

Introductory Section



*Washoe County
School District*

Comprehensive
Annual
Financial Report

Introductory Section

- Letter of Transmittal
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- Organizational Chart
- Certificate of Achievement for Excellence in Financial Reporting





Washoe County School District

425 East Ninth Street • P.O. Box 30425 • Reno, NV 89520-3425
Phone (775) 348-0200 • Fax (775) 348-0304 • www.washoecountyschools.org

Board of Trustees: Barbara McLaury, President • Ken Grein, Vice President • Scott Kelley, Clerk
Dan Carne • Barbara Clark • Estela Gutierrez • John Mayer • Dr. Heath Morrison, Superintendent

October 24, 2011

TO THE CITIZENS AND THE HONORABLE BOARD OF TRUSTEES OF THE WASHOE COUNTY SCHOOL DISTRICT:

The comprehensive annual financial report of the Washoe County School District (the "District") for the fiscal year ended June 30, 2011, is hereby submitted. Nevada Revised Statutes (NRS) 354.624 requires the District to issue an annual report on its financial position and activities and that this report be audited by an independent firm of certified public accountants.

Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with District's management. The report has been prepared by the Business and Financial Services Division and to the best of our knowledge and belief the data contained in the report is accurate in all material respects and presents fairly the financial position of the various funds of this organization, including all disclosures necessary to understand the District's activities.

Kafoury, Armstrong & Co., Certified Public Accountants, have issued an unqualified ("clean") opinion on the District's financial statements for the year ended June 30, 2011. The independent auditor's report is located at the front of the financial section of this report.

Management's discussion and analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. MD&A complements this letter of transmittal and should be read in conjunction with it.

PROFILE OF THE GOVERNMENT

The District was organized as a result of legislation enacted in 1956. The District provides a full range of elementary and secondary educational services including local, state, and federal programs. As with all school districts in Nevada, its boundaries are conterminous with the County. During fiscal year 2010-11, the District operated sixty-two elementary schools, one K-12 school, fourteen middle schools, twelve comprehensive high schools, plus an alternative high school, a magnet high school, a technical high school and one K-12 special education school (Picollo). The District also offers one middle/high online school (WOLF) and sponsors eight charter schools. The District employed approximately 8,275 employees (certified, classified, administrative and substitutes) and served 62,323 students during the year (after final state audit). The governing board of the District consists of seven members elected by the public for four-year terms. The Board of Trustees believes that our mission is to create an education system where all students achieve academic success, develop personal and civic responsibility, and achieve career and college readiness for the 21st century.

The Board of Trustees is ultimately accountable for the fiscal matters of the District. The Superintendent of Schools is responsible to the Board of Trustees for the general efficiency of the school system, including instruction, student services, personnel, finance, administration and all other phases of District operations. In addition, the Superintendent develops policy for constructive relations between schools and the community, and assures programs are responsive to current and future student needs, and compatible with community expectations.

The Business and Financial Services Office develops and administers a budgeting system that serves as the primary means by which most of the financing, acquisition, spending and service-delivery activities of the District are controlled. The use of an annual operating budget is prescribed under Chapter 354 of the Nevada Revised Statutes. The budget is approved by the Board of Trustees through public hearings and is submitted to the Nevada Tax Commission for compliance review.

LOCAL ECONOMY

The District is located in the northwestern part of the State of Nevada in the boundaries designated as Washoe County. The County itself is the second largest (population wise) in the State covering an area of 6,600 square miles with the county seat in the City of Reno. Other cities included in the County are Gerlach, Sparks, Wadsworth and Incline Village at Lake Tahoe.

The economy of Nevada is heavily dependent upon a tourist industry based on legalized casino gambling. Gaming has been legal in Nevada since 1931 and is regulated and controlled by the State. Different forms of legal gaming have been authorized or are being considered by many states, including California. As such, the diversification of Nevada's job base continues to be a high priority throughout the State.

