

Compliance and Controls



*Washoe County
School District*

Comprehensive
Annual
Financial Report

Compliance & Controls

- Information required pursuant to the Single Audit Act
- Auditor's comments/reports pursuant to Nevada Revised Statutes



**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER
MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Washoe County School District, Washoe County, Nevada (the "District"), as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements and have issued our report thereon dated October 24, 2011. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified a certain deficiency in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs as finding 11-1 to be a significant deficiency in internal control over financial reporting. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, Board of Trustees, Federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Kafoury, Armstrong & Co.

Reno, Nevada
October 24, 2011



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH
REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT
ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

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

Compliance

We have audited the compliance of the Washoe County School District, Washoe County, Nevada (the "District") with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major Federal programs for the year ended June 30, 2011. The District's major Federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major Federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the year ended June 30, 2011.

Internal Control Over Compliance

The management of the District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to Federal programs. In planning and performing our audit, we considered the District's internal control over compliance with the requirements that could have a direct and material effect on a major Federal program in order to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the

effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a Federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a Federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, Board of Trustees, Federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Kafoury, Armstrong & Co.

Reno, Nevada
October 24, 2011

WASHOE COUNTY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2011

FEDERAL GRANTOR/PASS-THROUGH GRANTOR/PROGRAM TITLE	FEDERAL CFDA NUMBER	AGENCY OR PASS-THROUGH NUMBER	FEDERAL EXPENDITURES
U.S. DEPARTMENT OF EDUCATION			
<i>DIRECT PROGRAMS:</i>			
Impact Aid Cluster			
Impact Aid PL 81-874	84.041	n/a	\$ 190,546
Total Impact Aid Cluster			<u>190,546</u>
Teacher Incentive Fund Cluster			
Teacher Incentive Fund (TIF)	84.374	S374A100051	267,823
Total Teacher Incentive Fund Cluster			<u>267,823</u>
Title IX, Indian Education	84.060	S060A091031	<u>282,097</u>
Fund for the Improvement of Education - Teaching American History #1	84.215	U215X070223	336,010
Fund for the Improvement of Education - Teaching American History #2	84.215	U215X050077	77,987
Fund for the Improvement of Education - Instructional Coaches	84.215	U215K100037	435,779
Fund for the Improvement of Education - Mentor Teachers	84.215	U215K100033	483,411
Fund for the Improvement of Education - Connect Ed	84.215	U215K080160	64,425
Fund for the Improvement of Education - Classroom on Wheels	84.215	U215K080149	102,657
Fund for the Improvement of Education - Dropout Prevention	84.215	U215K090074	427,381
			<u>1,927,650</u>
Fund for the Improvement of Education - Arts Educators	84.351	U351C090017	<u>299,473</u>
High School Graduation Initiative	84.360	S360A100024	<u>374,683</u>
Total Direct			<u>3,342,272</u>
<i>PASS THROUGH FROM THE STATE OF NEVADA, DEPARTMENT OF EDUCATION:</i>			
Title I Cluster			
Title I Grants to Local Education Agencies			
Title I, Part A, Basic	84.010	11-633-16000	11,746,839
Title I, Part A, 1003 Differentiated Consequences	84.010	11-624-16000	64,369
Title I, Part A, 1003 Data Retreat	84.010	11-624-16001	148,015
Title I, Part A, 1003 Instructional Support	84.010	11-624-16001	43,349
			<u>12,002,572</u>
ARRA Title I, Part D, Delinquent	84.389	10-619-16000	1,819
ARRA Title I, Part A, Basic	84.389	10-622-16000	2,223,470
ARRA Title I, Part A, 1003 School Improvement	84.389	10-733-16000	139,050
			<u>2,364,339</u>
Total Title I Cluster			<u>14,366,911</u>
Special Education Cluster			
Special Education, Grants to States - IDEA Local Plan	84.027	11-639-16000	9,435,402
Special Education, Grants to States - District Initiative	84.027	11-641-16000	181,890
Special Education, Grants to States - Immersion Training	84.027	11-667-16000	18,400
Special Education, Grants to States - Mentor Teacher	84.027	11-667-16000	129,074
			<u>9,764,766</u>
Special Education, Preschool Grants - Early Childhood Education	84.173	11-665-16000	<u>206,804</u>
ARRA Special Education, Grants to States - IDEA Local Plan	84.391	10-620-16000	<u>2,312,770</u>
ARRA Special Education, Preschool Grants - Early Childhood Education	84.392	10-621-16000	112,781
Total Special Education Cluster			<u>12,397,121</u>
Education Technology State Grants Cluster			
Education Technology State Grants - Title II, Part D, Formula	84.318	11-766-16000	36,270
Education Technology State Grants - Title II, Part D, Competitive	84.318	11-765-16000	65,675
			<u>101,945</u>
ARRA Educational Technology State Grants - Title II, Part D, Formula	84.386	10-742-16000	220,453
Total Education Technology State Grants Cluster			<u>322,398</u>

