



# **FINANCIAL SECTION**



**FINANCIAL SECTION**

**Page**

**Independent Auditor’s Report**..... 2

**Management’s Discussion and Analysis** ..... 7

**Basic Financial Statements**

Government-wide Financial Statements..... 17

Fund Financial Statements..... 20

Notes to the Financial Statements ..... 42

**Required Supplementary Information** ..... 97

**Combining and Individual Fund Statements and Schedules** ..... 105



## Independent Auditor's Report

To the Honorable Board of Commissioners  
Washoe County, Nevada  
Reno, Nevada

### Report on the Audit of the Financial Statements

#### *Opinions*

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Washoe County, Nevada (the "County") as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of Washoe County, Nevada as of June 30, 2023, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund, the Child Protective Services Fund, and the Other Restricted Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### *Basis for Opinions*

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the County and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### *Adoption of New Accounting Standards*

As discussed in Notes 1, 6, 9 and 20 to the financial statements, the County has adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 96, *Subscription-Based Information Technology Arrangements*, for the year ended June 30, 2023. Accordingly, a restatement has been made to the County's governmental activities and the discretely presented component unit's net position as of July 1, 2022, to restate beginning net position. Our opinions are not modified with respect to these matters.

As discussed in Notes 1 and 20 to the financial statements, the discretely presented component unit has adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 100, *Accounting Changes and Error Corrections*, for the year ended June 30, 2023. Accordingly, the presentation and disclosure of the restatements in the financial statements conform to the requirements of the new standard for the year ended June 30, 2023, to restate beginning net position of the discretely presented component unit and for the correction of errors presented. Our opinions are not modified with respect to these matters.

### ***Correction of Errors***

As discussed in Note 20 to the financial statements, certain errors resulting from the following as of June 30, 2022, were discovered by management of the County during the year:

- In the governmental activities and the Other Restricted Fund there was an understatement of receivables, Opioid settlement revenue and unavailable revenues.
- In the governmental activities and the Other Restricted Fund there was an understatement of grant revenue and an overstatement of unearned revenue relating to the Coronavirus State and Local Fiscal Recovery Funds.
- In the governmental activities there was an understatement of deferred grant income - unearned and an overstatement of revenues for the Coronavirus State and Local Fiscal Recovery Funds.
- In the governmental activities and the Non-major Governmental Funds there was an overstatement of receivables and revenues, and an understatement of unearned revenue relating to the Nevada Shared Radio System.
- In the Fiduciary Funds there was understatement of the assets, liabilities and net position due to a missing component unit.
- In the Fiduciary Funds there was understatement of the receivables and revenues.

Accordingly, a restatement has been made to the Other Restricted Fund and the Other Nonmajor Governmental Funds fund balances and the governmental activities and fiduciary funds net position as of June 30, 2022, to correct the errors. Our opinions are not modified with respect to that matter.

### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the County's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

## ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 County's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the County's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 7 through 15, the postemployment benefits other than pensions (OPEB) and pension plan information collectively presented on pages 97 through 104, and the notes to the required supplementary information on page 101 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 GAAS, 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.

### ***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The combining and individual fund financial statements and schedules and the schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* are presented for purposes of additional analysis and are 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 basic 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 GAAS. In our opinion, the combining individual fund financial statements and schedules and the schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The County's basic financial statements for the year ended June 30, 2022 (not presented herein), were audited by other auditors whose report thereon dated December 7, 2022, expressed unmodified opinions on the respective financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information. The report of the other auditors dated December 7, 2022, stated that the combining and individual fund financial statements and schedules for the year ended June 30, 2022 was subjected to the auditing procedures applied in the audit of the 2022 basic financial statements and certain additional auditing procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare those basic financial statements or the those basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America and, in their opinion, was fairly stated in all material respects in relation to the basic financial statements as a whole for the year ended June 30, 2022.

