

Clark County, Nevada

Management's Discussion and Analysis  
June 30, 2015

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

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

Financial Highlights - Primary Government

- The auditor's report offers an unmodified opinion that the County's financial statements are presented fairly in all material respects.
- Government-wide net position totaled \$8,572,238,741. Net position of governmental activities totaled \$6,034,527,293 and those of business-type activities totaled \$2,537,711,448.
- The County's total net position increased by \$35,194,731 before the impact of prior period adjustments. Net position from governmental activities decreased by \$109,913,586 and net position from business-type activities increased by \$145,108,317 before the impact of prior period adjustments. Net position from governmental activities decreased mainly because the County exercised its purchase option of the LVMPD headquarters in a lump sum cash payment versus long-term financing. Net position from business-type activities increased largely due to Clark County Water Reclamation operating surplus and the reduction of Department of Aviation long-term debt through scheduled debt service payments. In addition, beginning governmental and business-type activities net position was reduced by \$1,491,121,822 and \$655,886,121 respectively, primarily due to the implementation of GASB 68, *Accounting and Financial Reporting for Pensions* and GASB 71 *Pension Transition for Contributions Made Subsequent to the Measurement Date*. The implementation of GASB 68 and GASB 71 resulted in a decrease in net position from governmental activities at July 1, 2014 of \$1,839,810,664 due to the recognition of net pension liability and deferred outflow of resources. Additionally, governmental activities net position was increased by \$348,688,842 for the receivable balance from the City of Las Vegas for their funding share of the Las Vegas Metropolitan Police Department's net pension liability at July 1, 2014. The implementation of GASB 68 and GASB 71 resulted in a decrease in net position from business-type activities at July 1, 2014 of \$639,092,687 due to the recognition of net pension liability and deferred outflow of resources. Additionally, business-type activities net position was decreased by \$16,793,434 due to the impairment of Clark County Water Reclamation District assets at July 1, 2014. The County's total net position decreased by \$2,111,813,211 including the impact of prior period adjustments.
- Unrestricted net position was (\$313,030,205), with (\$532,343,752) resulting from governmental activities and \$219,313,546 from business-type activities. Unrestricted net position from governmental activities decreased by 141 percent from the prior year, and unrestricted net position from business-type activities decreased by 71 percent from the prior year.
- Net capital assets were \$13,143,935,588 of which \$6,511,567,813 was from governmental activities and \$6,632,367,775 was from business-type activities. Major additions for governmental activities during the year included \$83 million toward beltways, roadways, and streets, \$34 million toward flood control projects and \$30 million in the rehabilitation of the detention center. Major additions for business-type activities during the year included \$70.6 million in Department of Aviation capital expenditures including the capitalization of the rehabilitation of Runway 7L/25R, the third largest airport in the United States, and expenditures for construction of the Siegfried and Roy Park, and \$187 million in sewer system and related equipment additions. Depreciation expense attributable to assets of governmental activities amounted to \$270,881,258 for the year, and \$296,997,162 for business-type activities.
- Bonds and loans payable totaled \$6,872,630,596. The following new debt was issued during the fiscal year:

Governmental activities:

General obligation bonds

\$36,926,000 in bonds for transportation improvements  
\$17,540,000 in bonds for parks and public facilities

- On September 10, 2014, the County issued \$19,922,000 in general obligation (limited tax) Transportation Refunding bonds Series 2014A with interest at 1.18 percent. The bond proceeds totaled \$20,083,978. Net proceeds of \$20,083,978 were deposited in a special trust account created and authorized to refund and pay interest on the refunded bonds. This amount, together with the yield from U.S. Government obligations purchased by the trust, is deemed to be sufficient to meet the debt services provisions of the refunded bonds. This transaction resulted in the defeasance of the 2004A bond issue and the related liability has been removed from the financial statements of the County. The refunding resulted in a loss of \$488,978, which represents the difference between the defeased bonds and the amount placed in escrow. The advanced refunding also resulted in future cash flow savings of \$1,847,701 and an economic gain (difference between the present value of the old and new debt service payments) of \$1,898,201.
- On September 10, 2014, the County issued \$17,004,000 in general obligation (limited tax) Transportation Refunding bonds Series 2014B with interest at 1.19 percent. The bond proceeds totaled \$17,132,841. Net proceeds of \$17,132,841 were

deposited in a special trust account created and authorized to refund and pay interest on the refunded bonds. This amount, together with the yield from U.S. Government obligations purchased by the trust, is deemed to be sufficient to meet the debt services provisions of the refunded bonds. This transaction resulted in the defeasance of the 2004B bond issue and the related liability has been removed from the financial statements of the County. The refunding resulted in a loss of \$402,841, which represents the difference between the defeased bonds and the amount placed in escrow. The advanced refunding also resulted in future cash flow savings of \$1,519,925 and an economic gain (difference between the present value of the old and new debt service payments) of \$1,561,673.

