

Notes to

Financial Statements

The notes provide required disclosure and information necessary to understand the District's activities.

**WASHOE COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 1 – Summary of Significant Accounting Policies:

The accompanying financial statements of the Washoe County School District, Washoe County, Nevada (the "District") 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 existing Government and Financial Reporting Standards which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units.

Reporting Entity:

The District is organized under terms of legislation enacted in 1956 creating the countywide school districts. The governing board consists of seven members elected by the voters in the district for four-year terms, and has authority to adopt and administer budgets. The District receives funding from Local, State, and Federal government sources and must comply with the related requirements of these funding source entities. However, the District is not included in any other governmental "reporting entity," since trustees are elected by the public, it is a legally separate government and it is fiscally independent of any other governmental entity. In addition, the District is not financially accountable for any other entity.

Basic Financial Statements – Government-Wide Statements:

The basic financial statements include both government-wide (based on the District as a whole) and fund financial statements. The reporting focus is on either the District as a whole or major individual funds and nonmajor funds in the aggregate (within the fund financial statements).

The government-wide financial statements (the Statement of Net Assets and the Statement of Activities) report information on all of the nonfiduciary activities of the District. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. For the most part, the effect of interfund activity has been removed from these statements. 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.

In the government-wide Statement of Net Assets, the consolidated financial position of the District is presented at year-end, in separate columns, for both governmental and business-type activities, and is reflected on a full accrual, economic resource basis that recognizes all long-term assets and receivables as well as long-term debt and obligations. The District's net assets are reported in three parts – invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. The District first utilizes restricted resources to finance qualifying activities, then unrestricted resources, as they are needed.

The government-wide Statement of Activities reports both the gross and net cost of each of the District's functions. The functions are also supported by the general revenues (Ad

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Valorem taxes, School Support taxes, Distributive School funds, Government Services Tax and interest income not legally restricted for specific programs, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues and operating grants. Program revenues include operating grants and contributions and investment earnings legally restricted to support a specific program. Program revenue must be directly associated with the function. Operating grants include operating-specific and discretionary grants. The net costs (by function) are normally covered by general revenue.

Basic Financial Statements – Fund Financial Statements:

The financial transactions of the District are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures/expenses. District resources are allocated to and accounted for in individual funds based upon the purposes for which they are intended and the means by which spending activities are controlled. 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 the fund financial statements is on the major funds in the governmental and business-type activity categories. Nonmajor governmental funds are summarized into a single column. GASB Statement No. 34 *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments* sets forth criteria for the determination of major funds. District management may electively add funds as major funds when it is determined the funds have specific community or management focus. Major individual governmental and business-type funds are reported as separate columns in the fund financial statements.

The focus of the governmental funds' measurement in the fund statements is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income.

The focus for proprietary fund measurement is upon determination of operating income, changes in net assets, financial position, and cash flows. Proprietary funds distinguish operating revenues and expenses from non-operating 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. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. The generally accepted accounting principles applicable are those similar to businesses in the private sector.

The District's internal service funds are presented in the proprietary fund's financial statements. Because the principal users of the internal services are the District'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.

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

The District uses the following funds:

Major Funds:

Governmental Funds:

- **General Fund** - The General Fund is the general operating fund of the District and accounts for all revenues and expenditures of the District not encompassed within other funds and all revenues and expenditures of internally reported special revenue funds. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures and the capital improvement costs that are not paid through other funds are paid from the General Fund.
- **Special Education Fund** - The Special Education Fund accounts for transactions of the District relating to educational services provided to children with special needs supported by state and local sources. The revenues of the fund consist of distributions from the State of Nevada Distributive School Account.
- **Debt Service Fund** - The Debt Service Fund accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt, capital leases and other debt of governmental activities.
- **2010 Washoe County Recovery Zone Economic Development Bond (RZEDB) Fund** – The 2010 Washoe County RZEDB Fund accounts for the proceeds of this bond issuance. The proceeds are being used for revitalization/infrastructure improvements and capital renewal projects at schools located within Washoe County.
- **2009B Washoe County Recovery Zone Economic Development Bond (RZEDB) Fund** – The 2009 Washoe County RZEDB Fund accounts for the proceeds of this bond issuance. The proceeds are being used primarily for revitalization/infrastructure improvements and capital renewal projects at schools located within Washoe County.
- **2009B City of Reno Recovery Zone Economic Development Bond (RZEDB) Fund** – The 2009 City of Reno RZEDB Fund accounts for the proceeds of this bond issuance. The proceeds are being used primarily for revitalization/infrastructure improvements and capital renewal projects for schools located within Reno City Limits.

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- **2011B Bond Rollover Fund** – The 2011B Bond Rollover Fund accounts for the proceeds of this bond issuance. The proceeds will be used primarily for revitalization/infrastructure improvements and capital renewal projects at schools located within Washoe County.
- **2011 Bond Rollover Fund** – The 2011 Bond Rollover Fund accounts for the proceeds of this bond issuance. The proceeds will be used primarily for infrastructure improvements at four high schools.
- **2010 Qualified School Construction Bonds (QSCB) Fund** – The 2010 QSCB Fund accounts for the proceeds of this bond issuance. The proceeds are being used primarily for revitalization/infrastructure improvements at two elementary schools.
- **2009 Bond Rollover Fund** – The 2009 Bond Rollover Capital Projects Fund accounts for the proceeds of this bond issuance. The proceeds are being used for the construction of a new elementary school, school renewal projects and information technology projects.
- **2008 Bond Rollover Fund** – The 2008 Bond Rollover Capital Projects Fund accounts for the proceeds of this bond issuance. The proceeds are being used for the construction of a new middle school and expansion of one elementary school, school renewal projects and information technology projects.
- **2007 Bond Rollover Fund** - The 2007 Bond Rollover Capital Projects Fund accounts for the proceeds of this bond issuance. The proceeds are being used for new school construction, school renewal projects and information technology projects.
- **2006 Bond Rollover Fund** - The 2006 Bond Rollover Capital Projects Fund accounts for the proceeds of this bond issuance. The proceeds are being used for site and water rights acquisition, advanced planning and technology costs, school renewal projects and transportation yard improvements.

Proprietary Funds:

- **Enterprise Fund** - The District's sole enterprise fund, the Nutrition Services Enterprise Fund, is used to account for the nutrition services operation of the District.

Additionally the District reports the following fund types:

Internal Service Funds:

- The Internal Service Funds account for the financing of services provided by one department to other departments of the District on a cost-reimbursement basis. Currently, there are three District Internal Service Funds:

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Property Casualty - accounts for self-insurance fees to provide property and liability insurance.

Health Insurance - accounts for the self-funded health plan and other contractual health insurance plans.

Workers' Compensation - accounts for the self-insurance fees to provide workers' compensation.

Fiduciary Funds:

- **Private Purpose Scholarship Trust Fund** - accounts for resources legally held in trust for use for scholarships.
- **Other Postemployment Benefits Trust Fund** - accounts for resources legally held in trust to fund postemployment benefit costs paid by the District.
- **Agency Funds** - account for student activity funds under the control of the respective schools in the District, employee contributions to the District's 80/5 reduced salary leave plan, and transactions related to the statewide Nevada Interscholastic Athletic Association.