### ***Other Information***

Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 27, 2023, 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 solely 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 the effectiveness of the County's 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.

The image shows a handwritten signature in cursive script that reads "Eide Bailly LLP".

Reno, Nevada  
December 27, 2023



**WASHOE COUNTY, NEVADA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2023**

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, 2023. 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**

- Ad Valorem taxes increased \$18.0 million and investment earnings increased \$15.7 million from the previous year and overall governmental activities revenue decreased \$37.0 million from the previous fiscal year due to a decrease in federal grant funding compared to the previous year.
- Governmental Activities expenditures increased by \$126 million compared to the prior year as the result of anticipated increases in expenditures associated with the federal ARPA/SLFRF funding that occurred in FY22 and FY23 with increases in personnel costs throughout the County.
- As a result of increased budgeted program activity levels, public safety costs increased by \$58.2 million, judicial by \$24.7 million and welfare of \$12.9 million in FY23.
- Washoe County's Governmental Activities outstanding debt (including unamortized bond premium) totaled \$97.3 million. Outstanding debt decreased by of \$11.6 million due to regularly scheduled principal payments, discounts, premiums and deferred charges on refunding. The current debt limitation for the County is \$2.1 billion which is \$2.0 billion in excess of the County's outstanding general obligation debt.
- Ending net position in both the Governmental and Business-Type Activities increased \$90.4 million due to the continued strong growth in the economy and an increase in the investment earnings that was recorded for FY23
- General Fund unassigned fund balance decreased to \$138.3 million.

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to Washoe County's basic financial statements. The County's financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) the notes to the basic financial statements. This report also contains supplementary information intended to provide additional detail in support of the financial statements.

**Government-wide financial statements.** The government-wide financial statements are designed to provide a broad overview of Washoe 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 reported as net position. Increases or decreases in net position over time may serve as a useful indicator of whether the County's financial position is improving or deteriorating.

The Statement of Activities presents information showing how the County's net position changed during the current 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 expenditures are reported for some items that will not result in cash flows until 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 sanitation, welfare, culture and recreation, and community support. The business-type activities of the County include a sewer utility, golf courses, and building permit activities.

**WASHOE COUNTY, NEVADA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2023**  
**(CONTINUED)**

The government-wide financial statements also include one legally separate fire protection district for which the County is financially accountable. Financial information for this component unit is reported separately from the financial information for Washoe County itself.

The government-wide financial statements can be found in the basic financial statements section of this report.

**Fund financial statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Washoe County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Each of the County's funds can be classified as either governmental, proprietary, or fiduciary.

**Governmental Funds.** Governmental funds are used to account for essentially 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 can be useful for gauging the County's near-term financial requirements.

Since the focus of governmental funds is narrower than that of the government-wide financial statements, both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate comparison between governmental funds and governmental activities. These reconciliations are included with the basic financial statements in this report.

The County maintains twenty-two individual governmental funds. The governmental funds financial statements provide separate details for the General Fund, Child Protective Services Fund, Other Restricted Fund, and Capital Improvements Fund which are considered to be major funds. Data from the remaining governmental funds are combined into a single aggregated presentation. Individual fund data for each of these non-major funds is provided in the form of combining statements in the non-major 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, Child Protective Services Fund, and the Other Restricted 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. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. Washoe County uses enterprise funds to account for a sewer utility, golf courses and building permit activities. Internal service funds are an accounting device 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. Because these activities predominantly benefit governmental rather than business-type functions, they are included within governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, but in more detail. The proprietary fund financial statements provide separate information for the Utilities Fund, which is considered to be a major fund. 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 in the applicable sections of this report.

**Fiduciary Funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside of the County. Fiduciary funds are not included 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.

**WASHOE COUNTY, NEVADA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2023**  
**(CONTINUED)**

**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 to the financial statements can be found in this report following the basic financial statements.

