 |

Although the County is contingently liable for the general obligation bonds of RSCVA in the event of a default, it is anticipated that RSCVA resources would be reallocated to retire the bonds. Therefore, the likelihood of the County assuming the debt is remote.

Other Liabilities

Governmental Activities

Other liabilities in governmental activities consist of deposits and amounts due to others of \$1,677,563 in the General Fund for deposits and bail related to pending court cases or investigations, \$353,180 in the General Fund for refundable deposits for park facilities and developer performance guarantees, and \$275,915 in other governmental funds for other customer and security deposits.

Business-type Activities

Other liabilities in business-type activities include \$733,700 for developer deposits and \$81,117 for customer deposits in the Water Resources Fund, and \$13,000 in other business-type funds for developer and customer deposits.

NOTE 8 – UNEARNED REVENUE AND DEFERRED INFLOWS OF RESOURCES

Unearned revenue in connection with resources that have been received, but not yet earned is reported as a liability for governmental activities.

Deferred inflows of resources represent an acquisition of net position that applies to a future period or periods and so will not be recognized as an inflow of resources (revenue) until that time. Governmental funds reported \$11.5 million in deferred inflows of resources related to unavailable revenue.

At the end of the current fiscal year, major components of unavailable and unearned revenue reported for governmental funds were as follows:

| | <u>General Fund</u> | <u>Child Protective Services Fund</u> | <u>Special Assessment Debt Service Fund</u> | <u>Nonmajor Governmental Funds</u> | <u>Total</u> |
|--------------------------------------|-------------------------|---|---|--|---------------|
| Liabilities | | | | | |
| Unearned revenue: | | | | | |
| Federal payments in lieu of taxes | \$ 3,446,375 | \$ - | \$ - | \$ - | \$ 3,446,375 |
| Other revenue | - | 28,852 | - | 394,507 | 423,359 |
| Total Unearned Revenue | \$ 3,446,375 | \$ 28,852 | \$ - | \$ 394,507 | \$ 3,869,734 |
| Deferred Inflows of Resources | | | | | |
| Unavailable revenue: | | | | | |
| Ad valorem taxes | \$ 1,875,040 | \$ 68,325 | \$ - | \$ 393,302 | \$ 2,336,667 |
| Special assessments | - | - | 8,470,915 | - | 8,470,915 |
| Grants and other revenue | - | 273,522 | - | 414,398 | 687,920 |
| Total Unavailable Revenue | \$ 1,875,040 | \$ 341,847 | \$ 8,470,915 | \$ 807,700 | \$ 11,495,502 |

Unearned revenue in business-type activities consists of \$149,128 for water rights leases and unearned utility revenue in the Water Resources Fund.

WASHOE COUNTY, NEVADA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014
(CONTINUED)

Discretely Presented Component Units

At the end of the current fiscal year, major components of unavailable revenue reported for discretely presented component units were as follows:

| Truckee Meadows Fire Protection District | | | |
|--|-----------------------|----------------------------|------------|
| | TMFPD General Fund | TMFPD Emergency Fund | Total |
| Deferred Inflows of Resources | | | |
| Unavailable revenue: | | | |
| Ad valorem taxes | \$ 132,414 | \$ - | \$ 132,414 |
| Grants and other revenue | 336,154 | 6,971 | 343,125 |
| Total Unavailable Revenue | \$ 468,568 | \$ 6,971 | \$ 475,539 |
| Sierra Fire Protection District | | | |
| | SFPD General Fund | Total | |
| Deferred Inflows of Resources | | | |
| Unavailable revenue: | | | |
| Ad valorem taxes | \$ 46,129 | \$ 46,129 | |
| Total Unavailable Revenue | \$ 46,129 | \$ 46,129 | |

NOTE 9 – LONG-TERM OBLIGATIONS

Bond Redemptions

The County called \$440,000 in special assessment bonds for early redemption as funds were made available from the early payoff of special assessments.

Defeasance/Early Extinguishment of Debt

The County defeased certain general obligation debt by placing funds from unspent bond proceeds, existing resources and the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on certain previously issued bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the County's financial statements.

As of June 30, 2014, the following are the remaining balances of the defeased portion of bond issues:

| | |
|-------------------------------------|---------------|
| Water and Sewer Series Revenue 2005 | \$ 28,805,000 |
| Parks Revenue Series 2006 | 8,825,000 |
| Total Defeased Debt | \$ 37,630,000 |

Bonds Authorized and Unissued

On June 17, 2014, the Board of County Commissioners authorized the issuance of General Obligation (limited tax) Sewer Bonds (additionally secured by pledged revenues) Series 2014 in the maximum principal amount of \$24,000,000 for the purpose of financing sewer projects by exchanging the bonds for previously issued bonds of the County.

Revenue Bonds

The County has pledged specific revenues to repay bonds in governmental and business activities.

WASHOE COUNTY, NEVADA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014
(CONTINUED)

Governmental activities

The County has pledged 15% of the consolidated tax revenue receipts for the repayment of various General Obligation Revenue bonds consisting of the Office Building Bonds Series 2002A; Library Building Bonds Series 2004; Building and Parking Garage Bonds Series 2004; Public Safety Bonds Series 2006; Parks Bonds Series 2006; Building Refunding Bonds Series 2011B; and Refunding Bonds Series 2012B, issued between fiscal years 2002 and 2012. The total principal and interest remaining to be paid on the bonds is \$74,472,364, payable through fiscal year 2036. For the current year, principal and interest paid from pledged revenues for the bonds totaled \$4,316,929, and pledged revenues totaled \$12,121,326.

The County has pledged future infrastructure sales tax revenues to repay \$42.9 million in Flood Control Series 2006 and Sales Tax Series 1998 flood control bonds. Proceeds from the bonds provided financing, for expansion of, and improvements to, the flood control system. The bonds are intended to be paid solely from infrastructure tax revenues and are payable through fiscal year 2036. Annual principal and interest payments on the bonds are expected to require as much as 33% of the pledged revenues. The total principal and interest remaining to be paid on the bonds is \$45,309,368. For the current year, principal and interest paid for the bonds totaled \$2,360,449, and pledged revenues totaled \$7,672,378.

The County has pledged future car rental fees to repay \$29.5 million in car rental fee revenue bonds issued in fiscal year 2008. Proceeds from the bonds provided financing to acquire, improve, equip, operate and maintain within the County a minor league baseball stadium project. The bonds are intended to be paid solely from car rental fee revenues and are payable through fiscal year 2058. Annual principal and interest payments on the bonds are expected to require 100% of the car rental fee revenue. The total principal and interest remaining to be paid on the bonds is \$115,094,421. For the current year, principal and interest paid for the bonds totaled \$1,014,428, and pledged revenues totaled \$1,141,625.

Business-type activities

The County has pledged future utility customer revenues and connection fees and investment earnings, net of specified operating expenses, to repay \$118.1 million in utility system revenue bonds issued between fiscal years 1998 and 2007. Proceeds from the bonds provided financing for expansion of, and improvements to, the utility system. The bonds are intended to be paid solely from utility customer net revenues and are payable through fiscal year 2035. Annual principal and interest payments on the bonds are expected to require as much as 29% of the utility's net revenues. The total principal and interest remaining to be paid on the bonds is \$83,744,756. For the current year, principal and interest paid for the bonds totaled \$5,054,742. Net pledged revenues totaled \$20,818,078.

Special Assessment Debt

Special assessment bonds are issued to finance improvements that benefit taxpayers in the defined area. Bonds are repaid from assessments levied against these taxpayers, and are secured by their real property. In case of deficiencies, the County's General Fund and taxing power further secure all bonds. Delinquent special assessments of \$345 were outstanding as of June 30, 2014.

The County has pledged future assessment revenues levied on special assessment districts throughout the County to repay \$13.2 million in various local improvement bonds issued between fiscal years 2004 and 2012. Proceeds from the bonds provided financing for improvements in roads, water and sewer infrastructure in the various districts. The bonds are intended to be paid solely from assessment revenues and are payable through fiscal year 2032. Annual principal and interest payments on the bonds are expected to require as much as 99% of the assessment revenues. The total principal and interest remaining to be paid on the bonds is \$11,021,836. For the current year, principal and interest paid for the bonds totaled \$1,238,188 and pledged revenues totaled \$1,160,621.

Conduit Debt Obligations

The County has issued several series of revenue bonds for public and private sector activity in the public interest. The public sector revenue bonds are for the cost of constructing and maintaining certain streets and highways in the County. The revenue bonds are paid solely from certain taxes on motor vehicle fuel collected in the County. Private sector revenue bonds have been used for water and gas facilities and hospital facilities. The revenue bonds are paid solely from the revenue derived from the projects for which they were issued. The public and private revenue bonds do not become liabilities of the County under any condition, and are therefore excluded from the County's financial statements.

WASHOE COUNTY, NEVADA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014
(CONTINUED)

Outstanding balances at June 30, 2014 follow:

| | <u>Date of Issue</u> | <u>Original Issue</u> | <u>Principal Outstanding</u> |
|---|--------------------------|---------------------------|----------------------------------|
| Public Sector | | | |
| Regional Transportation Commission: | | | |
| Highway Revenue Bonds Series 2009 | 7/8/2009 | \$ 89,567,000 | \$ 78,184,000 |
| Highway Revenue Bonds Series 2010ABC | 3/12/2010 | 90,000,000 | 90,000,000 |
| Highway Revenue Bonds Series 2010DEF | 12/16/2010 | 70,000,000 | 64,160,000 |
| Sales Tax Improvement Bonds Series 2010H | 12/16/2010 | 20,000,000 | 20,000,000 |
| Highway Revenue Bonds Series 2013 | 4/16/2013 | 165,000,000 | 165,000,000 |
| Subtotal Public Sector | | 434,567,000 | 417,344,000 |
| Private Sector | | | |
| Renown Health (Washoe Medical Center): | | | |
| Hospital Revenue Bonds, Series 2001A | 10/15/2001 | 33,875,000 | 33,875,000 |
| Sierra Pacific Power Company d/b/a NV Energy: | | | |
| Gas and Water Facilities Refunding Revenue Bonds Series 2006A, 2006B and 2006C | 11/22/2006 | 218,500,000 | 218,500,000 |
| Water Facilities Refunding Revenue Bonds Series 2007A & 2007B | 4/27/2007 | 80,000,000 | 80,000,000 |
| Subtotal Private Sector | | 332,375,000 | 332,375,000 |
| Total Conduit Debt | | \$ 766,942,000 | \$ 749,719,000 |

Operating Leases

The County leases office space, land, equipment and water rights under various operating lease agreements. Total lease payments in fiscal year 2014 were \$2,220,187. Future minimum payments for these leases are:

| <u>Year Ending June 30,</u> | <u>Land, Space, Water Rights</u> | <u>Equipment</u> | <u>Total</u> |
|---------------------------------|--------------------------------------|------------------|--------------|
| 2015 | \$ 1,152,156 | \$ 967,649 | \$ 2,119,805 |
| 2016 | 1,037,846 | 899,781 | 1,937,627 |
| 2017 | 399,722 | 829,859 | 1,229,581 |
| 2018 | 165,141 | 644,315 | 809,456 |
| 2019 | 165,141 | 394,478 | 559,619 |
| 2020-2024 | 577,995 | 1,077,048 | 1,655,043 |
| Totals | \$ 3,498,001 | \$ 4,813,130 | \$ 8,311,131 |

The County began a long-term lease on January 1, 2013 for the Sparks Justice Court which expires in fiscal year 2023. The terms of the lease allow uneven and artificially low payments. For fiscal year 2014, an adjustment of \$52,597 (cumulative total of \$135,169) is required to reconcile the amount of expenditures in the General Fund to the straight line expense recognized in the government-wide statements.

Compensated Absences

The liability for compensated absences is included in noncurrent liabilities on the government-wide Statement of Net Position. The liability will be liquidated primarily by the General Fund for governmental activities and by the Water Resources Fund for business-type activities. In fiscal year 2014, 79% of compensated absences for governmental activities were paid by the General Fund, and in business-type activities, 82% were paid by the Water Resources Fund.

WASHOE COUNTY, NEVADA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014
(CONTINUED)

Outstanding balances at June 30, 2014 follow:

| | <u>Governmental</u> <u>Activities</u> | <u>Business-type</u> <u>Activities</u> | <u>Total</u> |
|----------------------------|--|---|----------------------|
| Washoe County: | | | |
| Vacation | \$ 10,796,585 | \$ 359,136 | \$ 11,155,721 |
| Sick Leave | 8,376,884 | 300,927 | 8,677,811 |
| Compensatory Leave | 5,071,915 | 140,958 | 5,212,873 |
| Benefits | <u>341,705</u> | <u>11,615</u> | <u>353,320</u> |
| Total Compensated Absences | <u>\$ 24,587,089</u> | <u>\$ 812,636</u> | <u>\$ 25,399,725</u> |

Net Other Postemployment Benefits Obligation

Prior to May 11, 2010, when the County established the Washoe County, Nevada OPEB Trust (Note 15), the County financed their net other postemployment benefits on the pay-as-you-go basis with the funds accumulated in the Pre-Funded Retiree Health Benefits Fund. Currently, the OPEB Trust is funded from the General Fund.

Pollution Remediation Obligation

The pollution remediation activities of the Central Truckee Meadows Remediation District (CTMRD) are paid for through an annual charge billed directly to residents and businesses within its boundaries. Accordingly, the CTMRD's pollution remediation obligation is limited to the net position accumulated by the fund for payment of future remediation related expenditures. All of the assets of CTMRD are held for remediation and are offset by a long-term liability for remediation. As of June 30, 2014, the remediation liability for net position held in CTMRD was \$6,953,183.

A soil remediation project has been identified at a County park. Three gasoline underground storage systems were removed from Rancho San Rafael Park in 1997 and petroleum impacted soils were encountered during removal activities. Assessment activities have been conducted and soil samples exceeding the action level are present. The cost, based on contractor revised estimates, increased from \$450,000 to \$523,241. Remediation expenditures for the current fiscal year totaled \$73,120. The project is expected to be completed in calendar year 2015 with an estimated budget of \$60,000 for fiscal year 2015.

Claims and Judgments

The claims and judgments liability of \$15,401,000 consists of pending property and liability claims, workers' compensation claims, and unprocessed health benefits claims. These claims will be liquidated through the Risk Management and Health Benefits Internal Service Funds (Note 16). The Risk Management and Health Benefits Funds finance the payment of claims by charging other funds based on management's assessment of the relative insurance risk that should be assumed by individual funds or, as needed, through transfers from the General Fund.

Discretely Presented Component Units:

TMFPD's liability of \$1,374,222 for compensated absences is included in their noncurrent liabilities on the government-wide Statement of Net Position. TMFPD compensated absences are generally liquidated from the TMFPD General Fund.

Prior to July 1, 2010, when TMFPD joined the Washoe County, Nevada OPEB Trust (Note 15), they financed their net other postemployment benefits on the pay-as-you-go basis with the funds accumulated in the TMFPD Pre-Funded Retiree Health Benefits Fund.

TMFPD claims and judgments liability of \$1,170,000 consisted of workers' compensation claims. These claims will be liquidated through TMFPD Workers Compensation Fund (Note 16). The TMFPD Workers' Compensation Fund finances the payment of claims through transfers from the TMFPD General Fund.

At June 30, 2014, the net other postemployment benefit liability for SFPD was \$2,141,475. SFPD provides other postemployment benefits through the Sierra Fire Protection District Retiree Group Medical Plan, a single-employer defined benefit plan, which is administered through the Washoe County, Nevada OPEB Trust (Trust), an irrevocable trust (Note 15). Contributions to the Trust are made from SFPD General Fund and are established each year through the annual budget process by the District's Board of Fire Commissioners.