- On September 10, 2014, the County issued \$17,540,000 in general obligation (limited tax) Transportation Refunding bonds Series 2014C with interest at .65 percent. The bond proceeds totaled \$17,757,877. Net proceeds of \$17,757,877 were deposited in a special trust account created and authorized to refund and pay interest on the refunded bonds. This amount, together with the yield from U.S. Government obligations purchased by the trust, is deemed to be sufficient to meet the debt services provisions of the refunded bonds. This transaction resulted in the defeasance of the 2004C bond issue and the related liability has been removed from the financial statements of the County. The refunding resulted in a loss of \$432,877, which represents the difference between the defeased bonds and the amount placed in escrow. The advanced refunding also resulted in future cash flow savings of \$1,420,148 and an economic gain (difference between the present value of the old and new debt service payments) of \$1,445,447.

Business-type activities:

General obligation bonds:

\$29,374,000 in bonds for University Medical Center

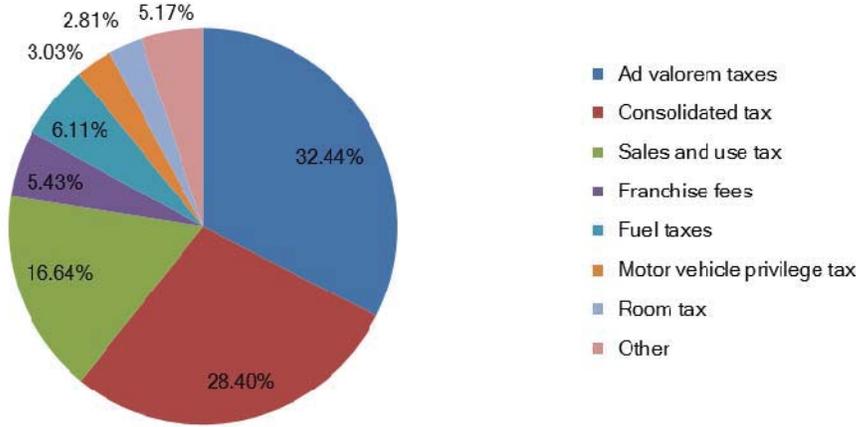
Revenue bonds

\$163,280,000 in bonds for the Department of Aviation

- On July 1, 2014, the County issued \$103,365,000 Series 2014B Junior Subordinate Lien Revenue Airport Notes to refund the Series 2013 C-2 Junior Subordinate Lien Revenue Airport Notes and to pay certain costs of issuance thereof. The Series 2014B Notes have a stated interest rate of 5.00 percent, a yield of 1.14 percent, and a maturity date of July 1, 2018.
- On December 1, 2014, the County issued a \$29,374,000 in general obligation (limited tax) Hospital Refunding bonds Series 2014 with an interest rate of 2%, which are collateralized with pledged gross revenues. The proceeds of the bonds were used to (i) refund \$28,910,000 aggregate principal amount of the County's general obligation Hospital Refunding Bonds, Series 2005; (ii) pay the cost of issuing the 2014 bonds. As a result, the previously outstanding refunding bonds are considered to be defeased and the liabilities for those bonds have been extinguished. The aggregate difference in debt service between the refunded debt and the refunding debt was \$464,000. As a result of the advance refunding, the Hospital reduced its total debt service requirements by \$2,928,894, which resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$2,813,256. The issuance of the 2014 bonds resulted in a deferred loss of \$515,036, which will be amortized over the life of the new bonds. Principal and interest on the 2014 bonds are due semiannually on March 1 and September 1. All required payments on the bonds are guaranteed by the County in the event the Hospital is unable to make required payments. The bonds mature in fiscal 2019.
- On April 30, 2015, the County issued \$59,915,000 in fixed rate Airport System Revenue Bonds Senior Series 2015A at a premium of \$8,568,444. The stated interest rate on the bonds is 5.00 percent, and the yield is 3.33 percent. The bonds have staggered scheduled maturities through July 1, 2040. Interest payments are due on January 1 and July 1 of each year, and scheduled principal payments are due on July 1. The proceeds, along with \$3,384,311 in excess debt service reserve from the Series 2008E Airport System Senior Lien Revenue Bonds, were used to refund the Airport System Revenue Bonds Senior Series 2005A, purchase a reserve fund policy and pay for certain costs of issuance. The refunding resulted in a net present value savings of \$7,981,118 and a gain on refunding of \$1,085,704. The bonds are insured by Build America Mutual Assurance Company.