WASHOE COUNTY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2011

FEDERAL GRANTOR/PASS-THROUGH GRANTOR/PROGRAM TITLE	FEDERAL CFDA NUMBER	AGENCY OR PASS-THROUGH NUMBER	FEDERAL EXPENDITURES
Homeless Education Cluster			
Education for Homeless Children and Youth	84.196	11-688-16000	\$ 104,138
ARRA Education for Homeless Children and Youth	84.387	10-689-16000	23,769
Total Homeless Education Cluster			<u>127,907</u>
School Improvement Grants Cluster			
School Improvement Grants, Title I, Part G, School Improvement #1	84.377	10-623-16000	19,391
School Improvement Grants, Title I, Part G, School Improvement #2	84.377	11-623-16001	7,396
School Improvement Grants, Title I, Part G, SIG Travel / Conference	84.377	11-623-16000	3,619
			<u>30,406</u>
ARRA School Improvement Grants, Title I, Part G, District	84.388	11-743-16000	38,684
ARRA School Improvement Grants, Title I, Part G, Clayton	84.388	11-743-16301	383,222
ARRA School Improvement Grants, Title I, Part G, Dilworth	84.388	11-743-16306	492,965
ARRA School Improvement Grants, Title I, Part G, Duncan	84.388	11-743-16204	389,496
ARRA School Improvement Grants, Title I, Part G, Loder	84.388	11-743-16202	312,352
ARRA School Improvement Grants, Title I, Part G, O'Brien	84.388	11-743-16308	389,722
ARRA School Improvement Grants, Title I, Part G, Smithridge	84.388	11-743-16218	497,329
ARRA School Improvement Grants, Title I, Part G, Veterans	84.388	11-743-16220	397,803
			<u>2,901,573</u>
Total School Improvement Grants Cluster			<u>2,931,979</u>
Title I, Part C, Migrant Education	84.011	11-629-16000	2,586
Title I, Part D, Delinquent	84.013	11-630-16000	397,468
Career & Vocational Education - Carl D Perkins Basic	84.048	11-631-16000	757,938
Safe and Drug-Free Schools and Communities State Grants	84.186	11-720-16000	59,674
Title I, Part B, Even Start	84.213	11-651-16000	107,009
21st Century Community Learning Centers, District	84.287	11-770-16000	293,886
21st Century Community Learning Centers, Cannan ES	84.287	11-770-16000	112,347
21st Century Community Learning Centers, Desert Heights ES	84.287	11-770-16000	87,341
21st Century Community Learning Centers, Duncan ES	84.287	11-770-16000	108,709
21st Century Community Learning Centers, Lincoln Park ES	84.287	11-770-16000	116,662
21st Century Community Learning Centers, Loder ES	84.287	11-770-16000	81,604
21st Century Community Learning Centers, Mathews ES	84.287	11-770-16000	97,921
21st Century Community Learning Centers, Maxwell ES	84.287	11-770-16000	106,043
21st Century Community Learning Centers, Mitchell ES	84.287	11-770-16000	101,759
21st Century Community Learning Centers, Natchez ES	84.287	11-770-16000	77,679
21st Century Community Learning Centers, Donner Springs ES	84.287	11-770-16000	97,051
21st Century Community Learning Centers, Risley ES	84.287	11-770-16000	108,152
21st Century Community Learning Centers, Sierra Vista ES	84.287	11-770-16000	110,216
21st Century Community Learning Centers, Kate Smith ES	84.287	11-770-16000	90,231
21st Century Community Learning Centers, Smithridge ES	84.287	11-770-16000	89,107
21st Century Community Learning Centers, Stead ES	84.287	11-770-16000	88,786
21st Century Community Learning Centers, Sun Valley ES	84.287	11-770-16000	116,316
21st Century Community Learning Centers, Veterans ES	84.287	11-770-16000	90,241
21st Century Community Learning Centers, Warner ES	84.287	11-770-16000	96,393
21st Century Community Learning Centers, Clayton MS	84.287	11-770-16000	103,266
21st Century Community Learning Centers, Dilworth MS	84.287	11-770-16000	88,674
21st Century Community Learning Centers, Pine MS	84.287	11-770-16000	91,074
21st Century Community Learning Centers, Sparks MS	84.287	11-770-16000	88,850
21st Century Community Learning Centers, Traner MS	84.287	11-770-16000	102,216
			<u>2,544,524</u>
Title I, Part G, Advanced Placement - Fee Payment Program	84.330	11-640-16000	7,032
Gaining Early Awareness and Readiness for Undergraduate Programs - GEAR UP, Wooster HS & Hug HS	84.334	11-610-16000	136,917
Reading First State Grant	84.357	10-757-16000	11,888