Measurement Focus/Basis of Accounting:

The measurement focus describes the types of transactions and events that are reported in a fund's operating statement. Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized and reported in the financial statements. Basis of accounting 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, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the 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 all 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. 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 government considers grant revenues to be available if they are collected within 75 days of the end of the current fiscal period and all other revenues to be available if they are collected within 60 days of the end of the current fiscal period. Grant revenues have been extended due to the increased period required to collect revenues from the Federal Government. When revenues are due but will not be collected within the availability period, the receivable is recorded and an offsetting deferred revenue account is established. Expenditures generally are recorded

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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.

Most major sources of revenue reported in governmental funds are susceptible to accrual under the modified accrual basis of accounting. Below is a summary of revenue recognition policies for all major revenue sources.

Type of Revenue	Accrued When Measurable and Available	Recognized When Received	Accrued When Earned
AD VALOREM TAXES	X		
LOCAL SCHOOL SUPPORT TAX	X		
GOVERNMENT SERVICES TAXES	X		
DISTRIBUTIVE SCHOOL FUND	X		
INTEREST			X
GRANTS-IN-AID	X		
MISCELLANEOUS REVENUE		X	

Proprietary Funds:

Proprietary Funds are accounted for on a flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. Accrued liabilities include provisions for claims reported and claims incurred but not reported. The provision for reported claims is determined by estimating the amount which will ultimately be paid. The provision for claims incurred but not yet reported is estimated based on District experience since the inception of the program.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The District has elected not to follow subsequent private-sector guidance.

Fiduciary Funds:

The accounting records for the Private Purpose Scholarship Trust Fund and the Other Postemployment Benefits Trust Fund are maintained on the economic resources measurement focus and accrual basis of accounting. Contributions are recognized in the Other Postemployment Benefits Trust Fund in the period in which the contributions are due and the District has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of each plan. The accounting records for the agency funds do not have a measurement focus and are maintained on the accrual basis of accounting.

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Property Taxes:

All real property in Washoe County is assigned a parcel number in accordance with state law, with each parcel being subject to physical reappraisal every five years. A factoring system is used to adjust the appraised value during the years between physical appraisals. The valuation of the property and its improvements is being assessed at 35 percent of "taxable value" as defined by statute. The amount of tax levied is developed by multiplying the assessed value by the tax rate applicable to the area in which the property is located. The maximum tax rate was established in the State Constitution at \$5 per \$100 of assessed valuation; however, as a result of legislative action the tax rate has been further limited to \$3.64 per \$100 of assessed value except in cases of severe financial emergency as defined in NRS 354.705.

Taxes on real property are a lien on the property and attach on July 1 (the levy date) of the year for which the taxes are levied.

Taxes may be paid in four installments payable on the third Monday in August and the first Mondays in October, January, and March to the Treasurer of Washoe County in which the District is located. Penalties are assessed if a taxpayer fails to pay an installment within ten days of the installment due date. After a two-year waiting period, if taxes remain unpaid, a tax deed is issued conveying the property to the County with a lien for back taxes and accumulated charges. Redemption may be made by the owner and such persons as described by statute by paying all back taxes and accumulated penalties, interest, and costs before sale.

Secured roll property taxes receivable reflect only those taxes receivable from the last two delinquent roll years. Delinquent taxes from all roll years prior to fiscal year 2009-10 have been written off.

Budgets and Budgetary Accounting:

The District follows these procedures in establishing the budgetary data reflected in the financial statements:

- (1) Prior to April 15, the Superintendent submits to the Board of Trustees and to both the Nevada Department of Taxation and Department of Education, a tentative budget for the fiscal year commencing the following July 1. The tentative budget includes proposed expenditures and the means of financing them.
- (2) Prior to the third Wednesday in May, a minimum of seven days notice of public hearing on the final budget is published in a local newspaper. Public hearings are conducted prior to the adoption of the budget to obtain taxpayer comments.
- (3) On or before June 8, the budget is legally adopted by a majority vote of the Board of Trustees.

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- (4) On or before January 1, the Board of Trustees adopts an amended final budget reflecting any adjustments necessary as a result of the complete count of students.
- (5) NRS provides that the Board of Trustees may augment the budget at any time by a majority vote of the Board provided the Board publishes notice of intention to act, in a newspaper of general circulation in the county at least three days before the date set for adoption of the resolution.
- (6) The legal level of budgetary control is at the function level for the General Fund, Special Revenue and Capital Projects Funds, and the sum of operating and non-operating expenses in the Enterprise and Internal Service Funds. State statute does not require that debt service payments be limited by the budget.
- (7) The Chief Financial Officer is authorized to transfer appropriations within and between funds if amounts do not exceed the original budget. The Board of Trustees is advised of the transfer and the transfer is recorded in the minutes. Augmentations in excess of the original budget require approval from the Board of Trustees.
- (8) Formal budgetary integration is employed as a management control device for the General Fund, Special Revenue Funds, Debt Service Fund, Enterprise Fund, Internal Service Funds and Capital Projects Funds. Such funds have legally adopted annual budgets which lapse at year-end. The ensuing year's budget is augmented to provide for the payment of prior year encumbrances. The prior year encumbrances, where applicable, have been included in the Original Budget column of the financial statements.
- (9) All budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for all funds except for the Private Purpose Scholarship Trust Fund, the Other Postemployment Benefits Trust Fund, and Agency Funds, which do not require budgets.

All budgets presented in the accompanying supplementary information reflect the original budget and final budget (which has been adjusted for legally authorized revisions of the annual budgets during the year). Appropriations, except encumbrances and unexpended grant appropriations, lapse at the end of each fiscal year.

Cash and Investments:

Cash balances from all funds are combined and, to the extent practicable, invested as permitted by law. The District voluntarily participates in the State of Nevada Local Government Investment Pool (LGIP) and Washoe County's external investment pool. Interest earned on investments is allocated to certain funds pursuant to Nevada Revised Statutes.

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Investments are carried at fair value as determined by quoted market prices, net of accrued interest as provided by the pool sponsors.

Pursuant to NRS 355.170 and 355.175, the District may invest in the following types of securities:

- United States bonds and debentures maturing within ten (10) years from the date of purchase.
- Certain farm loan bonds.
- Securities of the United States Treasury, United States Postal Service, or the Federal National Mortgage Association maturing within ten (10) years from the date of purchase.
- Negotiable certificates of deposit from commercial banks and insured savings and loan associations, and credit unions.
- Certain securities issued by local governments of the State of Nevada.
- Certain bankers' acceptances, commercial paper issued by a corporation organized and operating in the United States, and money market mutual funds.
- Certain obligations of state and local governments.
- State of Nevada Local Government Investment Pool.
- Certain "AAA" rated mutual funds that invest in federal securities.
- Other securities expressly provided by other statutes, including repurchase agreements and collateralized investment contracts.

Statements of Cash Flows:

For purposes of the statements of cash flows, the District considers all short-term highly liquid instruments purchased with an original maturity of three months or less to be cash equivalents.

Inventories:

Inventories for the General Fund and the Nutrition Services Enterprise Fund are maintained on a consumption basis of accounting, where items are purchased for inventory and charged to the budgetary accounts as the items are consumed. Inventories are stated at cost for the General Fund and the lower of cost or market for the Nutrition Services Enterprise Fund, except for inventories of commodities which are stated at market value, using the first-in, first-out (FIFO) method of valuation.

