

OFFICIAL STATEMENT

\$55,000,000

**WASHOE COUNTY SCHOOL DISTRICT, NEVADA
GENERAL OBLIGATION (LIMITED TAX)
SCHOOL IMPROVEMENT BONDS
SERIES 2017A**



***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."

**\$55,000,000
WASHOE COUNTY SCHOOL DISTRICT, NEVADA
GENERAL OBLIGATION (LIMITED TAX) SCHOOL IMPROVEMENT BONDS
SERIES 2017A**

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, 2017, 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; and (ii) 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 9, 2017.

Official Statement dated January 24, 2017

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

\$55,000,000

WASHOE COUNTY SCHOOL DISTRICT, NEVADA
GENERAL OBLIGATION (LIMITED TAX) SCHOOL IMPROVEMENT BONDS
SERIES 2017A

Maturing (June 1)	Principal Amount	Interest Rate	Yield†	CUSIP©		Principal Amount	Interest Rate	Yield†	CUSIP©	
				Issue Number	Maturing (June 1)				Issue Number	Maturing (June 1)
2020	\$620,000	5.000%	1.550%	7M9	2029	\$1,745,000	5.000%	2.840% ⁽¹⁾	7W7	
2021	635,000	5.000	1.750	7N7	2030	1,830,000	5.000	2.920 ⁽¹⁾	7X5	
2022	650,000	5.000	1.960	7P2	2031	1,920,000	5.000	3.000 ⁽¹⁾	7Y3	
2023	665,000	5.000	2.190	7Q0	2032	2,015,000	5.000	3.060 ⁽¹⁾	7Z0	
2024	680,000	5.000	2.340	7R8	2033	2,100,000	5.000	3.120 ⁽¹⁾	8A4	
2025	1,435,000	5.000	2.480	7S6	2034	2,180,000	5.000	3.230 ⁽¹⁾	8B2	
2026	1,505,000	5.000	2.570	7T4	2035	2,270,000	4.000	3.580 ⁽¹⁾	8C0	
2027	1,580,000	5.000	2.650	7U1	2036	2,350,000	4.000	3.670 ⁽¹⁾	8D8	
2028	1,660,000	5.000	2.750 ⁽¹⁾	7V9	2037	2,440,000	4.000	3.700 ⁽¹⁾	8E6	

\$13,680,000 4.000% Term Bonds due June 1, 2042 Yield 3.750%⁽¹⁾ CUSIP Issue No.: 8K2
\$13,040,000 4.000% Term Bonds due June 1, 2046 Yield 3.800%⁽¹⁾ CUSIP Issue No.: 8P1

(1) Priced to the par call on June 1, 2027.

† Provided by J.P. Morgan Securities LLC, the initial purchaser of the Bonds.

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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

Angela Taylor, President
Katy Simon Holland, Vice President
Scott Kelley, Clerk
Debra Feemster
Veronica Frenkel
John Mayer
Malena Raymond

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 AND PAYING AGENT

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

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OFFICIAL STATEMENT

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WASHOE COUNTY SCHOOL DISTRICT, NEVADA
GENERAL OBLIGATION (LIMITED TAX)
SCHOOL IMPROVEMENT BONDS
SERIES 2017A

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 \$55,000,000 General Obligation (Limited Tax) School Improvement Bonds, Series 2017A (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 10, 2017 (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. 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 and Paying Agent 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 not file or file on a timely basis a material event notice relating to a rating change in 2013. The District has updated such rating change notice.

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. While the District continues to feel the effects of the recent economic downturn, property values and other economic indicators appear to have stabilized. The taxable value of the property in the District

declined in each year between fiscal years 2009 and 2013 but has increased each fiscal year since then. See “PROPERTY TAX INFORMATION” herein. 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.

During the 2015 legislative session, two statutes were adopted which could materially negatively impact the District. Senate Bill No. 302 (“SB 302”) established a program by which a child who receives instruction from entities other than a public school may receive a grant of money, to be deducted from the amount otherwise received by the school district. The Nevada Supreme Court issued an opinion on September 29, 2016, impacting the constitutionality of SB 302. SB 302 is described in more detail in “DISTRICT FINANCIAL INFORMATION – Education Savings Account Legislation.” Assembly Bill 448 (“AB 448”), effective July 1, 2016, created achievement charter schools which could be located within the District. AB 448 is described in more detail in “DISTRICT FINANCIAL INFORMATION – Achievement Charter School Legislation.”

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,” “ – Fiscal Year 2017 Budget Considerations,” and any statements throughout this Official Statement referring to budgeted, interim or unaudited information for fiscal year 2017 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	\$55,000,000
Plus: original issue premium/(discount)	4,475,354
Total	<u>\$59,475,354</u>
USES:	
The Improvement Project	\$58,903,563
Costs of issuance (including underwriting discount)	571,791
Total	<u>\$59,475,354</u>

Source: The Financial Advisor.

The Improvement Project

The Bond proceeds will be used to acquire, construct, improve and equip school facilities in the District, including the acquisition of real property and the costs of issuing the Bonds.

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 December 1 and June 1 (each an interest payment date), commencing June 1, 2017, 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 (\$5,000 or any integral multiple), maturing on and after June 1, 2028 are subject to redemption before their respective maturities, at the option of the District, on or after June 1, 2027, in whole or in part, at any time, from any maturities 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.

Mandatory Sinking Fund Redemption. The Bonds maturing on June 1, 2042 are subject to mandatory sinking fund redemption to be redeemed on June 1 of the years and in the principal amounts provided below at a redemption price equal to 100% of the principal amount thereof and accrued interest to the redemption date:

<u>Year (June 1)</u>	<u>Principal Amount</u>
2038	\$2,530,000
2039	2,625,000
2040	2,730,000
2041	2,840,000
2042	2,955,000 (stated maturity)

The Bonds maturing on June 1, 2046 are subject to mandatory sinking fund redemption to be redeemed on June 1 of the years and in the principal amounts provided below at a redemption price equal to 100% of the principal amount thereof and accrued interest to the redemption date as follows:

<u>Year (June 1)</u>	<u>Principal Amount</u>
2043	\$3,070,000
2044	3,195,000
2045	3,320,000
2046	3,455,000 (stated maturity)

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 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 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>
2017	--	\$750,462	\$750,462
2018	--	2,412,200	2,412,200
2019	--	2,412,200	2,412,200
2020	\$620,000	2,412,200	3,032,200
2021	635,000	2,381,200	3,016,200
2022	650,000	2,349,450	2,999,450
2023	665,000	2,316,950	2,981,950
2024	680,000	2,283,700	2,963,700
2025	1,435,000	2,249,700	3,684,700
2026	1,505,000	2,177,950	3,682,950
2027	1,580,000	2,102,700	3,682,700
2028	1,660,000	2,023,700	3,683,700
2029	1,745,000	1,940,700	3,685,700
2030	1,830,000	1,853,450	3,683,450
2031	1,920,000	1,761,950	3,681,950
2032	2,015,000	1,665,950	3,680,950
2033	2,100,000	1,565,200	3,665,200
2034	2,180,000	1,460,200	3,640,200
2035	2,270,000	1,351,200	3,621,200
2036	2,350,000	1,260,400	3,610,400
2037	2,440,000	1,166,400	3,606,400
2038	2,530,000	1,068,800	3,598,800
2039	2,625,000	967,600	3,592,600
2040	2,730,000	862,600	3,592,600
2041	2,840,000	753,400	3,593,400
2042	2,955,000	639,800	3,594,800
2043	3,070,000	521,600	3,591,600
2044	3,195,000	398,800	3,593,800
2045	3,320,000	271,000	3,591,000
2046	3,455,000	138,200	3,593,200
Total	\$55,000,000	\$45,519,662	\$100,519,662

(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 bonding authority 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 \$24,490,362, which amount is in excess of the Reserve Requirement. 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 pursuant to NRS 350.020(4) until March 4, 2025.

Additional Bonds

The electors of the District approved a ballot question at the November 8, 2016 election. The ballot question authorizes the imposition of a non-expiring sales and use tax of 0.54% in the County to fund capital projects in the District. Such new sales and use tax will be implemented on April 1, 2017. The District anticipates issuing bonds under such authorization in mid-2017.

The District may also issue medium term general obligation bonds in 2017 for the purpose of financing buses and white fleet but has not yet determined the amount to be financed.

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, 2017, is \$15,432,327,199 (excluding the assessed valuation attributable to the Reno Redevelopment Agency and the Sparks Redevelopment Agency (the "Redevelopment Agencies")). That assessed valuation represents an 7.6% increase over the assessed valuation for fiscal year 2016.

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 2017 the taxable value of all taxable property within the District is \$44,092,363,426 (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
2013	\$12,290,109,448	--	\$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
2017	15,432,327,199	7.6	276,670,335

(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, 2012-13 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 have 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	Net Secured	Current Tax	% of Levy	Delinquent	Total Tax	Total Tax
Ending	Roll Tax Levy ⁽¹⁾	Collections	(Current)	Tax	Collections	Collections as %
June 30			Collected	Collections	Collections	of Current Levy ⁽²⁾
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	440,248,128	438,074,171	99.51	3,260,957	441,335,128	100.25
2017 ⁽⁴⁾	451,010,874	277,124,185	61.45	1,139,798	278,263,983	61.70

(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 December 22, 2016.

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 2012 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 2013. 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. On July 1, 2013, the District Court dismissed the taxpayers' objections and petition for review as being premature because there was no final action taken. 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 currently reserved \$7.5 million of its General Fund balance for outstanding litigation but expects to reduce such amount to approximately \$6.1 million.

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 2016, the District’s share of the allocation was \$627,443; with \$592,225 attributable to the General Fund and approximately \$35,218 attributable to the Debt Service Fund. For fiscal year 2017, the District’s share of the allocation is estimated to be the same amount and have the same attribution between the General Fund and Debt Service Fund as fiscal year 2016. 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 2016-17 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 2016-17

<u>Taxpayer</u>	<u>Type of Business</u>	<u>Assessed Value</u>	<u>% of Total Assessed Value</u> ⁽²⁾
Icon Reno Property Owner ⁽³⁾	Real Estate	\$118,486,552	0.76%
Peppermill Casinos Inc.	Hotel/Casino	95,313,168	0.61
Golden Road Motor Inn Inc.	Hotel	45,327,695	0.29
Apple Inc.	Technology	41,792,480	0.27
MPT of Reno LLC	Developer	38,656,012	0.25
Circus & Eldorado Joint Venture	Hotel/Casino	37,734,660	0.24
Northwestern Mutual Life Insurance	Insurance	27,811,071	0.18
Sparks Legends Development Inc.	Hotel/Casino	27,755,006	0.18
International Game Technology	Manufacturing	24,850,000	0.16
Hyatt Equities LLC	Hotel/Casino	<u>24,271,194</u>	<u>0.16</u>
TOTAL		\$481,997,838	3.20% ⁽⁴⁾

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

(2) Based on the County's fiscal year 2017 total assessed valuation of \$15,708,997,534 (which includes the assessed valuation of the Redevelopment Agencies).

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

(4) Totals may not sum due to rounding.

Source: Washoe County Assessor's Office (report dated September 2, 2016).

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 2017 is limited to 0.2%. 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>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Average Statewide rate	<u>\$3.1304</u>	<u>\$3.1212</u>	<u>\$3.1232</u>	<u>\$3.1360</u>	<u>\$3.1500</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	0.9598	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	<u>\$3.6600</u>	<u>\$3.6600</u>	<u>\$3.6600</u>	<u>\$3.6600</u>	<u>\$3.6600</u>

(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, 2012-13 through 2016-17.

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, 2016.

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	\$138,701,848	\$107,846,848	\$30,855,000	100.00%	\$30,855,000
City of Reno	118,641,997	100,426,997	18,215,000	100.00	18,215,000
City of Sparks	47,852,980	28,807,980	19,045,000	100.00	19,045,000
North Lake Tahoe Fire District	3,658,000	2,818,000	840,000	100.00	840,000
RSCVA	93,549,378	93,549,378	0	100.00	0
Incline Village GID	8,522,517	4,158,000	4,364,517	100.00	4,364,517
State of Nevada	<u>1,389,280,000</u>	<u>297,845,000</u>	<u>1,169,900,000</u>	14.58	<u>170,593,951</u>
Total	\$1,800,206,720	\$635,452,203	\$1,243,219,517		\$243,913,468

- (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, 2015-16 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 December 1, 2016.

Net Direct & Overlapping General Obligation Indebtedness

Total Direct General Obligation Indebtedness ⁽¹⁾	\$463,306,659
Plus: Overlapping Net General Obligation Indebtedness	<u>243,913,468</u>
Net Direct & Overlapping Net General Obligation Indebtedness	\$707,220,127

- (1) Does not include the issuance of the Bonds. 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⁾	\$463,306,659
Overlapping Debt ⁽³⁾	<u>243,913,468</u>
Total Direct Debt & Overlapping Debt	\$707,220,127
Per Capita Net Direct Debt	\$1,050
Per Capita Net Total Direct Debt & Overlapping Debt	\$1,603
2017 Assessed Valuation	\$15,432,327,199
% Net Direct Debt to Assessed Valuation	3.00%
% Net Total Direct Debt & Overlapping Debt to Assessed Valuation ..	4.58%
2017 Taxable Value	\$44,092,363,426
% Net Direct Debt to Taxable Value	1.05%
% Net Total Direct Debt & Overlapping Debt to Taxable Value	1.61%

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

(2) As of December 1, 2016, 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 October 1, 2016. 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>
Angela Taylor, President	District E	2020
Katy Simon Holland, Vice President	District G (At-Large)	2020
Scott Kelley, Clerk	District A	2020
Debra Feemster, Member	District C	2018
Veronica Frenkel, Member	District F (At-Large)	2018
John Mayer, Member	District B	2018
Malena Raymond, Member	District D	2020

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 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. In 2016, Mr. Ciesynski was appointed to the Committee on Local Government Finance for the State of Nevada representing the Nevada Association of School Boards.

Facilities

The District operates 93 schools which include 62 elementary schools, one K-12 school, 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	63,670	0.95
2017	63,991	0.50

Source: The District.

The District’s most recent ten-year projections reflect an average annual growth of 1.7% which is consistent with the Economic Development Authority of Northern Nevada’s estimate of possible growth between 1.7% and 2.4% as a result, in part, of Tesla and other companies locating in northern Nevada.

Employee Relations and Pension Benefits

Employee Relations. As of December 1, 2016, the District had approximately 7,734 regularly scheduled employees and 1,545 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 has agreements with school police expiring June 30, 2019, principals expiring June 30, 2017, professional-technical expiring June 30, 2018, certified (teachers) expiring June 30, 2019 and education support staff expiring June 30, 2018. 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 and estimates net OPEB assets of \$40.5 million as of June 30, 2016. 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 \$9.2 million. The AAL, as of July 1, 2015, was \$167.9 million and the OPEB Trust Fund had assets with an actuarial value of \$68.4 million, resulting in UAAL of \$99.5 million, and an ARC of \$9.3 million for the year ended June 30, 2016.

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. In addition to asbestos-containing materials, which have been handled as described above, the District also tests paint and provides training for workers and precautions are taken not to disturb lead containing materials. No other environmental problems, other than these, have been identified.

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 landscape in federal education law significantly changed when President Obama signed the bipartisan Every Student Succeeds Act ("ESSA"), which reauthorizes the Elementary and Secondary Education Act ("ESEA") of 1965. ESSA is to be implemented as law beginning in SY 2017-18. Additionally, state waivers under ESEA expired on August 1, 2016. During SY 2016-17, work is being done at the federal, state, and local education agency ("LEA") level to fully understand the new legislation. The ESSA builds upon the critical work state and LEAs have implemented over the last few years. The reauthorized law sets high standards and contains policies that are intended to help prepare all students for success in college and future careers. It prioritizes excellence and equity and recognizes the importance of supporting great educators in the nation's schools.

The major premises of ESSA are:

- Ensure states set high standards so that children graduate high school, ready for college and career.
- Maintain accountability by guaranteeing that, if students fall behind, states will target resources to help them and their schools improve with a particular focus on the lowest-performing 5% of schools, high schools with high dropout rates, and schools where subgroups of students are struggling.
- Empower state and local decision-makers to develop strong systems for school improvement based upon evidence, rather than imposing sanctions such as in No Child Left Behind ("NCLB").
- Preserve annual assessments and reduce the burden of unnecessary and ineffective testing on students and teachers, making sure that standardized tests do not crowd out teaching and learning without sacrificing clear, annual information parents and educators need to make sure children are learning.

There are some other major differences from NCLB/ESEA to the new ESSA as it pertains to Categorical funds:

- Removes the federal highly qualified teacher requirements although educators must still comply with the state certification and licensure policies.
- The federal requirements for educator evaluations is eliminated; however, states must implement educator equity plans to ensure economically disadvantaged and minority students are not disproportionately served by ineffective, out-of-field, or inexperienced teachers, principals, and other school leaders.
- Allows schools with less than 40% poverty to operate schoolwide programs with state waiver.

- Prohibits the secretary of the US Department of Education from establishing, defining, or prescribing the specific methodology a LEA must use and does not require LEAs to identify individual costs or services supported under Title I in order to comply with supplement, not supplant requirements.
- Expands the allowable use of Title II with greater flexibility in professional development, capacity building, induction and mentoring programs.
- Revises the state grant formula to reflect greater support for states with high numbers of students in poverty.
- Requires states to describe the standardized statewide entrance and exit procedures for English Learners, how the state will assist and monitor the progress of eligible entities in meeting long-term goals and measures of interim progress for ELs on English language proficiency and academic assessments.
- Provide more children access to high-quality preschool, giving them a strong start to their education.
- Establish new resources to test promising practices and replicate proven strategies that will drive opportunity and better outcomes for America's students.

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:

- Breakfast After the Bell Funds – provides breakfast for high poverty schools;
- Career and College Readiness Funds – provides schools with funds to fully develop STEM, AP and Dual credit courses for students;
- Career and Technical Education Funds – provides for expansion of and new CTE programming in high schools;
- Full – Day Kindergarten Funds – provides funding for schools to have full-day kindergarten classes;
- Great Teaching and Leading Funds- provides Districts with teacher and administrator professional development;
- Read By Grade Three Funds – provides school districts with funds for reading interventions and teacher professional development in reading intervention;
- School Social Worker Funds- provides social workers to high need schools; Gifted and Talented – provides funds for student programming and teacher professional development;
- Turnaround Funds – provides lowest performing schools with teacher and administrator support through professional development;

- Victory School Funds- targets high poverty and underserved student populations;
- Zoom School Funds – targets schools with high English Learner populations; neighborhoods; and
- There were also several funds for teacher development including: New Hire Incentive Funds, Teacher Supply Reimbursement Funds, and Teach NV Scholarship Funds.

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.

With regard to the District’s RZEDB subsidy, 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 6.9% for federal fiscal year beginning October 1, 2016 through September 30, 2017. See “DEBT STRUCTURE – District General Obligation Bond Total Debt Service Requirements” for an illustration of expected subsidies (without taking sequestration into account).

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 no sooner than the third Monday in and no later than the last day 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 Final Budget on May 24, 2016.

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, 2015. This is the 15th 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, 2016 when it is finalized 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.