Washoe County continues to be one of the most diversified in Nevada. The Reno/Sparks area is a principal manufacturing and distribution center for the Western United States with industrial space of approximately 72.2 million square feet. New and improved industrial and business parks offer sites at a wide range of prices, with easy access to existing freeways, railroads and the airport. The ease of transportation access has also contributed to tourism with the growth of ski resorts, golf courses, a National Bowling Stadium, the AAA Reno Aces baseball team and stadium, expanded convention facilities throughout the region and the Summit, Cabela's and Legends destination shopping locations. Washoe County also hosts a number of significant events each year including the Reno Rodeo, Hot August Nights Classic Cars, the Reno/Tahoe PGA Golf Tournament, the Best in the West Rib Cook-Off, the National Championship Air Races, and the Great Reno Balloon Race. Additionally, the local response to generate new business is to increase emphasis on special events and concentrate on outdoor activities that involve Lake Tahoe, Pyramid Lake, the Sierra mountains and the vast open space. It is this quality of life that makes northern Nevada appealing to companies looking to relocate their operations to this area.

The forecasted population of Washoe County at the end of the 2010-11 fiscal period is 428,735, which reflects an 18.5% increase over the 2001-02 population of 361,841. From 2009-10 to 2010-11, the County population is forecasted to increase by 7,328 or 1.7%. The annual labor force of the County is estimated at 212,480 at the end of June 2011, and the unemployment rate was established at a fiscal year average of 13.2% compared to 13.8% last year. This can be compared to the United States unemployment rate of 9.3% for the same period.

Other indicators of the economy in the County are reflected in taxable sales that increased 2% compared to a (9.3%) decrease in the prior year. Air traffic in Reno is up .5%, while gross income from gaming was down (4.7%). Additionally, sales of local existing homes decreased 322 or (5.5%) while new family units were at 55 compared to 36 in the prior year. In summary, Washoe County's economy continues to experience slow and, in some cases, declining growth when compared to similar statistics in recent business cycles. These results continue to exceed the economic problems that are being experienced throughout most of the United States.

LONG-TERM FINANCIAL PLANNING

The District has adopted "best practices" financial policies relating to minimum fund balance, contingencies and other policies. The District intends to continue this strategy of improving its financial policies and the goal of maintaining prudent reserves. Additionally, the District is also measuring key performance indicators with the Council of Great City Schools to evaluate how we perform in relation to other school districts around the country.

