




Introductory Section

CCSD 

CLARK COUNTY

SCHOOL DISTRICT

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October 10, 2012

Linda E. Young, 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, 2012, 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 2012 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, 2012, 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 7,891 square miles, includes a countywide population in 2011 of just over 1.9 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.

In fiscal year 2012, the District reorganized into 13 Performance Zones placed under the three geographically-aligned Area Service Centers. Each zone represents approximately 20-30 feeder-aligned schools and is overseen by an Academic Manager. The focus of each zone is student achievement with the Area Service Centers focusing more on operational support. The performance zones model will help remove a bureaucratic layer and create a tight focus on instruction-related issues.

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 and the Performance Zone Academic Managers. 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 37,228 individuals and the administration of the Human Resources Division.

As of June 30, 2012, the District operated 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 308,377. The District is also the largest non-federal, single-entity public employer in Nevada, employing approximately 37,228 Clark County people.

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 was offered at 50 schools, reaching approximately 2,161 students in 2012.

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 completed construction of six career and technical academies over the last 10 years 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 seven 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.

KLTX-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 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 10% in the last fiscal year, continued declining in 2011-12. 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 2011-12 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, the newly built Smith Center for the Performing Arts, 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 2011. From 2011 to 2012, visitors to Las Vegas increased by 4.3% with Las Vegas welcoming 38.9 million visitors in 2011, approximately 1.5 million more than the previous year. Gross gaming revenues also gained, increasing by 3.5% in 2011, a \$300 million increase.

Attendance at conventions, trade shows, and meetings increased by 8.8% totaling over 4.8 million attendees in 2011. This was largely due to the number of total conventions increasing by 5.7%. Overall, the occupancy levels of hotels/motels in Clark County increased by 3.4% to an average of 83.8%, with a 90.9% 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.

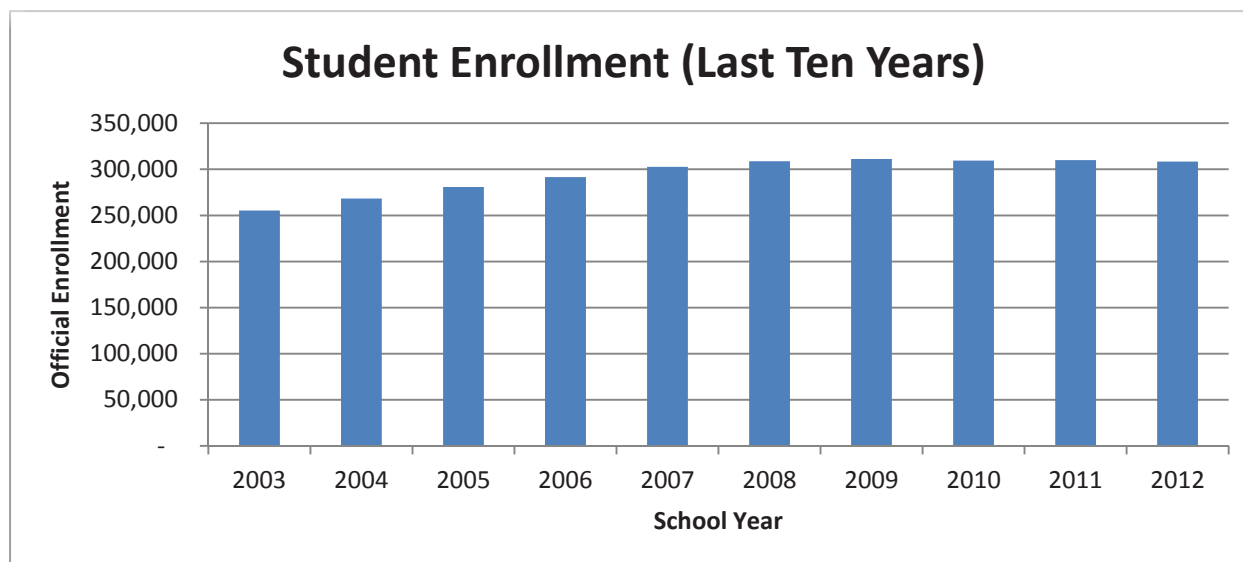
Population Growth

With a high quality of life, low cost of living, and relatively mild weather, Clark County still remains a top choice for relocation however Clark County's overall population decreased slightly in 2011, totaling just under 2 million inhabitants. The County decreased in size by approximately 69,728 people from 2011 to 2012, a 3.4% decrease. 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 12% as recently as June 2012 much higher than the national rate of 8.2% in June 2012.

Prior to the economic fallout, 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 2011-12, District enrollment had a slight decrease of 0.5%. The following 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 over the short-term.





Even with leveling enrollment the District continues to struggle with over capacity schools in specific geographic regions. Two years ago, the Board approved a plan to eliminate year-round schedules at many elementary schools as a part of a budget reduction plan. This has placed some stress on schools in certain areas and with the closure of the previous bond program; there are currently no available construction funds to respond to areas of high growth. 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, 97 of the District's 357 schools have been built in the last 10 years. This makes the average age of a school building just 23 years old.