Education Savings Account Legislation

During the 2015 legislative session, the Nevada legislature adopted, and the Governor signed SB 302. SB 302 establishes a program by which a child who receives instruction from entities other than a public school may receive a grant of money and the amount

of the grant must be deducted from the total apportionment amount otherwise received by the school district. By adopting this legislation, Nevada reportedly became the first state in the nation to establish such a program for every child in the state.

The program established by SB 302 consists primarily of the creation of education savings accounts (“ESA”). Families who elect to participate in the program are required to enter into an agreement with the State Treasurer pursuant to which the family will agree to enroll the child at a certain school and open an ESA on behalf of the child and the State will agree to provide a grant to the family and deposit the grant into the ESA. Each agreement is valid for one school year but may be terminated early and may be renewed for any subsequent school year.

The amount of the grant is equal to 90% (or, if the child has a disability or a household income less than 185% of the federal poverty level, 100%) of the statewide average basic support per pupil. For fiscal year 2016, the statewide average basic support per pupil is \$5,676, resulting in a potential grant amount of approximately \$5,100 per child. Grant money deposited into the ESA may be used only for certain specific items which include, generally, tuition and fees, textbooks, tutoring, ESA management fees and transportation (up to \$750 per school year).

In order to be eligible to apply for the program, children must be between the ages of 7 and 18, the ages required by the State to attend school, and must have attended a public school for 100 consecutive school days. In order to receive the grant, a school must meet certain requirements established by SB 302. Schools which may participate in the program and receive grant money include certain private schools, certain colleges and universities, certain programs of distance education, tutors and parents of the child. Participating entities must require students to take certain examinations. A parent may not establish an ESA for a child who will be homeschooled; however, a parent may become a “participating entity” by submitting an application to the State Treasurer. A homeschooled child is a child who receives instruction at home and who is exempt from compulsory attendance, and an opt-in child is a child for whom an ESA has been established, who is not enrolled full-time in a public or private school and receives all or a portion of his or her instruction from a participating entity.

Funds to make the grant into each ESA are derived by deducting the appropriate amount from the total apportionment to the school district. At least three lawsuits have been filed regarding SB 302. In one of these lawsuits, a Nevada district court judge issued an order on January 11, 2016 holding that SB 302 violates the Nevada constitution and enjoining the implementation of SB 302. This decision was appealed to the Nevada Supreme Court. On September 29, 2016, the supreme court rendered a decision upholding all provisions of SB 302 against constitutional challenges, but remanding one of the challenges to the district court for it to enjoin deduction of funds from the State’s Distribute School Account for the ESA program because of the lack of an appropriation of funds. The State has stated in a recent bond offering document that it cannot predict at this time whether legislative action will be taken to identify and authorize alternative sources of funding.

According to the State Treasurer, to date, approximately 7,800 applications have been filed. The District serves approximately 16% of the students State-wide. Since the lawsuits were filed, information from the State Treasurer has been very limited, including data pertaining only to the District. Until such time as the Treasurer’s Office provides the District specific data, however, the potential impact on the District for this school year and future years is not known.

The District is also unable to provide information regarding the long-term impact of SB 302 on the District.

Achievement Charter School Legislation

During the 2015 legislative session, the Nevada legislature adopted, and the Governor signed, Assembly Bill 448, codified at Chapter 539, Statutes of Nevada 2015 (“Chapter 539”) with an effective date of July 1, 2016. Chapter 539 establishes the Achievement School District within the State Department of Education and authorizes certain underperforming schools to be converted to achievement charter schools sponsored by the Achievement School District. Pursuant to Chapter 539, the State Department of Education is authorized to select annually up to six schools in the State for conversion to achievement charter schools. Chapter 539 provides in part that an achievement charter school must continue to operate in the same building in which the school operated before being converted to an achievement charter school. The costs of achievement charter schools are generally funded from the sources that otherwise have been used by the county school district to fund the costs of the school, including through an apportionment of funds from the State Distributive School Fund based on the students in the achievement charter school. The board of trustees of the school district in which the achievement charter school is located must provide the use of the school building without compensation. In addition, while the school is operated as an achievement charter school, the governing body of the achievement charter school is to required pay all costs related to the maintenance and operation of the building and the board of trustees of the school district is required to pay all capital expenses. It is not possible to predict at this time what impact Chapter 539 will have on the District’s finances, except that it will not impact the District’s 38.85-cent per \$100 assessed valuation property tax imposed for debt repayment purposes.

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 \$94,277,316 from ad valorem taxes and \$160,841,132 from the LSST for fiscal year 2015 and received \$98,255,572 from ad valorem taxes and \$172,555,705 from the LSST in fiscal year 2016. The District has budgeted to receive \$102,871,949 in property taxes and \$174,794,100 in LSST for fiscal year 2017. 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 2012, 2013, 2014, 2015 and 2016 were, \$5,131, \$5,295, \$5,504, \$5,582, and \$5,612 respectively. For fiscal year 2017, the per-pupil State guaranteed support is \$5,658. The District received \$144,117,760 or 34% of total General Fund revenue in State funding in fiscal year 2015 and \$134,836,971 or 31% of total General Fund revenue in State funding for fiscal year 2016. The District has budgeted State revenue of \$144,105,207 for fiscal year 2017. See “Fiscal Year 2017 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 2012 to 2015 and unaudited financial operations for fiscal year 2016. The table also provides Final Budget information for fiscal year 2017. The information for fiscal years 2012 through 2015 was derived from the District's CAFR for each of those years. The 2016 unaudited information comes from the CAFR currently under audit. The Final Budget information was adopted on May 24, 2016 after going through the customary budget process over several months.

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	2012 Audited	2013 Audited	2014 Audited	2015 Audited	2016 Audited	2017 Budgeted
Revenues						
Local sources	\$251,767,904	\$252,561,414	\$261,112,709	\$275,661,420	\$292,481,483	\$300,238,954
State sources	141,507,977	141,901,726	148,966,152	144,117,760	134,836,971	133,784,536
Federal sources	1,158,557	644,921	905,381	539,532	995,019	581,000
Other sources	<u>36,801</u>	<u>77,845</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
Total Revenues	394,471,239	395,185,906	410,984,242	420,318,712	428,313,473	434,604,490
Expenditures						
Instructional Programs	215,773,548	215,976,806	215,712,159	223,059,987	228,779,148	239,346,471
Student support	25,349,876	26,005,982	26,630,211	27,458,211	29,398,572	32,608,562
Instructional staff support	12,278,124	13,868,809	14,980,533	15,233,751	15,889,423	17,438,509
General Administration ⁽²⁾	15,454,572	7,510,990	6,144,015	6,241,133	6,201,991	6,959,989
School Administration	30,448,382	30,544,087	31,878,885	33,418,288	34,779,573	36,418,442
Central Services	20,022,072	19,309,310	20,294,815	21,224,830	22,259,046	23,909,145
Operation & Maintenance of Plant	44,235,696	43,239,075	44,492,277	45,715,303	46,180,970	50,892,120
Student Transportation	<u>16,950,972</u>	<u>15,492,620</u>	<u>18,324,390</u>	<u>18,196,338</u>	<u>18,229,285</u>	<u>17,977,412</u>
Total Expenditures	380,513,243	371,947,679	378,462,285	390,547,841	401,718,008	425,550,650
Excess of Revenues over Expenditures	13,957,996	23,238,227	32,593,459	29,770,871	26,595,465	9,053,840
Other Financing Sources (Uses)						
Proceeds from Capital Lease	2,320,000	2,325,000	2,325,000	--	--	--
Medium-Term Financing	--	--	--	2,372,277	3,100,000	--
Proceeds from sale of property	--	--	71,502	96,783	91,235	65,000
Transfers In	6,402,194	6,291,851	7,462,122	7,541,296	--	--
Contingency	--	--	--	--	--	(1,093,277)
Transfers Out	<u>(34,979,760)</u>	<u>(36,516,154)</u>	<u>(36,773,758)</u>	<u>(37,284,345)</u>	<u>(37,701,518)</u>	<u>(44,341,323)</u>
Total Other Financing Sources/(Uses)	(26,257,566)	(27,899,303)	(26,915,134)	(27,273,989)	(34,510,283)	(45,369,600)
Excess (deficiency) of Revenues over Expenditures and Other Financing Sources (Uses)	(12,299,570)	(4,661,076)	5,606,823	2,496,882	(7,914,818)	(36,315,760)
FUND BALANCE, JULY 1	<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>53,291,732⁽³⁾</u>
FUND BALANCE, JUNE 30	<u>\$57,763,921</u>	<u>\$53,102,845</u>	<u>\$58,709,668</u>	<u>\$61,206,550</u>	<u>\$53,291,732</u>	<u>\$16,975,972</u>
Non-spendable (formerly "Reserved")	\$ 1,074,806	\$ 1,097,001	\$ 1,201,475	\$ 1,141,214		\$ 1,126,938
Assigned (formerly "Unreserved-Designated")	\$56,689,115	\$52,005,844	\$57,508,193	\$60,065,336		\$15,849,034

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(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."

(3) Reflects audited fiscal year 2016 ending balance instead of estimated balance from 2016-2017 Budget.

Source: Derived from the District's CAFRs for fiscal years 2012 through 2015 and from the District's Finance Department and the District's 2016-17 Budget for fiscal years 2016 and 2017.

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 District pays debt service on the medium-term obligations through transfers in from the General Fund. 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 the audited revenues, expenditures and changes in fund balance in the District’s Debt Service Fund for fiscal years 2012 to 2015 and unaudited revenues, expenditures and changes in fund balance for fiscal year 2016. The table also provides Final Budget information for fiscal year 2017. The 2016 unaudited information comes from the CAFR currently under audit. The Final Budget information was adopted on May 24, 2016 after going through the customary budget process over several months.

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	2012 Audited	2013 Audited	2014 Audited	2015 Audited	2016 Audited	2017 Budgeted
Revenues						
Property taxes	\$49,472,378	\$47,585,889	\$47,791,919	\$48,960,291	\$52,083,754	\$52,834,698
Investment earnings ⁽¹⁾	2,532,465	1,087,216	1,496,933	1,509,792	1,896,966	1,813,480
Net Increase/(Decrease) in fair value of investments	<u>379,080</u>	<u>495,613</u>	<u>544,519</u>	<u>426,557</u>	<u>288,345</u>	<u>-</u>
Total Revenues	52,383,923	49,168,718	49,832,871	50,896,640	54,269,065	54,648,178
Expenditures						
Principal	110,007,810	26,178,943	30,245,627	32,544,072	32,013,930	31,416,507
Interest	23,965,066	24,879,900	23,384,244	21,835,980	21,113,454	20,371,814
Bond issuance costs	697,410	--	304,156	874,016	383,214	--
Incline property tax refunds and interest	5,138,408	86,949	--	--	--	--
Reno redevelopment settlement	--	195,867	--	--	--	--
Other	<u>5,468,723</u>	<u>14,300</u>	<u>15,232</u>	<u>13,798</u>	<u>47,281</u>	<u>100,000</u>
Total Expenditures	145,277,417	51,355,959	53,949,259	55,267,876	53,557,879	51,888,321
Excess (Deficiency) of Revenues Over Expenditures	(92,893,494)	(2,187,241)	(4,116,388)	(4,371,236)	711,186	2,759,857
Other Sources (Uses)						
Proceeds of refunding bonds	84,170,000	--	18,085,000	94,520,000	39,215,000	--
Premium on bonds sold	11,400,916	--	--	16,158,776	8,569,006	--
Payments for refunded bonds	(41,826,272)	--	(17,796,643)	(109,758,444)	(47,705,710)	--
Operating Transfers In	<u>3,191,660</u>	<u>3,127,852</u>	<u>4,528,255</u>	<u>3,921,984</u>	<u>3,244,139</u>	<u>3,073,999</u>
Total Other Sources (Uses)	56,936,304	3,127,852	4,816,612	4,842,316	3,322,435	3,073,999
Excess (Deficiency) of Revenues Over (Under) Expenditures and Other Sources (Uses)	(35,957,190)	940,611	700,224	(471,080)	4,033,621	5,833,856
Beginning 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>24,490,362⁽³⁾</u>
Ending Fund Balance⁽²⁾	<u>\$18,344,826</u>	<u>\$19,285,437</u>	<u>\$19,985,661</u>	<u>\$20,456,741</u>	<u>\$24,490,362</u>	<u>\$30,324,218</u>

(1) Includes interest subsidies on certain District Recovery Zone Economic Development Bonds and direct-pay qualified school construction bonds. See "DEBT STRUCTURE."

(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."

(3) Reflects audited fiscal year 2016 ending balance instead of estimated balance from 2016-2-17 Budget.

Source: Derived from the District's CAFRs for fiscal years 2012 through 2016 and from the District's Finance Department and the District's 2016-17 Budget for fiscal year 2017.

Discussion of Fiscal Year 2015 and Fiscal Year 2016 Results

Management's Discussion and Analysis. For a general discussion of the fiscal year 2015 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 2016 with a General Fund balance of \$53.3 million. Of the ending balance, the District had non-spendable fund balance for inventory of \$1.1 million and has assigned \$9.3 million for subsequent year's expenditures and \$26.5 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 2016 revenues of \$428.3 million are \$8.0 million more than fiscal year 2015 revenues. The State DSA per-pupil support increased by \$30 per pupil, going from \$5,582 in fiscal year 2015 to \$5,612 in fiscal year 2016 and enrollment increased by approximately 0.9%. Ad valorem tax revenues increased by \$4.0 million, while school support tax increased by \$11.7 million compared to the fiscal year 2015.

Total expenditures increased by \$11.0 million. Transfers out increased by \$0.4 million in fiscal year 2016 compared to fiscal year 2015.

Fiscal Year 2017 Budget Considerations

The budget process for fiscal year 2016-17 was similar to the prior year's approach, whereby the District utilized a combination of incremental, site-based, zero-based, and outcome-focused budgeting methods. The District's executive leadership conducted meetings with their departments and schools to review and prioritize their respective budgets, and to ensure alignment with the District's strategic plan and the department and school's goals and objectives. An extensive review of staffing allocations was conducted as well as realignment and repurposing of the existing sources. Strategies to resolve the budget shortfall were also developed. In addition, Board budget work sessions and town hall budget meetings were held to communicate the budget situation and obtain public and employee feedback.

The basic process for the General Fund began in November of the prior fiscal year with a forecast of anticipated resources (revenues and opening fund balances) and applications (expenditures and ending fund balances). Major budget considerations included the following: various increased revenues and enrollment growth; impact of the property tax cap; decrease of opening fund balance; use of prior year ending fund balance; contractual obligations related to negotiated step increases and other negotiated salary increases; health insurance increase; OPEB (other post-employment benefit) considerations; use of turnover and vacancy savings; costs related to enrollment growth and strategic plan implementation; emphasis on special education support; and other budget alterations.

During this process there were still uncertainties regarding the impact of the legislation to the District's general fund budget. Considerations had to be made regarding a new State per-pupil funding formula based on quarterly average daily enrollment rather than a single count day enrollment, new weighted funding formula for special education funding, impact due to elimination of full day kindergarten from State ZOOM (ELL) funding, impact of State funding for Class Size Reduction and Full Day Kindergarten, additional support for special education programs and final adjustment related to ad valorem tax projections.

After considering and prioritizing all factors related to the budget the total revenue and other sources are \$18.8 million more than the prior fiscal year while expenditures are \$26.1 million more. The difference of \$7.3 million was offset by an increase in opening fund balance of \$6.3 million and use of ending fund balance assignments of \$1.0 million.

The District augmented the fiscal year 2016-17 General Fund budget on December 13, 2017 to reflect an increase in opening fund balance and a revenue reduction to adjust for actual enrollment. Specifically, State sources were reduced by approximately \$10 million to reflect lower enrollment than anticipated. The reduction was offset by an increase in opening fund balance of approximately \$4 million and reduction of expenditures of approximately \$6 million related to employee turnover and vacancy savings.

The District continues to make efforts to reduce expenditures and recognize savings in the prior year to allow funds to flow to the subsequent year in order to balance the budget as expenditures continue to outpace revenues. Future budget processes will continue to address this trend as we develop plans for an ongoing, sustainable government that continues to meet the initiatives outlined in the District's strategic plan. 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.

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 2.8% to 5.2%. At June 30, 2016, the Internal Service Funds held \$35,910,826 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, 2016. The District's insurance coverages for fiscal year 2016 are substantially similar to those described in Note 10, with adjustments for cyber crime coverage.

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
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	1,492,459,284
2016	14,565,467,238	2,184,820,086	472,473,223	1,712,346,863
2017	15,708,997,534	2,356,349,630	463,306,659 ⁽²⁾	1,893,042,971 ⁽²⁾

(1) Includes assessed values for the Redevelopment Agencies.

(2) As of December 1, 2016, excludes the issuance of the Bonds.

Source: Nevada Department of Taxation, Property Tax Rates for Nevada Local Governments, fiscal years 2012 through 2017, 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, 2016 without taking the issuance of the Bonds 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	\$2,715,000
School Improvement Bonds, Series 2007C	05/01/07	65,000,000	8,280,000
School Building Bonds, Series 2008A	03/20/08	55,000,000	8,085,000
School Improvement Bonds, Series 2009A	02/18/09	45,000,000	10,055,000
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	8,715,000
Refunding Bonds, Series 2010B	04/01/10	13,700,000	4,055,000
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	30,715,000
School Improvement and Refunding Bonds, Series 2011A	07/06/11	43,450,000	30,160,000
School Improvement Bonds, Series 2011B	11/17/11	45,000,000	30,765,000
Refunding Bonds, Series 2012A	03/20/12	71,855,000	71,855,000
School Improvement Bonds, Series 2012C	10/23/12	45,000,000	43,620,000
Refunding Bonds, Series 2013	10/10/13	18,085,000	14,640,000
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	45,375,000
School Improvement and Refunding Bonds, Series 2016A	02/02/16	59,215,000	<u>59,215,000</u>
Total General Obligation Bonds			\$456,740,000
<u>MEDIUM-TERM GENERAL OBLIGATIONS⁽³⁾</u>			
Buses and Refunding Bonds, Series 2012B	03/20/12	3,935,000	315,000
Medium-Term Bus Bond	06/26/13	2,325,000	592,681
Medium-Term Bus Bond	06/10/14	2,325,000	1,182,000
Medium-Term Bus Bond	06/01/15	2,325,000	1,755,978
Medium-Term Bonds	04/26/16	3,100,000	<u>2,721,000</u>
Total Medium-Term General Obligations			<u>6,566,659</u>
Total General Obligation Debt			\$463,306,659

(1) As of December 1, 2016 (does not take the issuance of the Bonds 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 District. The ad valorem tax available to pay these bonds is limited to the \$3.64 statutory and the \$5.00 constitutional limit.

(3) General obligations secured by the full faith, and credit and payable from all legally available funds of the District. The ad valorem tax rate available to pay these bonds is limited to the statutory and the constitutional limit as well as to the District'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 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, 2016.

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, 2016. This table does not yet take the issuance of the Bonds into account. This table excludes medium-term bonds.