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

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

The County's assets and deferred outflows of resources exceeded liabilities and deferred inflows by \$566.2 million at June 30, 2023. This resulted primarily from the increases in the Business-Type Activities. These factors are discussed in more detail in the notes to the financial statements.

**Washoe County's Net Position**  
**(in Thousands)**

	Governmental Activities		Business-Type Activities		Total	
	2023	2022	2023	2022	2023	2022
<b>Assets</b>						
Current and other assets	\$ 604,089	\$ 565,662	\$ 179,914	\$ 168,308	\$ 784,003	\$ 733,970
Net capital assets	468,932	444,623	205,189	184,417	674,121	629,040
Total assets	1,073,021	1,010,285	385,103	352,725	1,458,124	1,363,010
<b>Deferred outflows of resources</b>	292,184	183,136	4,831	2,672	297,015	185,808
<b>Liabilities</b>						
Current liabilities	118,481	50,203	9,209	6,633	127,690	56,836
Noncurrent liabilities due within one year	57,826	62,387	2,104	2,082	59,930	64,469
Noncurrent liabilities due in more than one year	876,620	459,279	50,460	33,149	927,080	492,428
Total liabilities	1,052,927	571,869	61,773	41,864	1,114,700	613,733
<b>Deferred inflows of resources</b>	72,738	374,127	1,527	5,941	74,265	380,068
<b>Net position</b>						
Net investment in capital assets	382,948	354,340	164,177	153,980	547,125	508,320
Restricted	271,498	308,204	4,262	4,159	275,760	312,363
Unrestricted	(414,906)	(415,119)	158,195	149,453	(256,711)	(265,666)
Total net position	\$ 239,540	\$ 247,425	\$ 326,634	\$ 307,592	\$ 566,174	\$ 555,017

The largest portion of the County's net position remains its investment in capital assets (e.g., land, buildings, equipment and construction in progress), less any outstanding debt used to acquire them. Capital assets are used to provide services to citizens and therefore are not regarded as being available to fund future spending. Similarly, though they are reported net of related debt, the capital assets themselves will not be used to liquidate these obligations.

Restricted net position of \$275.8 million is a decrease of \$36.6 million from the prior year, and represents resources that are subject to external restrictions (statutes, bond covenants, or granting agencies) on how they may be used. Additional details concerning these restrictions are provided in the notes to the financial statements.

Unrestricted net position represents resources that can be used to meet the County's other obligations to citizens and creditors, though these resources may not be in spendable form. It is not uncommon for governments to report negative net position, particularly in the governmental activities column. Unrestricted net position deficits commonly arise because governments have long-term liabilities that they fund on a pay-as-you-go basis, appropriating resources annually as payments come due rather than accumulating assets in advance. Washoe County's deficit in

**WASHOE COUNTY, NEVADA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2023  
(CONTINUED)**

unrestricted net position for governmental activities is \$414.9 million in the current year as a result of the continuing impact of GASB 68 and GASB 75.

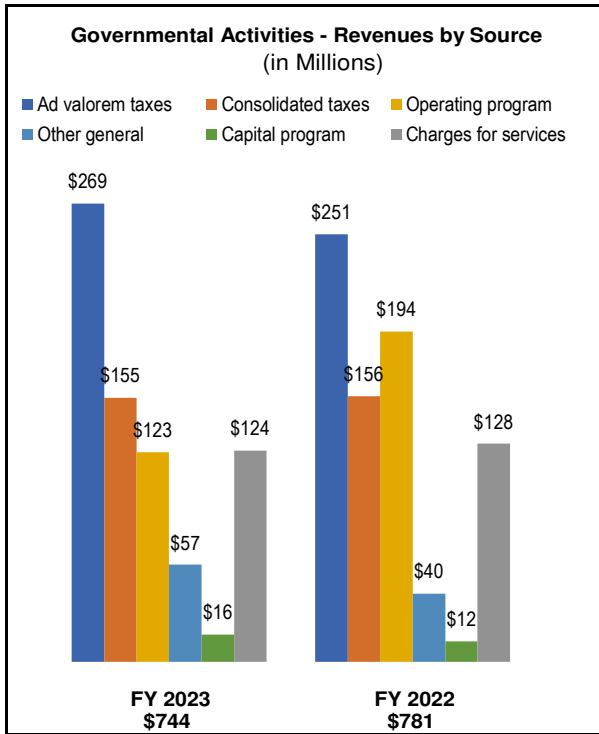
The unrestricted net position of the County's business-type activities of \$158.2 million may not be used to fund governmental activities.