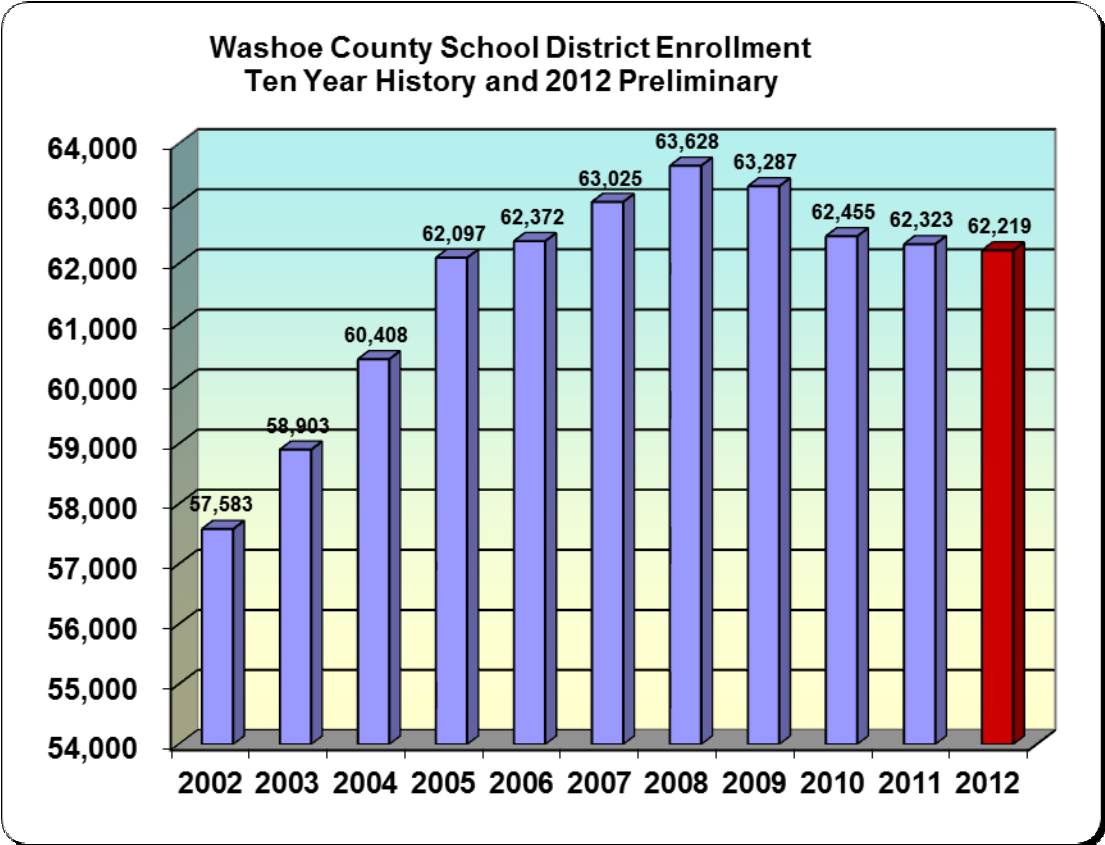
The District's Capital Projects department utilizes a number of tools to work closely with the Board to identify and prioritize capital improvements and their associated planning, design, management and accounting needs. These tools include the "Envision WCSD 2015" strategic plan, the seven year enrollment projection report, student capacity analysis, educational specifications, construction standards, facility condition assessments (FCIS); facility revitalization needs assessments, educational program standards, Vision 2015 educational facility plan and job costing accounting systems. The District is also entering the last year of the ten year rollover bond program that is due to expire in November 2012 and is looking at its options to address capital funding needs for the years that will follow.

The District adopted Government Accounting Standards Board (GASB) Statement No. 45 to address the overall funding issue of the retiree health insurance and has an Other Postemployment Benefits (OPEB) Trust Fund for funding the retiree costs and liability. The District is one of only a few governmental entities in Nevada that have fully funded their annual OPEB costs for fiscal years 2008 through 2011. During fiscal year 2010-11, the District implemented GASB Statement No. 54 to address fund balance reporting and fund type definitions.

MAJOR INITIATIVES

Enrollment Trending

For the fourth consecutive year, the district's total enrollment has declined. The preliminary count showed 62,219 students enrolled in Washoe County's public schools for the 2011-12 school year. In 2010-2011, district audited enrollment was 62,323 students. Compared to last year, enrollment has decreased by (104) students or (.17%). This mirrors a trend being seen in school districts across the state of Nevada. Nevada's school finance formula, however, contains a "hold-harmless" clause allowing districts with a drop in enrollment to use the previous year's enrollment as the base in determining the level of state funding. A historical graph of the District's enrollment is presented below.



Graduation Rates

Improving graduation rates across the Washoe County School District is at the heart of the District's strategic plan, *Envision WCSD 2015 – Investing In Our Future*. Since the implementation of the strategic plan in the fall of 2010, WCSD has made a concerted effort to improve graduation rates by implementing several initiatives at schools and throughout the community, and these efforts have led to significant improvements.