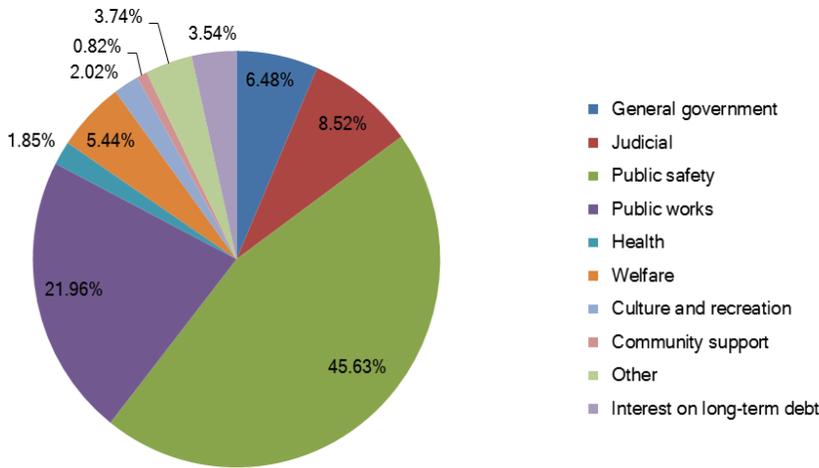
- The County's primary general revenue sources for governmental activities were ad valorem taxes in the amount of \$579,988,503, consolidated taxes in the amount of \$507,786,494, and sales and use taxes of \$280,403,020. These three revenue sources comprised 32 percent, 28 percent, and 16 percent, respectively, or 76 percent of total governmental activities general revenues.

**General Revenues - Governmental Activities:**



- The County's total expenses were \$4,006,499,259. Governmental activities comprised \$2,585,242,842 of total expenses, the largest functional expenses being public safety in the amount of \$1,179,582,241 and public works in the amount of \$567,763,337. Business-type activities accounted for \$1,421,256,417 of total expenses, the largest components being for airport in the amount of \$629,673,943 and hospital expense in the amount of \$575,757,052.

**Expenses - Government Activities:**



- General government expenses totaled \$167,418,080 or five (5) percent more than the prior year.
- Public safety expenses totaled \$1,179,582,241 or 26% more than the prior year due to a one-time adjustment in fiscal year 2014 to reduce the Net OPEB Obligation (NOO) for the Las Vegas Metropolitan Police Department employees. The reduction was primarily due to the exclusion of Medicare eligible retirees from the health plan and the implementation of significant premium increases for retirees under age 65.
- Public works expenses totaled \$567,763,337 or 17% more than the prior year due to increased sales and use tax as well as an increase in fuel index revenue, resulting in increased contributions to other governments for their proportionate allocation.
- Health expenses totaled \$47,783,923 or 47% less than the prior year primarily due to the reclassification of subsidy payments to UMC that have historically been reported as health expenditures, and are now reported as a transfer out.

- Interest on long-term debt totaled \$91,537,436 or 12% less than the prior year primarily due to the exercise of the option to purchase the LVMPD headquarters under the master lease agreement during fiscal year 2015, eliminating interest costs associated with the lease agreement.
- At the end of the fiscal year, the unassigned fund balance for the General Fund was \$181,349,412 or 11% of total General Fund expenditures and transfers out.

#### Overview of the Financial Statements

- This discussion and analysis is intended to serve as an introduction to the County's basic financial statements which are composed of government-wide financial statements, fund financial statements, and accompanying notes. This report also contains required supplementary information in addition to the basic financial statements.

#### Government-Wide Financial Statements

- o The government-wide financial statements are designed to provide readers with a broad overview of the County's finances in a manner similar to a private-sector business.
- o The statement of net position presents information on all of the County's assets, deferred outflows, liabilities, and deferred inflows. The difference between assets and deferred outflows less liabilities and deferred inflows is reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.
- o The statement of activities presents information showing how the County's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation and sick leave).
- o The government-wide financial statements report three types of activities: governmental activities, business-type activities, and discretely presented component units. The government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the County include general government, judicial, public safety, public works, health, welfare, culture and recreation, community support, other, and interest on long-term debt. The business-type activities of the County include operations of its hospital, airports, and sewer utilities, and other operations. Discretely presented component units account for functions of legally separate entities for whom the County is financially accountable or whose governing bodies are not substantially the same as the County. The activities of the discretely presented component units include regional transportation, flood control planning and water districts. Complete financial statements of the individual component units can be obtained from their respective administrative offices. Contact information is included in The Reporting Entity section of Note I, Summary of Significant Accounting Policies.
- o The government-wide financial statements include not only the governmental and business-type activities of the County itself (known as the primary government), but also those of the legally separate entities for whom the County is financial accountable and whose governing bodies are substantially the same as the County: University Medical Center (UMC) and the Clark County Water Reclamation District. The Board of County Commissioners acts as the governing board for each of these component units whose activities are blended with those of the primary government because they function as part of the County government. Complete financial statements of the individual component units can be obtained from their respective administrative offices. Contact information is included in The Reporting Entity section of Note I, Summary of Significant Accounting Policies.