**Washoe County Changes In Net Position  
(in Thousands)**

	Governmental Activities		Business-type Activities		Total	
	2023	2022	2023	2022	2023	2022
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$ 122,997	\$ 128,272	\$ 25,810	\$ 25,619	\$ 148,807	\$ 153,891
Operating grants, interest and contributions	123,483	193,653	-	92	123,483	193,745
Capital grants, interest and contributions	15,870	11,947	9,464	7,173	25,334	19,120
General revenues:						
Ad valorem taxes	268,659	250,669	-	-	268,659	250,669
Consolidated taxes	155,480	156,087	-	-	155,480	156,087
Other intergovernmental	51,169	49,955	-	-	51,169	49,955
Investment earnings	6,145	(9,544)	3,035	(4,890)	9,180	(14,434)
Other	-	279	-	-	-	279
Total revenues	743,803	781,318	38,309	27,994	782,112	809,312
<b>Expenses:</b>						
General government	116,048	102,241	-	-	116,048	102,241
Judicial	94,325	69,625	-	-	94,325	69,625
Public safety	224,091	165,924	-	-	224,091	165,924
Public works	39,726	37,681	-	-	39,726	37,681
Health and sanitation	32,949	27,610	-	-	32,949	27,610
Welfare	130,541	117,647	-	-	130,541	117,647
Culture and recreation	26,872	21,670	-	-	26,872	21,670
Community support	143	347	-	-	143	347
Interest/fiscal charges	7,786	4,317	-	-	7,786	4,317
Utilities	-	-	15,580	13,353	15,580	13,353
Golf courses	-	-	338	326	338	326
Building permits	-	-	3,349	2,405	3,349	2,405
Total Expenses	672,481	547,062	19,267	16,084	691,748	563,146
Change in net position	71,322	234,256	19,042	11,910	90,364	246,166
<b>Net position, July 1, as restated</b>	168,218	13,169	307,592	295,682	475,810	308,851
<b>Net position, June 30</b>	\$ 239,540	\$ 247,425	\$ 326,634	\$ 307,592	\$ 566,174	\$ 555,017

**Governmental Activities.** Governmental activities increased the County's net position at June 30<sup>th</sup> by \$71.3 million. This increase was largely driven due to the increase in revenues from ad valorem taxes, money received from the federal government due to the American Rescue Plan Act (ARPA/SLFRF) and unrealized investment gains.

