

Clark County, Nevada
Management's Discussion and Analysis
June 30, 2014

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.

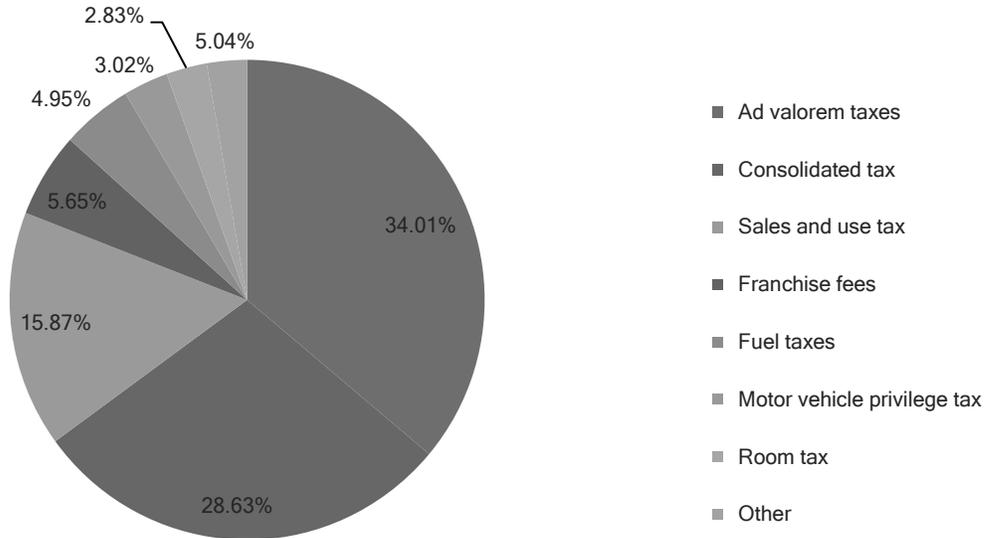
We encourage readers to read this information in conjunction with the transmittal letter, financial statements and accompanying notes to gain a more complete picture of the information presented.

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 \$10,684,051,953. Net position of governmental activities totaled \$7,635,562,701 and those of business-type activities totaled \$3,048,489,252.
- The County's total net position increased by \$226,415,466 before the impact of prior period adjustments. Net position from governmental activities increased by \$257,159,294 and net position from business-type activities decreased by \$30,743,828. Net position from governmental activities increased mainly due to a decrease in other post employment benefit liabilities for the Las Vegas Metropolitan Police Department commissioned employees. Net position from business-type activities decreased largely due to a decrease in operating revenues from University Medical Center due to impacts of the Affordable Care Act. In addition, beginning governmental and business-type activities net position was reduced by \$12,362,535 and \$37,056,160 respectively due to the implementation of GASB 65, *Items Previously Reported as Assets and Liabilities*. The implementation of GASB 65 resulted in a prior period adjustment for the retroactive recognition of previously unamortized debt issuance costs a component of interest expense. Lastly, beginning business-type activities net position was reduced by \$40,648,868 due to a prior period adjustment for the correction of over capitalized interest on construction in progress. The County's total net position increased by \$136,647,903 including the impact of prior period adjustments.
- Unrestricted net position was \$2,056,837,212, with \$1,312,577,261 resulting from governmental activities and \$744,259,951 from business-type activities. Unrestricted net position from governmental activities increased by 14 percent from the prior year, and unrestricted net position from business-type activities decreased by 2 percent from the prior year.
- Net capital assets were \$13,165,908,478 of which \$6,492,439,566 was from governmental activities and \$6,673,468,912 was from business-type activities. Major additions for governmental activities during the year included \$243 million toward beltways, roadways, and streets, and \$18 million toward flood control projects. Major additions for business-type activities during the year included \$53 million in Department of Aviation land improvements for the rehabilitation of Taxiways E and H, the remodeling of Terminal 1 and other additions, and \$95 million in sewer system and related equipment additions. Depreciation expense attributable to assets of governmental activities amounted to \$268,592,711 for the year, and \$288,173,996 for business-type activities.
- Bonds and loans payable totaled \$7,212,902,073. The following new debt was issued during the fiscal year:
 - Governmental activities:
 - General obligation bonds
 - \$24,566,848 in bonds for public safety
 - Business-type activities:
 - General obligation bonds:
 - \$26,065,000 in bonds for University Medical Center
 - Revenue bonds
 - \$610,515,000 in bonds for the Department of Aviation