#### Fund Financial Statements

- o A fund is a grouping of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. The County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the County can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

#### ***Governmental Funds***

- Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the County's near-term financial requirements.
- Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the County's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

- The County maintains individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund and the Las Vegas Metropolitan Police Department fund, both of which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds are provided in the combining and individual fund statements and schedules. In accordance with Governmental Accounting Standards Board (GASB) Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions* certain special revenue funds have been included in the General Fund for financial reporting purposes as shown in the Major Governmental Funds section. These funds are not included for budgetary comparison purposes described below.
- The County adopts an annual appropriated budget for each of its governmental funds. A budgetary comparison statement is provided for each of the County's governmental funds to demonstrate compliance with the budget. The budgetary comparison statements for the major governmental funds are presented as required supplementary information; the budgetary comparison statements for all other governmental funds are included in the fund financial schedules and accompanying supplementary information.

***Proprietary Funds***

- The County maintains two distinct types of proprietary funds.
  - ◆ Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The County uses enterprise funds to account for its hospital, airport, sewer, and other activities.
  - ◆ Internal service funds are an accounting device used to accumulate and allocate costs internally among the County's various functions. Because these services predominately benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements. The County uses internal service funds to account for the following activities:
    - \* Construction management
    - \* Fleet maintenance
    - \* Investment pool operations
    - \* Employee benefits
    - \* Central printing and mailing
    - \* Information systems development
    - \* Self-insurance activities, including:
      - + Liability insurance
      - + Workers' compensation
      - + Group insurance
      - + Other post-employment benefits
- Proprietary funds provide the same type of information as the government-wide financial statements, but with more detail. The proprietary fund financial statements provide separate information for UMC, and Clark County Water Reclamation District, each of which is a blended component unit and reported as a major fund within the fund financial statements. In addition, separate information is provided for an additional major fund, the Department of Aviation. Conversely, the internal service funds are combined into a single aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the combining and individual fund statements and schedules.

***Fiduciary Funds***

- The County's fiduciary funds consist of two (2) employee benefit funds, one (1) pension fund, and 41 agency funds. The employee benefit funds are the Medical Insurance Premium Retirement Plan and the County Section 125 Plan. The pension fund is the Las Vegas Valley Water District Pension Plan. The agency funds are used to hold monies for other entities or individuals until disposition.

***Notes to Financial Statements***

- The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

**Other Information**

- In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Las Vegas Valley Water District’s progress in funding its obligation to provide pension benefits to its employees as well as a schedule of funding progress for other post-employment benefits. It also includes a schedule of budgetary comparisons for the following major governmental funds:
  - ♦ General Fund
  - ♦ Las Vegas Metropolitan Police Department Special Revenue Fund
- The combining statements and individual fund budgetary schedules are presented immediately following the required supplementary information.
- Unaudited statistical information is provided on a ten-year basis for trend and historical analysis.

**Government-Wide Financial Analysis**

- Net position of the County as of June 30, 2015, and June 30, 2014 (as originally reported), are summarized and analyzed below:

Clark County, Nevada Net Position - Primary Government

	Governmental Activities		Business -type Activities		Total	
	2015	2014	2015	2014	2015	2014
<b>Assets</b>						
Current and other assets	\$ 4,261,442,497	\$ 4,322,589,620	\$1,945,687,328	\$ 1,845,344,020	\$6,207,129,825	\$ 6,167,933,640
Net capital assets	<u>6,511,567,813</u>	<u>6,492,439,566</u>	<u>6,632,367,775</u>	<u>6,673,468,912</u>	<u>13,143,935,588</u>	<u>13,165,908,478</u>
Total assets	<u>10,773,010,310</u>	<u>10,815,029,186</u>	<u>8,578,055,103</u>	<u>8,518,812,932</u>	<u>19,351,065,413</u>	<u>19,333,842,118</u>
Deferred outflows	<u>291,452,275</u>	<u>30,174,052</u>	<u>185,531,309</u>	<u>100,935,674</u>	<u>476,983,584</u>	<u>131,109,726</u>
<b>Liabilities</b>						
Long-term liabilities	3,942,318,448	2,429,141,593	5,686,208,736	5,200,112,303	9,628,527,184	7,629,253,896
Other liabilities	<u>660,411,934</u>	<u>777,649,786</u>	<u>383,745,894</u>	<u>365,512,187</u>	<u>1,044,157,828</u>	<u>1,143,161,973</u>
Total liabilities	<u>4,602,730,382</u>	<u>3,206,791,379</u>	<u>6,069,954,630</u>	<u>5,565,624,490</u>	<u>10,672,685,012</u>	<u>8,772,415,869</u>
Deferred Inflows	<u>427,204,910</u>	<u>2,849,158</u>	<u>155,920,334</u>	<u>5,634,864</u>	<u>583,125,244</u>	<u>8,484,022</u>
<b>Net Position</b>						
Net investment in capital assets	5,777,961,262	5,515,985,006	1,975,990,498	2,005,316,172	7,753,951,760	7,521,301,178
Restricted	788,909,783	807,000,434	342,407,404	298,913,129	1,131,317,187	1,105,913,563
Unrestricted	<u>(532,343,752)</u>	<u>1,312,577,261</u>	<u>219,313,546</u>	<u>744,259,951</u>	<u>(313,030,206)</u>	<u>2,056,837,212</u>
Total net position	<u>\$ 6,034,527,293</u>	<u>\$ 7,635,562,701</u>	<u>\$ 2,537,711,448</u>	<u>\$ 3,048,489,252</u>	<u>\$8,572,238,741</u>	<u>\$10,684,051,953</u>