**WASHOE COUNTY, NEVADA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2023  
(CONTINUED)**

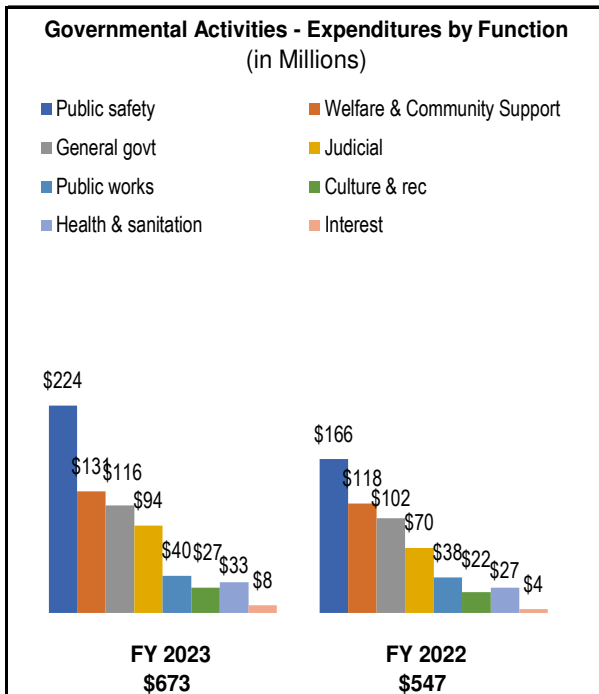


**Revenues** for ad valorem taxes were \$18 million (7%) higher than FY22. Consolidated sales taxes (received from the State) decreased slightly by \$0.6 million (0.4%). Ad valorem taxes and consolidated taxes make up 58% of revenues from governmental activities.

Operating program revenues decreased \$71 million (36%) when compared to the prior year. The Federal government, in response to the pandemic, provided grant funds for the COVID-19 pandemic in the 2022 fiscal year to assist local governments in responding to the pandemic. Also the Federal government passed the American Rescue Plan Act (ARPA/SLFRF) that allocated approximately \$92 million to Washoe County in which half of that amount was received in FY22.

Other general revenues increased \$17 million (41%) when compared to the prior year mainly due to unrealized investment gains for the fiscal year. Other general revenues include sales and other taxes, intergovernmental revenues, and unrestricted investment earnings.

Capital program revenues increased by \$4 million or 33% compared to fiscal year 2022. These revenues are subject to fluctuation and such variation is not unusual.



**Expenditures** for governmental activities increased by \$126 million (23%) compared to the prior year, primarily the result of increases in expenditures that occurred in FY23 associated with the COVID-19 pandemic, ARPA/SLFRF and pension/OPEB costs. Total expenditures for public safety, judicial, culture and recreation and health & sanitation increased the most during the year but all areas had increases.

Judicial costs increased by \$24 million (34%) compared to the prior year because of costs associated with ARPA/SLFRF, court expansion/upgrade projects, and in the pension/OPEB costs .

Public safety costs increased by \$58 million (35%) compared to the prior year, in part due to increased program activity levels and costs associated with ARPA/SLFRF projects and CARES funding.

Total expenditures in welfare increased \$13 million (11%) for this fiscal year because of anticipated budgeted increased expenditures in the current year associated with homelessness and ARPA/SLFRF funds allocations.

Health and sanitation costs increased by \$6 million (22%) compared to the prior year, in large part due to increased program activities due to the ARPA/SLFRF funding available for FY23.

Culture and recreation costs increased by \$5 million (23%) compared to the prior year, in large part also due to increased construction and program activities due to the ARPA/SLFRF funding available for FY23.

**WASHOE COUNTY, NEVADA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2023  
(CONTINUED)**

**Business-type Activities.** Net position for FY23 of \$326.6 million for business-type activities is \$19.0 million more than FY22. This increase is due to the net impact of total revenues minus expenses being positive year over year.

Total operating revenues for business-type activities for FY23 are up by \$190,000 when compared to FY22. This was partially due to an increase in utility fees for FY23 of \$1.1 million with an offset of decreased building permits and fees of \$1.0 million. Unrealized investment gains for FY23 was recorded at \$0.9 million which the department has no control over this revenue. There was also an increase in nonoperating revenues for the unrealized investment earnings increase of \$6.8 million when compared to last year.

Increases in operating expenses for business-type activities for FY23 was \$3.4 million when compared to FY22. The majority of this increase was within the utility business. Salaries and benefits increased by \$2.0 million due to cost of living adjustments, merit increases and retirement costs. Services and supplies increased by \$0.8 million. Depreciation increased by \$0.6 million. FY23 investment earnings was \$1.1 million higher than FY22 due to the higher earnings. Hook-up fees came in \$1.6 million higher than FY22 and an increase in capital contributions from contractors in the amount of \$0.7 million.