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 slightly increased at approximately 150,161 rooms. The previous 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 2011-2012

Due to the fragile economy, new construction has slowed down tremendously, but there are some signs of new construction even in our current state. The SpringHill Suites Las Vegas North Speedway was opened June 2012. The property consists of three floors, 94 suites and 275 square feet of meeting space. There were a few re-openings of hotels that closed due to the economy in previous years. One hotel and casino that is slated to re-open is the Plaza Hotel and Casino located in Downtown Las Vegas. After a large scale remodeling, it is planned to re-open late August featuring new restaurants and 1,000 hotel 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 2013. Announced early January 2012, Tivoli plans to build a 700,000 square foot indoor mall which will begin phase three of the project. The anticipated opening will be 2015. Once the project is complete it will have included more than 1,300,000 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 key component of this project is the 61-acre Symphony Park in the heart of downtown. The master plan for Symphony Park identifies four distinct districts, organized in a series of small urban blocks with pedestrian-friendly accessibility and featuring street-facing retail and restaurants throughout the community.

The four districts are: the Civic District (includes The Smith Center for the Performing Arts and the park), the Specialty District (plans for a wide range of hospitality, specialty retail, a hotel/casino), the Residential District (true urban neighborhoods with a mix of high-rise, town homes, live/work condominiums and mid- and low-rise residences), and the Medical Office District (anchored by the Cleveland Clinic Lou Ruvo Center for Brain Health with other office and clinic space). It is expected that Symphony Park will become the core of downtown and gentrification will expand to peripheral areas in various stages of development, such as the Arts District.

A new City Hall building was built and opened February 21, 2012. The Smith Center for Performing Arts also opened its doors in 2012. It features a state of the art theater for Broadway shows and theatrical performances. Slated to open during fiscal year 2013 is the Discovery Children's Museum also in the heart of Downtown Las Vegas.

Long-Term Financial Planning

Growth in District Facilities

While the Clark County School District had 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 starting in 2009-10. Official enrollment for the 2011-12 school year was 308,377, making the District the fifth largest in the nation. This represented a decrease of 1,522 students 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.

As the District no longer has authority or capacity to bond against current capital-related property tax revenues, but faces billions in construction rehabilitation and modernization needs, it will turn to the voters to "bridge" the funding gap until a new comprehensive capital program is approved. The District is currently seeking a "pay-as-you-go" revenue source through a ballot initiative.

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 dwindling funding for school construction to address rehabilitation and modernization issues at older sites. The District is pursuing ballot initiative that would seek voter approval in November 2012 for a six-year additional capital property tax levy.

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

Since 2007, the State of Nevada has experienced a decline in revenues which has directly impacted its support of the basic DSA program to the District. In addition, the District has dealt with a significant decrease of over 59% to its property tax base requiring reductions to both instructional and school support programs. Administrative units have responded with over 20% in reductions to their appropriations. Reductions of over 50% to school site supply and textbook allocations have also been enacted. A decline of over 2,800 students during the past three years has also compounded efforts to generate the resources necessary to restructure the District's delivery system to improve student achievement. During fiscal year 2012, three of the four bargaining unions agreed to salary freezes and reductions in pay while the licensed employees association, through arbitration, approved salary increases which led to lay-offs amongst teachers. 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.

The District continues to reduce programs and staffing by revising allocation formulas in response to a reduction of over \$120 million in available resources. The District asks its employees to share in the sacrifice of budget cuts through secured salary freezes and reductions in pay through changes to collective bargaining agreements.

West Career and Technical Academy



East Career and Technical Academy

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 57% (approximately 177,131 students) of the District's population qualifies for free or reduced-cost meals and over 15% (approximately 45,746 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. Over the past ten years, ACT scores have equaled or exceeded the national average while SAT scores are slightly below the national average.



District Reorganization

Toward the end of fiscal year 2012 the District dissolved the three geographic regions for flatter autonomy. A reassignment of divisions was done in hopes for a greater instructional environment for students and staff. The performance zone concept was increased from initially 13 performance zones to 15 performance zones with new zones created to improving weaker schools and providing greater autonomy for higher achieving schools. Schools with high achievement will be granted greater autonomy over budget and staffing.

Common Core Standards / Nevada Growth Model / School Performance Framework

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.