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Capital Assets:

Capital assets, including land, buildings, machinery and equipment, are reported in the government-wide financial statements. The District defines capital assets as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. If purchased or constructed, all capital assets are recorded at historical cost or estimated historical cost. Donated capital assets are valued at their estimated fair value as of the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the assets' lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

	<u>YEARS</u>
Building/Land Improvements	7 - 50
Vehicles/Buses	8 - 10
Machinery and Equipment	5 - 20

Allowance for Uncollectible Receivables:

The District has not established an allowance for uncollectible receivables since prior experience has shown that uncollectible receivables are not significant.

Accrued Liabilities:

Accrued liabilities consist principally of teacher, administrator, and other District employee salaries and benefits relating to the school program year ended June 30, 2011, but not yet paid.

Expenditures:

Expenditure data is characterized by major program classifications pursuant to the provisions of the National Center for Education Statistics handbook entitled *Financial Accounting for Local and State School Systems* as modified by the State of Nevada. Below is a brief description of these program classifications.

Regular programs are activities that provide students in prekindergarten through grade 12 with learning experiences to prepare them for further education or training and for responsibilities as citizens, family members, and workers.

Special programs include activities for elementary and secondary students (prekindergarten through grade 12) receiving special education and related services. These services are related to mental retardation, orthopedic impairment, emotional disturbance, developmental delay, specific learning disabilities, multiple disabilities, hearing impairment, other health impairments, visual impairments including blindness, autism, deaf-blindness, traumatic brain injury, and speech or language impairments. Special Programs includes students receiving services related to gifted and talented programs.

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Vocational programs are activities delivered through traditional comprehensive and vocational-technical high schools or recognized charter schools that prepare students to meet challenging academic standards as well as industry skill standards while preparing students for broad-based careers and further education beyond high school.

Other instructional programs are activities that provide students in prekindergarten through grade 12 with learning experiences in English for speakers of other languages, alternative and at risk education programs, remedial programs, summer school programs, and other instructional programs.

Adult education programs are activities that develop knowledge and skills to meet immediate and long-range educational objectives of adults who, having completed or interrupted formal schooling, have accepted adult roles and responsibilities. Programs include activities to foster the development of fundamental tools of learning; prepare students for a postsecondary career; prepare students for postsecondary education programs; upgrade occupational competence; prepare students for a new or different career; develop skills and appreciation for special interests; or enrich the aesthetic qualities of life.

Community services programs are activities not directly related to the provision of educational services in the District. These include services such as community recreation programs, civic activities, public libraries, programs of custody and care of children and community welfare activities provided by the District for the community as a whole or some segment of the community.

Co-curricular programs are activities that add to a student's educational experience but are not related to educational activities. These include events and activities that take place outside the traditional classroom such as student government, athletics, band, choir, clubs, and honors societies.

Undistributed expenditures are those which are not allocated to any single program. Student and instructional staff support and overall general and administrative costs are classified as undistributed expenditures. Also included are costs of operating, maintaining, and constructing the physical facilities of the District.

Compensated Absences:

Teachers and certain hourly employees do not receive vacation leave. For other District employees, vacation leave is earned at rates dependent on length of employment and can be accumulated to specific maximum days/hours. Employees are allowed to accumulate up to 190 sick days for future use. The District pays limited accumulated sick leave benefits to certain employees upon retirement. In proprietary funds, compensated absences are recorded when the liabilities are incurred. In governmental funds, the current portion is recorded as a payroll expenditure only if they have matured as a result of employees who have terminated as of June 30. The current portion is defined as those benefits expected to be paid in the subsequent twelve months. The estimated long-term liability for compensated absences is accounted for in the government-wide financial statements.

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Use of Estimates:

The preparation of financial statements in conformity with United States generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from these estimates.

Comparative Data:

Comparative total data for the prior years has been presented to provide an understanding of the changes in the financial position and operations. It has been provided to add comparability but is not considered full disclosures of transactions for fiscal year 2010. Such information can only be obtained by referring to the audited financial statement for that year. Certain amounts in the prior year statements have been reclassified when feasible to conform to current year presentation.

NOTE 2 – Compliance with Nevada Revised Statutes and Nevada Administrative Code:

The District conformed to all significant statutory constraints on its financial administration during the year.

NOTE 3 – Cash and Investments:

The District maintains a cash and investment pool that is available for use by all funds. At June 30, 2011 this pool is displayed by major and other governmental funds on the Governmental Funds Balance Sheet and on the Enterprise Fund Statement of Net Assets as "Cash and Investments."

As of June 30, 2011, the District had the following amounts reported as cash and investments:

Government-Wide Balances:	
Pooled Cash	\$ 27,883,999
Investments	<u>248,435,219</u>
	<u>276,319,218</u>
Fiduciary Funds Balances:	
Pooled Cash	1,157,177
Cash held by Student Activity Agency Fund	3,893,171
Cash held by OPEB Trust Fund	25,337
Investments	<u>34,395,415</u>
	<u>39,471,100</u>
Total Pooled Cash and Investments	<u>\$ 315,790,318</u>

Except for financial reporting purposes, the cash and investments balances in the Fiduciary Funds are not normally considered part of the District's pooled cash and investments. These amounts represent cash and investments held in an agency capacity by the District and cannot be used in the District's normal operations.

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As of June 30, 2011, the District had the following investments and maturities:

Government-Wide Balances:

	Fair Value	Investment Maturities (In Years)			
		Less than 1	1 to 4	4 to 6	6 to 10
Investments:					
Money Market Mutual Fund	\$ 955,115	\$ 955,115	\$ -	\$ -	\$ -
Municipal Bonds	599,118	-	-	599,118	-
State of Nevada Local Government Investment Pool	166,250,905	166,250,905 *	-	-	-
State of Nevada Local Government Investment Pool-Workers Comp	2,087,591	2,087,591 *	-	-	-
Washoe County Investment Pool	49,186,815	5,553,341	28,815,469	7,657,864	7,160,141
U.S. Treasuries	10,059,278	176,073	9,883,205	-	-
U.S. Agencies	15,088,285	3,699,003	10,690,789	11,466	687,027
Asset-Backed Corporate Securities	529,804	-	207,225	322,579	-
Corporate Securities	3,272,037	433,902	2,838,135	-	-
Government Guaranteed - Corp	406,271	406,271	-	-	-
Total Investments	\$ 248,435,219	\$ 179,562,201	\$ 52,434,823	\$ 8,591,027	\$ 7,847,168

Fiduciary Fund Balances:

	Fair Value
Investments:	
Retirement Benefits Investment Fund	\$ 30,181,320 **
State of Nevada Local Government Investment Pool	4,214,095 *
Total Investments	\$ 34,395,415

* Average weighted maturity of 69 days.

** Average weighted maturity is unavailable.

Interest Rate Risk. Interest rate risk is the risk of possible reduction in the value of a security, especially a bond, resulting from a rise in interest rates. To limit exposure to interest rate risk, Nevada Statutes and the District's investment policy limits bankers' acceptances to 180 days maturities, repurchase agreements to 90 days, U.S. Treasuries and Agencies to less than 10 years, and commercial paper to 270 days maturities. The District's investment in U.S. Agencies consists of securities issued by the Federal National Mortgage Association, Federal Home Loan Mortgage Corporation, Federal Farm Credit Bank, and Federal Home Loan Bank. Since investments in these agencies are in many cases backed by assets such as mortgages, they are subject to prepayment risk. The District's investments in mortgage-backed securities are also subject to prepayment risk.