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

Fiscal Year Ended <u>June 30</u>	<u>General Obligation Bonds</u>		Expected <u>Subsidies</u> ⁽⁴⁾	Grand <u>Total</u> ⁽⁵⁾
	<u>Principal</u>	<u>Interest</u> ⁽³⁾		
2017	\$28,440,000	\$20,274,321	\$(1,516,609)	\$47,197,713
2018	29,565,000	19,094,494	(1,491,391)	47,168,103
2019	31,435,000	17,869,715	(1,381,993)	47,922,722
2020	33,040,000	16,609,849	(1,266,188)	48,383,661
2021	35,210,000	15,229,170	(1,143,671)	49,295,499
2022	37,290,000	13,667,571	(978,175)	49,979,397
2023	38,330,000	11,931,103	(802,622)	49,458,482
2024	39,285,000	9,974,938	(616,450)	48,643,489
2025	37,940,000	8,043,013	(417,516)	45,565,497
2026	34,905,000	6,157,421	(372,790)	40,689,631
2027	32,170,000	4,482,271	(372,790)	36,279,481
2028	20,555,000	2,991,668	--	23,546,669
2029	16,720,000	2,215,818	--	18,935,819
2030	13,105,000	1,574,818	--	14,679,819
2031	13,695,000	1,047,593	--	14,742,594
2032	5,305,000	465,443	--	5,770,444
2033	5,485,000	301,287	--	5,786,287
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	\$456,740,000	\$152,197,995	(\$10,360,195)	\$598,527,800

(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	441,946	1.2	2,897,585	1.9

Sources: United States Department of Commerce, Bureau of Census (1970-2010 as of April 1st), and Nevada State Demographer’s Office (2011-2015 estimates 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, 2017.

Age Distribution

<u>Age</u>	<u>Washoe County</u>	<u>State of Nevada</u>	<u>United States</u>
0-17	22.2%	23.0%	22.8%
18-24	9.1	8.8	9.7
25-34	14.4	13.9	13.4
35-44	12.3	13.4	12.6
45-54	12.9	13.3	13.1
55-64	13.2	12.4	12.9
65-74	10.1	9.4	9.1
75 and Older	5.8	5.8	6.4

Source: © 2017 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>
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
2017	48,320	47,914	48,043

(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*, 2013-2017.

Percent of Households by Effective Buying Income Groups – 2017 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	24.3%	22.6%	24.0%
\$25,000 - 49,999	27.3	29.7	28.2
\$50,000 - 74,999	20.5	21.2	19.3
\$75,000 - 99,999	13.4	13.3	13.0
\$100,000 - 124,999	6.3	5.9	6.0
\$125,000 - 149,999	3.0	2.7	3.5
\$150,000 or More	5.2	4.6	6.0

Source: © 2017 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>
2011	\$44,223	\$37,979	\$42,453
2012	42,734	39,178	44,267
2013	43,046	38,885	44,462
2014	44,778	40,490	46,414
2015	47,584	41,889	48,112

(1) County figures posted November 2016; state and national figures posted September 2016. 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	2011	2012	2013	2014	2015	2016 ⁽²⁾
Civilian Labor Force	221,688	221,432	222,043	223,863	228,227	231,465
Unemployment	27,901	24,406	20,894	16,938	14,244	12,052
Unemployment Rate ⁽¹⁾	12.6%	11.0%	9.4%	7.6%	6.2%	5.2%
Total Employment	193,787	197,026	201,149	206,925	213,983	219,523

(1) The U.S. unemployment rates for the years 2011 through 2015 are 8.9%, 8.1%, 7.4%, 6.2%, and 5.3%, respectively.

(2) Averaged labor force numbers through November 30, 2016.

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	2011	2012	2013	2014	2015	2016 ⁽²⁾
Natural Resources and Mining	0.3	0.3	0.3	0.2	0.2	0.2
Construction	8.8	9.0	10.0	11.6	12.9	14.0
Manufacturing	11.2	11.5	12.2	12.7	13.0	12.7
Trade (Wholesale and Retail)	29.9	29.8	30.5	31.0	31.9	32.8
Transportation, Warehousing and Utilities	12.3	13.0	13.2	14.6	15.9	17.4
Information	2.2	2.0	2.0	2.0	2.0	1.9
Financial Activities	8.9	9.0	9.5	9.5	10.0	10.3
Professional and Business Services	24.6	25.7	26.5	27.2	28.4	30.5
Education and Health Services	22.0	22.1	22.7	23.7	24.5	25.4
Leisure and Hospitality (casinos excluded)	19.4	19.2	19.9	20.6	21.8	22.3
Casino Hotels	14.9	14.7	14.7	14.7	14.4	14.6
Other Services	6.1	6.1	6.0	6.1	6.1	6.0
Government	<u>28.6</u>	<u>28.5</u>	<u>28.7</u>	<u>28.9</u>	<u>29.3</u>	<u>30.1</u>
Total ⁽³⁾	<u>189.1</u>	<u>190.9</u>	<u>196.1</u>	<u>202.7</u>	<u>201.4</u>	<u>218.2</u>

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

(2) Averaged numbers through November 30, 2016.

(3) Totals may not add due to rounding. All numbers are subject to periodic revision and are non-seasonally adjusted.

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 – 2016

<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	3,000-3,499	Hospital
Washoe County	2,500-2,999	Local government
Peppermill Hotel Casino - Reno	2,000-2,499	Casino hotel
St. Mary's Regional Medical Center	1,500-1,999	Hospital
International Game Technology	1,500-1,999	Manufacturing
Grand Sierra Resort and Casino	1,500-1,999	Casino hotel
Silver Legacy Resort Casino	1,500-1,999	Casino hotel
Atlantis Casino Resort	1,500-1,999	Casino hotel
Circus Circus Casinos Inc. - Reno	1,000-1,499	Casino hotel
Eldorado Hotel & Casino	1,000-1,499	Casino hotel
VA Sierra Nevada Health Care System	1,000-1,499	Hospital
City of Reno	1,000-1,499	Local government
Truckee Meadows Community College	1,000-1,499	Junior college

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>2nd Qtr</u> 2016	<u>2nd Qtr</u> 2015	<u>Percent Change</u> 2016/2015	<u>Employment Totals</u> 2 nd Qtr 2016
TOTAL NUMBER OF WORKSITES	14,688	13,739	6.9%	181,390
Less Than 10 Employees	11,104	10,235	8.5%	29,304
10-19 Employees	1,780	1,774	0.3	24,359
20-49 Employees	1,210	1,152	5.0	36,173
50-99 Employees	338	343	1.5	23,244
100-249 Employees	188	172	9.3	27,725
250-499 Employees	44	45	(2.2)	14,750
500-999 Employees	14	7	100.0	8,044
1,000+ Employees	10	11	(9.1)	17,791

(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

<u>Fiscal Year⁽¹⁾</u>	<u>Washoe County Total</u>	<u>Percent Change</u>	<u>State Total</u>	<u>Percent Change</u>
2012	\$5,522,605,351	--	\$42,954,750,131	--
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
2016	7,550,466,734	10.7	52,788,295,421	4.8
Sept. 2015	\$1,859,331,616	--	\$12,958,878,429	--
Sept. 2016	2,025,845,046	9.0%	13,839,196,328	6.8%

(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)

<u>Calendar Year</u>	<u>City of Reno</u>		<u>City of Sparks</u>		<u>Unincorporated Washoe County</u>		<u>Total Washoe County</u>	
	<u>Permits</u>	<u>Value</u>	<u>Permits</u>	<u>Value</u>	<u>Permits</u>	<u>Value</u>	<u>Permits</u>	<u>Value</u>
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	8,859	683,068	4,107	232,268	2,119	230,791	15,085	1,146,127
2016 ⁽¹⁾	8,158	841,985	2,100	186,281	1,594	211,256	11,852	1,239,522

(1) Permits issued through November 30, 2016 – Reno and Sparks; and through October 31, 2016 – Unincorporated Washoe.

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 2016 gaming revenue represents 7.4% of the State's total 2016 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
	State Total	County Total		State Total	County Total	
<u>June 30</u>						
2012	\$ 9,764,332,506	\$736,510,136	--	\$864,621,791	\$58,266,966	--
2013	10,208,528,371	743,348,616	0.9%	892,106,457	61,641,555	5.8%
2014	10,208,211,093	743,004,862	(0.1)	912,371,316	61,093,103	(0.9)
2015	10,511,527,575	765,147,408	3.0	909,857,085	61,900,579	1.3
2016	10,612,567,883	787,280,353	2.9	876,040,147	63,546,194	2.7
Jul 15-Oct 15	\$ 3,439,576,239	\$277,890,459	--	\$273,642,109	\$21,282,201	--
Jul 16-Oct 16	3,651,183,886	290,139,428	4.4%	269,346,887	22,302,740	4.8%

(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

Fiscal Year	<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>
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
2016	102	190,007	71	283,174	83	156,932	55	176,402

(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 sets forth 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 2015, the Airport served a total of 3.4 million passengers, an increase of 3.9% over 2014. The Airport reported a year-over-year annual passenger growth for the first time since 2005. During the first ten months of 2016, the Airport served 3.1 million

passengers, an increase of 6.5% over the same period in 2015. The rise in passenger traffic can be attributed to new flights and an increased seat capacity on certain routes. In addition, a growing regional economy is attracting more travelers to the region. The Airport also reported an overall 7.1% increase in air cargo pounds for the 2015 calendar year over 2014 – a 2015 total of 138.3 million pounds. During the first ten months of 2016, the Airport handled 126.1 million pounds of air cargo, an increase of 15.8% over 2015. The growth in industrial development areas such as the Tahoe-Reno Industrial Center continues to spur cargo growth in Northern Nevada.

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 May 1 and November 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 “Aa3” and “AA,” 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, 2016, 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 J.P. Morgan Securities LLC at a purchase price of \$59,140,437.50 (which is equal to the principal amount of the Bonds, plus original issue premium of \$4,475,353.95, less underwriting discount of \$334,916.45).

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, 2016

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, 2016. 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, 2016, 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 evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2016, 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.

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 21, the Schedule of Funding Progress – Other Postemployment Benefits and the Schedule of Employer Contributions – Other Postemployment Benefits on page 77, the Schedule of the District's Proportionate Share of the Net Pension Liability on page 75, and the Schedule of District Contributions to Public Employees' Retirement System of the State of Nevada on page 76, 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 Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, 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

We have previously audited, in accordance with accounting standards generally accepted in the United States of America, the basic financial statements of the District as of and for the year ended June 30, 2015 and have issued our report thereon dated October 28, 2015, which expressed an unmodified opinion on the respective financial statements of the governmental activities, the business-type 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, 2015, 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 2015 and 2014 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 2015 financial statements. The information has been subjected to the auditing procedures applied in the audit of the 2015 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 21, 2016, 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.



Reno, Nevada
October 21, 2016

**WASHOE COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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 increased by \$6.5 million to (\$244.3) million. The negative net position is due to reporting requirements 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)* which requires the District to record their proportionate share, \$617 million, of the net pension liability of the Public Employee's Retirement System of Nevada (PERS).
- Unrestricted net position increased by \$6.6 million to (\$554.3). The governmental activities pension liability contributed approximately \$18.6 million and the decrease in bonds payable contributed \$8.7 million. These increases were offset by decreases in governmental funds balances (\$7.8) million, internal service funds fund balances (\$4.5) million, other post-employment benefit net asset (\$4.6) million, capital assets (\$2.1) million, and other minor changes.
- The District's total revenues remained relatively unchanged at \$638.4 million, \$0.6 million higher than the prior year. The most significant revenues are local school support taxes (sales tax) at \$172.6 million, property taxes (Ad valorem) at \$149.9 million and operating grants and contributions at \$144.3 million.
- The District's total expenses increased by \$9.0 million to \$631.9 million. The most significant expenses were in regular instruction at \$214.8 million, special education instruction at \$79.5 million, operation and maintenance at \$46.6 million and other instruction (primarily grants) at \$71.7 million.
- Net capital assets decreased by (\$1.0) million to \$680 million. Major additions include \$11.8 million for school renewal, \$4.3 million for heating, ventilation and air conditioning, \$3.8 million for signature academies, \$3.1 million for roofing, and \$6.1 million for machinery and equipment. Depreciation expense totaling \$29.2 million is included in the government-wide statements.
- The District's general obligation bonds payable decreased by (\$11.5) million or 2.5%. This is the result of the issuance of \$59.2 million in school improvement and refunding bond debt, and (\$70.7) 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.

**WASHOE COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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 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 44 individual governmental funds of which the General, Special Education, Debt Service, 2016A Extended Bond Rollover, 2013 Bond Rollover, 2012 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, and 2007 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 31 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.

**WASHOE COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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 activities column in the government-wide statements.

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 67-71 of this report.

Notes to the Financial Statements

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



**WASHOE COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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	
	2016	2015	2016	2015	2016	2015
Assets						
Current and other assets \$	300,947,011	\$ 316,669,614	\$ 6,654,194	\$ 4,896,884	\$ 307,601,205	\$ 321,566,498
Net capital assets	677,490,846	679,662,364	2,509,309	1,320,171	680,000,155	680,982,535
Total assets	978,437,857	996,331,978	9,163,503	6,217,055	987,601,360	1,002,549,033
Deferred Outflows						
Deferred pension outflows	96,306,337	80,770,919	1,044,375	931,272	97,350,712	81,702,191
Deferred debt charges	21,221,989	17,979,452	-	-	21,221,989	17,979,452
Total deferred outflows	117,528,326	98,750,371	1,044,375	931,272	118,572,701	99,681,643
Liabilities						
Current liabilities	129,424,917	123,556,051	2,243,666	1,600,920	131,668,583	125,156,971
Long-term liabilities	1,104,838,692	1,066,844,265	7,086,949	6,612,059	1,111,925,641	1,073,456,324
Total liabilities	1,234,263,609	1,190,400,316	9,330,615	8,212,979	1,243,594,224	1,198,613,295
Deferred Inflows						
Deferred pension inflows	105,627,475	152,647,497	1,251,485	1,759,994	106,878,960	154,407,491
Deferred revenues	22,878	15,660	-	-	22,878	15,660
Total deferred inflows	105,650,353	152,663,157	1,251,485	1,759,994	106,901,838	154,423,151
Net Position						
Net investment in capital assets	254,317,380	272,308,952	2,509,309	1,320,171	256,826,689	273,629,123
Restricted	53,113,369	36,431,366	-	-	53,113,369	36,431,366
Unrestricted	(551,378,528)	(556,721,442)	(2,883,531)	(4,144,817)	(554,262,059)	(560,866,259)
Total net position	\$ (243,947,779)	\$ (247,981,124)	\$ (374,222)	\$ (2,824,646)	\$ (244,322,001)	\$ (250,805,770)

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

Net position. The District's total liabilities and deferred inflows exceeded total assets and deferred outflows by \$244.3 million at June 30, 2016. The governmental activities contributed about \$4.0 million and business-type activities contributed about \$2.5 million for a total increase in net position of \$6.5 million compared to June 30, 2015. The largest portion of net position, 226.8%, 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 (105.1%) 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.

**WASHOE COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

An additional portion of the District's assets, (21.7%), represents resources that are subject to external restrictions (statutory, bond covenants, or granting agency) on how they may be used.

Depicted in the following table are the District's revenues and expenses by type of activity. Total revenues increased by \$0.6 million due to an increase in business-type activities of \$1.2 million, offset by a decrease in governmental activities of (\$0.6) million. Total expenses increased by \$9.0 million in governmental activities and remained virtually unchanged in business-type activities.

WASHOE COUNTY SCHOOL DISTRICT'S STATEMENT OF ACTIVITIES

	Governmental activities		Business-type activities		Total	
	2016	2015	2016	2015	2016	2015
Revenues						
Program revenues						
Charges for services	\$ 374,777	\$ 734,126	\$ 5,013,414	\$ 5,114,179	\$ 5,388,191	\$ 5,848,305
Operating grants and contributions	124,865,058	124,163,127	19,467,673	18,265,743	144,332,731	142,428,870
Capital grants and contributions	1,622,405	6,895,801	147,921	-	1,770,326	6,895,801
General revenues						
Property taxes	149,875,357	142,690,871	-	-	149,875,357	142,690,871
Local school support taxes	172,555,705	160,841,132	-	-	172,555,705	160,841,132
Government services taxes	18,911,815	17,066,962	-	-	18,911,815	17,066,962
Franchise taxes	262,662	393,128	-	-	262,662	393,128
Unrestricted investment earnings	2,867,979	2,373,947	-	-	2,867,979	2,373,947
State aid not restricted to specific purposes	134,836,971	144,117,760	-	-	134,836,971	144,117,760
Other	7,569,312	15,100,481	-	-	7,569,312	15,100,481
Total revenues	\$ 613,742,041	\$ 614,377,335	\$ 24,629,008	\$ 23,379,922	\$ 638,371,049	\$ 637,757,257
Expenses						
Instruction						
Regular instruction	\$ 214,780,578	\$ 209,934,957	\$ -	\$ -	\$ 214,780,578	\$ 209,934,957
Special instruction	79,499,043	75,345,629	-	-	79,499,043	75,345,629
Vocational instruction	8,825,943	8,168,435	-	-	8,825,943	8,168,435
Other instruction	71,691,653	72,649,037	-	-	71,691,653	72,649,037
Adult education instruction	1,376,984	1,601,507	-	-	1,376,984	1,601,507
Community services instruction	673,217	651,169	-	-	673,217	651,169
Co-curricular instruction	3,675,047	3,689,717	-	-	3,675,047	3,689,717
Support services						
Instruction	38,960	35,809	-	-	38,960	35,809
Student support	29,079,179	27,993,022	-	-	29,079,179	27,993,022
Instructional staff support	15,848,393	15,515,544	-	-	15,848,393	15,515,544
General administration	6,507,319	6,616,360	-	-	6,507,319	6,616,360
School administration	34,306,095	33,643,481	-	-	34,306,095	33,643,481
Central services	23,116,811	24,305,036	-	-	23,116,811	24,305,036
Operation and maintenance	46,626,235	46,298,563	-	-	46,626,235	46,298,563
Student transportation	16,708,557	17,220,986	-	-	16,708,557	17,220,986
Other support	48,144	14,661	-	-	48,144	14,661
Community services operations	22,487	407,503	-	-	22,487	407,503
Nutrition services	-	-	23,028,584	23,006,828	23,028,584	23,006,828
Facilities	36,782,176	36,470,169	-	-	36,782,176	36,470,169
Interest on long-term debt	18,868,661	18,438,955	-	-	18,868,661	18,438,955
Issuance costs on debt	383,214	874,016	-	-	383,214	874,016
Total expenses	608,858,696	599,874,556	23,028,584	23,006,828	631,887,280	622,881,384
Transfers						
	(850,000)	-	850,000	-	-	-
Increase (decrease) in net position	4,033,345	14,502,779	2,450,424	373,094	6,483,769	14,875,873
Net position, beginning	(247,981,124)	384,685,984	(2,824,646)	4,263,994	(250,805,770)	388,949,978
Prior year restatement	-	(647,169,887)	-	(7,461,734)	-	(654,631,621)
Net position, ending (as restated)	\$ (243,947,779)	\$ (247,981,124)	\$ (374,222)	\$ (2,824,646)	\$ (244,322,001)	\$ (250,805,770)

Governmental activities. Governmental activities contributed \$4.0 million to the District's net position for fiscal year 2016 as a result of revenues exceeding expenses. Key elements of the changes are noted on the following table and graphs.