WASHOE COUNTY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2011

FEDERAL GRANTOR/PASS-THROUGH GRANTOR/PROGRAM TITLE	FEDERAL CFDA NUMBER	AGENCY OR PASS-THROUGH NUMBER	FEDERAL EXPENDITURES
Title III, English Language Acquisition Grants	84.365	11-658-16000	\$ 1,156,897
Title II, Part A Improving Teacher Quality State Grants	84.367	11-709-16000	2,231,684
ARRA Education Jobs Fund, EduJobs	84.410	11-753-16000	6,943,604
Total U.S. Department of Education funding passed through the State of Nevada Department of Education			44,503,537
Total U.S. Department of Education			47,845,809

U.S. DEPARTMENT OF AGRICULTURE:

DIRECT PROGRAMS:

Schools and Roads Cluster

Schools and Roads Grants to States - Forest Reserve	10.665	n/a	27,833
Total Schools and Roads Cluster			

Child Nutrition Cluster

*PASS THROUGH FROM THE STATE OF NEVADA,
DEPARTMENT OF GENERAL SERVICES:*

National School Lunch Program (Commodities) **	10.555	n/a	772,820
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*PASS THROUGH FROM THE STATE OF NEVADA,
DEPARTMENT OF EDUCATION:*

National School Lunch Program	10.555	n/a	9,418,789
			10,191,609

School Breakfast Program	10.553	n/a	2,849,060
Total Child Nutrition Cluster			13,040,669

Fresh Fruit and Vegetable Program	10.582	n/a	504,444
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Total U.S. Department of Agriculture			13,572,946
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** Amounts shown as expenditures represent the value of commodity foods used by the District.

CORPORATION FOR NATIONAL AND COMMUNITY SERVICE

PASS THROUGH FROM THE NEVADA FFA FOUNDATION:

Learn & Serve America	94.004	n/a	46,779
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Total Corporation for National and Community Service			46,779
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U.S. DEPARTMENT OF ENERGY:

*PASS THROUGH FROM THE STATE OF NEVADA,
DEPARTMENT OF ENERGY*

State Energy Program, Solar Energy	81.041	n/a	738,680
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Total U.S. Department of Energy			738,680
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U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:

*PASS THROUGH FROM THE STATE OF NEVADA,
DEPARTMENT OF HEALTH AND HUMAN SERVICES:*

Title IV-B, Promoting Safe and Stable Families - Family Support	93.556	SFY-11-13-046	46,487
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Title XX Social Services Block Grant - FRC	93.667	n/a	171,867
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WASHOE COUNTY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2011