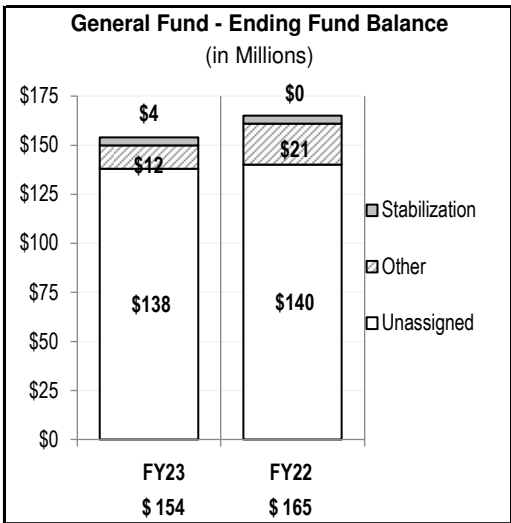
**FINANCIAL ANALYSIS – GOVERNMENTAL FUNDS**

As noted earlier, Washoe County uses fund accounting 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 near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the County’s funding requirements. In particular, unassigned fund balance can provide a useful measure of net resources available for discretionary use since they represent fund balance which has not been limited to use for a particular purpose by either an external party or the County itself.

At June 30, 2023, Washoe County’s governmental funds reported combined fund balances of \$412.4 million, an increase of \$43.0 million in comparison to the prior year. This increase is primarily due to the increases in the Child Protective Services Fund, Other Restricted Fund, Capital Improvements Fund and Other Governmental Funds. The increases were in Child Protective Services Fund of \$2.1 million, Other Restricted Fund of \$5.2 million, Capital Improvements Fund of \$32.7 million and Other Governmental Funds of \$14.1 million increase in fund balance. Unassigned General Fund balance of \$138.3 million is 33% of the total governmental fund balance. The remainder of fund balance is either nonspendable (not in spendable form or legally required to be maintained intact); or restricted, committed or assigned for particular purposes. Fund balances are discussed in greater detail in note 13.

**General Fund.** The General Fund is the County’s primary operating fund. Total fund balance decreased \$11 million (7%) for the year primarily due to an increase of \$49 million (11%) in expenses associated with increased contracted services for the American Rescue Plan Act (ARPA/SLFRF) and increases in the cost of living adjustments, merit increases and additional FTE (Full Time Equivalent). This increase in expenses were offset by an increase in revenues of \$26.0 million. The revenue increase is attributed in part to an increase in ad valorem and consolidated taxes which together consists of 81% of general fund revenue. Ad valorem taxes increased \$16 million (8%) over prior year and consolidated taxes decreased slightly by \$610,000 over prior year. Other revenues which include investment earnings increased \$10 million when compared to the prior year.



The stabilization portion of fund balance represents funds reserved for the mitigation of the effects of emergencies or natural disaster, as authorized by Nevada Revised Statutes 354.6115. Stabilization funding levels are set by the Board of County Commissioners, and the balance is included in restricted fund balance. On April 28, 2015, the Board of County Commissioners approved a policy change in stabilization funding, from a percentage of expenditures to a minimum

**WASHOE COUNTY, NEVADA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2023  
(CONTINUED)**

amount of \$3 million committed. For FY20, the BCC on May 12, 2020 authorized the stabilization funding of \$3 million to be used for the unexpected COVID-19 expenditures. For FY21 the stabilization funding was replenished back to \$3 million. In FY22, the stabilization amount was increased \$1 million for a total balance of \$4 million.

Other fund balances include non-spendable, restricted, committed assigned and unassigned amounts. The total of these balances increased 7% in the current year. Restricted fund balance of \$10.7 million is restricted for debt service, the Incline Village Property Tax Refund Settlement, and Stabilization reserves. The committed and assigned fund balance of \$4.5 million is for major contracts and purchase orders extending into the following fiscal year.

