

OFFICIAL STATEMENT

\$59,215,000

**WASHOE COUNTY SCHOOL DISTRICT, NEVADA
GENERAL OBLIGATION (LIMITED TAX)
SCHOOL IMPROVEMENT AND REFUNDING BONDS
SERIES 2016A**



***Washoe County
School District***

**NEW ISSUE
BOOK-ENTRY ONLY**

**RATINGS: "S&P": "AA"
Moody's: "Aa3"
See "RATINGS"**

In the opinion of Sherman & Howard L.L.C., Bond Counsel, assuming continuous compliance with certain covenants described herein, interest on the Bonds is excluded from gross income under federal income tax laws pursuant to Section 103 of the Internal Revenue Code of 1986, as amended to the date of delivery of the Bonds (the "Tax Code"), and interest on the Bonds is excluded from alternative minimum taxable income as defined in Section 55(b)(2) of the Tax Code except that such interest is required to be included in calculating the "adjusted current earnings" adjustment applicable to corporations for purposes of computing the alternative minimum taxable income of corporations as described herein. See "TAX MATTERS."

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WASHOE COUNTY SCHOOL DISTRICT, NEVADA
GENERAL OBLIGATION (LIMITED TAX) SCHOOL IMPROVEMENT
AND REFUNDING BONDS
SERIES 2016A**

Dated: Date of Delivery

Due: June 1, as shown herein

The Bonds are issued as fully registered bonds in denominations of \$5,000 or any integral multiple thereof. The Bonds initially will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), securities depository for the Bonds. Purchases of the Bonds are to be made in book-entry form only. Purchasers will not receive certificates representing their beneficial ownership interest in the Bonds. See "THE BONDS – Book-Entry Only System." The Bonds bear interest at the rates set forth herein, payable on June 1, 2016, and semiannually thereafter on December 1 and June 1 of each year. Interest will be paid to and including the maturity dates shown herein (unless the Bonds are redeemed earlier), to the registered owners of the Bonds (initially Cede & Co.). The principal of the Bonds will be payable upon presentation and surrender at the principal operations office of Zions Bank, a division of ZB, National Association, or its successor as the paying agent for the Bonds. See "THE BONDS – Payment Provisions."

The maturity schedule for the Bonds appears on the inside cover page of this Official Statement.

The Bonds are subject to redemption prior to maturity at the option of the District as described in "THE BONDS – Redemption Provisions."

Proceeds of the Bonds will be used to: (i) acquire, construct, improve and equip school facilities in the District; (ii) refund certain outstanding District bonds, as more particularly described herein; and (iii) pay the costs of issuing the Bonds. See "SOURCES AND USES OF FUNDS."

The Bonds constitute direct and general obligations of the District. The full faith and credit of the District is pledged for the payment of principal and interest on the Bonds, subject to State constitutional and statutory limitations on the aggregate amount of ad valorem taxes. See "SECURITY FOR THE BONDS – General Obligations."

This cover page contains certain information for quick reference only. It is not a summary of the issue. Investors must read the entire Official Statement to obtain information essential to making an informed investment decision.

The Bonds are offered when, as, and if issued by the District, subject to the approval of legality of the Bonds by Sherman & Howard L.L.C., Reno, Nevada, and the satisfaction of certain other conditions. Sherman & Howard L.L.C., also has acted as special counsel to the District in connection with preparation of this Official Statement. Certain legal matters will be passed upon for the District by its General Counsel. JNA Consulting Group, LLC, Boulder City, Nevada, is acting as the Financial Advisor to the District in connection with the issuance of the Bonds. It is expected that the Bonds will be available for delivery through the facilities of DTC, on or about February 2, 2016.

Citigroup

MATURITY SCHEDULE
(CUSIP© 6-digit issuer number: 940858)

\$59,215,000

WASHOE COUNTY SCHOOL DISTRICT, NEVADA
GENERAL OBLIGATION (LIMITED TAX) SCHOOL IMPROVEMENT AND
REFUNDING BONDS
SERIES 2016A

Maturing (June 1)	Principal Amount	Interest Rate	Yield†	CUSIP© Issue Number	Maturing (June 1)	Principal Amount	Interest Rate	Yield†	CUSIP© Issue Number
2019	\$810,000	2.000%	1.070%	5Y5	2028	\$1,130,000	4.000%	2.510% ⁽¹⁾	6H1
2020	830,000	2.000	1.230	5Z2	2029	1,175,000	4.000	2.610 ⁽¹⁾	6J7
2021	2,225,000	3.000	1.340	6A6	2030	1,225,000	3.000	2.890 ⁽¹⁾	6K4
2022	7,895,000	3.000	1.470	6B4	2031	1,260,000	3.000	3.000	6L2
2023	6,180,000	5.000	1.650	6C2	2032	1,300,000	3.000	3.060	6M0
2024	6,455,000	5.000	1.800	6D0	2033	1,340,000	3.000	3.120	6N8
2025	12,585,000	5.000	1.970	6E8	2034	1,380,000	3.000	3.180	6P3
2026	9,450,000	5.000	2.110	6F5	2035	1,420,000	3.125	3.240	6Q1
2027	1,090,000	4.000	2.400 ⁽¹⁾	6G3	2036	1,465,000	3.125	3.300	6R9

(1) Priced to the first optional redemption date for the Bonds of June 1, 2026.

† Provided by Citigroup Global Markets Inc., the initial purchaser of the Bonds. See “UNDERWRITING.”

USE OF INFORMATION IN THIS OFFICIAL STATEMENT

This Official Statement, which includes the cover page, the inside cover page and the appendices, does not constitute an offer to sell or the solicitation of an offer to buy any of the Bonds (defined herein) in any jurisdiction in which it is unlawful to make such offer, solicitation, or sale. No dealer, salesperson, or other person has been authorized to give any information or to make any representations other than those contained in this Official Statement in connection with the offering of the Bonds, and if given or made, such information or representations must not be relied upon as having been authorized by District. The District maintains an internet website; however, the information presented there is not a part of this Official Statement and should not be relied upon in making an investment decision with respect to the Bonds.

The information set forth in this Official Statement has been obtained from the District and from the sources referenced throughout this Official Statement, which the District believes to be reliable. No representation is made by the District, however, as to the accuracy or completeness of information provided from sources other than the District. This Official Statement contains, in part, estimates and matters of opinion which are not intended as statements of fact, and no representation or warranty is made as to the correctness of such estimates and opinions, or that they will be realized.

The information, estimates, and expressions of opinion contained in this Official Statement are subject to change without notice, and neither the delivery of this Official Statement nor any sale of the Bonds shall, under any circumstances, create any implication that there has been no change in the affairs of the District, or in the information, estimates, or opinions set forth herein, since the date of this Official Statement.

This Official Statement has been prepared only in connection with the original offering of the Bonds and may not be reproduced or used in whole or in part for any other purpose.

The Bonds have not been registered with the Securities and Exchange Commission due to certain exemptions contained in the Securities Act of 1933, as amended. The Bonds have not been recommended by any federal or state securities commission or regulatory authority, and the foregoing authorities have neither reviewed nor confirmed the accuracy of this document.

THE PRICES AT WHICH THE BONDS ARE OFFERED TO THE PUBLIC BY THE INITIAL PURCHASER (AND THE YIELDS RESULTING THEREFROM) MAY VARY FROM THE INITIAL PUBLIC OFFERING PRICES OR YIELDS APPEARING ON THE INSIDE COVER PAGE HEREOF. IN ADDITION, THE INITIAL PURCHASER MAY ALLOW CONCESSIONS OR DISCOUNTS FROM SUCH INITIAL PUBLIC OFFERING PRICES TO DEALERS AND OTHERS. IN ORDER TO FACILITATE DISTRIBUTION OF THE BONDS, THE INITIAL PURCHASER MAY ENGAGE IN TRANSACTIONS INTENDED TO STABILIZE THE PRICE OF THE BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

WASHOE COUNTY SCHOOL DISTRICT, NEVADA

BOARD OF TRUSTEES

John Mayer, President
Angela Taylor, Vice President
Barbara L. McLaury, Clerk
Veronica Frenkel
Howard Rosenberg
Lisa Ruggerio
Nick Smith

ADMINISTRATIVE OFFICIALS

Traci Davis, Superintendent
Thomas Ciesynski, Chief Financial Officer
Pete Etchart, Chief Operating Officer
Neil Rombardo, Chief General Counsel

FINANCIAL ADVISOR

JNA Consulting Group, LLC
Boulder City, Nevada

BOND AND SPECIAL COUNSEL

Sherman & Howard L.L.C.
Reno, Nevada

REGISTRAR, PAYING AGENT AND ESCROW BANK

Zions Bank, a division of ZB, National Association
Los Angeles, California

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GENERAL OBLIGATION (LIMITED TAX)
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SERIES 2016A**

INTRODUCTION

General

This Official Statement, including the cover page, the inside cover page and the appendices, is furnished by the Washoe County School District, Nevada (the “District”), to provide information about the District and its \$59,215,000 General Obligation (Limited Tax) School Improvement and Refunding Bonds, Series 2016A (the “Bonds”). The Bonds will be issued pursuant to a bond resolution adopted by the Board of Trustees of the District (the “Board”) on January 12, 2016 (the “Bond Resolution”).

The offering of the Bonds is made only by way of this Official Statement, which supersedes any other information or materials used in connection with the offer or sale of the Bonds. The following introductory material is only a brief description of and is qualified by the more complete information contained throughout this Official Statement. A full review should be made of the entire Official Statement and the documents summarized or described herein. Detachment or other use of this “INTRODUCTION” without the entire Official Statement, including the cover page, the inside cover page and the appendices, is unauthorized.

The Issuer

The District is a political subdivision of the State organized pursuant to legislation enacted in 1956. The District’s boundaries are coterminous with those of Washoe County (the “County”). The District covers an area of approximately 6,600 square miles in the northwestern portion of the State of Nevada (the “State”). The District serves the residents of the City of Reno (“Reno”), the City of Sparks (“Sparks”) and the unincorporated areas of the County, including the unincorporated communities of Incline Village, Wadsworth and Gerlach. See “WASHOE COUNTY SCHOOL DISTRICT.”

The Bonds; Prior Redemption

The Bonds are issued solely as fully registered certificates in denominations of \$5,000, or any integral multiple thereof. The Bonds initially will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC”), the securities depository for the Bonds. Purchases of the Bonds are to be made in book-entry form only. Purchasers will not receive certificates representing their beneficial ownership interest in the Bonds. See “THE BONDS – Book-Entry Only System.” The Bonds are dated as of the date of their delivery and mature and bear interest (calculated based on a 360-day year consisting of twelve 30-day months) as set forth on the inside cover page of this Official Statement. The payment of principal and interest on the Bonds is described in “THE BONDS – Payment Provisions.”

The Bonds are subject to redemption prior to maturity at the option of the District as described in “THE BONDS – Redemption Provisions.”

Authority for Issuance

The Bonds are being issued pursuant to: the constitution and laws of the State, particularly Nevada Revised Statutes (“NRS”) 350.500 through 350.720, designated as the “Local Government Securities Law” (the “Bond Act”), NRS Chapter 348 (the “Supplemental Bond Act”), the Bond Resolution and legislation enacted by the 2015 Nevada Legislature which deemed approval by the District’s electors at a November 5, 2002 election to constitute approval of the issuance of the general obligation bonds by the Board pursuant to Subsection 4 of NRS 350.020.

Purpose

Proceeds of the Bonds will be used to: (i) acquire, construct, improve and equip school facilities in the District (the “Improvement Project”); and (ii) pay the costs of issuing the Bonds. Proceeds of the Bonds will also be used to: (i) refund \$11,865,000 aggregate principal amount of the District’s General Obligation (Limited Tax) School Improvement Bonds, Series 2007C (the “2007C Bonds”); (ii) refund \$3,580,000 aggregate principal amount of the District’s General Obligation (Limited Tax) School Improvement Bonds, Series 2009A (the “2009A Bonds”); (iii) refund \$13,090,000 aggregate principal amount of the District’s General Obligation (Limited Tax) School Improvement and Refunding Bonds, Series 2011A (the “2011A Bonds”); and (iv) refund \$13,685,000 aggregate principal amount of the District’s General Obligation (Limited Tax) School Improvement Bonds, Series 2011B (the “2011B Bonds”). The 2007C Bonds, the 2009A Bonds, the 2011A Bonds and the 2011B Bonds to be refunded are referred to as the Refunded 2007C, the Refunded 2009A Bonds, the Refunded 2011A Bonds and the Refunded 2011B Bonds, respectively, and as the “Refunded Bonds,” collectively. The refunding of the Refunded Bonds is collectively referred to as the “Refunding Project.” See “SOURCES AND USES OF FUNDS.”

Security for the Bonds

General Obligations. The Bonds constitute direct and general obligations of the District. The full faith and credit of the District is pledged for the payment of principal and interest and any premium in connection with a mandatory redemption of the Bonds (the “Bond Requirements”), subject to State constitutional and statutory limitations on the aggregate amount of ad valorem taxes. Generally, the combined overlapping tax rate is limited by statute to \$3.64 per \$100 of assessed valuation. See “SECURITY FOR THE BONDS – General Obligations.” Pursuant to State law, taxes levied for the payment of bonded indebtedness, including the Bonds, enjoy a priority over taxes levied by each overlapping taxing unit for all other purposes where reduction is necessary in order to comply with the statutory limitations described in “PROPERTY TAX INFORMATION – Property Tax Limitations.”

Professionals

Sherman & Howard L.L.C., Reno, Nevada, has acted as Bond Counsel in connection with the Bonds and also has acted as special counsel to the District in connection

with this Official Statement. Certain legal matters will be passed upon for the District by its General Counsel. JNA Consulting Group, LLC, Boulder City, Nevada, is providing financial advisory services to the District. See “FINANCIAL ADVISOR.” The fees being paid to the Financial Advisor are contingent upon the execution and delivery of the Bonds. The audited basic financial statements of the District, attached to this Official Statement as Appendix A, include the report of Eide Bailly, certified public accountants, Reno, Nevada. See “INDEPENDENT AUDITORS.” Zions Bank, a division of ZB, National Association, Los Angeles, California, will act as Registrar, Paying Agent and Escrow Bank for the Bonds.

Tax Matters

In the opinion of Sherman & Howard L.L.C., Bond Counsel, assuming continuous compliance with certain covenants described herein, interest on the Bonds is excluded from gross income under federal income tax laws pursuant to Section 103 of the Internal Revenue Code of 1986, as amended to the date of delivery of the Bonds (the “Tax Code”), and interest on the Bonds is excluded from alternative minimum taxable income as defined in Section 55(b)(2) of the Tax Code except that such interest is required to be included in calculating the “adjusted current earnings” adjustment applicable to corporations for purposes of computing the alternative minimum taxable income of corporations. See “TAX MATTERS – Federal Tax Matters.”

In the opinion of Bond Counsel, the Bonds, their transfer, and the income therefrom are free and exempt from taxation by the State or any subdivision thereof except for the tax on estates imposed pursuant to Chapter 375A of NRS and the tax on generation-skipping transfers imposed pursuant to Chapter 375B of NRS. See “TAX MATTERS – State Tax Exemption.”

Continuing Disclosure Undertaking

The District will execute a continuing disclosure certificate (the “Disclosure Certificate”) at the time of the closing for the Bonds. The Disclosure Certificate will be executed for the benefit of the beneficial owners of the Bonds. The District will covenant in the Bond Resolution to comply with the terms of the Disclosure Certificate. The Disclosure Certificate will provide that so long as the Bonds remain outstanding, the District will provide the following information to the Municipal Securities Rulemaking Board (“MSRB”), through its Electronic Municipal Market Access System: (i) annually, certain financial information and operating data; and (ii) notice of the occurrence of certain material events; each as more particularly described in the Disclosure Certificate. The form of the Disclosure Certificate is attached hereto as Appendix C. In the last five years, the District has not failed to materially comply with any prior continuing disclosure undertakings entered into pursuant to Rule 15c2-12 promulgated under the Securities Exchange Act of 1934. However, the District did file its annual reports and audits relating to fiscal years 2010 and 2011 with EMMA four days and one day late, respectively. Such late filings have been reported on EMMA and the annual filings relating to subsequent fiscal years were filed on time. Further, the District did not file or file on a timely basis material event notices relating to certain underlying and insured ratings in 2010 and 2011 and one rating change in 2013. The District has updated all such rating change notices.

Certain Bondholder Risks

General. The purchase of the Bonds involves certain investment risks that are discussed throughout this Official Statement. Accordingly, each prospective purchaser of the Bonds should make an independent evaluation of all of the information presented in this Official Statement in order to make an informed investment decision.

Risks Related to Property Taxes. Numerous factors over which the District has no control may impact the timely receipt of ad valorem property tax revenues in the future. These include the valuation of property within the District, the number of homes which are in foreclosure, bankruptcy proceedings of property taxpayers or their lenders, and the ability or willingness of property owners to pay taxes in a timely manner.

The District's ability to retire the indebtedness created by the issuance of the Bonds is dependent, in part, upon the maintenance of an adequate tax base against which the District may levy and collect property tax revenues. The amount of ad valorem property taxes collected will be dependent upon the assessed valuation of land within the District. The taxable value of the property in the District declined in each year between fiscal years 2009 and 2013 before increasing 0.2%, 7.9% and 8.0% for fiscal years 2014, 2015 and 2016. See "PROPERTY TAX INFORMATION" herein. While the County continues to feel the effects of the recent economic downturn, property values and other economic indicators appear to have stabilized. It is not possible to predict future property values, foreclosures or delinquencies in property tax payments. Specifically, it is not possible to predict whether property values in the District will decline in the future, whether foreclosure rates will continue to rise or whether any increase in foreclosures will cause significant delinquencies in property tax payments and the realization of property tax revenues by the District.

Changes in Law. Various State laws apply to the imposition, collection, and expenditure of property taxes (sometimes referred to as "General Taxes") as well as to the operation and finances of the District, including State funding of education.

The Nevada State Legislature (the "Legislature") determines the amount of State funds that will be distributed to school districts for operating purposes in each year pursuant to statutory funding formulas. The Legislature has increased funding to the District in fiscal years 2013, 2014, 2015, 2016 and 2017. Economic indicators have stabilized and the State has made a push to diversify or bring in new businesses which is improving the economic outlook in Nevada. Future actions taken by the Legislature will impact the District's operations and finances to an extent that cannot be determined at this time.

There is no assurance that there will not be any change in, interpretation of, or addition to the applicable laws, provisions, and regulations which would have a material effect, directly or indirectly, on the affairs of the District and the imposition, collection, and expenditure of its revenues, including General Taxes.

Forward-Looking Statements

This Official Statement, particularly (but not limited to) the sections entitled "DISTRICT FINANCIAL INFORMATION – General Fund History of Revenues, Expenditures

and Changes in Fund Balance,” “ – Debt Service Fund,” “ – Discussion of Fiscal Year 2015 Results,” and “ – Fiscal Year 2016 Budget Considerations,” and any statements throughout this Official Statement referring to budgeted, interim or unaudited information for fiscal year 2015 or future years, contains statements relating to future results that are “forward-looking statements” as defined in the Private Securities Litigation Reform Act of 1995. When used in this Official Statement, the words “estimate,” “forecast,” “intend,” “expect” and similar expressions identify forward-looking statements. Any forward-looking statement is subject to uncertainty. Accordingly, such statements are subject to risks that could cause actual results to differ, possibly materially, from those contemplated in such forward-looking statements. Inevitably, some assumptions used to develop forward-looking statements will not occur as assumed or unanticipated events and circumstances may occur. Therefore, investors should be aware that there are likely to be differences between forward-looking statements and actual results. Those differences could be materially adverse to the owners of the Bonds.

Secondary Market

No guarantee can be made that a secondary market for the Bonds will develop or be maintained by the Initial Purchaser or others. Thus, prospective investors should be prepared to hold their Bonds to maturity.

Additional Information

This introduction is only a brief summary of the provisions of the Bonds and the Bond Resolution; a full review of the entire Official Statement should be made by potential investors. Brief descriptions of the Bonds, the Bond Resolution, the Project and the District are included in this Official Statement. All references herein to the Bonds, the Bond Resolution and other documents are qualified in their entirety by reference to such documents. *This Official Statement speaks only as of its date and the information contained herein is subject to change.*

Additional information and copies of the documents referred to herein are available from the District and the Financial Advisor at the addresses set forth as follows:

Washoe County School District
Attn: Chief Financial Officer
425 East 9th Street
Reno, Nevada 89520
775-348-0313

JNA Consulting Group, LLC
410 Nevada Way
Suite 200
Boulder City, Nevada 89005
702-294-5100

SOURCES AND USES OF FUNDS

Sources and Uses of Funds

The proceeds of the Bonds are expected to be applied in the manner set forth in the following table.

Sources and Uses of Funds

SOURCES:

Principal amount	\$ 59,215,000
Plus: original issue premium/(discount)	10,084,239
Cash contribution	<u>313,519</u>
Total	\$69,612,758

USES:

The Improvement Project	\$21,320,575
The Refunding Project	47,705,710
Costs of issuance (including underwriting discount)	<u>586,473</u>
Total	\$69,612,758

Source: The Financial Advisor.

The Improvement Project

A portion of the Bond proceeds will be used to acquire, construct, improve and equip school facilities in the District, including the acquisition of real property.

The Refunding Project

General. A portion of the Bond proceeds will be used to advance refund the Refunded 2007C Bonds, the Refunded 2009A Bonds, the Refunded 2011A Bonds and the Refunded 2011B Bonds.

To accomplish the Refunding Project, the District will deposit a portion of the Bond proceeds into the Escrow Account created pursuant to the Bond Resolution. Pursuant to an escrow agreement between the District and the Escrow Bank (the “Escrow Agreement”), the amount deposited into the Escrow Account will be invested in Federal Securities (defined herein) maturing at such times and in such amounts as are required to pay: (i) the interest on the Refunded 2007C Bonds, the Refunded 2009A Bonds, the Refunded 2011A Bonds and the Refunded 2011B Bonds as they become due through June 1, 2017, June 1, 2019, June 1, 2021 and June 1, 2021, respectively; and (ii) the principal of the Refunded 2007C Bonds, the Refunded 2009A Bonds, the Refunded 2011A Bonds and the Refunded 2011B Bonds upon maturity or prior redemption on June 1, 2017, June 1, 2019, June 1, 2021 and June 1, 2021, respectively.

Verification of Mathematical Computations. The accuracy of the mathematical computations of the adequacy of the maturing principal of and interest on the federal securities and cash deposited in the Escrow Account to provide for the payment of the principal, prior

redemption premium and interest with respect to the Refunded Bonds when due or upon prior redemption, which computations support the conclusion of Bond Counsel that the Bonds are not “arbitrage bonds” under Section 148 of the Tax Code will be verified by Causey Demgen & Moore Inc., certified public accountants, Denver, Colorado.

THE BONDS

General information describing the Bonds appears below and throughout this Official Statement. This summary information is qualified in its entirety by the provisions of the Bond Resolution, which is available from the sources listed in “INTRODUCTION – Additional Information.”

General

The Bonds will be issued as fully registered bonds in denominations of \$5,000 and any integral multiple thereof. The Bonds will be dated as of their date of delivery and will bear interest (calculated on the basis of a 360-day year of twelve 30-day months) and mature as set forth on the inside cover page of this Official Statement. The Bonds initially will be registered in the name of “Cede & Co.,” as nominee for DTC, the securities depository for the Bonds. Purchases of the Bonds are to be made in book-entry only form. Purchasers will not receive certificates evidencing their beneficial ownership interest in the Bonds. See “Book-Entry Only System” below.

Payment Provisions

Interest on the Bonds is payable on June 1 and December 1 (each an interest payment date), commencing June 1, 2016, by check or draft mailed by the Paying Agent on the interest payment date, or if such day is not a business day, on the next succeeding business day, to the person in whose name each Bond is registered (*i.e.*, Cede & Co.) on the 15th day of the month preceding the interest payment date (the “Regular Record Date”), at the address shown on the registration records maintained by the Registrar as of the close of business on the Regular Record Date. However, if there is a default in payment or provision of interest due with respect to a Bond on any interest payment date, such interest thereafter will be paid to the registered owner of such Bond as of a special record date (the “Special Record Date”) to be established by the Registrar whenever moneys become available for payment of the defaulted interest. The Special Record Date will be fixed by the Paying Agent whenever money becomes available for payment of the defaulted interest and notice of the Special Record Date will be given to the registered owners of the Bonds not less than 10 days prior thereto by first-class mail to each registered owner as shown on the Registrar’s registration records on a date selected by the Registrar, stating the date of the Special Record Date and the date selected for the payment of the defaulted interest. Principal on the Bonds will be payable at maturity or earlier redemption at the corporate trust office of the Paying Agent (or at such other office designated by the Paying Agent) upon presentation and surrender thereof. Any Bond not paid upon presentation and surrender at or after maturity or redemption shall continue to draw interest at the rate stated in the Bond until the principal is paid in full. All such payments of principal and interest shall be made in lawful money of the United States of America.

Notwithstanding the foregoing, payments of the principal of and interest on the Bonds will be made directly to DTC or its nominee, Cede & Co., by the Paying Agent, so long as DTC or Cede & Co. is the registered owner of the Bonds. Disbursement of such payments to DTC's Participants (defined in Appendix B) is the responsibility of DTC, and disbursements of such payments to the Beneficial Owners (defined in Appendix B) is the responsibility of DTC's Participants and the Indirect Participants (defined in Appendix B), as more fully described herein. See "Book-Entry Only System" below.

Redemption Provisions

Optional Redemption. The Bonds, or portions thereof, maturing on and after June 1, 2027 are subject to redemption before their respective maturities, at the option of the District, on or after June 1, 2026, in whole or in part, at any time, from any maturity selected by the District, and by lot within a maturity (giving proportionate weight to Bonds in denominations larger than \$5,000), at a price equal to the principal amount of each Bond, or portion thereof, so redeemed, plus accrued interest thereon to the redemption date.

Notice of Redemption. Notice of any redemption prior to maturity of the Bonds will be given by the Registrar, electronically, as long as Cede & Co. is the registered owner of the Bonds, and otherwise by first class mail, at least 30 days but not more than 60 days prior to the redemption date, to the registered owner of any Bonds, all or a part of which is called for redemption, at his address as it last appears on the registration records of the Registrar, in the manner and upon the conditions to be provided in the Bond Resolution. The notice will identify the Bonds or portions thereof (in the case of redemption of the Bonds in part but not in whole) to be redeemed, specify the redemption date and state that on the redemption date, the principal amount thereof, accrued interest and premium, if any, thereon will become due and payable at the office of the Paying Agent, or such other office as may be designated by the Paying Agent, and that after the redemption date, no further interest will accrue on the principal of any Bonds called for redemption. Actual receipt of notice by the owners of Bonds is not a condition precedent to redemption of such Bonds.

A notice of redemption may contain a statement that the redemption is conditioned upon receipt by the Paying Agent of funds on or before the date fixed for redemption sufficient to pay the redemption price of the Bonds so called for redemption, and that if such funds are not available, such redemption shall be canceled by written notice to the owners of the Bonds called for redemption in the same manner as the original redemption notice was given.

Tax Covenant

In the Bond Resolution, the District covenants for the benefit of the owners of the Bonds that it will not take any action or omit to take any action with respect to the Bonds, the proceeds thereof, any other funds of the District or any project financed or refinanced with the proceeds of the Bonds if such action or omission (i) would cause the interest on the Bonds to lose its exclusion from gross income for federal income tax purposes under Section 103 of the Tax Code, or (ii) would cause interest on the Bonds to lose its exclusion from alternative minimum taxable income as defined in Section 55(b)(2) of the Tax Code except that such interest is required to be included in calculating the adjusted current earnings adjustment applicable to corporations for purposes of computing the alternative minimum taxable income of corporations.

The foregoing covenants shall remain in full force and effect, notwithstanding the payment in full or defeasance of the Bonds, until the date on which all obligations of the District in fulfilling the above-described covenants under the Tax Code have been met.

Defeasance

When all bond requirements of any Bond have been duly paid, the pledge and lien and all obligations under the Bond Resolution shall be discharged and the Bond shall no longer be deemed to be outstanding within the meaning of the Bond Resolution. There will be deemed to be such due payment when the District has placed in escrow or in trust with a trust bank located within or without the State, an amount sufficient (including the known minimum yield available for such purpose from Federal Securities in which such amount wholly or in part may be initially invested) to meet all bond requirements of the Bond, as the same become due to the final maturity of the Bond, or upon any redemption date as of which the District shall have exercised or shall have obligated itself to exercise its prior redemption option by a call of the Bond for payment. The Federal Securities shall become due before the respective times on which the proceeds thereof shall be needed, in accordance with a schedule established and agreed upon between the District and the bank at the time of the creation of the escrow or trust, or the Federal Securities shall be subject to redemption at the option of the owners thereof to assure availability as so needed to meet the schedule. For the purpose of this paragraph, "Federal Securities" shall be as defined in NRS 350.222, and shall include only Federal Securities which are not callable for redemption prior to their maturities except at the option of the holder thereof.

Amendment of the Bond Resolution

The Bond Resolution may be amended by the District: (1) without the consent of or notice to the holders of the Bonds for the purpose of curing any ambiguity or formal defect or omission therein; and (2) with the consent of a majority of the Bondholders or with the consent of the insurer, if any, of the Bonds in connection with any other amendment.

Notwithstanding the foregoing, no such amendment, unless consented to by the Bondholder adversely affected thereby, shall permit: (1) a change in the maturity or in the terms of redemption of the principal of any outstanding Bond or any installment of interest thereon; (2) a reduction in the principal amount of any Bond, the rate of interest thereon, or any prior redemption premium payable in connection therewith; or (3) the establishment of any priorities as between Bonds issued and outstanding under the provisions of the Bond Resolution.

Book-Entry Only System

The Bonds will be available only in book-entry form in the principal amount of \$5,000 or any integral multiple thereof. DTC will act as the initial securities depository for the Bonds. The ownership of one fully registered Bond for each maturity in each series, as set forth on the inside cover page of this Official Statement, in the aggregate principal amount of such maturity coming due thereon, will be registered in the name of Cede & Co., as nominee for DTC. See Appendix B - Book-Entry Only System.

SO LONG AS CEDE & CO, AS NOMINEE OF DTC, IS THE REGISTERED OWNER OF THE BONDS, REFERENCES IN THIS OFFICIAL STATEMENT TO THE OWNERS WILL MEAN CEDE & CO. AND WILL NOT MEAN THE BENEFICIAL OWNERS.

Neither the District nor the Registrar and Paying Agent will have any responsibility or obligation to DTC's Direct Participants or Indirect Participants (each as defined in Appendix B), or the persons for whom they act as nominees, with respect to the payments to or the providing of notice for the Direct Participants, the Indirect Participants or the beneficial owners of the Bonds as further described in Appendix B to this Official Statement.

Debt Service Requirements

The following table sets forth the estimated debt service requirements for the Bonds in each fiscal year. See “DEBT STRUCTURE – District General Obligation Bond Total Debt Service Requirements” for information on the debt service due on all of the District’s outstanding general obligation bonds payable from the District’s debt service levy. See “SECURITY FOR THE BONDS – Debt Service Tax Levy.”

The Bonds - Bond Debt Service Requirements⁽¹⁾

Fiscal Year	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	--	\$823,416	\$823,416
2017	--	2,491,006	2,491,006
2018	--	2,491,006	2,491,006
2019	\$810,000	2,491,006	3,301,006
2020	830,000	2,474,806	3,304,806
2021	2,225,000	2,458,206	4,683,206
2022	7,895,000	2,391,456	10,286,456
2023	6,180,000	2,154,606	8,334,606
2024	6,455,000	1,845,606	8,300,606
2025	12,585,000	1,522,856	14,107,856
2026	9,450,000	893,606	10,343,606
2027	1,090,000	421,106	1,511,106
2028	1,130,000	377,506	1,507,506
2029	1,175,000	332,306	1,507,306
2030	1,225,000	285,306	1,510,306
2031	1,260,000	248,556	1,508,556
2032	1,300,000	210,756	1,510,756
2033	1,340,000	171,756	1,511,756
2034	1,380,000	131,556	1,511,556
2035	1,420,000	90,156	1,510,156
2036	<u>1,465,000</u>	<u>45,781</u>	<u>1,510,781</u>
Total	\$59,215,000	\$24,352,366	\$83,567,366

(1) Totals may not add due to rounding.

Source: The Financial Advisor.

SECURITY FOR THE BONDS

General Obligations

General. The Bonds are direct and general obligations of the District, and the full faith and credit of the District is pledged for the payment of the principal of, any prior redemption premiums and the interest on the Bonds, subject to State constitutional and statutory limitations on the aggregate amount of ad valorem taxes. See “PROPERTY TAX INFORMATION – Property Tax Limitations.” The Bonds are payable by the District from any source legally available therefor at the times such payments are due, including the General Fund of the District. In the event, however, that such legally available sources of funds are insufficient, the District is obligated to levy a general (ad valorem) tax on all taxable property within the District for payment of the Bonds, subject to the limitations provided in the constitution and statutes of the State.

Limitations on Property Tax Revenues. The constitution and laws of the State limit the total ad valorem property taxes that may be levied by all overlapping taxing units within each county (including the State, the County, any city, or any special district) in each year. Generally, the combined overlapping tax rate is limited by statute to \$3.64 per \$100 of assessed valuation. Those limitations are described in “PROPERTY TAX INFORMATION – Property Tax Limitations.” In any year in which the total property taxes levied within the County by all applicable taxing units exceed such property tax limitations, the reduction to be made by those units must be in taxes levied for purposes other than the payment of their bonded indebtedness, including interest on such indebtedness. See “PROPERTY TAX INFORMATION – Property Tax Limitations.”

Debt Service Tax Levy

The District currently levies a debt rate of \$0.3885, and expects to repay all of its outstanding general obligation bonds, including the Bonds, but excluding its medium-term general obligations, without increasing its debt rate of \$0.3885. However, if necessary, the District may increase that rate to pay debt service on its outstanding general obligation bonds (excluding medium-term bonds), subject to the State constitutional and statutory limitations discussed throughout this Official Statement.

The District has approval to levy a debt service tax rate until all of the Bonds have been repaid. In 2015 the State legislature enacted legislation that reauthorized rollover bonds for the next 10 years. The Bonds are to be issued pursuant to such authorization.

Reserve Account

Pursuant to NRS 350.020(5) the Board established a reserve account (the “Reserve Account”) within its Debt Service Fund for payment of the outstanding general obligation bonds of the District payable from the tax rate for debt described above (excluding medium-term bonds) and, if then permitted by the statutes of the State, amounts in the Reserve Account may be withdrawn and used for purposes other than payment of debt service on outstanding District bonds. The Reserve Account must be established and maintained in an amount at least equal to the lesser of: 25% of the amount of principal and interest payments, net

of any subsidies, due on all of the outstanding bonds of the District in the next fiscal year, or 10% of the outstanding principal amount of the District's bonds (the "Reserve Requirement"). The amounts on deposit in the Reserve Account are not directly pledged to pay debt service on the Bonds or the other general obligation bonds of the District. Currently, amounts on deposit in the Reserve Fund may be utilized only for the payment of debt service. However, the registered voters of the District at an election on the question or the Legislature may allow amounts in the Reserve Account to be withdrawn and used for purposes other than payment of debt service on outstanding District bonds.

As of the date of issuance of the Bonds, the amount in the Reserve Account will be approximately \$11,799,428. See "DISTRICT FINANCIAL INFORMATION – Debt Service Fund." If the amount in the Reserve Account falls below the required amount, NRS 350.020(5) provides that: (i) the Board shall not issue additional bonds pursuant to NRS 350.020(4) until the reserve account is restored to the level set forth above; and (ii) the Board shall apply all of the taxes levied by the District for payment of bonds of the District that are not needed for payment of the principal and interest on bonds of the District in the current fiscal year to restore the reserve account to the Reserve Requirement. The District is authorized to issue additional bonds until March 4, 2025.

Additional Bonds

The District has authority to issue an additional \$15 million of general obligation bonds after issuance of the Bonds, but does not anticipate issuing any bond under such authorization within the next 6 months. The District also anticipates issuing medium term general obligation bonds in the approximate aggregate principal amount of \$2.9 million in 2016 for the purpose of financing additional buses for the District.

Bond Resolution Irrepealable

After any of the Bonds are issued, the Bond Resolution shall constitute an irrevocable contract between the District and the registered owner or owners of the Bonds; and the Bond Resolution, if any Bonds are in fact issued, shall be and shall remain irrepealable until the Bonds, as to all Bond Requirements, shall be fully paid, canceled and discharged, as provided in the Bond Resolution.