FEDERAL GRANTOR/PASS-THROUGH GRANTOR/PROGRAM TITLE	FEDERAL CFDA NUMBER	AGENCY OR PASS-THROUGH NUMBER	FEDERAL EXPENDITURES
Governor's Council on Developmental Disabilities			
Developmental Disabilities Basic Support & Advocacy, Summer Camp	93.630	1110XF3154	\$ 17,834
Developmental Disabilities Basic Support & Advocacy, Medicaid Infrastructure	93.768	10MIG04XF	15,494
Total U.S. Department of Health & Human Services funding passed through the State of Nevada Department of Health & Human Services			<u>251,682</u>
<i>PASS THROUGH FROM THE STATE OF NEVADA, DEPARTMENT OF EDUCATION:</i>			
Support School Programs to Prevent Spreading HIV & Other Health Programs	93.938	11-791-16000	<u>12,450</u>
Head Start Cluster			
<i>PASS THROUGH FROM THE UNIVERSITY OF NEVADA, RENO</i>			
ARRA Early Head Start Expansion	93.709	UNR-11-56	<u>320,000</u>
Total Head Start Cluster			<u>320,000</u>
Total U.S. Department of Health and Human Services			<u>584,132</u>
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:			
<i>PASS THROUGH FROM CITY OF RENO:</i>			
CDBG - Entitlement Grants Cluster			
Community Development Block Grants/Entitlement Grants			
WCHSC - Community Strengthening	14.218	n/a	<u>24,126</u>
Total CDBG - Entitlement Grants Cluster			<u>24,126</u>
Total U.S. Department of Housing and Urban Development			<u>24,126</u>
U.S. DEPARTMENT OF THE INTERIOR:			
<i>PASS THROUGH FROM STATE OF NEVADA FISH AND WILDLIFE:</i>			
Fish & Wildlife Management Assistance, Pine MS	15.608	84320-A-J508	<u>3,725</u>
<i>PASS THROUGH FROM THE NATIONAL FISH AND WILDLIFE FOUNDATION:</i>			
Fish & Wildlife Mgmt Assist. Schoolyard Habitat/Outdoor Classroom Pine MS	15.608	2008-0121-000	<u>2,452</u>
Total U.S. Department of the Interior			<u>6,177</u>
U.S. DEPARTMENT OF JUSTICE:			
<i>DIRECT PROGRAM:</i>			
Public Safety Partnership and Community Policing Grants			
COPS Secure Schools	16.710	2009CKWX0725	<u>316,035</u>
Total Direct			<u>316,035</u>
<i>PASS THROUGH FROM THE CITY OF RENO:</i>			
Edward Byrne Memorial Competitive Grant Program, Smart Policing	16.751	n/a	<u>8,965</u>
Total U.S. Department of Justice			<u>325,000</u>

WASHOE COUNTY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2011

FEDERAL GRANTOR/PASS-THROUGH GRANTOR/PROGRAM TITLE	FEDERAL CFDA NUMBER	AGENCY OR PASS-THROUGH NUMBER	FEDERAL EXPENDITURES
U.S. DEPARTMENT OF LIBRARIES AND ARCHIVES:			
<i>PASS THROUGH FROM THE STATE OF NEVADA, DEPARTMENT OF CULTURAL AFFAIRS:</i>			
Grants to States LSTA Winnemucca ES	45.310	2010-22	\$ <u>6,957</u>
Total U.S. Department of Libraries and Archives			<u>6,957</u>
U.S. DEPARTMENT OF TRANSPORTATION:			
Highway Planning and Construction Cluster <i>PASS THROUGH FROM THE STATE OF NEVADA, DEPARTMENT OF TRANSPORTATION:</i>			
Highway Planning and Construction Safe Routes to School	20.205	P278-09-802	<u>33,309</u>
<i>PASS THROUGH FROM WASHOE COUNTY, DEPARTMENT OF PUBLIC WORKS:</i>			
Highway Planning and Construction Safe Routes to School	20.205	n/a	<u>93,937</u>
Total Highway Planning and Construction Cluster			<u>127,246</u>
Highway Safety Cluster <i>PASS THROUGH FROM THE STATE OF NEVADA, DEPARTMENT OF PUBLIC SAFETY:</i>			
State and Community Highway Safety NV DPS Joining Forces	20.600	29-406PT-44	<u>9,132</u>
Total Highway Safety Cluster			<u>9,132</u>
Total U.S. Department of Transportation			<u>136,378</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 63,286,984</u>

See accompanying notes.

WASHOE COUNTY SCHOOL DISTRICT
 NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED JUNE 30, 2011

NOTE 1 – Reporting Entity:

The accompanying Schedule of Expenditures of Federal Awards presents the expenditure activity of all Federal award programs of the Washoe County School District (the “District”) for the year ended June 30, 2011. The District’s reporting entity is defined in Note 1 to its basic financial statements. All expenditures of Federal awards received directly from Federal agencies as well as Federal awards passed through other government and not-for-profit agencies are included in the Schedule of Expenditures of Federal Awards.

NOTE 2 – Basis of Accounting:

The accompanying Schedule of Expenditures of Federal Awards is prepared on the modified accrual basis of accounting.