WASHOE COUNTY, NEVADA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014
(CONTINUED)

NOTE 10 – LONG-TERM OBLIGATIONS ACTIVITY

| | <u>Date of Issue</u> | <u>Maturity Date</u> | <u>Interest Rate</u> | <u>Original Note / Issue</u> |
|--|--------------------------|--------------------------|--------------------------|----------------------------------|
| GOVERNMENTAL ACTIVITIES | | | | |
| General Obligation Bonds | | | | |
| Ad Valorem: | | | | |
| Animal Control Shelter Series 2003A | 08/2003 | 06/2015 | 3.0 - 4.625 % | \$ 10,750,000 |
| Various Purpose Refunding Series 2009B | 03/2009 | 05/2017 | 3.0 - 4.2 | 10,540,000 |
| Parks and Library Refunding Series 2011A | 07/2011 | 05/2026 | 4.20 | 17,360,000 |
| Various Purpose Refunding Series 2012A | 08/2012 | 03/2030 | 3.0 - 4.0 | 18,090,000 |
| Medium-Term: | | | | |
| Edison Way Property Series 2007 | 03/2007 | 03/2017 | 3.83 | 4,645,000 |
| Revenue: (Note 9) | | | | |
| Office Building Series 2002A | 10/2002 | 01/2015 | 3.0 - 5.0 | 19,260,000 |
| Library Building Series 2004 | 03/2004 | 03/2019 | 3.5 - 5.0 | 3,280,000 |
| Building and Parking Garage Series 2004 | 12/2004 | 01/2018 | 3.75 - 5.0 | 11,900,000 |
| Public Safety Series 2006 | 04/2006 | 03/2036 | 4.0 - 4.5 | 12,500,000 |
| Flood Control Series 2006 * | 05/2006 | 12/2035 | Variable | 21,000,000 |
| Parks Series 2006 | 10/2006 | 03/2030 | 4.0 - 5.0 | 25,305,000 |
| Building Bonds Refunding Series 2011B | 08/2011 | 11/2026 | 4.18 | 12,565,000 |
| Refunding Bonds Series 2012B | 08/2012 | 03/2027 | 1.0 - 3.0 | 27,580,000 |
| Total General Obligation Bonds | | | | |
| Revenue Bonds (Note 9) | | | | |
| Sales Tax Series 1998 | 12/1998 | 12/2028 | 4.0 - 5.1 | 21,915,000 |
| Senior Lien Car Rental Fee Series 2008 ** | 02/2008 | 12/2027 | Variable | 18,500,000 |
| Subordinate Lien Car Rental Fee Series 2008 | 02/2008 | 12/2057 | 7.0 | 11,000,000 |
| Total Revenue Bonds | | | | |
| Special Assessment Bonds (with governmental commitment) (Note 9) | | | | |
| SAD 21: Cold Springs Sewer Refunding | 10/2003 | 07/2016 | 2.0 - 4.0 | 1,085,000 |
| SAD 29: Mt. Rose Sewer Phase 1 | 11/2004 | 11/2024 | 4.55 | 1,281,308 |
| SAD 35: Rhodes Road - \$116,141, SAD 36: Evergreen Hills Dr-\$240,587 | 02/2005 | 11/2014 | 3.8 | 356,728 |
| SAD 31: Spearhead Way/Running Bear Drive | 04/2006 | 05/2016 | 4.29 | 109,000 |
| SAD 37: Spanish Spring Sewer Phase 1a | 05/2007 | 05/2027 | 4.35 | 728,813 |
| SAD 39: Lightning W Water System | 06/2009 | 05/2029 | 7.18 | 999,268 |
| SAD 32: Spanish Springs Valley Ranches Roads | 12/2011 | 11/2031 | 3.48 | 8,592,787 |
| Total Special Assessment Debt | | | | |
| | | | | |
| Unamortized Bond Premium | N/A | N/A | N/A | N/A |
| Unamortized Bond Discounts | N/A | N/A | N/A | N/A |
| Deferred Charge on Refundings | N/A | N/A | N/A | N/A |
| Total Unamortized Bond Premium, Discounts and Deferred Charge on Refundings | | | | |
| Total Bonds Payable | | | | |

| <u>Principal Outstanding June 30, 2013</u> | <u>Additions/ Issued</u> | <u>Reduction/ Principal Matured / Called</u> | <u>Principal Outstanding June 30, 2014</u> | <u>Principal Due in 2014-2015</u> |
|--|------------------------------|--|--|---------------------------------------|
| \$ 650,000 | \$ - | \$ 315,000 | \$ 335,000 | \$ 335,000 |
| 5,675,000 | - | 1,325,000 | 4,350,000 | 1,385,000 |
| 15,425,000 | - | 935,000 | 14,490,000 | 965,000 |
| 17,715,000 | - | - | 17,715,000 | - |
| 2,064,000 | - | 487,000 | 1,577,000 | 506,000 |
| 1,390,000 | - | 680,000 | 710,000 | 710,000 |
| 1,145,000 | - | 175,000 | 970,000 | 180,000 |
| 2,965,000 | - | 550,000 | 2,415,000 | 570,000 |
| 10,790,000 | - | 285,000 | 10,505,000 | 295,000 |
| 18,558,562 | - | 474,008 | 18,084,554 | 495,546 |
| 3,560,000 | - | - | 3,560,000 | - |
| 11,945,000 | - | 645,000 | 11,300,000 | 670,000 |
| 27,430,000 | - | - | 27,430,000 | - |
| 119,312,562 | - | 5,871,008 | 113,441,554 | 6,111,546 |
| 15,655,000 | - | 655,000 | 15,000,000 | 690,000 |
| 16,668,700 | - | 522,200 | 16,146,500 | 592,100 |
| 9,808,025 | - | - | 9,808,025 | - |
| 42,131,725 | - | 1,177,200 | 40,954,525 | 1,282,100 |
| 185,000 | - | 185,000 | - | - |
| 780,000 | - | 100,000 | 680,000 | 55,000 |
| 50,765 | - | 38,429 | 12,336 | 12,336 |
| 26,000 | - | 11,000 | 15,000 | 8,000 |
| 441,638 | - | 40,508 | 401,130 | 21,835 |
| 647,103 | - | 56,000 | 591,103 | 23,266 |
| 6,880,700 | - | 463,558 | 6,417,142 | 274,740 |
| 9,011,206 | - | 894,495 | 8,116,711 | 395,177 |
| 1,684,025 | - | 134,374 | 1,549,651 | - |
| (57,248) | - | (3,143) | (54,105) | - |
| (456,307) | - | (4,253) | (452,054) | - |
| 1,170,470 | - | 126,978 | 1,043,492 | - |
| 171,625,963 | - | 8,069,681 | 163,556,282 | 7,788,823 |

(CONTINUED)

WASHOE COUNTY, NEVADA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014
(CONTINUED)

NOTE 10 – LONG-TERM OBLIGATIONS ACTIVITY

| | Date of Issue | Maturity Date | Interest Rate | Original Note / Issue |
|--|------------------|------------------|------------------|--------------------------|
| GOVERNMENTAL ACTIVITIES (Continued) | | | | |
| Other Liabilities - (Notes 9, 15) | | | | |
| Compensated Absences | N/A | N/A | N/A | \$ N/A |
| Remediation Obligation | N/A | N/A | N/A | N/A |
| Claims and Judgments | N/A | N/A | N/A | N/A |
| Total Other Liabilities | | | | |
| Total Governmental Activities | | | | |
| BUSINESS-TYPE ACTIVITIES *** | | | | |
| General Obligation Bonds | | | | |
| Revenue: (Note 9) | | | | |
| Water Resources Fund: | | | | |
| Lemmon Valley Sewer Series 1997 | 08/1997 | 01/2018 | 3.33 % | 1,249,137 |
| Sewer Series 2000A | 06/2000 | 01/2020 | 3.7 | 1,675,000 |
| Sewer Series 2000B | 06/2000 | 01/2020 | 3.7 | 635,000 |
| Sewer Series 2001 | 02/2001 | 07/2021 | 3.125 | 21,000,000 |
| Sewer Series 2004 | 06/2004 | 01/2024 | 3.213 | 3,000,000 |
| Water Series 2005 | 06/2005 | 01/2025 | 2.81 | 14,463,000 |
| Water and Sewer Series 2005 | 12/2005 | 01/2035 | 4.0 - 5.0 | 65,000,000 |
| Spanish Springs Sewer Series 2005A | 08/2006 | 07/2026 | 2.931 | 6,500,000 |
| Storm Sewer Series 2006 | 11/2006 | 01/2026 | 4.224 | 4,600,000 |
| Total General Obligation Bonds | | | | |
| Unamortized Bond Premium | N/A | N/A | N/A | N/A |
| Total Bonds Payable | | | | |
| Other Liabilities (Note 9) | | | | |
| Compensated Absences | N/A | N/A | N/A | N/A |
| Total Business-Type Activities | | | | |
| Total Washoe County Obligations | | | | |

* Interest on the variable-rate flood control bonds is equal to the sum of BMA (Bond Market Association) Swap Rate plus 0.70%. The remaining principal outstanding of \$18,084,554 has a current interest rate of 2.527%. The interest rate on outstanding amount will be reset May 1, 2016.

** Interest on the variable-rate senior lien car rental bonds is equal to the greater of: (1) the minimum rate of 3% per annum and (2) the sum of (a) 70% of the swap rate plus (b) 2.22% for each of the reset periods. The rate maximum is 6.5% for December 1, 2012 - November 30, 2017, 7.5% December 1, 2017 - November 30, 2022 and 8% for December 1, 2022- November 30, 2027. The current interest rate is 3.0% with a reset date of December 1, 2017.

*** Business-type debt is expected to be retired primarily through operations.

DISCRETELY PRESENTED COMPONENT UNITS:

Truckee Meadows Fire Protection District (Note 9,15)

| | | | | |
|-------------------------|-----|-----|-----|-----|
| Compensated Absences | N/A | N/A | N/A | N/A |
| Claims and Judgments | N/A | N/A | N/A | N/A |
| Total Other Liabilities | | | | |

Sierra Fire Protection District (Note 9,15)

| | | | | |
|---|-----|-----|-----|-----|
| Net other postemployment benefits obligations | N/A | N/A | N/A | N/A |
|---|-----|-----|-----|-----|

| <u>Principal Outstanding June 30, 2013</u> | <u>Additions/ Issued</u> | <u>Reduction/ Principal Matured / Called</u> | <u>Principal Outstanding June 30, 2014</u> | <u>Principal Due in 2014-2015</u> |
|--|------------------------------|--|--|---------------------------------------|
| \$ 24,149,739 | \$ 18,392,264 | \$ 17,954,914 | \$ 24,587,089 | \$ 18,577,295 |
| 8,275,662 | 210,840 | 1,473,319 | 7,013,183 | 60,000 |
| 14,081,000 | 2,630,657 | 1,310,657 | 15,401,000 | 6,864,000 |
| 46,506,401 | 21,233,761 | 20,738,890 | 47,001,272 | 25,501,295 |
| 218,132,364 | 21,233,761 | 28,808,571 | 210,557,554 | 33,290,118 |
| 400,479 | - | 74,893 | 325,586 | 77,408 |
| 400,700 | - | 51,143 | 349,557 | 53,054 |
| 79,718 | - | 10,175 | 69,543 | 10,556 |
| 11,618,271 | - | 1,213,342 | 10,404,929 | 1,251,556 |
| 1,991,566 | - | 153,602 | 1,837,964 | 158,575 |
| 10,206,321 | - | 726,142 | 9,480,179 | 746,691 |
| 26,100,000 | - | - | 26,100,000 | - |
| 4,971,866 | - | 305,087 | 4,666,779 | 314,095 |
| 3,411,806 | - | 201,758 | 3,210,048 | 210,370 |
| 59,180,727 | - | 2,736,142 | 56,444,585 | 2,822,305 |
| 765,852 | - | 35,622 | 730,230 | - |
| 59,946,579 | - | 2,771,764 | 57,174,815 | 2,822,305 |
| 829,855 | 675,190 | 692,409 | 812,636 | 614,005 |
| 60,776,434 | 675,190 | 3,464,173 | 57,987,451 | 3,436,310 |
| \$ 278,908,798 | \$ 21,908,951 | \$ 32,272,744 | \$ 268,545,005 | \$ 36,726,428 |

| | | | | |
|--------------|--------------|------------|--------------|--------------|
| \$ 1,049,313 | \$ 962,674 | \$ 637,765 | \$ 1,374,222 | \$ 672,113 |
| 1,486,000 | - | 316,000 | 1,170,000 | 498,157 |
| \$ 2,535,313 | \$ 962,674 | \$ 953,765 | \$ 2,544,222 | \$ 1,170,270 |
| \$ 1,169,540 | \$ 1,516,804 | \$ 544,869 | \$ 2,141,475 | \$ - |

WASHOE COUNTY, NEVADA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014
(CONTINUED)

NOTE 11 – DEBT SERVICE REQUIREMENTS

The annual requirements to amortize outstanding debt are as follows:

Governmental Activities – Primary Government

| Year Ended June 30, | General Obligation Bonds | | Revenue Bonds | | Special Assessment Debt | |
|------------------------|--------------------------|----------------------|----------------------|----------------------|-------------------------|---------------------|
| | Principal* | Interest** | Principal* | Interest*** | Principal* | Interest |
| 2015 | \$ 6,111,546 | \$ 3,785,185 | \$ 1,282,100 | \$ 1,212,016 | \$ 395,177 | \$ 311,640 |
| 2016 | 7,838,063 | 3,544,744 | 1,397,800 | 1,158,901 | 392,231 | 296,323 |
| 2017 | 8,117,604 | 3,295,741 | 1,527,800 | 1,101,091 | 401,266 | 280,726 |
| 2018 | 6,241,216 | 3,019,929 | 1,524,800 | 1,040,082 | 412,977 | 264,728 |
| 2019 | 6,466,946 | 2,816,307 | 1,689,470 | 1,022,178 | 425,392 | 248,357 |
| 2020-2024 | 35,843,548 | 10,797,561 | 10,804,795 | 4,188,434 | 2,435,294 | 969,074 |
| 2025-2029 | 28,731,831 | 4,762,584 | 14,069,105 | 3,434,909 | 2,479,617 | 472,275 |
| 2030-2034 | 10,205,115 | 1,461,922 | 2,266,880 | 8,670,394 | 1,174,757 | 62,001 |
| 2035-2039 | 3,885,685 | 159,525 | 1,881,967 | 10,925,548 | - | - |
| 2040-2044 | - | - | 1,566,274 | 13,395,973 | - | - |
| 2045-2049 | - | - | 1,295,976 | 16,161,764 | - | - |
| 2050-2054 | - | - | 1,071,626 | 19,290,177 | - | - |
| 2055-2059 | - | - | 575,932 | 13,931,458 | - | - |
| Total | \$ 113,441,554 | \$ 33,643,498 | \$ 40,954,525 | \$ 95,532,925 | \$ 8,116,711 | \$ 2,905,124 |

Business-type Activities – Primary Government

| Year Ended June 30, | General Obligation Bonds | |
|------------------------|--------------------------|----------------------|
| | Principal* | Interest |
| 2015 | \$ 2,822,305 | \$ 2,232,442 |
| 2016 | 2,911,212 | 2,143,531 |
| 2017 | 3,002,961 | 2,051,783 |
| 2018 | 3,097,642 | 1,957,103 |
| 2019 | 3,107,003 | 1,860,126 |
| 2020-2024 | 12,934,906 | 7,907,594 |
| 2025-2029 | 11,168,556 | 5,979,092 |
| 2030-2034 | 14,135,000 | 3,005,250 |
| 2035-2039 | 3,265,000 | 163,250 |
| Total | \$ 56,444,585 | \$ 27,300,171 |

*Principal amounts shown exclude discounts and premiums.

