

# Introductory Section

COMPREHENSIVE ANNUAL FINANCIAL REPORT

## BOARD OF SCHOOL TRUSTEES

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October 10, 2011

Carolyn Edwards, President  
Members of the Clark County School District Board of School Trustees  
Residents of Clark County, Nevada:

The Comprehensive Annual Financial Report (CAFR) of the Clark County School District (District), Clark County, Nevada, for the fiscal year ended June 30, 2011, is submitted herewith in accordance with state statute. Nevada Revised Statute (NRS) 354.624 requires school districts to present to their respective boards within four months of the close of each fiscal year a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants.

This report consists of management's representations concerning the finances of the Clark County School District. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the management of the District. To provide a reasonable basis for making these representations, management of the District has established a comprehensive internal control framework that is designed to compile sufficient reliable information for the preparation of the District's financial statements in conformity with GAAP.

The accounting firm of Kafoury, Armstrong & Co., CPA's, a firm of licensed certified public accountants, was selected to perform the fiscal year 2011 audit. In addition to meeting the requirements set forth in state statutes, the audit also was designed to meet the requirements of the federal Single Audit Act of 1996 and related OMB Circular A-133. Kafoury, Armstrong & Co. concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the District's financial statements for the fiscal year ended June 30, 2011, are fairly presented in conformity with GAAP. The auditor's report on the basic financial statements is included as the first component of the financial section of this report. The auditor's report on the internal accounting controls of the District and statement regarding the District's use of monies in compliance with the purpose of each fund are included in the Compliance and Controls Section and will be filed as a public record pursuant to NRS 354.624.

GAAP also requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The District's MD&A can be found on page 4, immediately following the Independent Auditor's Report.

## PROFILE OF THE CLARK COUNTY SCHOOL DISTRICT

### History, Geography, and Population

In 1956, Nevada's multiple school districts were consolidated under terms of state legislation creating countywide school districts. As such, all public educational services provided by the District are restricted to the boundaries of Clark County. Clark County covers 7,910 square miles, includes a countywide population in 2010 of just over 2 million, and is located in the southernmost part of the state. The largest cities within the county, and thus served by the District, include Las Vegas, Henderson, and North Las Vegas. Other cities and rural areas served are located as far north as Indian Springs and Mesquite and as far south as Laughlin and Searchlight. Although the District

serves the geographic area of Clark County, it is formally a political subdivision of the State of Nevada, which determines the majority of its funding. In addition to state authorized revenues, the District receives funding from federal and local sources and must comply with the concomitant requirements of these funding entities.

## Structure of the District

The District is governed by an elected, seven-member Board of School Trustees (Board). The Board members represent specific geographic areas, are elected by the public for four-year overlapping terms, and have the authority to adopt and administer budgets, as well as establish District policy. The Board employs a superintendent to serve as an administrator for the day-to-day operations of the District.

The District is organized into three geographic Area Service Centers (ASCs), recently reduced from four. An associate superintendent is responsible for each area service center, with three centers established on school campuses within each geographic area. The centers provide access for parents to communicate with service center administration.

The Superintendent's Schools, a select group of schools from each ASC, were formed in 2006 and incorporate approximately 41 schools taken from the existing geographic regions. The schools are divided into differing categories for a more focused approach to specialized learning models, including the District's school empowerment model.

Reporting directly to the superintendent is the deputy superintendent of instruction, the chief financial officer and the chief human resources officer. The deputy superintendent of instruction is responsible for all instructional areas, including the three area service centers' associate superintendents. The chief financial officer is responsible for oversight of the Finance and Operations Division, in addition to the other operational support services of the District, while the chief human resources officer is responsible for overseeing the hiring and employment of approximately 37,341 individuals and the administration of the Human Resources Division.

In December of 2010, after a nation-wide search, the Board hired a new superintendent, Dwight Jones. Superintendent Jones previously served as the Commissioner of Education for the state of Colorado where he oversaw the educational needs of over 860,000 students in 178 school districts.