Other Security Matters

No Repealer. State statutes provide that no act concerning the Bonds or their security may be repealed, amended, or modified in such a manner as to impair adversely the Bonds or their security until all of the Bonds have been discharged in full or provision for their payment and redemption has been fully made.

No Pledge of Property. The payment of the Bonds is not secured by an encumbrance, mortgage or other pledge of property of the District, except the proceeds of the General Taxes and any other monies pledged under the Bond Resolution for the payment of the Bonds. No property of the District, subject to that exception, shall be liable to be forfeited or taken in payment of the Bonds.

No Recourse. No recourse shall be had for the payment of the Bond Requirements of the Bonds or for any claim based thereon or otherwise upon the Bond Resolution or any other instrument relating thereto, against any individual member of the Board or any officer or other agent of the Board or District, past, present or future, either directly or indirectly through the Board or the District, or otherwise, whether by virtue of any constitution, statute or rule of law, or by the enforcement of any penalty or otherwise.

Limitations on Remedies

No Acceleration. There is no provision for acceleration of maturity of the principal of the Bonds in the event of a default in the payment of principal of or interest on the Bonds. Consequently, remedies available to the owners of the Bonds may have to be enforced from year to year.

Bankruptcy, Federal Lien Power and Police Power. The enforceability of the rights and remedies of the owners of the Bonds and the obligations incurred by the District in issuing the Bonds are subject to the federal bankruptcy code and applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or affecting the enforcement of creditors' rights generally, now or hereafter in effect; usual equity principles which may limit the specific enforcement under State law of certain remedies; the exercise by the United States of America of the powers delegated to it by the federal Constitution; the power of the federal government to impose liens in certain situations; and the reasonable and necessary exercise, in certain exceptional situations, of the police power inherent in the sovereignty of the State and its governmental bodies in the interest of serving a significant and legitimate public purpose. Bankruptcy proceedings or the exercise of powers by the federal or State government (including the imposition of tax liens by the federal government), if initiated, could subject the owners of the Bonds to judicial discretion and interpretation of their rights in bankruptcy or otherwise, and consequently may entail risks of delay, limitation or modification of their rights.

Changes in Laws. Various State laws apply to the imposition, collection, and expenditure of General Taxes as well as the operation and finances of the District. There is no assurance that there will not be any change in, interpretation of, or addition to the applicable laws, provisions, and regulations which would have a material effect, directly or indirectly, on the affairs of the District and the imposition, collection, and expenditure of its revenues, including General Taxes.

PROPERTY TAX INFORMATION

Property Tax Base

The State Department of Taxation reports that the total assessed valuation of property within the District for the fiscal year ending June 30, 2016, is \$14,342,710,925 (excluding the assessed valuation attributable to the Reno Redevelopment Agency and the Sparks Redevelopment Agency (the "Redevelopment Agencies")). That assessed valuation represents an 8.0% increase over the assessed valuation for fiscal year 2015.

State law requires that the County assessor reappraise at least once every five years all real and secured personal property (other than certain utility owned property which is

centrally appraised and assessed by the Nevada Tax Commission). While the law provides that in years in which the property is not reappraised, the County assessor is to apply a factor representing typical changes in value in the area since the preceding year, it is the policy of the Washoe County Assessor to reappraise all real and secured personal property in the District each year. State law requires that property be assessed at 35% of taxable value; that percentage may be adjusted upward or downward by the Legislature. Based upon the assessed valuation for fiscal year 2016 the taxable value of all taxable property within the District is \$40,979,174,071 (excluding the taxable value attributable to the Redevelopment Agencies).

“Taxable value” is defined in the statutes as the full cash value in the case of land, as the replacement cost less applicable straight-line depreciation and obsolescence in the case of improvements to land, and as the replacement cost less applicable depreciation and obsolescence (determined in accordance with the regulations of the Nevada Tax Commission) with respect to taxable personal property; but the computed taxable value of any property must not exceed its full cash value. Depreciation of improvements to real property must be calculated at 1.5% of the cost of replacement for each year of adjusted actual age up to a maximum of 50 years. Adjusted actual age is actual age adjusted for any addition or replacement. The maximum depreciation allowed is 75% of the cost of replacement. When a substantial addition or replacement is made to depreciable property, its “actual age” is adjusted, *i.e.*, reduced to reflect the increased useful term of the structure. The adjusted actual age has been used on appraisals for taxes since 1986-87.

In Nevada, county assessors are responsible for assessments in the counties except for certain properties centrally assessed by the State, which include property owned by railroads, airlines and utility companies.

History of Assessed Value

The following table illustrates a history of the assessed valuation in the District, including the assessed values attributable to the Redevelopment Agencies. Due to property tax abatement laws enacted in 2005 (described in “Required Property Tax Abatements” below) the taxes collected by taxing entities within the County are capped and there is no longer a direct correlation between changes in assessed value and property tax revenue.

History of Assessed Value

Fiscal Year Ending June 30	Assessed Value of the District ⁽¹⁾	Percent Change	Assessed Value of the Redevelopment Agencies
2012	\$12,675,374,294	--	253,904,054
2013	12,290,109,448	(3.0)%	201,510,836
2014	12,317,952,550	0.2	178,972,052
2015	13,286,283,600	7.9	201,317,152
2016	14,342,710,925	8.0	222,756,313

(1) Includes the assessed value attributable to Net Proceeds of Minerals.

Sources: Property Tax Rates for Nevada Local Governments - State of Nevada Department of Taxation, 2011-12 through 2016-17; State Department of Taxation.

Property Tax Collections

General. In Nevada, county treasurers are responsible for the collection of property taxes, and forwarding the allocable portions thereof to the overlapping taxing units within the counties.

A history of the County's tax roll collection record appears in the following table. *This table reflects all amounts collected by the County, including amounts levied by the County, the District, the cities within the County and certain special taxing districts. The figures in the following table include property taxes that are not available to pay debt service on the Bonds.* The table below provides information with respect to the historic collection rates for the County, but may not be relied upon to depict the amounts of ad valorem property taxes available to the County in each year. There is no assurance that collection rates will be similar to the historic collection rates depicted below.

As described in "Taxpayer Appeals" below, beginning in late August 2011, the County recalculated and refunded approximately \$44.8 million in property taxes, plus interest, to taxpayers in the Incline Village/Crystal Bay area of the County. All of the parcels subject to refunds have been adjusted and refunds for all of the parcels had been processed. In the following table, all of the refunds associated with those adjustments are included in the "Delinquent Tax Collections" column.

Property Tax Levies, Collections and Delinquencies - Washoe County, Nevada

Fiscal Year			% of Levy	Delinquent		Total Tax
Ending	Net Secured	Current Tax	(Current)	Tax	Total Tax	Collections as %
<u>June 30</u>	<u>Roll Tax Levy⁽¹⁾</u>	<u>Collections</u>	<u>Collected</u>	<u>Collections</u>	<u>Collections</u>	<u>of Current Levy⁽²⁾</u>
2011	\$459,902,246	\$452,301,503	98.35%	\$8,747,048	\$461,048,551	100.25%
2012 ⁽³⁾	424,893,854	416,848,553	98.11	(4,822,330)	412,026,224	96.97
2013 ⁽³⁾	410,445,682	405,976,784	98.91	(6,474,893)	399,501,891	97.33
2014	411,287,837	407,469,285	99.07	5,571,288	413,040,573	100.43
2015	423,991,386	421,124,537	99.32	4,714,586	425,839,123	100.44
2016 ⁽⁴⁾	439,788,704	252,610,181	57.44	1,823,325	254,433,506	57.85

(1) Represents the real property tax roll levies and collections. Subject to adjustments.

(2) Figured on collections to net levy (actual levy less stricken taxes).

(3) All previous tax year collection adjustments and refunds resulting from the Incline Village matter were completed in June 2013 and are reflected in the Delinquent Tax Collections amounts.

(4) Collections through November 30, 2015.

Source: Washoe County Treasurer's Office.

Taxes on real property are due on the third Monday in August unless the taxpayer elects to pay in installments on or before the third Monday in August and the first Mondays in October, January, and March of each fiscal year. Penalties are assessed if any taxes are not paid within 10 days of the due date as follows: 4% of the delinquent amount if one installment is delinquent, 5% of the delinquent amount plus accumulated penalties if two installments are delinquent, 6% of the delinquent amount plus accumulated penalties if three installments are delinquent and 7% of the delinquent amount plus accumulated penalties if four installments are delinquent. In the event of nonpayment, the county treasurer is authorized to hold the property for two years, subject to redemption upon payment of taxes, penalties and costs, together with

interest at the rate of 10% per year from the date the taxes were due until paid. If delinquent taxes are not paid within the two-year redemption period, the county treasurer obtains a deed to the property free of all encumbrances. Upon receipt of a deed, the county treasurer may sell the property to satisfy the tax lien and assessments by local governments for improvements to the property. State law provides alternative remedies for the collection of taxes in certain instances, including judicial foreclosure (which may take place before the expiration of the two-year redemption period) and the issuance of a tax lien to the County Treasurer which may be sold before the expiration of the two-year redemption period (but remains subject to redemption).

Taxpayer Appeals. Under State law, property owners may protest the value assigned to their property by the County Assessor by appealing the valuation to the County Board of Equalization (the “CBOE”).

Several cases decided by the Supreme Court of Nevada (the “Court”) in the past several years (referred to as the “Bakst cases”) are the result of valuation challenges by taxpayers in the Incline Village/Crystal Bay neighborhoods of the County. Those decisions may have an impact on property tax collections on certain taxing entities in the County, including the District, for the next several years. In 2006, the Court held that several of the assessment methods used by the County to value property for the 2003-04 tax year in the Incline Village/Crystal Bay area were unconstitutional because the methods used to establish those values had not been included in regulations approved by the State Tax Commission. Based upon the decision in the 2006 Bakst case and a subsequent Bakst case filed with respect to tax year 2004-05, the County issued approximately \$6.1 million in refunds, including interest, to about 1,000 property owners who had filed appeals and whose property had been assessed based on one or more of the unconstitutional assessment methods.

Between the date of a lower court decision invalidating the unconstitutional assessment methods and the date of the 2006 Court decision, the CBOE voted to roll back the fiscal year 2006-07 values for all Incline Village/Crystal Bay properties to their fiscal year 2002-03 taxable values on the theory that because some property owners had received refunds, the entire area was “out of equalization,” meaning that consistent and equal application of taxable values needed to be applied to all similarly situated properties in that geographic area. A number of procedural and substantive problems with the CBOE decision led to reviews by the State Board of Equalization (the “SBOE”) and the courts.

During the County’s efforts to obtain judicial resolution of the issues described in the prior paragraph, a Nevada District Court judge granted a request by certain taxpayers and ordered the County Treasurer to issue refunds to all Incline Village/Crystal Bay residential property owners (approximately 8,700 parcels) for the 2006-07 and subsequent tax years. The County Treasurer appealed that order, and on July 7, 2011, the State Supreme Court issued a ruling affirming the District Court order. As a result, the County Treasurer issued refunds to all property owners for the affected tax years, with interest.

In order to process refunds, the County Treasurer reviewed each of the approximately 8,700 parcels for each affected tax year (2006-07 through 2011-12) for each taxpayer, giving consideration to the reduced 2006-07 values (the reduction in values have already been made by the County Assessor) as well as the 3% residential tax cap (described in “PROPERTY TAX INFORMATION – Required Property Tax Abatements”) in each subsequent

year. The County Treasurer began paying refunds in the fall of 2011. As of June 2013, the County Treasurer has completed the tax refund process, a process which ultimately paid out \$44,820,086 in refunds covering 8,763 parcels in the Incline Village/Crystal Bay area.

State statutes provide that amounts refunded are to be withheld from subsequent apportionments to the other taxing entities which overlap Incline Village/Crystal Bay, including the District. On August 23, 2011, the Board of County Commissioners directed staff to also withhold interest from subsequent tax payments made to the District and the other overlapping entities.

The District's total outstanding refund obligation for all applicable tax years was approximately \$15 million, including interest. Of that amount, approximately \$10 million was allocable to the General Fund and approximately \$5 million was attributable to the Debt Service Fund. As described in "DISTRICT FINANCIAL INFORMATION – General Fund," the Nevada Plan for School Finance protects the District from fluctuations in receipts with respect to one-third of its operating tax levy and as a result, the State made up approximately one-third of the principal shortfall attributable to the General Fund (approximately \$3 million). The District reserved approximately \$7 million in General Fund (*i.e.*, designated it as "Assigned" for accounting purposes); and also had sufficient reserves in the Debt Service Fund to pay the refund obligation. For accounting purposes, the District recognized all of its liability for the Incline Village refunds as of June 30, 2012, although refunds continued to be paid through June 2013.

Another case involving the 2003, 2004 and 2005 tax years is now pending before the Nevada Supreme Court. This case was initially filed in 2003 by the Incline Village/Crystal Bay taxpayers to compel the SBOE to perform its statutorily-mandated "equalization" function. Following two dismissals by the District Court, and two subsequent appeals to the Nevada Supreme Court, the case was returned to the District Court with instructions to command the SBOE to perform this function. As a result of the District Court's command, the SBOE conducted statewide equalization hearings in September, November and December of 2003. Those hearings ultimately resulted in an Order from the SBOE in which it commanded the Washoe County Assessor to revalue the Incline Village/Crystal Bay properties for the tax years in question. Out of likely concern that the revaluation process would result in higher values, with accompanying additional tax liability, the Incline Village/Crystal Bay taxpayers challenged the SBOE's Order in the District Court, by filing both objections to the composition and jurisdiction of the SBOE and a separate petition for judicial review. The taxpayers' challenges were consolidated into the 2003 case, fully briefed and argued, and on July 1, 2013, the District Court dismissed the taxpayers' challenge. Dissatisfied with this result, the taxpayers filed an appeal with the Supreme Court the next day. The issue has been fully briefed at the Supreme Court and is awaiting action there. There is, at this time, no way to accurately estimate the impact of this case on any of the taxing agencies although, if the taxpayers ultimately prevail in their desire to roll back 2003, 2004 and 2005 property values to their 2002 level, it could well be that the financial impact of necessary refunds will closely resemble the amount already refunded by the County Treasurer. The District has reserved \$7.5 million of its General Fund balance for outstanding litigation.

Required Payments of Property Tax Moneys to Redevelopment Agency. NRS Chapter 279 authorizes redevelopment areas and redevelopment agencies and provides for the

allocation of property tax revenues resulting from specified tax levies on the assessed value of property within the redevelopment areas for growth in assessed valuation above a “base year” valuation under certain circumstances. Pursuant to State law, redevelopment agencies created prior to July 1, 1987, also are entitled to receive a minimum allocation of taxes pursuant to NRS for debt service on bonds and other debt issued or incurred prior to July 1, 1987. The Reno Redevelopment Agency (“Reno RDA”) was formed prior to 1987 and has established two redevelopment areas - “RDA1,” which was formed prior to 1987 and “RDA2,” which was formed after 1987. No Reno RDA bonds issued prior to July 1, 1987, currently are outstanding although bonds refunding those bonds are outstanding through fiscal year 2018.

In August 2011, the Reno RDA challenged the methodology used to determine its tax increment revenues and sought an allocation of additional taxes based on its interpretation of the applicable statutory provision. The County disagreed with the Reno RDA interpretation of various issues associated with the allocation of tax increment within the Reno RDA.

Any additional amounts owed to the Reno RDA are allocated among the overlapping taxing entities - the State, the County, the City of Reno and the District (together with Reno RDA, the “Settling Parties”). Accordingly, beginning in August 2011, the Settling Parties began meeting to discuss how the County Assessor and the County Treasurer should assess, collect and distribute property taxes attributable to the Reno RDA. The Settling Parties have entered into a Settlement Agreement in order to settle issues regarding, among other things, the minimum allocation due to RDA1 in each year.

The Settling Parties agreed that RDA1 is entitled to \$2.7 million per year (the “Minimum Allocation”) through fiscal year 2018 as a result of the 1987 statute discussed above. RDA1 has received the Minimum Allocation for every year until fiscal year 2012; the Settling Parties agreed that an additional payment of \$1.4 million was required to meet the Minimum Allocation for that year. For fiscal year 2015, the District’s share of the allocation was \$534,296; with \$533,728 attributable to the General Fund and approximately \$498 attributable to the Debt Service Fund. For fiscal year 2016, the District’s share of the allocation is estimated to be \$1,510,462; approximately \$1,318,462 is attributable to the General Fund and approximately \$192,000 is attributable to the Debt Service Fund. However, the State Distributive School Account has and is expected to continue to reimburse the District for one-third of its share of such annual allocations. If the Minimum Allocation is not met in future years (through fiscal year 2018), the District will be required to divert a proportionate share of its property tax revenues to RDA1 to fund the difference.

It is not possible to predict whether additional payments will be required; as a result, the District’s share of future payments cannot be calculated. The District’s percentage share of any such payments may change over time based upon the relative assessed values of the taxing entities; however, the District does not anticipate that the allocation will have a material adverse effect on the District’s financial operations.

In any event, the Bonds are general obligations of the District. As described in “SECURITY FOR THE BONDS – General Obligations,” State law creates a priority on ad valorem tax revenues for the payment of debt service on bonds, including the Bonds.

Largest Taxpayers in the District

The following table represents the ten largest property-owning taxpayers in the District based on fiscal year 2015-16 assessed valuations (most recent available). The assessed valuations in this table represent real property only; the unsecured tax roll (defined generally as taxable property which does not attach to the real estate, such as business equipment and fixtures, mobile/manufactured homes and airplanes) and property that is centrally assessed by the State (utilities, railroads, airlines, etc.) are excluded. No independent investigation has been made of, and consequently there can be no representation as to, the financial conditions of the taxpayers listed, or that any such taxpayer will continue to maintain its status as a major taxpayer based on the assessed valuation of its property in the District.

It is possible that one or more of the major taxpayers in the District may be experiencing varying degrees of financial difficulty; those or other entities may encounter future difficulties that could negatively impact the timely payment of property taxes.

Ten Largest Taxpayers in the District⁽¹⁾ Fiscal Year 2015-16

<u>Taxpayer</u>	<u>Type of Business</u>	<u>Assessed Value</u>	<u>% of Total Assessed Value⁽²⁾</u>
Icon Reno Property Owner ⁽³⁾	Real Estate	\$100,866,552	0.70%
Peppermill Casinos Inc.	Hotel/Casino	85,446,342	0.60
Golden Road Motor Inn Inc.	Hotel	43,817,407	0.31
MPT of Reno LLC	Developer	38,863,173	0.27
Sparks Legends Development Inc.	Hotel/Casino	36,324,989	0.25
Circus & Eldorado Joint Venture	Hotel/Casino	31,789,794	0.22
Northwestern Mutual Life Insurance	Insurance	27,568,667	0.19
Apple Inc.	Technology	25,126,644	0.18
International Game Technology	Manufacturing	24,850,000	0.17
Hyatt Equities LLC	Hotel/Casino	<u>24,366,444</u>	<u>0.17</u>
TOTAL		\$439,020,012	3.06%

(1) Real property only; excludes centrally assessed property. Subject to revision.

(2) Based on the County's fiscal year 2016 total assessed valuation of \$14,342,710,925 (which excludes the assessed valuation of the Redevelopment Agencies).

(3) Includes Icon Reno Property Owner Pool 3 Nevada LLC, Icon Reno Property Owner Pool 6 West/Southwest LLC, and Icon Reno Property Owner Pool 2 LLC.

Source: Washoe County Assessor's Office (report dated October 12, 2015).

Property Tax Limitations

Overlapping Property Tax Caps. Article X, Section 2, of the State constitution limits the total ad valorem property taxes levied by all overlapping governmental units within the boundaries of any county (*i.e.*, the State, and any county, city, town, school district or special district) to an amount not to exceed five cents per dollar of assessed valuation (\$5 per \$100 of assessed valuation) of the property being taxed. Further, the combined overlapping tax rate is limited by statute to \$3.64 per \$100 of assessed valuation in all counties of the State with certain exceptions that (a) permit a combined overlapping tax rate of up to \$4.50 per \$100 of assessed

valuation in the case of certain entities that are in financial difficulties; and (b) require that \$0.02 of the statewide property tax rate of \$0.17 per \$100 of assessed valuation is not included in computing compliance with this \$3.64 cap. (This \$0.02 is, however, counted against the \$5.00 cap.) State statutes provide a priority for taxes levied for the payment of general obligation bonded indebtedness in any year in which the proposed tax rate to be levied by overlapping units within a county exceeds any rate limitation; a reduction must be made by those units for purposes other than the payment of general obligation bonded indebtedness, including interest thereon.

Local Government Property Tax Revenue Limitation. State statutes limit the revenues school districts may receive from ad valorem property taxes for operating purposes. Pursuant to NRS 387.195, each board of county commissioners levies a tax of \$0.75 per \$100 of assessed valuation for school district operating purposes. School districts are also allowed additional levies for voter-approved debt service (including debt service on the Bonds) and voter-approved tax overrides for capital projects.

State statutes also limit the revenues local governments, other than school districts, may receive from ad valorem property taxes for purposes other than paying certain general obligation indebtedness which is exempt from such ad valorem revenue limits. This rate is generally limited as follows. The assessed value of property is first differentiated between that for property existing on the assessment rolls in the prior year (old property) and new property. Second, the property tax revenue derived in the prior year is increased by no more than 6% and the tax rate to generate the increase is determined against the current assessed value of the old property. Finally, this tax rate is applied against all taxable property to produce the allowable property tax revenues. This cap operates to limit property tax revenue dependent upon changes in the value of old property and the growth and value of new property.

A local government, other than a school district, may exceed the property tax revenue limitation if the proposal is approved by its electorate at a general or special election. In addition, the Executive Director of the Department of Taxation will add to the allowed revenue from ad valorem taxes, the amount approved by the legislature for the costs to a local government of any substantial programs or expenses required by legislative enactment. Nevada local governments receiving certain sales tax revenues also may levy a property tax to make up any shortfalls between sales tax revenues estimated by the Nevada Department of Taxation and actual sales tax revenues available to local governments.

The County and the cities within the County are levying various tax overrides as allowed or required by State statutes.

The Nevada Tax Commission monitors the impact of tax legislation on local government services.

Constitutional Amendment - Abatement of Taxes for Severe Economic Hardship. At the November 5, 2002 election, the State's voters approved an amendment to the State constitution authorizing the State Legislature to enact a law providing for an abatement of the tax upon or an exemption of part of the assessed value of an owner-occupied single-family residence to the extent necessary to avoid severe economic hardship to the owner of that residence.

The legislation implementing that amendment provides that the owner of a single-family residence may file a claim with the county treasurer to postpone the payment of all or part of the property tax due against the residence if (among other requirements): the residence has an assessed value of not more than \$175,000; the property owner does not own any other real property in the State with an assessed value of more than \$30,000; the residence has been occupied by the owner for at least 6 months; the owner is not in bankruptcy; the owner owes no delinquent property taxes on the residence; the owner has suffered severe economic hardship caused by circumstances beyond his control (such as illness or disability expected to last for at least 12 continuous months); and the total annual income of the owner's household is at or below the federally designated poverty level. The amount of tax that may be postponed may not exceed the amount of property tax that will accrue against the residence in the succeeding three fiscal years. Any postponed property tax (and any penalties and the interest that accrue as provided in the statute) constitutes a perpetual lien against the residence until paid. The postponed tax becomes due and payable if: the residence ceases to be occupied by the claimant or is sold; any non-postponed property tax becomes delinquent; if the claimant dies; or on the date upon which the postponement expires, as determined by the county treasurer.

Required Property Tax Abatements

General. In 2005, the Legislature approved the Abatement Act (NRS 361.471 to 361.4735), which established formulas to determine whether tax abatements are required for property owners in each year. The general impact of the Abatement Act is to limit increases in ad valorem property tax revenues owed by taxpayers to a maximum of 3% per year for primary owner-occupied residential properties (and low-income housing properties) and, for all other properties, an annual percentage equal to the lesser of (a) 8% or (b) the greater of the average annual change in taxable values over the last ten years, as determined by a formula or twice the percentage of increase in the consumer price index for the immediately preceding calendar year. In accordance with such calculations, the increase in ad valorem property tax revenues owed by taxpayers for other properties in fiscal year 2015 is limited to 3%. The Abatement Act limits do not apply to new construction. The Abatement Act formulas are applied on a parcel-by-parcel basis each year.

Generally, reductions in the amount of ad valorem property tax revenues levied in the County are required to be allocated among all of the taxing entities in the County in the same proportion as the rate of ad valorem taxes levied for that taxing entity bears to the total combined rate of all ad valorem taxes levied for that fiscal year. However, abatements caused by tax rate increases are to be allocated against the entity that would benefit from the tax increase rather than among all entities uniformly. Revenues realized from new or increased ad valorem taxes that are required by any legislative act that was effective after April 6, 2005, generally are *not* exempt from the abatement formulas. The Abatement Act provides for the recapture of previously abated property tax revenues in certain limited situations.

Levies for Debt Service. Revenues resulting from increases in the rate of ad valorem taxes for the payment of tax-secured obligations are exempt from the Abatement Act formulas if increased rates are necessary to pay debt service on the related obligation in any fiscal year if (1) the tax-secured obligations were issued before July 1, 2005; or (2) the governing body of the taxing entity and the County Debt Management Commission make findings that no

increase in the rate of an ad valorem tax is anticipated to be necessary for payment of the obligations during their term. Ad valorem tax rate increases to pay debt service on the Bonds may be exempt from the Abatement Act formulas.

General Effects of Abatement. Limitations on property tax revenues could negatively impact the finances and operations of the taxing entities in the State, including the County, to an extent that cannot be determined at this time.

Overlapping Tax Rates and General Obligation Indebtedness

Overlapping Tax Rates. The following table presents a history of statewide average tax rates and a representative overlapping tax rate for taxing districts located in Reno, the most populous city in the County. The overlapping rates for incorporated and unincorporated areas within the County vary depending on the rates imposed by applicable taxing jurisdictions. The highest overlapping tax rate in the County currently is \$3.6600 in Reno, Sparks and in portions of the Palomino Valley General Improvement District and Truckee Meadows Fire Protection District.

History of Statewide Average and Sample Overlapping Property Tax Rates⁽¹⁾

<u>Fiscal Year Ended June 30</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Average Statewide rate	<u>\$3.1171</u>	<u>\$3.1304</u>	<u>\$3.1212</u>	<u>\$3.1232</u>	<u>\$3.1360</u>
Washoe County	1.3917	1.3917	1.3917	1.3917	1.3917
Washoe County School District	1.1385	1.1385	1.1385	1.1385	1.1385
City of Reno	0.9456	0.9598	0.9598	0.9598	0.9598
Combined Special Districts	0.0000	0.0000	0.0000	0.0000	0.0000
State of Nevada ⁽²⁾	<u>0.1700</u>	<u>0.1700</u>	<u>0.1700</u>	<u>0.1700</u>	<u>0.1700</u>
Total	\$3.6458	\$3.6600	\$3.6600	\$3.6600	\$3.6600

(1) Per \$100 of assessed valuation.

(2) \$0.0200 of the State rate is exempt from the \$3.64 cap. See "Property Tax Limitations" above.

Source: Property Tax Rates for Nevada Local Governments - State of Nevada, Department of Taxation, 2011-12 through 2015-16.

Estimated Overlapping General Obligation Indebtedness. In addition to the general obligation indebtedness of the District, other taxing entities are authorized to incur general obligation debt within boundaries that overlap or partially overlap the boundaries of the District. In addition to the entities listed below, other governmental entities may overlap the District but have no general obligation debt outstanding. The following chart sets forth the estimated overlapping general obligation debt (including general obligation medium-term bonds) chargeable to property owners within the District as of December 1, 2015.

Estimated Overlapping Net General Obligation Indebtedness

<u>Entity</u> ⁽¹⁾	<u>Total General Obligation Indebtedness</u> ⁽²⁾	<u>Presently Self-Supporting General Obligation Indebtedness</u>	<u>Net Direct General Obligation Indebtedness</u>	<u>Percent Applicable</u> ⁽³⁾	<u>Overlapping Net General Obligation Indebtedness</u> ⁽⁴⁾
Washoe County	\$126,118,800	\$90,842,800	\$35,276,000	100.00%	\$35,276,000
City of Reno	129,189,301	105,541,789	23,647,512	100.00	23,647,512
City of Sparks	41,584,126	39,387,456	2,196,670	100.00	2,196,670
Incline Village GID	7,203,089	4,808,089	2,395,000	100.00	2,395,000
North Lake Tahoe Fire District	3,947,000	3,127,000	820,000	100.00	820,000
Reno-Sparks Convention	95,455,173	95,455,173	--	100.00	--
State of Nevada	1,602,590,000	393,172,000	1,209,418,000	14.45	<u>174,741,554</u>
Total					\$239,076,736

(1) Other taxing entities overlap the District and may issue general obligation debt in the future.

(2) Includes medium-term bonds and other obligations.

(3) Based on fiscal year 2015 assessed valuation in the applicable jurisdiction. The percent applicable is derived by dividing the assessed valuation of the governmental entity into the assessed valuation of the District.

(4) Overlapping Net General Obligation Indebtedness equals total existing general obligation indebtedness less presently self-supporting general obligation indebtedness times the percent applicable.

Source: Debt information compiled by the Financial Advisor; percentages calculated using information from Property Tax Rates for Nevada Local Governments - State of Nevada - Department of Taxation, 2014-15 and the State Treasurer's office.

The following table sets forth the total net direct of the District (without taking the issuance of the Bonds and the Project into account) and overlapping general obligation indebtedness attributable to the District as of June 30, 2015.

Net Direct & Overlapping General Obligation Indebtedness

Total Direct General Obligation Indebtedness ⁽¹⁾	\$472,473,223
Plus: Overlapping Net General Obligation Indebtedness	<u>239,076,736</u>
Net Direct & Overlapping Net General Obligation Indebtedness	\$711,549,959

(1) Does not include the issuance of the Bonds and completion of the Project. See "DEBT STRUCTURE – Outstanding Debt and Other Obligations."

Selected Debt Ratios

The following table illustrates selected debt ratios for the District.

Selected Debt Ratios for the District

Population ⁽¹⁾	441,165
Net Direct Debt ⁽²⁾	\$472,473,223
Overlapping Debt ⁽³⁾	<u>239,076,736</u>
Total Direct Debt & Overlapping Debt	\$711,549,959
Per Capita Net Direct Debt	\$1,071
Per Capita Net Total Direct Debt & Overlapping Debt	\$1,613
2016 Assessed Valuation	\$14,342,710,925
% Net Direct Debt to Assessed Valuation	3.29%
% Net Total Direct Debt & Overlapping Debt to Assessed Valuation ..	4.97%
2015 Taxable Value	\$40,979,174,071
% Net Direct Debt to Taxable Value	1.15%
% Net Total Direct Debt & Overlapping Debt to Taxable Value	1.74%

(1) Nevada State Demographer estimate as of June 30, 2015.

(2) As of December 1, 2015, does not include the issuance of the Bonds and the completion of the Project. See “DEBT STRUCTURE – Outstanding Debt and Other Obligations.”

(3) As of December 1, 2015. Figure is estimated based on information supplied by other taxing authorities and does not include self-supporting general obligation debt. See the table “Estimated Overlapping General Obligation Debt.”

(4) See “Property Tax Base and Tax Roll Collection” for an explanation of the Assessed Value and Taxable Value. Excludes the aggregate assessed valuation attributable to the Redevelopment agencies.

Source: Nevada State Demographer and Nevada Department of Taxation, Property Tax Rates for Nevada Local Governments.

WASHOE COUNTY SCHOOL DISTRICT

General

All school districts in Nevada are organized under the terms of legislation enacted in 1956. There is one school district in each county with responsibility for all public education from preschool through the twelfth grade. The District’s boundaries are coterminous with those of the County. Incorporated municipalities served by the District are Reno and Sparks. The District also serves the unincorporated areas of the County, including the unincorporated communities of Incline Village, Wadsworth and Gerlach. According to the State Demographer’s office, the estimated population of the County (which has boundaries identical to the District) was 441,165 as of June 30, 2015 (most recent figure available).

Board of Trustees

The District has a seven-member board of trustees. Five members are elected from geographic districts and two members are elected at-large. All members serve four-year terms. The Board elects a President, Vice President and Clerk from its members. Board

members are limited to 12 years in office pursuant to State constitutional term limitations. The current members of the Board and their terms of office are as follows.

<u>Board Member and Title</u>	<u>District Represented</u>	<u>Expiration of Term</u>
John Mayer, President	District B	2018
Angela Taylor, Vice President	District E	2016
Barbara L. McLaury, Clerk	District G (At-Large)	2016
Veronica Frenkel, Member	District F (At-Large)	2018
Howard Rosenberg, Member	District D	2016
Lisa Ruggerio, Member	District A	2016
Nick Smith, Member	District C	2018

Administration

The Board establishes District policy and oversees the budget. The Board appoints the Superintendent as its chief executive officer to administer the day-to-day operations of the District. Brief biographies for the Superintendent and the Chief Financial Officer, each of whom is directly involved in the issuance of the Bonds, are set forth below.

Superintendent – Traci Davis. The Superintendent is the chief executive officer responsible for the administration of the District in accordance with policy set by the Board. As the chief executive officer and educational leader of the District, the Superintendent oversees the administration of all curricula, instruction, support services, personnel, fiscal operations, and facilities. In fulfilling this responsibility, the Superintendent operates through members of the administrative team who are each assigned specific functions in designated areas.

Traci Davis was appointed as the District's Interim Superintendent in October 2014 and then confirmed as the Superintendent on July 10, 2015. Prior to that time, Ms. Davis served as the Deputy Interim Superintendent of the District for approximately two years, in which capacity she was responsible for the academic achievement, the school accountability/school improvement process and coordination of all related activities. Prior to being appointed Deputy Superintendent of the District, Ms. Davis worked 16 years in the Clark County School District in a variety of roles, including teacher, Title I interventionist, Assistant Principal, Principal and Area Superintendent. Ms. Davis holds an Educational Specialist Degree from Nova Southwestern University, a Master's Degree of Education in Educational Technology from Lesley College and a Bachelor of Science Degree in Education from the University of Las Vegas.

Chief Financial Officer - Thomas Ciesynski. Thomas Ciesynski was appointed as the District's Chief Financial Officer in August 2013. Prior to that time, Mr. Ciesynski served as Interim Chief Financial Officer during portions of 2011 and 2012 and as Chief Accountant for nineteen years after starting with the District in 1991 as its Senior Accountant. During his time with the District, Mr. Ciesynski has worked with and supervised all aspects of the District's financial operations including the implementation of the existing information technology system. Prior to coming to the District, Mr. Ciesynski served as the Assistant Controller for Sparks Family Hospital in Sparks, Nevada, a subsidiary of Universal Health Services (the third largest

healthcare corporation in the United States), from November 1989 to October 1991. Mr. Ciesynski obtained his certified public accountant's designation having passed all four parts of the exam in his first attempt and working for the top four international accounting firm Ernst & Young in Sacramento, California from January, 1987 to November, 1989. He holds a Bachelor's degree in Business Administration from the University of Nevada-Reno with high academic standing. He is a member of the American Institute of Certified Public Accountants (AICPA), the Association of School Business Officials International (ASBO), the Government Finance Officers Association (GFOA) and the Northern Nevada Association of Government Accountants. He also participates with the Council of Great City Schools, whose membership includes the largest urban school districts in the United States.

Facilities

The District operates 93 schools which include 62 elementary schools, one K-12 school, a special education facility, 14 middle schools, and 12 comprehensive high schools, plus an alternative high school, a magnet high school, a technical high school and one K-12 special education school. The District also offers one middle/high online school and sponsors eight public charter schools.

Enrollment

The following table shows an enrollment history for the District.

Enrollment History

<u>Academic Year</u>	<u>Total Enrollment</u>	<u>Percent Change</u>
2011	62,323	(0.21)
2012	62,217	(0.17)
2013	62,368	0.24
2014	62,963	0.95
2015	63,070	0.17
2016 ⁽¹⁾	63,678	0.96

(1) Projected.

Source: The District.

The District's most recent ten-year projections reflect annual growth of 1.7%. Additionally the Economic Development Authority of Northern Nevada estimates possible growth between 1.7% and 2.4% as a result of Tesla and other companies locating in northern Nevada.