**Interest on the variable-rate flood control bonds is calculated at the current rate of 2.527%.

***Interest on the variable-rate senior lien car rental bonds is calculated at the current rate of 3.0%.

NOTE 12 – INTERFUND ACTIVITY

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the Debt Service Fund as debt service payments become due, and (3) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

WASHOE COUNTY, NEVADA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014
(CONTINUED)

Interfund transfers for the year ended June 30, 2014

| <u>Transfers from:</u> | <u>Transfers to:</u> | <u>Amount</u> |
|-----------------------------|--------------------------------|---------------------|
| General Fund | Nonmajor Governmental Funds | \$ 21,117,545 (a,b) |
| Child Protective Services | Nonmajor Governmental Funds | 445,406 |
| Nonmajor Governmental Funds | General Fund | 845,270 (c,d) |
| | Special Assessments Debt Funds | 482,653 |
| | Nonmajor Governmental Funds | 7,785,115 (e,f) |
| | Subtotal | 9,113,038 |
| Water Resources Fund | Internal Service Funds | 210,780 |
| Total Transfers In / Out | | \$ 30,886,769 |

Significant transfers during the year of a non-routine nature included: (a) \$519,107 from the General Fund to the Other Restricted Fund for transferring of Medicaid TCM to restricted, (b) \$660,214 from General Fund to Public Works for construction of a new Court Facility (c) \$298,981 from the Other Restricted Fund to the General Fund for court administrative assessment fees that were no longer restricted per State Statutes, (d) \$450,000 from Other Restricted Fund to Public Works Construction Fund for Child Advocacy Center (CAC) Remodel Project, (e) \$1,890,000 from the Capital Facilities Fund to the Roads Fund to support road capital improvements, (f) \$634,065 from the Capital Facilities Projects Fund and \$1,033,379 from Public Works Construction Fund for a total of \$1,667,444 to the Regional Permits Capital Projects Fund.

NOTE 13 – FUND BALANCES / NET POSITION

Government-wide Financial Statements

The government-wide Statement of Net Position utilizes a proprietary presentation. Net position is categorized as net investment in capital assets, restricted and unrestricted.

Restricted resources have externally imposed (statutory, bond covenant, contract or grantor) limitations on their use. Restricted resources are classified either by function, debt service, capital projects, or claims. Resources restricted by function relate to net resources of governmental and enterprise funds whose use is legally limited by outside parties for a specific purpose. The restriction for debt service represents resources legally restricted by State Statute or bond covenants for future debt service requirements of both principal and interest. The amount restricted for capital projects consists of unspent grants, donations, and debt proceeds with third party restrictions for use on specific projects or programs. Net position restricted for claims represents the amount legally required to be held for payment of future claims in the self-insurance funds. The government-wide Statement of Net Position reports \$107,515,941 of restricted net resources, all of which is externally imposed.

Unrestricted net position represents available financial resources of the County.

Fund Financial Statements

Governmental Funds

Governmental fund balances are classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the County is bound to observe constraints imposed on the use of the resources of the funds.

WASHOE COUNTY, NEVADA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014
(CONTINUED)

Fund balances classification by County function and purpose consist of the following:

| <u>Fund Balances</u> | <u>Major Governmental Funds</u> | | | | <u>Total</u> |
|---|---------------------------------|----------------------|-------------------|---------------------|----------------|
| | <u>General</u> | <u>Child</u> | <u>Special</u> | <u>Nonmajor</u> | |
| | <u>Fund</u> | <u>Protective</u> | <u>Assessment</u> | <u>Governmental</u> | |
| | | <u>Services Fund</u> | <u>Debt Fund</u> | <u>Funds</u> | |
| Nonspendable: | | | | | |
| Prepaid items | \$ 19,043 | \$ - | \$ - | \$ 39,483 | \$ 58,526 |
| Restricted for: | | | | | |
| Assessors, Clerk and Recorder technology | - | - | - | 4,305,373 | 4,305,373 |
| Administrative programs | - | - | - | 117,426 | 117,426 |
| Court programs and expansion | - | - | - | 6,580,547 | 6,580,547 |
| Other judicial programs | - | - | - | 187,503 | 187,503 |
| Regional flood control project | - | - | - | 1,471,726 | 1,471,726 |
| Sheriff's programs | - | - | - | 1,598,777 | 1,598,777 |
| Regional public safety communications and training | - | - | - | 3,247,687 | 3,247,687 |
| Other public safety programs | - | - | - | 1,204,537 | 1,204,537 |
| Public works programs | - | - | - | 173,077 | 173,077 |
| Regional health services and programs | - | - | - | 2,155,799 | 2,155,799 |
| Groundwater remediation | - | - | - | 5,712,307 | 5,712,307 |
| Parks and recreation programs | - | - | - | 63,336 | 63,336 |
| Library expansion | - | - | - | 425,377 | 425,377 |
| Programs for seniors | - | - | - | 126,478 | 126,478 |
| Adult, indigent and children support services | - | 136,505 | - | 4,917,978 | 5,054,483 |
| County facility improvement projects | - | - | - | 8,518,175 | 8,518,175 |
| Parks and open space projects | - | - | - | 20,480,136 | 20,480,136 |
| Intergovernmental | 42,259 | - | - | 34,892 | 77,151 |
| Debt service | 750,000 | - | 1,662,395 | 9,406,254 | 11,818,649 |
| Total Restricted | 792,259 | 136,505 | 1,662,395 | 70,727,385 | 73,318,544 |
| Committed to: | | | | | |
| Fiscal emergency / stabilization | 4,143,300 | - | - | - | 4,143,300 |
| Administrative programs | 375,475 | - | - | - | 375,475 |
| Animal control and services | - | - | - | 5,751,629 | 5,751,629 |
| Roadways | - | - | - | 118,670 | 118,670 |
| Groundwater remediation | - | - | - | 1,225,846 | 1,225,846 |
| Park maintenance and improvement | - | - | - | 1,406,840 | 1,406,840 |
| Library expansion | - | - | - | 443,493 | 443,493 |
| Adult, indigent and children support services | - | 4,201,615 | - | - | 4,201,615 |
| Programs for seniors | - | - | - | 125,018 | 125,018 |
| Total Committed | 4,518,775 | 4,201,615 | - | 9,071,496 | 17,791,886 |
| Assigned to: | | | | | |
| Roadways | - | - | - | 7,482,168 | 7,482,168 |
| General Fund encumbrances re-appropriated for various functional departments | 1,106,583 | - | - | - | 1,106,583 |
| Total Assigned | 1,106,583 | - | - | 7,482,168 | 8,588,751 |
| Unassigned | 40,169,907 | - | - | (418,495) | 39,751,412 |
| Total Fund Balances | \$ 46,606,567 | \$ 4,338,120 | \$ 1,662,395 | \$ 86,902,037 | \$ 139,509,119 |

WASHOE COUNTY, NEVADA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014
(CONTINUED)

Proprietary Funds

The net position for business funds and internal services funds are categorized as net investment in capital assets, restricted and unrestricted as described for the government-wide financial statements.

Fiduciary Funds

Net position held in trust for pool participants in the Statement of Fiduciary Net Position represent cash and investments held in trust for other agencies participating in the County's investment pool.

NOTE 14 - PENSION PROGRAM

Plan Description

The County and two discretely presented component units, SFPD and TMFPD, contribute to the Public Employees Retirement System of the State of Nevada (PERS), a cost-sharing multiple employer defined benefit pension plan. PERS provides retirement benefits, disability benefits and death benefits, including annual cost-of-living adjustments, to plan members and beneficiaries. Chapter 286 of the NRS established the benefit provisions provided to the participants of PERS. These benefit provisions may only be amended through legislation.

PERS issues a publicly available financial report that includes financial statements and required supplementary information for PERS. That report may be obtained by writing to the Public Employees Retirement System of the State of Nevada, 693 West Nye Lane, Carson City, NV 89703-1599 or by calling (775) 687-4200.

Washoe County Funding Policy

Benefits for County plan members are funded under the employer pay contribution plan method. Under this method, the County is required to contribute all amounts due under the plan. The contribution requirements of plan members and the County are established by Chapter 286 of NRS and may only be amended through legislation.

The County's pension contributions for the last three years are as follows:

Contribution Rates

| Fiscal Year | Employer Pay Contribution Rate | |
|-------------|-----------------------------------|-----------------|
| | Regular Members | Police/ Fire |
| 2013-14 | 25.75% | 40.50% |
| 2012-13 | 23.75% | 39.75% |
| 2011-12 | 23.75% | 39.75% |

Contribution Cost

| Fiscal Year | Annual Pension Cost (APC) | Percentage of APC Contributed | Net Pension Obligation |
|-------------|------------------------------|----------------------------------|---------------------------|
| 2013-14 | \$ 44,940,488 | 100% | \$ - |
| 2012-13 | 41,956,283 | 100% | - |
| 2011-12 | 41,399,820 | 100% | - |

Discretely Presented Component Units Funding Policy

On March 27, 2012 the Board of Fire Commissioners approved an interlocal agreement transferring operations of SFPD to TMFPD. As of June 30, 2012, all SFPD employees were transferred to TMFPD and, therefore, SFPD no longer contributes to PERS. The employees remained participants of PERS and their accounts were transferred to TMFPD.

On July 1, 2012 all TMFPD employees were covered under the employer pay contribution plan method. Prior to July 1, 2012,

WASHOE COUNTY, NEVADA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014
(CONTINUED)

the benefits for TMFPD plan members are funded under one of two methods. Under the employer pay contribution plan, TMFPD is required to contribute all amounts due under the plan. The second funding mechanism for providing benefits is the employer/employee paid contribution plan. Under this method, employees are required to contribute a percentage of their compensation to the plan, while TMFPD is required to match that contribution. The contribution requirements of plan members and the District are established by Chapter 286 of NRS and may only be amended through legislation.

SFPD and TMFPD's combined pension contributions for the last three years are as follows:

Contribution Rates

| Fiscal Year | Employer Pay Contribution Rate | | Employee/Employer Pay Contribution Rate | |
|-------------|-----------------------------------|-----------------|--|-----------------|
| | Regular Members | Police/ Fire | Regular Members | Police/ Fire |
| 2013-14 | 25.75% | 40.50% | 13.25% | 20.75% |
| 2012-13 | 23.75% | 39.75% | 12.25% | 20.25% |
| 2011-12 | 23.75% | 39.75% | 12.25% | 20.25% |

Contribution Cost

| Fiscal Year | Annual Pension Cost (APC) | Percentage of APC Contributed | Net Pension Obligation |
|-------------|------------------------------|----------------------------------|---------------------------|
| 2013-14 | \$ 3,109,471 | 100% | \$ - |
| 2012-13 | 2,711,873 | 100% | - |
| 2011-12 | 1,247,737 | 100% | - |

NOTE 15 - OTHER POSTEMPLOYMENT BENEFITS

Plan Descriptions and Eligibility

The County provides other postemployment benefits (OPEB) for eligible employees through the Retiree Health Benefit Program, a single-employer defined benefit OPEB plan, and participates in the State of Nevada's Public Employee Benefit Plan, an agent multiple-employer defined benefit OPEB plan. Both plans are administered through the Washoe County, Nevada OPEB Trust (Trust), an irrevocable trust established on May 11, 2010 by the BCC. The Trust, a multiple employer trust, was created to fund and account for the participating employers' costs of retiree healthcare benefits pursuant to NRS 287.017. Complete financial statements of the Trust may be obtained by writing to: OPEB Trust, c/o Washoe County Comptroller's Office, P.O. Box 11130, Reno, Nevada, 89520.

Additionally, TMFPD and SFPD, discretely presented component units, provide OPEB for eligible employees through the Truckee Meadows Fire Protection District Retiree Group Medical Plan and Sierra Fire Protection District Retiree Group Medical Plan, both single-employer defined benefit plans. As of July 1, 2010 both plans are also administered through the Trust.

Washoe County Retiree Health Benefit Program (RHBP)

In accordance with NRS 287.010, the BCC adopted the RHBP to provide postemployment benefits to eligible employees upon retirement. Retirees are offered medical, prescription, vision, life, and dental insurance for themselves and their dependents. Retirees can choose between the Self Funded Group Health Plan (SFGHP) and an HMO Plan.

As of June 30, 2014, all employees hired before July 1, 2010 who retire from County employment and receive monthly payments under PERS are eligible to participate in the RHBP. In addition, employees hired before this date who have terminated employment prior to retirement may enroll in the RHBP upon commencing retirement if the County is that individual's last public employer.

For eligible retirees, the County pays a portion of the retiree's premium based on years of County service. Benefits are provided under two contribution "tiers": Tier 1 includes employees hired prior to various exclusion dates between 1997 and 1999, as stipulated in employee association contracts, and Tier 2 includes all employees hired after the Tier 1 exclusion dates. Retired plan members and beneficiaries currently receiving benefits are required to contribute specified amounts monthly toward the

WASHOE COUNTY, NEVADA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014
(CONTINUED)

cost of health insurance premiums depending on their respective tier. Retirees pay 100% of the premium for dependent coverage.

For Tier 1 retirees, the retiree's contribution is determined as follows, except for the cost of dental benefits which is 100% paid for by the retiree, regardless of service:

| <u>Years of Service</u> | <u>Tier 1 Retiree Contribution</u> |
|-------------------------|------------------------------------|
| Less than 10 | 100% |
| 10 but less than 15 | 50% |
| 15 but less than 20 | 25% |
| 20 or more | 0% |

For Tier 2 retirees, the retiree's contribution is the monthly premium amount less a County-paid premium subsidy equal to the Non-State Retiree Subsidy Adjustment set annually by the State of Nevada's Public Employee Benefit Plan. The County's monthly subsidy for fiscal year 2014 depends on years of full-time service and ranges from a minimum of \$114 for five years to a maximum of \$627 for 20 or more years.

State of Nevada's Public Employee Benefit Plan (PEBP)

NRS 287.023 allowed County retirees to join the State's PEBP through September 1, 2008, at the County's expense. Eligibility and subsidy requirements are governed by statutes of the State and can only be amended through legislation. PEBP is administered by a nine member governing board and provides medical, dental, prescription, vision, life and accident insurance for retirees.

Through collective bargaining agreements, the County is required to provide a subsidy for their eligible retirees that have elected to join PEBP. Contribution requirements are assessed by the PEBP Board annually. The subsidy for this plan is based on years of service and in 2014 ranged from a minimum of \$114 for five years of service to a maximum of \$627 for 20 or more years of service. Retirees age 65 and over are required to enroll in a Medicare Advantage Plan at their own expense and receive monthly Health Reimbursement Account contributions of between \$55 and \$220 based on years of service.

TMFPD Retiree Group Medical Plan (TMFPD RGMP)

Prior to July 1, 2000, TMFPD provided health insurance benefits to retired employees through a single-employer defined benefit plan. At June 30, 2000, ten retirees were participating in the TMFPD RGMP. On July 1, 2000, pursuant to an Interlocal Agreement for Fire Services and Consolidation, TMFPD operations were transferred to the City of Reno (City) and the City accepted liability for the ten retirees under this plan. TMFPD pays a proportionate share of employees' retiree health benefit costs based on service earned prior to July 1, 2000, for those employees who transferred employment to the City and retired during the term of the Interlocal Agreement. Benefits under the City's plan include medical, dental, prescription, vision and life insurance.

The Interlocal Agreement was terminated on June 30, 2012, and TMFPD assumed responsibility for its own fire district operations as of July 1, 2012. As of June 30, 2012, to prepare for standing up the new fire operations, 11 former Reno firefighters had transferred to TMFPD with the provision that TMFPD would provide retiree health benefits for those 11 employees. No other new employees hired by TMFPD are eligible for retiree health benefits. Any former TMFPD employee remaining employed by the City as of July 1, 2012, retained retiree health benefits with the City and the City retained the liability for those employees. Benefits under the new TMFPD RGMP, a single-employer defined benefit plan, include health, dental, vision and prescription insurance coverage. Eligible retirees who retire from the District will be required to pay for 50% of the retirees' health insurance premium and 100% of the cost of coverage for their spouses. Eligibility requirements, benefit levels, employee contributions, and employer contributions may be amended by the mutual agreement of the TMFPD and the TMFPD Fire Fighters Association.

SFPD Retiree Group Medical Plans (SFPD RGMP)

SFPD provides health insurance benefits to eligible retired employees who transferred from State service on July 1, 2006 or transferred from SFPD service to the TMFPD in fiscal year 2012. As of April 1, 2012, all SFPD employees transferred to TMFPD under the terms of an Interlocal Agreement for Fire Services and Consolidation between the two districts. Health insurance benefits are through the TMFPD RGMP; however, the liability for the payment for these retiree health benefits is retained by each district. The plan is a single-employer defined benefit OPEB plan. As June 30, 2014, there were five employees participating in the plan who had retired from SFPD.