The *Door to Door for Student Achievement* campaign is one of a number of successful initiatives that have had an impact on graduation rates. In the fall, the Superintendent, Board of Trustees, principals, school-based staff, elected officials and community members visit the homes of students who have not enrolled in school or who have chronic attendance issues and are at risk of dropping out. These community teams sit down with the students and their parents and come up with a plan to get that child back in the classroom. A personalized plan of progress is developed for each child and the school, the student and the parents monitor that progress to ensure the child stays on track to graduation. WCSD high schools have also initiated new intervention programs on campus that provide additional opportunities for students to regain credits before and after school and on Saturdays. The District's alternative education program has also been restructured to provide students various educational options.

The District's Re-Engagement Centers are another major initiative that is helping students to stay engaged in school. The grant-funded centers are located in five locations throughout the community and offer credit recovery programs, tutoring opportunities, educational counseling and connections to community resources that support youth and families. Since the centers opened in May 2011, hundreds of students have been re-engaged in school.

These initiatives and programs have led to two consecutive years of significant growth in the graduation rate most recently with Class of 2011 driving the graduation rate up an additional seven percentage points to 70 percent. In total, the District's graduation rate climbed 14 percentage points between 2009 and 2011 from 56 percent to 70 percent. This comes after a four-year period (2006-2009) when the graduation rate remained stagnant between 55 and 57 percent. The data also shows that the graduation rate at every comprehensive high school in the District improved in 2011 and graduation rates for student sub-groups increased in nearly all instances, showing evidence of narrowing the achievement gap.

Test Scores

Washoe County School District students showed marked improvement in achievement in 2011 based on statewide standardized test scores. For the second year in a row, the District demonstrated significant gains in mathematics at the elementary and middle school levels with every grade measured by the state tests (3rd - 8th grades) showing improved scores in 2011. Additionally, the District as a whole posted gains on the eighth grade writing test.

Academic Programs

In addition to improving graduation rates, the District is committed to ensuring every child graduates from high school ready for college and/or high skilled careers. The District made several changes to academic programs to provide additional and more rigorous learning opportunities for its students. While the programs launched in the fall of 2011, the planning happened during 2010-2011.

WCSD expanded its tuition-based full-day kindergarten for the 2011-2012 school year, giving more students an opportunity to get into the early childhood program. The changes include a standardized fee that makes the program more affordable and accessible for parents and students. A limited number of scholarships were also created to provide access for families in need.

Additionally, WCSD restructured its Gifted and Talented Education (GATE) program to increase the learning opportunities for more students. Four GATE magnet middle schools opened in the fall of 2011. These magnet programs provide gifted programming in the core subjects for students in the 6th through 8th grades. Enhancements were also made at the elementary level, allowing more students to receive GATE programming at the school in which they are zoned.

Parent Involvement

As a major part of *Envision WCSD 2015 – Investing In Our Future*, the District is focused on increasing levels of parent involvement. Parents are a child's most valuable supporter and advocate and the District's most important partner, so building strong relationships with parents is a major emphasis for WCSD.

The Office of Family-School Partnerships worked for months in 2010 and 2011 to put together a brand new venture that would reach out to parents in an innovative way. After months of dedication and hard work, the WCSD Parent University opened its doors in September 2011. In collaboration with 22 community partners, the Parent University offers more than 220 free classes to parents and other caregivers that will help every family increase their knowledge of how to help their children succeed. Classes are offered on a variety of topics that cover academic-related subjects or issues like bullying, internet safety and healthy eating. This is a major initiative for the District that will allow parents and educators to collaborate and help support every child so he or she can succeed in the classroom.

Budget Cuts

The Washoe County School District is experiencing a period of challenging budget reductions. Due to cuts at the local, state and federal level, the final 2011-2012 budget included \$50.6 million in reductions and cost-savings measures and the same level of cuts is anticipated for 2012-2013. These cuts are in addition to the \$73 million the District already had cut in the four years prior.

The District's final 2011-2012 budget included maintaining an increase in class size for grades 1-3 by two students, deferring textbook purchases for another year, using savings from healthcare negotiations and spending down contingency and fund balance amounts. The budget also contained more reductions to Central and Direct School Support Services and negotiated employee concessions. The District has finalized negotiations with four of its five employee's associations, and they have agreed to significant concessions.