Employee Relations and Pension Benefits

Employee Relations. As of December 1, 2015, the District had approximately 7,400 regularly scheduled employees and 1,495 substitute teachers; those figures have not changed significantly. The District is an equal opportunity/affirmative action employer with five employee bargaining units: school police, principals, professional-technical/psychologist

administrators, certified (teachers), and educational support staff. The District considers its relations with its employees to be good.

The District has agreements with school police to June 30, 2016, principals to June 30, 2017, professional-technical to June 30, 2016, certified (teachers) to June 30, 2019 and education support staff to June 30, 2018 with salary/benefits being finalized with this group only.. The District believes that its relationship with all bargaining units is good.

Benefits. The District provides long term disability and life insurance, health insurance, paid vacation, sick leave, holidays, and reimbursement for certain educational expenses to its employees.

Pension Matters. The State's Public Employees' Retirement System ("PERS") covers substantially all public employees of the State, its agencies and its political subdivisions, including the District. PERS, established by the Legislature effective July 1, 1948, is governed by the Public Employees' Retirement Board whose seven members are appointed by the Governor for four-year terms. **Except for certain District-specific information set forth below, the information in this section has been obtained from publicly-available documents provided by PERS. The District has not independently verified the information obtained from the publicly available documents provided by PERS and is not responsible for its accuracy.**

All public employees who meet certain eligibility requirements participate in PERS, which is a cost sharing multiple-employer defined benefit plan. Benefits, as established by statute, are determined by the number of years of accredited service at the time of retirement and the member's highest average compensation in any 36 consecutive months. Benefit payments to which participants may be entitled under PERS include pension benefits, disability benefits and death benefits.

Regular members of PERS hired before January 1, 2010, are eligible for retirement benefits at age 65 with five years of service, at age 60 with 10 years of service or at any age with 30 years of service. Police and fire members are eligible for retirement benefits with five years of service at age 65, with 10 years of service at age 55, with 20 years of service at age 50, or at any age with 25 years of service. In its 2009 session, the Legislature made changes to the benefit structure for newly hired members of PERS on or after January 1, 2010, including raising the retirement age from 60 to 62 (with 10 years of service), reducing post-retirement benefit increases, changing the age/years of service calculations and changing the benefit calculations.

PERS has an annual actuarial valuation showing unfunded liability and the contribution rates required to fund PERS on an actuarial reserve basis; however, actual contribution rates are established by the Legislature. The most recent independent actuarial valuation report of PERS was completed as of June 30, 2015. As of June 30, 2012, PERS reported an unfunded actuarial accrued liability ("UAAL") of approximately \$11.21 billion, the funded ratio for all members was 71.0% (actuarial value basis), and the market value of total net assets was approximately \$25.90 billion (resulting in a 67.1% funded ratio). As of June 30, 2013, PERS reported a UAAL of approximately \$12.88 billion, the funded ratio for all members was 69.3% (actuarial value basis), and the market value of total net assets was approximately

\$28.83 billion (resulting in a 68.7% funded ratio). As of June 30, 2014, PERS reported a UAAL of approximately \$12.53 billion, the funded ratio for all members was 71.5% (actuarial value basis), and the market value of total assets was approximately \$33.57 billion (resulting in a 76.3% funded ratio). As of June 30, 2015, PERS reported a UAAL of approximately \$12.35 billion, the funded ratio for all members was 73.2% (actuarial value basis) and the market value of total assets was approximately \$33.72 billion.

For the purpose of calculating the actuarially determined contribution rate, the UAAL is amortized as a level percent of payroll over a year-by-year closed amortization period where each amortization period is set at 30 years. The calculation method for the UAAL existing as of June 30, 2011, is amortized using the closed method over 30 years. Effective for fiscal year 2012, the PERS Board adopted changes to the amortization method to be used to amortize new UAAL resulting from actuarial gains or losses and changes in actuarial assumptions. Any new UAAL will be amortized over a period equal to the truncated average remaining amortization period of all prior UAAL layers, until the average remaining amortization period is less than 20 years; after that time, 20-year amortization periods will be used. The PERS Board also adopted a four-year asset smoothing policy for net deferred losses of approximately \$616 million from the 2011 valuation and approximately \$1.5 million in unrecognized investment losses. Unless offset by future investment gains, the recognition of the \$1.5 million market losses is expected to decrease the future funded ratio and increase the future contribution rate.

PERS is funded as a “50/50” plan wherein employer and employee contribution rates are equally split as established by State statute. The statute allows for biennial increases or decreases of the actuarially determined rate and the Legislature can increase the contribution rate for members by any amount it determines necessary. **Pursuant to statute, there is no obligation on the part of the employer to pay for their proportionate share of the unfunded liability. However, the actuarially determined rates amortize the UAAL as described above. The District continues to be obligated to contribute all amounts due annually under PERS.**

For the year ended June 30, 2015, PERS adopted Governmental Accounting Standards Board (“GASB”) Statement No. 67, Financial Reporting for Pension Plans-an amendment of GASB Statement No. 25. This GASB replaces the requirements of GASB statements 25 and 50 as they relate to pension plans that are administered through trusts or equivalent arrangements that meet certain criteria. The objective of GASB Statement No. 67 is to improve financial reporting by state and local governmental pension plans. It requires enhancement to footnote disclosure and required supplementary information for pension plans. In addition, it requires the determination of net pension liability (“NPL”) as opposed to the previously disclosed UAAL.

Prior to these new standards, the accounting and reporting requirements of the pension related liabilities followed a long-term funding policy perspective. The new standards separate the accounting and reporting requirements from the funding decisions and require the unfunded portion of the pension liability to be apportioned among the participating employers. These standards apply for financial reporting purposes only and do not apply to contribution amounts for pension funding purposes.

With the implementation of GASB 67, PERS reported its total pension liability, fiduciary net position, and NPL in its financial statements for the fiscal year ended June 30, 2014. The total pension liability for financial reporting was determined on the same basis as the actuarial accrued liability measure for funding. The fiduciary net position is equal to the market value of assets. The NPL is equal to the difference between the total pension liability and the fiduciary net position.

PERS's NPL as of June 30, 2014 was \$10.42 billion as compared to \$13.15 billion as of June 30, 2013, when measured in accordance with GASB 67. PERS' fiduciary net position as a percentage of the total pension liability is 76.31% as of June 30, 2014, as compared to 68.68% as of June 30, 2013. Although PERS CAFR is not complete, its June 30, 2015 actuary report is complete. It reports the June 30, 2015 NPL as \$11.46 billion, and its fiduciary net position as a percentage of total pension liability as 75.13%.

Effective with fiscal year 2015, the District is required to apply the GASB Statement No. 68, *Accounting and Financial Reporting for Pensions-an amendment of GASB Statement No. 27* ("GASB 68"), to its audited financial statements. The implementation of these standards requires governments to calculate and report the costs and obligations associated with pensions in their basic financial statements. Employers are required to recognize pension amounts for all benefits provided through the plan, which include the NPL, deferred outflows of resources, deferred inflows of resources and pension expense. Among other requirements, the System was required to report its proportionate share of the total PERS (fiduciary) NPL in its financial statements. PERS was required to implement GASB 67. As a result of an actuarial study, the District's proportionate share of PERS's NPL is 5.56011%, resulting in a decrease in the District's unrestricted net position for June 30, 2015 of \$640.2 million. The implementation of this standard has no effect at the individual fund statement level. **The System has no legal obligation to fund any of PERS's NPL nor does it have any ability to affect funding, benefit, or actuarially determined contribution decisions made by PERS or the Legislature.**

Contribution rates to PERS are established in accordance with State statute. The statute allows for biennial increases or decreases of the actuarially determined rate. The Legislature can increase the contribution rate for members by any amount it determines necessary. Pursuant to statute, there is no obligation on the part of the employers to pay for their proportionate share of the unfunded liability. The District is obligated to contribute all amounts due under PERS; however, in accordance with State law, non-police/fire employees share the annual increases equally with the employer (unless otherwise prohibited by contract). As a result, salaries for regular employees will be reduced by 1% in fiscal year 2015 in order to cover half of the increase in statutory contribution rates. A history of contribution rates is shown below.

	<u>Fiscal Years 2010 and 2011</u>	<u>Fiscal Years 2012 and 2013</u>	<u>Fiscal Years 2014 and 2015</u>	<u>Fiscal years 2016 and 2017</u>
Regular members	21.50%	23.75%	25.75%	28.00%
Police/fire members	37.00	39.75	40.50	40.50

The District's contributions to PERS for the years ended June 30, 2014 and 2015 were \$76.8 million and \$77.7 million; those amounts equaled the contributions required by law.

The District has budgeted \$85.6 million in PERS contributions for the fiscal year ended June 30, 2016.

See Note 8 in the audited financial statements attached hereto as Appendix A for a summary description of PERS. In addition, copies of the most recent audited financial statements for PERS are available from the Public Employees Retirement System of the State of Nevada, 693 West Nye Lane, Carson City, Nevada 89703-1599, 775-687-4200.

Other Post-Employment Benefits/Retiree Health Insurance Subsidy. The Governmental Accounting Standards Board (“GASB”) issued Statements No. 43 and No. 45, on reporting subsidized retiree health care benefits or Other Post-employment Benefits (“OPEB”) which were implemented by the District in fiscal year ending June 30, 2008. The District established the OPEB Trust Fund in fiscal year 2008 and as of June 30, 2015, had net OPEB assets of \$45.2 million as reported in the government-wide statement of net position. According to estimates received from the District’s actuaries, the Actuarial Accrued Liability (“AAL”) as of July 1, 2010, was \$180.4 million, and the OPEB Trust Fund had assets with an actuarial value of \$20.3 million, resulting in unfunded actuarial accrued liability (“UAAL”) as of July 1, 2010, of \$160.1 million. That amount reflects an increase over the prior years’ UAAL of \$144.3 million. The increase is due primarily to changes in contribution rates payable by retirees and changes in subsidy rates for retirees under the State’s PEBP program. The Annual Required Contribution (“ARC”) for the year ended June 30, 2011, was \$12.6 million; after adjustment for interest earning and other factors, the District’s annual OPEB cost was \$12.3 million. The AAL as of July 1, 2011, was \$164.1 million, and the OPEB Trust Fund had assets with an actuarial value of \$30.2 million, resulting in UAAL of \$133.9 million as of July 1, 2011, and an ARC of \$11.0 million for the year ended June 30, 2012. After the 2011 study was completed, the subsidy required to be paid to the Nevada Public Employees’ Benefits Plan for participating District retirees was reduced by \$1 million. Based on the July 1, 2011 actuarial valuation, the ARC for the year ended June 30, 2013 was \$12.3 million. The AAL as of July 1, 2013, was \$153.2 million, and the OPEB Trust Fund had assets with an actuarial value of \$50.0 million, resulting in UAAL of \$103.2 million, and an ARC of \$8.9 million for the year ended June 30, 2014. For fiscal year 2015, the District’s ARC is estimated to be \$9.2 million.

The District has funded amounts equal to or in excess of its ARC in each year (net of amounts attributable to the District Retiree Life Insurance Plan, which are employee funded) since the OPEB Trust Fund was established in fiscal year 2008 and has budgeted to fund its ARC again in fiscal year 2016. See Note 9 in the audited financial statements attached hereto as Appendix A for additional information about the District’s OPEB and the OPEB Trust Fund.

Compliance with Federal Laws

General. As a public entity, the District is subject to various federal laws, including those relating to environmental matters and accommodation of those with disabilities.

The District has a department with the specific task of complying with the requirements of the Asbestos Hazard Emergency Response Act of 1986 (“AHERA”). AHERA requirements. The District has completed a program of removing all friable material and a substantial amount of non-friable material from its facilities. The District will continue to budget for asbestos removal in the regular course of its operations and maintenance programs or through

future bond proposals as additional asbestos removal may be prudent or required by law. The District also has safety and environmental protection sections within the Risk Management and Plant Facilities divisions that handle hazardous material issues on an ongoing basis. Other than asbestos-containing materials, which have been handled as described above, the District has found no other environmental problems.

The District is also subject to the Americans with Disabilities Act (“ADA”). The District has an ongoing plan for bringing District facilities into compliance with the Act, much of which is being funded from the District’s capital programs. The District believes that the plan it has in place will, upon completion of the steps outlined therein, bring the District’s facilities into compliance with ADA.

The District is subject various to laws and regulations associated with educational programs funded by the Elementary and Secondary Education Act of 1965 (the “ESEA”). The largest of these federal programs is Title I which supports elementary and secondary education. Title I is an important source of funding for the District’s schools with the highest student concentrations of poverty. This program provides supplemental funds to support these schools in meeting challenging state academic standards.

The District is also subject to the Nevada Department of Education (the “NDE”) three-year waiver by the U.S. Department of Education under ESEA. Nevada’s waiver has three main principles: (1) college and career readiness as undergirded by the Nevada Academic Content Standards (the “NVACS”) and measured through Smarter Balanced Assessment Consortium (the “SBAC”); (2) identifying, rewarding, and supporting school performance; and (3) measuring and supporting educator effectiveness. The District’s categorical-funded programming aligns to NDE’s waiver to seek flexibility in implementing requirements previously established through the No Child Left Behind Act (the “NCLB Act”) under the last reauthorization of the ESEA. Under the waiver, NDE has created the Nevada School Performance Framework (the “NSPF”), which uses a 5-Star classification approach for each Nevada school. The waiver also gives Local Education Agencies (“LEAs”) the flexibility from some of the mandates under the NCLB Act. The District uses this flexibility to fund previously mandated School Choice and Supplemental Educational Services (“SES”). This provides additional interventions, professional development and parent engagement support. There is also funding set aside to support Priority, Focus, 1-Star, and 2-Star schools. The District also uses part of its categorical formula grants to support professional learning.

The 2015 Nevada Legislature appropriated \$2.8 billion for education, a nearly 16% increase over the last biennium’s budget. The \$400 million increase will provide funding for several key education programs including: Victory Schools targeting schools with high underserved student populations; Zoom Funds targeting schools with high English Language Learner ELL populations; funding to support teachers including teacher supply reimbursement, signing bonuses for newly hired teachers, scholarships for future teachers; funding to support teacher professional development including Great Teaching and Learning and Career and College Readiness; funding to support direct student instruction including Read By Grade Three, Career and College Readiness, and Career and Technical Education; and funding for social emotional support through the Social Worker or Other Licensed Mental Health Professional grant.

Sequestration. The District is subject to developments at the federal level with respect to the Budget Control Act of 2011, also known as “sequestration,” which requires spending cuts. Included in the amount cut in education spending are Title I, Individuals with Disabilities Education Act (“IDEA”), and numerous formal grants and competitive grants available to school districts.

The District’s RZED subsidy for October 2015 was reduced by 7.3% (to approximately 113,744) as a result of sequestration. See “District General Obligation Bond Total Debt Service Requirements” for an illustration of expected subsidies (without taking sequestration into account). A Department of the Treasury IRS notice dated November 30, 2015 pursuant to IRS Code section 6431 stated that for federal fiscal year beginning October 1, 2015 until September 30, 2016 that the sequestration reduction to the interest subsidies will be 6.8% for federal fiscal year beginning October 1, 2015 through September 30, 2016.

The laws described above and other federal laws presently in effect or enacted in the future may require the expenditure of funds on programs without necessarily providing sufficient resources (in the form of federal grants or otherwise) to pay for the mandates of those requirements. The District cannot predict the ultimate effect of this federal legislation on the District.

DISTRICT FINANCIAL INFORMATION

Budgeting

On or before April 15 of each year, the District is required to submit to the Nevada Department of Taxation the tentative budget for the next fiscal year, commencing on July 1. The tentative budget contains the proposed expenditures and means of financing them. After reviewing the tentative budget, the Nevada Department of Taxation is required to notify the District upon its acceptance of the budget.

Following acceptance of the proposed budget by the Nevada Department of Taxation, the District is required to conduct public hearings on its budget on the third Wednesday in May and adopt the final budget on or before June 8. The District has 30 days from the close of the biennial legislative session to adopt an amended final budget. The District adopted its Augmented Final Budget on June 23, 2015.

The District is authorized to transfer budgeted amounts within functions or funds, but any other transfers must be approved by the Board. Increases to a fund’s budget other than by transfers are accomplished through formal action of the Board. With the exception of money appropriated for specific capital projects or Federal and State grant expenditures, all unencumbered appropriations lapse at the end of the fiscal year.

Annual Reports

General. The District prepares a comprehensive annual financial report (“CAFR”) setting forth the financial condition of the District as of June 30 of each fiscal year. The CAFR, which includes the District’s basic audited financial statements, is the official financial report of the District. It is prepared following generally accepted accounting principles

("GAAP"). The latest completed report is for the year ended June 30, 2015. See Note 1 in the audited financial statements attached hereto as Appendix A for a summary of the District's significant accounting policies.

The audited basic financial statements for the year ended June 30, 2015, which are attached hereto as Appendix A, are excerpted from the CAFR and represent the most recent audited financial statements of the District. Financial statements for prior years may be obtained from the sources listed in "INTRODUCTION – Additional Information."

Certificate of Achievement. The Government Finance Officers Association of the United States and Canada (the "GFOA") awarded a Certificate of Achievement for Excellence in Financial Reporting to the District for its comprehensive annual financial report for the fiscal year ended June 30, 2014. This is the 14th consecutive year the District has received this recognition. In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized comprehensive annual financial report with contents conforming to program standards. Such reports must satisfy both generally accepted accounting principles and acceptable legal requirements. The District is submitting an application to the GFOA with respect to its comprehensive annual fund report for the fiscal year ended June 30, 2015 and expects to receive another Certificate of Achievement for such report.

Accounting

All governmental funds are accounted for using the modified accrual basis of accounting in which revenues are recognized when they become measurable and available as net current assets. Ad valorem taxes, Local School Support sales and use taxes ("LSST"), governmental service taxes and distributive school fund revenues are considered "measurable and available" if they are collected within 60 days of the end of the current fiscal year and grant revenues are recognized within 75 days of year end.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. The exception to this general rule is principal and interest on general long term debt which are recognized when due.

All proprietary funds are accounted for using the accrual basis of accounting in which revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

General Fund

General. The purpose of the General Fund is to finance the ordinary operations of the District and to finance those operations not provided for in other funds. Included are all transactions related to the approved current operating budget, its accompanying revenue, expenditures and encumbrances, and its related asset, liability, and fund equity accounts.

Sources of Funding. The operating revenues of school districts are derived primarily from local and State sources as dictated by State law. School districts also receive federal revenues and revenues from miscellaneous sources.

Local Sources. The District's local operating revenue sources are comprised largely of a countywide \$0.75 ad valorem property tax and the Local School Support sales and use taxes (the "LSST"), a sales and use tax equal to 2.60% of taxable sales. The LSST tax rate was increased from 2.25% to 2.60% starting in fiscal year 2010, and this rate was made permanent moving forward in the 2015 legislative session.

The District received \$91,124,296 from ad valorem taxes and \$151,070,968 from the LSST for fiscal year 2014 and received \$94,277,316 from ad valorem taxes and \$160,841,132 from the LSST in fiscal year 2015. The District has budgeted to receive \$96,730,728 in property taxes and \$166,555,743 in LSST for fiscal year 2016. Other local operating sources to the General Fund include governmental services taxes, earnings on investments and utility franchise fees.

State Sources. State revenue sources consist of payments from the State Distributive School Account (the "DSA") received pursuant to the Nevada Plan for School Finance (the "School Finance Plan"). The revenue for the DSA is received from the following five sources: (a) appropriation from the State General Fund; (b) a portion of the annual excise tax of \$250 for each slot machine operated in the State; (c) revenue from mineral leases on federal land; (d) interest earned on the Permanent School Fund established by the State Constitution; and (e) sales tax currently at a rate of 2.60% on out-of-state sales that cannot be attributed to a particular county.

Each school district's share of State aid is set by the State legislature for the biennium in accordance with a formula set forth in the School Finance Plan. The School Finance Plan was adopted by the Nevada legislature in 1967 to compensate for wide local variations in resources and in cost per pupil. It is designed to provide reasonable equal educational opportunity and can be expressed in a formula partially on a per-pupil basis and partially on a per-program basis. The formula in the School Finance Plan contains four basic calculations: equalized basic support ratios, wealth adjustment factors, transportation allotments, and guaranteed basic support. To protect districts during times of declining enrollment, State law contains a "hold-harmless" provision which provides that the guaranteed level of funding is based on the higher of the current or the previous year's enrollment (unless the decline in enrollment is more than 5%, in which case the funding is based on the higher of the current or the previous two years' enrollment).

The per-pupil State guaranteed support for the District for fiscal years 2011, 2012, 2013, 2014 and 2015 were, \$5,137, \$5,131, \$5,295, \$5,504 and \$5,582, respectively. For fiscal year 2016, the per-pupil State guaranteed support is \$5,612. The District received \$148,966,152 or 36% of total General Fund revenue in State funding in fiscal year 2014 and \$144,117,760 or 34% of total General Fund revenue in State funding for fiscal year 2015. The District has budgeted State revenue of \$142,200,938 for fiscal year 2016. See "Fiscal Year 2016 Budget Considerations" below.

The School Finance Plan provides a substantial guarantee of revenue support for the District's General Operating Fund budget. Under the School Finance Plan, the District is generally protected from fluctuations in receipts of the LSST (see "Local Sources" above) and from fluctuations in receipts with respect to one-third of the revenues generated by the \$0.75 (*i.e.*, as to \$0.25) property tax levy for operating purposes (see "Local Sources" above) by virtue

of the State's guarantee of such receipts from those tax sources to the District. The effect of this guarantee is that over 75% of the District's budgeted General Operating Fund revenue is statutorily fixed as a State obligation and is therefore not generally subject to revenue fluctuations during the course of the school year. See "PROPERTY TAX INFORMATION – Required Property Tax Abatements."

The Legislature may amend the provisions of the School Finance Plan at any time, including the various funding formulas embedded within it, and has done so on numerous occasions in the past. It is likely that the School Finance Plan will be amended in the future; there is no assurance that such amendments will not result in reduced funding to the District.

General Fund History of Revenues, Expenditures and Changes in Fund Balance

General. The following table provides a history of the audited financial operations for the District's General Fund for fiscal years 2011 to 2015. The table also provides Amended Final Budget information for fiscal year 2016. The information for fiscal years 2011 through 2015 was derived from the District's CAFR for each of those years. The 2016 Final Budget information was derived from the District's Amended Final Budget (adopted on June 23, 2015) for fiscal year 2015-16.

The information in this table should be read together with the District's audited financial statements for the year ended June 30, 2015, and the accompanying notes, which are included as Appendix A hereto. Financial statements for prior years can be obtained from the sources listed in "INTRODUCTION – Additional Information."

Current Board policy requires the District to budget reserves in the General Fund in an amount not less than 2% of General Fund expenditures and transfers out with a goal of budgeting reserves equal to 4%. The Final Budget for fiscal year 2015 provides for a budgeted reserve of approximately 2% of General Fund expenditures and transfers out.

GASB 54. Effective for fiscal year 2011, the District adopted the provisions of Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* ("GASB 54"). GASB 54 changed the way the District reports fund balance classifications and restrictions. As prescribed by GASB 54, the governmental funds report fund balance in classifications based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in the funds can be spent.

For fiscal years 2011 and later, the District's General Fund balance is categorized as "Nonspendable" and "Assigned" and "Unassigned." GASB 54 also allows fund balance to be categorized as "Restricted" and "Committed." Generally, "Nonspendable" fund balance includes amounts that are (a) not in spendable form, or (b) legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash, for example: inventories, prepaid amounts, and long-term notes receivable. "Assigned" fund balance includes amounts intended to be used by the District for specific purposes that are neither restricted nor committed. Pursuant to District policy, amounts may be assigned by the Superintendent or the Chief Financial Officer under the authorization of the Board. "Unassigned" fund balance in the General Fund reflect amounts that have not been

assigned to other funds or restricted, committed or assigned to a specific purpose within the General Fund.

The information in the following table reflect the budgetary basis of accounting for the General Fund; the Medicaid Fund and the Community Education Fund information required by GASB 54 are *not* included in these figures.

Washoe County School District - General Fund History of Revenues, Expenditures and Changes in Fund Balance⁽¹⁾

Fiscal Year Ending June 30	2011 Audited	2012 Audited	2013 Audited	2014 Audited	2015 Audited	2016 Budgeted
Revenues						
Local sources	\$252,368,787	\$251,767,904	\$252,561,414	\$261,112,709	\$275,661,420	\$283,351,931
State sources	144,481,420	141,507,977	141,901,726	148,966,152	144,117,760	141,403,675
Federal sources	638,097	1,158,557	644,921	905,381	539,532	581,000
Other sources	<u>50,630</u>	<u>36,801</u>	<u>77,845</u>	<u>--</u>	<u>--</u>	<u>65,000</u>
Total Revenues	397,538,934	394,471,239	395,185,906	410,984,242	420,318,712	425,401,606
Expenditures						
Instructional Programs	214,942,420	215,773,548	215,976,806	215,712,159	223,059,987	235,135,389
Student support	24,807,906	25,349,876	26,005,982	26,630,211	27,458,211	30,333,228
Instructional staff support	12,200,391	12,278,124	13,868,809	14,980,533	15,233,751	17,357,099
General Administration ⁽²⁾	4,987,502	15,454,572	7,510,990	6,144,015	6,241,133	7,080,766
School Administration	30,116,636	30,448,382	30,544,087	31,878,885	33,418,288	34,918,444
Central Services	18,529,431	20,022,072	19,309,310	20,294,815	21,224,830	22,874,369
Operation & Maintenance of Plant	46,251,310	44,235,696	43,239,075	44,492,277	45,715,303	49,639,521
Student Transportation	<u>16,484,167</u>	<u>16,950,972</u>	<u>15,492,620</u>	<u>18,324,390</u>	<u>18,196,338</u>	<u>15,693,128</u>
Total Expenditures	368,319,763	380,513,243	371,947,679	378,462,285	390,547,841	413,031,944
Excess of Revenues over Expenditures	29,219,171	13,957,996	23,238,227	32,593,459	29,770,871	12,369,662
Other Financing Sources (Uses)						
Proceeds from Capital Lease	2,192,000	2,320,000	2,325,000	2,325,000	--	--
Medium-Term Financing	--	--	--	--	2,372,277	--
Proceeds from sale of property	--	--	--	71,502	96,783	--
Transfers In	8,735,074	6,402,194	6,291,851	7,462,122	7,541,296	--
Contingency	--	--	--	--	--	(835,985)
Transfers Out	(34,615,635)	(34,979,760)	(36,516,154)	(36,773,758)	(37,284,345)	(42,192,808)
Total Other Financing Sources/(Uses)	(23,688,561)	(26,257,566)	(27,899,303)	(26,915,134)	(27,273,989)	(43,028,793)
Excess (deficiency) of Revenues over Expenditures and Other Financing Sources (Uses)	5,530,610	(12,299,570)	(4,661,076)	5,606,823	2,496,882	(30,659,131)
FUND BALANCE, JULY 1	<u>64,532,881</u>	<u>70,063,491</u>	<u>57,763,921</u>	<u>53,102,845</u>	<u>58,709,668</u>	<u>61,206,550</u>
FUND BALANCE, JUNE 30	<u>\$70,063,491</u>	<u>\$57,763,921</u>	<u>\$53,102,845</u>	<u>\$58,709,668</u>	<u>\$61,206,550</u>	<u>\$30,547,419</u>
Non-spendable (formerly "Reserved")	\$ 1,108,844	\$ 1,074,806	\$ 1,097,001	\$ 1,201,475	\$ 1,141,214	\$ 1,141,214
Assigned (formerly "Unreserved-Designated")	\$68,954,647	\$56,689,115	\$52,005,844	\$57,508,193	\$60,065,336	\$29,406,205

(1) Reflects information for the District's General Fund on a budgetary basis. As described above, beginning in 2011, the application of GASB 54 requires that activity related to the District's Medicaid and Community Education funds be included in the General Fund; however, those funds are not included in this presentation.

(2) In 2012, includes approximately \$9.9 million attributable to the Incline Village refunds. See "PROPERTY TAX INFORMATION – Property Tax Collections – Taxpayer Appeals."

Source: Derived from the District's CAFRs for fiscal years 2011 through 2015, and from the District's 2015-16 Augmented Budget.

Debt Service Fund

The Debt Service Fund is used to account for the accumulation of resources and payment of principal and interest on general obligation bonds and other District obligations, including general obligation medium-term obligations. The Reserve Account required by NRS 350.020 (described under “SECURITY FOR THE BONDS – Reserve Account”) is accounted for as part of the fund balance in the Debt Service Fund. Fund balance in excess of the Reserve Requirement (described under “SECURITY FOR THE BONDS – Reserve Account”) may be transferred for capital projects until March 2025.

The following table provides a history of revenues, expenditures and changes in fund balance in the District’s Debt Service Fund for fiscal years 2011 to 2015. The table also provides Final Budget information for fiscal year 2016. The information for fiscal years 2011 through 2015 was derived from the District’s CAFR for each of those years. The 2016 Final Budget information was derived from the District’s Amended Final Budget (adopted on June 23, 2015) for fiscal year 2015-16.

The information in this table should be read together with the District’s audited financial statements for the year ended June 30, 2015, and the accompanying notes, which are included as Appendix A hereto. Financial statements for prior years can be obtained from the sources listed in “INTRODUCTION – Additional Information.”

Washoe County School District Debt Service Fund History of Revenues, Expenditures and Changes in Fund Balance

Fiscal Year Ending June 30	2011 Audited	2012 Audited	2013 Audited	2014 Audited	2015 Audited	2016 Budgeted
Revenues						
Property taxes	\$53,348,510	\$49,472,378	\$47,585,889	\$47,791,919	\$48,960,291	\$51,117,721
Investment earnings ⁽¹⁾	3,191,066	2,532,465	1,087,216	1,496,933	1,509,792	1,436,179
Net Increase/(Decrease) in fair value of investments	<u>(176,867)</u>	<u>379,080</u>	<u>495,613</u>	<u>544,519</u>	<u>426,557</u>	<u>400,000</u>
Total Revenues	56,362,709	52,383,923	49,168,718	49,832,871	50,896,640	52,953,900
Expenditures						
Principal	47,411,206	110,007,810	26,178,943	30,245,627	32,544,072	32,004,973
Interest	24,351,047	23,965,066	24,879,900	23,384,244	21,835,980	21,231,702
Bond issuance costs	338,027	697,410	--	304,156	874,016	--
Incline property tax refunds and interest	--	5,138,408	86,949	--	--	--
Reno redevelopment settlement	--	--	195,867	--	--	--
Other	<u>2,078,371</u>	<u>5,468,723</u>	<u>14,300</u>	<u>15,232</u>	<u>13,798</u>	<u>100,000</u>
Total Expenditures	74,178,651	145,277,417	51,355,959	53,949,259	55,267,876	53,336,675
Excess (Deficiency) of Revenues Over Expenditures	(17,815,942)	(92,893,494)	(2,187,241)	(4,116,388)	(4,371,236)	(382,775)
Other Sources (Uses)						
Proceeds of refunding bonds	41,515,000	84,170,000	--	18,085,000	94,520,000	--
Premium on bonds sold	4,954,986	11,400,916	--	--	16,158,776	--
Payments for refunded bonds	(46,104,110)	(41,826,272)	--	(17,796,643)	(109,758,444)	--
Operating Transfers In	<u>3,591,016</u>	<u>3,191,660</u>	<u>3,127,852</u>	<u>4,528,255</u>	<u>3,921,984</u>	<u>3,237,344</u>
Total Other Sources (Uses)	3,956,892	56,936,304	3,127,852	4,816,612	4,842,316	3,237,344
Excess (Deficiency) of Revenues Over (Under) Expenditures and Other Sources (Uses)	(13,859,050)	(35,957,190)	940,611	700,224	(471,080)	2,854,569
Beginning Fund Balance⁽²⁾	<u>68,161,066</u>	<u>54,302,016</u>	<u>18,344,826</u>	<u>19,285,437</u>	<u>19,985,661</u>	<u>20,456,741</u>
Ending Fund Balance⁽²⁾	<u>\$54,302,016</u>	<u>\$18,344,826</u>	<u>19,285,437</u>	<u>19,985,661</u>	<u>\$20,456,741</u>	<u>\$23,311,310</u>

(1) Includes interest subsidies on certain District Recovery Zone Economic Development Bonds and direct-pay qualified school construction bonds. See "DEBT STRUCTURE." The 2016 budgeted number has not been reduced by the impact of sequestration.

(2) Includes the statutorily-mandated Reserve Account described in "SECURITY FOR THE BONDS – Reserve Account." the Reserve Account is not associated with the District's medium-term general obligations. In fiscal year 2012, the large drop in fund balance is due to the reduction in the statutorily-mandated reserve requirement and the defeasance of certain outstanding bonds using funds released from the reserve requirement. See "SECURITY FOR THE BONDS – Reserve Account."

Source: Derived from the District's CAFRs for fiscal years 2011 through 2015, and from the District's 2015-16 Final Budget.

Discussion of Fiscal Year 2015 Results

Management's Discussion and Analysis. For a general discussion of the fiscal year 2014 results, see the "Management's Discussion and Analysis" included in the District's basic audited financial statements attached hereto as Appendix A.

Other Management Comments. As discussed in "General Fund History of Revenues, Expenditures and Changes in Fund Balance" above, the District adopted the provisions of GASB 54 effective with its fiscal year 2011 CAFR.

The District ended fiscal year 2015 with a General Fund balance of \$61.2 million. Of the ending balance, the District had non-spendable fund balance for inventory of \$1.1 million and has assigned \$8.9 million for subsequent year's expenditures and \$33.1 million for balancing the budget in subsequent fiscal years. The District assigned other fund balance amounts for departmental/school carryovers, negotiations and other matters. The District also assigned a General Fund balance amount of \$7.5 million for outstanding and unresolved lawsuits as described in "PROPERTY TAX INFORMATION – Property Tax Collections - Taxpayer Appeals."

Fiscal year 2015 revenues of \$420.3 million are \$9.3million more than fiscal year 2014 revenues. The State DSA per-pupil support increased by \$78 per pupil, going from \$5,504 in fiscal year 2014 to \$5,582 in fiscal year 2015 and enrollment increased by approximately 0.17%. Ad valorem tax revenues increased by \$3.2 million, while school support tax increased by \$9.7 million compared to the fiscal year 2014.

Total expenditures increased by \$12.0 million. Transfers out increased by \$0.5 million in fiscal year 2015 compared to fiscal year 2014.

Fiscal Year 2016 Budget Considerations

The District's budget process for fiscal year 2015-16 began with many uncertainties due to the Legislature being in session. While initial projections indicated District resources would increase over the prior year budget, ongoing costs related to contractual obligations for salary rollups, negotiated increases for employees; health insurance costs, early separation savings; fixed cost increases and replenishment of reserves exceeded those revenues and created a structural deficit, as follows:

Decreased Opening Fund Balance (cost)	(\$21.4 million)
Salary rollups & PERS Increase (cost)	(6.1 million)
Sunset CSR Waiver (cost)	(7.6 million)
Restore Health Premium Holiday (cost)	(3.3 million)
Sunset Textbook Waiver	(2.0 million)
Salary & Benefit (savings)	11.2 million
Other sources (savings)	2.5 million
Other budget additions (costs)	<u>(2.9 million)</u>
Total Budget Deficit	(\$29.6 million)

Once the Legislature adjourned, the Board was presented with and approved the following options resulting from legislative action, budget savings and prudent fiscal management to balance the Amended Final Budget for 2015-16:

Ad Valorem Pro Forma Adjustment	\$0.9 million
Per Pupil Increase for DSA (+\$34)	2.1 million
Use of Ending Fund Balance	5.4 million
OPEB (no charge for FY16)	3.5 million
Opening Fund Balance (FY15 Savings)	15.0 million
Property & Casualty Charge (use of reserves)	0.5 million
Worker's Compensation Charge (use of reserves)	0.5 million
Electricity and Natural Gas Rate Decrease	0.6 million
Various savings	<u>1.1 million</u>
Total Budget Offsets	\$29.6 million

The State DSA per-pupil support increased by \$30 per pupil, from \$5,582 in fiscal year 2015 to \$5,612 in fiscal year 2016 and with enrollment estimated to increase by approximately .96% to 63,678. Ad Valorem taxes were expected to grow by \$2.5 million or approximately 2.6% and Local School Support Taxes were estimated to increase by \$5.7 million or 3.6%. Government Services taxes were also expected to grow by \$0.6 million or approximately 0.05%.

The District is required to adjust the General Fund budget by January 1 to reflect the actual enrollment count. The augmented budget to adjust for enrollment was approved by the Board on December 8, 2015 along with adjustments for actual opening fund balance in excess of original budget.