WASHOE COUNTY, NEVADA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014
(CONTINUED)

In accordance with NRS, the Board of Fire Commissioners for SFPD entered into an agreement with the Sierra Firefighters Association for retiree health insurance. This employee agreement was assumed by TMFPD as of April 1, 2012; however, the payment of the monthly benefits continues to be paid from SFPD's portion of the Trust. Eligible employees who retire from TMFPD employment and receive monthly payments from PERS of Nevada are allowed coverage in the TMFPD RGMP. Benefits include medical, vision, dental and prescription insurance coverage. SFPD pays 50% of the cost of health premiums of retirees who transferred to SFPD as of July 1, 2006 or from SFPD to TMFPD in fiscal year 2012 and retire directly from TMFPD with 10 or more years of combined service with the Nevada Division of Forestry or the Districts. Retirees are responsible for the remaining 50% of the retirees' health premiums and 100% of the cost of coverage for their eligible dependents. Eligibility requirements, benefit levels, employee contributions, and employer contributions may be amended by the mutual agreement of the SFPD and the TMFPD Fire Fighters Association.

Funding Policy and Annual OPEB Cost

The amount of contributions each year for RHPB, TMFPD RGHP and SFPD RGHP are established through the annual budget process by the Board of County Commissioners and the TMFPD and SFPD Boards of Fire Commissioners, respectively, and may be amended through negotiations with their respective employee associations. The required contributions are based on projected pay-as-you-go financing requirements, with an additional amount, generally equal to the normal cost, to prefund benefits.

Additionally, the County is required to provide a subsidy for their retirees that have elected to join PEBP which is established and may be amended by the State of Nevada Legislature. The subsidy is paid on the pay-as-you-go basis, with an additional amount contributed to prefund future benefits. Contribution requirements for plan members and the participating employers are assessed by the PEBP Board annually.

The County, TMFPD and SFPD fund the OPEB costs from their respective General Funds. During the current fiscal year the County transferred \$16.1 million to the Trust to fund future retiree health benefits for both the RHBP and PEBP. These contributions were allocated between the RHBP and the PEBP based on the proportionate share of each plan's Unfunded Actuarial Accrued Liability to the total. SFPD transferred \$544,869 to the Trust during the current fiscal year. TMFPD did not make any transfers to the Trust during the current fiscal year.

The annual OPEB cost and related information for each plan for the fiscal year ended June 30, 2014 are as follows:

| | <u>RHBP</u> | <u>PEBP</u> | <u>TMFPD RGMP</u> | <u>SFPD RGMP</u> |
|--|-----------------------|---------------------|-----------------------|---------------------|
| Determination of Annual Required Contribution: | | | | |
| Normal cost | \$ 7,881,000 | \$ - | \$ 144,970 | \$ 493,457 |
| Amortization of Unfunded Actuarial Accrued Liability (UAAL) | <u>10,858,000</u> | <u>335,000</u> | <u>50,387</u> | <u>1,050,140</u> |
| Annual Required Contribution (ARC) | <u>\$ 18,739,000</u> | <u>\$ 335,000</u> | <u>\$ 195,357</u> | <u>\$ 1,543,597</u> |
| Determination of Net OPEB Obligation: | | | | |
| Annual Required Contribution | \$ 18,739,000 | \$ 335,000 | \$ 195,357 | \$ 1,543,597 |
| Interest on Net OPEB Obligation | (220,000) | (39,000) | (85,733) | 81,868 |
| Adjustment to ARC | <u>170,000</u> | <u>43,000</u> | <u>113,791</u> | <u>(108,661)</u> |
| Annual OPEB Cost | 18,689,000 | 339,000 | 223,415 | 1,516,804 |
| Retiree Benefit Payments Paid by Employer | (2,089,884) | - | - | - |
| Contributions Made to Trust | <u>(15,682,610)</u> | <u>(417,390)</u> | <u>-</u> | <u>(544,869)</u> |
| Increase (Decrease) in Net OPEB Obligation | 916,506 | (78,390) | 223,415 | 971,935 |
| Net OPEB Obligation (Asset), Beginning of Year | <u>(3,147,469)</u> | <u>(564,174)</u> | <u>(1,224,753)</u> | <u>1,169,540</u> |
| Net OPEB Obligation (Asset), End of Year | <u>\$ (2,230,963)</u> | <u>\$ (642,564)</u> | <u>\$ (1,001,338)</u> | <u>\$ 2,141,475</u> |

WASHOE COUNTY, NEVADA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014
(CONTINUED)

The annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation at June 30, 2014 and the two preceding years for each of the plans were as follows:

| Plan | Fiscal Year Ended June 30, | Annual OPEB Cost | Employer Contribution | Percentage of Annual OPEB Cost Contributed | Net OPEB Obligation / (Asset) |
|-------------------|----------------------------------|---------------------|--------------------------|---|-------------------------------------|
| RHBP | 2012 | \$ 23,765,000 | \$ 19,776,106 | 83.22% | \$ (2,523,758) |
| | 2013 | 18,403,000 | 19,026,711 | 103.39% | (3,147,469) |
| | 2014 | 18,689,000 | 17,772,494 | 95.10% | (2,230,963) |
| PEBP | 2012 | 495,206 | 623,894 | 125.99% | (543,813) |
| | 2013 | 367,639 | 388,000 | 105.54% | (564,174) |
| | 2014 | 339,000 | 417,390 | 123.12% | (642,564) |
| TMFPD RGMP | 2012 | 47,558 | - | 0.00% | (1,295,031) |
| | 2013 | 70,278 | - | 0.00% | (1,224,753) |
| | 2014 | 223,415 | - | 0.00% | (1,001,338) |
| SFPD RGMP | 2012 | 302,893 | - | 0.00% | 832,181 |
| | 2013 | 337,359 | - | 0.00% | 1,169,540 |
| | 2014 | 1,516,804 | 544,869 | 35.92% | 2,141,475 |

Listed below is the funded status of each plan, as of their most recent actuarial valuations:

| Valuation date | <u>RHBP</u> 7/1/2012 | <u>PEBP</u> 6/30/2014 | <u>TMFPD RGMP</u> 7/1/2013 | <u>SFPD RGMP</u> 7/1/2013 |
|--|-------------------------|--------------------------|-------------------------------|------------------------------|
| Actuarial Accrued Liability (AAL) | \$ 287,185,000 | \$ 3,412,494 | \$ 4,079,936 | \$ 11,148,737 |
| Actuarial Value of Plan Assets | <u>91,263,000</u> | <u>2,607,203</u> | <u>3,573,083</u> | <u>585,289</u> |
| Unfunded Actuarial Accrued Liability (UAAL) | <u>\$ 195,922,000</u> | <u>\$ 805,291</u> | <u>\$ 506,853</u> | <u>\$ 10,563,448</u> |
| Funded Ratio (Actual Value of Plan Assets/AAL) | 31.78% | 76.40% | 87.58% | 5.25% |
| Covered Payroll (Active Plan Members) * | \$ 146,848,513 | n/a | \$ 797,886 | \$ 3,221,020 |
| UAAL as a Percentage of Covered Payroll * | 133.42% | n/a | 63.52% | 327.95% |

* The covered payroll for active plan members for the TMFPD RGMP reported above represents salaries and wages for the 10 former Reno firefighters who transferred from the City to TMFPD in June 2012 and who were still employed by the District at June 30, 2014. The UAAL shown for TMFPD also includes the District's proportionate share of the liability, based on service earned prior to July 1, 2000 for the 45 employees who transferred employment to the City and retired during the term of the Interlocal agreement.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far in the future. Amounts determined regarding the funded status of the plan and annual required contributions of the employer are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets consistent with the long-term perspective of the calculations. Mortality demographic assumptions used for the County and PEBP plans were based on the RP 2000 Combined Mortality Table – Male and Female. Mortality demographic

WASHOE COUNTY, NEVADA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014
(CONTINUED)

assumptions for TMFPD and SFPD plans were based on the RP 2000 Combined Mortality Table – Male and Female for healthy life, and the 1977 Railroad Retirement Board for disabled life.

Significant methods and assumptions were as follows:

| | <u>RHBP</u> | <u>PEBP</u> | <u>TMFPD RGMP</u> | <u>SFPD RGMP</u> |
|-------------------------------|------------------------------------|--------------------------------|--------------------------------|--------------------------------|
| Valuation date | 7/1/2012 | 6/30/2014 | 7/1/2013 | 7/1/2013 |
| Actuarial cost method | Projected unit credit | Projected unit credit | Projected unit credit | Projected unit credit |
| Amortization method | Level percentage of pay, closed | Level dollar amount, closed | Level dollar amount, closed | Level dollar amount, closed |
| Remaining amortization period | 28 years | 27 years | 18 years | 18 years |
| Asset valuation method | Market Value | Market Value | Market Value | Market Value |
| Actuarial assumptions: | | | | |
| Investment rate of return | 7% | 7% | 7% | 7% |
| Healthcare cost trend rate | 7% initial 4.75% ultimate | 6% initial 4.5% ultimate | 8% initial 4.5% ultimate | 8% initial 4.5% ultimate |

NOTE 16 - RISK MANAGEMENT

The County currently self-funds its fiscal responsibility related to exposures of loss from torts; theft of, damage to, or destruction of assets; and errors or omissions. Since 1981, when County started self-funding its workers' compensation obligation, it has increased the number of programs where self-funding is practiced and the proportion of the loss exposure which it self-funds.

Two internal service funds were established to account for these programs. The Risk Management Fund accounts for costs related to general liability, auto liability, workers' compensation, property coverage and unemployment compensation. The property program combines self-funding with insurance purchased from outside carriers. The Health Benefits Fund accounts for life, medical, prescription, dental and vision insurance programs. The plans contained within the Health Benefits Fund are handled through contracts with an external claims administrator, a preferred provider organization for medical services and through the purchase of various insurance plans.

Annually, there are a number of lawsuits and unresolved disputes involving the County, which are administered by the Risk Management Division. These items are reviewed by the Risk Manager, with input from the District Attorney's Office and the appropriate third party administrator, to set values to the extent a value is determinable. Claims liabilities are reevaluated periodically to take into consideration recently settled claims, including the effects of specific incremental claim adjustment expenses, salvage and subrogation. Allocated claim adjustment expenses are included. Annually, an aggregate value is placed on all claims through the performance of an actuarial study.

The values set by the actuary for both short and long-term liabilities are as follows:

| | <u>Current</u> | <u>Long-Term</u> | <u>Total</u> |
|---|----------------|------------------|---------------|
| Pending Claims: | | | |
| Property and liability claims | \$ 1,090,000 | \$ 2,371,000 | \$ 3,461,000 |
| Workers' compensation claims | 3,090,000 | 6,166,000 | 9,256,000 |
| Unprocessed Health Benefits Fund claims | 2,684,000 | - | 2,684,000 |
| Total Pending Claims | \$ 6,864,000 | \$ 8,537,000 | \$ 15,401,000 |

Many items involving the Risk Management Fund do not specifically fall within the criteria used by the actuaries for evaluation. Such items include contract disputes and noninsurance items. In the 1980's, management declared their intention to have a net position of \$1,000,000 in the Risk Management Fund available for claims that fall into areas not recognized in the actuarial studies, or for possible catastrophic losses that exceed parameters of the actuarial studies. Currently, there is a net position of \$12,391,071 in the Risk Management Fund.

The level of insurance coverage purchased by the County for property related claims ranges from \$500,000 to a policy limit of \$300 million depending on the incident. Deductibles generally range from \$10,000 to \$100,000. There were no settled claims in

WASHOE COUNTY, NEVADA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014
(CONTINUED)

excess of insurance coverage in the three prior fiscal years.

Claims liability and activity for the Risk Management and the Health Benefits Funds for the fiscal years ending June 30 were as follows:

| | Risk Management Fund | Health Benefits Fund |
|-----------------------------------|---------------------------------|---------------------------------|
| Claims Liability/Activity: | | |
| Claims Liability, June 30, 2012 | \$ 11,128,000 | \$ 1,851,000 |
| Claims and changes in estimates | 3,433,809 | 21,413,941 |
| Claim payments | <u>(3,154,809)</u> | <u>(20,590,941)</u> |
| Claims Liability, June 30, 2013 | 11,407,000 | 2,674,000 |
| Claims and changes in estimates | 5,170,971 | 21,063,900 |
| Claim payments | <u>(3,860,971)</u> | <u>(21,053,900)</u> |
| Claims Liability, June 30, 2014 | <u>\$ 12,717,000</u> | <u>\$ 2,684,000</u> |

The non-discounted carrying amount of unpaid claims in the Risk Management Fund at June 30 is \$14,144,000. The interest rate used for discounting was 2.5%.

Discretely Presented Component Units

South Truckee Meadows General Improvement District, a former component unit, is a participant in the County's property insurance program and self-insurance program for general liability under the terms of an interlocal operating agreement for operations and support. The TMFPD and SFPD, discretely presented component units, do not participate in the Washoe County Risk Management or Health Benefits Funds.

TMFPD and SFPD are exposed, as are all entities, to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. TMFPD and SFPD have joined together with similar public agencies throughout the State to create a pool, Nevada Public Agency Insurance Pool (NPAIP), under the Nevada Interlocal Cooperation Act. Property and liability is fully insured with NPAIP. Each District pays an annual premium and specific deductibles, as necessary, to the Pool for its general insurance coverage. The NPAIP is considered a self-sustaining risk pool that provides coverage for its members up to \$10 million per event and a \$13 million general aggregate per member. Property, crime and equipment breakdown coverage is provided to its members up to \$300 million per loss with various sub-limits established for earthquake, flood, equipment breakdown, and money and securities.

As of April 1, 2012, TMFPD and SFPD entered an Interlocal Agreement to consolidate fire department administration and operations. Under that Interlocal Agreement, all SFPD employees became TMFPD employees. Health insurance and workers' compensation benefits are paid by the TMFPD through their consolidated budget.

In fiscal year 2012-13, TMFPD self-funded its health benefits until June 1, 2013. The TMFPD Health Benefits Fund was established to account for life insurance, medical, prescription, dental and vision programs. The self-funded plans contained within the TMFPD Health Benefits Fund were handled through contracts with an external claims administrator and through the purchase of various insurance plans. As of June 1, 2013, the District purchased a guaranteed health benefit plan and is no longer self-funded. The SFPD health plan ceased with the transition of SFPD employees to TMFPD during the fiscal year ended June 30, 2012.

During the term of the City of Reno/Truckee Meadows Fire Protection District Interlocal Agreement, workers' compensation was fully insured with the City's self-funded workers' compensation plan. Due to the termination of the Interlocal Agreement as of July 1, 2012, TMFPD is no longer self-funded with the City but has purchased a guaranteed workers' compensation insurance plan. However, TMFPD is still required to pay workers' compensation claims costs to the City for those years the District was self funded through the City's workers' compensation plan.

During the fiscal year ended June 30, 2004, the City instituted a "pay as you go" system for workers' compensation claims. TMFPD shared the combined losses with the Reno Fire Department (RFD). Each year, TMFPD was assigned the portion of paid losses corresponding to the ratio of employees originally transferred from TMFPD to the total number of current RFD employees. The ratio applied to TMFPD for the fiscal year ended June 30, 2012, which was the last fiscal year of the Interlocal

WASHOE COUNTY, NEVADA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014
(CONTINUED)

Agreement, was 25%. TMFPD established the Workers' Compensation Fund to account for this program. During the fiscal year ended June 30, 2014, the District paid the City \$149,361 for the purpose of buying out its workers' compensation liability for fiscal year 2009.

The liability for workers' compensation was determined through an actuarial valuation performed for TMFPD as of December 31, 2011. Using a 70% probability level set by its actuary, claims of \$2,424,922 were determined to be long-term in nature. The non-discounted carrying amount of unpaid claims was \$2,903,000. The interest rate used for discount was 3%. Allocated loss adjustment expense is included in the actuarial calculation. Under the City's workers' compensation plan, TMFPD and the City self-insure up to a maximum of \$2.5 million for each workers' compensation claim. Claims incurred prior to fiscal year 2004 remain the liability of the City under the guaranteed payment plan in effect prior to July 1, 2003.