- As noted earlier, net position may serve over time as a useful indicator of the County’s financial position. Assets and deferred outflows exceeded liabilities and deferred inflows by \$8,572,238,742 as of June 30, 2015 and by \$10,684,051,953 as of June 30, 2014, a net decrease of \$2,111,813,211 or 20% primarily due to the recognition of net pension liability and related deferred outflow of resources.
- 90% of the County’s net position reflects its investment in capital assets (e.g., land, buildings, infrastructure, machinery and equipment, etc.), less any related debt outstanding used to acquire those assets (unspent proceeds from long-term debt issues). The County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the County’s investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate the debt.
- 13% of the County’s net position is restricted due to resources that are subject to external restrictions on how they may be used. Of restricted net position, 29% is for construction of capital assets, 32% is for repayment of long-term debt, 16% is for public safety, and the balance is restricted for the County’s special revenue funds or other purposes.
- The remaining portion of the County’s net position is unrestricted but is negative at (\$313,030,205) due to the recognition of the long-term net pension liability.
- At June 30, 2015, the County had positive balances in all three categories of net position for business type activities, but unrestricted net position for the government as a whole, as well as for governmental activities is negative.

**Clark County, Nevada Changes in Net Position - Primary Government**

	Governmental Activities		Business -type Activities		Total	
	2015	2014	2015	2014	2015	2014
<b>Revenues</b>						
Program revenues						
Charges for services	\$ 377,187,373	\$ 408,613,854	\$ 1,338,044,148	\$ 1,246,345,320	\$ 1,715,231,521	\$ 1,654,959,174
Operating grants and contributions	296,336,623	398,684,838	90,475	65,694,581	296,427,098	464,379,419
Capital grants and contributions	151,438,857	90,103,498	90,555,545	69,385,405	241,994,402	159,488,903
General revenues						
Ad valorem taxes	579,988,503	562,026,430	-	-	579,988,503	562,026,430
Consolidated tax	507,786,494	473,083,362	-	-	507,786,494	473,083,362
Sales and use tax	280,403,020	262,323,491	17,078,167	15,911,706	297,481,187	278,235,197
Franchise fees	97,034,700	93,449,009	-	-	97,034,700	93,449,009
Fuel taxes	109,274,012	81,877,569	-	-	109,274,012	81,877,569
Motor vehicle privilege tax	53,969,659	49,811,102	-	-	53,969,659	49,811,102
Room tax	50,070,893	46,674,085	-	-	50,070,893	46,674,085
Other	32,224,568	44,032,559	-	-	32,224,568	44,032,559
Gain on sale or disposition of assets	1,431,159	11,989,290	10,287,086	211,909	11,718,245	12,201,199
Interest income (loss)	31,790,272	27,332,859	16,702,436	100,028	48,492,708	27,432,887
<b>Total revenues</b>	<b>2,568,936,133</b>	<b>2,550,001,946</b>	<b>1,472,757,857</b>	<b>1,397,648,949</b>	<b>4,041,693,990</b>	<b>3,947,650,895</b>
<b>Expenses</b>						
General government	167,418,080	158,632,026	-	-	167,418,080	158,632,026
Judicial	220,344,315	203,638,020	-	-	220,344,315	203,638,020
Public safety	1,179,582,241	935,441,732	-	-	1,179,582,241	935,441,732
Public works	567,763,337	482,549,434	-	-	567,763,337	482,549,434
Health	47,783,923	89,696,041	-	-	47,783,923	89,696,041
Welfare	140,587,867	133,807,045	-	-	140,587,867	133,807,045
Culture and recreation	52,125,203	44,265,016	-	-	52,125,203	44,265,016
Community support	21,317,293	26,745,263	-	-	21,317,293	26,745,263
Other	96,783,147	102,554,167	-	-	96,783,147	102,554,167
Interest on long-term debt	91,537,436	103,823,184	-	-	91,537,436	103,823,184
Hospital	-	-	575,757,052	595,637,598	575,757,052	595,637,598
Airport	-	-	629,673,943	645,068,754	629,673,943	645,068,754
Sewer	-	-	165,816,234	156,271,087	165,816,234	156,271,087
Other	-	-	50,009,188	43,106,062	50,009,188	43,106,062
<b>Total expenses</b>	<b>2,585,242,842</b>	<b>2,281,151,928</b>	<b>1,421,256,417</b>	<b>1,440,083,501</b>	<b>4,006,499,259</b>	<b>3,721,235,429</b>
Increase (decrease) in net position before transfers	(16,306,709)	268,850,018	51,501,440	(42,434,552)	35,194,731	226,415,466
Transfers	(93,606,877)	(11,690,724)	93,606,877	11,690,724	-	-
Increase (decrease) in net position	(109,913,586)	257,159,294	145,108,317	(30,743,828)	35,194,731	226,415,466
Net position - beginning	7,635,562,701	7,390,765,942	3,048,489,252	3,156,938,108	10,684,051,953	10,547,704,050
Prior period adjustment	(1,491,121,822)	(12,362,535)	(655,886,121)	(77,705,028)	(2,147,007,943)	(90,067,563)
Net position - beginning, restated	6,144,440,879	7,378,403,407	2,392,603,131	3,079,233,080	8,537,044,010	10,457,636,487
Net position - ending	\$ 6,034,527,293	\$ 7,635,562,701	\$ 2,537,711,448	\$ 3,048,489,252	\$ 8,572,238,741	\$ 10,684,051,953