**Child Protective Services Fund.** The Child Protective Services Fund, a major fund managed by the Human Services Agency, accounts for resources specifically appropriated to protect against the neglect, abandonment and abuse of children in Washoe County. Federal and state grants are the primary funding sources, and together made up 75% of the revenue for the year. Other revenue and ad valorem taxes are contributing 14% while service fees are contributing 11%. Expenditures include personnel costs, as well as, expenditures for child protection and placement, including emergency shelter, professional services, foster care, adoption subsidies, referral services, and other operating services and supplies.

Ending fund balance of \$17.2 million increased \$2.1 million (14%) from prior year primarily due to an increase in revenues for federal grants. Restricted fund balance consists primarily of donations and private foundation grants to support related expenditures. The remainder of the fund balance is committed for the support of child protective programs.

**Other Restricted Fund.** The Other Restricted Fund, a major fund, accounts for various specific resources restricted for specified purposes consistent with legal and operating requirements. Resources include: ad valorem tax apportionments for Cooperative Extension support, car rental fees for the Reno baseball stadium debt, justice court administrative assessments for court projects, fees and donations for Wilbur D. May Center support and grants and restricted donations for General Fund departments. Ending fund balance of \$35.0 million increased \$5.2 million or 15% from the prior year due to increased federal grant revenue for ARPA/SLFRF related expenditures.

**Capital Improvements Fund.** The Capital Improvements Fund, a major fund, accounts for resources that are derived from financing proceeds, grants, special assessments, transfers and investment earnings, which are appropriated for various major capital projects. Ending fund balance of \$95.3 million increased \$32.7 million or 52% from the prior year, primarily due to the federal funding for projects from the American Rescue Plan Act (ARPA/SLFRF).

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

**Utilities Fund.** The Utilities Fund, a major fund, was established to account for County-owned and operated water and sewer systems in the unincorporated areas of the County. Change in FY23 net position of the fund increased \$18.5 million. When compared to the prior year's net position, the amount increased is \$8.6 million. An increase of \$1.2 million from operating revenue activities and the collection of \$6.4 million in hookup fees. There was a net increase in the fair value of investments of \$865,000 and an increase of \$2.5 million in operating expenses.

## **General Fund Budgetary Highlights**

**Original budget compared to final budget.** On December 20, 2022 with the Board of County Commissioners approval of the Annual Comprehensive Financial Report for the period ending June 30, 2022 an augmentation to the General Fund budget of \$2.3 million was approved for purchase orders extending into the following fiscal year for services and supplies and capital outlay.

**Final budget compared to actual results.** Overall, revenues were slightly higher and varied from the budget by less than 1% for the year due to increased ad valorem tax revenue and higher investment earnings when compared to the prior fiscal year. Overall expenditures were lower for the year and varied 7% from the final budget.

**WASHOE COUNTY, NEVADA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2023  
(CONTINUED)**

There was a 9% favorable variance to final budget in the Culture and Recreation function mainly attributable to lower than planned spending for services and supplies.

There was a 20% favorable variance to final budget in the General Government function mainly attributable to lower than planned spending for capital outlay.

**CAPITAL ASSETS**

The County's investment in capital assets (net of depreciation) for its governmental and business-type activities totaled \$674.1 million at year end, as summarized below.