Claims liability and activity for the fiscal years ending June 30 were as follows:

| | | <u>TMFPD Workers' Compensation Fund</u> |
|-----------------------------------|----|--|
| Claims Liability/Activity: | | |
| Claims Liability, June 30, 2011 | \$ | 2,424,922 |
| Claims and changes in estimates | | 118,938 |
| Claims payments | | <u>(549,860)</u> |
| Claims Liability, June 30, 2012 | | 1,994,000 |
| Claims and changes in estimates | | 16,731 |
| Claims payments | | <u>(524,731)</u> |
| Claims Liability, June 30, 2013 | | 1,486,000 |
| Claims and changes in estimates | | 97,734 |
| Claims payments | | <u>(413,734)</u> |
| Claims Liability, June 30, 2014 | \$ | <u><u>1,170,000</u></u> |

NOTE 17 – JOINT VENTURES

Local Government Oversight Committee Joint Venture (Truckee River Water Quality Settlement Agreement)

The County and the Cities of Reno and Sparks have entered into a joint venture for the purchase of water rights pursuant to the Truckee River Water Quality Settlement Agreement (TRWQSA) dated October 10, 1996. Parties to the TRWQSA are Washoe County, City of Reno, City of Sparks, United States Department of the Interior (DOI), U.S. Department of Justice, U.S. Environmental Protection Agency, Nevada Division of Environmental Protection and the Pyramid Lake Paiute Tribe of Indians (Tribe).

The agreement settled and dismissed pending litigation by the Tribe relating to the expansion of the Truckee Meadows Water Reclamation Facility, which is operated by the Cities of Reno and Sparks. It allows Reno and Sparks to use the sewage plant's full capacity in exchange for the expenditure of \$24,000,000 (\$12,000,000 by DOI and \$12,000,000 by the joint venture) for the acquisition of Truckee River water rights. Proceeds received from the resale of land acquired incidentally, or from the retirement of challenged water rights have been netted against expenditures when received. As of June 30, 2014, the joint venture has fulfilled its spending requirements, with net program expenditures of \$12,033,002.

The County is responsible for administration of the joint venture. Water rights will be jointly managed by the County, Reno, Sparks and DOI. The arrangement is considered a joint venture with no equity interest because no explicit and measurable equity interest is deemed to exist. All equity is reserved for purchase of water rights and is therefore unavailable to the entities. Each entity (Washoe County, Reno and Sparks) will own an undivided and equal interest in the property and water rights purchased. The County's proportionate share of the water rights and related property purchases are included in capital assets when purchased. Assets of \$3,970,718 have been recorded as of June 30, 2014.

Separate audited financial statements and information for the joint venture are available by contacting the Washoe County Department of Water Resources, 4930 Energy Way, Reno, NV 89502.

Truckee Meadows Water Authority

The Truckee Meadows Water Authority (Authority) is a joint powers authority formed in November 2000, pursuant to a Cooperative Agreement among the Cities of Reno and Sparks and Washoe County (Members). The Authority was formed in

WASHOE COUNTY, NEVADA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014
(CONTINUED)

order to purchase water assets and undertake water utility operations of Sierra Pacific Power Company, a Nevada corporation, and to develop, manage and maintain supplies of water for the ongoing benefit of the Truckee Meadows community. The Authority issued bonds that do not constitute an obligation of Reno, Sparks, the County or the State.

Under the terms of the Cooperative Agreement, the Authority's Board of Directors has the power to periodically assess the Members directly for budgets and for the satisfaction of any liabilities imposed against the Authority. No such assessments have been made since the Authority's formation. The arrangement is considered a joint venture with no equity interest recorded on the County's balance sheet as of June 30, 2014, because no explicit and measurable equity interest is deemed to exist. The County appoints two directors of a seven-member governing body.

On December 9, 2009, the BCC and the Truckee Meadows Water Authority Board of Directors approved an interlocal agreement governing the merger of the Washoe County Department of Water Resources Water Utility into the Authority, which is intended to be the surviving water purveyor. On December 11, 2013, South Truckee Meadows General Improvement District (STMGID) and Truckee Meadows Water Authority entered into an interlocal agreement approving the merger of the STMGID water system into TMWA concurrent with the merger of Washoe County water system into TMWA. The implementation of the merger will proceed with an anticipated closing date of December 2014.

Separate audited financial statements and information for the joint venture are available by contacting the Authority's Chief Financial Officer at P.O. Box 30013, Reno, NV 89520-3013.

Truckee River Flood Management Authority

The Truckee River Flood Management Authority (TRFMA) is a joint powers authority formed in March, 2011, pursuant to a Cooperative Agreement among the Cities of Reno and Sparks and Washoe County (Members). The governing body of each Member appoints two directors who must be elected officials of the Member's governing body. The TRFMA was formed in order to regulate and control waters of the Truckee River that flow through their territories to reduce or mitigate flooding for the ongoing benefit of the Truckee Meadows community.

The primary source of revenue for the TRFMA consists of the net revenues of the Infrastructure Tax pledged by the County to support the TRFMA. The Infrastructure Tax is collected by the State of Nevada Department of Taxation and remitted to the County pursuant to procedures established in NRS Chapter 377B that restricts spending of these proceeds to projects for the management of floodplains, the prevention of floods or facilities relating to public safety. Net revenues consist of the balance remaining after paying or reserving for County obligations for existing flood project related debt obligations.

Under the terms of the Cooperative Agreement, the TRFMA Board of Directors has the power to periodically impose, assess, levy, collect and enforce fees, rates and charges in an amount sufficient for services or facilities, or both services or facilities and also to discharge any debt instruments or financing agreements. No such assessments have been made since the TRFMA's formation. The arrangement is considered a joint venture with no equity interest recorded on the County's balance sheet as of June 30, 2014, because no explicit and measurable equity interest is deemed to exist.

NOTE 18 – SUBSEQUENT EVENT

On October 14, 2014, the BCC approved a resolution directing the defeasance and redemption of the Washoe County, Nevada, General Obligation (limited tax) Water and Sewer Bonds (additionally secured by pledged revenues) Series 2005 in the amount of \$26.1 million. The debt will no longer be an obligation of the County pursuant to the merger of the Water Utility Division of Community Services with Truckee Meadows Water Authority (TMWA). The debt will be assumed by TMWA. Additional County debt of \$9.5 million, the Water Series 2005 Bonds, will also be restructured and assumed by TMWA by the planned merger date of December 31, 2014.

NOTE 19 – PRIOR PERIOD ADJUSTMENT

The beginning net position of the Water Resources Fund, an enterprise fund, has been restated due to incorrect capitalization of capital assets in fiscal years 2011 and 2012.

| Water Resources Fund | |
|--|----------------|
| Net position as previously reported, June 30, 2013 | \$ 409,065,451 |
| Capital asset reclassification | 196,356 |
| Net position, restated | \$ 409,261,807 |

**WASHOE COUNTY, NEVADA
REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2014**

SCHEDULE OF FUNDING PROGRESS – OTHER POSTEMPLOYMENT BENEFITS

| Actuarial Valuation Date | (a) Actuarial Value of Assets | (b) Actuarial Accrued Liability (AAL) | (a / b) Funded Ratio | (b - a) Unfunded Actuarial Accrued Liability (UAAL) | (c) Covered Payroll | [(b - a) / c] UAAL as a Percent of Covered Payroll |
|--------------------------------|--|--|------------------------------|--|-----------------------------|--|
| RHBP | | | | | | |
| July 1, 2008 | \$ - | \$ 276,684,000 | 0.00% | \$ 276,684,000 | \$ 181,854,743 | 152.15% |
| July 1, 2010 | 70,887,000 | 273,801,000 | 25.89% | 202,914,000 | 150,313,509 | 134.99% |
| July 1, 2012 | 91,263,000 | 287,185,000 | 31.78% | 195,922,000 | 146,848,513 | 133.42% |
| PEBP | | | | | | |
| June 30, 2010 | 1,925,471 | 7,437,111 | 25.89% | 5,511,640 | n/a | n/a |
| June 30, 2012 | 1,635,802 | 6,108,685 | 26.78% | 4,472,883 | n/a | n/a |
| June 30, 2014 | 2,607,203 | 3,412,494 | 76.40% | 805,291 | n/a | n/a |
| TMFPD RGMP | | | | | | |
| July 1, 2009 | - | 4,472,236 | 0.00% | 4,472,236 | n/a | n/a |
| July 1, 2011 | 3,533,063 | 3,361,331 | 105.11% | (171,732) | 793,352 | -21.65% |
| July 1, 2013 | 3,573,083 | 4,079,936 | 87.58% | 506,853 | 797,886 | 63.52% |
| SFPD RGMP | | | | | | |
| July 1, 2009 | - | 1,769,515 | 0.00% | 1,769,515 | 2,306,835 | 76.71% |
| July 1, 2011 | 530,895 | 2,472,793 | 21.47% | 1,941,898 | 3,087,570 | 62.89% |
| July 1, 2013 | 585,289 | 11,148,737 | 5.25% | 10,563,448 | 3,221,020 | 327.95% |

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

NOTE 1 – SCHEDULE OF FUNDING PROGRESS

The County and its component units implemented GASB Statement No. 45 prospectively for the fiscal year ended June 30, 2008. Information in the Schedule of Funding Progress for prior years is not available.

NOTE 2 – EMPLOYER CONTRIBUTIONS

The County funds the RHBP and the PEBP via contributions to the Washoe County, Nevada OPEB Trust (Trust). TMFPD and SFPD also fund their retiree group medical plans through the Trust. Information on employer contributions can be found in the Trust's separately issued financial statements, a copy of which can be obtained by writing to: OPEB Trust, c/o Washoe County Comptroller's Office, PO Box 11130, Reno, NV 89520.

NOTE 3 – TMFPD COVERED PAYROLL

The covered payroll for active plan members for the TMFPD RGMP reported above represents salaries and wages for the former City firefighters who transferred from the City to TMFPD in June 2012 and who were still employed by the District at June 30, 2014. The UAAL shown for TMFPD also includes the District's proportionate share of the liability, based on service earned prior to July 1, 2000 for the 45 employees who transferred employment to the City and retired during the term of the Interlocal Agreement.



COMPLIANCE SECTION

AUDITOR'S COMMENTS AND REPORTS

| | <u>Page</u> |
|--|-------------|
| Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed In Accordance with Government Auditing Standards | C-2 |
| Independent Auditor's Report on Compliance with Requirements Applicable to Each Program and on Internal Control over Compliance in Accordance with OMB Circular A-133..... | C-4 |
| Schedule of Expenditures and Federal Awards..... | C-7 |
| Notes to the Schedule of Expenditures and Federal Awards..... | C-19 |
| Schedule of Findings and Questioned Costs..... | C-20 |

**Independent Auditor's Report on Internal Control over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with Government Auditing Standards**

To the Honorable Board of Commissioners of
Washoe County, Nevada

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Washoe County, Nevada (Washoe County) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Washoe County's basic financial statements, and have issued our report thereon dated October 29, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Washoe County's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Washoe County's internal control. Accordingly, we do not express an opinion on the effectiveness of Washoe County's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Washoe County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Washoe County's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Washoe County's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Kafoury, Armstrong & Co.

Reno, Nevada
October 29, 2014

Report on Compliance for Each Major Federal Program;
Report on Internal Control Over Compliance; and
Report on Schedule of Expenditures of Federal Awards
Required by OMB Circular A-133

To the Honorable Board of Commissioners
Washoe County, Nevada

Report on Compliance for Each Major Federal Program

We have audited Washoe County, Nevada's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Washoe County Nevada's major federal programs for the year ended June 30, 2014. Washoe County, Nevada's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

Washoe County, Nevada's basic financial statements include the operations of the Truckee Meadows Fire Protection District, a discretely presented component unit, which received \$135,732 in federal awards which are not included in Washoe County, Nevada's Schedule of Expenditures of Federal Awards for the year ended June 30, 2014. Our audit, as described below, did not include the federal awards of the Truckee Meadows Fire Protection District because they were audited separately.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Washoe County, Nevada's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Washoe County, Nevada's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Washoe County, Nevada's compliance.

Opinion on Each Major Federal Program

In our opinion, Washoe County, Nevada complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs for the year ended June 30, 2014.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as Findings 2014-001 through 2014-005. Our opinion on each major federal program is not modified with respect to these matters.

Washoe County, Nevada's response to the noncompliance findings identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. Washoe County, Nevada's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

Report on Internal Control over Compliance

Management of Washoe County, Nevada is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Washoe County, Nevada's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Washoe County, Nevada's internal control over compliance.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as Findings 2014-001 through 2014-005 to be significant deficiencies.

Washoe County, Nevada's response to the internal control over compliance findings identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. Washoe County, Nevada's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Washoe County, Nevada, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Washoe County, Nevada's basic financial statements. We issued our report thereon dated October 29, 2014, which contained unmodified opinions on those financial statements. Our audit was conducted for

the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Kafoury, Armstrong & Co.

Reno, Nevada
November 19, 2014

WASHOE COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2014

| | CFDA Number | Project/Pass-through Grantor's Number | Expenditures 2014 |
|---|----------------|--|----------------------|
| Research and Development Cluster: | | | |
| U.S. Department of Health and Human Services (HHS): | | | |
| Direct Programs: | | | |
| Child Welfare Research Training or Demonstration Amount Provided to Subrecipients | 93.648 | 90CT0157-03-01 | \$ 238,168 |
| Child Welfare Research Training or Demonstration Amount Provided to Subrecipients | 93.648 | 90CT0157-03-01 | 302,854 |
| Child Welfare Research Training or Demonstration Amount Provided to Subrecipients | 93.648 | 90CT0157-04-00 | 888,011 |
| Child Welfare Research Training or Demonstration Amount Provided to Subrecipients | 93.648 | 90CT0157-04-00 | 733,463 |
| | | | <u>2,162,496</u> |
| | | | \$ 2,162,496 |
| Total Research and Development Cluster | | | |
| U.S. Department of Agriculture (USDA): | | | |
| Direct Programs: | | | |
| Rural Development, Forestry, and Communities (Rural Development Through Forestry) | 10.672 | 09-DG-11051900-017 | 670,223 |
| Rural Development, Forestry, and Communities (Rural Development Through Forestry) | 10.672 | 10-DG-11051900-031 | 175,540 |
| Rural Development, Forestry, and Communities (Rural Development Through Forestry) | 10.672 | 11-DG-11051900-022 | 66,297 |
| | | | 912,060 |
| Child Nutrition Cluster: | | | |
| Passed through Nevada Department of Education: | | | |
| School Breakfast Program | 10.553 | -- | 22,928 |
| Passed through Nevada Department of Education: | | | |
| National School Lunch Program (School Lunch) | 10.555 | -- | 37,405 |
| Passed through Nevada Department of Agriculture: | | | |
| National School Lunch Program (School Lunch) | 10.555 | -- | 4,701 |
| | | | <u>42,106</u> |
| | | | 65,034 |
| Total Child Nutrition Cluster | | | |
| Food Distribution Cluster: | | | |
| Passed through Nevada Department of Agriculture: | | | |
| Emergency Food Assistance Program (Administrative Costs) (TEFAP) | 10.568 | -- | 10,080 |
| Emergency Food Assistance Program (Food Commodities) (TEFAP, USDA Foods, Commodities) Amount Provided to Subrecipients | 10.569 | -- | 14,185 |
| Emergency Food Assistance Program (Food Commodities) (TEFAP, USDA Foods, Commodities) Amount Provided to Subrecipients | 10.569 | -- | 4,022 |
| | | | <u>18,207</u> |
| | | | 28,287 |
| Total Food Distribution Cluster | | | |