Credit Risk. Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation and is a function of the credit quality ratings of its investments. The State of Nevada Local Government Investment Pool (LGIP), the Washoe County Investment Pool, and the Retirement Benefits Investment Fund are unrated external investment pools. Nevada Statutes and the District's investment policy limit investment in money market mutual funds and asset-backed securities to the "AAA" rating (or equivalent) by a nationally recognized statistical rating organization. All of the District's money market mutual funds and asset-backed securities investments are rated by nationally recognized statistical rating organizations as "AAA".

Concentration of Credit Risk. To limit exposure to concentrations of credit risk, the District's investment policy limits investment in bankers' acceptance notes to 15%, repurchase

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agreements to 25%, commercial paper to 20%, and money market mutual funds to 25%, of the entire portfolio on the date of purchase.

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned. The District's bank deposits are generally covered by FDIC insurance and are collateralized by the Office of the State Treasurer/ Nevada Collateral Pool.

LGIP is an unrated external investment pool administered by the State Treasurer, with oversight by the State of Nevada Board of Finance. Investment in LGIP is carried at fair value, which is the same as the value of the pool shares.

The Washoe County Board of Commissioners administers and is responsible for the Washoe County Investment Pool in accordance with NRS 355.175. The external investment pool is not registered with the SEC as an investment company. Bank of New York Mellon determines the fair value of the investment pool monthly. Washoe County has not provided or obtained any legally binding guarantees during the year to support the value of shares. Each participant's share is equal to their original investment plus or minus monthly allocations of interest income and realized and unrealized gains and losses.

The Retirement Benefits Investment Fund (RBIF) is an external pool administered by a board that consists of the same Governor appointed individuals who serve on the Public Employees' Retirement Board. The Board is responsible for administering the Pool in accordance with NRS 355.220(2). The external investment pool is not registered with the SEC as an investment company. Bank of New York Mellon determines the fair value of the investment pool monthly. Each participant acts as fiduciary for its particular share of the Pool. RBIF allocates earnings (which include realized and unrealized gain or loss, interest, and other income) and expenses (both administrative and investment) to each participant according to their proportional share in the Pool. This investment pool is available only to the OPEB Trust Fund (a fiduciary fund of the District).

NOTE 4 – Interfund Balances and Transfers:

Interfund receivable/payable balances at June 30, 2011 are as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund - major fund	Other Governmental Funds	\$ 3,995,943
Total		<u>\$ 3,995,943</u>

The purpose of the interfund balance listed above is to address nonmajor Special Revenue Funds which are reimbursement-type funds that would otherwise have negative cash balances at the end of the year.

Interfund transfers are reported as other financing sources or uses, as appropriate, in all funds other than Proprietary Funds, where they are reported as transfers.

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Transfers between funds during the year ended June 30, 2011, are as follows:

	Transfers In:				Total
	General Fund	Special Education Fund	Debt Service Fund	Internal Service Fund	
Transfers Out:					
General Fund	\$ -	\$ 29,398,395	\$ 3,591,016	\$ 1,626,224	\$ 34,615,635
Other Governmental Funds	6,499,827	-	-	-	6,499,827
Total	<u>\$ 6,499,827</u>	<u>\$ 29,398,395</u>	<u>\$ 3,591,016</u>	<u>\$ 1,626,224</u>	<u>\$ 41,115,462</u>

Special Education Fund - The transfer to the Special Education Fund from the General Fund is to supplement State funds received for Special Education.

Debt Service Fund - The transfer to the Debt Service Fund from the General Fund is for repayment of non-general obligation debt.

Other Governmental Funds - The transfer to the General Fund from the Class Size Reduction Special Revenue Fund is to mitigate budget reductions as approved by the State of Nevada.

Internal Service Funds - The transfer to the Health Insurance Fund from the General Fund is to cover retiree health care costs.

**WASHOE COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 5 – Capital Assets:

Capital asset activity for the year ended June 30, 2011 was as follows:

	July 1, 2010 Balance	Increases	Decreases	June 30, 2011 Balance
Governmental Activities				
Capital assets, not being depreciated				
Land	\$ 38,017,804	\$ -	\$ -	\$ 38,017,804
Construction in progress	16,376,260	29,518,431	(21,981,027)	23,913,664
Total capital assets not being depreciated	<u>54,394,064</u>	<u>29,518,431</u>	<u>(21,981,027)</u>	<u>61,931,468</u>
Other capital assets				
Buildings	730,216,496	20,892,972	-	751,109,468
Improvements other than buildings	20,366,025	1,046,755	-	21,412,780
Machinery and equipment	52,495,127	5,240,233	(235,687)	57,499,673
Total capital assets being depreciated	<u>803,077,648</u>	<u>27,179,960</u>	<u>(235,687)</u>	<u>830,021,921</u>
Total capital assets	<u>857,471,712</u>	<u>56,698,391</u>	<u>(22,216,714)</u>	<u>891,953,389</u>
Less accumulated depreciation for:				
Buildings	(186,658,513)	(16,967,498)	-	(203,626,011)
Improvements other than buildings	(2,735,717)	(1,016,816)	-	(3,752,533)
Machinery and equipment	(33,225,960)	(4,801,637)	224,154	(37,803,443)
Total accumulated depreciation	<u>(222,620,190)</u>	<u>(22,785,951)</u>	<u>224,154</u>	<u>(245,181,987)</u>
Governmental activities capital assets, net	<u>\$ 634,851,522</u>	<u>\$ 33,912,440</u>	<u>\$ (21,992,560)</u>	<u>\$ 646,771,402</u>
Business-Type Activities				
Machinery and equipment	\$ 1,927,068	\$ 15,864	\$ (21,196)	\$ 1,921,736
Less accumulated depreciation	<u>(1,293,344)</u>	<u>(91,455)</u>	<u>14,248</u>	<u>(1,370,551)</u>
Business-Type Activities capital assets, net	<u>\$ 633,724</u>	<u>\$ (75,591)</u>	<u>\$ (6,948)</u>	<u>\$ 551,185</u>

**WASHOE COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

Depreciation was charged to the functions/programs of the District as follows:

Governmental activities:	
Instruction	\$ 494,342
Student support	49,422
Instructional staff support	47,192
General administration	25,299
School administration	3,381
Central support	333,683
Operation/maintenance	429,807
Student transportation	1,872,546
Other support	863
Community services operations	1,597
Facilities	19,527,819
	<hr/>
Total governmental activities depreciation expense	\$ 22,785,951
	<hr/> <hr/>
Business-type activities:	
Nutrition services operations	\$ 91,455
	<hr/>
Total business-type activities depreciation expense	\$ 91,455
	<hr/> <hr/>

Machinery and equipment include equipment under capital leases, which consist of school buses and electrical retrofit with an aggregate carrying value of \$13,974,704 at June 30, 2011 (see Note 6).

NOTE 6 – General Long-Term Obligations:

Refunding:

On October 6, 2010, the District issued \$41,515,000 in General Obligation (Limited Tax) Refunding Bonds, Series 2010F. The net proceeds of \$46,104,110 were used for the defeasance of \$44,015,000 of bonds. The advanced refunding was undertaken to reduce total debt service payments by \$1,844,840 and resulted in an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$1,657,420.

Advance Defeasance:

On June 21, 2011, the District paid \$18,436,221 from the debt service fund for the defeasance of \$16,375,000 of bonds. The defeasance was undertaken to reduce total debt service payments by \$19,799,500 between Fiscal Years 2012 and 2019 which allowed the District to issue additional bonds. The defeasance resulted in an economic loss (difference between the cash deposited into escrow and the present value of the debt service payments on the old debt) of \$2,061,221.