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

	Governmental Activities		Business-Type Activities		Total	
	2023	2022	2023	2022	2023	2022
Land, use rights	\$ 157,570	\$ 152,331	\$ 8,372	\$ 8,268	\$ 165,942	\$ 160,599
Plant capacity	-	-	825	825	825	825
Construction in progress	52,929	30,578	50,218	27,820	103,147	58,398
Land improvements	16,150	16,733	1,580	1,803	17,730	18,536
Building/improvements	134,385	142,116	35,319	36,494	169,704	178,610
Infrastructure	71,964	75,216	107,627	107,909	179,591	183,125
Equipment	26,817	22,139	481	452	27,298	22,591
Software	686	1,093	65	85	751	1,178
Intangible right-to-use assets	8,431	8,080	-	-	8,431	8,080
Plant capacity, depreciable	-	-	702	761	702	761
<b>Total</b>	<b>\$ 468,932</b>	<b>\$ 448,286</b>	<b>\$ 205,189</b>	<b>\$ 184,417</b>	<b>\$ 674,121</b>	<b>\$ 632,703</b>

Capital assets related to governmental activities increased \$20.6 million in comparison to the prior year, primarily due to the net effect of current year depreciation of \$28.1 million and the increase in CIP assets.

Capital assets related to business-type activities increased \$20.7 million in comparison to the prior year. This is primarily due to the construction of a new sewer plant being built.

Additional information on the County's capital assets can be found in note 6.

**OUTSTANDING DEBT**

At June 30, 2023, the County's outstanding bonded debt totaled \$138.3 million. Of this amount, \$68.0 million is general obligation debt backed by the full faith and credit of the County recognized in Governmental Activities, and \$1.6 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 \$27.7 million debt consists of revenue bonds secured solely by specified revenue sources.



**WASHOE COUNTY, NEVADA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2023  
(CONTINUED)**

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

	Governmental Activities		Business-Type Activities		Total	
	2023	2022	2023	2022	2023	2022
General Obligation Bonds	\$ 67,968	\$ 76,292	\$ 41,012	\$ 30,509	\$ 108,980	\$ 106,801
Revenue Bonds	27,721	30,626	-	-	27,721	30,626
Special Assessment Bonds	1,604	1,942	-	-	1,604	1,942
Total	\$ 97,293	\$ 108,860	\$ 41,012	\$ 30,509	\$ 138,305	\$ 139,369

Outstanding debt related to governmental activities decreased when compared to the prior year due to three previous years refundings and bond issue offset by regularly scheduled principal payments, discounts, premiums and deferred charges on refunding.

Outstanding debt for business-type activities decreased \$1.7 million from prior year due to the continued annual payments for debt on the cost of building a new sewer plant.

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 \$2.1 billion, which is \$2.0 billion 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.

**ECONOMIC FACTORS**

Washoe County received over \$91 million in American Rescue Plan Act (ARPA/SLFRF) funds. At the end of the fiscal year over \$90 million of these funds were committed to the allowable categories of Public Health, Negative Economic Impact, Administration, resulting in over 100 projects being funded.

As recognized by Standard and Poor's review of the County's financial status supported by the County's maintenance of its favorable position and positive operations and its continuation of diversifying its tax base, Washoe County's long term rating by Standard and Poors has been upgraded to AA+/Stable.

Annual events that occur in northern Nevada that include Burning Man, Hot August Nights and the Great Reno Balloon race have continued to see increased attendance and registration post the COVID-19 pandemic.

Information prepared by the US Census as of July 2022 shows an increase in population estimates for Washoe County increasing by 2.1% to 496,745.

Demand for housing continues to increase. The housing market in northern Nevada continues to rebound with the median home price for the northern Nevada market at the end of last fiscal year being \$582,644 – this fiscal year the housing market has recognized an increase of 2.2% for a median price of \$559,000.

**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 the Washoe County Comptroller, 1001 E. 9<sup>th</sup> Street, Room D-200, Reno, NV 89512. This report will also be available on the County's web site ([www.washoecounty.gov/comptroller/AFR](http://www.washoecounty.gov/comptroller/AFR)). Truckee Meadows Fire Protection District is included in this report as a discretely presented component unit. This entity issues its own separately audited financial statements, which is filed at the Washoe County Clerk's Office, 1001 E. 9<sup>th</sup> Street, Room A-150, Reno, Nevada 89512.



*This Page Intentionally Left Blank*