Actual enrollment was less than anticipated at 63,530 students and required a decrease of \$797,000 to the State DSA apportionment while opening fund balance was \$23.1 million more than the original budget. \$12.6 million of the opening fund balance increase was assigned to the ending fund balance for balancing the subsequent year's budget while \$10.5 million was used to increase expenditures for general supply carryover, encumbrances, negotiations and special education compliance. The assignment to balancing the subsequent year's budget continues the District's good history of coming in under budget by closely monitoring accounts and prudent fiscal management.

Governor's Adopted 2015-2017 Biennial Budget

Governor Sandoval introduced his 2015-2017 biennial Executive Budget on January 15, 2015. This budget plan was designed to modernize the Nevada PreK-12 education system. The Governor's plan recommended significant categorical investments in our schools and an accountability agenda to support return on investment. The Legislature took this plan and, with much debate, passed a budget that provided approximately \$340 million of new program investments in the State.

These programs include investments to address early learners in the areas of preschool to expansion of full-day kindergarten to read by grade three. Additionally, funding and the process of how to allocate the funding for special education, English language learners and gifted and talented was addressed. Additional investments in middle and high schools were

also made to address technology needs as well and College and Career Readiness. Finally, the plan also provides for an investment in turning around underperforming schools.

In addition to these categorical investments made by the Governor and the Legislature, enhancements to the Districts operating funds, as outlined earlier in this document, were provided for. Further, the Legislature extended the rollover bond program for ten years and the Legislature passed Senate Bill 411 that will allow the District to bring a ballot question to the voters to provide additional capital funding to address the anticipated diversified growth that the County is already experiencing. Lastly, the Legislature established a program by which a child who receives instruction from entities other than a public school may receive a grant of money which grant must be deducted from the total apportionment amount otherwise received by the school district. The amount of the potential grant for fiscal year 2016 is approximately \$5,100 per child. The potential impact of this new program on the District cannot be determined at this point.

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 Governmental Accounting Standards Board Statement Numbers 10 and 30.

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%. At June 30, 2015, the Internal Service Funds held \$40,900,446 in cash and investments designated 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 this commercial coverage in any of the past three years. See Note 10 in Appendix A for further information on the District's risk management activities as of June 30, 2015. The District's insurance coverages for fiscal year 2016 are substantially similar to those described in Note 10.

DEBT STRUCTURE

Debt Limitation

State statutes limit the aggregate principal amount of the District's general obligation debt to 15% of the District's total assessed valuation. The following table presents a record of the District's outstanding general obligation indebtedness with respect to its statutory debt limitation.

Statutory Debt Limitation

Fiscal Year Ended June 30	Assessed Valuation ⁽¹⁾	Debt Limit	Outstanding General Obligation Debt	Additional Statutory Debt Capacity
2010	\$15,536,567,014	\$2,330,485,052	\$528,719,733	\$1,801,765,319
2011	13,976,020,061	2,096,403,009	519,583,526	1,576,819,483
2012	12,929,278,348	1,939,391,752	508,287,716	1,431,104,036
2013	12,491,620,284	1,873,743,043	556,144,484	1,317,598,559
2014	12,496,924,602	1,874,538,690	506,381,000	1,368,157,690
2015	13,286,283,600	1,992,942,540	500,483,256 ⁽²⁾	1,492,459,284
2016	14,565,467,238	2,184,820,086	472,473,223 ⁽²⁾	1,712,346,863 ⁽²⁾

(1) Includes assessed values for the Redevelopment Agencies.

(2) As of December 1, 2015, excludes the issuance of the Bonds.

Source: Nevada Department of Taxation, Property Tax Rates for Nevada Local Governments, fiscal years 2009 through 2015, and the District; compiled by JNA Consulting Group, LLC.

Outstanding Debt and Other Obligations

Outstanding General Obligation Bonds. The following table presents the outstanding general obligation indebtedness of the District as of December 1, 2015 without taking the issuance of the Bonds and the Refunding Project into account.

Outstanding General Obligation Bonds⁽¹⁾

	Date Issued	Original Amount	Amount Outstanding
<u>GENERAL OBLIGATION BONDS⁽²⁾</u>			
Refunding Bonds, Series 2002B	08/01/02	\$68,940,000	\$4,705,000
School Improvement Bonds, Series 2006A	04/05/06	30,000,000	1,785,000
School Improvement Bonds, Series 2007C ⁽³⁾	05/01/07	65,000,000	22,000,000
School Building Bonds, Series 2008A	03/20/08	55,000,000	11,895,000
School Improvement Bonds, Series 2009A ⁽³⁾	02/18/09	45,000,000	16,665,000
School Improvement Bonds, Series 2009B (RZEDB)	11/12/09	36,930,000	36,680,000
School Improvement Bonds, Series 2010A (RZEDB)	04/01/10	10,515,000	9,815,000
Refunding Bonds, Series 2010B	04/01/10	13,700,000	9,200,000
School Improvement Bonds, Series 2010D (QSCB)	04/01/10	3,550,000	2,800,000
School Improvement Bonds, Series 2010E (QSCB)	10/06/10	5,415,000	4,415,000
Refunding Bonds, Series 2010F	10/06/10	41,515,000	36,205,000
School Improvement and Refunding Bonds, Series 2011A ⁽³⁾	07/06/11	43,450,000	43,350,000
School Improvement Bonds, Series 2011B ⁽³⁾	11/17/11	45,000,000	44,800,000
Refunding Bonds, Series 2012A	03/20/12	71,855,000	71,855,000
School Improvement Bonds, Series 2012C	10/23/12	45,000,000	43,800,000
Refunding Bonds, Series 2013	10/10/13	18,085,000	17,065,000
School Refunding Bonds, Series 2014A (PSF)	06/15/14	40,000,000	40,000,000
School Refunding Bonds, Series 2014B	06/15/14	9,145,000	4,595,000
School Refunding Bonds, Series 2015	03/31/15	45,375,000	<u>45,375,000</u>
Total General Obligation Bonds			\$467,005,000
<u>MEDIUM-TERM GENERAL OBLIGATIONS⁽⁴⁾</u>			
Buses and Refunding Bonds, Series 2012B	03/20/12	3,935,000	775,000
Medium-Term Bus Bond	06/26/13	2,325,000	1,177,732
Medium-Term Bus Bond	06/10/14	2,325,000	1,474,000
Medium-Term Bus Bond	06/01/15	2,325,000	2,041,491
Total Medium-Term General Obligations			<u>5,468,223</u>
Total General Obligation Debt			\$472,473,223

- (1) As of December 1, 2015 (does not take the issuance of the Bonds and the Project into account). Does not include lease-purchase agreements, certificates of participation, Qualified Zone Academy Bonds ("QZABS"), accrued compensated absences, deferred amounts from bonds issuance, arbitrage, other post-employment benefits, remediation, or claims and judgments.
- (2) General obligation bonds secured by the full faith, credit and taxing power of the County. The ad valorem tax available to pay these bonds is limited to the \$3.64 statutory and the \$5.00 constitutional limit.
- (3) Portions of these bonds may be refunded under the Refunding Project. See "SOURCES AND USES OF FUNDS – The Refunding Project."
- (4) General obligations secured by the full faith, and credit and payable from all legally available funds of the County. The ad valorem tax rate available to pay these bonds is limited to the statutory and the constitutional limit as well as to the County's maximum operating levy and any legally available tax overrides.

Source: The District Finance Department; compiled by JNA Consulting Group, LLC.

Other Obligations. The District also has outstanding two issues of Qualified Zone Academy Bonds, which were outstanding in the combined aggregate principal amount of \$4,882,098 as of December 1, 2015.

The District records long-term liabilities for compensated absences, early separation incentive stipends, arbitrage payable and capital lease obligations. See Note 6 in the audited basic financial statements attached hereto as Appendix A for a depiction of those liabilities as of June 30, 2015.

District General Obligation Bond Total Debt Service Requirements

Bonds Payable from Debt Service Levy. The following table illustrates the debt service requirements for the District's outstanding general obligation bonds repaid by the property tax debt service levy as of December 1, 2015. This table does not yet take the issuance of the Bonds or the effect of the Project into account. This table excludes medium-term bonds.

Outstanding Debt Service Requirements Paid by Property Taxes⁽¹⁾⁽²⁾

Fiscal Year Ended June 30	General Obligation Bonds		Expected Subsidies ⁽⁴⁾	Grand Total ⁽⁵⁾
	Principal	Interest ⁽³⁾		
2016	\$27,260,000	\$21,093,712	\$(1,538,488)	\$46,815,224
2017	28,440,000	19,664,428	(1,516,609)	46,587,819
2018	29,565,000	18,484,600	(1,491,391)	46,558,209
2019	30,625,000	17,259,821	(1,381,993)	46,502,828
2020	32,210,000	16,016,155	(1,266,188)	46,959,967
2021	34,725,000	14,652,076	(1,143,671)	48,233,405
2022	36,815,000	13,083,278	(978,175)	48,920,103
2023	37,980,000	11,221,860	(802,622)	48,399,238
2024	38,920,000	9,283,195	(616,450)	47,586,745
2025	37,550,000	7,369,520	(417,516)	44,502,004
2026	34,400,000	5,604,928	(372,790)	39,632,138
2027	31,080,000	4,061,165	(372,790)	34,768,375
2028	19,425,000	2,614,162	--	22,039,162
2029	15,545,000	1,883,512	--	17,428,512
2030	11,880,000	1,289,512	--	13,169,512
2031	12,435,000	799,037	--	13,234,037
2032	4,005,000	254,687	--	4,259,687
2033	4,145,000	129,531	--	4,274,531
2034	--	--	--	--
2035	--	--	--	--
2036	--	--	--	--
2037	--	--	--	--
Total	\$467,005,000	\$164,765,183	(\$11,898,683)	\$619,871,500

(1) Excludes medium-term obligations.

(2) Totals may not add due to rounding.

(3) The District's 2009B Bonds and 2010A School Improvement Bonds were issued as Recovery Zone Economic Development Bonds ("RZEDB") and its 2010D Bonds and 2010E Bonds were issued as direct-pay qualified school construction bonds ("QSCBs"). The District expects to receive an interest subsidy on the RZEDBs and QSCBs in each year. However, receipt of the subsidy is dependent on numerous factors and it is possible that the District may not receive the credits in future years. The amounts shown reflect total interest due on the RZEDBs; the amounts are not net of the expected credits. The District is required to pay all of the interest of the RZEDBs and the QSCBs even if the credits are not received.

(4) Includes the RZEDB Credits and QSCB Credits expected to be received in each year. See footnote (3). These amounts do not reflect the effect of sequestration. See "WASHOE COUNTY SCHOOL DISTRICT – Compliance with Federal Laws – Sequestration."

(5) Equals total principal and interest less expected subsidies in each year.

Source: The District Finance Department; compiled by JNA Consulting Group, LLC.

ECONOMIC AND DEMOGRAPHIC INFORMATION

This portion of the Official Statement contains general information concerning the historic economic and demographic conditions in the County and the District. This portion of the Official Statement is intended only to provide prospective investors with general information regarding the District's community. The information was obtained from the sources indicated and is limited to the time periods indicated. The information is historic in nature; it is not possible to predict whether the trends shown will continue in the future. The District makes no representation as to the accuracy or completeness of data obtained from parties other than the District.

Population and Age Distribution

Population. The table below shows the population growth of Washoe County and the State since 1970. Between 2000 and 2010, Washoe County's population increased 24.1% and the State increased 35.1% over the same time period.

<u>Population</u>				
<u>Year</u>	<u>Washoe County</u>	<u>Percent Change</u>	<u>State of Nevada</u>	<u>Percent Change</u>
1970	121,068	--	488,738	--
1980	193,623	59.9%	800,493	63.8%
1990	254,667	31.5	1,201,833	50.1
2000	339,486	33.3	1,998,257	66.3
2010	421,407	24.1	2,700,551	35.1
2011	421,593	0.0	2,721,794	0.8
2012	427,704	1.4	2,750,217	1.0
2013	432,324	1.1	2,800,967	1.8
2014	436,797	1.0	2,843,301	1.5
2015 ⁽¹⁾	444,008	1.7	2,871,934	1.0

(1) Projected population subject to revision.

Sources: United States Department of Commerce, Bureau of Census (1970-2010 as of April 1st), and Nevada State Demographer's Office (2011-2014 estimates and 2015 projections) which are subject to periodic revision.

Age Distribution. The following table sets forth a projected comparative age distribution profile for Washoe County, the State and the nation as of January 1, 2016.

Age Distribution

<u>Age</u>	<u>Washoe County</u>	<u>State of Nevada</u>	<u>United States</u>
0-17	22.5%	23.3%	23.0%
18-24	9.4	9.0	9.8
25-34	14.2	13.8	13.4
35-44	12.3	13.5	12.6
45-54	13.1	13.4	13.3
55-64	13.2	12.3	12.8
65-74	9.7	9.1	8.8
75 and Older	5.6	5.6	6.3

Source: © 2015 The Nielsen Company.

Income

The following two tables reflect the Median Household Effective Buying Income (“EBI”), and also the percentage of households by EBI groups. EBI is defined as “money income” (defined below) less personal tax and nontax payments. “Money income” is defined as the aggregate of wages and salaries, net farm and nonfarm self-employment income, interest, dividends, net rental and royalty income, Social Security and railroad retirement income, other retirement and disability income, public assistance income, unemployment compensation, Veterans Administration payments, alimony and child support, military family allotments, net winnings from gambling, and other periodic income. Deductions are made for personal income taxes (federal, state and local), personal contributions to social insurance (Social Security and federal retirement payroll deductions), and taxes on owner-occupied nonbusiness real estate. The resulting figure is known as “disposable” or “after-tax” income.

Median Household Effective Buying Income Estimates⁽¹⁾

<u>Year</u>	<u>Washoe County</u>	<u>State of Nevada</u>	<u>United States</u>
2012	\$45,848	\$45,512	\$41,253
2013	38,995	40,617	41,358
2014	43,623	42,480	43,715
2015	43,766	44,110	45,448
2016	48,459	46,230	46,738

(1) The difference between consecutive years is not an estimate of change from one year to the next; separate combinations of data are used each year to identify the estimated mean of income from which the median is computed.

Source: © The Nielsen Company, *SiteReports*, 2012-2015.

Percent of Households by Effective Buying Income Groups – 2016 Estimates

<u>Effective Buying Income Group</u>	<u>Washoe County Households</u>	<u>State of Nevada Households</u>	<u>United States Households</u>
Under \$24,999	24.8%	23.8%	24.8%
\$25,000 - 49,999	26.7	30.5	28.8
\$50,000 - 74,999	19.8	20.7	19.1
\$75,000 - 99,999	12.8	12.4	12.2
\$100,000 - 124,999	7.1	5.7	5.8
\$125,000 - 149,999	2.9	2.6	3.7
\$150,000 or More	5.9	4.3	5.6

Source: © 2015 The Nielsen Company.

The following table sets forth the annual per capita personal income levels for the residents of the County, the State and the nation. Per capita personal income levels in the County have consistently exceeded state and national levels during the period shown.

Per Capita Personal Income

<u>Year⁽¹⁾</u>	<u>Washoe County</u>	<u>State of Nevada</u>	<u>United States</u>
2010	\$41,344	\$36,918	\$40,277
2011	43,114	37,745	42,453
2012	43,125	39,436	44,266
2013	44,363	39,223	44,438
2014	46,211	40,742	46,049

(1) County figures posted November 2015; state and national figures posted September 2015. All figures are subject to periodic revisions.

Source: United States Department of Commerce, Bureau of Economic Analysis.

Employment

The Washoe County average annual labor force summary as prepared by the State's Department of Employment, Training and Rehabilitation ("DETR") is as follows:

Average Annual Labor Force Summary

Washoe County, Nevada

Calendar Year	2010	2011	2012	2013	2014	2015 ⁽⁴⁾
TOTAL LABOR FORCE ⁽¹⁾	220,825	221,774	221,478	221,910	222,614	226,883
Unemployment	28,536	28,020	24,435	20,850	16,554	14,658
Unemployment Rate ⁽²⁾	12.9%	12.6%	11.0%	9.4%	7.4%	6.5%
Total Employment ⁽³⁾	192,289	193,754	197,043	201,060	206,060	212,226

(1) Figures for 2010-2014 were revised April 2015.

(2) The U.S. unemployment rates for the years 2010 through 2014 are 9.6%, 8.9%, 8.1%, 7.4%, and 6.2%, respectively.

(3) Adjusted by census relationships to reflect number of persons by place of residence.

(4) Averaged labor force numbers through October 31, 2015.

Sources: Research and Analysis Bureau, Nevada Dept. of Employment, Training and Rehabilitation; and U.S. Department of Labor, Bureau of Statistics.

The following table sets forth the number of persons employed, by type of employment, in non-agricultural industrial employment in Reno, NV Metropolitan Statistical Area ("MSA") which includes the Counties of Storey and Washoe.

Establishment Based Industrial Employment

Reno MSA, Nevada⁽¹⁾

(Estimates in Thousands)

Calendar Year	2010	2011	2012	2013	2014	2015 ⁽²⁾
Natural Resources and Mining	0.3	0.3	0.3	0.2	0.2	0.2
Construction	9.1	8.8	9.0	10.1	11.4	11.4
Manufacturing	11.2	11.2	11.5	12.2	12.8	12.9
Trade (Wholesale and Retail)	30.4	29.9	29.8	30.7	30.9	31.6
Transportation, Warehousing and Utilities	11.9	12.3	12.9	13.2	14.6	15.0
Information	2.3	2.2	2.0	1.9	2.0	2.0
Financial Activities	9.0	8.9	9.0	9.5	9.5	9.7
Professional and Business Services	24.0	24.5	25.7	26.5	27.0	28.3
Education and Health Services	21.9	22.0	22.1	22.7	23.6	24.2
Leisure and Hospitality (casinos excluded)	19.2	19.4	19.2	19.9	20.6	21.7
Casinos Hotels	14.9	14.9	14.7	14.8	14.8	15.1
Other Services	6.7	6.1	6.1	5.9	5.9	5.9
Government	<u>29.2</u>	<u>28.6</u>	<u>28.6</u>	<u>28.8</u>	<u>29.0</u>	<u>29.6</u>
	<u>190.1</u>	<u>189.1</u>	<u>190.8</u>	<u>196.4</u>	<u>202.2</u>	<u>207.5</u>

(1) Reno, NV Metropolitan Statistical Area includes two counties: Storey and Washoe.

(2) Averaged numbers through October 31, 2015.

(3) Totals may not add due to rounding. Reflects employment by place of work. Does not necessarily coincide with labor force concept. Includes multiple job holders. All numbers are subject to periodic revision.

Source: Research and Analysis Bureau, Nevada Dept. of Employment, Training and Rehabilitation.

The table below lists the largest fifteen employers in the County. No independent investigation has been made of and consequently no assurances can be given as to the financial condition or stability of the employers listed below or the likelihood that such entities will maintain their status as major employers in the County.

Largest Employers - Washoe County, Nevada

As of 2nd Quarter – 2015

<u>Employer</u>	<u>Employees</u>	<u>Industry</u>
Washoe County School District	8,500-8,999	Public education
University of Nevada - Reno	4,500-4,999	University
Renown Regional Medical Center	2,500-2,999	Hospital
Washoe County	2,500-2,999	Local government
Peppermill Hotel Casino - Reno	2,000-2,499	Casino hotel
International Game Technology	1,500-1,999	Manufacturing
Silver Legacy Resort Casino	1,500-1,999	Casino hotel
Grand Sierra Resort and Casino	1,500-1,999	Casino hotel
Atlantis Casino Resort	1,500-1,999	Casino hotel
St. Mary's Regional Medical Center	1,000-1,499	Hospital
City of Reno	1,000-1,499	Local government
Eldorado Hotel & Casino	1,000-1,499	Casino hotel
VA Sierra Nevada Health Care System	1,000-1,499	Hospital
Nugget Casino Resort	1,000-1,499	Casino hotel
Circus Circus Casinos Inc. - Reno	1,000-1,499	Casino hotel

Source: Research and Analysis Bureau, Nevada Dept. of Employment, Training and Rehabilitation.

The following table lists the firm employment size breakdown for the County.

Size Class of Industries⁽¹⁾

Washoe County, Nevada
(Non-Government Worksites)

<u>CALENDAR YEAR</u>	<u>1st Qtr 2015</u>	<u>1st Qtr 2014</u>	<u>Percent Change 2014/2015</u>	<u>Employment Totals 1st Qtr 2015</u>
TOTAL NUMBER OF WORKSITES	13,931	13,651	2.1%	169,507
Less Than 10 Employees	10,498	10,361	1.3%	27,886
10-19 Employees	1,759	1,682	4.6	23,901
20-49 Employees	1,126	1,074	4.8	33,439
50-99 Employees	312	312	0.0	21,257
100-249 Employees	174	164	6.1	25,083
250-499 Employees	45	42	7.1	15,971
500-999 Employees	7	6	16.7	4,438
1,000+ Employees	10	10	0.0	17,532

(1) Subject to revisions.

Source: Research and Analysis Bureau, Nevada Dept. of Employment, Training and Rehabilitation.

Retail Sales

Reno and Sparks are the center of a retail trade area that extends 300 miles eastward to Elko and Eureka, Nevada, 274 miles south to Goldfield, Nevada; Bishop and other Inyo County points in California, 100 miles west and northwest to Quincy, Westwood, Susanville, Truckee, Donner Summit and Lake Tahoe areas of California, and north 247 miles to Lakeview, Oregon. The following table sets forth a history of taxable sales in the County.

Taxable Sales in the County

Fiscal Year ⁽¹⁾	Washoe County Total	Percent Change	State Total	Percent Change
2011	\$5,282,936,232	--	\$39,935,016,227	--
2012	5,522,605,351	4.5%	42,954,750,131	7.6%
2013	5,824,726,136	5.5	45,203,408,413	5.2
2014	6,370,684,534	9.4	47,440,345,167	4.9
2015	6,817,588,648	7.0	50,347,535,591	6.1
Jul-Sep 2014	\$1,698,355,148	--	\$12,330,172,466	--
Jul-Sep 2015	1,859,331,616	9.5%	12,958,878,429	5.1%

(1) Fiscal year runs from July 1 to the following June 30.

Source: State of Nevada, Department of Taxation.

Construction

The following table sets forth a history of the number of building permits issued in Reno, Sparks and the unincorporated County, and of their valuations.

Building Permits (Value Amount in Thousands)

Calendar Year	City of Reno		City of Sparks		Unincorporated Washoe County		Total Washoe County	
	Permits	Value	Permits	Value	Permits	Value	Permits	Value
2010	5,149	\$242,204	1,946	\$ 52,432	1,259	\$ 70,708	8,354	\$ 365,344
2011	5,570	255,160	2,078	92,320	1,502	68,417	9,150	415,897
2012	5,454	279,716	2,415	103,146	1,457	103,724	9,326	486,586
2013	6,670	417,313	2,451	140,404	1,597	144,750	10,718	702,467
2014	7,504	662,120	2,818	127,405	1,734	258,498	12,056	1,048,023
2015 ⁽¹⁾	7,345	549,288	3,493	188,723	1,756	198,145	12,594	936,156

(1) Permits issued through October 31, 2015.

Sources: Cities of Reno and Sparks Building Departments, and Washoe County Building Department.

Gaming

The economy of the State is substantially dependent upon a tourist industry based on legalized casino gambling and related forms of entertainment. Gaming has been legal in Nevada since 1931 and is controlled and regulated by the State. Control is vested in a five-member Gaming Commission and a three-member Gaming Control Board. All of the board and commission members are appointed by the Governor. These bodies investigate and approve all licenses, establish operating rules, and collect gaming taxes due the State.

The County's gross taxable 2015 gaming revenue represents 7.3% of the State's total 2015 gaming revenue. The following table sets forth a five-year history of gross taxable gaming revenues and total gaming taxes collected on a State-wide basis and in the County

Gross Taxable Gaming Revenue and Total Gaming Taxes⁽¹⁾
Washoe County, Nevada

Fiscal Year Ended	Gross Taxable Gaming Revenue ⁽²⁾		Percent Change County	Gaming Collection ⁽³⁾		Percent Change County
	<u>State Total</u>	<u>County Total</u>		<u>State Total</u>	<u>County Total</u>	
<u>June 30</u>						
2011	\$ 9,836,451,902	\$749,557,470	--	\$853,455,347	\$60,064,415	--
2012	9,764,446,034	736,510,136	(1.7)%	864,621,791	58,266,966	(3.0)%
2013	10,208,528,371	743,348,616	0.9	892,106,457	61,641,555	5.8
2014	10,208,208,859	743,015,203	(0.0)	912,371,316	61,093,103	(0.9)
2015	10,511,301,026	765,170,868	3.0	909,857,085	61,900,579	1.3
Jul 14-Oct 14	\$3,520,811,868	\$270,501,092	--	\$262,561,417	\$20,657,963	--
Jul 15-Oct 15	3,439,456,945	277,890,459	2.7%	273,214,420	21,278,880	3.0%

(1) The figures shown are subject to adjustments due to amended tax filings, fines and penalties.

(2) The total of all sums received as winnings less only the total of all sums paid out as losses (before operating expenses).

(3) Cash receipts of the State from all sources relating to gaming (General Fund and other revenues) including percentage license fees, quarterly flat license fees, annual license fees, casino entertainment taxes, annual slot machine taxes, penalties, advance fees, and miscellaneous collections. A portion of collections is deposited to the State funds other than the State's General Fund.

Source: State of Nevada, Gaming Control Board.

Convention Activity

The convention business is also an important factor in the area's economy. The Reno-Sparks Convention & Visitors Authority ("RSCVA") operates the Convention Center, the National Bowling Stadium (which is owned by the City of Reno and managed by RSCVA pursuant to an operating agreement), the Wildcreek Golf Course, the Livestock Events Center and the Reno Events Center. The following table sets forth a historical summary of usage and attendance of events at these facilities.

Historical RSCVA Convention Facility Usage and Attendance

<u>Fiscal Year</u>	<u>Convention Center</u>		<u>Livestock Events Center</u>		<u>National Bowling Stadium⁽¹⁾</u>		<u>Reno Events Center</u>	
	<u>Number of Events⁽²⁾</u>	<u>Estimated Attendance</u>	<u>Number of Events</u>	<u>Estimated Attendance</u>	<u>Number of Events</u>	<u>Estimated Attendance</u>	<u>Number of Events</u>	<u>Estimated Attendance</u>
2011	121	310,824	168	444,553	73	204,177	49	150,748
2012	128	275,837	148	321,875	56	98,158	53	163,018
2013	102	422,042	100	282,357	80	190,791	56	147,489
2014	94	311,235	80	300,000	78	172,717	52	126,979
2015	97	278,213	70	302,413	93	75,684	49	100,015

(1) In each year, the National Bowling Stadium hosted national tournaments -- large events covering approximately four months.

(2) Includes all show activity (conventions, trade shows, public consumer shows, concerts and meetings).

Source: Reno-Sparks Convention and Visitors Authority.

Transportation

The Reno/Sparks area is located at a transportation crossroads. Interstate 80, which runs east-west, and U.S. 395, running north-south, provide adequate routes for trucking and personal transportation. The Union Pacific Railroad operates major rail lines through the County and offers connections to other major rail networks, providing both freight and Amtrak passenger service. Intermodal yards and container freight facilities are located in Sparks. Over 65 motor freight companies serve the Reno/Sparks market and approximately 25 licensed common carriers with terminals are in the Reno/Sparks area.

The Reno-Tahoe International Airport (the "Airport") is a medium hub airport owned and operated by the Reno-Tahoe Airport Authority (the "Airport Authority"). The geographical area served by the Airport primarily encompasses the seven Nevada counties of Churchill, Douglas, Humboldt, Lyon, Pershing, Storey, and Washoe and the major cities of Reno, Sparks, and Carson City. The total air trade area for the Airport also includes the Lake Tahoe area and several communities in northeastern California. The Airport generates \$2 billion per year for the region according to an economic impact study released by the University of Nevada's College of Business in February 2012. In addition to the revenue, the study states that the Airport and the Reno-Stead Airport, a general aviation facility, generate 22,138 jobs in the state, making the airports a major economic driver for the region. Accordingly, the Airport Authority continues to plan and accommodate airport facility needs.

For calendar year 2014, the Airport served a total of 3.30 million passengers, a (3.9%) decrease from 2013's passenger total of 3.43 million. The Airport reported an overall 6.7% increase in air cargo pounds for the 2014 calendar year; air cargo volume totaled 129.09 million pounds. During the first nine months of 2015, the Airport served 2,596,982 passengers, representing an increase of 1.9% compared to the same period in 2014; and handled 96.55 million pounds of air cargo, an increase of 5.8%. September 2015 was the best September ever recorded at the Airport in terms of cargo lift. The growing cargo demand in the northern Nevada region is forcing airlines to add capacity at Reno-Tahoe International Airport. In September 2015, the Airport was served by nine airlines providing 57 peak daily departures to 17 non-stop destinations.

LEGAL MATTERS

Litigation

There are various suits pending in courts within the State to which the District is a party. In the opinion of the District's general counsel, however, there is no litigation or controversy of any nature now pending, or to the knowledge of the District's Office of the General Counsel, threatened: (i) restraining or enjoining the issuance, sale, execution or delivery of the Bonds or (ii) in any way contesting or affecting the validity of the Bonds or any proceedings of the District taken with respect to the issuance or sale thereof, the pledge or application of any moneys or security provided for the payment of the Bonds. Further, the District's Office of the General Counsel is of the opinion that current litigation facing the District will not materially affect the District's ability to perform its obligations to the owners of the Bonds.

Approval of Certain Legal Proceedings

The approving opinion of Sherman & Howard L.L.C., as Bond Counsel, will be delivered with the Bonds. A form of the bond counsel opinion is attached to this Official Statement as Appendix D. The opinion will include a statement that the obligations of the District are subject to the reasonable exercise in the future by the State and its governmental bodies of the police power inherent in the sovereignty of the State and to the exercise by the United States of the powers delegated to it by the federal constitution, including bankruptcy. Sherman & Howard L.L.C. has also acted as Special Counsel to the District in connection with this Official Statement. Certain matters will be passed upon for the District by its general counsel.

Police Power

The obligations of the District are subject to the reasonable exercise in the future by the State and its governmental bodies of the police power and powers of taxation inherent in the sovereignty of the State, and to the exercise by the United States of the powers delegated to it by the federal constitution (including bankruptcy).

Sovereign Immunity

Pursuant to State statute (NRS 41.035), an award for damages in an action sounding in tort against the District may not include any amount as exemplary or punitive damages and is limited to \$100,000 per cause of action. The limitation does not apply to federal actions brought under federal law such as civil rights actions under 42 U.S.C. Section 1983 and actions under The Americans with Disabilities Act of 1990 (P.L. 101-336), or to actions in other states.

TAX MATTERS

Federal Tax Matters

In the opinion of Bond Counsel, assuming continuous compliance with certain covenants described below, interest on the Bonds is excluded from gross income under federal income tax laws pursuant to Section 103 of the Tax Code, and interest on the Bonds is excluded from alternative minimum taxable income as defined in Section 55(b)(2) of the Tax Code except that such interest is required to be included in calculating the “adjusted current earnings” adjustment applicable to corporations for purposes of computing the alternative minimum taxable income of corporations as described below. For purposes of this paragraph and the succeeding discussion, “interest” includes the original issue discount on certain of the Bonds only to the extent such original issue discount is accrued as described herein.

The Tax Code imposes several requirements which must be met with respect to the Bonds in order for the interest thereon to be excluded from gross income and alternative minimum taxable income (except to the extent of the aforementioned adjustment applicable to corporations). Certain of these requirements must be met on a continuous basis throughout the term of the Bonds. These requirements include: (a) limitations as to the use of proceeds of the Bonds; (b) limitations on the extent to which proceeds of the Bonds may be invested in higher yielding investments; and (c) a provision, subject to certain limited exceptions, that requires all investment earnings on the proceeds of the Bonds above the yield on the Bonds to be paid to the United States Treasury. The District has covenanted and represented in the Bond Resolution that it will take all steps to comply with the requirements of the Tax Code to the extent necessary to maintain the exclusion of interest on the Bonds from gross income and alternative minimum taxable income (except to the extent of the aforementioned adjustment applicable to corporations) under such federal income tax laws in effect when the Bonds are delivered. Bond Counsel’s opinion as to the exclusion of interest on the Bonds from gross income and alternative minimum taxable income (to the extent described above) is rendered in reliance on these covenants, and assumes continuous compliance therewith. The failure or inability of the District to comply with these requirements could cause the interest on the Bonds to be included in gross income, alternative minimum taxable income or both from the date of issuance. Bond Counsel’s opinion also is rendered in reliance upon certifications of the District and other certifications furnished to Bond Counsel. Bond Counsel has not undertaken to verify such certifications by independent investigation.

Section 55 of the Tax Code contains a 20% alternative minimum tax on the alternative minimum taxable income of corporations. Under the Tax Code, 75% of the excess of a corporation’s “adjusted current earnings” over the corporation’s alternative minimum taxable income (determined without regard to this adjustment and the alternative minimum tax net operating loss deduction) is included in the corporation’s alternative minimum taxable income for purposes of the alternative minimum tax applicable to the corporation. “Adjusted current earnings” includes interest on the Bonds.

With respect to Bonds that are sold in the initial offering at a discount (the “Discount Bonds”), the difference between the stated redemption price of the Discount Bonds at maturity and the initial offering price of those bonds to the public (as defined in Section 1273 of the Tax Code) will be treated as “original issue discount” for federal income tax purposes and will, to the extent accrued as described below, constitute interest which is excluded from gross

income or alternative minimum taxable income under the conditions and subject to the exceptions described in the preceding paragraphs. The original issue discount on the Discount Bonds is treated as accruing over the respective terms of such Discount Bonds on the basis of a constant interest rate compounded at the end of each six-month period (or shorter period from the date of original issue) ending on June 1 and December 1 with straight line interpolation between compounding dates. The amount of original issue discount accruing each period (calculated as described in the preceding sentence) constitutes interest which is excluded from gross income or alternative minimum taxable income under the conditions and subject to the exceptions described in the preceding paragraphs and will be added to the owner's basis in the Discount Bonds. Such adjusted basis will be used to determine taxable gain or loss upon disposition of the Discount Bonds (including sale or payment at maturity). Owners should consult their own tax advisors with respect to the tax consequences of the ownership of the Discount Bonds.

Owners who purchase Discount Bonds after the initial offering or who purchase Discount Bonds in the initial offering at a price other than the initial offering price (as defined in Section 1273 of the Tax Code) should consult their own tax advisors with respect to the federal tax consequences of the ownership of the Discount Bonds. Owners who are subject to state or local income taxation should consult their tax advisor with respect to the state and local income tax consequences of ownership of the Discount Bonds. It is possible that, under the applicable provisions governing determination of state and local taxes, accrued original issue discount on the Discount Bonds may be deemed to be received in the year of accrual even though there will not be a corresponding cash payment.

The Tax Code contains numerous provisions which may affect an investor's decision to purchase the Bonds. Owners of the Bonds should be aware that the ownership of tax-exempt obligations by particular persons and entities, including, without limitation, financial institutions, insurance companies, recipients of Social Security or Railroad Retirement benefits, taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, foreign corporations doing business in the United States and certain "subchapter S" corporations may result in adverse federal and state tax consequences. Under Section 3406 of the Tax Code, backup withholding may be imposed on payments on the Bonds made to any owner who fails to provide certain required information, including an accurate taxpayer identification number, to certain persons required to collect such information pursuant to the Tax Code. Backup withholding may also be applied if the owner underreports "reportable payments" (including interest and dividends) as defined in Section 3406, or fails to provide a certificate that the owner is not subject to backup withholding in circumstances where such a certificate is required by the Tax Code. Certain of the Bonds may be sold at a premium, representing a difference between the original offering price of those Bonds and the principal amount thereof payable at maturity. Under certain circumstances, an initial owner of such bonds (if any) may realize a taxable gain upon their disposition, even though such bonds are sold or redeemed for an amount equal to the owner's acquisition cost. Bond Counsel's opinion relates only to the exclusion of interest (and, to the extent described above for the Discount Bonds, original issue discount) on the Bonds from gross income and alternative minimum taxable income as described above and will state that no opinion is expressed regarding other federal tax consequences arising from the receipt or accrual of interest on or ownership of the Bonds. Owners of the Bonds should consult their own tax advisors as to the applicability of these consequences.