As a part of the budget plan, WCSD launched a comprehensive budget awareness campaign to keep employees, parents and the community informed during the budget process. With possibilities of huge reductions, the District felt it was vital to provide accurate and timely information to all stakeholders about the budget and any legislative decisions that would impact schools. WCSD provided numerous opportunities for the community to provide input and ask questions through a survey that garnered more than 3,000 responses and during a series of five town hall meetings. The District also created a new budget section of its website dedicated to budget-related content. This page included an online suggestions database for stakeholders to provide cost-savings ideas and the District provided responses to those ideas. The website was updated regularly with videos, news releases and other documents to keep the community informed. Budget information was also communicated through social media sites like Facebook and Twitter, a legislative blog and through media outlets and news conferences.

Nevada continues to be one of the lowest taxed states in the country, but this by itself will not attract new businesses to our region. Successful businesses understand that a strong K-12 and higher education systems are needed to provide the high performing workforce that makes companies successful. The challenge to the governing leaders and the citizens in our state is to make the difficult revenue and spending decisions needed now to properly invest in or fund education at all levels so that top tier businesses will come to Nevada in large numbers to better diversify our economic job base.

INTERNAL CONTROLS

The District maintains an internal control structure, which uses policies and procedures established by the Business and Financial Services Division to provide reasonable assurance that specific entity objectives (e.g., compliance with legal requirements) will be achieved, that proper recording of financial transactions are made, and that assets will be safeguarded in the public interest. The District has an Internal Audit Department, which reports administratively to the Superintendent. The department has full and independent access to the Audit Committee of the Board of Trustees and is authorized to review all areas of the District with full, free, and unrestricted access to all activities, records, property, and personnel as may be required.

The concept of reasonable assurance recognizes that the cost of control should not exceed the benefits likely to be derived and that the evaluation of such costs and benefits requires estimates and judgments made by management. We believe the District's internal accounting controls provide reasonable assurance of proper recording and disclosure of financial transactions and adequately safeguards assets.

AWARDS AND ACKNOWLEDGMENTS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded the Certificate of Achievement for Excellence in Financial Reporting to the District for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2010. This is the tenth consecutive year that the District has received this prestigious award. In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized comprehensive annual financial report. The report must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for one year. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to GFOA to determine its eligibility for another certificate. Prior to this award, the District only applied for the Association of School Business Officials International (ASBO) Certificate of Excellence in Financial Reporting award and received this award for eight consecutive years.

The preparation of this report on a timely basis was made possible through the dedicated services of the entire accounting staff of the Business and Financial Services Division. Through their efforts, the report and its contents were compiled into an easily readable and efficiently organized document. Thanks also to the Print Shop for producing this document and to the staff from Kafoury, Armstrong & Co., Certified Public Accountants, for their contribution and support. Special thanks to the Board of Trustees for their direction and support provided in the planning and conducting of the financial operations of the District in a progressive and prudent manner.