- Program revenues included charges for services, fines and forfeitures, certain licenses and permits, special assessments, and both operating and capital grants and contributions. Program revenues from governmental activities decreased by \$72,439,337, or eight (8) percent, due to decreases in donated infrastructure and reductions in Public Works charges for services due to significant one-time project specific charges in fiscal year 2014 that did not recur in fiscal year 2015. Program revenues from business-type activities increased by \$47,264,862, or three (3) percent, primarily due increases in hospital revenue driven by the recognition and receipt of retroactive revenue from the Medicaid Managed Care Organizations in fiscal year 2015 for six months of activity in fiscal year 2014. In addition, UMC has received the benefit of rate increases in the overall Upper Payment Limit (UPL) funding, the changing landscape of payor mix and major decline in self-pay from prior years, and favorable reimbursable rates changes to contracts. This increase in revenues has been partially offset by the reclassification of subsidy payments received by UMC from the County that had historically been reported as program revenue but is now reported as a transfer in.

- General revenues consisted of taxes and interest not allocable to specific programs. For governmental activities, the largest of these revenues, ad valorem taxes, increased by \$17,962,073 or three (3) percent. This increase reflects the recovery of assessed values during the fiscal year. Consolidated tax increased by \$34,703,132, or seven (7) percent, and sales and use tax increased in governmental activities by \$18,079,529, or seven (7) percent, both due to a continued increase in economic activity during fiscal year 2015. Fuel tax revenue increased \$27,396,443 primarily due to the increase in fuel index revenue in fiscal year 2015. Interest income increased \$21,059,821 or 77% primarily due to a decrease in unrealized losses on Department of Aviation derivative instruments.
- County governmental activity expenses increased 13% in fiscal year 2015. Significant changes from the prior year are as follows:
  - Public safety expenses increased \$244,140,509 or 26% due to a one-time adjustment in fiscal year 2014 to reduce the Net OPEB Obligation (NOO) for the Las Vegas Metropolitan Police Department employees. The reduction was primarily due to the exclusion of Medicare eligible retirees from the health plan and the implementation of significant premium increases for retirees under age 65.
  - Public works expenses increased \$85,213,903 or 17% due to increased sales and use tax as well as an increase in fuel index revenue, resulting in increased contribution to other governments for their proportionate allocation.
  - Health expenses decreased \$41,912,118 or 47% primarily due to the reclassification of subsidy payments that have historically been reported as health expenditures and are now reported as a transfer out.
  - Interest on long-term debt decreased \$12,285,748 or 12% primarily due to the exercise of the option to purchase the LVMPD headquarters under the master lease agreement during fiscal year 2015, eliminating interest costs associated with the lease agreement.

