

Clark County, Nevada

Management's Discussion and Analysis
June 30, 2020

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 independent 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 \$9,539,560,459. Net position of governmental activities totaled \$6,389,843,414 and those of business-type activities totaled \$3,149,717,045.
- The County's total net position increased by \$ 375,693,990. Net position from governmental activities increased by \$246,542,744 and net position from business-type activities increased by \$129,151,246. Net position from governmental activities increased mainly because of increased general revenues. Net position from business-type activities increased largely due to Clark County Water Reclamation and Department of Aviation surpluses.
- Unrestricted net position was (\$682,996,945), with (\$662,029,953) resulting from governmental activities and (\$20,996,992) from business-type activities. Unrestricted net position from governmental activities increased by \$103,447,787 from the prior year, and unrestricted net position from business-type activities decreased by \$85,964,553 from the prior year.
- Net capital assets were \$13,153,915,312 of which \$6,815,115,971 was from governmental activities and \$6,338,799,341 was from business-type activities. Major additions for governmental activities during the year included \$175 million toward beltways, roadways, and streets and \$52 million toward flood control projects. Major additions for business-type activities during the year included \$34 million in Department of Aviation capital expenditures, the eighth largest airport in the United States, \$14 million in UMC capital expenditures, and \$74 million in sewer system and related equipment additions. Depreciation expense attributable to assets of governmental activities amounted to \$314,444,439 for the year, and \$312,664,677 for business-type activities.
- Bonds and loans payable totaled \$6,004,980,442. The following new debt was issued during the fiscal year:

Governmental activities:

General obligation bonds:

- \$ 185,815,000 in bonds for Detention Center refunding
- \$ 13,405,000 in bonds for Regional Justice Center refunding
- \$ 76,360,000 in bonds for transportation refunding bonds
- \$ 80,000,000 in bonds for Family Services

- On July 31, 2019, the County issued \$185,815,000 in General Obligation (Limited Tax) Detention Center Bonds (Additionally secured by Pledged Revenues) Series 2019. The bond proceeds totaled \$216,061,235. The proceeds of the bonds were used to (i) refinance the Series 2018B subordinate revenue notes that were issued on December 19, 2018 to finance the cost to acquire a detention center facility; and (ii) pay the costs of issuing the 2019 Bonds. The long-term bonds will be repaid by consolidated tax revenues. Interest payments are paid semiannually on December 1 and June 1 beginning December 1, 2019 with an interest rate ranging from 3.0% to 5.0%. Principal payments will be paid annually beginning June 1, 2020. The bonds mature on June 1, 2039.
- On July 31, 2019, the County issued \$13,405,000 in General Obligation (Limited Tax) Regional Justice Center Bonds (Additionally secured by Administrative Assessment Pledged Revenues) Series 2019B. The bond proceeds totaled \$15,619,355. The proceeds of the bonds were used to (i) refinance the Series 2018A subordinate revenue notes that were issued on November 1, 2018 to purchase the City of Las Vegas's leasehold space in the Regional Justice Center to accommodate additional County courtroom facilities and related support offices as well as necessary tenant improvements; and (ii) pay the costs of issuing the 2019B Bonds. The long-term bonds will be repaid by administrative assessment revenues. Interest payments are paid semiannually on December 1 and June 1 beginning December 1, 2019 with an interest rate ranging from 3.0% to 5.0%. Principal payments will be paid annually beginning June 1, 2020. The bonds mature on June 1, 2039.
- On September 11, 2019, the County issued \$76,360,000 in General Obligation (Limited Tax) Transportation Refunding Bonds (Additionally Secured with Pledged Revenues) Series 2019A. The bond proceeds totaled \$93,405,699. The proceeds of the bonds were used to (i) refund a portion of the County's General Obligation (Limited Tax) Transportation Refunding Bonds (Additionally Secured with Pledged Revenues), Series 2009A; and (ii) pay the costs of issuing the 2019A bonds. The proceeds of the Series 2009A bonds were originally used to finance transportation improvement projects. The long-term bonds will be repaid by a 1% supplemental governmental services tax, a development privilege tax, and a 1% non-resort corridor room tax imposed on the gross receipts from the rental of transient lodging (hotel/motel rooms) in the unincorporated area of the County outside of the boundaries of the Las Vegas Strip Resort Corridor, the Laughlin Resort Corridor, and any other transportation districts created by the County or a city; collectively, the "Beltway Pledged Revenues". Interest