**WASHOE COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

Bonds Issued:

On October 6, 2010, Washoe County School District issued \$5,415,000 in General Obligation School Improvement Bonds, Series 2010E. The proceeds of the 2010E bonds will be used primarily for revitalization/infrastructure improvements and capital renewal projects at schools located within Washoe County.

General long-term debt consists of the following at June 30, 2011:

Series	Date Issued	Date of Maturity	General Obligation Bonds		Balance June 30, 2011
			Interest Rate (%)	Amount Issued	
2001A	5/1/2001	6/1/2020	4.25-5.25%	73,865,000	\$ 26,895,000
2002B	8/1/2002	6/1/2020	3.00-5.50%	68,940,000	51,850,000
2003A	3/1/2003	6/1/2023	2.00-4.625%	27,770,000	13,065,000
2003C	12/1/2003	6/1/2024	2.75-5.00%	55,000,000	21,260,000
2004B	9/1/2004	6/1/2015	5.000%	22,970,000	15,995,000
2005A	3/24/2005	6/1/2025	4.00-5.00%	66,000,000	34,425,000
2005B	1/5/2006	6/1/2020	3.950%	29,820,000	20,530,000
2006	4/5/2006	6/1/2026	4.00-5.50%	30,000,000	28,535,000
2007B	2/1/2007	6/1/2025	3.895%	42,395,000	12,130,000
2007C	5/1/2007	6/1/2027	3.25-5.25%	65,000,000	59,000,000
2008	3/20/2008	6/1/2028	4.00-5.00%	55,000,000	47,040,000
2009	2/18/2009	6/1/2029	2.00-5.00%	45,000,000	42,050,000
2009B	11/12/2009	6/1/2024	3.89-6.07%	36,930,000	36,930,000
2010A	4/1/2010	4/1/2025	4.101%-6.212%	10,515,000	10,515,000
2010B	4/1/2010	4/1/2017	2.00%-5.00%	13,700,000	12,200,000
2010D	5/26/2010	5/1/2027	3.797-6.000%	3,550,000	3,550,000
2010E	10/6/2010	6/1/2027	2.811-5.194%	5,415,000	5,415,000
2010F	10/6/2010	6/1/2023	3.00-5.00%	41,515,000	41,515,000
Total					<u>\$ 482,900,000 *</u>

Summary of general obligation bond debt service requirements to maturity:

Year(s) Ending June 30,	Principal	Interest	Total Requirements
2012	\$ 26,495,000	\$ 22,470,208	\$ 48,965,208
2013	27,415,000	21,272,733	48,687,733
2014	28,910,000	20,010,650	48,920,650
2015	30,475,000	18,640,315	49,115,315
2016	32,705,000	17,331,833	50,036,833
2017-2021	177,960,000	62,506,598	240,466,598
2022-2026	130,800,000	22,586,932	153,386,932
2027-2031	28,140,000	1,911,203	30,051,203
Total	<u>\$ 482,900,000 *</u>	<u>\$ 186,730,472</u>	<u>\$ 669,630,472</u>

*Principal amounts shown exclude bond premiums.

**WASHOE COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

Arbitrage Liability:

The District has determined it is liable to the Federal government (pursuant to federal tax laws) for arbitrage rebate on the proceeds of various capital project bond issues. The revenue reduction method of reporting is used whereby arbitrage rebate is recorded as a reduction of interest income. As of June 30, 2011, the liability has been estimated to be \$576,635 and is reported as a noncurrent liability on the Statement of Net Assets. The arbitrage liability will be liquidated through the fund where excess investment earnings were earned.

Prior Years' Advance Refundings:

In prior years, the District defeased certain general obligation debt by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the bonds refunded. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the District's financial statements. As of June 30, 2011, \$57,145,000 of bonds outstanding are considered defeased.

Capital Lease Obligations:

The District has various capital leases on school buses, automobiles, educational software, and energy conservation projects. As of June 30, 2011, the assets acquired through capital leases are as follows:

Machinery and Equipment	\$22,557,500
Less: Accumulated amortization	<u>(8,582,796)</u>
Total	<u>\$13,974,704</u>

The future minimum lease obligations and the net present value of these minimum lease payments are as follows:

<u>Year Ending June 30,</u>	
2012	\$ 2,772,852
2013	2,225,906
2014	4,628,677
2015	4,679,600
2016	2,493,955
2017-2018	<u>802,717</u>
Total minimum lease payments	17,603,707
Less: amount representing interest	<u>(1,394,184)</u>
Present value of minimum lease payments	<u>\$ 16,209,523</u>

Lease payments are made by General Fund transfers to the Debt Service Fund.

**WASHOE COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

Changes in General Long-Term Obligations:

	<u>Balance July 1, 2010</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2011</u>	<u>Due Within One Year</u>
General obligation bonds	\$ 524,700,000	\$ 46,930,000	\$ 88,730,000	\$ 482,900,000	\$ 26,495,000
Deferred amounts for issuance of premium	12,758,246	4,954,986	1,348,213	16,365,019	1,414,732
Arbitrage payable	748,959	-	172,324	576,635	140,050
Capital lease obligations	16,713,729	2,192,000	2,696,206	16,209,523	2,339,810
Compensated absences	26,932,441	22,127,517	20,540,364	28,519,594	20,540,364
Early separation incentive pay	<u>669,089</u>	<u>-</u>	<u>331,483</u>	<u>337,606</u>	<u>184,628</u>
Total	<u>\$582,522,464</u>	<u>\$ 76,204,503</u>	<u>\$113,818,590</u>	<u>\$544,908,377</u>	<u>\$ 51,114,584</u>

The liabilities for compensated absences and early separation incentive pay are typically liquidated through the General Fund. Capital leases are generally liquidated through transfers from the General Fund to the Debt Service Fund.

The District was, in accordance with Nevada Revised Statute 387.400, within the legal debt limit at June 30, 2011.

NOTE 7 – Fund Balance/Net Assets:

Government-Wide Financial Statements:

The government-wide Statement of Net Assets utilizes a net asset presentation. Net assets are categorized as investment in capital assets, net of related debt, restricted and unrestricted. Related debt is the debt outstanding that relates to the acquisition, construction, or improvement of capital assets.

Restricted assets are assets that have third-party (statutory, bond covenant or granting agency) limitation on their use. Restricted assets are classified by function, debt service, projects, or claims.

The restriction for debt service represents assets legally restricted by 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 assets restricted for self-insurance activities represent the net assets of the self-insurance funds, which are legally restricted for the purposes for which the funds were established. Net assets restricted for other postemployment benefits represent amounts placed in trust to fund other postemployment benefits.

Unrestricted net assets represent available financial resources of the District.

**WASHOE COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

Fund Financial Statements:

The District implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, in the year ended June 30, 2011, which redefined how fund balances of the governmental funds are presented in the financial statements. In the governmental fund financial statements, governmental funds report the following classifications of fund balance:

Nonspendable – Amounts that cannot be spent because they are either not spendable in form or are legally or contractually required to be maintained intact.

Restricted – Amounts that can be spent only for specific purposes because of constitutional provisions, enabling legislation, or because of constraints that are externally imposed by creditors, grantors, contributors, or the law or regulations of other governments.

Committed – Amounts that can only be used for specific purposes. Committed fund balance is reported pursuant to resolutions passed by the Board of Trustees, the District's highest level of decision making authority.