The opinions expressed by Bond Counsel are based on existing law as of the delivery date of the Bonds. No opinion is expressed as of any subsequent date nor is any opinion expressed with respect to pending or proposed legislation. Amendments to the federal or state tax laws may be pending now or could be proposed in the future that, if enacted into law, could adversely affect the value of the Bonds, the exclusion of interest (and, to the extent described above for the Discount Bonds, original issue discount) on the Bonds from gross income or alternative minimum taxable income or both from the date of issuance of the Bonds or any other date, the tax value of that exclusion for different classes of taxpayers from time to time, or that could result in other adverse tax consequences. In addition, future court actions or regulatory decisions could affect the tax treatment or market value of the Bonds. Owners of the Bonds are advised to consult with their own tax advisors with respect to such matters.

The Internal Revenue Service (the “Service”) has an ongoing program of auditing tax-exempt obligations to determine whether, in the view of the Service, interest on such tax-exempt obligations is includable in the gross income of the owners thereof for federal income tax purposes. No assurances can be given as to whether or not the Service will commence an audit of the Bonds. If an audit is commenced, the market value of the Bonds may be adversely affected. Under current audit procedures the Service will treat the District as the taxpayer and the Bond owners may have no right to participate in such procedures. The District has covenanted in the Bond Resolution not to take any action that would cause the interest on the Bonds to lose its exclusion from gross income for federal income tax purposes or lose its exclusion from alternative minimum taxable income except to the extent described above for the owners thereof for federal income tax purposes. None of the District, the Financial Advisor, Bond Counsel or Special Counsel is responsible for paying or reimbursing any Bond holder with respect to any audit or litigation costs relating to the Bonds.

State Tax Exemption

In the opinion of Bond Counsel, the Bonds, their transfer, and the income therefrom are free and exempt from taxation by the State or any subdivision thereof except for the tax on estates imposed pursuant to Chapter 375A of NRS and the tax on generation-skipping transfers imposed pursuant to Chapter 375B of NRS.

RATINGS

Moody’s Investors Service (“Moody’s”) and Standard & Poor’s Rating Services, a Standard & Poor’s Financial Services LLC business (“S&P”) have assigned the Bonds the ratings of “AA” and “Aa3,” respectively, as shown on the cover page of this Official Statement. An explanation of the significance of the ratings given by S&P may be obtained from S&P at 55 Water Street, New York, New York 10041. An explanation of the significance of the ratings given by Moody’s may be obtained from Moody’s at 7 World Trade Center at 250 Greenwich Street, New York, New York 10007.

Such ratings reflect only the views of such rating agencies, and there is no assurance that any rating, once received, will continue for any given period of time or that either rating will not be revised downward or withdrawn entirely by the applicable rating agency if, in its judgment, circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price of the Bonds. Except for its responsibilities under the Disclosure Certificate, the District has not undertaken any

responsibility to bring to the attention of the owners of the Bonds any proposed change in or withdrawal of such ratings once received or to oppose any such proposed revision.

INDEPENDENT AUDITORS

The audited basic financial statements of the District as of and for the year ended June 30, 2015, attached hereto as Appendix A, have been audited by Eide Bailly, Reno, Nevada, independent certified public accountants, to the extent and for the period indicated in their report thereon.

The audited basic financial statements of the District, including the auditor's report thereon, are public documents and pursuant to State law, no consent from the auditors is required to be obtained prior to inclusion of the audited financial statements in this Official Statement. Accordingly, the District has not requested consent from its auditors. Eide Bailly, the District's independent auditor, has not been engaged to perform and has not performed, since the date of the report included herein, any procedures on the financial statements addressed in that report. Eide Bailly has not performed any procedures relating to this Official Statement.

FINANCIAL ADVISOR

JNA Consulting Group, LLC, 410 Nevada Way, Suite 200, Boulder City, Nevada 89005, 702-294-5100 is serving as Financial Advisor to the District in connection with the Bonds. The Financial Advisor has not audited, authenticated, or otherwise verified the information set forth in this Official Statement, or any other related information set forth in this Official Statement, or any other information available to the District, with respect to the accuracy and completeness of disclosure of such information and no guarantee, warranty, or other representation is made by the Financial Advisor respecting accuracy and completeness of this Official Statement or any other matter related to this Official Statement.

UNDERWRITING

The District sold the Bonds at public sale to Citigroup Global Markets Inc. at a price of \$68,940,326.54 (equal to the par amount of the Bonds, plus original issue premium of \$10,084,238.60, and less underwriter's discount of \$358,912.06.

OFFICIAL STATEMENT CERTIFICATION

The undersigned official of the District hereby confirms and certifies that the execution and delivery of this Official Statement and its use in connection with the offering and sale of the Bonds have been duly authorized by the Board.

WASHOE COUNTY SCHOOL DISTRICT,
NEVADA

By: /s/ Thomas Ciesynski
Chief Financial Officer

APPENDIX A

AUDITED BASIC FINANCIAL STATEMENTS OF WASHOE COUNTY SCHOOL DISTRICT, NEVADA FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE: The audited basic financial statements of the District included in this Appendix A have been derived from the District's CAFR for the fiscal year ended June 30, 2015. The table of contents, introductory section, individual fund budgetary statements, and other items referred to in the auditor's report attached hereto has purposely been excluded from this Official Statement. Such information provides supporting details and is not necessary for a fair presentation of the basic financial statements of the District.



Independent Auditor's Report

To the Board of Trustees
Washoe County School District
Reno, Nevada

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Washoe County School District (the "District") as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2015, and the respective changes in financial position, and where applicable, cash flows thereof and the respective budgetary comparisons for the General Fund and the Special Education Special Revenue Fund, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in Notes 1 and 12 to the financial statements, the District has adopted the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71 *Pension Transition for Contributions Made Subsequent to the Measurement Date*, which has resulted in a restatement of the net position as of July 1, 2014. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 20, the Schedule of Funding Progress and the Schedule of Employer Contributions on page 76, the Schedule of District's Proportionate Share of the Net Pension Liability on page 74, and the Schedule of District Contributions on page 75, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The introductory section, nonmajor combining and individual fund financial statements and schedules, Schedules of Capital Assets Used in the Operation of Governmental Funds, and the statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The nonmajor combining and individual fund financial statements and schedules, Schedules of Capital Assets Used in the Operation of Governmental Funds, and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally

accepted in the United States of America. In our opinion, the nonmajor combining and individual fund financial statements and schedules, Schedules of Capital Assets Used in the Operation of Governmental Funds, and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Prior Year Partial Comparative Information

The financial statements of the Washoe County School District as of and for the year ended June 30, 2014, were audited by Kafoury, Armstrong & Co., who joined Eide Bailly LLP on December 15, 2014, and whose report dated October 23, 2014, expressed unmodified audit opinions on the respective financial statements of the governmental activities, each major fund, and the aggregate remaining fund information. The summarized comparative information presented in the basic financial statements as of and for the year ended June 30, 2014, is consistent with the audited financial statements from which it has been derived.

The nonmajor combining and individual fund financial statements and schedules related to the 2014 and 2013 financial statements are presented for purposes of additional analysis and were derived from and relate directly to the underlying accounting and other records used to prepare the 2014 financial statements. The information has been subjected to the auditing procedures applied in the audit of the 2014 basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare those financial statements or to those financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. The individual fund financial statements and schedules are consistent in relation to the basic financial statements from which they have been derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 28, 2015, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering District's internal control over financial reporting and compliance.

The image shows a handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Reno, Nevada
October 28, 2015

**WASHOE COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Washoe County School District's discussion and analysis is designed to (a) assist the reader in focusing on significant financial issues, (b) provide an overview of the District's financial activities, (c) identify changes in the District's financial position (its ability to address subsequent years' challenges), (d) identify any material deviations from the financial plan (the approved budget), and (e) identify individual fund issues or concerns.

We encourage readers to read this information in conjunction with the transmittal letter, financial statements and notes to gain a more complete picture of the information presented.

Financial Highlights

- ❑ Government-wide net position decreased by (\$639.8) million to (\$250.8) million due to implementation of Government Accounting Standards Board (GASB) Statement No. 68 *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27 (Issued 06/12)*.
- ❑ Unrestricted net position decreased by (\$640.2) million to (\$560.9) million due to implementation of GASB Statement No. 68.
- ❑ The District's total revenues increased by \$37.2 million to \$637.8 million. The most significant revenues are local school support taxes (sales tax) at \$160.8 million, property taxes (Ad Valorem) at \$142.7 million and state aid not restricted to specific purposes at \$144.1 million.
- ❑ The District's total expenses increased by \$40.1 million to \$622.9 million. The most significant expenses were in regular instruction at \$209.9 million, special education instruction at \$75.3 million, operation and maintenance at \$46.3 million and other instruction (primarily grants) at \$72.6 million.
- ❑ Net capital assets increased to \$681 million. Major additions include \$10.1 million for school renewal, \$6.3 million for portable classrooms, \$3.9 million for photovoltaic systems, \$1.8 million for roofing, and \$9.2 million for machinery and equipment. Depreciation expense totaling \$28.5 million is included in the government-wide statements.
- ❑ The District's general obligation bonds payable decreased by \$32.5 million or 6.5%. This is the result of the issuance of \$94.5 million in refunding bond debt, and \$127 million of debt payments and defeasance.
- ❑ The District has an Aa3 bond rating with a stable outlook from Moody's Investor Service, and an AA rating with a stable outlook from Standard and Poor's Corporation. These ratings are unchanged from the prior year.

Government-wide Financial Statements

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

The *Statement of Net Position* presents information on all of the District's assets, deferred outflows, liabilities, and deferred inflows with the net difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *Statement of Activities* presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash

**WASHOE COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

flows. Thus, revenues and expenses are reported in the statement for some items that will only result in cash flows in future fiscal periods.

Both of the government-wide financial statements distinguish functions that are supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*).

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District's funds can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide statements described above. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements. To provide a better understanding of the relationship between the fund statements and the government-wide statements, both the governmental fund balance sheet and governmental fund statement of revenues, expenditures and changes in fund balances provide reconciliations between the two statement types.



The focus of the governmental fund statements is on major funds. The District has 46 individual governmental funds of which the General, Special Education, Debt Service, 2013 Bond Rollover, 2012 Bond Rollover, 2011 Bond Rollover, 2011B Bond Rollover, 2010 Washoe County Recovery Zone Economic Development Bond (RZEDB), 2009B Washoe County RZEDB, 2009B City of Reno RZEDB, 2009 Bond Rollover, 2008 Bond Rollover, 2007 Bond Rollover and 2006 Bond Rollover funds are considered major. These funds are disclosed separately in the governmental fund balance sheet and/or in the governmental fund statement of revenues, expenditures and changes in fund balances. The remaining 32 non-major governmental funds are combined into a single aggregated presentation in these statements. Individual fund data for each of these non-major funds is reported in combining statements in the supplementary information section of this report.

Proprietary funds are comprised of enterprise funds and internal service funds. Enterprise funds are used to report an activity where a fee is charged to external users. The District's sole enterprise fund, the Nutrition Services Enterprise Fund, is used to account for the nutrition services operation of the District. Internal service funds are used to accumulate and allocate costs internally among the District's various programs and functions. The District uses three internal service funds to account for its self-insurance of property and casualty, employees' health care and workers' compensation. Because internal service fund operations primarily benefit governmental funds, they are included in the governmental fund activities column in the government-wide statements.

**WASHOE COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
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All three internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements along with the sole enterprise fund in a separate column. Individual fund data for the internal service funds and the enterprise fund is provided in the combining statements in the supplementary information section of this report.

Fiduciary funds account for resources held for other governments or individuals outside of the District. As their resources do not support District activities, they are not included in the government-wide statements. The District has two agency funds: the Student Activity Funds for schools in the district and the Nevada Interscholastic Athletic Association for all school districts in Nevada. Additionally, the District has two trust funds: the Private Purpose Scholarship Trust Fund and the Other Postemployment Benefits (OPEB) Trust Fund. Additional information on the OPEB Trust Fund can be found in Note 9 on pages 65-70 of this report.

Notes to the Financial Statements

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

Other

Supplementary information, including combining and individual fund statements and schedules providing budget to actual and prior year comparisons, are presented after the government-wide financial statements. These schedules test compliance with budgetary constraints and management directives to enhance accountability at the fund and function level.

Statistical information is provided on a ten-year basis, as available, for trend and historical analysis.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

In order to enhance analysis, comparative information is provided for assets, deferred outflows, liabilities, deferred inflows, net position, revenues and expenses.

WASHOE COUNTY SCHOOL DISTRICT'S NET POSITION

	Governmental activities		Business-type activities		Total	
	2015	2014	2015	2014	2015	2014
Assets						
Current and other assets	\$ 316,669,614	\$ 330,331,989	\$ 4,896,884	\$ 4,979,120	\$ 321,566,498	\$ 335,311,109
Net capital assets	679,662,364	679,180,825	1,320,171	735,381	680,982,535	679,916,206
Total assets	996,331,978	1,009,512,814	6,217,055	5,714,501	1,002,549,033	1,015,227,315
Deferred Outflows						
Deferred pension outflows	80,770,919	-	931,272	-	81,702,191	-
Deferred debt charges	17,979,452	9,270,848	-	-	17,979,452	9,270,848
Total deferred outflows	98,750,371	9,270,848	931,272	-	99,681,643	9,270,848
Liabilities						
Current liabilities	123,556,051	115,391,789	1,600,920	1,450,507	125,156,971	116,842,296
Long-term liabilities	1,066,844,265	518,673,637	6,612,059	-	1,073,456,324	518,673,637
Total liabilities	1,190,400,316	634,065,426	8,212,979	1,450,507	1,198,613,295	635,515,933
Deferred Inflows						
Deferred pension inflows	152,647,497	-	1,759,994	-	154,407,491	-
Deferred revenues	15,660	32,252	-	-	15,660	32,252
Total deferred inflows	152,663,157	32,252	1,759,994	-	154,423,151	32,252
Net Position						
Net investment in capital assets	272,308,952	261,907,184	1,320,171	735,381	273,629,123	262,642,565
Restricted	36,431,366	47,007,427	-	-	36,431,366	47,007,427
Unrestricted	(556,721,442)	75,771,373	(4,144,817)	3,528,613	(560,866,259)	79,299,986
Total net position	\$ (247,981,124)	\$ 384,685,984	\$ (2,824,646)	\$ 4,263,994	\$ (250,805,770)	\$ 388,949,978

For more detailed information see the government-wide statement of net position and the notes to the financial statements.

**WASHOE COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Net position. The District's liabilities and deferred inflows exceeded assets and deferred outflows by \$250.8 million at June 30, 2015. The largest portion of net position, 223.6%, reflects negative unrestricted net position due to the inclusion of the pension benefit liability as required by Government Accounting Standards Board Statement No. 68 *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27 (Issued 06/12)*.

The District's investment in capital assets (e.g., land, buildings, equipment and construction in progress) less any outstanding related debt used to acquire those assets accounts for (109.1%) of net position. The District uses these capital assets to provide services to citizens; therefore, they are not available for future spending. Although the investment in capital assets is reported net of related debt, the resources needed to repay this debt must be provided from other sources, since capital assets cannot be used to liquidate these liabilities.

An additional portion of the District's assets, (14.5%), represents resources that are subject to external restrictions (statutory, bond covenants, or granting agency) on how they may be used.

WASHOE COUNTY SCHOOL DISTRICT'S STATEMENT OF ACTIVITIES

	Governmental activities		Business-type activities		Total	
	2015	2014	2015	2014	2015	2014
Revenues						
Program revenues						
Charges for services	\$ 734,126	\$ 982,518	\$ 5,114,179	\$ 5,108,301	\$ 5,848,305	\$ 6,090,819
Operating grants and contributions	124,163,127	110,842,870	18,265,743	17,749,310	142,428,870	128,592,180
Capital grants and contributions	6,895,801	-	-	-	6,895,801	-
General revenues						
Property taxes	142,690,871	138,249,491	-	-	142,690,871	138,249,491
Local school support taxes	160,841,132	151,070,968	-	-	160,841,132	151,070,968
Government services taxes	17,066,962	15,379,022	-	-	17,066,962	15,379,022
Franchise taxes	393,128	198,246	-	-	393,128	198,246
Unrestricted investment earnings	2,373,947	3,068,710	-	-	2,373,947	3,068,710
State aid not restricted to specific purposes	144,117,760	148,966,152	-	-	144,117,760	148,966,152
Other	15,100,481	8,943,405	-	-	15,100,481	8,943,405
Total revenues	\$ 614,377,335	\$ 577,701,382	\$ 23,379,922	\$ 22,857,611	\$ 637,757,257	\$ 600,558,993
Expenses						
Instruction						
Regular instruction	\$ 209,934,957	\$ 202,164,370	\$ -	\$ -	\$ 209,934,957	\$ 202,164,370
Special instruction	75,345,629	70,688,102	-	-	75,345,629	70,688,102
Vocational instruction	8,168,435	7,707,218	-	-	8,168,435	7,707,218
Other instruction	72,649,037	59,991,625	-	-	72,649,037	59,991,625
Adult education instruction	1,601,507	1,399,916	-	-	1,601,507	1,399,916
Community services instruction	651,169	713,573	-	-	651,169	713,573
Co-curricular instruction	3,689,717	3,439,536	-	-	3,689,717	3,439,536
Support services						
Instruction	35,809	40,012	-	-	35,809	40,012
Student support	27,993,022	26,750,927	-	-	27,993,022	26,750,927
Instructional staff support	15,515,544	15,016,809	-	-	15,515,544	15,016,809
General administration	6,616,360	6,607,856	-	-	6,616,360	6,607,856
School administration	33,643,481	31,634,200	-	-	33,643,481	31,634,200
Central services	24,305,036	22,955,128	-	-	24,305,036	22,955,128
Operation and maintenance	46,298,563	44,424,777	-	-	46,298,563	44,424,777
Student transportation	17,220,986	16,275,534	-	-	17,220,986	16,275,534
Other support	14,661	16,095	-	-	14,661	16,095
Community services operations	407,503	406,056	-	-	407,503	406,056
Nutrition services	-	-	23,006,828	22,581,085	23,006,828	22,581,085
Facilities	36,470,169	28,191,359	-	-	36,470,169	28,191,359
Interest on long-term debt	18,438,955	21,457,547	-	-	18,438,955	21,457,547
Issuance costs on debt	874,016	304,156	-	-	874,016	304,156
Total expenses	599,874,556	560,184,796	23,006,828	22,581,085	622,881,384	582,765,881
Increase (decrease) in net position	14,502,779	17,516,586	373,094	276,526	14,875,873	17,793,112
Net position, beginning	384,685,984	373,505,578	4,263,994	3,987,468	388,949,978	377,493,046
Prior year restatement	(647,169,887)	(6,336,180)	(7,461,734)	-	(654,631,621)	(6,336,180)
Net position, ending (as restated)	\$ (247,981,124)	\$ 384,685,984	\$ (2,824,646)	\$ 4,263,994	\$ (250,805,770)	\$ 388,949,978

**WASHOE COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
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Governmental activities. Governmental activities increased the District's net position by \$14.5 million as a result of the excess of revenues over expenses. This increase was offset by a prior year restatement of (\$647.2) million related to the implementation of GASB Statement No. 68. Key elements of the increases are noted on the previous table.

Revenues

Total revenues increased from prior year revenues by 6.3%. General revenues, mainly comprised of taxes, state aid and investment earnings, represented 78.6% of total revenue. Program revenues are revenues directly related to service activities of a function and include charges for services, operating and capital grants and contributions, and related investment earnings, when restricted for use in programs.

Program revenues represent 21.4% of the total revenues and are used to pay costs of providing program services. Charges for services decreased (25.3%) and operating grants and contributions increased 12%.

Governmental activities – Changes in revenues

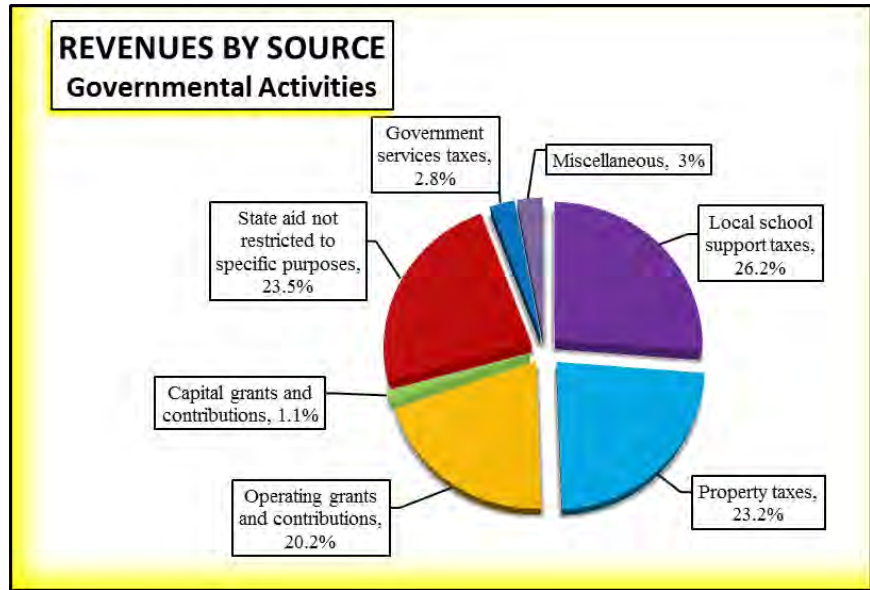
	2015	2014	Inc / (Dec) from 2014	% Inc / (Dec) from 2014
Revenues				
Program revenues				
Charges for services	\$ 734,126	\$ 982,518	\$ (248,392)	(25.3)
Operating grants and contributions	124,163,127	110,842,870	13,320,257	12.0
Capital grants and contributions	6,895,801	-	6,895,801	N/A
General revenues				
Property taxes	142,690,871	138,249,491	4,441,380	3.2
Local school support taxes	160,841,132	151,070,968	9,770,164	6.5
Government services taxes	17,066,962	15,379,022	1,687,940	11.0
Franchise taxes	393,128	198,246	194,882	98.3
Unrestricted investment earnings	2,373,947	3,068,710	(694,763)	(22.6)
State aid not restricted to specific purposes	144,117,760	148,966,152	(4,848,392)	(3.3)
Other	15,100,481	8,943,405	6,157,076	68.8
Total revenues	<u>\$ 614,377,335</u>	<u>\$577,701,382</u>	<u>\$ 36,675,953</u>	<u>6.3</u>

General revenues increased 3.6% from the prior fiscal year. The District experienced decreases in unrestricted investment earnings and state aid not restricted to specific purposes, and increases in all other categories.

- ❑ The largest and main general revenue sources for the District are property taxes (Ad Valorem), local school support taxes, government service taxes and state aid not restricted to specific purposes, which comprise 75.6% of total revenues.
- ❑ Ad Valorem taxes increased 3.2% from the prior year due to higher property tax collections and increases in assessed valuations.
- ❑ Local school support taxes increased 6.5% primarily due to increases in sales tax collections in Nevada as a result of some economic improvement.
- ❑ Government services taxes increased 11% due to higher motor vehicle tax collections.
- ❑ State revenue, as provided in the Nevada Plan (State aid guaranteed funding), decreased (3.3%) as a result of increased property tax collections and local school support taxes.

A graph of revenues by source for governmental activities is included on the following page:

**WASHOE COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

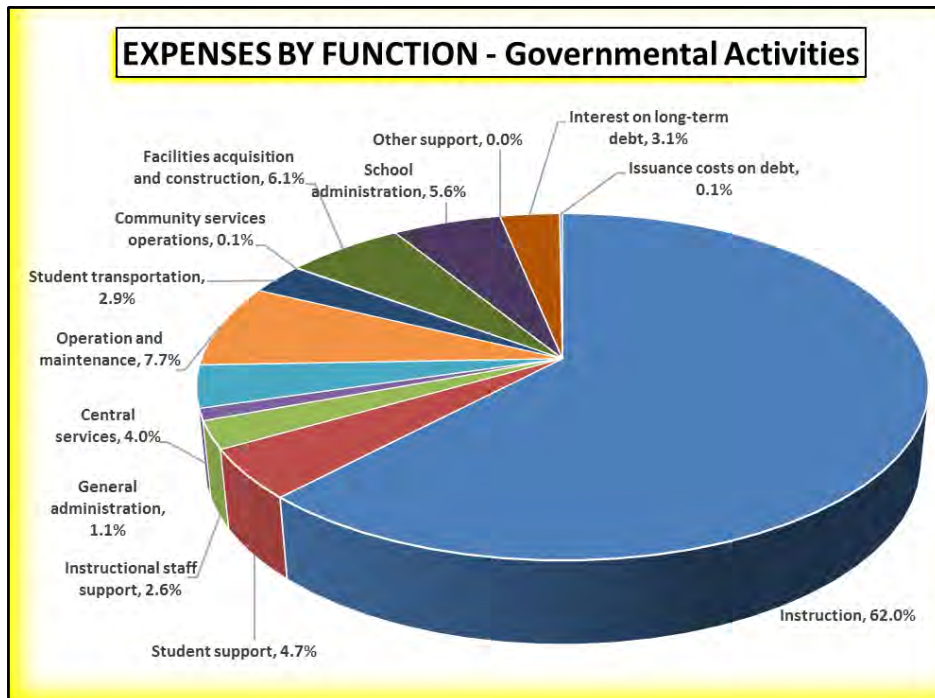


Expenses

Total expenses by function are shown in the graph below. In addition, changes by amount and percentage are shown in the table on the next page.

Instruction expenditures account for 62% of all governmental fund expenses with 76.7% of instruction dollars spent for regular and special instruction.

The remaining 38% of total governmental fund expenses are used to operate and maintain the District and support the students and instructional staff. The largest support expenditures are operation and maintenance at 20.3%, facilities at 16%, and school administration at 14.8% of total support services expenses.



**WASHOE COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Total instruction costs were up 7.5% from the prior fiscal year due to increased funding in other instruction programs and scheduled salary step increases and results of negotiations with the different bargaining units.

Other instruction program expenses increased \$12.7 million or 21.1% as a result of increased funding for Title I, Direct Federal Grants, and Special State Appropriations, offset by decreased funding for Tuition Based Full Day Kindergarten, Twenty First Century, and ARRA – Title I programs. Approximately \$6.5 million of the increase was expenses for portable classrooms.

Adult education instruction increased \$.2 million or 14.4% due to increased state funding.

Facilities expenses increased a \$8.3 million as the purchase of computer assets and construction projects exceeded depreciation expense.

Interest on long-term debt decreased (\$3) million or (14.1%) as a result of strategic and methodical refunding of debt transactions in the past several years that resulted in more favorable interest rates.

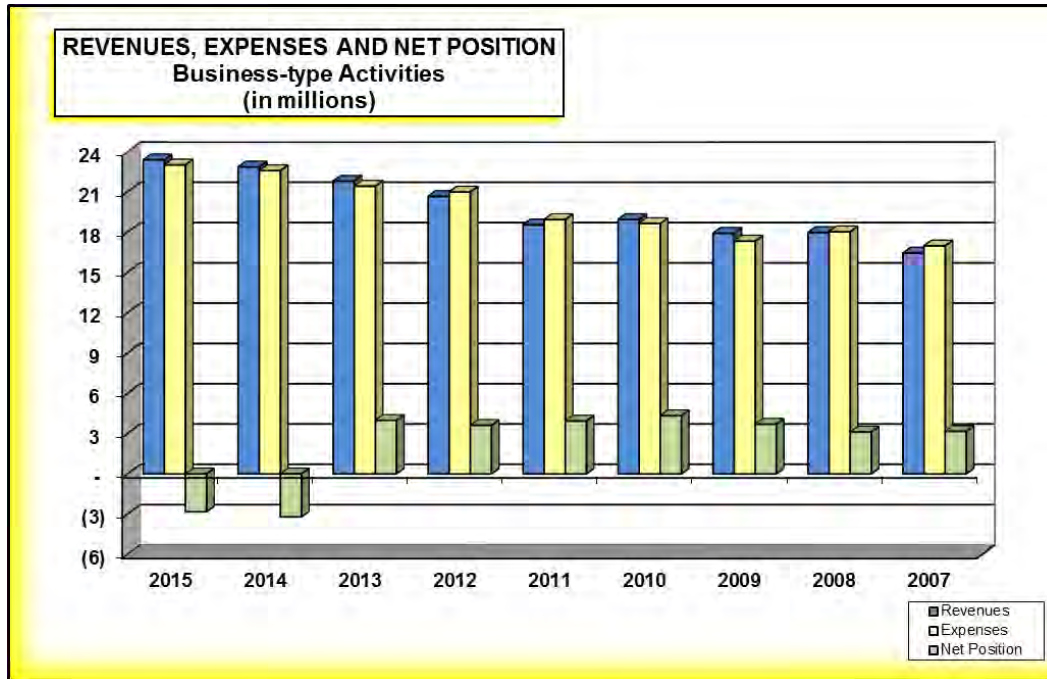
Issuance costs increased \$.6 million as a result of increased bond refundings in the current fiscal year.

Governmental activities – Changes in Expenses by Function

	2015	2014	Inc / (Dec) from 2014	% Inc / (Dec) from 2014
Expenses				
Instruction				
Regular instruction	\$ 209,934,957	\$ 202,164,370	\$ 7,770,587	3.8
Special instruction	75,345,629	70,688,102	4,657,527	6.6
Vocational instruction	8,168,435	7,707,218	461,217	6.0
Other instruction	72,649,037	59,991,625	12,657,412	21.1
Adult education instruction	1,601,507	1,399,916	201,591	14.4
Community services instruction	651,169	713,573	(62,404)	(8.7)
Co-curricular instruction	3,689,717	3,439,536	250,181	7.3
Total instruction	<u>372,040,451</u>	<u>346,104,340</u>	<u>25,936,111</u>	<u>7.5</u>
Support services				
Instruction	35,809	40,012	(4,203)	(10.5)
Student support	27,993,022	26,750,927	1,242,095	4.6
Instructional staff support	15,515,544	15,016,809	498,735	3.3
General administration	6,616,360	6,607,856	8,504	0.1
School administration	33,643,481	31,634,200	2,009,281	6.4
Central services	24,305,036	22,955,128	1,349,908	5.9
Operation and maintenance	46,298,563	44,424,777	1,873,786	4.2
Student transportation	17,220,986	16,275,534	945,452	5.8
Other support	14,661	16,095	(1,434)	(8.9)
Community services operations	407,503	406,056	1,447	0.4
Facilities	36,470,169	28,191,359	8,278,810	29.4
Interest on long-term debt	18,438,955	21,457,547	(3,018,592)	(14.1)
Issuance costs on debt	874,016	304,156	569,860	187.4
Total support services	<u>227,834,105</u>	<u>214,080,456</u>	<u>13,753,649</u>	<u>6.4</u>
Total expenses	<u>\$ 599,874,556</u>	<u>\$ 560,184,796</u>	<u>\$ 39,689,760</u>	<u>7.1</u>

WASHOE COUNTY SCHOOL DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Business-type activities. Business-type activities consist solely of the District's Nutrition Services Enterprise Fund. A prior period adjustment of (\$7.5) million was recorded to fiscal year 2014 for the fund's proportionate allocation of pension expenses, decreasing the fund's net position. In the current fiscal year, nutrition services activity increased net position by \$373 thousand. Nutrition services charges and federal subsidies, including contributions of commodity food products, account for 100% of revenues received by business-type activities, with charges for services representing 21.9% and federal subsidies accounting for 78.1% of revenues. The majority of expenses in the business-type activities are for food purchases and salary expenses to conduct the District's nutrition services operation.



FINANCIAL ANALYSIS OF THE DISTRICT'S MAJOR FUNDS

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

Governmental funds. The focus of the Washoe County School District's governmental funds is to provide information on current inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's current funding requirements. In particular, unassigned fund balance may serve as a useful measure of net resources available for spending at the end of the fiscal year.

The District's governmental funds reported combined ending fund balances of \$166.4 million, a decrease of (\$20.8) million from the prior year. Of this total, \$1.5 million or .9% is *nonspendable fund balance* (inventories and prepaids), \$102 million or 61.3% constitutes *restricted fund balance* (constrained, typically by creditors, grantors, contributors, laws or legislation, to being used for a specific purpose), \$2.8 million or 1.7% is *committed fund balance* (constrained by action by the Board of Trustees to be used for a specific purpose), and \$60 million or 36.1% is *assigned fund balance* (amounts intended to be used for a specific purpose). The (\$41) thousand *unassigned fund balance* (available for any purpose) is an offset of the amounts reported as prepaids in the special revenue funds at June 30, 2015 because these funds have

**WASHOE COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

no ending fund balance. A detailed discussion of the fund balance reporting is provided in Note 7 on pages 59-61 of this report.

In 1993, the Nevada State Legislature enacted legislation that required the special education program (previously accounted for in the General Fund) to be accounted for in a separate special revenue fund. Because of its size and relationship to the general fund, it is included in the analysis below.

**GENERAL AND SPECIAL EDUCATION FUNDS
EXPENDITURES BY TYPE**

	<u>2015</u>	<u>2014</u>
Salaries	\$ 287,566,995	\$ 278,621,082
Benefits	111,440,495	109,999,839
Purchased services	17,508,031	16,238,419
Supplies	25,305,350	22,990,164
Property	3,954,823	4,175,541
Other	952,275	1,035,145
Totals	<u>\$ 446,727,969</u>	<u>\$ 433,060,190</u>

- ❑ Salaries comprise 64.4% of total expenditures. School districts by their nature are labor intensive.
- ❑ Employee benefits average 38.8% of salaries and 24.9% of total expenditures. Benefits include contributions on behalf of employees for retirement (Public Employees' Retirement), health insurance, Medicare, old age survivor's disability insurance (part-time employees), life insurance, workers' compensation and other post-employment benefits.
- ❑ Purchased services, supplies, property and other comprise 10.7% of total expenditures. Details regarding variances on a fund level are available in separate reports.

General Fund. At the end of the current fiscal year, nonspendable fund balance in the General Fund was \$1.1 million and assigned fund balance was \$60.1 million compared to \$1.2 million nonspendable and \$57.5 million of assigned fund balance in the previous year. The total fund balance was \$61.2 million compared to \$58.7 million in the prior year. As a measure of the General Fund's liquidity, it may be useful to compare total fund balance to total fund expenditures. This year's total fund balance represents 15.7% of total fund expenditures as compared to 15.5% in the prior fiscal year. It is also important to note that the General Fund has no unassigned fund balance at June 30, 2015, which is a function of the current economic times.

Listed below are the key factors in fund balance changes during the fiscal year.

- ❑ Total revenues of \$420.3 million increased from the prior year revenue by \$9.3 million or 2.3%, primarily due to increases of 6.5% in local school support taxes, 3.5% in ad valorem taxes, 11% in government services taxes, and 98.3% in franchise taxes. Partially offsetting these increases are decreases in distributive school funding (3.3%), e-rate refunds (50%), tuition (29.3%), and other minor categories.

**WASHOE COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
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- ❑ Total expenditures of \$390.5 million increased from the prior year by \$12.1 million or 3.2%. The \$12.1 million increase is primarily due to salaries and benefits which increased \$8.6 million or 2.5% as a result of step increases by all of our bargaining groups and scheduled salary step and related benefit increases.
- ❑ Operating (non-salary) categories increased by \$3.5 million or 8.3% from the prior year. Increased purchases for the schools of technology supplies such as computers, iPads and kindles accounted for \$2.5 million, and purchased services accounted for \$1.3 million. Offsetting these purchases were decreases in property of (\$.2) million and other purchases of (\$.08) million.
- ❑ The excess of revenues over expenditures was \$29.8 million. Transfers in from other funds were \$7.5 million for Class Size Reduction and Transfers to other funds were \$37.3 million. Significant transfers include \$31.8 million to the Special Education Fund, \$3.9 million to the Debt Service Fund and \$1.6 million to the Health Insurance Fund.

The Special Education Fund accounts for resources (state-aid and transfers from the General Fund) used to provide special education to eligible students. This fund has no fund balance as the District transfers only the amount needed to cover expenditures not covered by State funding. Resources and expenditures totaled \$56.2 million, an increase from the prior year of \$1.6 million or 2.9%. All fund resources were from State aid of \$24.4 million and transfers from the General Fund of \$31.8 million.

The Debt Service Fund has a total fund balance of \$20.5 million, all of which is restricted for the payment of debt service. The fund balance increased by \$.5 million as a result of regular operations.