#### Financial Analysis of the County's Funds

- The County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

##### ***Governmental Funds***

- The focus of the County's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the County's financing requirements.
- As of the end of the current fiscal year, the County's governmental funds reported a combined ending fund balance of \$1,913,953,174, a decrease of \$26,710,299, or one (1) percent. Fund balance components have been classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the County is bound to observe constraints imposed on the use of the resources of fund.
- Nonspendable fund balance is \$3,100,000 and consists of a contribution to be held in perpetuity for the benefit of the Wetlands Park.
- Restricted fund balance is \$788,909,784 or 41% of the total. Spending of these resources is constrained by externally imposed (statutory, bond covenant, or grantors) limitations on their use. Restricted fund balances include \$266,952,644 for capital projects, \$177,146,829 for public safety activities and \$167,218,729 for debt service.
- Committed and assigned fund balances combined represent 49% of total fund balance with spending constrained either by the Board of County Commissioners (BCC) (for committed) or senior management (for assigned). Committed balances are primarily a result of direction from the BCC to commit funds for the payment of expenditures for specific programs or projects.
- Unassigned fund balance represents the General Fund remaining fund balance and is available to support general operations of the County.
- The General Fund is the main operating fund of the County. Restricted fund balance of \$77,871,532 includes restricted cash and unspent proceeds from legislatively mandated ad valorem taxes. Unrestricted fund balance, which includes committed, assigned, and unassigned balances, totaled \$231,426,130 at June 30, 2015. Unrestricted fund balance was 14% of expenditures and other financing uses and includes amounts committed and assigned of \$1,091,956 and \$48,984,762 respectively. Unassigned fund balance is \$181,349,412, or 11% of expenditures and other financing uses.
- Key factors in the change in fund balance in the General Fund as reported for budget purposes are as follows:
  - Revenues and transfers-in increased by \$17,505,025, or one (1) percent.

General fund revenues increased by \$26,199,184, or three (3) percent. Ad valorem tax revenues increased by \$8,548,751, or three (3) percent due to increases in property assessed values. Intergovernmental revenue, the largest component of which is the consolidated tax, increased by \$23,083,544, or seven (7) percent, due to the increased economic activity in the local economy.

Transfers-in decreased by \$8,694,159, or three (3) percent, primarily due to a one time transfer from the LVMPD Capital Improvement fund in fiscal year 2014 that was not expected to recur in fiscal year 2015.

- Expenditures and transfers out decreased by \$7,593,948, or less than one (1) percent.

General fund expenditures decreased by \$63,561,413, or nine (9) percent primarily due to the reclassification of subsidy payments to UMC that had historically been reported as a health expenditure and is now reported as a transfer out. Accordingly, transfers out increased by \$55,967,465, or 12 percent.

- o Other major fund activity is as follows:

- The Las Vegas Metropolitan Police Department operates from current year resources and it typically budgets for a lower fund balance than other governmental units. However, it ended the year with a total unrestricted fund balance of \$29,520,497. Total revenues and transfers in were \$502,709,983, which was an increase of \$28,812,956 or six (6) percent, over the prior year. Expenditures, which consist primarily of personnel costs, decreased \$15,735,832 or three (3) percent largely due to the supplanting of 152 police positions from the Las Vegas Metropolitan Police Department Sales Tax Special Revenue Fund.
- The non-major governmental funds reported a fund balance of \$1,575,135,015, of which \$711,038,252 or 45% was restricted. All funds have the resources to meet their commitments.

#### ***Enterprise Funds***

- The County's enterprise funds provide the same type of information found in the government-wide financial statements, but in more detail. Minor differences arise between the enterprise funds and the business-type activities in the government-wide statements due to the effects of consolidation of internal service fund activities related to the enterprise funds. Total net position for these funds decreased \$510,777,804, or 16% percent from the prior year. Unrestricted net position of the enterprise funds totaled \$219,313,546, a decrease of \$524,946,404 or 71% primarily due to the recognition of each entity's proportionate share of the unfunded net pension liability. Other factors concerning the finances of these funds have already been addressed in the discussion of the County's business-type activities.

#### ***Internal Service Funds***

- The County's internal service funds are an accounting device used to accumulate and allocate costs internally among the County's various functions. Because these services predominately benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements. Other factors concerning the finances of the internal service funds have already been addressed in the discussion of the County's governmental activities.

#### **Budgetary Highlights**

- The General Fund's legal level of budgetary control is the function level. The final amended budget for expenditures and other financing uses was \$1,246,871,207, increased through augmentation by \$40,651,024 from the original budget. Actual expenditures and other financing uses were \$1,213,053,702, or three (3) percent less than the final budget, primarily due to staff vacancy savings, and the allocation of indigent care expenses to the Medical Assistance to Indigent Persons Special Revenue Fund.
- Revenues and other transfers from other financing sources of the general fund exceeded the final budget by \$22,397,978, or two (2) percent due to an increase in consolidated and sales tax revenue.