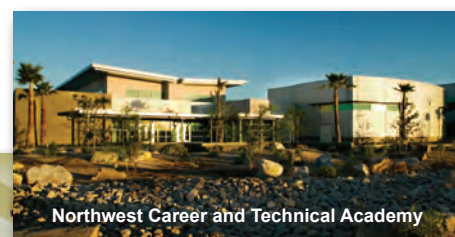
As of June 30, 2011, the District was operating 217 elementary schools, 59 middle/junior high schools, 49 high schools, and 32 alternative schools and special schools with a total audited student body of 309,899. The District is also the largest non-federal, single-entity public employer in Nevada, employing approximately 37,341 people in Clark County.

## District Services

By state mandate, the District is responsible for providing public education in Clark County, Nevada from kindergarten through twelfth grade. The District offers a variety of educational resources, from regular and special education programs to adult and vocational, in order to meet the needs of the children and adults of Clark County.

### Kindergarten

Nevada state law requires that children must attend a state-approved kindergarten program or take a developmental assessment test in order to enter the first grade. Currently, the District offers a half-day kindergarten program for all students and a full-day program at selected schools for students with special needs, as well as a tuition-based program at selected schools. State funding was provided to implement full-day programs in all Title I schools. In addition, the tuition-based, full-day program expanded to 53 schools, reaching approximately 2,237 students in 2011.



Northwest Career and Technical Academy



Southwest Career and Technical Academy

## ***Magnet / Career and Technical Schools***

The District offers 18 magnet schools and programs and 6 vocational schools with programs for students at any grade level who are seeking a more focused area of study than the general curriculum offers. Students may apply for entrance into one of these programs based on their own interests and abilities in areas such as science or the performing arts. The District is on schedule with opening career and technical academies, offering additional opportunities for high-tech training, industry certifications, job shadowing, and internships in various fields.

## ***Special Education***

Special services are provided for students with disabilities. Trained District employees work with families to offer educational services, along with preparing students for life after school. Both direct and support services are offered for students from ages 3 to 22.

## ***Alternative Education Programs***

The District provides alternative education programs designed to give students who are credit deficient and/or require a non-traditional approach to education an opportunity to complete their course requirements. Programs also are designed to provide an alternative setting for students experiencing chronic behavioral problems. Juvenile Court School programs are offered for students who are no longer eligible for enrollment in comprehensive schools, as well as the adjudicated youth of Clark County.

## ***Federal Programs***

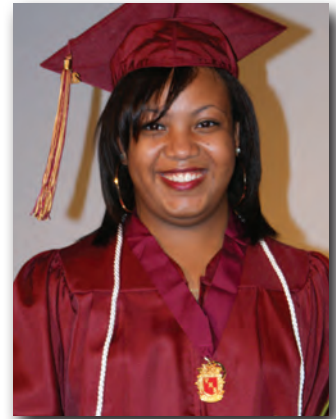
The District works closely with the state and federal government to take advantage of grants offered to help meet the supplemental needs of its students. With the help of these grants, the District is able to offer programs such as Indian Education, Safe and Drug-Free Schools, Adult Education, and Math and Science Enhancement. The District also offers a food service program subsidized by the federal government to help guarantee a nutritious meal at a nominal price for its students.

## ***Edison Schools***

For the past ten fiscal years, the District has partnered with Edison Schools, the nation's largest private manager of public schools, to provide educational services to certain District schools. Edison currently manages six elementary schools belonging to the District. Edison offers its own special curriculum and education services with the goal of increasing student achievement and test scores at these participating schools.

## ***Charter Schools***

Charter Schools within Clark County operate as independent public schools to provide other educational opportunities under the sponsorship of the District. These schools have fewer state regulations imposed upon them than public schools, which allows them to offer an alternative educational environment. To operate in Clark County, charter schools must meet mandated sponsorship requirements and are monitored by the Nevada Department of Education and the District. The District currently sponsors eight charter schools: Agassi College Preparatory Academy, Explore Knowledge Academy, Las Vegas Charter School of the Deaf, Odyssey Charter School, Innovations International, Delta Academy, Rainbow Dreams Academy, and the 100 Academy of Excellence.



## ***Distance Education***

The District offers a distance education program that contains an online virtual high school, which offers full-time and part-time, online, credit-eligible high school courses. Online capacity will enable educational opportunities for students in areas of regular education, special needs, English Language Learner, and credit retrieval programs.

## **Vegas PBS**

This local Public Broadcasting Service member, operated as a division of the District, programs three over the air digital television channels and produces many hours of local video and web content. A network of 19 translators extends Channel 10 programming services to rural Nevada and to some viewers in California, Utah, and Arizona.