WASHOE COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2014

| | CFDA Number | Project/Pass-through Grantor's Number | Expenditures 2014 |
|--|--|---|--|
| U.S. Department of Agriculture (USDA) (continued): | | | |
| Passed through Nevada Department of Health and Human Services, Health Division: Special Supplemental Nutrition Program for Women, Infants and Children (WIC Program) Special Supplemental Nutrition Program for Women, Infants and Children (WIC Program) | 10.557 10.557 | HD 13045 HD 12031 | \$ 264,455 791,462 \$ 1,055,917 |
| Passed through Nevada Division of Forestry: Cooperative Forestry Assistance | 10.664 | UF/12/01 | 3,400 |
| Forest Service Schools and Roads Cluster: Passed through Nevada State Controller's Office: Schools and Roads - Grants to States (Payments to States) | 10.665 | -- | 31,968 |
| Passed through Nevada Department of Agriculture: ARRA-Recovery Act of 2009:Wildland Fire Management (ARRA WFM) ARRA-Recovery Act of 2009:Wildland Fire Management (ARRA WFM) ARRA-Recovery Act of 2009:Wildland Fire Management (ARRA WFM) ARRA-Recovery Act of 2009:Wildland Fire Management (ARRA WFM) ARRA-Recovery Act of 2009:Wildland Fire Management (ARRA WFM) ARRA-Recovery Act of 2009:Wildland Fire Management (ARRA WFM) ARRA-Recovery Act of 2009:Wildland Fire Management (ARRA WFM) ARRA-Recovery Act of 2009:Wildland Fire Management (ARRA WFM) | 10.688 10.688 10.688 10.688 10.688 10.688 10.688 10.688 | PID 0709-03 PID 0709-04 PID 0709-05 PID 0709-06 PID 0709-07 PID 0709-08 PID 0709-09 | 59,317 15,767 13,146 71,478 106,312 147,277 7,724 421,021 |
| Total U.S. Department of Agriculture | | | 2,517,687 |
| Department of Defense (DOD): | | | |
| U.S. Department of the Army, Office of the Chief Engineers: Direct Programs: Water Resources Development Act of 1999, Section 595 Rural Nevada and Montana | 12.UNKNOW | -- | 7,393 |
| U.S. Department of Housing and Urban Development (HUD): | | | |
| Direct Programs: Supportive Housing Program (Transitional Housing; Permanent Housing for Homeless Persons with Disabilities; Innovative Supportive Housing; Supportive Services for Homeless Persons not in Conjunction with Supportive Housing; Safe Havens; and HMIS) | 14.235 | NV0052B9T011000 | 22,045 |
| Shelter Plus Care Amount Provided to Subrecipients | 14.238 | NV0044C9T011102 | 4,433 |
| Continuum of Care Program Amount Provided to Subrecipients | 14.267 | NV0044L9T011203 | 77,314 |

(CONTINUED)

WASHOE COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2014

| | CFDA Number | Project/Pass-through Grantor's Number | Expenditures 2014 |
|--|----------------|--|-------------------------|
| <u>U.S. Department of Housing and Urban Development (HUD) (continued):</u> | | | |
| CDBG-Entitlement Grants Cluster: | | | |
| Direct Programs: | | | |
| Community Development Block Grants/Entitlement Grants (Community Development Block Grant program for Entitlement Communities | 14.218 | B-11-JUN-32-0002 | \$ 880,280 |
| Community Development Block Grants/Entitlement Grants (Community Development Block Grant program for Entitlement Communities | 14.218 | -- | 1,545 |
| Program Income | 14.218 | -- | <u>4,186</u> \$ 886,011 |
| CDBG-State-Administered CDBG Cluster: | | | |
| Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii (State CDBG) | 14.228 | B-11-DN-32-0001 | 384,000 |
| Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii (State CDBG) | 14.228 | CDBG 06/HS/001 | 7,440 |
| Program Income | 14.228 | CDBG 06/HS/001 | 29,230 |
| Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii (State CDBG) | 14.228 | -- | 15,217 |
| Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii (State CDBG) | 14.228 | 12/PF/20 | <u>70,216</u> 506,103 |
| Total U.S. Department of Housing and Urban Development | | | <u>1,495,906</u> |
| <u>U.S. Department of the Interior (DOI):</u> | | | |
| Fish and Wildlife Cluster: | | | |
| Passed through Nevada Department of Wildlife: | | | |
| Wildlife Restoration and Basic Hunter Education (Pittman-Robertson | 15.611 | W-51-HS-H | 68,278 |
| Wildlife Restoration Program) | | | |
| Passed through Nevada State Treasurer's Office: | | | |
| Distribution of Receipts to State and Local Governments | 15.227 | -- | 22,289 |
| Passed through Nevada Bureau of Land Management: | | | |
| Southern Nevada Public Land Management | 15.235 | L11AC20157 | 968,366 |
| Passed through Nevada Department of Conservation and Natural Resources: | | | |
| Historic Preservation Fund Grants-In-Aid (HPF) | 15.904 | 32-12-41935(11) | 14,304 |
| Passed through Nevada Division of State Parks: | | | |
| Outdoor Recreation-Acquisition, Development and Planning (Land and Water Conservation Fund Grants) | 15.916 | 32-00320.1 | 76,835 |
| Total U.S. Department of the Interior | | | <u>1,150,072</u> |

(CONTINUED)

**WASHOE COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2014**

| <u>U.S. Department of Justice (DOJ):</u> | CFDA Number | Project/Pass-through Grantor's Number | Expenditures 2014 |
|--|----------------|--|----------------------|
| Direct Programs: | | | |
| Organized Crime Drug Enforcement Task Forces (OCDETF) State and Local Overtime | 16.UNKNOWN | -- | \$ 33,102 |
| Juvenile Mentoring Program | 16.726 | 2010-DC-BX-0113 | \$ 637 |
| Amount Provided to Subrecipients | 16.726 | 2010-DC-BX-0113 | <u>12,732</u> |
| DNA Backlog Reduction Program | 16.741 | 2013-DN-BX-0121 | 97,098 |
| DNA Backlog Reduction Program | 16.741 | 2011-DN-BX-K460 | <u>92,261</u> |
| Equitable Sharing Program | 16.922 | -- | 519,008 |
| Program Income | 16.922 | -- | 10,068 |
| Equitable Sharing Program | 16.922 | -- | <u>1,452</u> |
| JAG Program Cluster: | | | |
| Passed through Reno Police Department: | | | |
| Edward Byrne Memorial Justice Assistance Grant Program (Byrne JAG Program) | 16.738 | -- | 32,415 |
| Edward Byrne Memorial Justice Assistance Grant Program (Byrne JAG Program) | 16.738 | 2013-DJ-BX-0956 | 36,918 |
| Passed through Nevada Department of Public Safety, Office of Criminal Justice Assistance: | | | |
| Edward Byrne Memorial Justice Assistance Grant Program (Byrne JAG Program) | 16.738 | 11-JAG-38 | 10,000 |
| Edward Byrne Memorial Justice Assistance Grant Program (Byrne JAG Program) | 16.738 | 12-JAG-27 | 2,677 |
| Edward Byrne Memorial Justice Assistance Grant Program (Byrne JAG Program) | 16.738 | 13-JAG-30 | 24,999 |
| Edward Byrne Memorial Justice Assistance Grant Program (Byrne JAG Program) | 16.738 | 13-JAG-31 | <u>178,000</u> |
| Total JAG Program Cluster | | | 285,009 |
| Passed through Nevada Department of Health and Human Services, Child and Family Services Division: | | | |
| Juvenile Accountability Block Grants (JABG) | 16.523 | JABG 2013-001 | 54,456 |
| Juvenile Justice and Delinquency Prevention-Allocation to States (State Formula Grants) | 16.540 | FORMULA 2013-001 | 87,558 |
| Crime Victim Assistance | 16.575 | VOCA13-097 | 86,643 |
| Crime Victim Assistance | 16.575 | VOCA13-098 | <u>14,055</u> |
| Passed through Las Vegas Metropolitan Police Department: | | | |
| Missing Children's Assistance | 16.543 | 2011-MC-CX-K002 | 75,422 |

(CONTINUED)

WASHOE COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2014

| | CFDA Number | Project/Pass-through Grantor's Number | Expenditures 2014 |
|--|----------------|--|----------------------|
| U.S. Department of Justice (DOJ) (continued): | | | |
| Passed through Joint Together Northern Nevada: Enforcing Underage Drinking Laws Program (EUDL) | 16.727 | -- | \$ 6,118 |
| Passed through City of Reno Police Department: Protecting Inmates and Safeguarding Communities Discretionary Grant Program (Prison Rape Elimination Act PREA) | 16.735 | 13-JAG-26 | \$ 2,622 |
| Protecting Inmates and Safeguarding Communities Discretionary Grant Program (Prison Rape Elimination Act PREA) | 16.735 | 13-JAG-27 | 108 |
| Passed through Nevada Department of Public Safety, Office of Criminal Justice Assistance: Paul Coverdell Forensic Sciences Improvement Grant Program | 16.742 | 11-FSI-02 | 54,205 |
| Paul Coverdell Forensic Sciences Improvement Grant Program | 16.742 | 12-FSI-02 | 27,244 |
| Paul Coverdell Forensic Sciences Improvement Grant Program | 16.742 | 13-FSI-02 | 34,094 |
| Total U.S. Department of Justice | | | 1,493,892 |
| U.S. Department of Transportation (DOT): | | | |
| Highway Planning and Construction Cluster: Passed through Nevada Department of Transportation: Highway Planning and Construction (Federal-Aid Highway Program, Federal Lands Highway Program) | 20.205 | PR291-10-063 | 1,144 |
| Passed through Nevada Department of Public Safety, Office of Traffic Safety: Highway Planning and Construction (Federal-Aid Highway Program, Federal Lands Highway Program) | 20.205 | JF-2014-WCSO-00027 | 17,588 |
| Highway Planning and Construction (Federal-Aid Highway Program, Federal Lands Highway Program) | 20.205 | 23-JF-1.28 | 2,063 |
| | | | 19,651 |
| Passed through Nevada Division of State Parks: Recreational Trails Program | 20.219 | 2009-09 | 10,310 |
| Recreational Trails Program | 20.219 | 2009-10 | 22,978 |
| | | | 33,288 |
| Total Highway Planning and Construction Cluster | | | 54,083 |

**WASHOE COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2014**

| <u>U.S. Department of Transportation (DOT) (continued):</u> | CFDA Number | Project/Pass-through Grantor's Number | Expenditures 2014 |
|---|------------------------|--|------------------------------|
| Highway Safety Cluster: | | | |
| Passed through Nevada Department of Public Safety, Office of Traffic Safety: | | | |
| State and Community Highway Safety | 20.600 | 21-AL-2 | \$ 30,697 |
| Program Income | 20.600 | 21-AL-2 | 82,605 |
| State and Community Highway Safety | 20.600 | 21-AL-3 | 46,871 |
| Program Income | 20.600 | 21-AL-3 | 58,829 |
| State and Community Highway Safety | 20.600 | 23-CP-2.6 | 258 |
| State and Community Highway Safety | 20.600 | 23-AL-6 | 1,984 |
| State and Community Highway Safety | 20.600 | JF-2014-WCSO-00027 | <u>25,461</u> |
| | | | <u>246,705</u> |
| Alcohol Impaired Driving Countermeasures Incentive Grants I | 20.601 | 23-JF-1.28 | <u>7,388</u> |
| Occupant Protection Incentive Grants | 20.602 | JF-2014-WCSO-00027 | <u>14,987</u> |
| Total Highway Safety Cluster | | | \$ 269,080 |
| Alcohol Open Container Requirements | 20.607 | 23-JF-1.28 | 7,468 |
| Alcohol Open Container Requirements | 20.607 | JF-2014-WCSO-00027 | <u>9,093</u> |
| National Priority Safety Programs | 20.616 | TS-2014-WC | 16,161 |
| Passed through Nevada State Emergency Response Commission: | | | |
| Interagency Hazardous Materials Public Sector Training and Planning Grants (Hazardous Materials Emergency Preparedness Training and Planning Grants, HMEP, Hazardous Materials Instructor Training Grants HMIT Supplemental Public Sector Training Grants SPST) | 20.703 | 13-HMEP-16-02 | 4,485 |
| Interagency Hazardous Materials Public Sector Training and Planning Grants (Hazardous Materials Emergency Preparedness Training and Planning Grants, HMEP, Hazardous Materials Instructor Training Grants HMIT Supplemental Public Sector Training Grants SPST) | 20.703 | 13-HEMP-16-01 | 34,175 |
| Amount Provided to Subrecipients | 20.703 | 13-HEMP-16-01 | 55,986 |
| Interagency Hazardous Materials Public Sector Training and Planning Grants (Hazardous Materials Emergency Preparedness Training and Planning Grants, HMEP, Hazardous Materials Instructor Training Grants HMIT Supplemental Public Sector Training Grants SPST) | 20.703 | 14-HMEP-16-01 | 7,044 |

WASHOE COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2014

| | CFDA Number | Project/Pass-through Grantor's Number | Expenditures 2014 |
|---|----------------|--|----------------------|
| <u>U.S. Department of Transportation (DOT) (continued):</u> | | | |
| Passed through Nevada State Emergency Response Commission (continued): | | | |
| Interagency Hazardous Materials Public Sector Training and Planning Grants (Hazardous Materials Emergency Preparedness Training and Planning Grants, HMEP, Hazardous Materials Instructor Training Grants HMIT Supplemental Public Sector Training Grants SPST) | 20.703 | 14-HMEP-16-02 | \$ 7,570 |
| Amount Provided to Subrecipients | | | 109,260 |
| Total U.S. Department of Transportation | | | 465,145 |
| <u>General Services Administration:</u> | | | |
| Direct Programs: | | | |
| Donation of Federal Surplus Personal Property (Donation Program) | 39.003 | -- | 275,115 |
| <u>Institute of Museum and Library Services:</u> | | | |
| Passed through Nevada State Library and Archives: | | | |
| Grants to States | 45.310 | 2013-31 | 60,200 |
| Grants to States | 45.310 | 2014-29 | 45,696 |
| Total Institute of Museum and Library Services | | | 105,896 |
| <u>U.S. Environmental Protection Agency (EPA):</u> | | | |
| Direct Programs: | | | |
| Air Pollution Control Program Support | 66.001 | A-00905413-0 | 223,046 |
| Air Pollution Control Program Support | 66.001 | A-00905414-0 | 524,962 |
| Surveys, Studies, Research, Investigations, Demonstrations, and Special Purpose Activities Relating to the Clean Air Act | 66.034 | PM-99T08401-0 | 9,657 |
| Surveys, Studies, Research, Investigations, Demonstrations, and Special Purpose Activities Relating to the Clean Air Act | 66.034 | PM-98963101-B | 71,858 |
| In-kind Costs | 66.034 | -- | 52,396 |
| Congressionally Mandated Projects (Congressional Earmarks) | 66.202 | XP-00T35201-0 | 90,412 |
| Passed through Nevada Department of Conservation and Natural Resources, Division of Environmental Protection: | | | |
| State Public Water System Supervision | 66.432 | DEP 14-005 | 90,000 |
| Nonpoint Source Implementation Grants (319 Program) | 66.460 | DEP-S 13-011 | 199,065 |
| Underground Storage Tank Prevention, Detection and Compliance Program (UST Prevention, Detection and Compliance Program) | 66.804 | DEP 14-003-2 | 58,967 |

(CONTINUED)

WASHOE COUNTY
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED JUNE 30, 2014

| | CFDA Number | Project/Pass-through Grantor's Number | Expenditures 2014 |
|---|----------------|--|----------------------|
| <u>U.S. Environmental Protection Agency (EPA) (continued):</u> | | | |
| Passed through Nevada Department of Conservation and Natural Resources, Division of Environmental Protection (continued): | | | |
| Leaking Underground Storage Tank Trust Fund Corrective Action Program (Leaking UST Corrective Action Program) | 66.805 | -- | \$ 66,446 |
| Total U.S. Environmental Protection Agency | | | |
| <u>U.S. Department of Health and Human Services (HHS):</u> | | | |
| Direct Programs: | | | |
| Food and Drug Administration-Research (General Grant Funding Program 93103) | 93.103 | 5U18FD004668-02 | 46,037 |
| Family Planning-Services (FP Services) | 93.217 | 5FPHPA096051-02-00 | \$ 799,840 |
| Program Income | 93.217 | 5 FPHPA096051 | 58,600 |
| Substance Abuse and Mental Health Services-Projects of Regional and National Significance (PRNS) | | | |
| Amount Provided to Subrecipients | 93.243 | 1H79T1025004-01 | 13,837 |
| | 93.243 | 1H79T1025004-01 | 141,525 |
| Aging Cluster: | | | |
| Passed through Nevada Aging and Disability Services Division: | | | |
| Special Programs for the Aging-Title III, Part B-Grants for Supportive Services and Senior Centers | 93.044 | 16-000-05-BX-14 | 73,914 |
| Program Income | 93.044 | 16-000-05-BX-14 | 31,904 |
| Special Programs for the Aging-Title III, Part B-Grants for Supportive Services and Senior Centers | 93.044 | 16-000-02-BL-14 | 66,835 |
| Program Income | 93.044 | 16-000-02-BL-14 | 1,038 |
| Special Programs for the Aging-Title III, Part B-Grants for Supportive Services and Senior Centers | 93.044 | 16-000-21-BX-14 | 31,218 |
| | | | 204,909 |
| Special Programs for the Aging-Title III, Part C-Nutrition Services | 93.045 | 16-000-04-2X-13 | 32,133 |
| Program Income | 93.045 | 16-000-04-2X-13 | 6,739 |
| Special Programs for the Aging-Title III, Part C-Nutrition Services | 93.045 | 16-000-04-2X-14 | 326,977 |
| Program Income | 93.045 | 16-000-04-2X-14 | 16,479 |
| Special Programs for the Aging-Title III, Part C-Nutrition Services | 93.045 | 16-000-07-1X-13 | 24,974 |
| Program Income | 93.045 | 16-000-07-1X-13 | 16,130 |
| Special Programs for the Aging-Title III, Part C-Nutrition Services | 93.045 | 16-000-07-1X-14 | 277,614 |
| Program Income | 93.045 | 16-000-07-1X-14 | 51,399 |
| | | | 752,445 |