Capital Assets and Debt Administration

Primary Government

• Capital Assets

- o The County's investment in capital assets, net of accumulated depreciation at June 30, 2015, was \$13,143,935,588, a decrease of \$21,972,890, or less than one (1) percent. Detail by type of activity and asset is summarized in the table below.

Major additions for this fiscal year are as follows:

<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
Roadways and streets	\$ 243 million	Airport improvements and additions	\$ 53 million
Flood control projects	\$ 18 million	Sewer system additions	\$ 95 million

Clark County, Nevada Capital Assets - Primary Government  
(Net of Depreciation)

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Land and improvements	\$ 1,728,249,609	\$ 1,753,233,789	\$ 2,475,231,359	\$ 2,462,052,198	\$ 4,203,480,968	\$ 4,215,285,987
Buildings	1,222,535,429	1,204,288,002	3,413,656,158	3,525,002,746	4,636,191,587	4,729,290,748
Machinery and equipment	86,113,208	75,657,539	390,409,519	407,765,510	476,522,727	483,423,049
Infrastructure	3,223,123,168	3,289,381,451	0	-	3,223,123,168	3,289,381,451
Construction in progress	251,546,399	169,878,785	353,070,739	278,648,458	604,617,138	448,527,243
Total	\$ 6,511,567,813	\$ 6,492,439,566	\$ 6,632,367,775	\$ 6,673,468,912	\$ 13,143,935,588	\$ 13,165,908,478

- o For additional information on the County's capital assets see note 4 in the accompanying financial statements.

Long-Term Debt

Primary Government

- At June 30, 2015, the County had total outstanding bonds and loans of \$6,858,819,891, a decrease of \$354,082,182, or five (5) percent, from the prior year. Of this amount, \$1,629,286,345 comprised general obligation debt backed by the full faith and credit of the County, \$606,522,366 of general obligation bonds additionally secured by specified revenue sources, \$4,284,806,858 of revenue bonds secured by pledges of various revenue sources, \$164,798,928 in special assessment debt for which the County is liable in the event of default by the property owners subject to assessment, and \$187,216,099 in capital leases.

Clark County, Nevada Outstanding Debt - Primary Government

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
General obligation bonds	\$ 1,629,286,345	\$ 1,695,327,883	\$ -	\$ -	\$ 1,629,286,345	\$ 1,695,327,883
Revenue backed general obligation bonds	-	-	606,522,366	620,675,792	606,522,366	620,675,792
Revenue bonds	10,000	10,000	4,284,796,858	4,366,322,437	4,284,806,858	4,366,332,437
Special assessment bonds	164,798,928	183,436,598	-	-	164,798,928	183,436,598
Capital leases	187,216,099	347,129,363	-	-	187,216,099	347,129,363
Total	\$ 1,981,311,372	\$ 2,225,903,844	\$ 4,891,319,224	\$ 4,986,998,229	\$ 6,872,630,596	\$ 7,212,902,073

- o For additional information on the County's debt, see note 6 in the accompanying financial statements.

### Economic Factors

- UMC continues to deal with the impact of uninsured patients. UMC's operating loss was \$121,566,228 for the fiscal year 2014 compared to an operating loss of \$34,322,315 in fiscal year 2015. The decreased operating loss is due primarily to recognition and receipt of retroactive revenue from the Medicaid Managed Care Organizations in fiscal year 2015 for six months of activity in fiscal year 2014. In addition, UMC has received the benefit of rate increases in the overall Upper Payment Limit (UPL) funding, the changing landscape of payor mix and major decline in self-pay from prior years, and favorable reimbursable rate changes to contracts. Continued high levels of care for uninsured and underinsured patients will continue to contribute to sustained operating losses in the future. UMC has reduced services in an effort to contain operating losses to a sustainable level. The County has budgeted to fund these continued losses.
- Despite UMC's financial difficulties, the County has positioned itself to meet the needs of its citizens. The taxable values have begun to increase and the remaining tax base will generate adequate revenues to provide basic services. A cost containment program continues to be in place, enforcing a reasonable pace of salary growth and position savings. The County's general fund unassigned ending fund balance remains healthy. Together, these factors have placed the County in an acceptable financial position to mitigate the current economic uncertainty. However, continued economic uncertainty could ultimately result in a deterioration of the County's financial condition.

### Requests for Information

- This report is designed to provide a general overview of the County's finances for all interested parties. Questions concerning the information provided in this report or requests for additional financial information should be addressed to Jessica L. Colvin, Comptroller, at 500 South Grand Central Parkway, Las Vegas, NV 89155.