payments are paid semiannually on December 1 and June 1 beginning December 1, 2019 with an interest rate of 5.0%. Principal payments will be paid annually beginning December 1, 2020. The bonds mature on December 1, 2029. The net proceeds 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 US Government obligations purchased by the trust was deemed to be sufficient to meet the debt service provisions of the refunded bonds. This transaction resulted in the defeasance of the 2009A bonds, and the related liability has been removed from the financial statements of the County. The refunding resulted in a gain of \$100,984 which represents the difference between the defeased bonds and the amount placed in escrow. The refunding also resulted in future cash flow savings of \$19,068,542 and economic gain (difference between the present value of the debt service payments on the old and new debt) of \$17,841,980.

- On November 1, 2019, the County issued \$80,000,000 in General Obligation (Limited Tax) Family Services Bonds (Additionally Secured by Pledged Revenues) Series 2019. The bond proceeds totaled \$93,644,692. The proceeds of the bonds were used to (i) refund the County's Subordinate Revenue Notes, Series 2018C issued on December 19, 2018; (ii) finance and refinance the acquisition and/or renovation of public facilities including but not limited to buildings for use by the Department of Family Services; and (iii) pay the costs of issuing the 2019 Bonds. The long-term bonds will be repaid by consolidated tax pledged revenues. Interest payments are paid semiannually on December 1 and June 1 beginning June 1, 2020 with an interest rate ranging from 3.0% to 5.0%. Principal payments will be paid annually beginning June 1, 2021. The bonds mature on June 1, 2040.

Business-type activities:

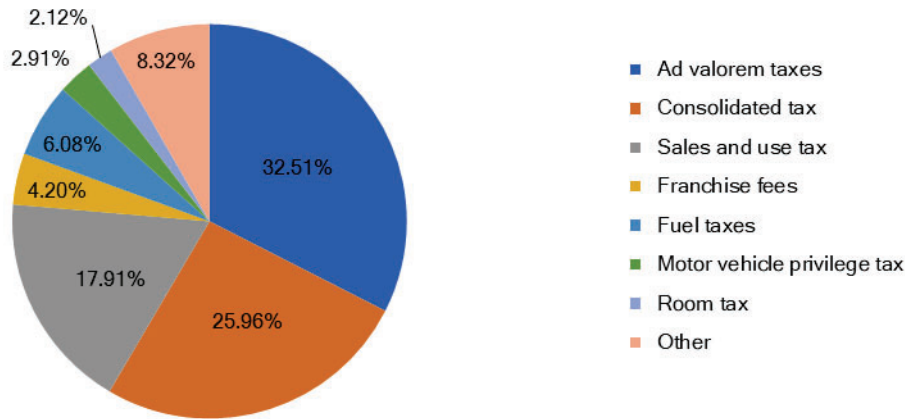
Revenue bonds

\$1,084,040,000 in bonds for the Department of Aviation

- On July 1, 2019, the Clark County Department of Aviation issued \$107,530,000 in Clark County, Nevada, Airport System Subordinate Lien Refunding Revenue Bonds, Series 2019A (Non-AMT). The bond proceeds totaled \$126,427,033. The proceeds of the bonds were used to refund all the outstanding Clark County, Nevada, Airport System Subordinate Lien Revenue Bonds, Series 2009C. The bonds will be repaid by airport system revenues. Interest payments are paid semiannually on January 1 and July 1 beginning January 1, 2020 with an interest rate of 5.0%. Principal payments will be paid annually beginning July 1, 2023. The bonds mature on July 1, 2026. The difference between the reacquisition price and the net carrying amount of the old debt resulted in a gain of \$3,210,031. The refunding transaction for the Series 2009 C Bonds resulted in an economic gain of \$26,281,202 and reduction of the aggregate debt service payments associated with those bonds of \$75,151,000.
- On July 1, 2019, the Clark County Department of Aviation issued \$240,800,000 in Clark County, Nevada, Airport System Revenue Bonds, Senior Series 2019B (Non-AMT). The bond proceeds totaled \$301,168,815. The proceeds of the bonds were used to: (i) refund all the outstanding Clark County, Nevada Airport System Revenue Bonds, Senior Series 2009B (Taxable Direct Payment Build America Bonds); and (ii) pay certain costs of issuance. The bonds will be repaid by airport system revenues. Interest payments are paid semiannually on January 1 and July 1 beginning January 1, 2020 with an interest rate of 5.0%. Principal payments will be paid annually beginning July 1, 2027 through July 1, 2035 and July 1, 2037 through July 1, 2042. The bonds mature on July 1, 2042. The refunding transaction for the Series 2009B Bonds resulted in an economic gain of \$88,193,388 and a \$138,803,586 reduction of the aggregate debt service payments associated with those bonds.
- On November 27, 2019, the Clark County Department of Aviation issued \$70,510,000 in Clark County, Nevada, Airport System Revenue Bonds, Senior Series 2019C (Non-AMT). The bond proceeds totaled \$72,957,577. The proceeds of the bonds were used to: (i) refund all the outstanding Clark County, Nevada Airport System Revenue Bonds, Senior Series 2010D; and (ii) pay certain costs of issuance. The bonds will be repaid by airport system revenues. Interest payments are paid semiannually on January 1 and July 1 beginning July 1, 2020 with an interest rate of 5.0%. Principal payments will be paid annually beginning July 1, 2020. The bonds mature on July 1, 2021. The difference between the reacquisition price and the net carrying amount of the old debt resulted in a gain of \$1,665,105. The refunding transaction for the Series 2010 D Bonds resulted in an economic gain of \$6,395,248 and \$9,134,096 reduction of the aggregate debt service payments associated with those bonds.
- On November 27, 2019, the Clark County Department of Aviation issued \$296,155,000 in Clark County, Nevada, Airport System Subordinate Lien Refunding Revenue Bonds, Series 2019D (Non-AMT). The bond proceeds totaled \$348,379,478. The proceeds of the bonds were used to: (i) refund all the outstanding Clark County, Nevada, Airport System Subordinate Lien Revenue Bonds, Series 2010B; and (ii) pay certain costs of issuance. The bonds will be repaid by airport system revenues. Interest payments are paid semiannually on January 1 and July 1 beginning July 1, 2020 with an interest rate of 5.0%. Principal payments will be paid annually beginning July 1, 2021 through July 1, 2026 and July 1, 2030 through July 1, 2032. The bonds mature on July 1, 2032. The difference between the reacquisition price and the net carrying amount of the old debt resulted in a gain of \$3,133,518. The refunding transaction for the Series 2010B resulted in an economic gain of \$203,482,219 and reduction of the aggregate debt service payments associated with those bonds of \$321,179,034.
- On November 27, 2019, the Clark County Department of Aviation issued \$369,045,000 in Clark County, Las Vegas-McCarran International Airport Passenger Facility Charge Refunding Revenue Bonds, Series 2019E (Non-AMT). The bond proceeds totaled \$434,278,107. The proceeds of the bonds were used to: (i) refund all the outstanding Clark County, Nevada, Las Vegas McCarran International Airport Passenger Facility Charge Revenue Bonds 2010 Series A; (ii) fund a new debt service reserve fund; and (iii) pay certain costs of issuance. The bonds will be repaid by passenger facility charge revenues. Interest payments are paid semiannually on January 1 and July 1 beginning July 1, 2020 with an interest rate of 5.0%. Principal payments will be paid annually beginning July 1, 2020. The bonds mature on July 1, 2033. The difference between the reacquisition price and the net carrying amount of the old debt resulted in a loss of \$3,507,621. The refunding transaction for the Series 2010 A Bonds resulted in an economic gain of \$204,385,530 and reduction of the aggregate debt service payments associated with those bonds of \$337,227,222.