Revenues

**WASHOE COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Total revenues decreased from fiscal year 2015 by (0.1%). Revenues are divided into program revenues and general revenues in the following table. 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 20.7% of the total revenues and are used to pay costs of providing program services. Program revenues as a whole decreased by (\$4.9) million compared to last year. Charges for services for community education decreased (\$0.3) million or (100.0%) as this program was discontinued, and revenues for summer school decreased (10.7%) as an increasing number of students participated in credit recovery and enrichment during breaks as part of the balanced calendar. Operating grants and contributions increased \$0.7 million or 0.6%, and capital grants and contributions decreased by (\$5.3) million or (76.5%) due to decreased funding for portable classrooms.

GOVERNMENTAL ACTIVITIES – CHANGES IN REVENUES

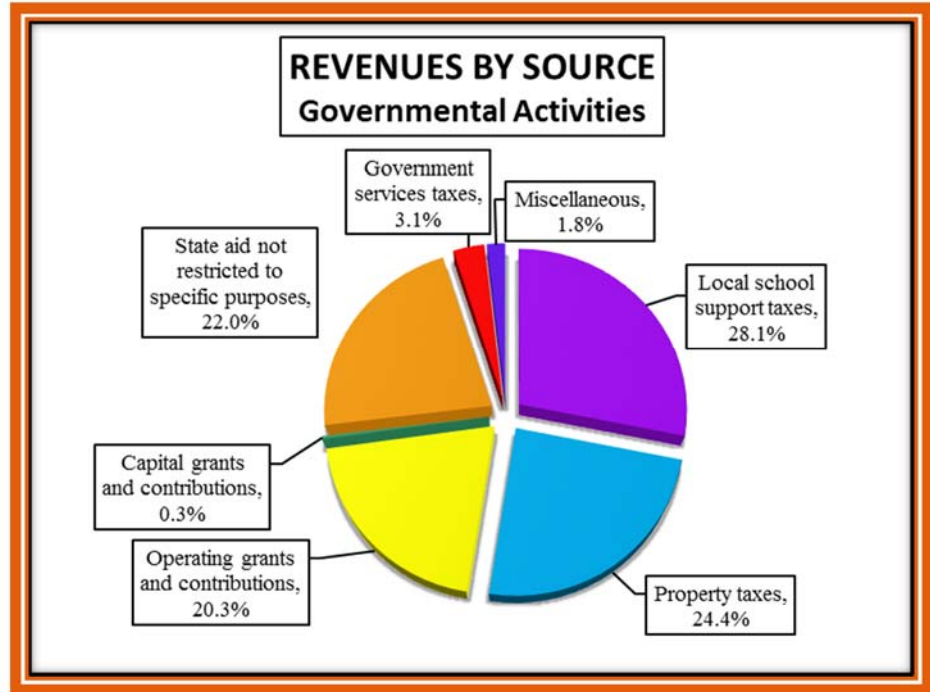
Revenues	2016	2015	Inc / (Dec) from 2015	% Inc / (Dec) from 2015
Program revenues				
Charges for services	\$ 374,777	\$ 734,126	\$ (359,349)	(48.9)
Operating grants and contributions	124,865,058	124,163,127	701,931	0.6
Capital grants and contributions	1,622,405	6,895,801	(5,273,396)	(76.5)
General revenues				
Property taxes	149,875,357	142,690,871	7,184,486	5.0
Local school support taxes	172,555,705	160,841,132	11,714,573	7.3
Government services taxes	18,911,815	17,066,962	1,844,853	10.8
Franchise taxes	262,662	393,128	(130,466)	(33.2)
Unrestricted investment earnings	2,867,979	2,373,947	494,032	20.8
State aid not restricted to specific purposes	134,836,971	144,117,760	(9,280,789)	(6.4)
Other	7,569,312	15,100,481	(7,531,169)	(49.9)
Total revenues	\$ 613,742,041	\$ 614,377,335	\$ (635,294)	(0.1)

General revenues of governmental activities comprise 79.3% of total revenues and are used to pay the costs of providing non-program services and operations. General revenues increased 0.9% from the prior fiscal year. The District experienced decreases in franchise taxes (33.2%), state aid not restricted to specific purposes (6.4%), and other revenues (49.9%); and increases in all other categories.

- ❑ The largest and main general revenue sources for the District are local school support taxes of \$172.6 million, property taxes of \$149.9 million and state aid not restricted to specific purposes of \$134.8 million. These revenues represent 74.5% of total governmental revenues for the current fiscal year.
- ❑ Local school support taxes increased 7.3% primarily due to increases in sales tax collections in Nevada as a result of some economic improvement.
- ❑ Ad Valorem taxes increased 5.0% from the prior year due to higher property tax collections and increases in assessed valuations.
- ❑ State revenue, as provided in the Nevada Plan (State aid guaranteed funding), decreased (6.4%). The legislatively guaranteed state funding rate for fiscal year 2016 was \$5,612 per student compared to \$5,582 per student in fiscal year 2015. Increases in local school support taxes and property taxes decreased state aid by approximately \$14.1 million.
- ❑ Government services taxes increased 10.8% due to higher motor vehicle tax collections.

**WASHOE COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

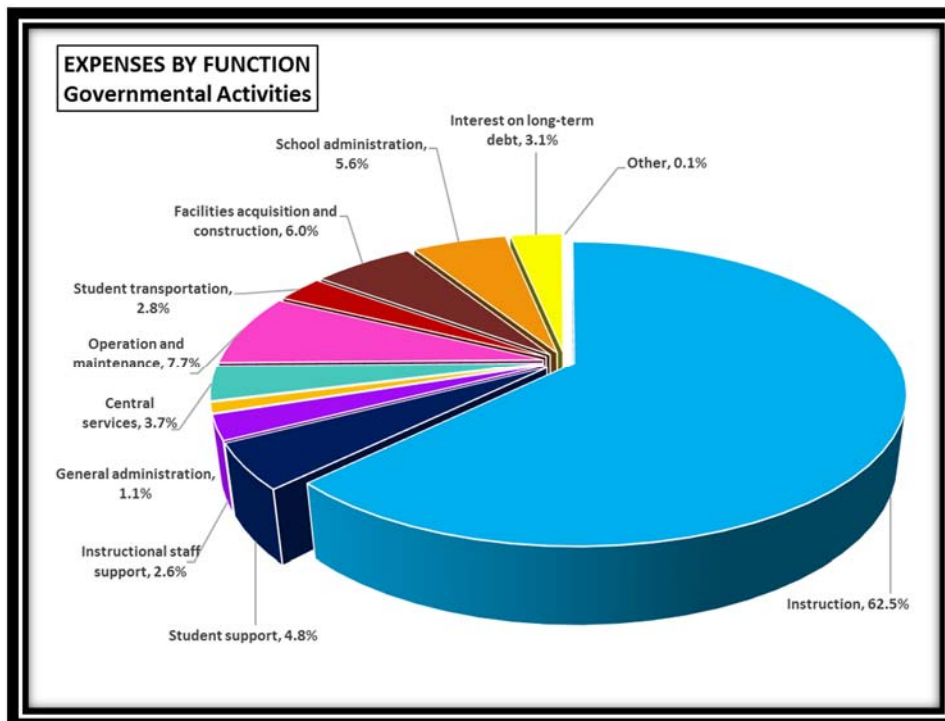
Below is a graph of revenues by source for governmental activities:



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 62.5% of all governmental fund expenses with 77.3% of instruction dollars spent for regular and special instruction.



**WASHOE COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

The remaining 37.5% 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 20.4%, facilities acquisition and construction at 16.1%, and school administration at 15.0% of total support services expenses.

Total instruction costs were up 2.3% from the prior fiscal year due to increased funding in special and vocational instruction programs, scheduled salary step increases, and results of negotiations with the different bargaining units.

Vocational instruction costs increased by approximately 8% due to increased state funding; and adult education instruction decreased (\$0.2) million or (14.0%) due to decreased state funding.

Other instruction program expenses decreased about (\$1.0) million (1.3%) as a result of decreased funding for Title I, Tuition Based Full Day Kindergarten, Early Childhood, Reading Improvement, Twenty First Century, and Other State Agency Grants; offset by increased funding for Full Day Kindergarten.

Facilities and interest on long-term debt expenses increased slightly over last year.

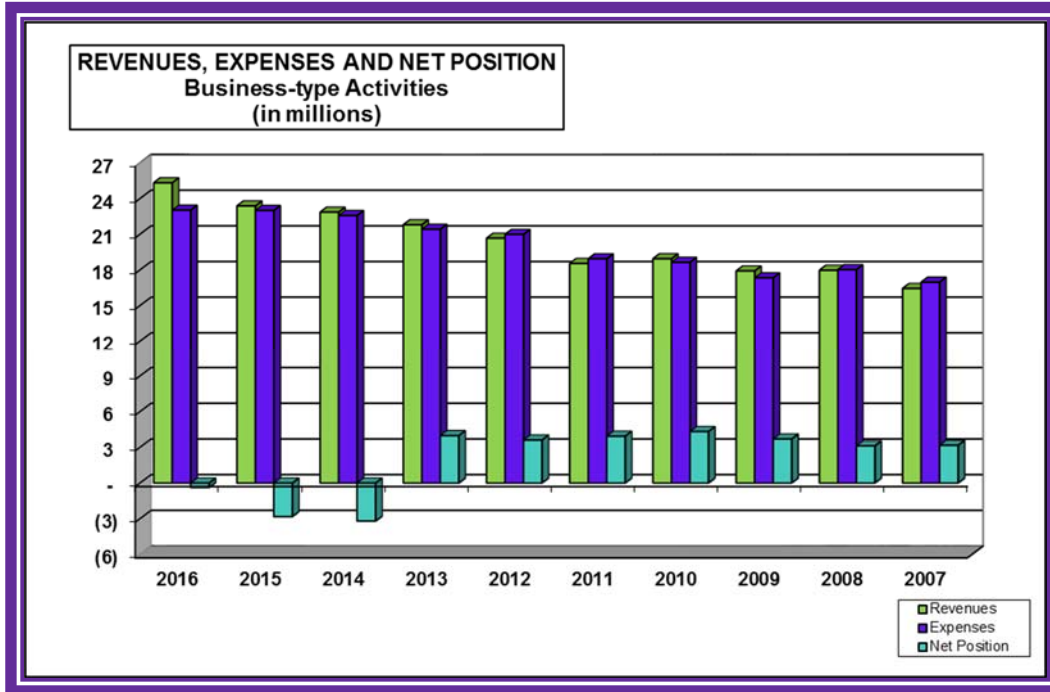
GOVERNMENTAL ACTIVITIES – CHANGES IN EXPENSES BY FUNCTION

Expenses	2016	2015	Inc / (Dec) from 2015	% Inc / (Dec) from 2015
Instruction				
Regular instruction	\$ 214,780,578	\$ 209,934,957	\$ 4,845,621	2.3
Special instruction	79,499,043	75,345,629	4,153,414	5.5
Vocational instruction	8,825,943	8,168,435	657,508	8.0
Other instruction	71,691,653	72,649,037	(957,384)	(1.3)
Adult education instruction	1,376,984	1,601,507	(224,523)	(14.0)
Community services instruction	673,217	651,169	22,048	3.4
Co-curricular instruction	3,675,047	3,689,717	(14,670)	(0.4)
Total instruction	380,522,465	372,040,451	8,482,014	2.3
Support services				
Instruction	38,960	35,809	3,151	8.8
Student support	29,079,179	27,993,022	1,086,157	3.9
Instructional staff support	15,848,393	15,515,544	332,849	2.1
General administration	6,507,319	6,616,360	(109,041)	(1.6)
School administration	34,306,095	33,643,481	662,614	2.0
Central services	23,116,811	24,305,036	(1,188,225)	(4.9)
Operation and maintenance	46,626,235	46,298,563	327,672	0.7
Student transportation	16,708,557	17,220,986	(512,429)	(3.0)
Other support	48,144	14,661	33,483	228.4
Community services operations	22,487	407,503	(385,016)	(94.5)
Facilities	36,782,176	36,470,169	312,007	0.9
Interest on long-term debt	18,868,661	18,438,955	429,706	2.3
Issuance costs on debt	383,214	874,016	(490,802)	(56.2)
Total support services	228,336,231	227,834,105	502,126	0.2
Total expenses	\$ 608,858,696	\$ 599,874,556	\$ 8,984,140	1.5

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 \$2.5 million.

**WASHOE COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Total revenues for nutrition services are comprised of charges for services – 20.4%, federal subsidies – 72.3%, contributions of commodity food products – 6.4%, and state and federal grants and state matching funds – 0.9%. The majority of expenses in the business-type activities are for food and supplies 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 \$158.7 million, a decrease of (\$7.8) million from the prior year. Of this total, \$1.2 million or 0.7% is *nonspendable fund balance* (inventories and prepaids), \$98.8 million or 62.3% constitutes *restricted fund balance* (constrained, typically by creditors, grantors, contributors, laws or legislation, to being used for a specific purpose), \$6.5 million or 4.1% is *committed fund balance* (constrained by action by the Board of Trustees to be used for a specific purpose), and \$52.2 million or 32.9% is *assigned fund balance* (amounts intended to be used for a specific purpose). The (\$31,393) *unassigned fund balance* (available for any purpose) is an offset of the amounts reported as prepaids in the special revenue funds at June 30, 2016 because these funds have no ending fund balance. A detailed discussion of the fund balance reporting is provided in Note 7 on pages 61-62 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

**WASHOE COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

revenue fund. Although reported separately, any deficiencies of revenues under expenditures in the Special Education Fund are compensated for through a transfer from the General Fund. The transfer from the General Fund to cover special education expenditures in fiscal year 2016 was \$32.8 million. This is an increase of 3.2% over 2015 as special education instruction and transportation costs increased as a result of the enrollment growth of students qualifying for special education services. Because of the size and relationship of the Special Education Fund to the General Fund, it is included in the analysis below.

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

	<u>2016</u>	<u>2015</u>
Salaries	\$ 293,069,439	\$ 287,566,995
Benefits	120,531,694	111,440,495
Purchased services	17,545,513	17,508,031
Supplies	24,446,772	25,305,350
Property	3,858,042	3,954,823
Other	1,002,254	952,275
Totals	<u>\$ 460,453,714</u>	<u>\$ 446,727,969</u>

- ❑ Salaries comprise 63.6% of total expenditures. School districts by their nature are labor intensive.
- ❑ Employee benefits averaged 41.1% of salaries and 26.2% 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 10.2% 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 unchanged from fiscal year 2015 at \$1.1 million, and assigned fund balance was \$52.2 million compared to \$60.1 million in the previous year. The total fund balance was \$53.3 million compared to \$61.2 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 13.3% of total fund expenditures as compared to 15.7% in the prior fiscal year. It is also important to note that the General Fund has no unassigned fund balance at June 30, 2016, 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 \$428.3 million increased from the prior year revenue by \$8.0 million or 1.9%. Increases of 7.3% in local school support taxes, 4.2% in ad valorem taxes, 10.8% in government services taxes, and 84.8% in earnings on investments were partially offset by decreases in the distributive school fund (6.4%), indirect costs (16.7%), grant administration (100%), and other minor categories.

**WASHOE COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

- ❑ Total expenditures of \$401.7 million increased from the prior year by \$11.2 million or 2.9%. The \$11.2 million increase is due to salaries and benefits which increased \$12.2 million or 3.5%. Scheduled step increases and negotiated cost of living increases by all of our bargaining groups account for \$4.6 million, and increases in the PERS contribution rates of 2.25%, and health insurance premiums of 5.0%, in addition to other payroll related benefit increases account for \$7.6 million.
- ❑ Operating (non-salary) categories decreased by (\$1.0) million or (2.2%) from the prior year. The largest decrease (\$0.8) million was in supplies with expenses in instruction consistent with 2015 and decreases for support services such as for operation and maintenance and student transportation. Expenditures for purchased services and capital assets were also lower by approximately \$250 thousand from the prior year.
- ❑ The excess of revenues over expenditures was \$26.6 million. There were no Transfers in from other funds this year compared to \$7.5 million for Class Size Reduction in the prior year, and Transfers out to other funds were \$37.7 million. Significant transfers include \$32.8 million to the Special Education Fund, \$3.3 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 \$58.7 million, an increase from the prior year of \$2.6 million or 4.6%. All fund resources were from State aid of \$25.9 million and transfers from the General Fund of \$32.8 million.

The Debt Service Fund has a total fund balance of \$24.5 million, all of which is restricted for the payment of debt service. The fund balance increased by \$4.0 million as a result of increased property tax collections and decreased principal and interest payments due to strategic refinancing actions in prior years.

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 for an additional 10 years. 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 Public Schools Overcrowding and Repair Needs Committee was created by the 2015 Nevada legislature to solve the capital needs funding problem for the District. This committee is entirely independent from the school district and, after much research and due diligence, developed

**WASHOE COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

question WC-1 proposing a ½ percent sales and use tax levy that will be included on the November 2016 ballot for voter consideration.

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:

The 2016A Extended Bond Rollover Fund issuance in February 2016 for \$20 million is being used primarily for safety and security projects, student housing and overcrowding relief, advanced planning, and various capital renewal projects. During FY15/16 expenditures of approximately \$1.5 million included \$0.5 million for student housing and overcrowding relief (13% expended), \$0.8 for capital renewal projects (20.7% expended), and \$0.2 million for bond issuance costs. The ending fund balance on June 30, 2016 of \$20.1 million consists of unspent bond proceeds and investment income.

The 2013 Bond Rollover Fund issuance in October 2012 for \$45 million is being used primarily for revitalizations and capital renewal projects. During FY 15/16, expenditures of \$8.9 million included \$2.6 million for technology upgrades (93.9% expended), \$0.2 million for site acquisition, \$2.4 million for school revitalizations (40.1% expended) and \$3.7 million for capital renewal projects (16.8% expended). The ending fund balance on June 30, 2016 of \$27.4 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 15/16, expenditures of approximately \$10.4 million included \$0.4 million for site acquisition, \$3.9 million for school revitalizations including \$3.5 million for signature academies (48% expended), \$4.7 million for capital renewal including

\$1.2 million for door hardware replacements and upgrades (79.9% expended), and \$1.4 million for program administration (77.4% expended). The ending fund balance on June 30, 2016 of \$11.5 million consists of unspent bond proceeds and investment income.

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 15/16, expenditures of approximately \$3.3 million included \$2.5 million for revitalizations (99.3% expended), and \$0.4 million for various capital renewal projects (92.2% expended), and \$0.4 million for program administration (52.3% expended). The ending fund balance on June 30, 2016 of \$1.2 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 15/16, \$34,000 was spent on infrastructure upgrades (100% expended), site acquisition, and revitalizations

**WASHOE COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

(46.9% expended). The ending fund balance on June 30, 2016 of \$0.7 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 15/16, expenditures of \$1.2 million were incurred for infrastructure improvements (99.8% expended), revitalizations (72.7% expended) and capital renewal projects (94.3% expended). The ending fund balance on June 30, 2016 of \$1.9 million consists of unspent bond proceeds and investment income.