KLVX-DT is part of the Vegas PBS division of the District. The division also operates four cable channels, six educational broadband service channels received in schools, a described and captioned media center serving the entire state, the CCSD online Virtual High School, the CCSD Educational Media Center, an online video-on-demand library and federated search engine serving public and private schools called One Place, an online workforce training and economic development service called Vegas Virtual, and an emergency communications data repository and network hub called X-tracast. Each service is supported by distinct revenue streams related to their purpose or intended audience.

### **Component Unit – Vegas PBS**

The CAFR includes all of the funds of the primary government unit, the District, as well as its component unit, Vegas PBS. Vegas PBS is a local public telecommunications entity and is licensed to the individuals elected as Trustees of the Board of the District. Vegas PBS is a legally separate entity for which the District's Board members may serve as the governing body and for which the District is financially accountable. Accordingly, the District's financial statements include Vegas PBS as a blended component unit. Blended component units, although legally separate entities, are in substance part of the primary government unit's operations and are included as part of the primary government unit. In matters relating to the activities of the public television station, the trustees act as individuals, not as school trustees.

### **Budgetary Process and Control**

The appropriated budget of the District is prepared by fund, program (e.g., regular, special, etc.), function (e.g., instruction, transportation, etc.), and object (e.g., salaries, benefits, etc.). State statute allows transfers among programs or functions within a fund as long as there is no resulting increase in total appropriations and they are made with appropriate administrative approval, along with Board advisement.

Expenditures within governmental funds that exceed budgeted appropriations at the function level are in violation of state statute. Within proprietary funds, expenditures should not exceed budgeted operating and non-operating appropriations. Budget-to-actual comparisons are provided in this report for each individual fund.

## **FACTORS AFFECTING ECONOMIC CONDITION**

### **Local Economic Outlook**

As in previous years, many local revenues collected by the District reflected year-over-year declines as economic challenges in Clark County continued. Gaming and tourism continue to represent the major industries in the region, and with the national economy experiencing continued challenges, these discretionary income dependent business sectors have faced a difficult future. Drops in gaming revenue, tourism, the declining housing market, and tighter credit restrictions have continued to drag on the once vibrant construction industry in Clark County. Clark County's favorable tax base and tax policies did help attract new businesses in the past year. Since Nevada does not impose corporate or personal income tax, nor inventory, special intangible, inheritance, estate, or gift taxes, it remains a favorable business climate for many companies looking to relocate.

Many local revenues continued to decline from previous year's levels and property tax which dropped over 20% in the last fiscal year, continued declining in 2010-11. While sales tax increased in year-over-year collections, partially due to a legislative increase, the District saw other local taxes such as real property transfer tax, and the governmental services tax continue their descent. As reflected in lower tax collections, the weight of the challenging national economy and the anemic local housing market continued to bear down on Clark County in the 2010-11 fiscal year.

## Gaming and Tourism

Las Vegas, Clark County’s largest city, is home to 15 of the 20 largest hotels in the world. Over the past two decades, Las Vegas has become known for more than just legalized gaming as Las Vegas visitors are also offered top quality entertainment, fine dining and shopping, as well as recreational opportunities. Beyond the Strip and casinos, tourists can enjoy Red Rock Canyon, Lake Mead National Recreation Area, Hoover Dam, Mount Charleston and other outdoor attractions.

While tourism and gaming have historically been strong drivers of the Las Vegas economy and its surrounding areas, their effectiveness grew only minimally in 2010. From 2010 to 2011, visitors to Las Vegas increased by 2.7% with Las Vegas welcoming 37.3 million visitors in 2010, 984,000 more than the previous year. Gross gaming revenues also had a slight gain, increasing by 0.8% in 2010, a \$70 million year-over-year increase.