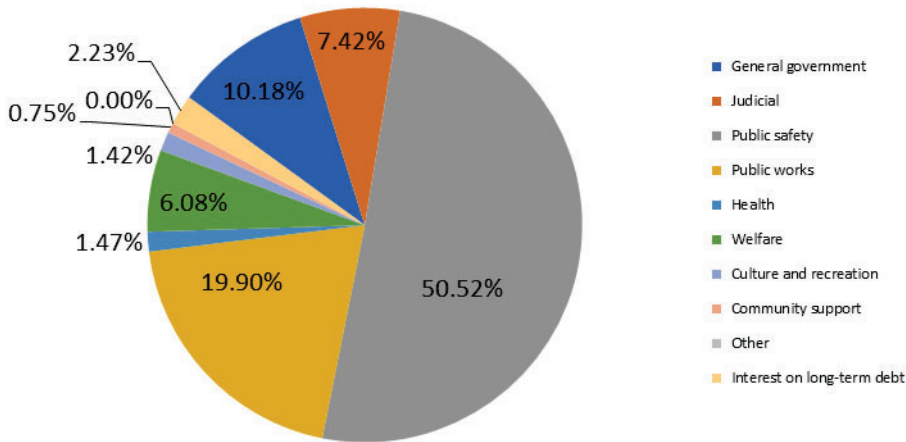
- The County's primary general revenue sources for governmental activities were ad valorem taxes in the amount of \$751,275,998, consolidated taxes in the amount of \$600,014,486, and sales and use taxes of \$414,053,941. These three revenue sources comprised 33%, 26%, and 18%, respectively, or 77% of total governmental activities general revenues.

General Revenues - Governmental Activities:



- The County's total expenses were \$4,770,424,499. Governmental activities comprised \$3,191,408,917 of total expenses, the largest functional expenses being public safety in the amount of \$1,612,621,610 and public works in the amount of \$635,367,803. Business-type activities accounted for \$1,579,015,582 of total expenses, the largest components being for hospital expense in the amount of \$728,567,205 and airport in the amount of \$599,024,283.

Expenses - Governmental Activities:



- General government expenses totaled \$324,858,988 or 4% more than the prior year.
- Public safety expenses totaled \$1,612,621,610 or 8% more than the prior year.
- Public works expenses totaled \$635,367,803 or 1% less than the prior year.
- Health expenses totaled \$46,942,167 or 12% less than the prior year due to a decrease in Intergovernmental Transfers (IGT) payments.
- Welfare expenses totaled \$194,098,415 or 9% more than the prior year.
- At the end of the fiscal year, the unassigned fund balance for the General Fund was \$298,389,910 or 16% of total General Fund expenditures and transfers out.

COVID-19

On March 11, 2020, the World Health Organization declared the novel strain of coronavirus (COVID-19) a global pandemic and recommended containment and mitigation measures worldwide. The spread of COVID-19 is having significant negative impacts throughout the world, including within the State and the County. The County's economy is heavily dependent on tourism and gaming and the impacts of the spread of COVID-19 and federal, State and local actions related thereto and its adverse effect on the level of economic activity within the County could continue to impact the County's financial operations. The pandemic has taken its toll on the County, together with its municipalities and unincorporated towns. In order to limit the spread of COVID-19, the Governor of the State of Nevada ordered a statewide closure of all schools and non-essential businesses beginning March 18, 2020. Since then, a number of directives have been issued by the Governor, allowing for a measured reopening approach. As a result of these mitigation measures, the southern Nevada economy has been strained.

Consolidated tax revenue was directly responsible for over 42% of the County's General Fund revenues in fiscal year 2019 and such revenues have been significantly impacted by the pandemic and ensuing mitigation measures. While consolidated tax revenues earned during the first 8.5 months of fiscal year 2020 mirrored the revenue trends of fiscal year 2019, the March 18, 2020 statewide closure of all non-essential businesses curtailed fiscal year 2020 projections compared to the original estimates reported prior to the pandemic. Fiscal year 2020 general fund consolidated tax revenues declined by 3.8% compared to fiscal year 2019.

The operations and business results of the Department of Aviation were significantly impacted in the 4th quarter of fiscal year 2020. Through the first eight months of the fiscal year 2020, enplaned passenger counts at the Airport increased by 4.9% compared to the first eight months of fiscal year 2019. Enplaned passenger counts at the Airport decreased by 78.7% from March through June when comparing fiscal year 2019 to fiscal year 2020.

UMC's fiscal year 2020 patient volume was adversely impacted due to admission avoidance and the voluntary temporary suspension of elective surgeries. Further, COVID-19 impacted UMC's operations by causing staffing and supply shortages in fiscal year 2020. As a result of the supply chain interruptions and increased demand for certain supplies caused by COVID-19, UMC incurred excessive costs in fiscal year 2020 in sourcing supplies and pharmaceuticals to effectively treat patients for COVID-19 and other diagnoses.