Assigned – Amounts that the District intends to use for a specific purpose, but do not meet the definitions of restricted or committed fund balance. Under the District's adopted policy, amounts may be assigned by the Superintendent or the Chief Financial Officer under the authorization of the Board.

Unassigned – Amounts that have not been assigned to other funds or restricted, committed, or assigned to a specific purpose within the General Fund. The District reports all amounts that meet the unrestricted General Fund Balance Policy described below as unassigned.

When an expenditure is incurred for purposes for which both restricted and unrestricted amounts are available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned amounts are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally, unassigned funds, as needed, unless the Board of Trustees has provided otherwise in its commitment or assignment actions.

**WASHOE COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
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As of June 30, 2011, fund balances are composed of the following.

	General Fund	Major Debt Service Fund	Major Capital Projects Funds	Other Funds	Total
Fund balances					
Nonspendable					
Inventory	\$ 1,108,844	\$ -	\$ -	\$ -	\$ 1,108,844
Restricted for					
Non-expendable	-	4,363,677	-	495,557	4,859,234
Student housing	-	-	1,818,791	-	1,818,791
Technology/infrastructure	-	-	15,592,445	-	15,592,445
Advanced planning	-	-	492,014	-	492,014
Site acquisition	-	-	3,541	-	3,541
School revitalization	-	-	26,147,638	-	26,147,638
Capital renewal	-	-	10,349,612	-	10,349,612
Administration of capital projects	-	-	3,110,675	-	3,110,675
Other capital projects	-	-	9,987	7,175,462	7,185,449
Debt service	-	49,938,339	-	-	49,938,339
Wellness	-	-	-	671,517	671,517
Other purposes	-	-	-	577,174	577,174
Ongoing capital projects	-	-	13,255,511	-	13,255,511
Total restricted	-	54,302,016	70,780,214	8,919,710	134,001,940
Assigned for					
Subsequent year's expenditures	11,392,543	-	-	-	11,392,543
Purchased services and supplies	2,776,980	-	-	-	2,776,980
Repayment of carryover appropriations	6,686,803	-	-	-	6,686,803
Balancing the subsequent year's budget	26,521,774	-	-	-	26,521,774
Replacement of loss of federal funding	2,951,850	-	-	-	2,951,850
Special education maintenance of effort	1,020,648	-	-	-	1,020,648
Decline in property tax revenue	3,056,385	-	-	-	3,056,385
Incline Village property tax lawsuit	7,047,664	-	-	-	7,047,664
Outstanding and unresolved lawsuits	7,500,000	-	-	-	7,500,000
Community education	185,969	-	-	-	185,969
Medicaid supported special education	1,407,715	-	-	-	1,407,715
Total assigned	70,548,331	-	-	-	70,548,331
Total fund balances	<u>\$ 71,657,175</u>	<u>\$ 54,302,016</u>	<u>\$ 70,780,214</u>	<u>\$ 8,919,710</u>	<u>\$ 205,659,115</u>

NOTE 8 – Defined Benefit Pension Plan:

Plan Description. Washoe County School District contributes to the Public Employees Retirement System of the State of Nevada (PERS), a cost sharing, multiple employer, defined benefit plan administered by the Public Employees Retirement System of the State of Nevada. PERS provides retirement benefits, disability benefits, and death benefits, including annual cost of living adjustments, to plan members and their beneficiaries. Chapter 286 of the Nevada Revised Statutes establishes the benefit provisions provided to the participants of PERS. These benefit provisions may only be amended through legislation. The Public Employees Retirement System of the State of Nevada 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

**WASHOE COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
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Employees Retirement System of the State of Nevada, 693 West Nye Lane, Carson City, NV 89703-1599 or by calling (775) 687-4200.

Funding Policy. Benefits for plan members are funded under one of two methods. Under the employer pay contribution plan, the District is required to contribute all amounts due under the plan. The rate for those contributions was 21.50% for regular members and 37.00% for police on all covered payroll.

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 the District is required to match that contribution. The rate for regular employees under this plan was 11.25%.

The contribution requirements of plan members and the District are established by Chapter 286 of the Nevada Revised Statutes and may only be amended through legislation.

The District's contribution rates and amounts on all covered payroll which are equal to the required contributions for the last three years are as follows:

<u>Fiscal Year</u>	<u>Employer Pay</u>		<u>Employee/ Employer Pay</u>	<u>Total Employer Contribution</u>
	<u>Regular</u>	<u>Police Members</u>	<u>Regular</u>	
2010-11	21.50%	37.00%	11.25%	\$61,707,988
2009-10	21.50%	37.00%	11.25%	\$62,898,537
2008-09	20.50%	33.50%	10.50%	\$59,157,102

NOTE 9 – Postemployment Benefits Other Than Pensions:

From an accrual accounting perspective, the cost of postemployment healthcare and life insurance benefits, like the cost of pension benefits, generally should be associated with the periods in which the cost occurs, rather than in the future year when it will be paid. The District adopted GASB Statement No. 45 *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* during the fiscal year ended June 30, 2008, and began recognizing the cost of postemployment healthcare and life insurance in the year when the employee services are received, reporting the accumulated liability from prior years, and providing information useful in assessing potential demands on the District's future cash flows. The annual funding, if paid on an ongoing basis, is projected to cover normal costs each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

Plan Descriptions:

The District contributes to a single-employer defined benefit healthcare plan, Washoe County School District Retiree Health Benefits Plan (WCSDRHP) and an agent multiple employer defined benefit healthcare plan, Nevada Public Employees' Benefits Plan (NPEBP). Each plan provides medical benefits to eligible retired District employees and beneficiaries. The District also sponsors one single-employer defined benefit life insurance plan, WCSD Retiree Life Insurance Plan, which provides various levels of life insurance, at

**WASHOE COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

a blended rate, to eligible retired employees at the reduced blended rate cost.

Benefit provisions for WCSDRHP and the WCSD Retiree Life Insurance Plan are established pursuant to NRS 287.023 and amended through negotiations between the District and the respective employee associations. NRS 288.150 assigns the authority to establish benefit provisions to the Board of Trustees. Benefit provisions for NPEBP are established pursuant to NRS 287.023 and subject to amendment by the State of Nevada each biennium.

The WCSDRHP explicitly subsidizes medical premiums pursuant to the contracts negotiated with various bargaining units for employees who retire from the District with at least 15 years of service. However, classified employees hired after June 30, 1999, certified employees who retire after August 31, 2006, and administrative employees who retire after June 30, 2006 are not eligible for explicit premium subsidies. The District's cost for providing explicit subsidies is capped for the different groups at various percentages of General Fund property tax revenues, which is projected to grow 3.0% annually and was \$1.6 million for fiscal year 2010-2011. However, under NRS 287.023, eligible retirees are eligible to participate in the plan with blended rates, thereby benefitting from an implicit subsidy. Retirees are required to contribute up to \$8,764 per year for medical, dental and vision coverage, based on their gross PERS income, the number of years since their retirement and the number of years of service with the District. The District reimburses up to 100% of the amount of validated claims for medical and dental costs incurred by pre-Medicare retirees. The District serves as a secondary carrier for retirees eligible for Medicare. Expenditures for postemployment health care benefits are recognized as retirees report claims.