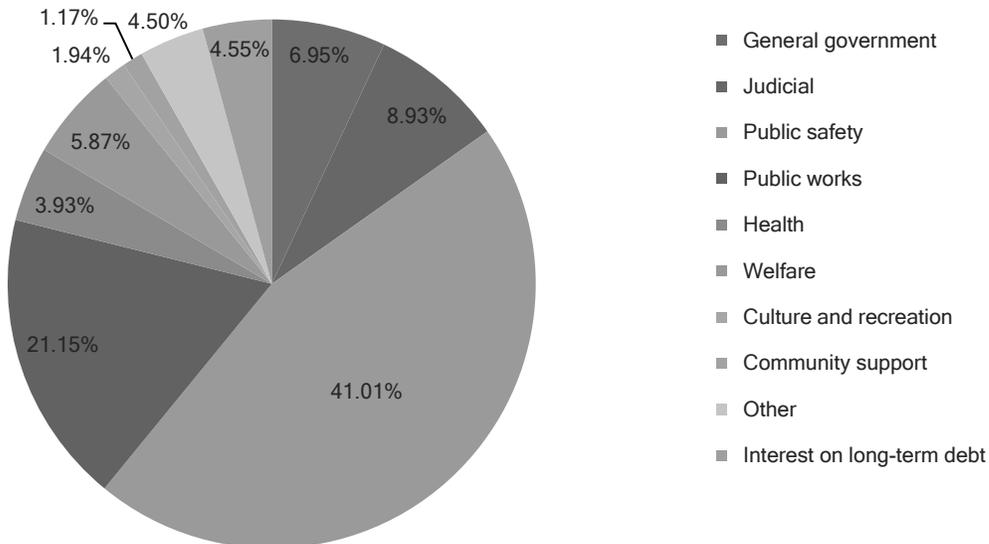
- The County's primary general revenue sources for governmental activities were ad valorem taxes (\$562,026,430) consolidated taxes (\$473,083,362), and sales and use taxes (\$262,323,491). These three revenue sources comprised 34 percent, 29 percent, and 16 percent, respectively, or 79 percent of total governmental activities general revenues.

General Revenues - Governmental Activities:



- The County's total expenses were \$3,721,235,429. Governmental activities comprised \$2,281,151,928 of total expenses, the largest functional expenses being public safety (\$935,441,732) and public works (\$482,549,434). Business-type activities accounted for \$1,440,083,501 of total expenses, the largest components being airport (\$645,068,754) and hospital (\$595,637,598).

Expenses - Government Activities:



- General government expenses totaled \$158,632,026 or ten (10) percent less than the prior year due to a decrease in election expenses, decrease in contributions to the Southern Nevada Health District for one-time contributions made in FY13 that did not recur in FY14, partially offset by the write off of an uncollectible receivable from University Medical Center.
- Public safety expenses totaled \$935,441,732 or 19% less than the prior year due to the reduction of other post employment benefits for Las Vegas Metropolitan Police Department commissioned employees. The reduction in other post employment benefits 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 \$482,549,434 or seven (7) percent more than the prior year due to increased sales and use tax resulting in increased contribution to other governments for their proportionate allocation.
- Health expenses totaled \$89,696,041 or 22% less than the prior year primarily due to the elimination of indigent medical payments beginning January 1, 2014 on behalf of patients who now qualify for Medicaid under the Medicaid expansion provision under the Affordable Care Act.
- Welfare expenses totaled \$133,807,045 or seven (7) percent less than the prior year due to the reallocation of Intergovernmental Transfers to the state of Nevada from the welfare function to the health function. Additional health function appropriations were available in FY14 due to the elimination of indigent medical payments beginning January 1, 2014 on behalf of patients who now qualify for Medicaid under the Medicaid expansion provision under the Affordable Care Act.
- Culture and recreation expenses totaled \$44,265,016 or 33% more than the prior year due to contributions of revenue pledged for a performing arts center in FY14 that had been previously reported as general government expenditures.
- Community support expenses totaled \$26,745,263 or 16% less than prior year due to decreased grant activity and cooperative extension activity.
- At the end of the fiscal year, the unassigned fund balance for the General Fund was \$183,288,748 or 12 percent 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, 2014, and June 30, 2013 (as originally reported), are summarized and analyzed below:

Clark County, Nevada Net Position - Primary Government

	Governmental Activities		Business -type Activities		Total	
	2014	2013	2014	2013	2014	2013
Assets						
Current and other assets	\$ 4,322,589,620	\$ 4,347,995,247	\$ 1,845,344,020	\$ 1,949,306,764	\$ 6,167,933,640	\$ 6,297,302,011
Net capital assets	6,492,439,566	6,472,199,264	6,673,468,912	6,838,824,360	13,165,908,478	13,311,023,624
Total assets	10,815,029,186	10,820,194,511	8,518,812,932	8,788,131,124	19,333,842,118	19,608,325,635
Deferred outflows	30,174,052	-	100,935,674	75,847,134	131,109,726	75,847,134
Liabilities						
Long-term liabilities	2,429,141,593	2,779,005,129	5,200,112,303	5,174,413,421	7,629,253,896	7,953,418,550
Other liabilities	777,649,786	650,423,440	365,512,187	532,626,729	1,143,161,973	1,183,050,169
Total liabilities	3,206,791,379	3,429,428,569	5,565,624,490	5,707,040,150	8,772,415,869	9,136,468,719
Deferred Inflows	2,849,158	-	5,634,864	-	8,484,022	-
Net Position						
Net investment in capital assets	5,515,985,006	5,460,649,373	2,005,316,172	2,127,732,499	7,521,301,178	7,588,381,872
Restricted	807,000,434	785,471,326	298,913,129	270,180,399	1,105,913,563	1,055,651,725
Unrestricted	1,312,577,261	1,144,645,243	744,259,951	759,025,210	2,056,837,212	1,903,670,453
Total net position	\$ 7,635,562,701	\$ 7,390,765,942	\$ 3,048,489,252	\$ 3,156,938,108	\$10,684,051,953	\$10,547,704,050

- 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 \$10,684,051,953 as of June 30, 2014, and by \$10,547,704,050 as of June 30, 2013, a net increase of \$136,347,903, or a little more than (1) percent.
- The largest portion of the County's net position (71 percent) 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.

- The County's restricted net position (10 percent) represents resources that are subject to external restrictions on how they may be used. Of restricted net position, 27 percent is for construction of capital assets, 32 percent is for repayment of long-term debt, 18 percent 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 (19 percent) is unrestricted and may be used to meet the County's ongoing obligations to citizens and creditors.
- At June 30, 2014, the County had positive balances in all three categories of net position, both for the government as a whole, as well as for separate governmental and business-type activities.