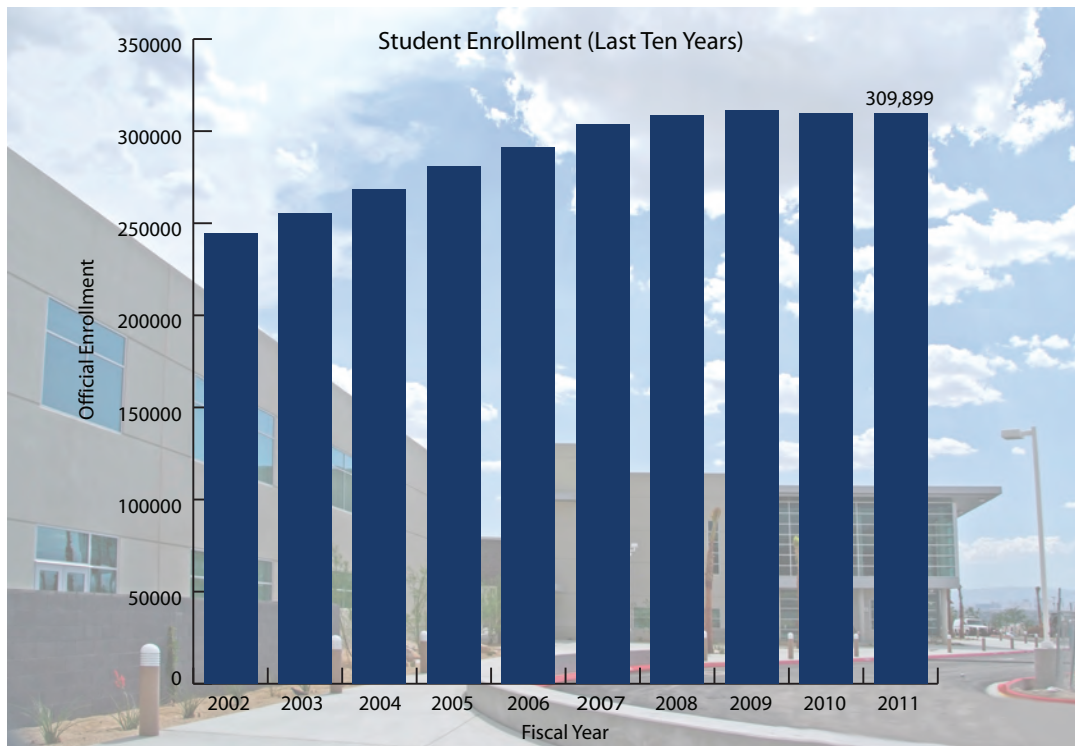
Affecting visitor volume, attendance at conventions, trade shows, and meetings decreased by 0.4% to 4.4 million attendees in 2010, while the number of total conventions declined by 7.2%. Overall, the occupancy levels of hotels/motels in Clark County decreased by 1.1% to an average of 80.4%, with an 88.4% average occupancy rate reported for weekends. To accommodate convention and trade show business, total Las Vegas convention capacity is approximately 10.5 million square feet, citywide.

## Population Growth

With a high quality of life, low cost of living, and relatively mild weather, Clark County still remains a top choice for relocation; Clark County’s overall population increased slightly in 2010, totaling just over 2 million inhabitants. The County increased in size by approximately 30,011 people from 2009 to 2010, a 1.5% increase. While in past years Clark County had maintained an unemployment rate lower than the national average, making it a desirable relocation destination, Las Vegas was reporting an unemployment rate of 13.8% as recently as June 2011.

Over the past ten years, Clark County was used to an average annual 4% growth in population. Even with the population leveling out, many cities and special districts within Clark County, including the District, continue to struggle to accommodate the heavy growth from previous years.

In 2010-11, District enrollment had a slight increase of 0.1%. Much like the County itself, over the past ten years, the District was familiar with rampant growth and demand for its public educational services.



The preceding chart provides a ten year history of enrollment growth. Overall enrollment had at one time been projected to exceed 330,000 students by 2013; however, with slower population growth and the lagging economy, enrollment figures are expected to remain flat to declining over the short-term.

Even with leveling enrollment, the District continues to struggle with over capacity schools in specific geographic regions. The District continued to respond to areas of high-need by opening five new schools; four elementary schools and one career and technical high school, in fiscal year 2011. These are the last new schools scheduled to be built from the now complete 1998 capital program. The total number of schools currently in operation is 357. Because of the continuous construction of new buildings over the life of the previous bond program, 126 of the District's 357 schools have been built in the last 10 years. This makes the average age of a school building just 22 years old. School construction schedules are closely monitored by the District's Demographics and Zoning Department to respond to areas of high enrollment growth.