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 15/16, approximately \$0.2 million was expended for technology upgrades (100% expended), revitalizations (99.6% expended), and capital renewal projects (96.1% expended). The \$0.4 million ending fund balance on June 30, 2016 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 15/16 were approximately \$1 million which included \$0.1 million for information technology projects (96.1% expended), capital renewal projects (99.3% expended), and administrative costs (100% expended); \$0.1 million for site acquisition, and \$0.8 million for revitalization (99.9% expended). The ending fund balance on June 30, 2016 is \$0.3 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 15/16, expenditures of \$0.3 million were incurred for site acquisition, school revitalizations (99.9% expended) and capital renewal projects (100% expended). The ending fund balance on June 30, 2016 of \$4,000 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, continued renovation of the District's existing facilities, acquisition of mobile classrooms and various technology upgrades. During FY 15/16, expenditures totaled \$1.2 million and included \$0.5 million for revitalization (94.4% expended) and \$0.7 million for capital renewal projects (73.5% expended). The June 30, 2016 ending fund balance of \$1.7 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, 2016**

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 \$21.3 million. The Health Insurance Fund has an ending net position of \$12.3 million compared to \$15.6 million in the prior year; the Property and Casualty Fund has an ending balance of \$5.1 million compared to the prior year of \$5.9 million; and the Workers' Compensation Fund finished the year with a balance of \$3.9 million compared to \$4.2 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 position balance of (\$0.4) million compared to (\$2.8) 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. Because of a legislative year, the District is allowed to adopt an amended final budget within 30 days of the legislative adjournment. The District is also required to amend the budget by January 1 of the fiscal year to reflect the first quarter average daily 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 actually become available during the year that exceed those estimated.

The amended final budget for the District was approved on June 23, 2015 and addressed a \$29.6 million dollar budget shortfall. The shortfall was due to decreased opening fund balance, contractual obligations for salary rollups and retirement cost increases, sunset of a waiver

to allow larger class sizes in grades 1–3, restoration of a health insurance premium holiday and restoration of a waiver for textbook purchases.

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. These reserves were used to balance the fiscal year 2015-16 budget deficit along with additional State per-pupil funding, additional ad valorem taxes, reduction of OPEB costs and other cost reductions.

The District augmented the budget on December 8, 2015 by \$22.3 million. Opening fund balances accounted for \$23.1 million while actual enrollment not meeting projected enrollment reduced State per pupil funding by \$0.8 million. The majority of the increased opening balance (\$12.5 million) was applied to the ending fund balance for subsequent year's budget uncertainties and the remainder (\$10.6 million) was applied to expenditure categories for negotiated agreements, encumbrances, carryover of general supply appropriations and special education compliance.

**WASHOE COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

A final augmentation of \$3.1 million was approved on June 21, 2016 by recognizing lease proceeds to purchase buses for \$2.3 million and replace vehicles for \$0.8 million. In addition, transfers to and from various categories were recognized.

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

GENERAL FUND BUDGET ADJUSTMENTS

	2016 BUDGET		
	ORIGINAL	FINAL	DIFFERENCE
REVENUES			
Local sources	\$ 283,351,931	\$ 283,351,931	\$ -
State sources	142,200,938	141,403,675	(797,263)
Federal sources	581,000	581,000	-
Total revenues	<u>426,133,869</u>	<u>425,336,606</u>	<u>(797,263)</u>
OTHER FINANCING SOURCES			
Medium-term financing	-	3,095,000	3,095,000
Proceeds from sale of property	65,000	65,000	-
FUND BALANCE, July 1	<u>39,211,927</u>	<u>61,206,550</u>	<u>21,994,623</u>
TOTAL SOURCES	<u>\$ 465,410,796</u>	<u>\$ 489,703,156</u>	<u>\$ 24,292,360</u>
EXPENDITURES			
Current			
Regular programs	\$ 205,022,797	\$ 203,132,885	\$ (1,889,912)
Special programs	5,309,817	5,909,983	600,166
Vocational programs	6,221,434	6,424,310	202,876
Other instructional programs	15,026,856	15,019,830	(7,026)
Co-curricular programs	3,900,883	4,178,777	277,894
Undistributed expenditures			
Student support	28,980,485	30,303,199	1,322,714
Instructional staff support	17,018,562	16,537,300	(481,262)
General administration	6,942,524	6,835,464	(107,060)
School administration	33,546,277	35,209,031	1,662,754
Central services	22,723,910	23,085,577	361,667
Operation and maintenance	48,002,459	49,719,344	1,716,885
Student transportation	14,734,750	19,780,104	5,045,354
Total expenditures	<u>407,430,754</u>	<u>416,135,804</u>	<u>8,705,050</u>
OTHER FINANCING USES			
Contingency	1,093,277	821,985	(271,292)
Transfers out	<u>38,877,833</u>	<u>42,197,948</u>	<u>3,320,115</u>
Total other financing uses	<u>39,971,110</u>	<u>43,019,933</u>	<u>3,048,823</u>
FUND BALANCE, June 30	<u>18,008,932</u>	<u>30,547,419</u>	<u>12,538,487</u>
TOTAL APPLICATIONS	<u>\$ 465,410,796</u>	<u>\$ 489,703,156</u>	<u>\$ 24,292,360</u>

**WASHOE COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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, 2016 amounts to \$680 million (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements other than buildings, machinery and equipment, and construction in progress. The total decrease in the District's net capital assets for the current fiscal year was (0.1%).

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

	<u>2016</u>	<u>2015</u>
Governmental Activities		
Land	\$ 38,933,306	\$ 38,192,168
Construction in progress	17,778,230	9,304,113
Buildings	574,659,525	585,177,959
Improvements other than buildings	20,932,264	21,457,682
Machinery and equipment	25,187,521	25,530,442
Total	<u>\$ 677,490,846</u>	<u>\$ 679,662,364</u>
Business-type Activities		
Machinery and equipment	<u>\$ 2,509,309</u>	<u>\$ 1,320,171</u>

Major capital additions this fiscal year included:

School updates	\$ 11.8 million	Machinery/Equipment	\$6.1 million
HVAC updates	4.3 million	Signature academies	3.8 million
Roofing	3.1 million		

Additional information on the District's capital assets can be found in Note 5 on pages 57-58 of this report.

The District's outstanding debt decreased by (\$11.9) 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>2016</u>	<u>2015</u>
General obligation bonds	\$ 457,515,000	\$ 469,000,000
Medium-term debt	6,646,418	5,298,250
Qualified zone academy bonds	-	1,782,098
Total	<u>\$ 464,161,418</u>	<u>\$ 476,080,348</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 \$2.2 billion, which is significantly in excess of the District's outstanding general

**WASHOE COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

obligation debt. Additional information on the District's long-term debt can be found in Note 6 on pages 58-60 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 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 budget process for fiscal year 2016-17 was similar to the prior year's approach, whereby the District utilized a combination of incremental, site-based, zero-based, and outcome-focused budgeting methods. The District's executive leadership conducted meetings with their departments and schools to review and prioritize their respective budgets, and to ensure alignment with the District's strategic plan and the department and school's goals and objectives. An extensive review of staffing allocations was conducted as well as realignment and repurposing of the existing sources. Strategies to resolve the budget shortfall were also developed. In addition, Board budget work sessions and town hall budget meetings were held to communicate the budget situation and obtain public and employee feedback.

The basic budget process for the General Fund began in November of the prior fiscal year with a forecast of anticipated resources (revenues and opening fund balances) and applications (expenditures and ending fund balances). Major budget considerations included the following: various increased revenues and enrollment growth; impact of the property tax cap; decrease of opening fund balance; use of prior year ending fund balance; contractual obligations related to negotiated step increases and other negotiated salary increases; health insurance increase; OPEB (Other Post-Employment Benefit) considerations; use of turnover and vacancy savings; costs related to enrollment growth and strategic plan implementation; emphasis on special education support; and other budget alterations.

During this process there were still uncertainties regarding the impact of the legislation to the District's general fund budget. Considerations had to be made regarding a new State per-pupil funding formula based on quarterly average daily enrollment rather than a single count day enrollment, new weighted funding formula for special education funding, impact due to elimination of full day kindergarten from State Zoom (ELL) funding, impact of State funding for Class Size Reduction and Full Day Kindergarten, additional support for special education programs and final adjustment related to ad valorem tax projections.

After considering and prioritizing all factors related to the budget, the total revenue and other sources were \$18.8 million more than the prior fiscal year while expenditures were \$26.1 million more. The difference of \$7.3 million was offset by an increase in opening fund balance of \$6.3 million and use of ending fund balance assignments of \$1.0 million.

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.

**WASHOE COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

The Legislative approval for the continuance of the District's rollover bonding has provided some relief for capital renewal as bonds were issued in the current fiscal year. The Legislature also 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-year-round calendars, flexible schedules, double sessions and other methods to relieve overcrowding.

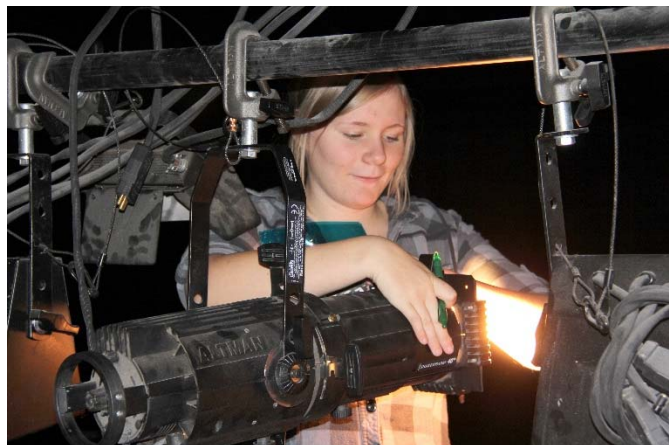
The District continues to make efforts to reduce expenditures and recognize savings in the current year to allow funds to flow to the subsequent year in order to balance the budget as expenditures continue to outpace revenues. Future budget processes will continue to address this trend as we develop plans for an ongoing, sustainable government that continues to meet the initiatives outlined in the District's strategic plan.

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, 2016 this report will be available 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, 2016**

	<u>GOVERNMENTAL ACTIVITIES</u>	<u>BUSINESS-TYPE ACTIVITIES</u>	<u>TOTAL</u>
ASSETS			
Current assets			
Cash and investments	\$ 187,183,072	\$ 2,501,633	\$ 189,684,705
Receivables			
Property taxes	3,191,805	-	3,191,805
Interest	120,327	-	120,327
Grants	12,326,038	-	12,326,038
Miscellaneous	7,119,343	3,145,426	10,264,769
Due from other governments	45,460,111	-	45,460,111
Prepays	36,451	674	37,125
Inventories	1,121,880	1,006,461	2,128,341
Total current assets	<u>256,559,027</u>	<u>6,654,194</u>	<u>263,213,221</u>
Noncurrent assets			
Other postemployment benefits asset	44,387,984	-	44,387,984
Capital assets			
Land and construction in progress	56,711,536	-	56,711,536
Other capital assets, net of depreciation	620,779,310	2,509,309	623,288,619
Total noncurrent assets	<u>721,878,830</u>	<u>2,509,309</u>	<u>724,388,139</u>
Total assets	<u>978,437,857</u>	<u>9,163,503</u>	<u>987,601,360</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources related to pension	96,306,337	1,044,375	97,350,712
Deferred debt retirement charges	21,221,989	-	21,221,989
Total deferred outflows of resources	<u>117,528,326</u>	<u>1,044,375</u>	<u>118,572,701</u>
Total assets and deferred outflows of resources	<u>1,095,966,183</u>	<u>10,207,878</u>	<u>1,106,174,061</u>
LIABILITIES			
Current liabilities			
Accounts payable	10,508,412	1,392,606	11,901,018
Accrued liabilities	36,955,123	352,912	37,308,035
Construction contracts payable	8,073,670	1,617	8,075,287
Interest payable	2,055,198	-	2,055,198
Due to other governments	614,545	-	614,545
Unearned revenue	2,385,168	496,531	2,881,699
Current portion of long-term obligations	68,832,801	-	68,832,801
Total current liabilities	<u>129,424,917</u>	<u>2,243,666</u>	<u>131,668,583</u>
Noncurrent liabilities			
General obligation bonds payable	501,048,963	-	501,048,963
Other long-term debt payable	6,646,418	-	6,646,418
Accrued compensated absences	30,710,875	-	30,710,875
Accrued early separation incentive stipends	800	-	800
Accrued self-insurance pending claims	13,991,802	-	13,991,802
Other postemployment benefits liability	3,885,225	-	3,885,225
Pension benefit liability	617,387,410	7,086,949	624,474,359
Less: current portion of long-term obligations	(68,832,801)	-	(68,832,801)
Total noncurrent liabilities	<u>1,104,838,692</u>	<u>7,086,949</u>	<u>1,111,925,641</u>
Total liabilities	<u>1,234,263,609</u>	<u>9,330,615</u>	<u>1,243,594,224</u>

(CONTINUED)

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

**WASHOE COUNTY SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2016**

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources related to pension	\$ 105,627,475	\$ 1,251,485	\$ 106,878,960
Deferred revenues	22,878	-	22,878
Total deferred inflows of resources	105,650,353	1,251,485	106,901,838
Total liabilities and deferred inflows of resources	1,339,913,962	10,582,100	1,350,496,062
NET POSITION			
Net investment in capital assets	254,317,380	2,509,309	256,826,689
Restricted for			
Debt service	22,892,431	-	22,892,431
Capital projects	8,953,910	-	8,953,910
Self-insurance activities	21,267,028	-	21,267,028
Unrestricted	(551,378,528)	(2,883,531)	(554,262,059)
Total net position	\$ (243,947,779)	\$ (374,222)	\$ (244,322,001)

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, 2016**

FUNCTIONS/PROGRAMS	PROGRAM REVENUES		
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS
Governmental activities			
Instruction			
Regular instruction	\$ 214,780,578	\$ -	\$ 18,485,136
Special instruction	79,499,043	-	41,745,442
Vocational instruction	8,825,943	-	2,798,386
Other instruction	71,691,653	374,777	58,211,367
Adult education instruction	1,376,984	-	1,393,257
Community services instruction	673,217	-	676,053
Co-curricular instruction	3,675,047	-	-
Total instruction	<u>380,522,465</u>	<u>374,777</u>	<u>123,309,641</u>
Support services			
Instruction	38,960	-	38,550
Student support	29,079,179	-	333,782
Instructional staff support	15,848,393	-	68,928
General administration	6,507,319	-	481,261
School administration	34,306,095	-	-
Central services	23,116,811	-	13,959
Operation and maintenance	46,626,235	-	4,796
Student transportation	16,708,557	-	614,141
Other support	48,144	-	-
Community services operations	22,487	-	-
Facilities	36,782,176	-	-
Interest on long-term debt	18,868,661	-	-
Issuance costs on debt	383,214	-	-
Total support services	<u>228,336,231</u>	<u>-</u>	<u>1,555,417</u>
Total governmental activities	<u>608,858,696</u>	<u>374,777</u>	<u>124,865,058</u>
Business-type activities			
Nutrition services	23,028,584	5,013,414	19,467,673
Total business-type activities	<u>23,028,584</u>	<u>5,013,414</u>	<u>19,467,673</u>
Total school district	<u>\$ 631,887,280</u>	<u>\$ 5,388,191</u>	<u>\$ 144,332,731</u>

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
- State aid not restricted to specific purposes
- State aid special appropriations
- Other local sources
- Federal aid not restricted to specific purposes

Transfers

Total general revenues and transfers

Change in net position

NET POSITION - July 1

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
\$ 16,981	\$ (196,278,461)	\$ -	\$ (196,278,461)
-	(37,753,601)	-	(37,753,601)
-	(6,027,557)	-	(6,027,557)
364,060	(12,741,449)	-	(12,741,449)
-	16,273	-	16,273
-	2,836	-	2,836
-	(3,675,047)	-	(3,675,047)
<u>381,041</u>	<u>(256,457,006)</u>	<u>-</u>	<u>(256,457,006)</u>
-	(410)	-	(410)
-	(28,745,397)	-	(28,745,397)
-	(15,779,465)	-	(15,779,465)
-	(6,026,058)	-	(6,026,058)
-	(34,306,095)	-	(34,306,095)
-	(23,102,852)	-	(23,102,852)
-	(46,621,439)	-	(46,621,439)
-	(16,094,416)	-	(16,094,416)
-	(48,144)	-	(48,144)
-	(22,487)	-	(22,487)
1,241,364	(35,540,812)	-	(35,540,812)
-	(18,868,661)	-	(18,868,661)
-	(383,214)	-	(383,214)
<u>1,241,364</u>	<u>(225,539,450)</u>	<u>-</u>	<u>(225,539,450)</u>
<u>1,622,405</u>	<u>(481,996,456)</u>	<u>-</u>	<u>(481,996,456)</u>
<u>147,921</u>	<u>-</u>	<u>1,600,424</u>	<u>1,600,424</u>
<u>147,921</u>	<u>-</u>	<u>1,600,424</u>	<u>1,600,424</u>
\$ <u>1,770,326</u>	<u>(481,996,456)</u>	<u>1,600,424</u>	<u>(480,396,032)</u>
	97,971,968	-	97,971,968
	51,903,389	-	51,903,389
	172,555,705	-	172,555,705
	15,021,923	-	15,021,923
	3,889,892	-	3,889,892
	262,662	-	262,662
	2,867,979	-	2,867,979
	134,836,971	-	134,836,971
	187,425	-	187,425
	7,034,497	-	7,034,497
	347,390	-	347,390
	(850,000)	850,000	-
	<u>486,029,801</u>	<u>850,000</u>	<u>486,879,801</u>
	4,033,345	2,450,424	6,483,769
	<u>(247,981,124)</u>	<u>(2,824,646)</u>	<u>(250,805,770)</u>
\$ <u>(243,947,779)</u>	\$ <u>(374,222)</u>	\$ <u>(244,322,001)</u>	

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

**WASHOE COUNTY SCHOOL DISTRICT
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2016**

	<u>GENERAL FUND</u>	<u>SPECIAL EDUCATION FUND</u>	<u>DEBT SERVICE FUND</u>	<u>2016A EXTENDED BOND ROLLOVER FUND</u>	<u>2013 BOND ROLLOVER FUND</u>
ASSETS					
Cash and investments	\$ 31,336,883	\$ 4,161,533	\$ 24,381,641	\$ 20,852,626	\$ 30,183,924
Receivables					
Property taxes	2,715,166	-	476,639	-	-
Interest	16,159	-	89,349	35	-
Grants	-	-	-	-	-
Miscellaneous	925,156	24,702	-	-	159
Due from other funds	6,989,819	-	-	-	-
Due from other governments	44,899,087	-	-	-	-
Prepays	5,058	-	-	-	-
Inventories	1,121,880	-	-	-	-
	<u>88,009,208</u>	<u>4,186,235</u>	<u>24,947,629</u>	<u>20,852,661</u>	<u>30,184,083</u>
Total assets					
LIABILITIES					
Accounts payable	\$ 5,171,406	\$ 69,511	\$ -	\$ 712,508	\$ 325,095
Accrued liabilities	27,647,637	4,116,724	-	-	-
Construction contracts payable	-	-	-	63,138	2,491,133
Due to other funds	-	-	-	-	-
Due to other governments	614,545	-	-	-	-
Funds received in advance	12,019	-	-	-	-
	<u>33,445,607</u>	<u>4,186,235</u>	<u>-</u>	<u>775,646</u>	<u>2,816,228</u>
Total liabilities					
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenues	1,271,869	-	457,267	-	-
FUND BALANCE					
Nonspendable	1,126,938	-	-	-	-
Restricted	-	-	24,490,362	20,077,015	27,367,855
Committed	-	-	-	-	-
Assigned	52,164,794	-	-	-	-
Unassigned	-	-	-	-	-
	<u>53,291,732</u>	<u>-</u>	<u>24,490,362</u>	<u>20,077,015</u>	<u>27,367,855</u>
Total fund balance					
Total liabilities, deferred inflows of resources and fund balance	<u>\$ 88,009,208</u>	<u>\$ 4,186,235</u>	<u>\$ 24,947,629</u>	<u>\$ 20,852,661</u>	<u>\$ 30,184,083</u>