Clark County, Nevada Changes in Net Position - Primary Government

	Governmental Activities		Business -type Activities		Total	
	2014	2013	2014	2013	2014	2013
Revenues						
Program revenues						
Charges for services	\$ 408,613,854	\$ 374,493,341	\$ 1,246,345,320	\$ 1,350,282,365	\$ 1,654,959,174	\$ 1,724,775,706
Operating grants and contributions	398,684,838	456,994,221	65,694,581	31,052,174	464,379,419	488,046,395
Capital grants and contributions	90,103,498	82,070,382	69,385,405	41,463,040	159,488,903	123,533,422
General revenues						
Ad valorem taxes	562,026,430	555,039,005	-	-	562,026,430	555,039,005
Consolidated tax	473,083,362	443,537,151	-	-	473,083,362	443,537,151
Sales and use tax	262,323,491	244,899,148	15,911,706	14,870,001	278,235,197	259,769,149
Franchise fees	93,449,009	87,849,085	-	-	93,449,009	87,849,085
Fuel taxes	81,877,569	74,212,950	-	-	81,877,569	74,212,950
Motor vehicle privilege tax	49,811,102	47,054,220	-	-	49,811,102	47,054,220
Room tax	46,674,085	42,523,311	-	-	46,674,085	42,523,311
Other	44,032,559	32,662,591	-	-	44,032,559	32,662,591
Gain on sale or disposition of assets	11,989,290	3,606,058	211,909	65,409	12,201,199	3,671,467
Interest income (loss)	27,332,859	5,721,497	100,028	47,365,837	27,432,887	53,087,334
Total revenues	2,550,001,946	2,450,662,960	1,397,648,949	1,485,098,826	3,947,650,895	3,935,761,786
Expenses						
General government	158,632,026	175,800,332	-	-	158,632,026	175,800,332
Judicial	203,638,020	206,641,513	-	-	203,638,020	206,641,513
Public safety	935,441,732	1,148,528,900	-	-	935,441,732	1,148,528,900
Public works	482,549,434	451,811,328	-	-	482,549,434	451,811,328
Health	89,696,041	114,955,068	-	-	89,696,041	114,955,068
Welfare	133,807,045	144,422,299	-	-	133,807,045	144,422,299
Culture and recreation	44,265,016	33,273,415	-	-	44,265,016	33,273,415
Community support	26,745,263	31,858,603	-	-	26,745,263	31,858,603
Other	102,554,167	99,975,955	-	-	102,554,167	99,975,955
Interest on long-term debt	103,823,184	106,131,831	-	-	103,823,184	106,131,831
Hospital	-	-	595,637,598	588,532,924	595,637,598	588,532,924
Airport	-	-	645,068,754	673,074,992	645,068,754	673,074,992
Sewer	-	-	156,271,087	139,384,220	156,271,087	139,384,220
Other	-	-	43,106,062	43,644,036	43,106,062	43,644,036
Total expenses	2,281,151,928	2,513,399,244	1,440,083,501	1,444,636,172	3,721,235,429	3,958,035,416
Increase (decrease) in net position before transfers	268,850,018	(62,736,284)	(42,434,552)	40,462,654	226,415,466	(22,273,630)
Transfers	(11,690,724)	(11,518,120)	11,690,724	11,518,120	-	-
Increase (decrease) in net position	257,159,294	(74,254,404)	(30,743,828)	51,980,774	226,415,466	(22,273,630)
Net position - beginning	7,390,765,942	7,465,020,346	3,156,938,108	3,108,537,141	10,547,704,050	10,573,557,487
Prior period adjustment	(12,362,535)	-	(77,705,028)	(3,579,807)	(90,067,563)	(3,579,807)
Net position - beginning, restated	7,378,403,407	7,465,020,346	3,079,233,080	3,104,957,334	10,457,636,487	10,569,977,680
Net position - ending	\$ 7,635,562,701	\$ 7,390,765,942	\$ 3,048,489,252	\$ 3,156,938,108	\$ 10,684,051,953	\$ 10,547,704,050

- 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 \$16,155,754, or two (2) percent, due to decreases in federal grant activity. Program revenues from business-type activities decreased by \$41,372,273, or three (3) percent, primarily due to decreases in hospital revenue.