Rollover bond funds are funds received from issuing approximately \$551 million in voter-approved rollover bonds between 2002 and 2012. This measure expired in November, 2012 and the District has been without a capital improvement and construction funding source for the past 3 years. Legislators, during the 2015 legislative session, authorized districts to issue additional bonds under this initiative in conformance with the original provisions and state law. This authorization will provide approximately \$316 million in additional funding to address ongoing maintenance and improvement needs, but will not provide adequate funds to meet construction needs associated with the expected growth in the area. The District continues to work to identify replacement funding sources in order to meet these additional needs.



The rollover bonds have allowed the District to provide, in part, for the upkeep of existing facilities, improvements (including technology infrastructure upgrades) to older existing schools, and construction of new schools, when needed, to address increases in student enrollment. Individual rollover funds are as follows:

**WASHOE COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

The 2013 Bond Rollover Fund issuance in October 2012 for \$45 million is being used primarily for revitalizations and various capital renewal projects. During FY 14/15, expenditures of \$7.8 million included \$6.8 million for technology upgrades (65.4% expended), \$.2 million for school revitalizations (21.2% expended) and \$.8 million for capital renewal projects (2.3% expended). The ending fund balance on June 30, 2015 of \$36.2 million consists of unspent bond proceeds and investment income.

The 2012 Bond Rollover Fund issuance in November 2011 for \$45 million is being used primarily for revitalizations and various capital renewal projects. During FY 14/15, expenditures of approximately \$9.4 million included \$.2 million for technology upgrades (95.3% expended), \$3.8 million for school revitalizations, including \$3.1 million for roof replacements (75.3% expended), \$3.4 million for capital renewal including \$1.4 million for roof replacements (76.9% expended) and \$2 million for program administration (67.3% expended). The ending fund balance on June 30, 2015 of \$21.9 million consists of unspent bond proceeds and investment income.

The 2011 Bond Rollover Fund issuance in October 2010 for \$5.4 million was primarily used for infrastructure improvements and capital renewal projects at four high schools. The fund is fully expended as of June 30, 2014 pending payout of retention.

The 2011B Bond Rollover Fund issuance in July 2011 for \$35 million is being used primarily for technology upgrades, revitalizations and capital renewal projects. During FY 14/15, expenditures of approximately \$2.5 million included \$1.1 million for technology upgrades (99.7% expended), \$1.1 million for revitalizations (88.8% expended), and \$.3 million for various capital renewal projects (82.2% expended). The ending fund balance on June 30, 2015 of \$4.5 million consists of unspent bond proceeds and investment income.

The 2010 Washoe County Recovery Zone Economic Development Bond (RZEDB) issuance in April 2010 for \$10.5 million is being used for revitalization/infrastructure improvements and capital renewal projects at schools located within Washoe County. During FY 14/15, \$.7 million was spent on infrastructure upgrades (99.9% expended) and revitalizations (46.1% expended). The ending fund balance on June 30, 2015 of \$.8 million consists of unspent bond proceeds and investment income.

The 2009B Washoe County Recovery Zone Economic Development Bond (RZEDB)



issuance in November 2009 for \$15 million is being used primarily for revitalization/infrastructure improvements and capital renewal projects at schools located within Washoe County. During FY 14/15, expenditures of \$.9 million were incurred for infrastructure improvements (99.8% expended), revitalizations (69.1% expended) and capital renewal projects (79.2% expended). The ending fund balance on June 30, 2015 of \$3.1 million consists of unspent bond proceeds and investment income.

**WASHOE COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

The 2009B City of Reno Recovery Zone Economic Development Bond (RZEDB) issuance in November 2009 for \$21.9 million is being used primarily for revitalization/infrastructure improvements and capital renewal projects for schools located within Reno city limits. During FY 14/15, approximately \$2.9 million was expended for technology upgrades (99.9% expended), revitalizations (99.3% expended), and capital renewal projects of \$2.5 million (96.1% expended) which included \$1.1 million for HVAC replacement. The \$.5 million ending fund balance on June 30, 2015 consists of unspent bond proceeds and investment income.

The 2009 Bond Rollover Fund bond issuance for \$45 million is being used for revitalization of existing elementary schools, upgrades to information technology hardware/software, and capital renewal projects such as reroofing and repaving. Expenditures for FY 14/15 totaled \$.4 million which included \$.3 million for IT upgrades (95.8% expended), and \$.1 million for administrative costs (100% expended) and miscellaneous capital renewal projects (97.3% expended). The ending fund balance on June 30, 2015 is \$1.2 million and consists of unspent bond proceeds and investment income.

The 2008 Bond Rollover Fund bond issuance for \$55 million was primarily used for construction of Depoali Middle School. Additional projects include completion of the Incline Elementary School addition, acquisition of mobile classrooms, and various school renewal and information technology projects. During FY 14/15, expenditures of \$.3 million were incurred for technology upgrades (100% expended), school revitalizations (96.6% expended) and capital renewal projects (99.6% expended). The ending fund balance on June 30, 2015 of \$.3 million consists of unspent bond proceeds and investment income.

The 2007 Bond Rollover Fund bond issuance for \$65 million was primarily used for construction of Depoali Middle School, the continued renovation of the District's existing facilities, acquisition of mobile classrooms and various technology upgrades. During FY 14/15, expenditures totaled \$1 million and included \$.2 million for the District's data warehouse (96.1% expended) and \$.8 million for various capital renewal projects (71.5% expended). The June 30, 2015 ending fund balance of \$2.9 million consists of unspent bond proceeds and investment income.

The 2006 Bond Rollover Fund bond issuance for \$30 million was primarily used for the renovation of existing District facilities and construction of Depoali Middle School. The facility renovations/upgrades include reroofing, repaving, re-carpeting, etc., transportation yard improvements and technology related projects. During FY 14/15, \$.1 million was spent for technology projects, advance planning needs, window replacement, and capital renewal projects. The fund balance was fully expended as of June 30, 2015.



Proprietary funds. The proprietary fund statements provide the same type of information found in the government-wide financial statements, but in more detail.

The District's self-insured Property and Casualty, Health Insurance, and Workers' Compensation Internal Service Funds have a combined net position balance of \$25.7 million. The Health Insurance Fund has an ending net position of \$15.6 million compared to a restated

**WASHOE COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

balance of \$25.9 million in the prior year; the Property and Casualty Fund has an ending balance of \$5.9 million compared to the prior year of \$6.5 million; and the Workers' Compensation Fund finished the year with a balance of \$4.2 million compared to a restated balance of \$4.3 million in the prior year. Insurance funds, by their nature, are very difficult to forecast. As a result, the District continues to work to maintain the proper reserves in these funds.

The District's Nutrition Services Enterprise Fund has a net asset balance of (\$2.8) million compared to a restated balance of (\$3.2) million in the prior year. The factors concerning the finances in this fund were addressed in the discussion of the District's business-type activities.

GENERAL FUND BUDGETARY HIGHLIGHTS

Prior to the beginning of the fiscal year, the District adopts its original budget on or before June 8. The District is also required to amend the budget by January 1 of the fiscal year to reflect the official enrollment count. During the year, the Chief Financial Officer is authorized to transfer appropriations between accounts and funds, subject to the subsequent approval by the Board of Trustees. The District may also augment the budget by a majority vote of the Board if anticipated resources that exceed estimated resources become available during the year.

The final budget for the District was approved on May 21, 2014 and addressed a \$21.4 million dollar budget shortfall. The shortfall was due to contractual obligations for salary rollups, negotiated salary increases, increased health insurance costs and increased costs to address strategic initiatives being in excess of increased resources.

The District perpetually monitors and manages financial resources to ensure fiscal responsibility. This prudent fiscal management has allowed the District to build up reserves over the last two years which were used to balance the fiscal year 2014-15 budget and offset the \$21.4 million deficit.

The District augmented the budget on December 9, 2014 by \$19.3 million. Opening fund balances accounted for \$20.2 million while actual enrollment not meeting projected enrollment reduced state per pupil funding by \$.9 million. The majority of the increased opening balance (\$14.7 million) was applied to expenditure categories for negotiated agreements, encumbrances, and carryover of general supply appropriations, while the remaining amount was applied to the ending fund balance (\$.1 million for inventory and \$5.4 million for subsequent year's budget uncertainties).

A final augmentation of \$3.4 million was approved on June 23, 2015 by recognizing \$2.3 million for medium-term financing proceeds to purchase buses and \$1.1 million for increased government services taxes (GST). In addition to the GST increase, the District reduced expenditures by \$13.9 million to increase the ending fund balance by \$15 million to balance the subsequent year's budget. The expenditure reductions resulted from salary and benefit savings of \$9.2 million, reduced OPEB (Other Post-Employment Benefits) contributions of \$3.6 million and unused contingency account funds of \$1.1 million.

Actual expenditures were 96% of the final budget and all functions were within the appropriate budgetary authority.

**WASHOE COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

GENERAL FUND BUDGET ADJUSTMENTS			
	2015 BUDGET		
	ORIGINAL	FINAL	DIFFERENCE
REVENUES			
Local sources	\$ 262,458,861	\$ 263,594,768	\$ 1,135,907
State sources	154,321,205	153,472,365	(848,840)
Federal sources	741,000	741,000	-
Total revenues	417,521,066	417,808,133	287,067
OTHER FINANCING SOURCES			
Medium-term financing	-	2,325,000	2,325,000
Proceeds from sale of property	50,000	50,000	-
Transfers in	7,611,364	7,541,296	(70,068)
FUND BALANCE, July 1	43,289,178	58,709,668	15,420,490
TOTAL SOURCES	\$ 468,471,608	\$ 486,434,097	\$ 17,962,489
EXPENDITURES			
Current			
Regular programs	\$ 208,687,125	\$ 199,525,961	\$ (9,161,164)
Special programs	5,148,205	6,097,080	948,875
Vocational programs	6,277,925	6,440,312	162,387
Other instructional programs	14,964,846	15,060,587	95,741
Co-curricular programs	4,321,865	4,340,127	18,262
Undistributed expenditures			
Student support	28,352,689	28,828,712	476,023
Instructional staff support	16,510,572	17,043,814	533,242
General administration	6,331,668	6,720,125	388,457
School administration	32,762,973	33,419,841	656,868
Central services	21,986,563	22,486,567	500,004
Operation and maintenance	47,998,988	48,674,135	675,147
Student transportation	16,706,948	18,808,685	2,101,737
Total expenditures	410,050,367	407,445,946	(2,604,421)
OTHER FINANCING USES			
Contingency	1,093,277	1,200,000	106,723
Transfers out	39,830,964	39,717,309	(113,655)
Total other financing uses	40,924,241	40,917,309	(6,932)
FUND BALANCE, June 30	17,497,000	38,070,842	20,573,842
TOTAL APPLICATIONS	\$ 468,471,608	\$ 486,434,097	\$ 17,962,489

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. The District's investment in capital assets for its governmental and business-type activities as of June 30, 2015 amounts to \$681 million (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements other than buildings,

**WASHOE COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

machinery and equipment, and construction in progress. The total increase in the District's net capital assets for the current fiscal year was .1%.

**WASHOE COUNTY SCHOOL DISTRICT CAPITAL ASSETS
(Net of Depreciation)**

	<u>2015</u>	<u>2014</u>
Governmental Activities		
Land	\$ 38,192,168	\$ 37,995,078
Construction in progress	9,304,113	12,255,871
Buildings	585,177,959	584,310,807
Improvements other than buildings	21,457,682	22,744,177
Machinery and equipment	25,530,442	21,874,892
Total	<u>\$ 679,662,364</u>	<u>\$ 679,180,825</u>
Business-type Activities		
Machinery and equipment	<u>\$ 1,320,171</u>	<u>\$ 735,381</u>

Major capital additions this fiscal year included:

School updates	\$ 10.1 million	Machinery/Equipment	\$9.2 million
Portable classrooms	6.3 million	Photovoltaic installations	3.9 million
Roofing	1.8 million		

Additional information on the District's capital assets can be found in Note 5 on pages 55-56 of this report.

The District's outstanding debt decreased by (\$34.9) million during the current fiscal year primarily due to the issuance of the new refunding bonds and notes payable netted with the effects of planned principal payments.

WASHOE COUNTY SCHOOL DISTRICT OUTSTANDING DEBT

	<u>2015</u>	<u>2014</u>
General Obligation Bonds	\$ 469,000,000	\$ 501,450,000
Medium-term Debt	5,298,250	4,645,045
Qualified Zone Academy Bonds	<u>1,782,098</u>	<u>4,882,098</u>
Total	<u>\$ 476,080,348</u>	<u>\$ 510,977,143</u>

State statute (NRS 387.400) limits the amount of general obligation debt a school district may issue to 15% of its total assessed valuation. The current limitation for the Washoe County School District is \$2.02 billion, which is significantly in excess of the District's outstanding general obligation debt. Additional information on the District's long-term debt can be found in Note 6 on pages 56-59 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The Washoe County School District is the second largest county school district in the State of Nevada. The District's funding primarily comes from sales taxes, property taxes, state support, and government services taxes. The State funding is approved by the legislature and is calculated after considering all other district revenues. The State revenue is expressed as a

**WASHOE COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

guaranteed per pupil amount which includes the sales tax revenue and 1/3 of the property tax revenue with the balance based on a contribution from the State. By guaranteeing a per pupil amount the State provides stability to the amount of revenue the District can expect for general operating purposes.

The District's General Fund faced a \$29.6 million budget deficit for fiscal year 2015-16. The shortfall was due to a combination of declining fund balances, salary rollups and retirement benefit increases in excess of new revenues, elimination of waivers for class size and textbooks, elimination of health insurance premium holiday, and additional costs for strategic initiatives. After extensive work sessions with the Board of Trustees over several months, followed by town hall meetings to get additional community input, the budget was balanced.

The budget was balanced by using reserves of approximately \$20.5 million that were built up over the last two fiscal years due to continued prudent fiscal management, additional property tax receipts and per pupil revenue of \$3 million, and reduction of expenditures of (\$6.1) million.

The recent legislature approved significant increases in education funding that will assist with student achievement. However, the majority of these funds are earmarked for specific programs and purposes, and the structural imbalance of having more expenditures than revenues, and the use of fund balance reserves to balance the General Fund budget remains a key concern.

The District still faces uncertainty related to capital funding to address infrastructure needs. Funds necessary for repair and renovation of existing schools as well as the need to build new schools for anticipated enrollment growth due to economic development far exceed the District's bonding capacity.

The legislative approval for the continuance of the District's rollover bonding ability will provide some relief for capital renewal. Also, the legislature granted approval for the District to submit a ballot question to fund capital needs. If approved, this could provide more relief. In the interim, the District is exploring the use of multi-track calendars, flexible schedules, double sessions and other methods to relieve overcrowding.



Despite these budgetary challenges, the District will continue its goal of updating the strategic plan that emphasizes, "Every child, by name and face, to graduation." by working with the Governor, legislature and our community to do what is best for children.

**WASHOE COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

REQUESTS FOR INFORMATION

This report is designed to provide a general overview of the Washoe County School District's finances for all interested parties. Questions concerning the information provided in this report or requests for additional financial information should be addressed to:

Washoe County School District
Thomas Ciesynski, Chief Financial Officer
P.O. Box 30425
Reno, NV 89520-3425

By December 31, 2015 this report will also be available on the web site at www.washoeschools.net.

Basic Financial Statements

- **Government-wide Financial Statements**
 - Statement of Net Position
 - Statement of Activities

- **Fund Financial Statements**
 - Governmental Funds
 - Proprietary Funds
 - Fiduciary Funds



WASHOE COUNTY SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2015

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
ASSETS			
Current assets			
Cash and investments	\$ 197,236,234	\$ 970,574	\$ 198,206,808
Receivables			
Property taxes	5,208,383	-	5,208,383
Interest	104,876	-	104,876
Grants	11,832,598	-	11,832,598
Miscellaneous	7,049,887	3,280,497	10,330,384
Due from other governments	44,298,229	-	44,298,229
Prepays	180,419	1,314	181,733
Inventories	1,141,214	644,499	1,785,713
Total current assets	267,051,840	4,896,884	271,948,724
Noncurrent assets			
Restricted cash	1,504,184	-	1,504,184
Other postemployment benefits asset	48,113,590	-	48,113,590
Capital assets			
Land and construction in progress	47,496,281	-	47,496,281
Other capital assets, net of depreciation	632,166,083	1,320,171	633,486,254
Total noncurrent assets	729,280,138	1,320,171	730,600,309
Total assets	996,331,978	6,217,055	1,002,549,033
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources related to pension	80,770,919	931,272	81,702,191
Deferred debt retirement charges	17,979,452	-	17,979,452
Total deferred outflows of resources	98,750,371	931,272	99,681,643
Total assets and deferred outflows of resources	1,095,082,349	7,148,327	1,102,230,676
LIABILITIES			
Current liabilities			
Accounts payable	9,997,363	388,084	10,385,447
Accrued liabilities	34,895,017	472,450	35,367,467
Construction contracts payable	1,791,419	420,044	2,211,463
Interest payable	2,495,175	-	2,495,175
Due to other governments	5,209,792	-	5,209,792
Unearned revenues	1,993,430	320,342	2,313,772
Current portion of long-term obligations	67,173,855	-	67,173,855
Total current liabilities	123,556,051	1,600,920	125,156,971
Noncurrent liabilities			
General obligation bonds payable	506,497,714	-	506,497,714
Other long-term debt payable	7,080,348	-	7,080,348
Accrued compensated absences	29,290,453	-	29,290,453
Accrued early separation incentive stipends	10,192	-	10,192
Accrued self-insurance pending claims	14,699,897	-	14,699,897
Other postemployment benefits liability	2,963,521	-	2,963,521
Pension benefit liability	573,475,995	6,612,059	580,088,054
Less: current portion of long-term obligations	(67,173,855)	-	(67,173,855)
Total noncurrent liabilities	1,066,844,265	6,612,059	1,073,456,324
Total liabilities	1,190,400,316	8,212,979	1,198,613,295

(CONTINUED)

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

**WASHOE COUNTY SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2015**

	<u>GOVERNMENTAL ACTIVITIES</u>	<u>BUSINESS-TYPE ACTIVITIES</u>	<u>TOTAL</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources related to pension	\$ 152,647,497	\$ 1,759,994	\$ 154,407,491
Deferred revenues	<u>15,660</u>	<u>-</u>	<u>15,660</u>
Total deferred inflows of resources	<u>152,663,157</u>	<u>1,759,994</u>	<u>154,423,151</u>
Total liabilities and deferred inflows of resources	<u>1,343,063,473</u>	<u>9,972,973</u>	<u>1,353,036,446</u>
NET POSITION			
Net investment in capital assets	272,308,952	1,320,171	273,629,123
Restricted for			
Capital projects	10,683,793	-	10,683,793
Self-insurance activities	25,747,573	-	25,747,573
Unrestricted	<u>(556,721,442)</u>	<u>(4,144,817)</u>	<u>(560,866,259)</u>
Total net position	<u>\$ (247,981,124)</u>	<u>\$ (2,824,646)</u>	<u>\$ (250,805,770)</u>

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

**WASHOE COUNTY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015**

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES	
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS
Governmental activities			
Instruction			
Regular instruction	\$ 209,934,957	\$ -	\$ 19,973,493
Special instruction	75,345,629	-	37,685,611
Vocational instruction	8,168,435	-	2,036,601
Other instruction	72,649,037	419,795	58,619,038
Adult education instruction	1,601,507	-	1,597,031
Community services instruction	651,169	314,331	638,144
Co-curricular instruction	3,689,717	-	-
Total instruction	372,040,451	734,126	120,549,918
Support services			
Instruction	35,809	-	34,976
Student support	27,993,022	-	292,926
Instructional staff support	15,515,544	-	52,615
General administration	6,616,360	-	444,883
School administration	33,643,481	-	-
Central services	24,305,036	-	14,800
Operation and maintenance	46,298,563	-	4,365
Student transportation	17,220,986	-	533,882
Other support	14,661	-	-
Community services operations	407,503	-	-
Facilities	36,470,169	-	2,234,762
Interest on long-term debt	18,438,955	-	-
Issuance costs on debt	874,016	-	-
Total support services	227,834,105	-	3,613,209
Total governmental activities	599,874,556	734,126	124,163,127
Business-type activities			
Nutrition services	23,006,828	5,114,179	18,265,743
Total business-type activities	23,006,828	5,114,179	18,265,743
Total school district	\$ 622,881,384	\$ 5,848,305	\$ 142,428,870

General revenues

Property taxes, levied for general purposes
Property taxes, levied for debt service
Local school support taxes
Government service taxes for general purposes
Government service taxes for capital purposes
Franchise taxes
Unrestricted investment earnings
Gain on the sale of assets
State aid not restricted to specific purposes
Other local sources
Federal aid not restricted to specific purposes

Total general revenues

Change in net position

NET POSITION - July 1, as originally stated

Prior period adjustment - implementation of GASB 68

NET POSITION - July 1, as restated

NET POSITION - June 30

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

PROGRAM REVENUES CAPITAL GRANTS AND CONTRIBUTIONS	NET (EXPENSES) REVENUES AND CHANGES IN NET POSITION		
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
\$ 21,437	\$ (189,940,027)	\$ -	\$ (189,940,027)
-	(37,660,018)	-	(37,660,018)
-	(6,131,834)	-	(6,131,834)
6,578,061	(7,032,143)	-	(7,032,143)
-	(4,476)	-	(4,476)
-	301,306	-	301,306
-	(3,689,717)	-	(3,689,717)
6,599,498	(244,156,909)	-	(244,156,909)
-	(833)	-	(833)
-	(27,700,096)	-	(27,700,096)
-	(15,462,929)	-	(15,462,929)
-	(6,171,477)	-	(6,171,477)
7,569	(33,635,912)	-	(33,635,912)
-	(24,290,236)	-	(24,290,236)
-	(46,294,198)	-	(46,294,198)
218,005	(16,469,099)	-	(16,469,099)
-	(14,661)	-	(14,661)
-	(407,503)	-	(407,503)
70,729	(34,164,678)	-	(34,164,678)
-	(18,438,955)	-	(18,438,955)
-	(874,016)	-	(874,016)
296,303	(223,924,593)	-	(223,924,593)
6,895,801	(468,081,502)	-	(468,081,502)
-	-	373,094	373,094
-	-	373,094	373,094
\$ 6,895,801	(468,081,502)	373,094	(467,708,408)
	93,905,833	-	93,905,833
	48,785,038	-	48,785,038
	160,841,132	-	160,841,132
	13,554,500	-	13,554,500
	3,512,462	-	3,512,462
	393,128	-	393,128
	2,373,947	-	2,373,947
	96,783	-	96,783
	144,117,760	-	144,117,760
	14,810,856	-	14,810,856
	192,842	-	192,842
	482,584,281	-	482,584,281
	14,502,779	373,094	14,875,873
	384,685,984	4,263,994	388,949,978
	(647,169,887)	(7,461,734)	(654,631,621)
	(262,483,903)	(3,197,740)	(265,681,643)
\$	(247,981,124)	(2,824,646)	(250,805,770)

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

**WASHOE COUNTY SCHOOL DISTRICT
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2015**

	GENERAL FUND	SPECIAL EDUCATION FUND	DEBT SERVICE FUND	2013 BOND ROLLOVER FUND	2012 BOND ROLLOVER FUND
ASSETS					
Cash and investments	\$ 43,512,619	\$ 1,854,231	\$ 18,866,128	\$ 38,698,254	\$ 22,934,609
Receivables					
Property taxes	4,570,751	-	637,632	-	-
Interest	8,180	-	90,437	-	-
Grants	-	-	-	-	-
Miscellaneous	1,918,295	19,348	-	-	-
Due from other funds	7,614,246	-	-	-	-
Due from other governments	41,664,423	2,067,793	-	-	-
Prepays	-	-	-	-	-
Inventories	1,141,214	-	-	-	-
Cash and investments - restricted	-	-	1,504,184	-	-
Total assets	<u>\$ 100,429,728</u>	<u>\$ 3,941,372</u>	<u>\$ 21,098,381</u>	<u>\$ 38,698,254</u>	<u>\$ 22,934,609</u>
LIABILITIES					
Accounts payable	\$ 5,593,582	\$ 116,728	\$ -	\$ 2,120,314	\$ 200,950
Accrued liabilities	26,500,771	3,824,644	4,008	-	133,385
Construction contracts payable	-	-	-	403,373	706,044
Due to other funds	-	-	-	-	-
Due to other governments	4,774,559	-	-	-	-
Funds received in advance	16,599	-	-	-	-
Total liabilities	<u>36,885,511</u>	<u>3,941,372</u>	<u>4,008</u>	<u>2,523,687</u>	<u>1,040,379</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenues	<u>2,337,667</u>	<u>-</u>	<u>637,632</u>	<u>-</u>	<u>-</u>
FUND BALANCE					
Nonspendable	1,141,214	-	-	-	-
Restricted	-	-	20,456,741	36,174,567	21,894,230
Committed	-	-	-	-	-
Assigned	60,065,336	-	-	-	-
Unassigned	-	-	-	-	-
Total fund balance	<u>61,206,550</u>	<u>-</u>	<u>20,456,741</u>	<u>36,174,567</u>	<u>21,894,230</u>
Total liabilities, deferred inflows of resources and fund balance	<u>\$ 100,429,728</u>	<u>\$ 3,941,372</u>	<u>\$ 21,098,381</u>	<u>\$ 38,698,254</u>	<u>\$ 22,934,609</u>

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

2010 WASHOE COUNTY RZEDB FUND	2009B WASHOE COUNTY RZEDB FUND	2009B CITY OF RENO RZEDB FUND	2011B BOND ROLLOVER FUND	2011 BOND ROLLOVER FUND	2009 BOND ROLLOVER FUND
\$ 769,373	\$ 3,094,501	\$ 618,705	\$ 4,782,865	\$ 75,959	\$ 1,290,483
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	6
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>769,373</u>	<u>3,094,501</u>	<u>618,705</u>	<u>4,782,865</u>	<u>75,959</u>	<u>1,290,489</u>
\$ 3,023	\$ 4,950	\$ 65,513	\$ 15,949	\$ -	\$ 1,280
-	-	-	-	-	769
-	8,135	6,355	232,575	75,959	48,099
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>3,023</u>	<u>13,085</u>	<u>71,868</u>	<u>248,524</u>	<u>75,959</u>	<u>50,148</u>
-	-	-	-	-	-
-	-	-	-	-	-
766,350	3,081,416	546,837	4,534,341	-	1,240,341
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>766,350</u>	<u>3,081,416</u>	<u>546,837</u>	<u>4,534,341</u>	<u>-</u>	<u>1,240,341</u>
<u>\$ 769,373</u>	<u>\$ 3,094,501</u>	<u>\$ 618,705</u>	<u>\$ 4,782,865</u>	<u>\$ 75,959</u>	<u>\$ 1,290,489</u>

(CONTINUED)

**WASHOE COUNTY SCHOOL DISTRICT
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2015**

	2008 BOND ROLLOVER FUND	2007 BOND ROLLOVER FUND	2006 BOND ROLLOVER FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS					
Cash and investments	\$ 342,617	\$ 3,036,045	\$ -	\$ 16,459,399	\$ 156,335,788
Receivables					
Property taxes	-	-	-	-	5,208,383
Interest	69	471	-	1,544	100,701
Grants	-	-	-	11,832,598	11,832,598
Miscellaneous	4	1	-	4,103,624	6,041,278
Due from other funds	-	-	-	-	7,614,246
Due from other governments	-	-	-	566,013	44,298,229
Prepays	-	-	-	180,419	180,419
Inventories	-	-	-	-	1,141,214
Cash and investments - restricted	-	-	-	-	1,504,184
Total assets	\$ 342,690	\$ 3,036,517	\$ -	\$ 33,143,597	\$ 234,257,040
LIABILITIES					
Accounts payable	\$ -	\$ 550	\$ -	\$ 1,564,288	\$ 9,687,127
Accrued liabilities	-	11,558	-	4,207,161	34,682,296
Construction contracts payable	32,790	95,050	-	183,039	1,791,419
Due to other funds	-	-	-	7,614,246	7,614,246
Due to other governments	-	-	-	435,233	5,209,792
Funds received in advance	-	-	-	1,976,831	1,993,430
Total liabilities	32,790	107,158	-	15,980,798	60,978,310
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenues	-	-	-	3,870,705	6,846,004
FUND BALANCE					
Nonspendable	-	-	-	374,513	1,515,727
Restricted	309,900	2,929,359	-	10,115,277	102,049,359
Committed	-	-	-	2,843,324	2,843,324
Assigned	-	-	-	-	60,065,336
Unassigned	-	-	-	(41,020)	(41,020)
Total fund balance	309,900	2,929,359	-	13,292,094	166,432,726
Total liabilities, deferred inflows of resources and fund balance	\$ 342,690	\$ 3,036,517	\$ -	\$ 33,143,597	\$ 234,257,040

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

**WASHOE COUNTY SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2015**

Total Fund Balances for Governmental Funds	\$	166,432,726
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Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.

Land and construction in progress	\$	47,496,281	
Capital assets subject to depreciation		972,097,737	
Less accumulated depreciation		<u>(339,953,440)</u>	
			679,640,578

Other deferred outflows used in governmental activities are not financial resources and therefore are not reported in the governmental funds.

Deferred debt charges		28,472,465	
Less accumulated amortization		<u>(10,493,013)</u>	
			17,979,452

Other postemployment benefits net asset is not a financial resource and therefore is not reported in the governmental funds.	45,150,069
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Deferred inflows and outflows of resources related to pension are applicable to future periods and, therefore, are not reported in the funds.

Deferred outflows of resources related to pension		80,650,194	
Deferred inflows of resources related to pension		<u>(152,419,339)</u>	
			(71,769,145)

Long-term liabilities, including bonds payable and net pension benefit liability are not due and payable in the current period and therefore are not reported in the governmental funds.

Governmental bonds payable		(469,000,000)	
Bond premium		(58,519,828)	
Less accumulated amortization		21,022,114	
Other long-term debt payable		(7,080,348)	
Pension benefit liability		(572,618,839)	
Compensated absences		(29,290,453)	
Early separation incentive stipends		<u>(10,192)</u>	
			(1,115,497,546)

Interest payable	(2,495,175)
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Unavailable revenue represents amounts that were not available to fund current expenditures and therefore is not reported in the governmental funds.	6,830,344
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Internal service funds are used by management to charge the costs of certain activities to individual funds. Net position of the internal service funds are reported with governmental activities.	<u>25,747,573</u>
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Total Net Position of Governmental Activities	\$	<u><u>(247,981,124)</u></u>
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The notes to the financial statements are an integral part of this statement.

**WASHOE COUNTY SCHOOL DISTRICT
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2015**

	GENERAL FUND	SPECIAL EDUCATION FUND	DEBT SERVICE FUND	2013 BOND ROLLOVER FUND	2012 BOND ROLLOVER FUND
REVENUES					
Local sources	\$ 275,661,420	\$ -	\$ 50,896,640	\$ 75,555	\$ 52,237
State sources	144,117,760	24,428,767	-	-	-
Federal sources	539,532	-	-	-	-
Total revenues	<u>420,318,712</u>	<u>24,428,767</u>	<u>50,896,640</u>	<u>75,555</u>	<u>52,237</u>
EXPENDITURES					
Current					
Regular programs	193,410,036	-	-	-	-
Special programs	5,821,347	56,180,128	-	-	-
Vocational programs	6,071,959	-	-	-	-
Other instructional programs	14,100,705	-	-	-	-
Adult education programs	-	-	-	-	-
Community services programs	-	-	-	-	-
Co-curricular programs	3,655,940	-	-	-	-
Undistributed expenditures					
Instruction	-	-	-	-	-
Student support	27,458,211	-	-	-	-
Instructional staff support	15,233,751	-	-	-	-
General administration	6,241,133	-	-	-	-
School administration	33,418,288	-	-	-	-
Central services	21,224,830	-	-	-	1,871,605
Operation and maintenance	45,715,303	-	-	-	-
Student transportation	18,196,338	-	-	-	-
Community services operations	-	-	-	-	-
Capital outlay	-	-	-	7,796,585	7,562,086
Debt service					
Principal	-	-	32,544,072	-	-
Interest	-	-	21,835,990	-	-
Bond issuance costs	-	-	874,016	-	-
Other	-	-	13,798	-	-
Total expenditures	<u>390,547,841</u>	<u>56,180,128</u>	<u>55,267,876</u>	<u>7,796,585</u>	<u>9,433,691</u>
Excess (deficiency) of revenues over expenditures	<u>29,770,871</u>	<u>(31,751,361)</u>	<u>(4,371,236)</u>	<u>(7,721,030)</u>	<u>(9,381,454)</u>
OTHER FINANCING SOURCES (USES)					
Refunding bonds issued	-	-	94,520,000	-	-
Medium-term financing	2,372,277	-	-	-	-
Proceeds from sale of property	96,783	-	-	-	-
Bond premiums	-	-	16,158,776	-	-
Payments to refunded bonds escrow agent	-	-	(109,758,444)	-	-
Transfers in	7,541,296	31,751,361	3,921,984	-	-
Transfers out	(37,284,345)	-	-	-	-
Total other financing sources (uses)	<u>(27,273,989)</u>	<u>31,751,361</u>	<u>4,842,316</u>	<u>-</u>	<u>-</u>
Net change in fund balance	2,496,882	-	471,080	(7,721,030)	(9,381,454)
FUND BALANCE, July 1	<u>58,709,668</u>	<u>-</u>	<u>19,985,661</u>	<u>43,895,597</u>	<u>31,275,684</u>
FUND BALANCE, June 30	<u>\$ 61,206,550</u>	<u>\$ -</u>	<u>\$ 20,456,741</u>	<u>\$ 36,174,567</u>	<u>\$ 21,894,230</u>

2010 WASHOE COUNTY RZEDB FUND	2009B WASHOE COUNTY RZEDB FUND	2009B CITY OF RENO RZEDB FUND	2011B BOND ROLLOVER FUND	2009 BOND ROLLOVER FUND	2008 BOND ROLLOVER FUND
\$ 1,808	\$ 5,551	\$ 2,601	\$ 10,668	\$ 2,747	\$ 616
-	-	-	-	-	-
-	-	-	-	-	-
1,808	5,551	2,601	10,668	2,747	616
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	335,915	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
732,331	924,052	2,936,841	2,514,034	51,819	254,743
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
732,331	924,052	2,936,841	2,514,034	387,734	254,743
(730,523)	(918,501)	(2,934,240)	(2,503,366)	(384,987)	(254,127)
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
(730,523)	(918,501)	(2,934,240)	(2,503,366)	(384,987)	(254,127)
1,496,873	3,999,917	3,481,077	7,037,707	1,625,328	564,027
\$ 766,350	\$ 3,081,416	\$ 546,837	\$ 4,534,341	\$ 1,240,341	\$ 309,900

(CONTINUED)

**WASHOE COUNTY SCHOOL DISTRICT
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2015**

	2007 BOND ROLLOVER FUND	2006 BOND ROLLOVER FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUES				
Local sources	\$ 3,955	\$ 42	\$ 11,489,475	\$ 338,203,315
State sources	-	-	50,335,367	218,881,894
Federal sources	-	-	51,866,332	52,405,864
Total revenues	<u>3,955</u>	<u>42</u>	<u>113,691,174</u>	<u>609,491,073</u>
EXPENDITURES				
Current				
Regular programs	-	-	14,826,727	208,236,763
Special programs	-	-	12,829,136	74,830,611
Vocational programs	-	-	2,036,601	8,108,560
Other instructional programs	-	-	58,619,038	72,719,743
Adult education programs	-	-	1,597,031	1,597,031
Community services programs	-	-	638,144	638,144
Co-curricular programs	-	-	-	3,655,940
Undistributed expenditures				
Instruction	-	-	34,976	34,976
Student support	-	-	290,814	27,749,025
Instructional staff support	-	-	55,119	15,288,870
General administration	-	-	305,429	6,546,562
School administration	-	-	-	33,418,288
Central services	207,909	5,602	14,800	23,660,661
Operation and maintenance	-	-	4,365	45,719,668
Student transportation	-	-	-	18,196,338
Community services operations	-	-	400,170	400,170
Capital outlay	767,680	124,318	12,423,402	36,087,891
Debt service				
Principal	-	-	-	32,544,072
Interest	-	-	-	21,835,990
Bond issuance costs	-	-	-	874,016
Other	-	-	-	13,798
Total expenditures	<u>975,589</u>	<u>129,920</u>	<u>104,075,752</u>	<u>632,157,117</u>
Excess (deficiency) of revenues over expenditures	<u>(971,634)</u>	<u>(129,878)</u>	<u>9,615,422</u>	<u>(22,666,044)</u>
OTHER FINANCING SOURCES (USES)				
Refunding bonds issued	-	-	-	94,520,000
Medium-term financing	-	-	-	2,372,277
Proceeds from sale of property	-	-	-	96,783
Bond premiums	-	-	-	16,158,776
Payments to refunded bonds escrow agent	-	-	-	(109,758,444)
Transfers in	-	-	59,000	43,273,641
Transfers out	-	-	(7,541,296)	(44,825,641)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(7,482,296)</u>	<u>1,837,392</u>
Net change in fund balance	<u>(971,634)</u>	<u>(129,878)</u>	<u>2,133,126</u>	<u>(20,828,652)</u>
FUND BALANCE, July 1	<u>3,900,993</u>	<u>129,878</u>	<u>11,158,968</u>	<u>187,261,378</u>
FUND BALANCE, June 30	<u>\$ 2,929,359</u>	<u>\$ -</u>	<u>\$ 13,292,094</u>	<u>\$ 166,432,726</u>

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



WASHOE COUNTY SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES TO THE Statement of Activities
FOR THE YEAR ENDED JUNE 30, 2015

Net Change in Fund Balances - Governmental Funds \$ (20,828,652)

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

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are shown in the Statement of Net Position and allocated over their estimated useful lives as annual depreciation expenses in the Statement of Activities.