Any employee who has Basic Life and Accidental Death and Disability (AD&D) insurance while active and retires from the District while drawing PERS at the time of his/her retirement is eligible to continue this benefit at retirement regardless of the number of years of service with the District. All future eligible retirees (not available to spouses of retirees) can receive the following Basic Life and AD&D benefit:

- Administrative - \$250,000
- Certified - \$40,000
- Classified - \$40,000
- Confidential Classified (as defined by the District) - \$50,000

This benefit is reduced 50% at age 70. The amount of the benefit is dependent on when an employee retired and is subject to coverage adjustments based on premium rate changes and bargaining results.

In prior fiscal years, under the NPEBP plan, pursuant to NRS 287.023, retirees had the option to participate in the District's program for postemployment health care benefits or to join the Public Employees' Benefit Program (PEBP) offered by the State of Nevada. District retirees not receiving PEBP benefits as of November 30, 2008 are no longer allowed to participate in NPEBP. For the remaining eligible retirees, local governments are required to pay the same portion of the cost of coverage for those persons participating in PEBP that the State of Nevada pays for those persons retired from state service who have continued to participate in the plan. As of June 30, 2011, 1,403 retirees were utilizing this benefit.

**WASHOE COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

The subsidy paid directly to PEPB by the District for this coverage for the year ended June 30, 2011 was \$6,042,889. Amounts contributed by retirees are paid directly to the State of Nevada and, as such, are not available.

Funding Policy and Annual OPEB Cost:

For WCSDRHP, contribution requirements of the plan members and the District are established and may be amended through negotiations between the District and the employee associations. The required contribution is based on projected pay-as-you-go financing requirements, with an additional amount to prefund benefits as determined in actuarial studies contracted for by the District. For fiscal year 2010-11, the District paid net medical claims of \$4,012,229 out of the self-insured Health Insurance Fund for WCSDRHP retirees (approximately 56 percent of total costs) and an additional \$1,799,373 was paid to prefund benefits. Plan member retirees receiving benefits contributed \$3,137,657 or approximately 44 percent of the total costs for retirees, through their required contribution to the Health Insurance Fund.

For NPEBP, contribution requirements of the plan members and the District are established and may be amended by the state legislature. The required contribution is based on projected pay-as-you-go financing requirements, with an additional amount to prefund benefits as determined in actuarial studies contracted for by the District. For fiscal year 2010-11, the District contributed \$6,042,890 to NPEBP for current premiums and an additional \$3,265,455 to prefund benefits. Information on plan members' contributions to NPEBP is unavailable. NRS 287.023 sunsetted the option to join PEPB for District employees who were not receiving PEPB benefits by November 30, 2008.

For WCSD Retiree Life Insurance Plan, contribution requirements of the plan members and the District are established and may be amended through negotiations between the District and the employee associations. Retirees pay 100% of the pay-as-you-go premiums based on a blended rate that blends active participants and retirees. The District's contribution requirements for retirees relate to the implicit subsidy that results from using the blended rates and is determined in actuarial studies contracted for by the District. For fiscal year 2010-11, the District contributed \$1,012,208 for current premiums for retirees (approximately 89 percent of total costs) and paid \$658,283 to the OPEB Trust Fund for retirees to prefund benefits. Plan member retirees receiving life insurance coverage contributed \$130,124 or approximately 11 percent of the total costs for retirees, through their required contribution to the Health Insurance Fund.

The number of participants as of July 1, 2010, the actuarial valuation date, follows.

	Active	WCSD Retiree Life Insurance Plan	WCSDRHP	NPEBP Medical Plan
Active employees	6,379			
Retirees enrolled in District Plans		1,930	828	
Retirees enrolled in NPEBP				1,403

**WASHOE COUNTY SCHOOL DISTRICT
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JUNE 30, 2011**

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plans, and the net OPEB obligations (assets), by plan, for fiscal year 2010-11 were as follows:

	Fiscal Year Ended	Annual OPEB Cost	Employer Contributions	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation (Asset)
WCSDRHP	6/30/11	\$4,918,000	\$5,811,602	118.17%	\$(3,449,524)
WCSDRHP	6/30/10	\$4,492,000	\$4,961,898	110.46%	\$(2,555,922)
WCSDRHP	6/30/09	\$5,514,000	\$5,820,198	105.55%	\$(2,086,024)
NPEBP	6/30/11	\$5,586,000	\$9,308,345	166.64%	\$(14,280,159)
NPEBP	6/30/10	\$4,778,000	\$8,980,224	187.95%	\$(10,557,814)
NPEBP	6/30/09	\$5,129,000	\$9,959,948	194.19%	\$(6,355,590)
WCSD Retiree Life Insurance Plan	6/30/11	\$1,843,000	\$1,670,491	90.64%	\$1,068,813
WCSD Retiree Life Insurance Plan	6/30/10	\$1,930,000	\$1,548,842	80.25%	\$896,304
WCSD Retiree Life Insurance Plan	6/30/09	\$1,610,000	\$1,343,718	83.46%	\$515,146
Combined Totals	6/30/11	\$12,347,000	\$16,790,438		
Combined Totals	6/30/10	\$11,200,000	\$15,490,964		
Combined Totals	6/30/09	\$12,253,000	\$17,123,864		

The net OPEB obligation (asset) (NOPEBO) as of June 30, 2011, was calculated as follows:

	WCSDRHP	NPEBP	WCSD Retiree Life Insurance Plan	Totals
Annual required contribution	\$4,983,000	\$5,843,000	\$1,821,000	\$12,647,000
Interest on the beginning net OPEB obligation	(204,000)	(845,000)	72,000	(977,000)
ARC Adjustment	139,000	588,000	(50,000)	677,000
Annual OPEB cost	\$4,918,000	\$5,586,000	\$1,843,000	\$12,347,000
Contributions made	\$5,811,602	\$9,308,345	\$1,670,491	\$16,790,438
Increase (decrease) in net OPEB obligation	\$(893,602)	\$(3,722,345)	\$172,509	\$(4,443,438)
Net OPEB obligation (asset), beginning of year	(2,555,922)	(10,557,814)	896,304	(12,217,432)
Net OPEB obligation (asset), end of year	\$(3,449,524)	\$(14,280,159)	\$1,068,813	\$(16,660,870)

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Funded Status and Funding Progress:

The funded status of the plans as of the most recent actuarial valuation (July 1, 2010) was as follows:

	WCSDRHP	NPEBP	WCSD Retiree Life Insurance Plan	Totals
Accrued actuarial liability (a)	\$55,188,000	\$104,929,000	\$20,251,000	\$180,368,000
Actuarial value of plan assets (b)	\$11,192,000	\$7,753,000	\$1,341,000	\$20,286,000
Unfunded actuarial accrued liability (a) - (b)	\$43,996,000	\$97,176,000	\$18,910,000	\$160,082,000
Funded ratio (b) / (a)	20.28%	7.39%	6.62%	11.25%
Covered payroll (c)	\$315 million	N/A	\$315 million	
Unfunded actuarial accrued liability as a percentage of covered payroll $[(a) - (b)] / (c)$	13.97%	N/A	6.00%	

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future. Amounts determined regarding the funded status of the plan and the 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 required schedules of funding progress and employer contributions presented as required supplementary information provide current and prior year information (and will provide complete required multiyear trend information, when available, that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits).

Actuarial Methods and Assumptions:

Projections of benefits are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits in force at the valuation date and the pattern of sharing benefits between the District and the plan members at that point.