<u>2012 BOND ROLLOVER FUND</u>	<u>2010 WASHOE COUNTY RZEDB FUND</u>	<u>2009B WASHOE COUNTY RZEDB FUND</u>	<u>2009B CITY OF RENO RZEDB FUND</u>	<u>2011B BOND ROLLOVER FUND</u>	<u>2009 BOND ROLLOVER FUND</u>
\$ 14,184,542	\$ 733,519	\$ 1,869,084	\$ 510,626	\$ 2,976,353	\$ 289,257
-	-	-	-	-	-
-	-	-	-	-	-
166	-	-	-	-	6
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 14,184,708</u>	<u>\$ 733,519</u>	<u>\$ 1,869,084</u>	<u>\$ 510,626</u>	<u>\$ 2,976,353</u>	<u>\$ 289,263</u>
\$ 140,338	\$ -	\$ 171	\$ 19,580	\$ 3,834	\$ 19,406
106,693	-	-	-	-	-
2,450,932	-	12,017	121,393	1,759,533	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>2,697,963</u>	<u>-</u>	<u>12,188</u>	<u>140,973</u>	<u>1,763,367</u>	<u>19,406</u>
-	-	-	-	-	-
-	-	-	-	-	-
11,486,745	733,519	1,856,896	369,653	1,212,986	269,857
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>11,486,745</u>	<u>733,519</u>	<u>1,856,896</u>	<u>369,653</u>	<u>1,212,986</u>	<u>269,857</u>
<u>\$ 14,184,708</u>	<u>\$ 733,519</u>	<u>\$ 1,869,084</u>	<u>\$ 510,626</u>	<u>\$ 2,976,353</u>	<u>\$ 289,263</u>

(CONTINUED)

**WASHOE COUNTY SCHOOL DISTRICT
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2016**

	<u>2008 BOND ROLLOVER FUND</u>	<u>2007 BOND ROLLOVER FUND</u>	<u>OTHER GOVERNMENTAL FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
ASSETS				
Cash and investments	\$ 4,134	\$ 2,266,644	\$ 17,915,793	\$ 151,666,559
Receivables				
Property taxes	-	-	-	3,191,805
Interest	-	1,037	4,614	111,194
Grants	-	-	12,326,038	12,326,038
Miscellaneous	4	1	3,647,167	4,597,361
Due from other funds	-	-	-	6,989,819
Due from other governments	-	-	561,024	45,460,111
Prepays	-	-	31,393	36,451
Inventories	-	-	-	1,121,880
	<u>4,138</u>	<u>2,267,682</u>	<u>34,486,029</u>	<u>225,501,218</u>
LIABILITIES				
Accounts payable	\$ 70	\$ 115,102	\$ 2,489,262	\$ 9,066,283
Accrued liabilities	-	-	5,049,305	36,920,359
Construction contracts payable	-	453,217	349,876	7,701,239
Due to other funds	-	-	6,989,819	6,989,819
Due to other governments	-	-	-	614,545
Funds received in advance	-	-	2,373,149	2,385,168
	<u>70</u>	<u>568,319</u>	<u>17,251,411</u>	<u>63,677,413</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenues	-	-	1,434,595	3,163,731
FUND BALANCE				
Nonspendable	-	-	31,393	1,158,331
Restricted	4,068	1,699,363	9,265,939	98,834,258
Committed	-	-	6,534,084	6,534,084
Assigned	-	-	-	52,164,794
Unassigned	-	-	(31,393)	(31,393)
	<u>4,068</u>	<u>1,699,363</u>	<u>15,800,023</u>	<u>158,660,074</u>
Total liabilities, deferred inflows of resources and fund balance	<u>\$ 4,138</u>	<u>\$ 2,267,682</u>	<u>\$ 34,486,029</u>	<u>\$ 225,501,218</u>

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, 2016**

Total fund balances for governmental funds	\$	158,660,074
<p>Amounts reported for governmental activities in the Statement of Net Position are different because:</p>		
<p>Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.</p>		
Land and construction in progress	\$ 56,711,536	
Capital assets subject to depreciation	988,447,749	
Less accumulated depreciation	<u>(367,668,439)</u>	
		677,490,846
<p>Other deferred outflows used in governmental activities are not financial resources and therefore are not reported in the governmental funds.</p>		
Deferred debt charges	33,958,175	
Less accumulated amortization	<u>(12,736,186)</u>	
		21,221,989
<p>Other postemployment benefits net asset is not a financial resource and therefore is not reported in the governmental funds.</p>		
		40,502,759
<p>Deferred inflows and outflows of resources related to pension are applicable to future periods and, therefore, are not reported in the funds.</p>		
Deferred outflows of resources related to pension	96,165,053	
Deferred inflows of resources related to pension	<u>(105,468,241)</u>	
		(9,303,188)
<p>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.</p>		
Governmental bonds payable	(457,515,000)	
Bond premium	(68,604,066)	
Less accumulated amortization	25,070,103	
Other long-term debt payable	(6,646,418)	
Pension benefit liability	(616,465,886)	
Compensated absences	(30,710,875)	
Early separation incentive stipends	<u>(800)</u>	
		(1,154,872,942)
Interest payable		(2,055,198)
<p>Unavailable revenues represents amounts that were not available to fund current expenditures and therefore are not reported in the governmental funds.</p>		
		3,140,853
<p>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.</p>		
		<u>21,267,028</u>
Total net position of governmental activities	\$	<u><u>(243,947,779)</u></u>

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, 2016**

	<u>GENERAL FUND</u>	<u>SPECIAL EDUCATION FUND</u>	<u>DEBT SERVICE FUND</u>	<u>2016A EXTENDED BOND ROLLOVER FUND</u>	<u>2013 BOND ROLLOVER FUND</u>
REVENUES					
Local sources	\$ 292,481,483	\$ -	\$ 54,269,065	\$ 26,484	\$ 56,499
State sources	134,836,971	25,977,346	-	-	-
Federal sources	995,019	-	-	-	-
Total revenues	<u>428,313,473</u>	<u>25,977,346</u>	<u>54,269,065</u>	<u>26,484</u>	<u>56,499</u>
EXPENDITURES					
Current					
Regular programs	199,255,819	-	-	-	-
Special programs	5,657,811	58,735,706	-	-	-
Vocational programs	6,116,359	-	-	-	-
Other instructional programs	14,117,851	-	-	-	-
Adult education programs	-	-	-	-	-
Community services programs	-	-	-	-	-
Co-curricular programs	3,631,308	-	-	-	-
Undistributed expenditures					
Instruction	-	-	-	-	-
Student support	29,398,572	-	-	-	-
Instructional staff support	15,889,423	-	-	-	-
General administration	6,201,991	-	-	-	-
School administration	34,779,573	-	-	-	-
Central services	22,259,046	-	-	-	-
Operation and maintenance	46,180,970	-	-	-	-
Student transportation	18,229,285	-	-	-	-
Capital outlay	-	-	-	1,464,701	8,863,211
Debt service					
Principal	-	-	32,013,930	-	-
Interest	-	-	21,113,454	-	-
Bond issuance costs	-	-	383,214	-	-
Other	-	-	47,281	-	-
Total expenditures	<u>401,718,008</u>	<u>58,735,706</u>	<u>53,557,879</u>	<u>1,464,701</u>	<u>8,863,211</u>
Excess (deficiency) of revenues over expenditures	<u>26,595,465</u>	<u>(32,758,360)</u>	<u>711,186</u>	<u>(1,438,217)</u>	<u>(8,806,712)</u>
OTHER FINANCING SOURCES (USES)					
Bonds issued	-	-	-	20,000,000	-
Refunding bonds issued	-	-	39,215,000	-	-
Medium-term financing	3,100,000	-	-	-	-
Proceeds from sale of property	91,235	-	-	-	-
Bond premiums	-	-	8,569,006	1,515,232	-
Payments to refunded bonds escrow agent	-	-	(47,705,710)	-	-
Transfers in	-	32,758,360	3,244,139	-	-
Transfers out	(37,701,518)	-	-	-	-
Total other financing sources (uses)	<u>(34,510,283)</u>	<u>32,758,360</u>	<u>3,322,435</u>	<u>21,515,232</u>	<u>-</u>
Net change in fund balance	(7,914,818)	-	4,033,621	20,077,015	(8,806,712)
FUND BALANCE, July 1	<u>61,206,550</u>	<u>-</u>	<u>20,456,741</u>	<u>-</u>	<u>36,174,567</u>
FUND BALANCE, June 30	<u>\$ 53,291,732</u>	<u>\$ -</u>	<u>\$ 24,490,362</u>	<u>\$ 20,077,015</u>	<u>\$ 27,367,855</u>

2012 BOND ROLLOVER FUND	2010 WASHOE COUNTY RZEDB FUND	2009B WASHOE COUNTY RZEDB FUND	2009B CITY OF RENO RZEDB FUND	2011B BOND ROLLOVER FUND	2009 BOND ROLLOVER FUND
\$ 33,494	\$ 1,255	\$ 2,790	\$ 867	\$ 6,835	\$ 1,611
-	-	-	-	-	-
-	-	-	-	-	-
33,494	1,255	2,790	867	6,835	1,611
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
1,378,993	-	-	-	376,549	3,915
-	-	-	-	-	-
-	-	-	-	-	-
9,061,986	34,086	1,227,310	178,051	2,951,641	968,180
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
10,440,979	34,086	1,227,310	178,051	3,328,190	972,095
(10,407,485)	(32,831)	(1,224,520)	(177,184)	(3,321,355)	(970,484)
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
(10,407,485)	(32,831)	(1,224,520)	(177,184)	(3,321,355)	(970,484)
21,894,230	766,350	3,081,416	546,837	4,534,341	1,240,341
\$ 11,486,745	\$ 733,519	\$ 1,856,896	\$ 369,653	\$ 1,212,986	\$ 269,857

(CONTINUED)

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, 2016**

	<u>2008 BOND ROLLOVER FUND</u>	<u>2007 BOND ROLLOVER FUND</u>	<u>OTHER GOVERNMENTAL FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
REVENUES				
Local sources	\$ 201	\$ 9,651	\$ 7,624,735	\$ 354,514,970
State sources	-	-	47,837,514	208,651,831
Federal sources	-	-	52,011,367	53,006,386
Total revenues	<u>201</u>	<u>9,651</u>	<u>107,473,616</u>	<u>616,173,187</u>
EXPENDITURES				
Current				
Regular programs	-	-	18,498,772	217,754,591
Special programs	-	-	16,263,968	80,657,485
Vocational programs	-	-	2,798,386	8,914,745
Other instructional programs	-	-	58,589,680	72,707,531
Adult education programs	-	-	1,393,257	1,393,257
Community services programs	-	-	676,053	676,053
Co-curricular programs	-	-	-	3,631,308
Undistributed expenditures				
Instruction	-	-	38,550	38,550
Student support	-	-	344,065	29,742,637
Instructional staff support	-	-	68,928	15,958,351
General administration	-	-	372,185	6,574,176
School administration	-	-	-	34,779,573
Central services	-	-	81,836	24,100,339
Operation and maintenance	-	-	4,796	46,185,766
Student transportation	-	-	-	18,229,285
Capital outlay	306,033	1,239,647	5,044,211	31,339,057
Debt service				
Principal	-	-	-	32,013,930
Interest	-	-	-	21,113,454
Bond issuance costs	-	-	-	383,214
Other	-	-	-	47,281
Total expenditures	<u>306,033</u>	<u>1,239,647</u>	<u>104,174,687</u>	<u>646,240,583</u>
Excess (deficiency) of revenues over expenditures	<u>(305,832)</u>	<u>(1,229,996)</u>	<u>3,298,929</u>	<u>(30,067,396)</u>
OTHER FINANCING SOURCES (USES)				
Bonds issued	-	-	-	20,000,000
Refunding bonds issued	-	-	-	39,215,000
Medium-term financing	-	-	-	3,100,000
Proceeds from sale of property	-	-	-	91,235
Bond premiums	-	-	-	10,084,238
Payments to refunded bonds escrow agent	-	-	-	(47,705,710)
Transfers in	-	-	59,000	36,061,499
Transfers out	-	-	(850,000)	(38,551,518)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(791,000)</u>	<u>22,294,744</u>
Net change in fund balance	<u>(305,832)</u>	<u>(1,229,996)</u>	<u>2,507,929</u>	<u>(7,772,652)</u>
FUND BALANCE, July 1	<u>309,900</u>	<u>2,929,359</u>	<u>13,292,094</u>	<u>166,432,726</u>
FUND BALANCE, June 30	<u>\$ 4,068</u>	<u>\$ 1,699,363</u>	<u>\$ 15,800,023</u>	<u>\$ 158,660,074</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, 2016**

Net change in fund balances - governmental funds \$ (7,772,652)

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	\$ 25,871,872	
Less current year depreciation	<u>(29,033,246)</u>	(3,161,374)

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		1,258,345
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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.		32,013,930
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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.		439,977
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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.		(3,689,491)
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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.		(3,100,000)
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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.		(246,703)
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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.

Bonds issued	(20,000,000)	
Refunding bonds issued	(39,215,000)	
Payment of bond principal	<u>42,220,000</u>	(16,995,000)

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	5,485,710	
Current year amortization of retirement charges	<u>(2,243,173)</u>	3,242,537

Current year bond premiums	(10,084,238)	
Current year amortization of bond premiums	<u>4,047,989</u>	(6,036,249)

(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, 2016**

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	\$	9,392	
Change in long-term compensated absences		(1,420,422)	
Change in other postemployment benefits net asset		<u>(4,647,310)</u>	
	\$		(6,058,340)

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		85,153,544	
Pension expense		<u>(66,534,634)</u>	
			18,618,910

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>(4,480,545)</u>
Change in net position of governmental activities	\$		<u><u>4,033,345</u></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, 2016**

	<u>BUDGET</u>			<u>VARIANCE TO FINAL BUDGET</u>
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>ACTUAL</u>	
REVENUES				
Local sources	\$ 283,351,931	\$ 283,351,931	\$ 292,481,483	\$ 9,129,552
State sources	142,200,938	141,403,675	134,836,971	(6,566,704)
Federal sources	581,000	581,000	995,019	414,019
Total revenues	<u>426,133,869</u>	<u>425,336,606</u>	<u>428,313,473</u>	<u>2,976,867</u>
EXPENDITURES				
Current				
Regular programs	205,022,797	203,132,885	199,255,819	3,877,066
Special programs	5,309,817	5,909,983	5,657,811	252,172
Vocational programs	6,221,434	6,424,310	6,116,359	307,951
Other instructional programs	15,026,856	15,019,830	14,117,851	901,979
Co-curricular programs	3,900,883	4,178,777	3,631,308	547,469
Undistributed expenditures				
Student support	28,980,485	30,303,199	29,398,572	904,627
Instructional staff support	17,018,562	16,537,300	15,889,423	647,877
General administration	6,942,524	6,835,464	6,201,991	633,473
School administration	33,546,277	35,209,031	34,779,573	429,458
Central services	22,723,910	23,085,577	22,259,046	826,531
Operation and maintenance	48,002,459	49,719,344	46,180,970	3,538,374
Student transportation	14,734,750	19,780,104	18,229,285	1,550,819
Total expenditures	<u>407,430,754</u>	<u>416,135,804</u>	<u>401,718,008</u>	<u>14,417,796</u>
Excess (deficiency) of revenues over (under) expenditures	<u>18,703,115</u>	<u>9,200,802</u>	<u>26,595,465</u>	<u>17,394,663</u>
OTHER FINANCING SOURCES (USES)				
Medium-term financing	-	3,095,000	3,100,000	5,000
Proceeds from sale of property	65,000	65,000	91,235	26,235
Contingency	(1,093,277)	(821,985)	-	821,985
Transfers out	(38,877,833)	(42,197,948)	(37,701,518)	4,496,430
Total other financing sources (uses)	<u>(39,906,110)</u>	<u>(39,859,933)</u>	<u>(34,510,283)</u>	<u>5,349,650</u>
Net change in fund balance	(21,202,995)	(30,659,131)	(7,914,818)	22,744,313
FUND BALANCE, July 1	<u>39,211,927</u>	<u>61,206,550</u>	<u>61,206,550</u>	<u>-</u>
FUND BALANCE, June 30	<u>\$ 18,008,932</u>	<u>\$ 30,547,419</u>	<u>\$ 53,291,732</u>	<u>\$ 22,744,313</u>

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, 2016**

	<u>BUDGET</u>		<u>ACTUAL</u>	<u>VARIANCE TO FINAL BUDGET</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
REVENUES				
State sources	\$ 25,977,533	\$ 25,977,533	\$ 25,977,346	\$ (187)
EXPENDITURES				
Current				
Special programs	59,920,578	63,239,119	58,735,706	4,503,413
Excess (deficiency) of revenues over expenditures	(33,943,045)	(37,261,586)	(32,758,360)	4,503,226
OTHER FINANCING SOURCES				
Transfers in	33,941,470	37,261,586	32,758,360	(4,503,226)
Net change in fund balance	(1,575)	-	-	-
FUND BALANCE, July 1	1,575	-	-	-
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, 2016**

	BUSINESS-TYPE ACTIVITIES NUTRITION SERVICES ENTERPRISE FUND	GOVERNMENTAL ACTIVITIES INTERNAL SERVICE FUNDS
ASSETS		
Current assets		
Cash and investments	\$ 2,501,633	\$ 35,516,513
Accounts receivable	3,145,426	2,521,982
Interest receivable	-	9,133
Inventories	1,006,461	-
Prepays	674	-
Total current assets	6,654,194	38,047,628
Capital assets		
Buildings and improvements	1,213,573	-
Machinery and equipment	2,961,761	-
Less: Allowance for depreciation	(1,666,025)	-
Total capital assets	2,509,309	-
Total assets	9,163,503	38,047,628
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows of resources related to pension	1,044,375	141,284
Total assets and deferred outflows of resources	10,207,878	38,188,912
LIABILITIES		
Current liabilities		
Accounts payable	1,392,606	1,442,129
Accrued liabilities	352,912	34,764
Construction contracts payable	1,617	372,431
Pending claims	-	10,134,766
Unearned revenue	496,531	-
Total current liabilities	2,243,666	11,984,090
Noncurrent liabilities		
Pending claims	-	3,857,036
Pension benefit liability	7,086,949	921,524
Total noncurrent liabilities	7,086,949	4,778,560
Total liabilities	9,330,615	16,762,650
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows of resources related to pension	1,251,485	159,234
Total liabilities and deferred inflows of resources	10,582,100	16,921,884
NET POSITION		
Net investment in capital assets	2,509,309	-
Unrestricted	(2,883,531)	21,267,028
Total net position	\$ (374,222)	\$ 21,267,028