- 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 \$6,987,425 or one (1) percent. This increase reflects the recovery of assessed values during the fiscal year. Consolidated tax increased by \$29,546,211, or seven (7) percent, and sales and use tax increased in governmental activities by \$17,424,343, or seven (7) percent, both due to a continued increase in economic activity during fiscal year 2014. Interest revenue for governmental activities increased by \$21,611,362 or 378 percent; interest revenue for business-type activities decreased by \$47,265,809, or 99 percent. These changes were due to higher rates of investment returns offset by an increase of \$60 million in unrealized losses on Department of Aviation derivative investments from FY13 to FY14.
- County governmental activity expenses decreased nine (9) percent in fiscal year 2014. Decreases in general government of \$17,168,306 or ten (10) percent were due to a decrease in election expenses, decrease in contributions to the Southern Nevada Health District for one-time contributions made in FY13 that did not recur in FY14, partially offset by the write off of an uncollectible receivable from University Medical Center.
- Public safety expenses decreased by \$213,087,168, or 19% due to the reduction of other post employment benefits for Las Vegas Metropolitan Police Department commissioned employees. The reduction in other post employment benefits 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 by \$30,738,106, or seven (7) percent due to an increase in sales and use tax revenues resulting in increased contribution to other governments for their proportionate allocation.
- Health expenses decreased \$25,259,027 or 22% due to the elimination of indigent medical payments beginning January 1, 2014 on behalf of patients who now qualify for Medicaid under the Medicaid expansion provision under the Affordable Care Act.
- Welfare support expenses decreased by \$10,615,254, or seven (7) percent, due to the reallocation of Intergovernmental Transfers to the state of Nevada from the welfare function to the health function. Additional health function appropriations were available in FY14 due to the elimination of indigent medical payments beginning January 1, 2014 on behalf of patients who now qualify for Medicaid under the Medicaid expansion provision under the Affordable Care Act.
- Airport functional area expenses decreased \$28,006,238, or four (4) percent primarily due to decreased interest costs as a result of two full and one partial interest rate swap termination in FY14.

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 \$1,940,663,473, a increase of \$5,753,926, or less than 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. Restricted fund balance is \$807,000,434 or 42% 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 \$262,729,688 for capital projects and \$200,622,009 for public safety activities and \$178,787,028 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 in the special revenue funds are primarily due to transfers or revenues directed by the BCC to those funds to support the programs. 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. Nonspendable fund balance consists of long-term receivables. Restricted fund balance of \$56,606,699 includes restricted cash and unspent proceeds from legislatively mandated ad valorem taxes. Unrestricted fund balance, which includes committed, assigned, and unassigned balances, totaled \$238,290,698 at June 30, 2014. Unrestricted fund balance was 15% of expenditures and other financing uses and includes amounts assigned of \$55,001,950. Unassigned fund balance is \$183,288,748, or 12% 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 \$15,938,241, or one (1) percent. General fund revenues increased by \$37,202,872, or four (4) percent. Ad valorem tax revenues decreased by \$4,120,961, or two (2) percent due to declines in fines and penalties associated with late property tax payments. Intergovernmental revenue, the largest component of which is the consolidated tax, increased by \$21,210,162, or seven (7) percent, due to the increased economic activity in the local economy. Interest income increased by \$2,256,076, or 704 percent, due to unrealized gain/loss variation between FY13 and FY14.

Transfers-in decreased by \$21,264,631, or seven (7) percent, primarily due to a one time transfer from the workers compensation fund in FY13 that did not recur in FY14.

- Expenditures and transfers out increased by \$75,885,647, or seven (7) percent. General fund expenditures decreased by \$15,704,108, or two (2) percent primarily due to a one time settlement payment to the Southern Nevada Health District for prior year contributions in FY13 that did not recur in FY14, the reallocation of a portion of Intergovernmental Transfers to the state of Nevada from the general fund to the Medical Indigent fund, partially offset by a one-time write off of an uncollectible receivable from University Medical Center. Transfers out increased by \$91,589,755, or 24% primarily due to increases in transfers to the Las Vegas Metropolitan Police Departments and capital projects.
- 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 \$12,505,745. Total revenues and transfers in were \$473,897,027, which was an decrease of \$1,340,126 or less than one (1) percent, over the prior year. Expenditures, which consist primarily of personnel costs, increased \$11,817,065 or two (2) percent.
 - The non-major governmental funds reported a fund balance of \$1,628,729,358, of which \$750,393,735 or 46% 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. Unrestricted net position of the enterprise funds totaled \$756,784,958, a decrease of \$18,702,602, or two (2) percent. Total net position for these funds decreased \$108,448,856, or four (4) percent from the prior year. 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 \$1,254,597,880, increased through augmentation by \$43,876,922 from the original budget. Actual expenditures and other financing uses were \$1,220,647,650, or three (3) percent less than the final budget, primarily due to additional Intergovernmental Transfer savings than originally estimated and the County's ongoing cost containment efforts.
- Revenues and other transfers from other financing sources of the general fund exceeded the final budget by \$20,074,347, or two (2) percent due to an increase in consolidated and sales taxes.