Expenditures for capital assets	\$ 29,212,018	
Less current year depreciation	<u>(28,527,451)</u>	
		684,567

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

Donated capital assets		317,740
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Repayment of debt principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities.		32,544,072
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Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due and thus requires current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.		(348,973)
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Because some revenues will not be collected in time to pay for obligations of the current period, they are not considered available revenues in the governmental funds and are instead reported as deferred inflows. The changes in deferred inflows are accounted for as revenue in the Statement of Activities.		4,471,739
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Some of the capital assets acquired this year were financed with medium-term financing. The amount financed by the medium-term financing is reported in the governmental funds as another source of financing. On the other hand, the medium-term financing is not revenues in the Statement of Activities, but rather constitute long-term liabilities in the Statement of Net Position.		(2,372,277)
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In the Statement of Activities, only the gain or loss on the sale of capital assets is reported, whereas in the governmental funds, the entire proceeds from the sale increase financial resources. Thus, the change in net position differs from the change in fund balances by the net book value of the assets sold.		(519,316)
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Issuance of long-term debt (e.g. refunding debt) provides current financial resources to the governmental funds, while the repayment of the principal consumes the current financial resources of governmental funds. The net effect of these transactions are deferred and amortized in the Statement of Activities.

Refunding bonds issued	(94,520,000)	
Payment of refunded bonds	<u>99,245,000</u>	
		4,725,000

Costs associated with the issuance of long-term debt and any discount or premium realized at the time of incurring debt are recognized as an expenditure and other financing source or use respectively in the governmental funds. These items are accrued and deferred in the Statement of Activities and amortized over the life of the new debt.

Retirement costs	10,513,444	
Current year amortization of retirement charges	<u>(1,804,840)</u>	
		8,708,604

Current year bond premiums	(16,158,776)	
Current year amortization of bond premiums	<u>5,550,848</u>	
		(10,607,928)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. Conversely, some expenses reported in the Statement of Activities last year are reported as expenditures in the governmental funds this year.

Change in long-term early separation incentive stipends	28,435	
Change in long-term compensated absences	95,028	
Change in other postemployment benefits net asset	<u>6,741,834</u>	
		6,865,297

(CONTINUED)

WASHOE COUNTY SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES TO THE Statement of Activities
FOR THE YEAR ENDED JUNE 30, 2015

District pension contributions are reported as expenditures in the governmental funds when made. However, they are reported as deferred outflows of resources in the Statement of Net Position because the reported net pension liability is measured a year before the District's report date. Pension expense, which is the change in the net pension liability adjusted for changes in deferred outflows and inflows of resources related to pensions, is reported in the Statement of Activities.

District pension contributions	\$ 76,674,824	
Pension expense	<u>(74,860,226)</u>	
		\$ 1,814,598

Internal service funds are used by management to charge the costs of certain insurance activities to individual funds. The change in net position of the internal service funds is reported with governmental activities.

	<u>(10,951,692)</u>	
Change in Net Position of Governmental Activities		<u>\$ 14,502,779</u>

**WASHOE COUNTY SCHOOL DISTRICT
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2015**

	BUDGET		ACTUAL	VARIANCE TO FINAL BUDGET
	ORIGINAL	FINAL		
REVENUES				
Local sources	\$ 262,458,861	\$ 263,594,768	\$ 275,661,420	\$ 12,066,652
State sources	154,321,205	153,472,365	144,117,760	(9,354,605)
Federal sources	741,000	741,000	539,532	(201,468)
Total revenues	417,521,066	417,808,133	420,318,712	2,510,579
EXPENDITURES				
Current				
Regular programs	208,687,125	199,525,961	193,410,036	6,115,925
Special programs	5,148,205	6,097,080	5,821,347	275,733
Vocational programs	6,277,925	6,440,312	6,071,959	368,353
Other instructional programs	14,964,846	15,060,587	14,100,705	959,882
Co-curricular programs	4,321,865	4,340,127	3,655,940	684,187
Undistributed expenditures				
Student support	28,352,689	28,828,712	27,458,211	1,370,501
Instructional staff support	16,510,572	17,043,814	15,233,751	1,810,063
General administration	6,331,668	6,720,125	6,241,133	478,992
School administration	32,762,973	33,419,841	33,418,288	1,553
Central services	21,986,563	22,486,567	21,224,830	1,261,737
Operation and maintenance	47,998,988	48,674,135	45,715,303	2,958,832
Student transportation	16,706,948	18,808,685	18,196,338	612,347
Total expenditures	410,050,367	407,445,946	390,547,841	16,898,105
Excess (deficiency) of revenues over (under) expenditures	7,470,699	10,362,187	29,770,871	19,408,684
OTHER FINANCING SOURCES (USES)				
Medium-term financing	-	2,325,000	2,372,277	47,277
Proceeds from sale of property	50,000	50,000	96,783	46,783
Contingency	(1,093,277)	(1,200,000)	-	1,200,000
Transfers in	7,611,364	7,541,296	7,541,296	-
Transfers out	(39,830,964)	(39,717,309)	(37,284,345)	2,432,964
Total other financing sources (uses)	(33,262,877)	(31,001,013)	(27,273,989)	3,727,024
Net change in fund balance	(25,792,178)	(20,638,826)	2,496,882	23,135,708
FUND BALANCE, July 1	43,289,178	58,709,668	58,709,668	-
FUND BALANCE, June 30	\$ 17,497,000	\$ 38,070,842	\$ 61,206,550	\$ 23,135,708

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

**WASHOE COUNTY SCHOOL DISTRICT
SPECIAL EDUCATION - SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2015**

	BUDGET		ACTUAL	VARIANCE TO FINAL BUDGET
	ORIGINAL	FINAL		
REVENUES				
State sources	\$ 24,428,767	\$ 24,428,767	\$ 24,428,767	\$ -
EXPENDITURES				
Current				
Special programs	59,009,201	58,628,621	56,180,128	2,448,493
Excess (deficiency) of revenues over expenditures	(34,580,434)	(34,199,854)	(31,751,361)	2,448,493
OTHER FINANCING SOURCES				
Transfers in	34,574,044	34,199,854	31,751,361	(2,448,493)
Net change in fund balance	(6,390)	-	-	-
FUND BALANCE, July 1	6,390	-	-	-
FUND BALANCE, June 30	\$ -	\$ -	\$ -	\$ -

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

**WASHOE COUNTY SCHOOL DISTRICT
PROPRIETARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2015**

	BUSINESS-TYPE ACTIVITIES NUTRITION SERVICES ENTERPRISE FUND	GOVERNMENTAL ACTIVITIES INTERNAL SERVICE FUNDS
ASSETS		
Current assets		
Cash and investments	\$ 970,574	\$ 40,900,446
Accounts receivable	3,280,497	1,008,609
Interest receivable	-	4,175
Inventories	644,499	-
Prepays	1,314	-
Total current assets	<u>4,896,884</u>	<u>41,913,230</u>
Capital assets		
Construction in progress	666,038	-
Machinery and equipment	2,263,231	39,843
Less: Allowance for depreciation	<u>(1,609,098)</u>	<u>(18,057)</u>
Total capital assets	<u>1,320,171</u>	<u>21,786</u>
Total assets	6,217,055	41,935,016
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows of resources related to pension	<u>931,272</u>	<u>120,725</u>
Total assets and deferred outflows of resources	<u>7,148,327</u>	<u>42,055,741</u>
LIABILITIES		
Current liabilities		
Accounts payable	388,084	310,236
Accrued liabilities	472,450	212,721
Construction contracts payable	420,044	-
Pending claims	-	10,125,952
Unearned revenue	<u>320,342</u>	<u>-</u>
Total current liabilities	<u>1,600,920</u>	<u>10,648,909</u>
Noncurrent liabilities		
Pending claims	-	4,573,945
Pension benefit liability	<u>6,612,059</u>	<u>857,156</u>
Total noncurrent liabilities	<u>6,612,059</u>	<u>5,431,101</u>
Total liabilities	<u>8,212,979</u>	<u>16,080,010</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows of resources related to pension	<u>1,759,994</u>	<u>228,158</u>
Total liabilities and deferred inflows of resources	<u>9,972,973</u>	<u>16,308,168</u>
NET POSITION		
Net investment in capital assets	1,320,171	21,786
Unrestricted	<u>(4,144,817)</u>	<u>25,725,787</u>
Total net position	<u>\$ (2,824,646)</u>	<u>\$ 25,747,573</u>

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

**WASHOE COUNTY SCHOOL DISTRICT
 PROPRIETARY FUNDS
 STATEMENT OF REVENUES, EXPENSES AND
 CHANGES IN NET POSITION
 FOR THE YEAR ENDED JUNE 30, 2015
 (WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2014)**

	BUSINESS-TYPE ACTIVITIES NUTRITION SERVICES ENTERPRISE FUND	GOVERNMENTAL ACTIVITIES INTERNAL SERVICE FUNDS
OPERATING REVENUES		
Charges for services	\$ 5,114,179	\$ 64,364,064
OPERATING EXPENSES		
Food and supplies	11,394,253	-
Salaries and benefits	9,554,423	350,731
Employee benefits	-	69,835,743
Claims and services	-	6,803,952
Purchased services	1,385,788	-
Depreciation	140,966	1,452
Other	524,531	-
Total operating expenses	22,999,961	76,991,878
Operating (loss)	(17,885,782)	(12,627,814)
NONOPERATING REVENUES		
Federal subsidies	16,867,683	-
Commodity revenues	1,381,488	-
State matching funds	16,572	-
Loss on disposal of asset	(6,867)	-
Earnings on investments	-	124,122
Total nonoperating revenues	18,258,876	124,122
Income (Loss) before transfers	373,094	(12,503,692)
TRANSFERS		
Transfers in	-	1,552,000
Change in net position	373,094	(10,951,692)
NET POSITION - July 1, as originally stated	4,263,994	37,666,570
Prior period adjustment - implementation of GASB 68	(7,461,734)	(967,305)
NET POSITION - July 1, as restated	(3,197,740)	36,699,265
NET POSITION - June 30	\$ (2,824,646)	\$ 25,747,573

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

**WASHOE COUNTY SCHOOL DISTRICT
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED JUNE 30, 2015
 (WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2014)**

	BUSINESS-TYPE ACTIVITIES NUTRITION SERVICES ENTERPRISE FUND	GOVERNMENTAL ACTIVITIES INTERNAL SERVICE FUNDS
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		
Cash flows from operating activities		
Cash received for services	\$ 3,250,066	\$ 63,842,943
Cash paid for salaries and benefits	(10,103,920)	(347,259)
Cash payments for employee benefits	-	(68,743,288)
Cash payments for claims and services	-	(6,101,573)
Cash paid for food and supplies	(9,769,824)	-
Cash payments for purchased services	(1,058,121)	-
Cash payments for other	(524,531)	-
Net cash (used) by operating activities	<u>(18,206,330)</u>	<u>(11,349,177)</u>
Cash flows from capital and related financing activities		
Purchase of equipment	<u>(312,579)</u>	<u>-</u>
Cash flows from noncapital financing activities		
Federal reimbursements	16,867,683	-
State matching funds	16,572	-
Transfer from General Fund	<u>-</u>	<u>1,552,000</u>
Net cash provided by noncapital financing activities	<u>16,884,255</u>	<u>1,552,000</u>
Cash flows from investing activities		
Interest received on investments	<u>-</u>	<u>123,286</u>
Net (decrease) in cash and cash equivalents	(1,634,654)	(9,673,891)
Cash and investments, beginning of year	<u>2,605,228</u>	<u>50,574,337</u>
Cash and investments, end of year	<u><u>\$ 970,574</u></u>	<u><u>\$ 40,900,446</u></u>
RECONCILIATION OF OPERATING (LOSS) TO NET CASH (USED) BY OPERATIONS		
Operating (loss)	\$ <u>(17,885,782)</u>	\$ <u>(12,627,814)</u>
Adjustments to reconcile operating (loss) to net cash (used) by operations		
Depreciation	140,966	1,452
Commodity revenues	1,381,488	-
Non-cash pension liability adjustment	(20,953)	(2,716)
Changes in assets and liabilities		
Accounts receivable	(1,908,586)	(521,121)
Inventories	356,790	-
Prepays	(622)	-
Accounts payable	214,440	256,163
Accrued liabilities	(528,544)	192,404
Pending claims	-	1,352,455
Unearned revenues	<u>44,473</u>	<u>-</u>
Total adjustments	<u>(320,548)</u>	<u>1,278,637</u>
Net cash (used) by operations	<u><u>\$ (18,206,330)</u></u>	<u><u>\$ (11,349,177)</u></u>
Noncash investing, capital, and financing activities		
Capital assets acquired through construction contracts payable	<u><u>\$ 420,044</u></u>	<u><u>-</u></u>

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

**WASHOE COUNTY SCHOOL DISTRICT
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2015**

	PRIVATE- PURPOSE SCHOLARSHIP TRUST FUND	OTHER POST- EMPLOYMENT BENEFITS TRUST FUND	AGENCY FUNDS
ASSETS			
Cash and investments			
Cash	\$ -	\$ 2,386,969	\$ 4,372,064
Investment in State Pool	939,559	-	3,960,219
RBIF participation units	-	65,998,603	-
Accounts receivable	-	-	115,849
	<hr/>	<hr/>	<hr/>
Total assets	939,559	68,385,572	8,448,132
	<hr/>	<hr/>	<hr/>
LIABILITIES			
Accrued liabilities	-	-	115,849
Due to student groups	-	-	8,332,283
	<hr/>	<hr/>	<hr/>
Total liabilities	-	-	8,448,132
	<hr/>	<hr/>	<hr/>
NET POSITION			
Assets held in trust	\$ 939,559	\$ 68,385,572	\$ -
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

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

**WASHOE COUNTY SCHOOL DISTRICT
FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED JUNE 30, 2015**

	PRIVATE- PURPOSE SCHOLARSHIP TRUST FUND	OTHER POST- EMPLOYMENT BENEFITS TRUST FUND
ADDITIONS		
Contributions by employer	\$ -	\$ 3,684,684
Earnings on investments	1,121	1,655,528
Adjustment to fair market value	-	487,962
Donations	23,830	-
	<hr/>	<hr/>
Total additions	24,951	5,828,174
	<hr/>	<hr/>
DEDUCTIONS		
Benefits	-	3,615,926
Other	89,133	-
	<hr/>	<hr/>
Total deductions	89,133	3,615,926
	<hr/>	<hr/>
Change in net position	(64,182)	2,212,248
NET POSITION - July 1	1,003,741	66,173,324
	<hr/>	<hr/>
NET POSITION - June 30	\$ 939,559	\$ 68,385,572
	<hr/> <hr/>	<hr/> <hr/>

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

Notes to

Financial Statements

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

WASHOE COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

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.

Implementation of GASB Statement No. 68 and GASB Statement No. 71:

As of July 1, 2014, the District adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. The implementation of these standards requires governments calculate and report the costs and obligations associated with pensions in their basic financial statements. Employers are required to recognize pension amounts for all benefits provided through the Public Employees' Retirement System of the State of Nevada (PERS), which include the net pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense. The effect of the implementation of these standards on beginning net position is disclosed in Note 12 and the additional disclosures required by these standards are included in Note 8.

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 Position 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.

**WASHOE COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

In the government-wide Statement of Net Position, 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 position is reported in three parts – net investment in capital assets; restricted net position; and unrestricted net position. 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 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 position, 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.

**WASHOE COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

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.

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. 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 and other debt of governmental activities.
- **2013 Bond Rollover Fund** – The 2013 Bond Rollover Capital Projects Fund accounts for the proceeds of this bond issuance. The proceeds will be used primarily for capital renewal projects, technology, and revitalization/infrastructure improvements at schools located within Washoe County.
- **2012 Bond Rollover Fund** – The 2012 Bond Rollover Capital Projects 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.
- **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.

**WASHOE COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

- **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.
- **2011B Bond Rollover Fund** – The 2011B Bond Rollover Capital Projects 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 Capital Projects Fund accounts for the proceeds of this bond issuance. The proceeds will be used primarily for infrastructure improvements at four high 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.

**WASHOE COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

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:

Property and Casualty - accounts for self-insurance claims and 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 claims and 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 (OPEB) 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, 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

**WASHOE COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

fiscal period. Grant revenues have been extended due to the increased period required to collect revenues from the state and Federal Government. When revenues are due but will not be collected within the availability period, the receivable is recorded and an offsetting deferred inflow of resources account is established. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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.

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.

**WASHOE COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

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 2013-14 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.
- (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

**WASHOE COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

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 Funds 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 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.

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.

**WASHOE COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

- 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.

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.

WASHOE COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

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, 2015, but not yet paid.

Pensions:

For purposes of measuring the net pension liability and pension expense, information about the fiduciary net position of the Public Employees' Retirement System of the State of Nevada (PERS) Base Plan (Base Plan) and additions to/deductions from Base Plan's fiduciary net position have been determined on the same basis as they are reported by the Base Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred Outflows and Deferred Inflows of Resources:

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and is not recognized as an outflow of resources (expense/expenditure) until the future period. The District reports amounts related to pensions and deferred debt retirement charges on the government-wide statement of net position and amounts related to pensions on the proprietary funds' statement of net position as deferred outflows of resources.

In addition to liabilities, the statement of net position and balance sheets report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represent an acquisition of net position that applies to a future period and is not recognized as an inflow of resources (revenue) until that time. The District reports amounts related to pensions and deferred revenues on the government-wide statement of net position and unavailable revenues on the governmental funds balance sheet as deferred inflows of resources.

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.

**WASHOE COUNTY SCHOOL DISTRICT
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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 include students receiving services related to gifted and talented programs.

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. 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

WASHOE COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

portion is recorded as a payroll expenditure only if it has 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.

Comparative Data:

Comparative total data for the prior year 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 disclosure of transactions for fiscal year 2014. Such information can only be obtained by referring to the audited financial statements 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, 2015 this pool is displayed by major and other governmental funds on the Governmental Funds Balance Sheet and on the Enterprise Fund Statement of Net Position as "Cash and Investments."

As of June 30, 2015, the District had the following amounts reported as cash and investments:

Government-Wide Balances:

Pooled cash	\$ 71,603,860
Investments	128,107,132
	<hr/> 199,710,992 <hr/>

Fiduciary Fund Balances:

Cash held by Student Activity Fund Agency Fund	4,372,064
Cash held by OPEB Trust Fund	2,386,969
Investments	70,898,381
	<hr/> 77,657,414 <hr/>
	<hr/> <hr/> \$ 277,368,406 <hr/> <hr/>

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.

**WASHOE COUNTY SCHOOL DISTRICT
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As of June 30, 2015, the District had the following investments and maturities:

Government-Wide Balances:

	Fair Value	Less than 1	Investment Maturities (In Years)		
			1 to 4	4 to 6	6 to 10
Investments:					
Money Market Mutual Fund	\$ 1,928,979	\$ 1,928,979	\$ -	\$ -	\$ -
State of Nevada Local Government Investment Pool	68,832,866	68,832,866 *	-	-	-
State of Nevada Local Government Investment Pool-Workers Comp	2,123,132	2,123,132 *	-	-	-
Washoe County Investment Pool	19,396,184	1,247,789	10,263,960	6,671,710	1,212,725
U.S. Treasuries	15,331,562	501,047	14,830,515	-	-
U.S. Agencies	7,930,593	1,529,273	5,261,334	962,777	177,209
Asset-Backed Corporate Securities	5,216,978	20,305	3,612,605	1,584,068	-
Corporate Securities	6,896,486	-	6,896,486	-	-
Certificates of Deposit	450,352	450,352	-	-	-
Total Investments	<u>\$ 128,107,132</u>	<u>\$ 76,633,743</u>	<u>\$ 40,864,900</u>	<u>\$ 9,218,555</u>	<u>\$ 1,389,934</u>

Fiduciary Fund Balances:

	Fair Value
Investments:	
Retirement Benefits Investment Fund	\$ 65,998,603 **
State of Nevada Local Government Investment Pool	<u>4,899,778 *</u>
Total Investments	<u>\$ 70,898,381</u>

* Average weighted maturity of 108 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 all other 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 agreements to 25%, commercial paper to 20%, and money market mutual funds to 25%, of the entire portfolio on the date of purchase.

**WASHOE COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

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. Public Financial Management, LLC 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, 2015 are as follows:

Receivable Fund	Payable Fund	Amount
General Fund - major fund	Other Governmental Funds	\$ 7,614,246
Total		<u>\$ 7,614,246</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.

**WASHOE COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

Transfers between funds during the year ended June 30, 2015, are as follows:

	Transfers In:					Total
	General Fund	Special Education Fund	Debt Service Fund	Other Governmental Funds	Internal Service Fund	
Transfers Out:						
General Fund	\$ -	\$ 31,751,361	\$ 3,921,984	\$ 59,000	\$ 1,552,000	\$ 37,284,345
Other Governmental Funds	7,541,296	-	-	-	-	7,541,296
Total	<u>\$ 7,541,296</u>	<u>\$ 31,751,361</u>	<u>\$ 3,921,984</u>	<u>\$ 59,000</u>	<u>\$ 1,552,000</u>	<u>\$ 44,825,641</u>

General Fund - The transfer to the General Fund from other governmental funds is to mitigate budget reductions as approved by the State of Nevada.

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 other governmental funds (Government Services Tax Fund) from the General Fund is for extraordinary maintenance needs at Nutrition Services.

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

NOTE 5 – Capital Assets:

Capital asset activity for the year ended June 30, 2015 was as follows:

	July 1, 2014 Balance	Increases	Decreases	June 30, 2015 Balance
Governmental Activities				
Capital assets, not being depreciated				
Land	\$ 37,995,078	\$ 197,090	\$ -	\$ 38,192,168
Construction in progress	12,255,871	19,593,608	(22,545,366)	9,304,113
Total capital assets not being depreciated	<u>50,250,949</u>	<u>19,790,698</u>	<u>(22,545,366)</u>	<u>47,496,281</u>
Other capital assets				
Buildings	843,803,866	22,529,525	(469,957)	865,863,434
Improvements other than buildings	30,286,053	221,226	-	30,507,279
Machinery and equipment	68,544,852	9,533,675	(2,311,660)	75,766,867
Total capital assets being depreciated	<u>942,634,771</u>	<u>32,284,426</u>	<u>(2,781,617)</u>	<u>972,137,580</u>
Total capital assets	<u>992,885,720</u>	<u>52,075,124</u>	<u>(25,326,983)</u>	<u>1,019,633,861</u>
Less accumulated depreciation for				
Buildings	(259,493,059)	(21,192,416)	-	(280,685,475)
Improvements other than buildings	(7,541,876)	(1,507,721)	-	(9,049,597)
Machinery and equipment	(46,669,960)	(5,828,766)	2,262,301	(50,236,425)
Total accumulated depreciation	<u>(313,704,895)</u>	<u>(28,528,903)</u>	<u>2,262,301</u>	<u>(339,971,497)</u>
Governmental activities capital assets, net	<u>\$ 679,180,825</u>	<u>\$ 23,546,221</u>	<u>\$ (23,064,682)</u>	<u>\$ 679,662,364</u>

**WASHOE COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

	July 1, 2014			June 30, 2015
	Balance	Increases	Decreases	Balance
Business-Type Activities				
Construction in progress	\$ -	\$ 666,038	\$ -	\$ 666,038
Machinery and equipment	2,342,929	66,585	(146,283)	2,263,231
Less accumulated depreciation	(1,607,548)	(134,166)	132,616	(1,609,098)
Business-type activities capital assets, net	<u>\$ 735,381</u>	<u>\$ 598,457</u>	<u>\$ (13,667)</u>	<u>\$ 1,320,171</u>

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

Governmental activities:

Instruction	\$ 147,790
Student support	46,854
Instructional staff support	107,691
General administration	1,163
School administration	4,261
Central support	619,075
Operation/maintenance	395,486
Student transportation	2,461,645
Other support	863
Community services operations	1,598
Facilities	24,742,477
Total governmental activities depreciation expense	<u>\$ 28,528,903</u>

Business-type activities:

Nutrition services operations	\$ 134,166
Total business-type activities depreciation expense	<u>\$ 134,166</u>

NOTE 6 – General Long-Term Obligations:

Refunding:

On July 15, 2014 the District issued \$40,000,000 in General Obligation School Refunding Bonds Series 2014A and \$9,145,000 in General Obligation School Refunding Bonds Series 2014B. The term of the Bond Series 2014A is twelve years with an interest rate of 5%. Interest payments began in December of 2014. Principal payments begin in June of 2020. The term of the Bond Series 2014B is six years with an interest rate of 2%-5%. Interest payments began in December of 2014. Principal payments began in June of 2015. The net proceeds of both the Series 2014A and 2014B of \$57,967,681 were used for the refunding of \$52,490,000 of Series 2004B, 2006, and 2007C bonds. The refunding was undertaken to reduce total debt service payments by \$2,977,880 and resulted in an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$2,950,684.

On March 31, 2015, Washoe County School District issued \$45,375,000 in General Obligation Refunding Bonds, Series 2015A. The term of the Bond Series 2015A is fifteen years with an interest rate of 3%-5%. Interest payments begin in December of 2015. Principal payments begin in June of 2019. The net proceeds of \$52,711,095 were used for the refunding of \$45,030,000 of Series 2008 and 2009 bonds. The refunding was undertaken to reduce total debt service payments by \$1,814,286 and resulted in an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$2,507,025.

**WASHOE COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

Notes Issued:

On June 1, 2015, Washoe County School District issued \$2,325,000 in Notes Payable. The proceeds will be used for the purchase of buses.

Capital Lease:

The District has entered into a capital lease agreement as lessee for financing the acquisition of equipment at a cost of \$47,277. During the year ended June 30, 2015, \$7,091 was included in depreciation expense for this equipment, leaving a book value of \$40,186. The future minimum lease obligations and the net present value of these minimum lease payments at year end were as follows:

<u>Year</u>	
2016	\$ 15,759
2017	<u>15,759</u>
Total minimum lease payments	<u><u>\$ 31,518</u></u>

General long-term debt consists of the following at June 30, 2015:

<u>General Obligation Bonds</u>					
Series	Date Issued	Date of Maturity	Interest Rate (%)	Amount Issued	Balance June 30, 2015
2002B	8/1/2002	6/1/2020	4.25-5.25%	\$ 68,940,000	\$ 4,705,000
2006	4/5/2006	6/1/2026	4.00-5.50%	30,000,000	1,785,000
2007C	5/1/2007	6/1/2027	4.00-5.00%	65,000,000	22,000,000
2008	3/20/2008	6/1/2028	2.00-5.00%	55,000,000	11,895,000
2009	2/18/2009	6/1/2029	3.89-6.07%	45,000,000	16,665,000
2009B	11/12/2009	6/1/2024	4.10-6.21%	36,930,000	36,680,000
2010A	4/1/2010	4/1/2025	2.00-5.00%	10,515,000	10,515,000
2010B	4/1/2010	4/1/2017	3.80-6.00%	13,700,000	8,500,000
2010D	5/26/2010	5/1/2027	2.81-5.19%	3,550,000	2,800,000
2010E	10/6/2010	6/1/2027	3.00-5.00%	5,415,000	4,415,000
2010F	10/6/2010	6/1/2023	3.00-5.00%	41,515,000	36,205,000
2011A	7/6/2011	6/1/2031	3.00-5.00%	43,450,000	43,350,000
2011B	11/17/2011	6/1/2031	3.00-5.00%	45,000,000	44,800,000
2012A	3/20/2012	6/1/2026	3.00-5.00%	71,855,000	71,855,000
2012B	3/20/2012	5/1/2018	2.00-3.00%	6,185,000	1,995,000
2012C	10/2/2012	4/1/2033	2.00-4.00%	45,000,000	43,800,000
2013	10/10/2013	5/1/2021	2.20%	18,085,000	17,065,000
2014A	7/15/2014	6/1/2026	5.00%	40,000,000	40,000,000
2014B	7/15/2014	6/1/2020	2.00-5.00%	9,145,000	4,595,000
2015A	3/31/2015	6/1/2029	3.00-5.00%	45,375,000	<u>45,375,000</u>
Total					<u><u>\$ 469,000,000</u></u>

**WASHOE COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

Series	Date Issued	<u>Notes Payable</u>		Amount Issued	Balance June 30, 2015
		Date of Maturity	Interest Rate (%)		
JPMorgan Chase	6/26/2013	6/30/2017	1.30%	\$ 2,325,000	\$ 1,177,732
US Bank	6/10/2014	6/1/2018	1.10%	2,325,000	1,764,000
US Bank	6/1/2015	6/1/2019	1.41%	2,325,000	2,325,000
					<u>\$ 5,266,732</u>

Series	Date Issued	<u>Qualified Zone Academy Bonds</u>		Amount Issued	Balance June 30, 2015
		Date of Maturity	Interest Rate (%)		
N/A	3/31/2004	3/31/2016	2.09%	\$ 1,782,098	\$ 1,782,098
					<u>\$ 1,782,098</u>

Series	Date Issued	<u>Capital Leases</u>		Amount Issued	Balance June 30, 2015
		Date of Maturity	Interest Rate (%)		
N/A	7/1/2014	6/30/2017	0.00%	\$ 47,277	\$ 31,518
					<u>\$ 31,518</u>

Summary of general long-term debt service requirements to maturity:

<u>Year(s) Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2016	\$ 32,013,931	\$ 21,234,606	\$ 53,248,537
2017	30,673,537	19,720,753	50,394,290
2018	31,059,287	18,508,840	49,568,127
2019	31,218,593	17,536,124	48,754,717
2020	32,210,000	16,016,155	48,226,155
2021-2025	185,990,000	55,609,931	241,599,931
2026-2030	112,330,000	15,453,280	127,783,280
2031-2033	20,585,000	1,183,256	21,768,256
Total	<u>\$ 476,080,348 *</u>	<u>\$ 165,262,945</u>	<u>\$ 641,343,293</u>

*Principal amounts shown exclude bond premiums.

**WASHOE COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

Defeasance of Debt:

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, 2015, \$103,915,000 of bonds outstanding are considered defeased.

Changes in General Long-Term Obligations:

	Balance July 1, 2014	Additions	Reductions	Balance June 30, 2015	Due Within One Year
General obligation bonds	\$ 501,450,000	\$ 94,520,000	\$ 126,970,000	\$ 469,000,000	\$ 28,480,000
Deferred amounts for issuance of premium	26,889,786	16,158,776	5,550,848	37,497,714	3,829,751
Capital lease payable	-	47,277	15,759	31,518	15,759
Notes payable	4,645,045	2,325,000	1,703,313	5,266,732	1,736,074
Qualified zone academy bond	4,882,098	-	3,100,000	1,782,098	1,782,098
Pending claims	13,347,442	58,365,561	57,013,106	14,699,897	10,125,952
Compensated absences	29,385,481	21,485,940	21,580,968	29,290,453	21,194,829
Early separation incentive pay	38,627	-	28,435	10,192	9,392
Total	<u>\$ 580,638,479</u>	<u>\$ 192,902,554</u>	<u>\$ 215,962,429</u>	<u>\$ 557,578,604</u>	<u>\$ 67,173,855</u>

The liabilities for compensated absences and early separation incentive pay are typically liquidated through the General Fund.

The District was, in accordance with Nevada Revised Statute 387.400, within the legal debt limit at June 30, 2015.

NOTE 7 – Fund Balance/Net Position:

Government-Wide Financial Statements:

The government-wide Statement of Net Position utilizes a net position presentation. Net position is categorized as net investment in capital assets, restricted and unrestricted. The net investment in capital assets is capital assets less accumulated depreciation and related 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 amount restricted for capital projects consists of unspent grants, donations, and debt proceeds with third party restrictions for use on specific projects or programs. Net position restricted for self-insurance activities represents the net position of the self-insurance funds, which are legally restricted for the purposes for which the funds were established.

Unrestricted net position represents available financial resources of the District.

WASHOE COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

Fund Financial Statements:

In accordance with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, the governmental fund financial statements 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 laws 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. A similar action is required to remove or modify committed fund balance and authorized expenditures reduce committed fund balance.

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 policy, adopted by the Board of Trustees, the District has delegated the authority to assign fund balance to the Chief Financial Officer or Superintendent.

It is the desire of the District to maintain adequate General Fund balance to maintain liquidity for unanticipated needs. The Board of Trustees has adopted a policy to establish a contingency account with a minimum fund balance of .25% of total appropriations (including transfers out) that shall not exceed 3% of the total appropriations (excluding transfers out).

Unassigned – All other spendable amounts in the General Fund or deficits in other governmental funds.

A minimum assigned ending fund balance policy has been adopted by the Board of Trustees for the General Fund. A minimum assigned ending fund balance of not less than 2% (with a goal of 4%) of total expenditures (including transfers out), less capital outlay shall be included in the budget each fiscal year.

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
JUNE 30, 2015**

As of June 30, 2015, fund balances are composed of the following.

	General Fund	Major Debt Service Fund	Major Capital Projects Funds	Other Funds	Total
Fund balances					
Nonspendable					
Inventory	\$ 1,141,214	\$ -	\$ -	\$ -	\$ 1,141,214
Prepays	-	-	-	374,513	374,513
Total nonspendable fund balance	1,141,214	-	-	374,513	1,515,727
Restricted for					
Non-expendable	-	1,504,184	-	487,552	1,991,736
Student housing	-	-	147,774	-	147,774
Technology/infrastructure	-	-	3,620,338	-	3,620,338
School revitalization	-	-	29,734,869	-	29,734,869
Capital renewal	-	-	32,635,262	-	32,635,262
Administration of capital projects	-	-	1,566,397	-	1,566,397
Other capital projects	-	-	-	7,919,486	7,919,486
Debt service reserve	-	18,952,557	-	-	18,952,557
Wellness	-	-	-	929,199	929,199
Other purposes	-	-	-	779,040	779,040
Unallocated capital projects	-	-	3,772,701	-	3,772,701
Total restricted fund balance	-	20,456,741	71,477,341	10,115,277	102,049,359
Committed to					
Medicaid fund	-	-	-	2,426,369	2,426,369
Other capital projects	-	-	-	416,955	416,955
Total committed fund balance	-	-	-	2,843,324	2,843,324
Assigned to					
Encumbrances	871,478	-	-	-	871,478
Subsequent year's expenditures	8,900,000	-	-	-	8,900,000
Carryover of general supply appropriations	5,090,327	-	-	-	5,090,327
Budget uncertainties (FY16)	20,469,367	-	-	-	20,469,367
Budget uncertainties (FY17)	12,598,748	-	-	-	12,598,748
Negotiations with bargaining units	1,435,416	-	-	-	1,435,416
Outstanding and unresolved lawsuits	7,500,000	-	-	-	7,500,000
Special education compliance	3,200,000	-	-	-	3,200,000
Total assigned fund balance	60,065,336	-	-	-	60,065,336
Unassigned	-	-	-	(41,020)	(41,020)
Total fund balances	<u>\$ 61,206,550</u>	<u>\$ 20,456,741</u>	<u>\$ 71,477,341</u>	<u>\$ 13,292,094</u>	<u>\$ 166,432,726</u>

NOTE 8 – Defined Benefit Pension Plan:

Plan Description:

The District contributes to the Public Employees' Retirement System of the State of Nevada (PERS). PERS administers a cost-sharing, multiple-employer, defined benefit public employees' retirement system which includes both Regular and Police/Fire members. PERS was established by the Nevada Legislature in 1947, effective July 1, 1948. PERS is administered to provide a reasonable base income to qualified employees who have been employed by a public employer and whose earnings capacities have been removed or substantially impaired by age or disability.