In April 2020, the County was awarded \$295 million in Coronavirus Relief Funds ("CRF") under the CARES Act. These funds are being used to respond to the community health and economic impacts of the pandemic. Additionally, the Department of Aviation was awarded \$195 million in funding under the CARES Act.

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

- 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.
- 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.
- 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).
- 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, and interest on long-term debt. The business-type activities of the County include operations of its hospital, airports, 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 substantially the same as the County. The activities of the discretely presented component units include regional transportation, flood control planning, stadium authority, 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.
- 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
- Proprietary funds provide the same type of information as the government-wide business-type activities 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 other non-major enterprise funds and the internal service funds are combined into separate single aggregated presentations in the proprietary fund financial statements. Individual fund data for the other non-major enterprise funds and 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 (and other employee benefit) fund, one (1) investment trust fund, and 38 agency funds. The employee benefit funds are the Medical Insurance Premium Retirement Plan and the County Section 125 Plan. The pension (and other employee benefit) fund is the Las Vegas Valley Water District Pension and Other Employee Benefits Plans. The investment trust fund is to account for the net position of the County's external investment pool. 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. 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, 2020, and June 30, 2019, are summarized and analyzed below:

Clark County, Nevada Net Position - Primary Government

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Assets						
Current and other assets	\$ 5,355,170,490	\$ 4,973,974,751	\$ 2,314,912,241	\$ 2,371,075,817	\$ 7,670,082,731	\$ 7,345,050,568
Net capital assets	<u>6,818,115,971</u>	<u>6,575,162,099</u>	<u>6,338,799,341</u>	<u>6,449,339,403</u>	<u>13,153,915,312</u>	<u>13,024,501,502</u>
Total assets	<u>12,170,286,461</u>	<u>11,549,136,850</u>	<u>8,653,711,582</u>	<u>8,820,415,220</u>	<u>20,823,998,043</u>	<u>20,369,552,070</u>
Deferred outflows	<u>543,909,675</u>	<u>531,199,885</u>	<u>262,350,265</u>	<u>250,430,775</u>	<u>806,259,940</u>	<u>781,630,660</u>
Liabilities						
Long-term liabilities	4,851,475,805	4,803,282,471	4,971,705,808	5,231,199,561	9,823,181,613	10,034,482,032
Other liabilities	<u>950,589,578</u>	<u>629,283,336</u>	<u>489,464,013</u>	<u>513,079,033</u>	<u>1,440,053,591</u>	<u>1,142,362,369</u>
Total liabilities	<u>5,802,065,383</u>	<u>5,432,565,807</u>	<u>5,461,169,821</u>	<u>5,744,278,594</u>	<u>11,263,235,204</u>	<u>11,176,844,401</u>
Deferred Inflows	<u>522,287,339</u>	<u>504,470,258</u>	<u>305,174,981</u>	<u>306,001,602</u>	<u>827,462,320</u>	<u>810,471,860</u>
Net Position						
Net investment in capital assets	6,049,764,208	5,923,695,036	2,719,992,161	2,393,978,275	8,769,756,369	8,317,673,311
Restricted	1,002,109,159	985,083,374	450,691,876	561,589,963	1,452,801,035	1,546,673,337
Unrestricted	<u>(662,029,953)</u>	<u>(765,477,740)</u>	<u>(20,966,992)</u>	<u>64,997,561</u>	<u>(682,996,945)</u>	<u>(700,480,179)</u>
Total net position	<u>\$ 6,389,843,414</u>	<u>\$ 6,143,300,670</u>	<u>\$ 3,149,717,045</u>	<u>\$ 3,020,565,799</u>	<u>\$ 9,539,560,459</u>	<u>\$ 9,163,866,469</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 \$9,539,560,459 as of June 30, 2020 and by \$9,163,866,469 as of June 30, 2019, a net increase of \$375,807,661 or 4%.
- 92% 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.
- 15% 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, 34% is for construction of capital assets, 30% is for repayment of long-term debt, 14% is for public safety, 5% is

restricted for Airport Passenger Facility Charges, and the remaining 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 (\$682,996,945) primarily due to the recognition of the long-term net pension liability and net OPEB liability.