Implemented in the current year, the District uses the School Performance Framework (SPF) to rate schools on a one-to five-star scale. SPF awards "Five Stars" to the best performing schools, "Four Stars" to schools that are close to achieving the top performance, "Three Stars" to schools that are nearing the expected targets, "Two Stars" to schools scoring lower on the framework categories, and "One Star" to the schools that are most deserving of resources and help. The SPF helps the District be accountable for success of every student. While initially holding schools harmless, the District will celebrate schools achieving uncommon results. The aim is to identify what works so they can learn and get better faster. The SPF is an improvement because it takes into account student growth

while recognizing highest performing schools. It helps focus support on schools that need it most. While status still matters, academic growth to a standard is the most important measure of academic achievement. It takes into account where students start (whether they are approaching, meeting, or exceeding standards). And schools receive credit if students' progress even if they have not yet reached proficiency. The SPF relies on data from the Nevada Growth Model so results for all students are taken into account.

AWARDS AND ACKNOWLEDGMENTS

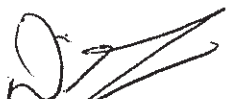
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Clark County School District for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2011. This was the twenty-sixth 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,



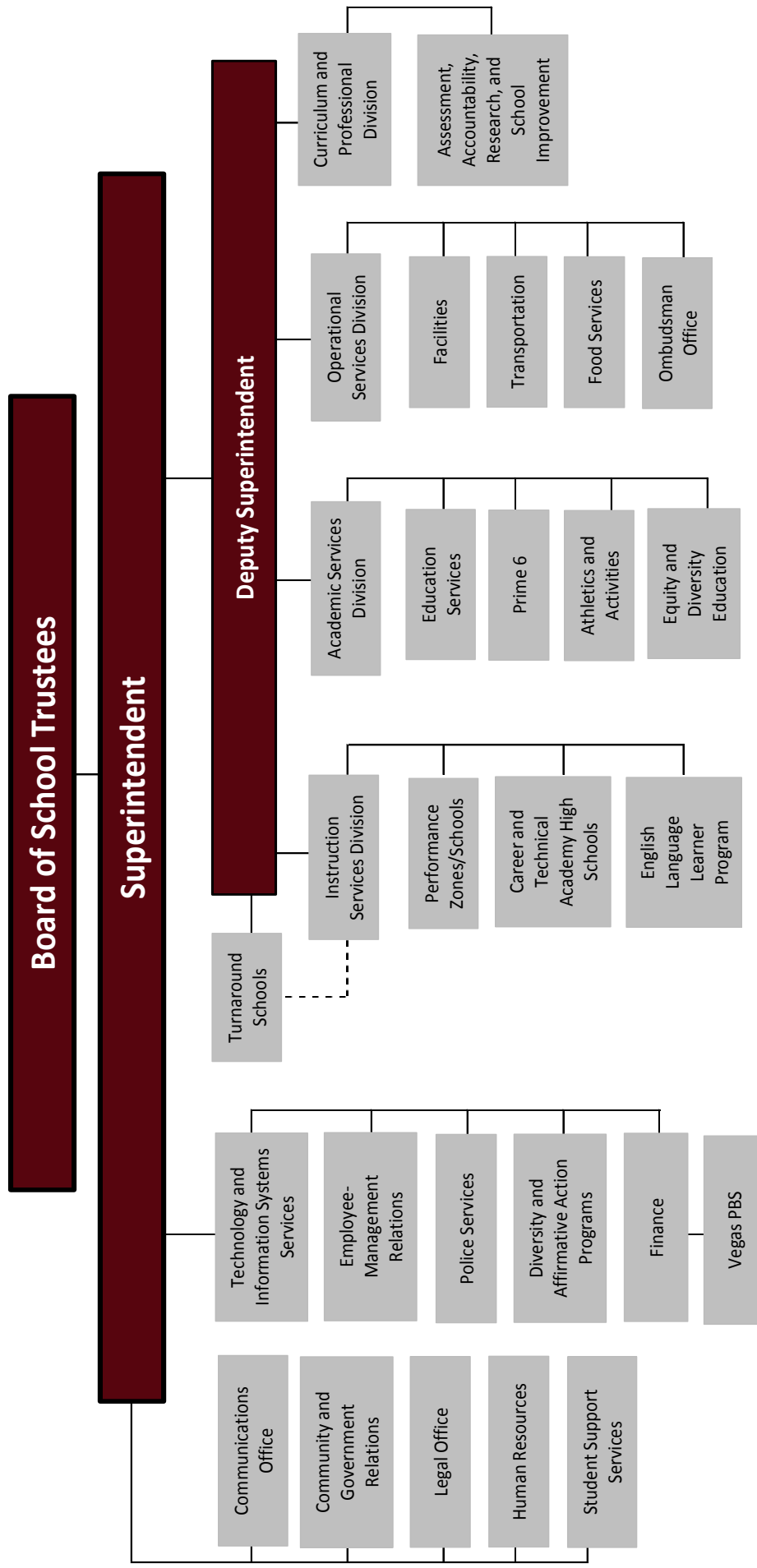
Dwight D. Jones
Superintendent of Schools



Jeff Weiler
Chief Financial Officer

CLARK COUNTY SCHOOL DISTRICT

Organizational Structure



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, 2011

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.



Linda C. Danison

President

Jeffrey R. Emer

Executive Director