**WASHOE COUNTY SCHOOL DISTRICT
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Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. Significant methods and assumptions were as follows:

	WCSDRHP	NPEBP	WCSD Retiree Life Insurance Plan
Actuarial valuation date	7/1/10	7/1/10	7/1/10
Actuarial cost method	Projected unit credit	Projected unit credit	Projected unit credit
Amortization method	Level percentage of pay, open	Level percentage of pay, closed	Level percentage of pay, open
Remaining amortization period	30 years	29 years	30 years
Asset valuation method	Market value	Market value	Market value
Actuarial assumptions:			
Investment rate of return	8.0%	8.0%	8.0%
Projected salary increases	4.0%	4.0%	4.0%
Healthcare inflation rate* *Decreasing .5% each year until ultimate trend rate of 5.0% is reached	10.5%	10.5%	10.5%

NOTE 10 – Risk Management:

The District is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District reports all of its risk management activities in the Internal Service Funds in accordance with GASB Statements No. 10 *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues* and No. 30 *Risk Financing Omnibus an amendment of GASB Statement No. 10*.

Claims expenses and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. These losses include an estimate of claims that have been incurred but not reported. Because actual claims liabilities depend on such complex factors as inflation, changes in legal doctrines, and damage awards, the process used in computing claims liability does not necessarily result in an exact amount. Claims liabilities are re-evaluated annually by an outside actuary who takes into consideration recently settled claims, the frequency of claims, and other economic and social factors. Liabilities for incurred losses to be settled by fixed or reasonably determinable payments over a long period of time are reported at their present value using the expected future investment yield of 4.0 percent.

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At June 30, 2011, the amount of this liability was \$14,198,736. This liability is determined by actuaries using all available information. Changes in the reported liability since July 1, 2009 are as follows:

	Property & Casualty	Health Insurance	Workers' Compensation	Total
Claims liability, July 1, 2009	\$ 2,609,000	\$ 7,910,574	\$ 4,547,000	\$ 15,066,574
Current year claims and changes in estimates	(243,134)	48,899,735	1,683,758	50,340,359
Claims payments	<u>(667,866)</u>	<u>(49,735,188)</u>	<u>(1,724,758)</u>	<u>(52,127,812)</u>
Claims liability, June 30, 2010	1,698,000	7,075,121	4,506,000	13,279,121
Current year claims and changes in estimates	1,569,902	46,843,281	2,415,120	50,828,303
Claims payments	<u>(700,902)</u>	<u>(47,112,666)</u>	<u>(2,095,120)</u>	<u>(49,908,688)</u>
Claims liability, June 30, 2011	<u>\$ 2,567,000</u>	<u>\$ 6,805,736</u>	<u>\$ 4,826,000</u>	<u>\$ 14,198,736</u>
Due within one year	<u>\$ 1,113,852</u>	<u>\$ 6,805,736</u>	<u>\$ 1,559,938</u>	<u>\$ 9,479,526</u>

At June 30, 2011, the Internal Service Funds held \$60,929,312 in cash and investments available for payment of these claims.

The District combines both self-insurance and commercial insurance to protect against risks. There was no significant reduction in those insurance coverages purchased by the District from the previous year. Settled claims have not exceeded the commercial coverage in any of the past three years. The following is a detail of coverage:

General Liability, Property and Casualty Insurance - The District is self-insured for individual losses up to a maximum of \$50,000 for damage to real and personal property, and \$300,000 for general liability and automobile incidents resulting in bodily injury and/or property damage claims. The District has insurance for losses above \$50,000 and \$300,000, respectively, with maximum annual coverage of approximately \$500,000,000 for property damage, coverage of \$5,000,000 per occurrence for crime, and \$15,000,000 per occurrence for wrongful acts of the Board of Trustees, and general and automobile liability.

Health Insurance - The District is self-insured for health insurance claims up to \$300,000 per calendar year per employee with an annual maximum of \$2,000,000 per employee.

Workers' Compensation Insurance - The District is self-insured for individual workers' compensation claims up to \$500,000 for each accident. Accidents in excess of \$500,000 are covered by excess insurance up to State statutory limits.

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The District maintains an account with a market value of \$2,087,591 as of June 30, 2011 to meet its State of Nevada security deposit requirement.

The Property and Casualty, Health Insurance and Workers' Compensation Funds charge the District's insured funds monthly premiums.

NOTE 11 – Commitments and Contingencies:

Construction Commitments:

As of June 30, 2011, the District had the following commitments with respect to unfinished capital projects:

<u>Capital Project Description</u>	<u>Remaining Construction Commitment</u>	<u>Expected Date of Completion</u>
ADA Retrofit Projects	1,335,681	March 2012
All Day Kindergarten Projects	274,650	December 2011
Backflow Projects	8,455	March 2012
Best Management Practice Projects	18,354	June 2012
Bleacher Replacement Projects	166,109	September 2011
CCTV Projects	121,883	March 2012
Depoali Middle School Projects	844	December 2011
Drainage Projects	214,619	June 2012
Environmental Cooling Upgrades	62,950	December 2011
Fire Alarm Upgrades	208,039	December 2011
Flooring Upgrades	47,854	September 2011
Heating/Cooling System Projects	1,447,436	December 2011
Infinite Campus Projects	88,798	June 2012
Information System Projects	116,696	June 2014
Infrastructure Improvements	2,196,707	December 2011
Lock Projects	27,995	December 2011
Photovoltaic Installations	3,730	December 2011
Repaving Projects	1,283,707	September 2011
Reroofing Projects	365,934	September 2011
Revitalization Projects	2,285,249	June 2012
Storage Tank Remediation Projects	12,870	June 2012
	<u>\$ 10,288,560</u>	

Currently, no additional financing is required to complete construction on the projects above.

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Litigation:

The District is a defendant in various legal actions. The amount of liability or loss, if any, arising from such legal actions cannot be reasonably estimated at the present time. It is the opinion of management and legal counsel of the District that none of these cases would have a material impact upon the financial condition of the District.

The District receives a portion of the property tax revenues collected by Washoe County. Washoe County is currently the defendant in various lawsuits with property owners in addition to the lawsuit presented below, 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 including the portion collected on behalf of the District. The impact on the District's financial condition cannot be reasonably estimated.

NOTE 12 – Subsequent Events:

On July 6, 2011, the District issued \$43,450,000 in General Obligation School Improvement and Refunding Bonds, Series 2011A. The term of the Series 2011A bonds is 20 years with interest rates ranging from 3.0% to 5.0%. Interest payments begin in December 2011 and principal payments will begin in June 2015. The District is refunding \$9,000,000 of its Refunding Bonds Series 2005 with a portion of the proceeds. As of June 30, 2011, the District has received an advance deposit of \$400,000 on the issuance of these bonds.

The District receives a portion of the property tax revenues collected in Washoe County. On July 7, 2011, affirming a writ of mandamus issued by the Second Judicial District Court, the Second Judicial District Court ordered the County Treasurer to comply with the Washoe County Board of Equalization decision to roll back 2006-2007 taxable values for 8,700 properties located in the Lake Tahoe area of Washoe County to 2002-2003 levels and to refund excess property taxes paid by property tax payers plus interest. The estimated amount of the refunds and interest in governmental activities is \$15,000,000. Since the court ordered refunds became due subsequent to year end, no provision for the liability has been made in governmental funds.

On September 29, 2011, the District paid \$33,655,174, from the debt service fund for the partial defeasance of series 2002B, 2003A, 2003C, 2005A, and 2007C. The defeasance was undertaken to reduce total future debt service payments by \$35,022,000.