Benefits Provided:

Benefits, as required by the Nevada Revised Statutes (NRS or statute), are determined by the number of years of accredited service at time of retirement and the member's highest average compensation in any 36 consecutive months with special provisions for members entering PERS on or after January 1, 2010. Benefit payments to which participants or their beneficiaries may be entitled under the plan include pension benefits, disability benefits, and survivor benefits.

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Monthly benefit allowances for members are computed as 2.5% of average compensation for each accredited year of service prior to July 1, 2001. For service earned on and after July 1, 2001, this multiplier is 2.67% of average compensation. For members entering PERS on or after January 1, 2010, there is a 2.5% multiplier. PERS offers several alternatives to the unmodified service retirement allowance which, in general, allow the retired employee to accept a reduced service retirement allowance payable monthly during his or her lifetime and various optional monthly payments to a named beneficiary after his or her death.

Post-retirement increases are provided by authority of NRS 286.575 - .579.

Vesting:

Regular members are eligible for retirement at age 65 with five years of service, at age 60 with 10 years of service, or at any age with thirty years of service. Regular members entering PERS on or after January 1, 2010, are eligible for retirement at age 65 with five years of service, or age 62 with 10 years of service, or any age with thirty years of service.

Police/Fire members are eligible for retirement at age 65 with five years of service, at age 55 with ten years of service, at age 50 with twenty years of service, or at any age with twenty-five years of service. Police/Fire members entering PERS on or after January 1, 2010, are eligible for retirement at 65 with five years of service, or age 60 with ten years of service, or age 50 with twenty years of service, or at any age with thirty years of service. Only service performed in a position as a police officer or firefighter may be counted towards eligibility for retirement as Police/Fire accredited service.

The normal ceiling limitation on monthly benefits allowances is 75% of average compensation. However, a member who has an effective date of membership before July 1, 1985, is entitled to a benefit of up to 90% of average compensation. Both Regular and Police/Fire members become fully vested as to benefits upon completion of five years of service.

Contributions:

The authority for establishing and amending the obligation to make contributions and member contribution rates, is set by statute. New hires, in agencies which did not elect the Employer-Pay Contribution (EPC) plan prior to July 1, 1983, have the option of selecting one of two contribution plans. Contributions are shared equally by employer and employee. Employees can take a reduced salary and have contributions made by the employer (EPC) or can make contributions by a payroll deduction matched by the employer.

PERS' basic funding policy provides for periodic contributions at a level pattern of cost as a percentage of salary throughout an employee's working lifetime in order to accumulate sufficient assets to pay benefits when due.

PERS receives an actuarial valuation on an annual basis indicating the contribution rates required to fund PERS on an actuarial reserve basis. Contributions actually made are in accordance with the required rates established by the Nevada Legislature. These statutory rates are increased/decreased pursuant to NRS 286.421 and 286.450.

The actuary funding method used is the Entry Age Normal Cost Method. It is intended to meet the funding objective and result in a relatively level long-term contributions requirement as a percentage of salary.

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For the fiscal year ended June 30, 2014 and June 30, 2015 the Statutory Employer/employee matching rate was 13.25% for Regular and 20.75% for Police/Fire. The Employer-pay contribution (EPC) rate was 25.75% for Regular and 40.50% for Police/Fire.

The District's contributions were \$77,288,718 for the year ended June 30, 2014.

PERS Investment Policy:

PERS' policies which determine the investment portfolio target asset allocation are established by the PERS Board. The asset allocation is reviewed annually and is designed to meet the future risk and return needs of the System.

The following was the PERS Board adopted policy target asset allocation as of June 30, 2014:

Asset Class	Target Allocation	Long-Term Geometric Expected Real Rate of Return
Domestic Equity	42%	5.50%
International Equity	18%	5.75%
Domestic Fixed Income	30%	0.25%
Private Markets	10%	6.80%

As of June 30, 2014, PERS' long-term inflation assumption was 3.5%.

Net Pension Liability:

At June 30, 2015, the District reported a liability for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions in PERS pension plan relative to the total contributions of all participating PERS employers and members. At July 1, 2014, the District's proportion was 5.56601% percent.

Pension Liability Discount Rate Sensitivity:

The following presents the net pension liability of the District as of June 30, 2014, calculated using the discount rate of 8.00%, as well as what the District's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7.00%) or 1-percentage-point higher (9.00%) than the current discount rate:

	1% Decrease in Discount Rate (7.00%)	Discount Rate (8.00%)	1% Increase in Discount Rate (9.00%)
Net Pension Liability	\$902,100,358	\$580,088,054	\$312,413,833

Pension Plan Fiduciary Net Position:

Detailed information about the pension plan's fiduciary net position is available in the PERS Comprehensive Annual Financial Report, available on the PERS website.

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Actuarial Assumptions:

The District's net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The total pension liability was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation Rate	3.50%
Payroll Growth	5.00% including inflation
Investment Rate of Return	8.00%
Productivity Pay Increase	0.75%
Projected Salary Increases	Regular: 4.60% to 9.75%, depending on service
	Police/Fire: 5.25% to 14.5%, depending on service
	Rates include inflation and productivity increases
Consumer Price Index	3.50%
Other Assumptions	Same as those used in the June 30, 2014 funding actuarial valuation

Mortality rates for non-disabled male regular members were based on the RP-2000 Combined Healthy Mortality Table projected to 2013 with Scale AA. Mortality rates for non-disabled female regular members were based on the RP-2000 Combined Healthy Mortality Table, projected to 2013 with Scale AA, set back one year. Mortality rates for all non-disabled police/fire members were based on the RP-2000 Combined Healthy Mortality Table projected to 2013 with Scale AA, set forward one year. The mortality table used in the actuarial valuation to project mortality rates for all disabled regular members and all disabled police/fire members is the RP-2000 Disabled Retiree Mortality Table projected to 2013 with Scale AA, set forward three years.

Actuarial assumptions used in the June 30, 2014 valuation were based on the results of the experience review completed in 2013.

The discount rate used to measure the total pension liability was 8.00% as of June 30, 2014 and June 30, 2013. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rate specified in statute. Based on that assumption, the pension plan's fiduciary net position at June 30, 2014, was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2014 and June 30, 2013.

Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions:

For the year ended June 30, 2015, the District recognized pension expense of \$75,836,700. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 27,760,408
Changes in assumptions or other inputs	-	-
Net difference between projected and actual earnings on pension plan investments	-	121,842,242
Changes in the employer's proportion and differences between the employer's contributions and the employer's proportionate contributions	4,027,224	4,804,841
District contributions subsequent to the measurement date	77,674,967	-
	<u>\$ 81,702,191</u>	<u>\$ 154,407,491</u>

\$77,674,967 reported as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2016.

The average of the expected remaining service lives of all employees that are provided with pensions through PERS (active and inactive employees) determined at July 1, 2013 (the beginning of the measurement period ended June 30, 2014) is 6.7 years.

Other estimated amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2016	\$ (35,467,232)
2017	(35,467,232)
2018	(35,467,232)
2019	(35,467,232)
2020	(5,006,670)
Thereafter	(3,504,669)

Reconciliation of Net Pension Liability:

Beginning net pension liability	\$ 731,920,339
Pension expense	75,836,700
Employer contributions	(77,288,718)
New net deferred inflows/outflows	(150,380,267)
Recognition of prior deferred inflows/outflows	-
	<u>\$ 580,088,054</u>

Additional Information:

Additional information is located in the PERS Comprehensive Annual Financial Report (CAFR) available on the PERS website at www.nvpers.org under Quick Links – Publications.

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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 makes available various levels of life insurance to eligible retired employees at a 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 biannual legislative session.

The WCSDRHP explicitly subsidizes medical insurance premiums, pursuant to the contracts negotiated with various employee associations, 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 2014-2015. However, under NRS 287.023, eligible retirees may participate in the plan with blended rates, thereby benefitting from an implicit subsidy. Retirees are required to contribute up to \$9,248 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 insurance at retirement regardless of the number of years of service with the District, as long as the retiree pays the premium. All future eligible retirees (not available to spouses of retirees) can obtain the following Basic Life and AD&D coverage:

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- Administrative - \$200,000
- Certified - \$40,000
- Classified - \$40,000
- Confidential Classified (as defined by the District) - \$50,000

This coverage 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 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 July 1, 2013, the most recent full actuarial valuation date, 1,246 retirees were utilizing this benefit. The subsidy paid directly to PEBP by the District for this coverage for the year ended June 30, 2014 was \$3,615,926. 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 2014-15, the District paid net medical claims of \$9,414,402 out of the self-insured Health Insurance Fund for WCSDRHP retirees (approximately 68 percent of total costs). Plan member retirees receiving benefits contributed \$4,336,462 or approximately 32 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 2014-15, the District contributed \$3,615,926 to NPEBP for current premiums and an additional \$68,758 to prefund benefits. Information on plan members' contributions to NPEBP is unavailable. NRS 287.023 sunsetted the option to join PEBP for District employees who were not receiving PEBP 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. For actuarial valuation purposes, 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 2014-15, the District's estimated contribution was \$1,514,810 for current premiums for retirees (approximately 88 percent of total actuarial costs). Because retirees pay the 100% of the pay-as-you-go premiums for their insurance coverage and the District has no future obligations to retirees or others with respect to this Plan, the District has elected, beginning in fiscal year 2011-12, to not contribute any further money to this Plan. Plan member retirees receiving life insurance coverage contributed \$282,316 or

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approximately 16 percent of the total actuarial costs for retirees, through their required contribution to the General Fund.

The number of participants as of July 1, 2013, the most recent full actuarial valuation date, are as follows:

	Active	WCSD Retiree Life Insurance Plan	WCSDRHP	NPEBP Medical Plan
Active employees	6,311			
Retirees enrolled in District Plans		2,356	1,037	
Retirees enrolled in NPEBP				1,246

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 the last three fiscal years were as follows:

	Fiscal Year Ended	Annual OPEB Cost	Employer Contributions	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation (Asset)
WCSDRHP	6/30/15	\$4,371,169	\$9,414,402	215.37%	\$(18,785,368)
WCSDRHP	6/30/14	\$4,556,672	\$10,629,385	233.27%	\$(13,742,135)
WCSDRHP	6/30/13	\$5,487,000	\$7,954,325	144.97%	\$(7,699,422)
NPEBP	6/30/15	\$1,503,884	\$3,684,684	245.01%	\$(29,328,222)
NPEBP	6/30/14	\$2,352,489	\$7,628,123	324.26%	\$(27,147,422)
NPEBP	6/30/13	\$5,092,000	\$8,017,664	157.46%	\$(21,871,788)
WCSD Retiree Life Insurance Plan	6/30/15	\$1,714,693	\$1,232,494	71.88%	\$2,963,521
WCSD Retiree Life Insurance Plan	6/30/14	\$1,532,800	\$1,128,464	73.62%	\$2,481,322
WCSD Retiree Life Insurance Plan	6/30/13	\$1,727,000	\$1,183,131	68.51%	\$2,076,986
Combined Totals	6/30/15	\$7,589,746	\$14,331,580		
Combined Totals	6/30/14	\$8,441,961	\$19,385,972		
Combined Totals	6/30/13	\$12,306,000	\$17,155,120		

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The net OPEB obligation (asset) as of June 30, 2015, was calculated as follows:

	WCSDRHP	NPEBP	WCSD Retiree Life Insurance Plan	Totals
Annual required contribution	\$4,906,000	\$2,621,000	\$1,636,000	\$9,163,000
Interest on the beginning net OPEB obligation	(1,099,371)	(2,171,794)	198,506	(3,072,659)
ARC Adjustment	564,540	1,054,678	(119,813)	1,499,405
Annual OPEB cost	4,371,169	1,503,884	1,714,693	7,589,746
Contributions made	(9,414,402)	(3,684,684)	1,232,494	(14,331,580)
Increase (decrease) in net OPEB obligation	(5,043,233)	(2,180,800)	482,199	(6,741,834)
Net OPEB obligation (asset), beginning of year	(13,742,135)	(27,147,422)	2,481,322	(38,408,235)
Net OPEB obligation (asset), end of year	\$(18,785,368)	\$(29,328,222)	\$2,963,521	\$(45,150,069)

Funded Status and Funding Progress:

The funded status of the plans as of the most recent actuarial valuation (July 1, 2013) was as follows:

	WCSDRHP	NPEBP	WCSD Retiree Life Insurance Plan	Totals
Accrued actuarial liability (a)	\$71,486,387	\$61,673,539	\$20,008,900	\$153,168,826
Actuarial value of plan assets (b)	\$20,195,143	\$25,736,622	\$4,047,939	\$49,979,704
Unfunded actuarial accrued liability (a) - (b)	\$51,291,244	\$35,936,917	\$15,960,961	\$103,189,122
Funded ratio (b) / (a)	28.25%	41.73%	20.23%	32.63%
Covered payroll (c)	\$315 million	N/A	\$315 million	
Unfunded actuarial accrued liability as a percentage of covered payroll ([(a) - (b)] / (c))	16.28%	N/A	5.07%	

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

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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.

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	7/1/2013	7/1/2013	7/1/2013
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	26 years	30 years
Asset valuation method	Market value	Market value	Market value
<u>Actuarial assumptions:</u>			
General inflation rate	3.0%	3.0%	3.0%
Investment rate of return	8.0%	8.0%	8.0%
Projected salary increases	3.5%	3.5%	N/A
Healthcare cost trend*			
Pre-65 retirees	9.0%	8.0%	N/A
Post-65 retirees	8.0%	8.0%	N/A
*Decreasing 1.0% each year until ultimate trend rate of 5.0% is reached			
CPI Trend	3% each year	3% each year	N/A

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.

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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.

At June 30, 2015, the amount of this liability was \$14,699,897. This liability is determined by actuaries using all available information.

Changes in the reported liability since July 1, 2013 are as follows:

	Property & Casualty	Health Insurance	Workers' Compensation	Total
Claims liability, July 1, 2013	\$ 2,691,000	\$ 6,191,636	\$ 4,598,000	\$ 13,480,636
Current year claims and changes in estimates	846,041	54,661,295	1,372,576	56,879,912
Claims payments	(1,040,041)	(54,412,489)	(1,560,576)	(57,013,106)
Claims liability, June 30, 2014	2,497,000	6,440,442	4,410,000	13,347,442
Current year claims and changes in estimates	1,518,145	63,732,223	2,027,288	67,277,656
Claims payments	(1,413,145)	(62,639,768)	(1,872,288)	(65,925,201)
Claims liability, June 30, 2015	<u>\$ 2,602,000</u>	<u>\$ 7,532,897</u>	<u>\$ 4,565,000</u>	<u>\$ 14,699,897</u>
Due within one year	<u>\$ 1,109,596</u>	<u>\$ 7,532,897</u>	<u>\$ 1,483,459</u>	<u>\$ 10,125,952</u>

At June 30, 2015, the Internal Service Funds held \$40,900,446 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:

Property, General Liability, and Casualty Insurance - The District is self-insured for individual losses with a deductible of \$75,000 for damage to real and personal property, \$100,000 for flood coverage, except in a High Hazard which is \$500,000, 2% of the value of the property for earthquakes, and \$300,000 for general liability and automobile incidents resulting in bodily injury and/or property damage liability claims. Maximum annual coverage is approximately \$500,000,000 for property coverage and coverage of \$5,000,000 per occurrence for crime with a \$50,000 deductible. Also \$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 \$350,000 per calendar year 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. Also covered under this program is employer liability coverage for \$1,000,000 for each accident, \$1,000,000 for each employee for disease, \$1,000,000 aggregate, and is subject to the \$500,000 self-insurance retention.

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The District maintains an account with a market value of \$2,123,132 as of June 30, 2015 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, 2015, 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>
1:1 Wireless Projects	\$ 1,973,392	12/31/15
ADA Upgrade Projects	1,875	12/31/15
Asbestos Projects	3,206	12/31/15
Carpentry/Painting Repair Projects	14,187	3/31/16
Door Replacement Projects	87,360	6/30/16
Electrical Upgrade Projects	38,500	3/31/16
Extraordinary Maintenance Projects	578,225	12/31/15
Fire Alarm Replacement Projects	80,550	12/31/15
Flooring Replacement Projects	8,593	9/30/15
Health & Safety Bank Projects	1,750	12/31/15
HVAC Replacement Projects	1,712,423	12/31/15
Infrastructure Projects	90,778	6/30/16
Mobile Upgrades Projects	45,408	3/31/16
Nutrition Services Projects	520,065	9/30/15
Paving Projects	408,228	9/30/15
Project Management Software	93,750	6/30/16
Roof Replacement Projects	625,212	9/30/15
School Revitalization Projects	586,434	6/30/16
Signature Academies Projects	482,752	6/30/16
Underground Tank Projects	27,228	12/31/15
Window Replacement Projects	881,128	3/31/16
	<u><u>\$ 8,261,044</u></u>	

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

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.

**WASHOE COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

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 – Adoption of New Standard and Prior Period Adjustment:

As of July 1, 2014, the District adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71 *Pension Transition for Contributions Made Subsequent to the Measurement Date*. The implementation of these standards requires governments to calculate and report the cost and obligations associated with pensions in their financial statements, including additional note disclosures and required supplementary information. Beginning net position was restated to retroactively report the beginning net pension liability and deferred outflows of resources related to contributions made after the measurement date as follows:

	Governmental Activities	Business-Type Activities	Total
Net position at June 30, 2014, as previously reported	\$ 384,685,984	\$ 4,263,994	\$ 388,949,978
Net pension liability at June 30, 2013	(723,577,640)	(8,342,699)	(731,920,339)
Deferred outflows of resources related to contributions made during the year ended June 30, 2014	76,407,753	880,965	77,288,718
Net position at July 1, 2014, as restated	<u>\$ (262,483,903)</u>	<u>\$ (3,197,740)</u>	<u>\$ (265,681,643)</u>



Required Supplementary Information



**Comprehensive
Annual
Financial Report**

Required Supplementary Information

- Schedule of the District's Proportionate Share of the Net Pension Liability
- Schedule of District Contributions
- Schedule of Funding Progress and Schedule of Employer Contributions
- Notes to Required Supplementary Information

**WASHOE COUNTY SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2015**

**Schedule of the District's Proportionate Share of the Net Pension Liability
Last Ten Fiscal Years***

	<u>2014</u>
District's proportion of the net pension liability	5.56601%
District's proportionate share of the net pension liability	\$ 580,088,054
District's covered-employee payroll	\$ 323,300,787
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	179.43%
Plan fiduciary net position as a percentage of the total pension liability	76.30%

- * GASB Statement No. 68 requires ten years of information to be presented in this table. However, until ten years of data is available, the District will present information only for those years for which information is available.

The notes to required supplementary information are an integral part of this statement.

**WASHOE COUNTY SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2015**

**Schedule of District Contributions
Last Ten Fiscal Years***

	<u>2015</u>
Statutorily required contribution	\$ 77,674,967
Contributions in relation to the statutorily require contribution	\$ 77,674,967
Contribution (deficiency) excess	\$ -
Employer's covered-employee payroll	\$ 323,606,402
Contributions as a percentage of covered-employee payroll	24.00%

- * GASB Statement No. 68 requires ten years of information to be presented in this table. However, until ten years of data is available, the District will present information only for those years for which information is available.

The notes to required supplementary information are an integral part of this statement.

**WASHOE COUNTY SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2015**

Schedule of Funding Progress

	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Projected Unit Credit (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ([b-a] / c)
WCSDRHP	7/1/2013	\$20,195,143	\$ 71,486,387	\$ 51,291,244	28.25 %	\$315,000,000	16.28 %
	7/1/2011	11,192,122	69,211,702	58,019,580	16.17 %	312,000,000	18.60 %
	7/1/2010	11,192,000	55,188,000	43,996,000	20.28 %	315,000,000	13.97 %
NPEBP	7/1/2013	\$25,736,622	\$ 61,673,539	\$ 35,936,917	41.73 %	N/A	
	7/1/2011	15,521,985	75,111,914	59,589,929	20.67 %	N/A	
	7/1/2010	7,753,000	104,929,000	97,176,000	7.39 %	N/A	
WCSD Retiree Life Insurance Plan	7/1/2013	\$ 4,047,939	\$ 20,008,900	\$ 15,960,961	20.23 %	\$315,000,000	5.07 %
	7/1/2011	3,492,551	19,793,878	16,301,327	17.64 %	312,000,000	5.22 %
	7/1/2010	1,341,000	20,251,000	18,910,000	6.62 %	315,000,000	6.00 %

Schedule of Employer Contributions

	Year Ended June 30,	Annual Required	Percentage Contributed
WCSDRHP	2015	\$ 4,906,000	191.90%
	2014	4,727,718	224.83%
	2013	5,602,000	141.99 %
NPEBP	2015	\$ 2,621,000	140.58%
	2014	2,623,693	290.74%
	2013	5,043,000	158.99 %
WCSD Retiree Life Insurance Plan	2015	\$ 1,636,000	75.34%
	2014	1,486,659	75.91%
	2013	1,693,000	69.88 %

The notes to required supplementary information are an integral part of this statement.

**WASHOE COUNTY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2015**

NOTE 1 – Schedule of Funding Progress:

The District is required to obtain an independent actuarial valuation for its three Other Post-Employment Benefit plans. As part of preparing the valuation, various assumptions, including health care cost trend rates and participation rates, are reviewed and updated based on historical data and future projections. Changes in the assumptions can impact the amount of the Actuarial Accrued Liability (AAL), the Unfunded AAL (UAAL), and the Funded Ratio.

The following describes the change in the AAL from July 1, 2011 to July 1, 2013:

The largest decrease in the liability is due to the decrease in PEBP retirees. There were 1,355 PEBP retirees receiving benefits in the prior valuation, which has now reduced to 1,246 retirees. The impact of this decrease was approximately \$10 million.

Although there were significant decreases in the liability due to the factors mentioned above, there were also some offsetting assumption changes. The retirement and termination assumptions have been updated to use the FY 2013 NVPERS assumptions. Mortality improvements have also been made to reflect improved mortality experience.

The remaining changes in the AAL are due to the passage of time and benefit accrual.

The following describes the change in the AAL from July 1, 2010 to July 1, 2011:

The total AAL at July 1, 2010 was \$180.4 million. The total AAL as of July 1, 2011 was \$164.1 million, or a decrease of \$16.3 million. Several factors contributed to both increases and decreases in the liability.

The largest decrease in the liability was due to the change in benefits for Medicare PEBP retirees. The 7/1/10 valuation assumed PEBP costs, in total, would rise approximately 8%; however, the total invoice from 2011 to 2012 showed a decrease of approximately 23%. The impact of this decrease was approximately \$30 million.

Another contributing factor to the decrease in the liability was the lowering of the pre-65 and post-65 health care cost trend rates. The 7/1/10 valuation assumed a starting trend rate of 10.5% for both; however, the District's claim experience for pre-65 retirees reflected a lower trend rate. For Medicare eligible retirees, recent trend surveys suggest that post-65 trends are closer to 8%. This change, along with trending administrative rates at a flat 5% and a faster grading of the trend rates, decreased the liability by approximately \$9.3 million.

A revision in the participation rates was another factor that contributed to the decrease in the liability. In the 7/1/10 valuation, a flat 95% participation assumption was used for all retirees. This assumption was based on future retirees being eligible for subsidies; however, since subsidies are offered only to a closed group, this assumption for the Washoe Plan was revised. The 95% participation assumption is applied only to future retirees that are eligible for subsidies. District data shows that 40% of future retirees that are not eligible for subsidies participate in the health plan. This reduction decreased the liability by approximately \$17.3 million.

Other assumption changes served to offset the above decreases. The retirement, termination, and mortality assumptions were revised to reflect more updated assumptions.

**WASHOE COUNTY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2015**

Combined, these changes resulted in an increase of approximately \$7 million. Other factors which increased the liability include an increase in the claims experience, and retiree contributions to the Washoe Plan remaining flat. The 7/1/10 valuation had assumed retiree contributions would increase with medical trend. Since that did not occur, the liability increased. The combined effect of these components was approximately \$26 million.

The remaining increase in the AAL was principally due to increased passage of time and benefit accrual.

APPENDIX B

BOOK-ENTRY ONLY SYSTEM

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered certificate will be issued for each maturity of the Bonds, in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name

as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the District as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal, interest and redemption proceeds on the Bonds will be made to Cede& Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District or the Paying Agent on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, interest or redemption proceeds to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District or the Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the District or the Registrar and Paying Agent. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

The District may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the District believes to be reliable, but the District takes no responsibility for the accuracy thereof.

APPENDIX C

FORM OF CONTINUING DISCLOSURE CERTIFICATE OF THE DISTRICT

This Continuing Disclosure Certificate (the “Disclosure Certificate”) is executed and delivered by Washoe County School District, Nevada (the “Issuer”) in connection with the issuance of the Issuer’s Washoe County School District, Nevada, General Obligation (Limited Tax) School Improvement and Refunding Bonds, Series 2016A, in the aggregate principal amount of \$59,215,000 (the “Bonds”). The Bonds are being issued pursuant to the bond resolution of the Issuer adopted January 12, 2016 (the “Resolution”). The Issuer covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the Issuer for the benefit of the holders and beneficial owners of the Bonds and in order to assist the Participating Underwriter in complying with Rule 15c2-12(b)(5) of the Securities and Exchange Commission (the “SEC”).

SECTION 2. Definitions. In addition to the definitions set forth in the Resolution or parenthetically defined herein, which apply to any capitalized terms used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

“Annual Report” shall mean any Annual Report provided by the Issuer pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

“Dissemination Agent” shall mean, initially, the Issuer, or any successor Dissemination Agent designated in writing by the Issuer and which has filed with the Issuer a written acceptance of such designation.

“Material Events” shall mean any of the events listed in Section 5 of this Disclosure Certificate.

“MSRB” shall mean the Municipal Securities Rulemaking Board. The MSRB’s required method of filing will be electronically via its Electronic Municipal Market Access (EMMA) system available on the Internet at <http://emma.msrb.org>.

“Participating Underwriter” shall mean any of the original underwriters of the Bonds required to comply with the Rule in connection with an offering of the Bonds.

“Rule” shall mean Rule 15c2-12(b)(5) adopted by the SEC under the Securities Exchange Act of 1934, as the same may be amended from time to time.

SECTION 3. Provision of Annual Reports.

(a) The Issuer shall, or shall cause the Dissemination Agent to, not later than 270 days following the end of the Issuer’s fiscal year of each year, commencing 270 days following the end of the Issuer’s fiscal year ending June 30, 2016, provide to the MSRB in an electronic format as prescribed by the MSRB, an Annual Report which is consistent with the

requirements of Section 4 of this Disclosure Certificate. Not later than five (5) business days prior to said date, the Issuer shall provide the Annual Report to the Dissemination Agent (if other than the Issuer). The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the Issuer may be submitted separately from the balance of the Annual Report.

(b) If the Issuer is unable to provide to the MSRB an Annual Report by the date required in subsection (a), the Issuer shall send or cause to be sent a notice in substantially the form attached as Exhibit “A” to the MSRB.

(c) The Dissemination Agent shall:

(i) determine each year prior to the date for providing the Annual Report the appropriate electronic format prescribed by the MSRB;

(ii) if the Dissemination Agent is other than the Issuer, send written notice to the Issuer at least 45 days prior to the date the Annual Report is due stating that the Annual Report is due as provided in Section 3(a) hereof; and

(iii) if the Dissemination Agent is other than the Issuer, file a report with the Issuer certifying that the Annual Report has been provided pursuant to this Disclosure Certificate, stating the date it was provided and listing all the entities to which it was provided.

SECTION 4. Content of Annual Reports. The Issuer’s Annual Report shall contain or incorporate by reference the following:

(a) A copy of its annual financial statements prepared in accordance with generally accepted accounting principles audited by a firm of certified public accountants. If audited annual financial statements are not available by the time specified in Section 3(a) above, unaudited financial statements will be provided as part of the Annual Report and audited financial statements will be provided when and if available.

(b) An update of the type of information identified in Exhibit “B” hereto, which is contained in the tables in the Official Statement with respect to the Bonds.

Any or all of the items listed above may be incorporated by reference from other documents, including official statements of debt issues of the Issuer or related public entities, which are available to the public on the MSRB’s Internet Web Site or filed with the SEC. The Issuer shall clearly identify each such document incorporated by reference.

SECTION 5. Reporting of Material Events. The Issuer shall provide or cause to be provided, in a timely manner, not in excess of ten business days after the occurrence of the event, notice of any of the following events with respect to the Bonds, to the MSRB:

- (a) Principal and interest payment delinquencies;
- (b) Non-payment related defaults, if material;
- (c) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (d) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (e) Substitution of credit or liquidity providers, or their failure to perform;
- (f) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;
- (g) Modifications to rights of bondholders, if material;
- (h) Bond calls, if material, and tender offers;
- (i) Defeasances;
- (j) Release, substitution or sale of property securing repayment of the Bonds, if material;
- (k) Rating changes;
- (l) Bankruptcy, insolvency, receivership or similar event of the obligated person*;
- (m) The consummation of a merger, consolidation, or acquisition involving an obligation person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms if material; and

* For the purposes of the event identified in subparagraph (b)(5)(i)(C)(12) of the Rule, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governing body and official or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person.

(n) Appointment of a successor or additional trustee or the change of name of a trustee, if material.

SECTION 6. Termination of Reporting Obligation. The Issuer's obligations under this Disclosure Certificate shall terminate upon the earliest of: (i) the date of legal defeasance, prior redemption or payment in full of all of the Bonds; (ii) the date that the Issuer shall no longer constitute an "obligated person" within the meaning of the Rule; or (iii) the date on which those portions of the Rule which require this written undertaking are held to be invalid by a court of competent jurisdiction in a non-appealable action, have been repealed retroactively or otherwise do not apply to the Bonds.

SECTION 7. Dissemination Agent. The Issuer may, from time to time, appoint or engage a Dissemination Agent to assist the Issuer in carrying out its obligations under this Disclosure Certificate, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent.

SECTION 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the Issuer may amend this Disclosure Certificate, and may waive any provision of this Disclosure Certificate, without the consent of the holders and beneficial owners of the Bonds, if such amendment or waiver does not, in and of itself, cause the undertakings herein (or action of any Participating Underwriter in reliance on the undertakings herein) to violate the Rule, but taking into account any subsequent change in or official interpretation of the Rule. The Issuer will provide notice of such amendment or waiver to the MSRB.

SECTION 9. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the Issuer from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Material Event, in addition to that which is required by this Disclosure Certificate. If the Issuer chooses to include any information in any Annual Report or notice of occurrence of a Material Event in addition to that which is specifically required by this Disclosure Certificate, the Issuer shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Material Event.

SECTION 10. Default. In the event of a failure of the Issuer to comply with any provision of this Disclosure Certificate, any holder or beneficial owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Issuer to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an event of default under the Resolution, and the sole remedy under this Disclosure Certificate in the event of any failure of the Issuer to comply with this Disclosure Certificate shall be an action to compel performance.

SECTION 11. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the Issuer, the Dissemination Agent, the Participating Underwriter, the holders and

beneficial owners from time to time of the Bonds, and shall create no rights in any other person or entity.

DATE: February 2, 2016.

WASHOE COUNTY SCHOOL DISTRICT, NEVADA

Chief Financial Officer

EXHIBIT "A"

**NOTICE TO MSRB
OF FAILURE TO FILE ANNUAL REPORT**

Name of Issuer: Washoe County School District, Nevada

Name of Bond Issue: General Obligation (Limited Tax) School Improvement and Refunding
Bonds, Series 2016A

CUSIP:

Date of Issuance: February 2, 2016

NOTICE IS HEREBY GIVEN that the Issuer has not provided an Annual Report with respect to the above-named Bonds as required by the Bond Resolution adopted on January 12, 2016 and the Continuing Disclosure Certificate executed on February 2, 2016 by the Issuer. The Issuer anticipates that the Annual Report will be filed by _____.

Dated: _____

NEVADA

WASHOE COUNTY SCHOOL DISTRICT,

By: _____
Its: _____

EXHIBIT “B”

INDEX OF OFFICIAL STATEMENT TABLES TO BE UPDATED

APPENDIX D

FORM OF APPROVING OPINION OF BOND COUNSEL

Washoe County School District, Nevada
425 East Ninth Street
Reno, Nevada 89520

\$59,215,000
Washoe County School District, Nevada
General Obligation (Limited Tax)
School Improvement and Refunding Bonds
Series 2016A

Ladies and Gentlemen:

We have acted as bond counsel to the Washoe County School District, Nevada (respectively, the “District” and the “State”), in connection with the issuance of its General Obligation (Limited Tax) School Improvement and Refunding Bonds, Series 2016A in the aggregate principal amount of \$59,215,000 (the “Bonds”), pursuant to an authorizing resolution adopted and approved by the District’s Board of Trustees on January 12, 2016 (the “Bond Resolution”). In such capacity, we have examined the District’s certified proceedings and such other documents and such law of the State and of the United States of America as we have deemed necessary to render this opinion letter. Capitalized terms not otherwise defined herein shall have the meanings ascribed to such terms in the Bond Resolution.

Regarding questions of fact material to our opinions, we have relied upon the District’s certified proceedings and other representations and certifications of public officials and others furnished to us without undertaking to verify the same by independent investigation.

Based upon such examination, it is our opinion as bond counsel that:

1. The Bonds constitute valid and binding limited tax general obligations of the District.
2. All of the taxable property in the District is subject to the levy of annual general (ad valorem) taxes to pay the Bonds, subject to the limitations imposed by the Constitution and laws of the State.
3. As provided in the Bond Resolution and in accordance with the provisions of NRS 361.463, taxes levied for the payment of the bonded indebtedness (including the Bonds) of all overlapping units within the boundaries of the District (i.e., the State, the District and any other political subdivision in the District) and for the payment of interest on such indebtedness enjoy a priority over taxes levied by each such unit (including, without limitation, the State and the District) for all other purposes (subject to any exception implied by law in the exercise of the police power) where reduction is necessary in order to comply with NRS 361.453.

4. Interest on the Bonds is excluded from gross income under federal income tax laws pursuant to Section 103 of the Internal Revenue Code of 1986, as amended to the date hereof (the "Tax Code"), and interest on the Bonds is excluded from alternative minimum taxable income as defined in Section 55(b)(2) of the Tax Code, except that such interest is required to be included in calculating the adjusted current earnings adjustment applicable to corporations for purposes of computing the alternative minimum taxable income of corporations. The opinions expressed in this paragraph assume continuous compliance with the covenants and representations contained in the District's certified proceedings and in certain other documents and certain other certifications furnished to us.

5. Under laws of the State in effect on the date hereof, the Bonds, their transfer, and the income therefrom are free and exempt from taxation by the State or any subdivision thereof, except for the tax on estates imposed pursuant to Chapter 375A of NRS and the tax on generation skipping transfers imposed pursuant to Chapter 375B of NRS.

The opinions expressed in this opinion letter are subject to the following:

The obligations of the District pursuant to the Bonds and the Bond Resolution are subject to the application of equitable principles, to the reasonable exercise in the future by the State and its governmental bodies of the police power inherent in the sovereignty of the State, and to the exercise by the United States of America of the powers delegated to it by the Federal Constitution, including, without limitation, bankruptcy powers.

In expressing the opinions above, we are relying in part on a report of independent certified public accountants verifying (i) the mathematical computations of the adequacy of the maturing principal amounts of and interest on the investments and moneys included in the Escrow Account to pay when due, at stated maturity or upon prior redemption, all principal of, any prior redemption premiums, and interest on the Refunded Bonds, and (ii) the mathematical calculations of the yield of the Bonds and the yield of certain investments made with the proceeds of the Bonds and other moneys deposited in the Escrow Account.

In this opinion letter rendered in our capacity as bond counsel, we are opining only upon those matters set forth herein, and we are not passing upon the accuracy, adequacy or completeness of the Official Statement or any other statements made in connection with any offer or sale of the Bonds or upon any federal or state tax consequences arising from the receipt or accrual of interest on or the ownership or disposition of the Bonds, except those specifically addressed herein.

This opinion letter is rendered as of the date hereof and we assume no obligation to revise or supplement this opinion letter to reflect any facts or circumstances that may hereafter come to our attention or any changes in laws that may hereafter occur.

Respectfully submitted,