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, 2016**

	BUSINESS-TYPE ACTIVITIES NUTRITION SERVICES ENTERPRISE FUND	GOVERNMENTAL ACTIVITIES INTERNAL SERVICE FUNDS
OPERATING REVENUES		
Charges for services	\$ 5,013,414	\$ 79,037,297
OPERATING EXPENSES		
Food and supplies	11,336,742	-
Salaries and benefits	9,743,693	368,503
Employee benefits	-	76,397,537
Claims and services	-	8,552,152
Purchased services	1,326,636	-
Depreciation	147,006	-
Other	460,093	-
	23,014,170	85,318,192
Total operating expenses		
	23,014,170	85,318,192
Operating (loss)	(18,000,756)	(6,280,895)
NONOPERATING REVENUES		
Federal subsidies	17,730,853	-
Federal grant	56,039	-
Commodity revenues	1,577,381	-
State matching funds	78,128	-
State grants	78,090	-
Loss on disposal of assets	(14,414)	(21,786)
Earnings on investments	-	182,117
	19,506,077	160,331
Total nonoperating revenues		
	19,506,077	160,331
Capital contributions	95,103	-
Income (loss) before transfers	1,600,424	(6,120,564)
TRANSFERS		
Transfers in	850,000	1,640,019
Change in net position	2,450,424	(4,480,545)
NET POSITION - July 1	(2,824,646)	25,747,573
NET POSITION - June 30	\$ (374,222)	\$ 21,267,028

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, 2016**

	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	\$ 5,324,674	\$ 77,523,927
Cash paid for salaries and benefits	(10,009,953)	(381,162)
Cash payments for employee benefits	-	(75,769,632)
Cash payments for claims and services	-	(8,574,244)
Cash paid for food and supplies	(9,116,161)	-
Cash payments for purchased services	(1,326,636)	-
Cash payments for other	(460,093)	-
Net cash (used) by operating activities	<u>(15,588,169)</u>	<u>(7,201,111)</u>
Cash flows from capital and related financing activities		
Purchase of equipment	<u>(1,673,882)</u>	<u>-</u>
Cash flows from noncapital financing activities		
Federal reimbursements	17,786,892	-
State matching funds	78,128	-
State grant funds	78,090	-
Transfer from General Fund	850,000	1,640,019
Net cash provided by noncapital financing activities	<u>18,793,110</u>	<u>1,640,019</u>
Cash flows from investing activities		
Interest received on investments	<u>-</u>	<u>177,159</u>
Net increase (decrease) in cash and cash equivalents	1,531,059	(5,383,933)
Cash and investments, beginning of year	<u>970,574</u>	<u>40,900,446</u>
Cash and investments, end of year	<u>\$ 2,501,633</u>	<u>\$ 35,516,513</u>
RECONCILIATION OF OPERATING (LOSS) TO NET CASH (USED) BY OPERATIONS		
Operating (loss)	\$ <u>(18,000,756)</u>	\$ <u>(6,280,895)</u>
Adjustments to reconcile operating (loss) to net cash (used) by operations		
Depreciation	147,006	-
Commodity revenues	1,577,381	-
Non-cash pension liability adjustment	(146,722)	(25,115)
Changes in assets and liabilities		
Accounts receivable	135,071	(1,513,373)
Inventories	(361,962)	-
Prepays	640	-
Accounts payable	1,004,522	1,131,893
Construction contracts payable	-	372,431
Accrued liabilities	(119,538)	(177,957)
Pending claims	-	(708,095)
Unearned revenues	176,189	-
Total adjustments	<u>2,412,587</u>	<u>(920,216)</u>
Net cash (used) by operations	<u>\$ (15,588,169)</u>	<u>\$ (7,201,111)</u>
Noncash investing, capital, and financing activities		
Capital assets acquired through capital contribution	<u>\$ 95,103</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, 2016**

	PRIVATE- PURPOSE SCHOLARSHIP TRUST FUND	OTHER POST- EMPLOYMENT BENEFITS TRUST FUND	AGENCY FUNDS
ASSETS			
Cash and investments			
Cash	\$ -	\$ 4,532,182	\$ 4,479,477
Investment in state pool	1,083,841	-	3,973,224
RBIF participation units	-	60,523,164	-
Accounts receivable	-	-	107,303
Total assets	<u>1,083,841</u>	<u>65,055,346</u>	<u>8,560,004</u>
LIABILITIES			
Accounts payable	-	275,561	-
Accrued liabilities	500	-	107,303
Due to student groups	-	-	8,452,701
Total liabilities	<u>500</u>	<u>275,561</u>	<u>8,560,004</u>
NET POSITION			
Assets held in trust	<u>\$ 1,083,341</u>	<u>\$ 64,779,785</u>	<u>\$ -</u>

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, 2016**

	PRIVATE- PURPOSE SCHOLARSHIP TRUST FUND	OTHER POST- EMPLOYMENT BENEFITS TRUST FUND
ADDITIONS		
Contributions by employer	\$ -	\$ 4,235,394
Earnings on investments	3,598	1,027,340
Donations	214,890	-
Total additions	<u>218,488</u>	<u>5,262,734</u>
DEDUCTIONS		
Benefits	-	8,868,521
Other	74,706	-
Total deductions	<u>74,706</u>	<u>8,868,521</u>
Change in net position	143,782	(3,605,787)
NET POSITION - July 1	<u>939,559</u>	<u>68,385,572</u>
NET POSITION - June 30	<u>\$ 1,083,341</u>	<u>\$ 64,779,785</u>

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, 2016**

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. 72:

As of July 1, 2015 the District adopted GASB Statement No. 72, *Fair Value Measurements and Application*. The implementation of this standard requires governments to measure investments at fair value. The additional disclosures required by this standard are included in Note 3.

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.

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.

**WASHOE COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

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 charges for services, operating grants and contributions, capital 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, deferred inflows of resources, 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.

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

**WASHOE COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

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. Expenses not covered by the State are covered by a transfer from the General Fund.
- **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.
- **2016A Extended Bond Rollover Fund** – The 2016A Extended Bond Rollover Capital Projects Fund accounts for the proceeds of this bond issuance. The proceeds will be used primarily for safety and security projects, student housing and overcrowding relief, advanced planning, and various capital renewal projects at schools located within Washoe County.
- **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.
- **2009B Washoe County Recovery Zone Economic Development Bond (RZEDB) Fund** – The 2009 Washoe County RZEDB Fund accounts for the

**WASHOE COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

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.
- **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 at schools located within Washoe County.
- **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 at schools located within Washoe County.
- **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 at schools located within Washoe County.

Proprietary Funds:

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

Additionally the District reports the following fund types:

Internal Service Funds:

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

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.

**WASHOE COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

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 80 days of the end of the current fiscal period and all other revenues to be available if they are collected within 60 days of the end of the current fiscal period. Grant revenues have been extended due to the increased period required to collect revenues from the 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.

**WASHOE COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

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.

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

**WASHOE COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

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 2014-15 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 for a fund that receives property tax revenues at any time by a majority vote of the Board provided the Board publishes notice of intention to act, in a newspaper of general circulation in the county at least three days before the date set for adoption of the resolution. Augmentations of other funds require that the governing body adopt a resolution by majority vote at a regular meeting and submit the resolution to the Nevada Department of Taxation.
- (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.

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- (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 recorded at fair value in accordance with GASB Statement No. 72, *Fair Value Measurements and Application*. Accordingly, the change in fair value of investments is recognized as an increase or decrease to investment assets and investment income.

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

- United States bonds and debentures maturing within ten (10) years from the date of purchase.
- Certain farm loan bonds.
- Securities of the United States Treasury, United States Postal Service, or the Federal National Mortgage Association maturing within ten (10) years from the date of purchase.
- Negotiable certificates of deposit from commercial banks and insured savings and loan associations, and credit unions.
- Certain securities issued by local governments of the State of Nevada.
- Certain bankers' acceptances, commercial paper issued by a corporation organized and operating in the United States, and money market mutual funds.
- Certain obligations of state and local governments.

**WASHOE COUNTY SCHOOL DISTRICT
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- 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.

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, 2016, but not yet paid.

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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 so will not be recognized as an outflow of resources (expense/expenditure) until then. 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 so will not be 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.

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.

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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 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 2015. 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.

**WASHOE COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
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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, 2016 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, 2016, the District had the following amounts reported as cash and investments:

Government-Wide Balances:

Pooled cash	\$ 54,641,771
Investments	135,042,934
	<u>189,684,705</u>

Fiduciary Fund Balances:

Cash held by Student Activity Fund Agency Fund	4,479,477
Cash held by OPEB Trust Fund	4,532,182
Investments	65,580,229
	<u>74,591,888</u>

\$ 264,276,593

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.

The District categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The District does not have any investments that are measured using Level 3 inputs.

**WASHOE COUNTY SCHOOL DISTRICT
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As of June 30, 2016, the District had the following recurring fair value measurements, except those measured at cost as identified below:

Government-Wide Balances:

	Total	Fair Value Measurements Using		
		Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
Investments:				
Money Market Mutual Fund	\$ 18,869,264	\$ 18,869,264	\$ -	\$ -
State of Nevada Local Government Investment Pool	51,982,935	-	51,982,935	-
State of Nevada Local Government Investment Pool-Workers Comp	2,005,798	-	2,005,798	-
Washoe County Investment Pool	23,919,602	-	23,919,602	-
U.S. Treasuries	14,218,142	14,218,142	-	-
U.S. Agencies	4,534,053	4,534,053	-	-
Asset-Backed Corporate Securities	5,279,149	5,279,149	-	-
Corporate Securities	5,982,543	5,982,543	-	-
Certificates of Deposit (at cost)	8,251,448	-	-	-
Total Investments	\$ 135,042,934	\$ 48,883,151	\$ 77,908,335	\$ -

Fiduciary Fund Balances:

	Total	Fair Value Measurements Using		
		Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
Investments:				
Retirement Benefits Investment Fund	\$ 60,523,164	\$ -	\$ 60,523,164	\$ -
State of Nevada Local Government Investment Pool	5,057,065	-	5,057,065	-
Total Investments	\$ 65,580,229	\$ -	\$ 65,580,229	\$ -

Investments categorized as Level 1 are valued using prices quoted in active markets for those investments. Investments categorized as Level 2 are valued at fair value based on the observable market prices of the underlying assets held by the pool or fund less liabilities.

As of June 30, 2016, the District had the following investments and maturities:

Government-Wide Balances:

	Fair Value	Investment Maturities (In Years)			
		Less than 1	1 to 4	4 to 6	6 to 10
Investments:					
Money Market Mutual Fund	\$ 18,869,264	\$ 18,869,264	\$ -	\$ -	\$ -
State of Nevada Local Government Investment Pool	51,982,935	51,982,935 *	-	-	-
State of Nevada Local Government Investment Pool-Workers Comp	2,005,798	2,005,798 *	-	-	-
Washoe County Investment Pool	23,919,602	6,014,391	12,509,209	4,683,379	712,623
U.S. Treasuries	14,218,142	250,357	13,967,785	-	-
U.S. Agencies	4,534,053	200,903	4,059,575	273,575	-
Asset-Backed Corporate Securities	5,279,149	47,962	4,446,102	785,085	-
Corporate Securities	5,982,543	514,751	5,467,792	-	-
Certificates of Deposit	8,251,448	8,251,448	-	-	-
Total Investments	\$ 135,042,934	\$ 88,137,809	\$ 40,450,463	\$ 5,742,039	\$ 712,623

**WASHOE COUNTY SCHOOL DISTRICT
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Fiduciary Fund Balances:

	Fair Value	
Investments:		
Retirement Benefits Investment Fund	\$ 60,523,164	**
State of Nevada Local Government Investment Pool	5,057,065	*
Total Investments	\$ 65,580,229	

* Average weighted maturity of 142 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.

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.

The State of Nevada Local Government Investment Pool (LGIP) is an unrated external investment pool administered by the Office of 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 and determined monthly by Bank of New York Mellon.

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.

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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, 2016 are as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund - major fund	Other Governmental Funds	<u>\$ 6,989,819</u>
Total		<u><u>\$ 6,989,819</u></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.

Transfers between funds during the year ended June 30, 2016, are as follows:

	Transfers In:					Total
	Special Education Fund	Debt Service Fund	Other Governmental Funds	Nutrition Services Fund	Internal Service Fund	
Transfers Out:						
General Fund	\$ 32,758,360	\$ 3,244,139	\$ 59,000	\$ -	\$ 1,640,019	\$ 37,701,518
Other Governmental Funds	-	-	-	850,000	-	850,000
Total	<u>\$ 32,758,360</u>	<u>\$ 3,244,139</u>	<u>\$ 59,000</u>	<u>\$ 850,000</u>	<u>\$ 1,640,019</u>	<u>\$ 38,551,518</u>

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

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

Other Governmental Funds - The transfer to other governmental funds (Government Services Tax Fund) from the General Fund is for extraordinary maintenance needs at Nutrition Services.

**WASHOE COUNTY SCHOOL DISTRICT
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Nutrition Services Fund - The transfer to the Nutrition Services Fund from other governmental funds (Government Services Tax 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, 2016 was as follows:

	July 1, 2015			June 30, 2016
	Balance	Increases	Decreases	Balance
Governmental Activities				
Capital assets, not being depreciated				
Land	\$ 38,192,168	\$ 782,223	\$ (41,085)	\$ 38,933,306
Construction in progress	9,304,113	19,795,117	(11,321,000)	17,778,230
Total capital assets not being depreciated	47,496,281	20,577,340	(11,362,085)	56,711,536
Other capital assets				
Buildings	865,863,434	11,456,397	-	877,319,831
Improvements other than buildings	30,507,279	995,223	-	31,502,502
Machinery and equipment	75,766,867	5,292,043	(1,433,494)	79,625,416
Total capital assets being depreciated	972,137,580	17,743,663	(1,433,494)	988,447,749
Total capital assets	1,019,633,861	38,321,003	(12,795,579)	1,045,159,285
Less accumulated depreciation for				
Buildings	(280,685,475)	(21,974,831)	-	(302,660,306)
Improvements other than buildings	(9,049,597)	(1,520,641)	-	(10,570,238)
Machinery and equipment	(50,236,425)	(5,537,774)	1,336,304	(54,437,895)
Total accumulated depreciation	(339,971,497)	(29,033,246)	1,336,304	(367,668,439)
Governmental activities capital assets, net	<u>\$ 679,662,364</u>	<u>\$ 9,287,757</u>	<u>\$ (11,459,275)</u>	<u>\$ 677,490,846</u>
Business-Type Activities				
Construction in progress	\$ 666,038	\$ -	\$ (666,038)	\$ -
Buildings	-	1,213,573	-	1,213,573
Machinery and equipment	2,263,231	868,566	(170,036)	2,961,761
Less accumulated depreciation	(1,609,098)	(147,006)	90,079	(1,666,025)
Business-type activities capital assets, net	<u>\$ 1,320,171</u>	<u>\$ 1,935,133</u>	<u>\$ (745,995)</u>	<u>\$ 2,509,309</u>

**WASHOE COUNTY SCHOOL DISTRICT
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Depreciation was charged to the functions/programs of the District as follows:

Governmental activities:	
Instruction	\$ 157,825
Student support	39,777
Instructional staff support	88,387
General administration	1,839
School administration	4,671
Central support	461,685
Operation/maintenance	371,853
Student transportation	2,325,357
Other support	863
Community services operations	1,198
Facilities	25,579,791
Total governmental activities depreciation expense	<u>\$ 29,033,246</u>
Business-type activities:	
Nutrition services operations	\$ 147,006
Total business-type activities depreciation expense	<u>\$ 147,006</u>

NOTE 6 – General Long-Term Obligations:

Bond Issue – School Improvement & Refunding:

On February 2, 2016 the District issued \$59,215,000 in General Obligation School Improvement and Refunding Bonds Series 2016A. The term of the Bond Series 2016A is twenty years with an interest rate of 2%-5%. Interest payments began in June of 2016. Principal payments begin in June of 2019. The net proceeds of the Series 2016A bonds of \$69,299,239 were used for the refunding of \$42,220,000 of Series 2007C, 2009, 2011A and 2011B bonds. The refunding was undertaken to reduce total debt service payments by \$3,089,392 and resulted in an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$2,704,654. The remaining proceeds will be used for school improvement projects.

Notes Issued:

On April 26, 2016, Washoe County School District issued \$3,100,000 in Notes Payable. The proceeds will be used for the purchase of buses and other vehicles for use by the District.

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, 2016, \$9,455 was included in depreciation expense for this equipment, leaving a book value of \$30,730. The future minimum lease obligations and the net present value of these minimum lease payments at year end were as follows:

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

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General long-term debt consists of the following at June 30, 2016:

General Obligation Bonds					
Series	Date Issued	Date of Maturity	Interest Rate (%)	Amount Issued	Balance June 30, 2016
2002B	8/1/2002	6/1/2020	4.25-5.25%	\$ 68,940,000	\$ 2,715,000
2007C	5/1/2007	6/1/2027	4.00-5.00%	65,000,000	8,280,000
2008	3/20/2008	6/1/2028	2.00-5.00%	55,000,000	8,085,000
2009	2/18/2009	6/1/2029	3.89-6.07%	45,000,000	10,055,000
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	9,415,000
2010B	4/1/2010	4/1/2017	3.80-6.00%	13,700,000	3,355,000
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	30,715,000
2011A	7/6/2011	6/1/2031	3.00-5.00%	43,450,000	30,160,000
2011B	11/17/2011	6/1/2031	3.00-5.00%	45,000,000	30,765,000
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	775,000
2012C	10/2/2012	4/1/2033	2.00-4.00%	45,000,000	43,620,000
2013	10/10/2013	5/1/2021	2.20%	18,085,000	14,640,000
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
2015	3/31/2015	6/1/2029	3.00-5.00%	45,375,000	45,375,000
2016A	2/2/2016	6/1/2036	2.00-5.00%	59,215,000	59,215,000
Total					<u>\$ 457,515,000</u>

Notes Payable					
Series	Date Issued	Date of Maturity	Interest Rate (%)	Amount Issued	Balance June 30, 2016
JPMorgan Chase	6/26/2013	6/30/2017	1.30%	\$ 2,325,000	\$ 592,681
US Bank	6/10/2014	6/1/2018	1.10%	2,325,000	1,182,000
US Bank	6/1/2015	6/1/2019	1.41%	2,325,000	1,755,978
Zion	4/26/2016	5/1/2020	1.35%	3,100,000	3,100,000
					<u>\$ 6,630,659</u>

Capital Leases					
Series	Date Issued	Date of Maturity	Interest Rate (%)	Amount Issued	Balance June 30, 2016
N/A	7/1/2014	6/30/2017	0.00%	\$ 47,277	\$ 15,759
					<u>\$ 15,759</u>

**WASHOE COUNTY SCHOOL DISTRICT
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Summary of general long-term debt service requirements to maturity:

Year(s) Ending June 30,	Principal	Interest	Total Requirements
2017	\$ 31,433,538	\$ 20,370,520	\$ 51,804,058
2018	31,829,287	19,147,732	50,977,019
2019	32,808,593	17,894,587	50,703,180
2020	33,830,000	16,617,855	50,447,855
2021	35,210,000	15,229,170	50,439,170
2022-2026	187,750,000	49,774,049	237,524,049
2027-2031	96,245,000	12,312,171	108,557,171
2032-2036	15,055,000	1,034,225	16,089,225
Total	<u>\$ 464,161,418</u> *	<u>\$ 152,380,309</u>	<u>\$ 616,541,727</u>

*Principal amounts shown exclude bond premiums.