NOTE 3 – Relationship to the Basic Financial Statements:

Expenditures of Federal awards have been included in the individual funds of the District as follows:

General Fund		\$ 218,379
Special Revenue Funds		49,523,491
Enterprise Fund – Nutrition Services		<u>13,545,114</u>
		<u>\$63,286,984</u>

NOTE 4 – Subrecipients:

Of the expenditures presented in the Schedule of Expenditures of Federal Awards, Washoe County School District provided awards to subrecipients as follows:

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Amount Provided to Subrecipients</u>
ARRA Title II, Part D, Education Technology	84.386	\$23,048

WASHOE COUNTY SCHOOL DISTRICT
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 FOR THE YEAR ENDED JUNE 30, 2011

Summary of Auditor's Results:

- Kafoury, Armstrong & Co. issued an unqualified opinion on the basic financial statements of Washoe County School District for the year ended June 30, 2011.
- A significant deficiency was identified during the audit of the financial statements as reported in the Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.
- The audit disclosed no instances of noncompliance which were material to the financial statements of Washoe County School District.
- No significant deficiencies in the internal control over major Federal award programs were disclosed during the audit as reported in the Independent Auditor's Report on Compliance with Requirements that Could Have a Direct and Material Effect on Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133.
- Kafoury, Armstrong & Co. issued an unqualified opinion on compliance for major Federal programs of Washoe County School District.
- There were no audit findings relative to the major Federal award programs for the Washoe County School District required to be reported under section .510(a) of OMB Circular A-133.
- Washoe County School District had four major programs for the year ended June 30, 2011, as follows:

CFDA Number	Program Name
	Child Nutrition Cluster:
10.553	School Breakfast Program
10.555	National School Lunch Program
	School Improvement Grants Cluster:
84.377	School Improvement Grants
84.388	ARRA – School Improvement Grants, Recovery Act
84.410	ARRA – Education Jobs Fund
	Head Start Cluster:
93.709	ARRA-Early Head Start

- The dollar threshold used for distinguishing between Type A and Type B programs for the year ended June 30, 2011, was \$1,898,609
- Washoe County School District qualified as a low risk auditee for the year ended June 30, 2011 under the criteria set forth in section .530 of OMB Circular A-133.

WASHOE COUNTY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011

Findings Relating to the Financial Statement Audit Reported in Accordance With Generally Accepted Governmental Auditing Standards (GAGAS):

Finding 11-1

Significant Deficiency:

Criteria and Condition: General Accepted Accounting Principles require that commodities inventories be recorded at fair value at the date of donation. Fair value is determined by applying a rate factor provided by the United States Department of Agriculture (USDA) to the cost of each commodity.

During our testing of Nutrition Services' inventory, we noted that the District had applied the USDA rate factor to incorrect cost values when determining the fair value of the ending commodities inventory at June 30, 2011. Because the ending inventory value is one factor in determining inventory consumption (expense), the use of the incorrect value resulted in the expense and offsetting commodities revenue being misstated.

Effect: District inventories were overstated, expenses were understated and revenues were understated.

Cause: Adequate control procedures were not in place in the Nutrition Services Department to accurately and timely detect errors in the calculation of ending commodities inventory and the related adjustments to commodities revenue and expense.

Recommendation: We recommend that the Nutrition Services Department of the District enhance procedures to accurately and timely detect errors in the calculation of ending commodities inventory and the related adjustments to commodities revenue and expense.

Management's Response: In August of 2010, the Board of Trustees approved the new food procurement process for the 2010 – 2011 school year. At that point, we changed the entire menu from a pre-processed lower quality to one that was prepared on site at the central kitchen and the secondary kitchens. This meant a higher quality and more nutritious product, but also entailed significant changes to the current inventory. Prior to August 2010, there were approximately 460 inventory line items to check. After the installation of the new menu, that number jumped to nearly 1,160. At that time we identified that the existing inventory system should be updated as it was old and very labor intensive in addressing this much larger inventory. After determining that the District's warehouse inventory system was not designed for nutrition services much larger

WASHOE COUNTY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011

inventory needs, we made contact with three school districts that had similar central production processes, Montgomery County, MD, Rochester, N.Y. and Houston, TX. Montgomery County was using WEBSMARTT from School Link Technology, Rochester and Houston were utilizing Cybersoft. We were also aware that Nutrikids had capabilities that might work and contacted them since the District was already using Nutrikids for nutritional analysis.