(CONTINUED)

WASHOE COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2014

| <u>U.S. Department of Health and Human Services (HHS) (continued):</u> | CFDA Number | Project/Pass-through Grantor's Number | Expenditures 2014 |
|--|----------------|--|----------------------|
| Aging Cluster (continued): | | | |
| Passed through Nevada Aging and Disability Services Division (continued): | | | |
| Nutrition Services Incentive Program (NSIP) | 93.053 | 16-000-57-NX-14 | \$ 15,906 |
| Nutrition Services Incentive Program (NSIP) | 93.053 | 16-000-57-NX-13 | 68,268 |
| | | | <u>84,174</u> |
| Total Aging Cluster | | | \$ 1,041,528 |
| Passed through Nevada Department of Health and Human Services Health Division: | | | |
| Public Health Emergency Preparedness (PERLC; PREPAREDNESS AND EMERGENCY RESPONSE LEARNING CENTER PERLC Supporting PHEP; awards other than PHEP Cooperative agreement not recorded under 93074) | 93.069 | HD 13015-4 | 697,173 |
| Public Health Emergency Preparedness (PERLC; PREPAREDNESS AND EMERGENCY RESPONSE LEARNING CENTER PERLC Supporting PHEP; awards other than PHEP Cooperative agreement not recorded under 93074) | 93.069 | HD 14388 | 64,921 |
| | | | <u>762,094</u> |
| Project Grants and Cooperative Agreements for Tuberculosis Control Programs (Tuberculosis Prevention and Control and Laboratory Program) | 93.116 | HD 13109 | 42,871 |
| Project Grants and Cooperative Agreements for Tuberculosis Control Programs (Tuberculosis Prevention and Control and Laboratory Program) | 93.116 | HD 13109 | 49,254 |
| Program Income | 93.116 | HD 13109 | 2,735 |
| Program Income | 93.116 | HD 14272 | 1,560 |
| | | | <u>96,420</u> |
| Immunization Cooperative Agreements (Immunizations CoAg and Vaccines for Children Program previously published as Immunization Grants and Vaccines for Children Program) | 93.268 | HD 14265 | 155,652 |
| Immunization Cooperative Agreements (Immunizations CoAg and Vaccines for Children Program previously published as Immunization Grants and Vaccines for Children Program) | 93.268 | HD 13128 | 149,637 |
| Program Income | 93.268 | HD 13128 | 61,124 |
| Program Income | 93.268 | HD 14265 | 107,490 |
| | | | <u>473,903</u> |
| Centers for Disease Control and Prevention-Investigations and Technical Assistance (CDC Investigations, Technical Assistance) | 93.283 | HD 13143 | 84,534 |
| Centers for Disease Control and Prevention-Investigations and Technical Assistance (CDC Investigations, Technical Assistance) | 93.283 | HD 14355 | 9,392 |
| Centers for Disease Control and Prevention-Investigations and Technical Assistance (CDC Investigations, Technical Assistance) | 93.283 | HD S-14187 | 31,971 |
| | | | <u>125,897</u> |

(CONTINUED)

**WASHOE COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2014**

| U.S. Department of Health and Human Services (HHS) (continued): | CFDA Number | Project/Pass-through Grantor's Number | Expenditures 2014 |
|---|------------------------|--|------------------------------|
| Passed through Nevada Department of Health and Human Services Health Division (continued): The Affordable Care Act: Building Epidemiology, Laboratory, and Health Information Systems Capacity in the Epidemiology and Laboratory Capacity for Infectious Disease (ELC) and Emerging Infections Program (EIP) Cooperative Agreements; PPHF (ELC/EIP - 2012 Prevention and Public Health Fund and Other Capacity-Building Activities) | 93.521 | HD S-14187 | \$ 90,478 |
| The Affordable Care Act: Building Epidemiology, Laboratory, and Health Information Systems Capacity in the Epidemiology and Laboratory Capacity for Infectious Disease (ELC) and Emerging Infections Program (EIP) Cooperative Agreements; PPHF (ELC/EIP - 2012 Prevention and Public Health Fund and Other Capacity-Building Activities) | 93.521 | HD 13095 | 10,530 |
| The Affordable Care Act: Building Epidemiology, Laboratory, and Health Information Systems Capacity in the Epidemiology and Laboratory Capacity for Infectious Disease (ELC) and Emerging Infections Program (EIP) Cooperative Agreements; PPHF (ELC/EIP - 2012 Prevention and Public Health Fund and Other Capacity-Building Activities) | 93.521 | HD S14224 | <u>12,969</u> \$ 113,977 |
| Promoting Safe and Stable Families | 93.556 | IVB-2-14-061 | 17,416 |
| Children's Justice Grants to States | 93.643 | G-1201NVCJA1 | 18,602 |
| National Bioterrorism Hospital Preparedness Program (HPP) | 93.889 | HD 13008-3 | 427,785 |
| National Bioterrorism Hospital Preparedness Program (HPP) | 93.889 | HD 14387 | <u>13,676</u> 441,461 |
| Cooperative Agreements for State-Based Comprehensive Breast and Cervical Cancer Early Detection Programs (National Breast and Cervical Cancer Early Detection Program NBCCEDP) | 93.919 | -- | 4,067 |
| HIV Prevention Activities-Health Department Based (HIV Prevention Program) | 93.940 | HD 12132-1 | 226,470 |
| HIV Prevention Activities-Health Department Based (HIV Prevention Program) | 93.940 | HD 12132-3 | <u>141,195</u> 367,665 |
| HIV Care Formula Grants | 93.917 | HD S14287 | 3,972 |
| HIV Care Formula Grants | 93.917 | HD 14460 | 9,611 |
| HIV Care Formula Grants | 93.917 | HD 14459 | <u>1,623</u> 15,206 |
| Human Immunodeficiency Virus (HIV)/Acquired Immunodeficiency Virus Syndrome (AIDS) Surveillance (HIV/AIDS Surveillance) | 93.944 | HD 13106 | 34,499 |
| Human Immunodeficiency Virus (HIV)/Acquired Immunodeficiency Virus Syndrome (AIDS) Surveillance (HIV/AIDS Surveillance) | 93.944 | HD 13106-01 | <u>34,807</u> 69,306 |

WASHOE COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2014

| <u>U.S. Department of Health and Human Services (HHS) (continued):</u> | CFDA Number | Project/Pass-through Grantor's Number | Expenditures 2014 |
|--|----------------|--|-------------------------|
| Preventive Health Services-Sexually Transmitted Diseases Control Grants Program Income | 93.977 | HD 13113 | \$ 53,352 |
| | 93.977 | HD 13113 | 11,303 |
| Preventive Health Services-Sexually Transmitted Diseases Control Grants Program Income | 93.977 | HD S14249 | 48,192 |
| | 93.977 | HD 14249 | <u>8,763</u> \$ 121,610 |
| Maternal and Child Health Services Block Grant to the States (MCH Block Grants) | 93.994 | HD 13023 | 33,149 |
| Passed through Nevada Aging & Disability Services Division: Special Programs for the Aging-Title IV and Title II-Discretionary Projects | 93.048 | 16-000-15-KX-13 | 5,860 |
| National Family Caregiver Support, Title III, Part E | 93.052 | 16-000-15-EX-14 | 86,000 |
| Passed through Nevada Department of Health and Human Services, Child and Family Services Division: Medicare Enrollment Assistance Program (MIPPA) | 93.071 | 16-000-13-Q8X-14 | 6,662 |
| Money Follows the Person Rebalancing Demonstration (Money Follows the Person Demonstration) | 93.791 | 16-000-15-K1X-14 | 7,707 |
| Passed through National Association of County and City Health Officials: Medical Reserve Corps Small Grant Program (MRC) | 93.008 | MRC 08 0443 | 835 |
| Passed through Nevada Division of Child and Family Services: Adoption Incentive Payments | 93.603 | AI-13-012 | 226,841 |
| Adoption Incentive Payments | 93.603 | AI-2012-010 | <u>86,320</u> 313,161 |
| Stephanie Tubbs Jones Child Welfare Services Program | 93.645 | -- | 62,004 |
| Foster Care-Title IV-E | 93.658 | -- | 9,367,376 |
| Adoption Assistance | 93.659 | -- | 4,983,790 |
| Social Services Block Grant (SSBG Program) | 93.667 | -- | 682,780 |
| Chafee Foster Care Independence Program (CFCIP; Independent Living Program) | 93.674 | CH-14-020 | 344,511 |
| Passed through Nevada Division of Welfare and Supportive Services: Child Support Enforcement Program Income | 93.563 | -- | 2,525,715 |
| | 93.563 | -- | <u>14,577</u> 2,540,292 |
| Grants to States for Access and Visitation Programs | 93.597 | 1301NVSAVP | 21,617 |
| Grants to States for Access and Visitation Programs | 93.597 | 1201NVSAVP | <u>3,980</u> 25,597 |

(CONTINUED)

WASHOE COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2014

| | CFDA Number | Project/Pass-through Grantor's Number | Expenditures 2014 |
|--|----------------|--|----------------------|
| <u>U.S. Department of Health and Human Services (HHS) (continued):</u> | | | |
| Passed through Supreme Court of Nevada, Administrative Office of the Courts: | | | |
| State Court Improvement Program (State and Tribal Court Improvement Programs) | 93.586 | 13-400 | \$ 6,150 |
| State Court Improvement Program (State and Tribal Court Improvement Programs) | 93.586 | 14-417 | 57,690 \$ |
| | | | <u>63,840</u> |
| Passed through Centers for Medicare & Medicaid Services: | | | |
| Medicare-Prescription Drug Coverage (Medicare Part D) | 93.770 | CMS-10156 | 265,233 |
| | | | <u>23,517,788</u> |
| Total U.S. Department of Health and Human Services | | | |
| <u>Executive Office of the President, Office of National Drug Control Policy:</u> | | | |
| Passed through Las Vegas Metropolitan Police Department: | | | |
| High Intensity Drug Trafficking Areas Program (HIDTA) | 95.001 | G12NNV0001A | 35,726 |
| High Intensity Drug Trafficking Areas Program (HIDTA) | 95.001 | G13NNV0001A | 46,304 |
| High Intensity Drug Trafficking Areas Program (HIDTA) | 95.001 | G13NNV0001A | 60,615 |
| High Intensity Drug Trafficking Areas Program (HIDTA) | 95.001 | G14NNV0001A | 13,981 |
| | | | <u>156,626</u> |
| Total Executive Office of the President, Office of National Drug Control Policy | | | |
| <u>U.S. Department of Homeland Security (DHS):</u> | | | |
| Direct Programs: | | | |
| Secret Service Task Force | 97_UNKNOWN | LVECTF FY 2012-2013 | 1,335 |
| Assistance to Firefighters Grant (Fire Grants) | 97.044 | EMW-2012-FP-00349 | 75,433 |
| Passed through Nevada Department of Public Safety Division of Emergency Management: | | | |
| Homeland Security Grant Program (HSGP and THSGP) | 97.067 | 97067HL9 | 15,005 |
| Homeland Security Grant Program (HSGP and THSGP) | 97.067 | 97067-HL1 | 119,381 |
| Homeland Security Grant Program (HSGP and THSGP) | 97.067 | 97067-HL2 | 68,040 |
| Homeland Security Grant Program (HSGP and THSGP) | 97.067 | 97067-HL3 | 139,476 |
| Homeland Security Grant Program (HSGP and THSGP) | 97.067 | 97067.11-CL1 | 20,861 |
| Homeland Security Grant Program (HSGP and THSGP) | 97.067 | 97067.11-HL1 | 713,878 |
| Homeland Security Grant Program (HSGP and THSGP) | 97.067 | 97067.12-HL2 | 1,499,887 |
| | | | <u>225,805</u> |
| Emergency Management Performance Grant (EMPG) | 97.042 | 9704213 | 128,617 |
| Emergency Management Performance Grant (EMPG) | 97.042 | 9704214 | 97,188 |
| | | | <u>1,802,460</u> |
| Total U.S. Department of Homeland Security | | | |
| Total Expenditures of Federal Awards | | | |
| | | | <u>\$ 36,537,285</u> |

The notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.



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**WASHOE COUNTY, NEVADA
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2014**

NOTE 1 – REPORTING ENTITY

The Washoe County reporting entity is defined in Note 1 to its basic financial statements. The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal financial assistance programs of Washoe County but does not include federal financial assistance programs of the County's discretely presented component units. All federal financial assistance received directly from federal agencies, as well as federal financial assistance passed through other government agencies, is included in the schedule.

NOTE 2 – BASIS OF ACCOUNTING

The Schedule of Expenditures of Federal Awards is prepared on the modified accrual basis of accounting.

NOTE 3 – NONCASH EXPENDITURES

The expenditures reported include noncash items as follows:

National School Lunch Program (School Lunch Program [10.555])

Expenditures of \$4,701 for this program represent the dollar value of food commodities served at the County's juvenile detention facilities. The value of commodities is determined by the U.S. Department of Agriculture.

Emergency Food Assistance Program (Food Commodities [10.569])

Expenditures of \$18,207 for this program represent the dollar value of food commodities distributed to eligible recipients during the year. The value of commodities is determined by the U.S. Department of Agriculture.

Donation of Federal Surplus Personal Property (39.003)

Expenditures of \$275,115 for this program represent the dollar value of items received from the Defense Reutilization and Marketing Office (DRMO). The value of the items received was determined by the DRMO.

Surveys, Studies, Investigations, Demonstrations and Special Purpose Activities Relating to the Clean Air Act (66.034)

The expenditures include \$52,396 representing the value of sample analyses obtained at no charge to Washoe County.

NOTE 4 – PROGRAM INCOME

Expenditures reported include income received by the grantee, directly generated by grant-supported activity and includes the following programs:

| PROGRAM | CFDA NUMBER | AMOUNT |
|---|--------------------|---------------|
| Community Development Block Grants/Entitlement Grants | 14.218 | \$ 4,186 |
| Community Development Block Grants/State's Program | 14.228 | 44,447 |
| Equitable Sharing Program | 16.922 | 10,068 |
| State and Community Highway Safety | 20.600 | 141,434 |
| Special Programs for the Aging Title III, Part B | 93.044 | 32,942 |
| Special Programs for the Aging Title III, Part C | 93.045 | 90,747 |
| Project Grants and Cooperative Agreements for Tuberculosis Control Programs | 93.116 | 4,295 |
| Family Planning Services | 93.217 | 58,600 |
| Immunization Cooperative Agreements | 93.268 | 168,614 |
| Child Support Enforcement | 93.563 | 14,577 |
| Preventive Health Services-Sexually Transmitted Diseases Control Grants | 93.977 | 20,066 |
| Total Program Income | | \$ 589,976 |

WASHOE COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014

Section I - Summary of Auditor's Results:

- Kafoury, Armstrong & Co. issued an unmodified opinion on the financial statements of Washoe County, Nevada for the year ended June 30, 2014.
- No significant deficiencies or material weaknesses were disclosed during the audit of the financial statements.
- The audit disclosed no instances of noncompliance, which were material to the financial statements of Washoe County, Nevada.
- Significant deficiencies, not identified as material weaknesses, in the internal control over a major federal award program were disclosed.
- Kafoury, Armstrong & Co. issued an unmodified opinion on compliance for major federal award programs of Washoe County, Nevada.
- Audit findings, relative to major federal award programs for Washoe County, Nevada, which are required to be reported under section .510(a) of OMB Circular A-133 are included on the following pages.
- Washoe County had five major programs for the year ended June 30, 2014, as follows:
 - Family Planning Services – CFDA 93.217
 - HIV Prevention Activities – CFDA 93.940
 - Foster Care – Title IV-E – CFDA 93.658
 - Chafee Foster Care Independence Program – CFDA 93.674
 - Homeland Security Grant Program – CFDA 97.067
- The dollar threshold used to distinguish between Type A and Type B programs for the year ended June 30, 2014 was \$1,096,118.
- Washoe County qualified as a low risk auditee for the year ended June 30, 2014 under the criteria set forth in section .530 of OMB Circular A-133.