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, 2016, \$122,710,000 of bonds outstanding are considered defeased.

Changes in General Long-Term Obligations:

	Balance July 1, 2015	Additions	Reductions	Balance June 30, 2016	Due Within One Year
General obligation bonds	\$ 469,000,000	\$ 59,215,000	\$ 70,700,000	\$ 457,515,000	\$ 28,900,000
Deferred amounts for issuance of premium	37,497,714	10,084,238	4,047,989	43,533,963	4,101,989
Capital lease payable	31,518	-	15,759	15,759	15,759
Notes payable	5,266,732	3,100,000	1,736,073	6,630,659	2,517,779
Qualified zone academy bond	1,782,098	-	1,782,098	-	-
Pending claims	14,699,897	75,366,221	76,074,316	13,991,802	10,134,766
Compensated absences	29,290,453	24,582,130	23,161,708	30,710,875	23,161,708
Early separation incentive pay	10,192	-	9,392	800	800
Total	<u>\$ 557,578,604</u>	<u>\$ 172,347,589</u>	<u>\$ 177,527,335</u>	<u>\$ 552,398,858</u>	<u>\$ 68,832,801</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, 2016.

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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.

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.

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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.

As of June 30, 2016, fund balances are composed of the following.

	General Fund	Major Debt Service Fund	Major Capital Projects Funds	Other Funds	Total
Fund balances					
Nonspendable					
Inventory	\$ 1,121,880	\$ -	\$ -	\$ -	\$ 1,121,880
Prepays	5,058	-	-	31,393	36,451
Total nonspendable fund balance	<u>1,126,938</u>	<u>-</u>	<u>-</u>	<u>31,393</u>	<u>1,158,331</u>
Restricted for					
Non-expendable	-	-	-	489,599	489,599
Student housing	-	-	2,834,230	-	2,834,230
Technology/infrastructure	-	-	929,987	-	929,987
Safety and security	-	-	1,000,000	-	1,000,000
Support services facilities	-	-	1,600,000	-	1,600,000
Advanced planning	-	-	572,495	-	572,495
School revitalization	-	-	17,876,469	-	17,876,469
Capital renewal	-	-	24,970,000	-	24,970,000
Administration of capital projects	-	-	4,039,706	-	4,039,706
Other capital projects	-	-	-	7,175,879	7,175,879
Debt service reserve	-	24,490,362	-	-	24,490,362
Wellness	-	-	-	1,038,275	1,038,275
Other purposes	-	-	-	562,186	562,186
Unallocated capital projects	-	-	11,255,070	-	11,255,070
Total restricted fund balance	<u>-</u>	<u>24,490,362</u>	<u>65,077,957</u>	<u>9,265,939</u>	<u>98,834,258</u>
Committed to					
Medicaid fund	-	-	-	2,224,894	2,224,894
Community education fund	-	-	-	39,096	39,096
Other capital projects	-	-	-	4,270,094	4,270,094
Total committed fund balance	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,534,084</u>	<u>6,534,084</u>
Assigned to					
Encumbrances	1,642,563	-	-	-	1,642,563
Construction contracts	11,710	-	-	-	11,710
Subsequent year's expenditures	9,307,457	-	-	-	9,307,457
Carryover of general supply appropriations	2,926,456	-	-	-	2,926,456
Budget uncertainties from FY15 for FY17	12,598,748	-	-	-	12,598,748
Budget uncertainties from FY16 for FY17	13,880,284	-	-	-	13,880,284
To address per-pupil funding and enrollment	4,297,576	-	-	-	4,297,576
Outstanding and unresolved lawsuits	7,500,000	-	-	-	7,500,000
Total assigned fund balance	<u>52,164,794</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>52,164,794</u>
Unassigned	<u>-</u>	<u>-</u>	<u>-</u>	<u>(31,393)</u>	<u>(31,393)</u>
Total fund balances	<u>\$ 53,291,732</u>	<u>\$ 24,490,362</u>	<u>\$ 65,077,957</u>	<u>\$ 15,800,023</u>	<u>\$ 158,660,074</u>

**WASHOE COUNTY SCHOOL DISTRICT
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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.

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.

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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. The PERS actuarial valuation date is as of June 30, 2015, one year prior than the date of this report. 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.

For the fiscal year ended 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. For the fiscal year ended June 30, 2016 the statutory employer/employee matching rate was 14.50% for regular and 20.75% for Police/Fire. The employer-pay contribution (EPC) rate was 28.00% for regular and 40.50% for Police/Fire. The District's contributions were \$84,114,497 for the year ended June 30, 2015.

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, 2015:

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, 2015, PERS' long-term inflation assumption was 3.5%.

Net Pension Liability:

At June 30, 2016, the District reported a liability for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension

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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 June 30, 2015, the District's proportion was 5.44943% percent.

Pension Liability Discount Rate Sensitivity:

The following presents the net pension liability of the District as of June 30, 2015, 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	\$951,573,871	\$624,474,359	\$352,468,271

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.

Actuarial Assumptions:

The District's net pension liability was measured as of June 30, 2015, 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, 2015 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.

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Actuarial assumptions used in the June 30, 2015 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, 2015. 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, 2015, 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, 2015.

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

During the year ended June 30, 2016, the District recognized pension expense of \$67,410,067.

At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 46,971,282
Changes in assumptions or other inputs	-	-
Net difference between projected and actual earnings on pension plan investments	-	33,825,673
Changes in the employer's proportion and differences between the employer's contributions and the employer's proportionate contributions	11,149,898	26,082,005
District contributions subsequent to the measurement date	<u>86,200,814</u>	<u>-</u>
	<u>\$ 97,350,712</u>	<u>\$ 106,878,960</u>

\$86,200,814 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, 2017.

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, 2015) 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	\$ (27,816,997)
2017	(27,816,997)
2018	(27,816,997)
2019	2,005,602
2020	(10,433,528)
Thereafter	(3,850,145)

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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.

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% and was \$1.6 million for fiscal year 2015-2016. However, under NRS 287.023, eligible retirees may participate in the plan with blended rates, thereby benefitting from an implicit subsidy. Retirees contribute up to \$7,177 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.

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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:

- 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, 2015, the most recent full actuarial valuation date, 1,185 retirees were utilizing this benefit. The subsidy paid directly to PEPB by the OPEB Trust Fund for this coverage for the year ended June 30, 2016 was \$3,437,184. 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 contribution to the OPEB Trust Fund is determined by the District and based on projected pay-as-you-go financing requirements and actuarial studies contracted for by the District. For fiscal year 2015-16, the District contributed \$4,235,394 to the OPEB trust to benefit WCSDRHP (approximately 69 percent of total actuarial costs). During the year, medical claims and premiums for other elected coverages of \$11,484,782 were paid out of the OPEB Trust Fund for WCSDRHP retirees. Plan member retirees receiving benefits contributed \$6,447,758 or approximately 56 percent of the total paid for retirees, through their required contribution.

For NPEBP, benefit requirements of the plan members and the District are established and may be amended by the state legislature. The contribution to the OPEB Trust Fund is determined by the District and based on projected pay-as-you-go financing requirements and actuarial studies contracted for by the District. For fiscal year 2015-16, the District did not contribute to the OPEB Trust fund for NPEBP. 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 PEPB benefits by November 30, 2008.

For WCSD Retiree Life Insurance Plan, contribution requirements of the plan members and the District are established and may be amended through negotiations between the District and the employee associations. Retirees pay 100% of the pay-as-you-go premiums based on a blended rate that blends active participants and retirees. 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

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the District. For fiscal year 2015-16, the District's estimated net contribution was \$999,947 for current premiums for retirees (approximately 73 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 \$560,651 or approximately 41 percent of the total actuarial costs for retirees, through their required contribution to the General Fund.

The number of participants as of July 1, 2015, the most recent full actuarial valuation date, are as follows:

	Active	WCSD Retiree Life Insurance Plan	WCSDRHP	NPEBP Medical Plan
Active employees	6,590			
Retirees enrolled in District Plans		2,468	1,058	
Retirees enrolled in NPEBP				1,185

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	6/30/16	\$6,178,000	\$4,235,394	68.56%	\$(16,842,762)
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)
NPEBP	6/30/16	\$1,783,000	\$0	0.00%	\$(27,545,222)
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)
WCSD Retiree Life Insurance Plan	6/30/16	\$1,361,000	\$439,296	32.28%	\$3,885,225
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
Combined Totals	6/30/16	\$9,322,000	\$4,674,690		
Combined Totals	6/30/15	\$7,589,746	\$14,331,580		
Combined Totals	6/30/14	\$8,441,961	\$19,385,972		

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The net OPEB obligation (asset) as of June 30, 2016, was calculated as follows:

	WCSDRHP	NPEBP	WCSD Retiree Life Insurance Plan	Totals
Annual required contribution	\$6,595,000	\$1,478,000	\$1,295,000	\$9,368,000
Interest on the beginning net OPEB obligation	(1,503,000)	(2,346,000)	237,000	(3,612,000)
ARC Adjustment	1,086,000	2,651,000	(171,000)	3,566,000
Annual OPEB cost	6,178,000	1,783,000	1,361,000	9,322,000
Contributions made	(4,235,394)	-	(439,296)	(4,674,690)
Increase (decrease) in net OPEB obligation	1,942,606	1,783,000	921,704	4,647,310
Net OPEB obligation (asset), beginning of year	(18,785,368)	(29,328,222)	2,963,521	(45,150,069)
Net OPEB obligation (asset), end of year	\$(16,842,762)	\$(27,545,222)	\$3,885,225	\$(40,502,759)

Funded Status and Funding Progress:

The funded status of the plans as of the most recent actuarial valuation (July 1, 2015) was as follows:

	WCSDRHP	NPEBP	WCSD Retiree Life Insurance Plan	Totals
Accrued actuarial liability (a)	\$99,751,000	\$49,931,000	\$18,236,000	\$167,918,000
Actuarial value of plan assets (b)	\$28,771,000	\$34,793,000	\$4,822,000	\$68,386,000
Unfunded actuarial accrued liability (a) - (b)	\$70,980,000	\$15,138,000	\$13,414,000	\$99,532,000
Funded ratio (b) / (a)	28.84%	69.68%	26.44%	40.73%
Covered payroll (c)	\$331 million	N/A	\$331 million	
Unfunded actuarial accrued liability as a percentage of covered payroll ([(a) - (b)] / (c))	21.44%	N/A	4.05%	

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

**WASHOE COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

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	7/1/2015	7/1/2015	7/1/2015
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	24 years	30 years
Asset valuation method	Market value	Market value	Market value
<u>Actuarial assumptions:</u>			
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	8.0%	8.0%	N/A
Post-65 retirees	7.0%	7.0%	N/A
*Decreasing 1.0% each year until ultimate trend rate of 4.5% 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.

**WASHOE COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

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, 2016, the amount of this liability was \$13,991,802. This liability is determined by actuaries using all available information.

Changes in the reported liability since July 1, 2014 are as follows:

	<u>Property & Casualty</u>	<u>Health Insurance</u>	<u>Workers' Compensation</u>	<u>Total</u>
Claims liability, July 1, 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	<u>(1,413,145)</u>	<u>(62,639,768)</u>	<u>(1,872,288)</u>	<u>(65,925,201)</u>
Claims liability, June 30, 2015	2,602,000	7,532,897	4,565,000	14,699,897
Current year claims and changes in estimates	4,069,639	69,118,140	2,178,442	75,366,221
Claims payments	<u>(4,842,639)</u>	<u>(68,490,235)</u>	<u>(2,741,442)</u>	<u>(76,074,316)</u>
Claims liability, June 30, 2016	<u>\$ 1,829,000</u>	<u>\$ 8,160,802</u>	<u>\$ 4,002,000</u>	<u>\$ 13,991,802</u>
Due within one year	<u>\$ 765,009</u>	<u>\$ 8,160,802</u>	<u>\$ 1,208,955</u>	<u>\$ 10,134,766</u>

At June 30, 2016, the Internal Service Funds held \$35,516,513 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

**WASHOE COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

the \$500,000 self-insurance retention.

The District maintains an account with a market value of \$2,005,798 as of June 30, 2016 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, 2016, the District had the following commitments, which represent the District's significant encumbrances, with respect to unfinished capital projects:

	<u>Remaining Construction Commitment</u>	<u>Expected Date Of Completion</u>
General Fund		
Signature academies projects	\$ 11,710	6/30/2017
2007 Bond Rollover Fund		
Roof replacement projects	735,933	9/30/2016
Fire alarm replacement projects	69,050	6/30/2017
	<u>804,983</u>	
2011B Bond Rollover Fund		
Roof replacement projects	37,073	9/30/2016
2009B City of Reno RZEDB Fund		
HVAC replacement projects	4,800	12/31/2016
Roof replacement projects	134,037	9/30/2016
Window replacement projects	20,750	3/31/2017
	<u>159,587</u>	
2009B Washoe County RZEDB Fund		
Roof replacement projects	45,329	9/30/2016
School revitalization projects	34,064	6/30/2017
	<u>79,393</u>	
2012 Bond Rollover Fund		
Door replacement projects	86,268	6/30/2017
HVAC replacement projects	33,402	12/31/2016
Roof replacement projects	167,370	9/30/2016
Window replacement projects	16,657	3/31/2017
Carpentry/painting projects	5,745	12/31/2016
Electrical upgrade projects	2,000	3/31/2017
Flooring replacement projects	12,219	12/31/2016
Paving projects	24,983	6/30/2017
Plumbing repair projects	1,333	3/31/2017
CCTV projects	8,300	6/30/2017
School revitalization projects	1,402,487	6/30/2017
Mobile upgrades projects	67,450	9/30/2016
Safety and security projects	86,464	12/31/2016
Signature academies projects	2,537,956	6/30/2017
	<u>4,452,634</u>	

**WASHOE COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

2016 Bond Issue		
Mobile upgrades projects	\$ 121,698	9/30/2016
Educational specifications updates	19,245	3/31/2017
Educational options projects	<u>23,225</u>	6/30/2017
	164,168	
2011 Bond Rollover Fund		
Wireless projects	147,782	6/30/2017
Door replacement projects	14,225	6/30/2017
HVAC replacement projects	1,080,252	12/31/2016
Roof replacement projects	61,742	9/30/2016
Carpentry/painting projects	54,701	12/31/2016
Electrical upgrade projects	3,700	3/31/2017
Flooring replacement projects	209,622	12/31/2016
Lock replacement projects	127,850	6/30/2017
Paving projects	660,169	6/30/2017
Plumbing repair projects	147,926	3/31/2017
Underground tank projects	180,297	12/31/2016
School revitalization projects	6,055,372	6/30/2017
Mobile upgrades projects	<u>15,740</u>	9/30/2016
	8,759,378	
Nonmajor Funds:		
Underground tank projects	3,018	12/31/2016
Asbestos projects	12,440	9/30/2016
Health and safety bank projects	2,905	3/31/2017
Athletic surfaces projects	138,595	9/30/2016
Support facilities updates	299,510	6/30/2017
Educational options projects	69,585	6/30/2017
Signature academies projects	58,519	6/30/2017
Infrastructure projects	83,962	6/30/2017
Flood repair projects	<u>58,869</u>	9/30/2016
	727,403	
	<u>\$ 15,196,329</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.

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.

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 to Public Employees' Retirement System of the State of Nevada
- Schedule of Funding Progress and Schedule of Employer Contributions – Other Postemployment Benefits
- Notes to Required Supplementary Information – Other Postemployment Benefits

**WASHOE COUNTY SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2016**

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

	<u>2015</u>	<u>2014</u>
District's proportion of the net pension liability	5.44943%	5.56601%
District's proportionate share of the net pension liability	\$ 624,474,359	\$ 580,088,054
District's covered-employee payroll	\$ 323,606,402	\$ 323,300,787
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	192.97%	179.43%
Plan fiduciary net position as a percentage of the total pension liability	75.13%	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, 2016**

**Schedule of District Contributions to Public Employees' Retirement System of the
State of Nevada
Last Ten Fiscal Years***

	2016	2015
Statutorily required contribution	\$ 86,200,814	\$ 77,674,967
Contributions in relation to the statutorily require contribution	\$ 86,200,814	\$ 77,674,967
Contribution (deficiency) excess	\$ -	\$ -
District's covered-employee payroll	\$ 334,502,049	\$ 323,606,402
Contributions as a percentage of covered-employee payroll	25.77%	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, 2016**

Schedule of Funding Progress – Other Postemployment Benefits

	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Projected Unit Credit (b)	Unfunded AAL (UAAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAAL as a Percentage of Covered Payroll ((b-a) / c)
WCSDRHP	7/1/2015	\$ 28,771,000	\$ 99,751,000	\$ 70,980,000	28.84 %	\$ 331,000,000	21.44 %
	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 %
NPEBP	7/1/2015	\$ 34,793,000	\$ 49,931,000	\$ 15,138,000	69.68 %	N/A	
	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	
WCSD Retiree Life Insurance Plan	7/1/2015	\$ 4,822,000	\$ 18,236,000	\$ 13,414,000	26.44 %	\$ 331,000,000	4.05 %
	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 %

Schedule of Employer Contributions – Other Postemployment Benefits

	Year Ended June 30,	Annual Required Contribution	Percentage Contributed
WCSDRHP	2016	\$ 6,595,000	64.22 %
	2015	\$ 4,906,000	191.90 %
	2014	\$ 4,727,718	224.83 %
NPEBP	2016	\$ 1,478,000	0.00 %
	2015	\$ 2,621,000	140.58 %
	2014	\$ 2,623,693	290.74 %
WCSD Retiree Life Insurance Plan	2016	\$ 1,295,000	33.92 %
	2015	\$ 1,636,000	75.34 %
	2014	\$ 1,486,659	75.91 %

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

**WASHOE COUNTY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2016**

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, 2013 to July 1, 2015:

The main reason for the increase in the liability is due to (1) updated mortality assumptions and (2) a larger active and retiree population overall.

While the above factors increased the liability, there were additional factors that decreased it as well. These include (1) lower than expected claim costs for retirees and (2) the District moving to a fully insured Employer Group Waiver Plan with a self-funded wrap arrangement for its post Medicare retirees.

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.

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

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 Bonds, Series 2017A, in the aggregate principal amount of \$55,000,000 (the “Bonds”). The Bonds are being issued pursuant to the bond resolution of the Issuer adopted January 10, 2017 (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 March 31 following the end of the Issuer’s fiscal year of each year, commencing March 31 following the end of the Issuer’s fiscal year ending June 30, 2017, 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
- (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

* 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.

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 _____, 2017.

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 Bonds, Series 2017A

CUSIP:

Date of Issuance: _____, 2017

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 10, 2017 and the Continuing Disclosure Certificate executed on _____, 2017 by the Issuer. The Issuer anticipates that the Annual Report will be filed by _____.

Dated: _____

WASHOE COUNTY SCHOOL DISTRICT,
NEVADA

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

\$55,000,000

**Washoe County School District, Nevada
General Obligation (Limited Tax)
School Improvement Bonds
Series 2017A**

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 Bonds, Series 2017A in the aggregate principal amount of \$55,000,000 (the “Bonds”), pursuant to an authorizing resolution adopted and approved by the District’s Board of Trustees on January 10, 2017 (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 incurred pursuant to the Bond and the Resolution may be limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights generally, and by equitable principles, whether considered at law or in equity.

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,