### ***Proposed/Planned Commercial Construction in Clark County***

The commercial construction industry has been hit particularly hard during the current financial recession, and as funding or demand has dried up for many projects, construction has measurably slowed. Many commercial construction projects, including several proposed hotel/casinos, mixed-use urban developments, and housing subdivisions originally planned over the next several years have been halted or are currently on hold. In 2006, several older hotel/casinos, including landmarks such as the Stardust on the Strip, and the Lady Luck located downtown, were demolished to make way for the construction of newer, bigger projects. Due to difficult financial conditions, construction has slowed or stopped on several other Strip properties, including the Fontainebleau Las Vegas, the Echelon planned for the old Stardust location, and a luxury condominium development at the Venetian.

Hotel room inventory remained steady at approximately 148,941 rooms. The loss of rooms from the closing of the Sahara Hotel and Casino were offset by the opening of the \$3.9 billion Cosmopolitan of Las Vegas hotel/casino at the south end of the Strip near the City Center. The Cosmopolitan Resort & Casino includes 2,995 condo-style hotel rooms, more than 150,000 square feet of convention and meeting space, 100,000 square foot casino and a 50,000 square foot spa and fitness center.

### ***New Construction in 2010-2012***

Due to the fragile economy, new construction has slowed down tremendously. There were a few re-openings of hotels that closed due to the economy in previous years. One hotel and casino that re-opened was Casino MonteLago at Lake Las Vegas in Henderson in May of 2011. It re-opened with 105 guest rooms. Another hotel that re-opened was the former Ritz-Carlton hotel which now has a new name entitled Ravella at Lake Las Vegas. This hotel opened with 340 guest rooms.

Tivoli Village located in West Las Vegas added to the new construction projects during the first quarter of 2011. Phase one, which included 15 shops and dining, opened April 28, 2011. Phase two of Tivoli is slated to open in 2012. Once the project is complete it will have included more than 600,000 square feet of dining, shops, entertainment, a spa, meeting space, and 100 condominiums.

Downtown Las Vegas continues its evolution into a pedestrian friendly, urban environment. The comprehensive plan consists of new commercial, residential, retail, dining, and entertainment establishments. The key component of this project is the 61-acre Union Park in the heart of downtown. The first phase includes plans for a new city hall, now under construction, two residential towers, and additional facilities such as the Smith Center for Performing Arts and the Cleveland Clinic Lou Ruvo Center for Brain Health, a highly specialized clinical center for advancement of research and treatment of neurological diseases such as Alzheimer's, Parkinson's, Huntington's and ALS. It is expected that Union Park will become the core of downtown and gentrification will expand to peripheral areas in various stages of development, such as the Arts District.

## Long-Term Financial Planning

### *Growth in District Facilities*

While the Clark County School District has been one of the fastest growing school districts in the nation, over the past several years its enrollment increases began to decelerate resulting in an enrollment decline in 2009-10. Official enrollment for the 2010-11 school year was 309,899, making the District the fifth largest in the nation. This represented a 457 student increase from the previous year. The District has faced several financial challenges in its significant growth spurt over the past several years, and according to population and demographic projections, it will continue to face challenges associated with over capacity schools and zoning as the population redistributes itself across the county.



In 2007-08, the District issued the final amount of bonds that were allowed under a voter-approved, ten-year construction program backed by property taxes, and in the 2010-11 school year, the District continued to use this funding for school construction. The district built five new schools in the 2011 fiscal year, and going forward, plans to continue to address rehabilitation and modernization issues at older sites. Due to declines in enrollment and the volatile economic climate, the Board has at present chosen to delay returning to the voters to fund a future capital program beyond 2011.

Additional funding for school construction is also secured by pledged revenues from the room tax and real property transfer tax in the city and county. The District consistently monitors the three main revenue sources for the bond construction program and is required by statute to maintain a debt reserve account to insure its ability to service the debt.

### *Budget Reductions*

Beginning in December 2007, as the State of Nevada began facing declining revenues, budget reductions were enacted that directly affected the District. The District lost funding for several instructional programs, and from that time to the present, has made significant cuts to its administrative budgets to accommodate reductions in both state and local revenues. Funding for textbooks and instructional supplies was cut significantly in fiscal year 2008-09 through a special session of the legislature, and additional cuts were made for the 2009 – 2011 biennium. During 2009-10, the District held several budget workshops and informational meetings with both internal and external stakeholders in order to determine its options in administering the budget reductions. During fiscal year 2010, the Nevada legislature was forced to respond to continued declines in revenues and cut state aid to the district from their original budgeted amounts. The result was that the District only received an additional \$10 per pupil in fiscal year 2011 over fiscal year 2010.