Capital Assets and Debt Administration

Primary Government

• Capital Assets

- o The County's investment in capital assets, net of accumulated depreciation at June 30, 2014, was \$13,165,908,478, a decrease of \$145,115,146, or 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>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Land and improvements	\$ 1,753,233,789	\$ 1,730,765,379	\$ 2,462,052,198	\$ 2,455,303,396	\$ 4,215,285,987	\$ 4,186,068,775
Buildings	1,204,288,002	1,233,938,297	3,525,002,746	3,660,048,866	4,729,290,748	4,893,987,163
Machinery and equipment	75,657,539	61,401,675	407,765,510	438,077,684	483,423,049	499,479,359
Infrastructure	3,289,381,451	3,210,919,807	-	-	3,289,381,451	3,210,919,807
Construction in progress	169,878,785	235,174,106	278,648,458	285,394,414	448,527,243	520,568,520
Total	\$ 6,492,439,566	\$ 6,472,199,264	\$ 6,673,468,912	\$ 6,838,824,360	\$ 13,165,908,478	\$ 13,311,023,624

- 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, 2014, the County had total outstanding bonds and loans of \$7,212,902,073, a decrease of \$127,652,312, or two (2) percent, from the prior year. Of this amount, \$1,695,327,883 comprised general obligation debt backed by the full faith and credit of the County, \$620,675,792 of general obligation bonds additionally secured by specified revenue sources, \$4,366,332,437 of revenue bonds secured by pledges of various revenue sources, \$183,436,598 in special assessment debt for which the County is liable in the event of default by the property owners subject to assessment, and \$347,129,363 in capital leases.

Clark County, Nevada Outstanding Debt - Primary Government

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
General obligation bonds	\$ 1,695,327,883	\$ 1,740,155,985	\$ -	\$ -	\$ 1,695,327,883	\$ 1,740,155,985
Revenue backed general obligation bonds	-	-	620,675,792	632,545,274	620,675,792	632,545,274
Revenue bonds	10,000	10,000	4,366,322,437	4,424,669,087	4,366,332,437	4,424,679,087
Special assessment bonds	183,436,598	194,791,442	-	-	183,436,598	194,791,442
Capital leases	347,129,363	348,382,597	-	-	347,129,363	348,382,597
Total	\$ 2,225,903,844	\$ 2,283,340,024	\$ 4,986,998,229	\$ 5,057,214,361	\$ 7,212,902,073	\$ 7,340,554,385

- 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 income of \$2,803,975 in fiscal year 2013. The increased operating loss was due primarily to recognition and receipt of retroactive revenue from the State of Nevada Medicaid Upper Payment Limit program (UPL) in FY13 that did not recur in FY14, in addition to a decrease in volume as a result of the Affordable Care Act whereby previously uninsured patients now have access to health insurance and have additional provider options other than UMC. Continued high levels of care for uninsured and underinsured patients will continue to contribute to sustained operating losses in the future. UMC has subsequently reduced services in an effort to contain operating losses to a sustainable level. The County will need to fund these continued losses.
- Despite UMC's financial difficulties, the County has positioned itself to meet the needs of its citizens. The decrease in taxable values has leveled out 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.