Section II – Findings – Financial Statement Audit:

There were no findings relating to the financial statement audit.

**WASHOE COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014**

Section III – Findings and Questioned Costs for Federal Awards:

U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:

Finding 2014-001:

Passed through Nevada Division of Child and Family Services:

Foster Care Title IV-E, CFDA 93.658:

| | |
|-------------------------------|--|
| <i>Grant Award Number:</i> | Affects grant awards included under CFDA 93.658 on the Schedule of Expenditures of Federal Awards. |
| <i>Criteria:</i> | The <i>OMB Circular A-133 Compliance Supplement</i> provides that Title IV-E agencies establish payment rates for maintenance payments. The Title IV-E agency's plan must provide for periodic review of payment rates for maintenance payments at reasonable, specific, time-limited periods established by the Title IV-E agency to assure the rate's continuing appropriateness for the administration of the Title IV-E program (42 USC 671(a)(11)). |
| <i>Condition and Context:</i> | As part of our testing over maintenance payment rates, we noted there were no policies or procedures included in the County's IV-E plan to provide for the periodic review of maintenance payment rates at reasonable, specific, time-limited periods to assure the rate's continuing appropriateness. |
| <i>Questioned Costs:</i> | None. |
| <i>Effect:</i> | Maintenance payment rates may not be appropriate for the administration of the program. |
| <i>Cause:</i> | The Washoe County Department of Social Services did not have policies and procedures in place to provide for the periodic review of payment rates for maintenance payments at reasonable, specific, time-limited periods to assure the rate's continuing appropriateness for the administration of the program. |
| <i>Recommendation:</i> | We recommend the Washoe County Department of Social Services implement policies and procedures to provide for the periodic review of payment rates for maintenance payments at reasonable, specific, time-limited periods to assure the rate's continuing appropriateness for the administration of the program. |
| <i>Management's Response:</i> | See management's response on page C-22. |



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RENO, NEVADA 89520-0027
PHONE: (775) 785-8600
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DEPARTMENT OF SOCIAL SERVICES

November 6, 2014

TO: U.S. Department of Health and Human Services

FR: Ken Retterath, Interim Director, Washoe County Department of Social Services *KR*

RE: Washoe County Schedule of Findings and Questioned Costs for the Fiscal Year Ended June 30, 2014

This response is provided to the Finding and Questioned Costs for Federal Awards, Finding 2014-001, Comprehensive Annual Financial Report for Fiscal Year Ended June 30, 2014.

FINDING

Finding 2014-001, Foster Care Title IV-E, CFDA 93.658

CONDITION AND CONTEXT

As part of our testing over maintenance payment rates, we noted there were no policies or procedures included in the County's IV-E plan to provide for the periodic review of maintenance payment rates at reasonable, specific, time-limited periods to assure the rate's continuing appropriateness.

CORRECTIVE ACTION

The Department of Social Services historically assessed the established rate for maintenance payments annually, but did not have a formal, documented process. The Department will develop a written policy with procedures, to document an annual review and evaluation process for Foster Care maintenance payments to assure that payments established are reasonable, specific, available for a specified time period, and remain appropriate for the administration of the program.

cc: Paul McArthur, Comptroller
Kafoury, Armstrong & Co.

**WASHOE COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014**

Section III – Findings and Questioned Costs for Federal Awards (continued):

U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:

Finding 2014-002:

Passed through Nevada Division of Child and Family Services:

Foster Care Title IV-E, CFDA 93.658:

| | |
|-------------------------------|--|
| <i>Grant Award Number:</i> | Affects grant awards included under CFDA 93.658 on the Schedule of Expenditures of Federal Awards. |
| <i>Criteria:</i> | The <i>OMB Circular A-133 Compliance Supplement</i> provides that funds may be expended for costs directly related to the administration of the program that are necessary for the proper and efficient administration of the Title IV-E plan. The approved public assistance cost allocation plan shall identify which costs are allocated and claimed under this program (45 CFR section 1356.60(c)). The costs allocated and claimed as part of the cost allocation plan are subject to <i>OMB Circular A-87</i> , which provides that costs charged are supported by appropriate documentation and are correctly charged as to amount. |
| <i>Condition and Context:</i> | As part of our testing over the Department of Social Services' Cost Allocation Plan, we noted that costs from the County Wide Cost Allocation Plan were included on the Department of Social Services' Cost Allocation Plan, which is allowable. However, the amounts included were from a version of the County Wide Cost Allocation Plan that was out of date. |
| <i>Questioned Costs:</i> | Undetermined. |
| <i>Effect:</i> | Inaccurate amounts were allocated on the Department of Social Services' Cost Allocation Plan. |
| <i>Cause:</i> | The Washoe County Department of Social Services did not have adequate internal controls in place to ensure amounts included in the Department's Cost Allocation Plan agree to and are supported by the County Wide Cost Allocation Plan where appropriate. |
| <i>Recommendation:</i> | We recommend the Washoe County Department of Social Services enhance internal controls to ensure amounts included on its Cost Allocation Plan agree to and are supported by the County Wide Cost Allocation Plan where appropriate. |
| <i>Management's Response:</i> | See management's response on page C-24. |



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DEPARTMENT OF SOCIAL SERVICES

November 6, 2014

TO: U.S. Department of Health and Human Services

FR: Ken Retterath, Interim Director, Washoe County Department of Social Services

HR

RE: Washoe County Schedule of Findings and Questioned Costs for the Fiscal Year Ended June 30, 2014

This response is provided to the Finding and Questioned Costs for Federal Awards, Finding 2014-002, Comprehensive Annual Financial Report for Fiscal Year Ended June 30, 2014.

FINDING

Finding 2014-002, Foster Care Title IV-E, CFDA 93.658

CONDITION AND CONTEXT

As part of our testing over the Department of Social Services Cost Allocation Plan, we noted that costs from the County Wide Cost Allocation Plan were included on the Department of Social Services' Cost Allocation Plan, which is allowable. However, the amounts included were from a version of the County Wide Cost Allocation Plan that was out of date.

CORRECTIVE ACTION

The Comptroller's office does not publish and distribute copies of the County Wide Cost Allocation Plan to departments. The Department of Social Services accessed a copy of the County Wide Cost Allocation Plan posted on the Comptroller's website, which was the out of date version. The Department will enact internal procedures to verify that the copy of the County Wide Cost Allocation Plan utilized within the Social Services' Cost Allocation Plan is the final, approved version. The Department will verify the County Wide overhead charges assessed the Child Protective Services Fund match the overhead calculated within the final, approved version of the County Wide Cost Allocation Plan as further verification.

cc: Paul McArthur, Comptroller
Kafoury, Armstrong & Co.

**WASHOE COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014**

Section III – Findings and Questioned Costs for Federal Awards (continued):

U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:

Finding 2014-003:

Passed through the Nevada Division of Child and Family Services:

Foster Care Title IV-E, CFDA 93.658:

| | |
|-------------------------------|---|
| <i>Grant Award Number:</i> | Affects grant awards included under CFDA 93.658 on the Schedule of Expenditures of Federal Awards. |
| <i>Criteria:</i> | The <i>OMB Circular A-133 Compliance Supplement</i> provides that funds may be expended for costs directly related to the administration of the program that are necessary for the proper and efficient administration of the Title IV-E plan. The approved public assistance cost allocation plan shall identify which costs are allocated and claimed under this program (45 CFR section 1356.60(c)). |
| <i>Condition and Context:</i> | As part of our testing over the Department of Social Services' Cost Allocation Plan approved by the federal agency, we noted that the Plan narrative indicated that the amounts included in the Plan were allocated using a software tool, AlloCap. However, our testing indicated that AlloCap was not used in the preparation of the Cost Allocation Plan. |
| <i>Questioned Costs:</i> | Undetermined. |
| <i>Effect:</i> | Costs may be claimed that are not in accordance with the approved Department of Social Services' Cost Allocation Plan. |
| <i>Cause:</i> | The Washoe County Department of Social Services did not follow its procedures to allocate costs in accordance with its Cost Allocation Plan. |
| <i>Recommendation:</i> | We recommend the Washoe County Department of Social Services follow its procedures to allocate costs in accordance with its Cost Allocation Plan. |
| <i>Management's Response:</i> | See management's response on page C-26. |



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DEPARTMENT OF SOCIAL SERVICES

November 6, 2014

TO: U.S. Department of Health and Human Services

FR: Ken Retterath, Interim Director, Washoe County Department of Social Services 

RE: Washoe County Schedule of Findings and Questioned Costs for the Fiscal Year Ended June 30, 2014

This response is provided to the Finding and Questioned Costs for Federal Awards, Finding 2014-003, Comprehensive Annual Financial Report for Fiscal Year Ended June 30, 2014.

FINDING

Finding 2014-003, Foster Care Title IV-E, CFDA 93.658

CONDITION AND CONTEXT

As part of our testing over the Department of Social Services' Cost Allocation Plan approved by the federal agency, we noted that the Plan narrative indicated that the amounts included in the Plan were allocated using a software tool, AlloCap. However, our testing indicated that AlloCap was not used in the preparation of the Cost Allocation Plan.

CORRECTIVE ACTION

The Department of Social Services purchased the AlloCap software tool and support services in 2010. The Department has had repeated difficulty reconciling the AlloCap software tool with the Washoe County financial system, SAP. The Department continues to work with the AlloCap vendor and technical staff to resolve the reconciling items and initiate full utilization of the AlloCap software tool. In the meantime, the Department utilizes an Excel based tool, that although is not the AlloCap tool, it is an appropriate tool to support documented cost allocation reimbursement requests. The Department will notify the appropriate State and Federal agencies of the current status.

cc: Paul McArthur, Comptroller
Kafoury, Armstrong & Co.

**WASHOE COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014**

Section III – Findings and Questioned Costs for Federal Awards (continued):

U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:

Finding 2014-004:

Passed through Nevada Division of Child and Family Services:

Chafee Foster Care Independence Program, CFDA 93.674:

| | |
|-------------------------------|--|
| <i>Grant Award Number:</i> | Affects grant award CH-14-020 included under CFDA 93.674 on the Schedule of Expenditures of Federal Awards. |
| <i>Criteria:</i> | The <i>Catalog of Federal Domestic Assistance</i> indicates eligible beneficiaries are children and youth who are likely to remain in foster care until age 18, youth who left foster care to adoption or kinship guardianship after attaining age 16, and former foster care recipients up to age 21. |
| <i>Condition and Context:</i> | As part of our procedures over eligibility, we tested a sample of payments made on behalf of participants. We noted one payment was for services provided to a group of 16 participants, seven of which were over the age of 21 and ineligible. |
| <i>Questioned Costs:</i> | Undetermined. |
| <i>Effect:</i> | Federal reimbursement was received for participants who were ineligible. |
| <i>Cause:</i> | The Washoe County Department of Social Services did not have adequate controls in place to ensure that payments were being made on behalf of eligible participants only. |
| <i>Recommendation:</i> | We recommend the Washoe County Department of Social Services enhance controls to ensure that all payments are made on behalf of eligible participants only. |
| <i>Management's Response:</i> | See management's response on page C-28. |



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PHONE: (775) 785-8600
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DEPARTMENT OF SOCIAL SERVICES

November 6, 2014

TO: U.S. Department of Health and Human Services

FR: Ken Retterath, Interim Director, Washoe County Department of Social Services

RE: Washoe County Schedule of Findings and Questioned Costs for the Fiscal Year Ended June 30, 2014

This response is provided to the Finding and Questioned Costs for Federal Awards, Finding 2014-004, Comprehensive Annual Financial Report for Fiscal Year Ended June 30, 2014.

FINDING

Finding 2014-004, Chaffee Foster Care Independence Program, CFDA 93.674

CONDITION AND CONTEXT

As part of our procedures over eligibility, we tested a sample of payments made on behalf of participants. We noted one payment was for services provided to a group of 16 participants, seven of which were over the age of 21 and ineligible.

CORRECTIVE ACTION

The Department of Social Services provides limited financial support to the community college program that assists former foster youth currently enrolled in the community college system, with educational guidance counseling; assistance applying for scholarships and other financial assistance; course tutoring, and other educational services. Programmatic reports provided by the college on the status of services delivered and students served included the entire population of youth served and did not delineate specific services to the youth between the ages of 18 to 21 who were targeted with this funding. The Department will require future reporting that details the specific services provided the specific target youth with the specific grant funding appropriated.

cc: Paul McArthur, Comptroller
Kafoury, Armstrong & Co.

**WASHOE COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014**

Section III – Findings and Questioned Costs for Federal Awards (continued):

U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:

Finding 2014-005:

Family Planning - Services, CFDA 93.217:

| | |
|-------------------------------|--|
| <i>Grant Award Number:</i> | Potentially affects all grant awards included under CFDA 93.217 on the Schedule of Expenditures of Federal Awards. |
| <i>Criteria:</i> | <i>OMB Circular A-133</i> requires that reports submitted to the Federal awarding agency include all activity of the reporting period, and are presented in accordance with program requirements. |
| <i>Condition and Context:</i> | The Washoe County Department of Health is required to submit quarterly and annual SF-425 Federal Financial Reports for the Family Planning Services awards. During testing of the SF-425 report submitted for the period ended September 30, 2013, we noted the amounts reported for cash receipts and cash on hand were understated by \$203,197. |
| <i>Questioned Costs:</i> | None. |
| <i>Effect:</i> | Inaccurate information was reported to the Federal awarding agency. |
| <i>Cause:</i> | The Washoe County Department of Health did not have adequate controls in place to ensure that amounts included in the SF-425 Federal Financial Report were supported by the underlying accounting records. |
| <i>Recommendation:</i> | We recommend the Washoe County Department of Health enhance controls to ensure that amounts included in the SF-425 Federal Financial Report are supported by the underlying accounting records prior to submission of the report. |
| <i>Management's Response:</i> | See management's response on page C-30. |



Washoe County Health District



Public Health
Prevent. Promote. Protect.

November 4, 2014

TO: U.S. Department of Health and Human Services

FROM: Anna Heenan, Administrative Health Services Officer

SUBJECT: Washoe County Schedule of Findings and Questioned Costs for the Year Ended June 30, 2014

I am responding to the Finding and Questioned Costs for Federal Awards relating to the Comprehensive Annual Financial Report for Fiscal Year Ended June 30, 2014.

FINDING

Finding 2014-005 Family Planning – Services, CFDA 93.217

CONDITION AND CONTEXT

The Washoe County Department of Health is required to submit quarterly and annual SF-425 Federal Financial Reports for the Family Planning Services awards. During testing of the SF-425 report submitted for the period September 30, 2013, we noted the amounts reported for cash receipts and cash on hand were understated by \$203,197.

CORRECTIVE ACTION

The error was discovered (caused by using a figure from an incorrect line on an excel spreadsheet) and corrected on the subsequent Federal Financial Report for the period ending December 31, 2013. Staff has highlighted the line that reflects the total of cash receipts in the excel spreadsheet and will double check amounts prior to submitting the reports.

cc: Paul McArthur
Kafoury, Armstrong & Co.



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