The District has continued to cut programs and reduce staff, by revising staffing formulas, in order to respond to state-wide budget reductions. In fiscal year 2011, the District asked its employees to share in the sacrifice of budget cuts and secured salary freezes and reductions in pay through changes in its collective bargaining agreements. The difficult financial climate and economy place challenges on the District to continue to offer the same standard of quality educational programs as in the past. In addition, long-term financial planning becomes increasingly complex as revenues fluctuate downward.



## Relevant Financial Policies

It is the District's policy that revenue recognition is handled in accordance with the modified accrual accounting method, which requires that the timing of revenue-related inflows of financial resources be considered. Generally accepted accounting principles (GAAP) direct that governmental funds recognize revenues "in the accounting period in which they become susceptible to accrual—that is, when they become both measurable and available to finance expenditures of the fiscal period." Financial resources should be considered available only to the extent they are "collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period." The District uses an availability period of 60 days from its fiscal year-end for the purpose of revenue recognition. An example of the District's revenue recognition policy would be the following:

The District receives monies from the Clark County Comptroller's Office and the State of Nevada for personal property and sales taxes, respectively. However, the monies for the current period were not received until after the end of the fiscal year, but within the 60 day period of availability. In these instances, the District books a receivable for the amount of taxes and recognizes the revenue.



## Major Initiatives

### *Student Achievement*

The District's highest priority is student achievement, but it is faced with many challenges, including student poverty and language barriers. More than 54.8% (approximately 169,662 students) of the District's population qualifies for free or reduced-cost meals, and over 15.3% (approximately 47,471 students) are enrolled in an English Language Learners (ELL) program. The District continues to fund important programs such as ELL and apply for funding under the free and reduced lunch program offered by the federal government. Despite these challenges, the District's administration of the Iowa Tests of Basic Skills/Educational Development shows that elementary school achievement is close to or above the national average (50th percentile). Over the past ten years, ACT scores have exceeded the national average while SAT scores are slightly below the national average.

### *District Reorganization*

Beginning in fiscal year 2011, under the direction of Superintendent Jones, the District began an instructional reorganization towards performance zones as part of larger reforms to increase student achievement. ASC's were reduced from four geographic regions to three and 13 groups of feeder schools were organized within the Area's and are now known as performance zones. Each zone will include approximately 20 to 30 schools and is lead by an academic manager responsible for the instructional leadership for the schools within their zones. In addition, the group of schools known as the Superintendent's Schools was dissolved and moved to the performance zone concept. The performance zone concept is expected to increase student achievement by focusing resources on those schools that need it the most. Schools with high achievement will be granted greater autonomy over budget and staffing.

### *Common Core Standards and the Growth Model*

Common Core Standards were adopted by the State of Nevada Department of Education in October 2010 and the District has begun the transition away from the Nevada State Content Standards to the new model. Currently 45 states, including Nevada, have adopted the curriculum standards that will help ensure that students understand grade-appropriate concepts in literacy and mathematics. The standards will make student achievement consistent and comparable from state to state.

In addition to the Common Core Standards, in fiscal year 2011, the district adopted a new method for tracking student progress known as the Growth Model. This model will track the achievement of students enrolled in grades 3 through 8. This model will help track the educational growth of students and schools or the change in their individual or site achievement on a year over year basis. Student growth scores may be used for comparisons against their peers and site growth statistics may be categorized and compared in a similar fashion. As opposed to achievement status, growth data provide richer information including how a school is moving its students towards or past achievement goals.

## AWARDS AND ACKNOWLEDGEMENTS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Clark County School District for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2010. This was the twenty-fifth consecutive year that the District has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. The District believes the current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and will be submitting it to the GFOA to determine its eligibility for another certificate.

Timely preparation of this report could not have been accomplished without the efficient and dedicated services of the entire staff of the Accounting Department and the staff of its independent auditors, Kafoury, Armstrong & Co., CPA's. We would like to express our appreciation to all members of the departments who assisted in and contributed to its preparation.