Upon reviewing the capabilities of all three, only School Link and Cybersoft had the detailed inventory management, menu planning and central production capabilities necessary for the combined operations of Washoe County School District. After completing this review process, we determined that we should use WEBSMARTT. In June of 2011, we submitted the necessary paperwork to start the Board of Trustee review and approval of the technology enhancement. In August 2011, we received Board of Trustee approval for the necessary software and we have immediately started implementation. Currently, we have fully implemented the production records portion of the technology and we are working on the training and functionality of the inventory management process. We expect to have full training and implementation by the end of the school year. This process will automate the inventory, receiving, production and shipping processes so that we have a perpetual inventory at all 102 sites on an hour by hour basis.

In the interim, we have added a three step cross check system to insure that data entry errors are either not made or are immediately corrected in our inventory process, including commodities. The initial step is that the accounts payable technician will check all line item pricing. Then, the Department manager will double check all pricing that the accounts payable technician has entered. Finally, the Department Director or Assistant Director will triple check line item pricing. This system will insure that mistakes will be caught prior to the closing of the monthly inventories and year-end reporting.

WASHOE COUNTY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011

Findings and Questioned Costs for Major Federal Award Programs:

There were no such findings for the year ended June 30, 2011.

WASHOE COUNTY SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011

Prior Year Findings and Questioned Costs for Federal Awards:

Finding 10-3:

U.S. Department of Agriculture; passed through from the Nevada Department of Education:

Program: Child Nutrition Discretionary Grants, CFDA 10.579

Finding Summary: The OMB Circular A-133 Compliance Supplement states that non-federal entities must follow procedures to minimize the time elapsing between the transfer of funds from the pass-through entity and the disbursement of those funds in order to ensure that funds are drawn only for immediate cash needs.

While reviewing the accounting treatment of costs for the Nutrition Equipment Program, we noted that the District requested and received funds totaling \$325,634 in September 2009, while the related expenditures were not incurred until October and November 2009. Thus, funds were requested (and received) in advance of immediate cash needs.

Auditor's Recommendation: We recommended the District seek secondary approval that cash advances are allowable if funds are drawn in a manner that is inconsistent with the Districts normal cash draw procedures.

Finding Status: This audit finding does not warrant further action as no additional funds were drawn related to Child Nutrition Discretionary Grants, CFDA 10.579.



**INDEPENDENT ACCOUNTANT'S REPORT ON
NEVADA REVISED STATUTE 354.6241**

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

We have reviewed the assertion provided by management in accordance with Nevada Revised Statute 354.624 (5) (a):

- The identified funds are being used expressly for the purposes for which they were created,
- The funds are administered in accordance with accounting principles generally accepted in the United States of America,
- The fund balances/net assets in the funds were reasonable and necessary to carry out the purposes of the funds at June 30, 2011 (based on the interpretation of reasonable and necessary provided by the Legislative Counsel Bureau),
- The sources of revenues, including transfers, available for the funds are as noted in the financial statements,
- The funds conform to significant statutory and regulatory constraints on its financial administration during the year ended June 30, 2011,
- The balance and net assets of the funds are as noted in the financial statements.

This assertion is the responsibility of the management of the Washoe County School District.

Our review was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. A review is substantially less in scope than an examination, the objective of which is the expression of an opinion on the assertion. Accordingly, we do not express such an opinion.

Based on our review, nothing came to our attention that caused us to believe that the assertion provided by management referred to above is not fairly stated in all material respects.

Kafoury, Armstrong & Co.

Reno, Nevada
October 24, 2011

**WASHOE COUNTY SCHOOL DISTRICT
AUDITOR'S COMMENTS
JUNE 30, 2011**

STATUTE COMPLIANCE

The required disclosure on compliance with Nevada Revised Statutes and the Nevada Administrative Code is contained in Note 2 to the financial statements.

PROGRESS ON PRIOR YEAR STATUTE COMPLIANCE

The Washoe County School District conformed to all significant statutory constraints on its financial administration for the year ended June 30, 2010.

PRIOR YEAR RECOMMENDATIONS

Progress was made on the findings 10-1 and 10-2 included in the prior year report; therefore, prior year findings are not repeated. As reported in the Summary Schedule of Prior Year Findings and Questioned Costs, finding 10-3 did not warrant further action.

CURRENT YEAR RECOMMENDATIONS

Our current year recommendations are included in the Schedule of Findings and Questioned Costs.