Respectfully submitted,



Heath E. Morrison, Ph.D.
Superintendent



Gary S. Kraemer, CPA
Chief Financial Officer

Washoe County School District Reno, Nevada



District Officials For Fiscal Year Ended June 30, 2011

Board of Trustees

Barbara McLaury
President

Ken Grein
Vice President

Scott Kelley
Clerk

Dan Carne
Member

Barbara Clark
Member

Estella Gutierrez
Member

John Mayer
Member

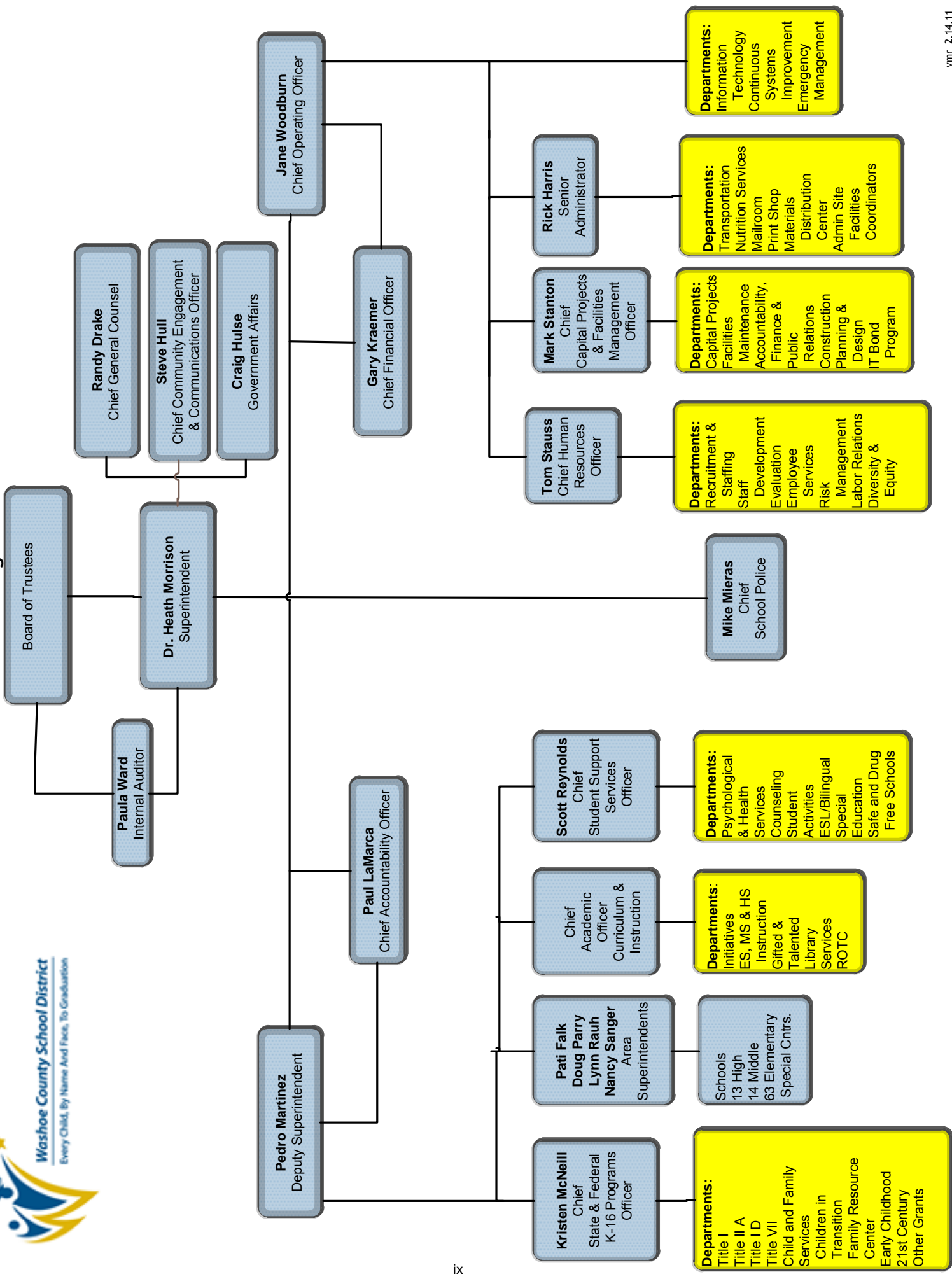
Administrative Officials

Heath Morrison, Ph.D.
Superintendent

Jane Woodburn
Deputy Superintendent

Gary Kraemer, CPA
Chief Financial Officer
Business & Financial Services

Washoe County School District FY 2011 Organization



Certificate of Achievement for Excellence in Financial Reporting

Presented to

Washoe County School District
Nevada

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2010

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



President

Executive Director