We would also like to thank the members of the Board of School Trustees for their interest and support in planning and conducting the financial operations of the Clark County School District in a responsible and progressive manner.

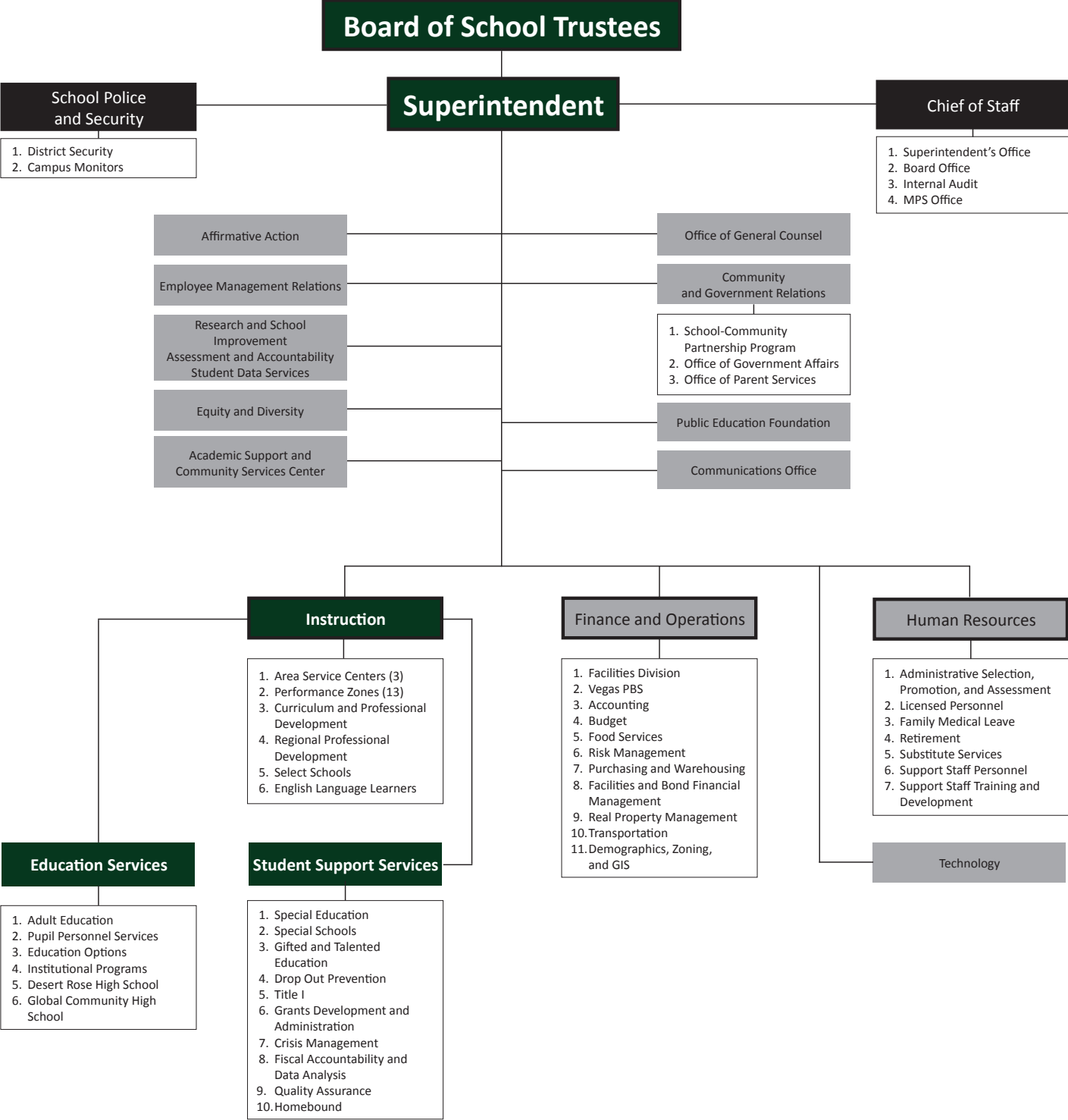
Respectfully submitted,



Dwight D. Jones  
Superintendent



Jeff Weiler  
Chief Financial Officer



# Certificate of Achievement for Excellence in Financial Reporting

Presented to

Clark County School District  
Nevada

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

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



President

Executive Director