Clark County, Nevada Changes in Net Position - Primary Government

	Governmental Activities		Business -type Activities		Total	
	2020	2019	2020	2019	2020	2019
Revenues						
Program revenues						
Charges for services	\$ 492,051,405	\$ 495,392,555	\$ 1,447,337,059	\$ 1,591,342,146	\$ 1,939,388,464	\$ 2,086,734,701
Operating grants and contributions	463,259,495	473,607,601	32,405,323	-	495,664,818	473,607,601
Capital grants and contributions	229,313,634	236,358,257	95,431,320	94,823,853	324,744,954	331,182,110
General revenues						
Ad valorem taxes	751,275,998	695,809,644	-	-	751,275,998	695,809,644
Consolidated tax	600,014,486	624,903,839	-	-	600,014,486	624,903,839
Sales and use tax	414,053,941	408,081,158	20,167,397	20,802,775	434,221,338	428,883,933
Franchise fees	97,006,140	93,984,470	-	-	97,006,140	93,984,470
Fuel taxes	140,497,011	151,602,373	-	-	140,497,011	151,602,373
Motor vehicle privilege tax	67,287,308	71,998,248	-	-	67,287,308	71,998,248
Room tax	48,887,028	60,514,206	-	-	48,887,028	60,514,206
Other	54,171,706	44,455,839	-	-	54,171,706	44,455,839
Gain on sale or disposition of assets	2,575,038	2,281,963	290,366	938,924	2,865,404	3,220,887
Interest income (loss)	135,472,890	114,384,186	54,734,615	31,940,715	190,207,505	146,324,901
Total revenues	3,495,866,080	3,473,374,339	1,650,366,080	1,739,848,413	5,146,232,160	5,213,222,752
Expenses						
General government	324,858,988	313,247,407	-	-	324,858,988	313,247,407
Judicial	236,888,828	235,638,429	-	-	236,888,828	235,638,429
Public safety	1,612,621,610	1,490,035,814	-	-	1,612,621,610	1,490,035,814
Public works	635,367,803	642,811,504	-	-	635,367,803	642,811,504
Health	46,942,167	53,205,523	-	-	46,942,167	53,205,523
Welfare	194,098,415	176,755,937	-	-	194,098,415	176,755,937
Culture and recreation	45,415,654	47,982,241	-	-	45,415,654	47,982,241
Community support	24,065,460	25,617,221	-	-	24,065,460	25,617,221
Interest on long-term debt	71,149,992	71,292,221	-	-	71,149,992	71,292,221
Hospital	-	-	728,680,876	703,700,839	728,680,876	703,700,839
Airport	-	-	599,024,283	633,222,749	599,024,283	633,222,749
Sewer	-	-	195,750,904	195,142,856	195,750,904	195,142,856
Other	-	-	55,673,190	53,349,817	55,673,190	53,349,817
Total expenses	3,191,408,917	3,056,586,297	1,579,129,253	1,585,416,261	4,770,538,170	4,642,002,558
Increase (decrease) in net position before transfers	304,457,163	416,788,042	71,236,827	154,432,152	375,693,990	571,220,194
Transfers	(57,914,419)	(45,620,069)	57,914,419	45,620,069	-	-
Increase (decrease) in net position	246,542,744	371,167,973	129,151,246	200,052,221	375,693,990	571,220,194
Net position - beginning,	6,143,300,670	5,772,132,697	3,020,565,799	2,820,513,578	9,163,866,469	8,592,646,275
Net position - ending	\$ 6,389,843,414	\$ 6,143,300,670	\$ 3,149,717,045	\$ 3,020,565,799	\$ 9,539,560,459	\$ 9,163,866,469

- 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 \$20,733,879, or 2%, due to a decrease in capital grants and contributions for road, flood and other infrastructure projects and decreases in operating grants and contributions for general government, public safety, and community support. Program revenues from business-type activities decreased by \$110,992,297, or 7%, primarily due to decreases in hospital revenue driven by a decline in patient days and visits, and decreases to airport charges for services related to declines in passenger traffic during the 4th quarter of fiscal year 2020 due to the COVID-19 pandemic.
- 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 \$55,466,354 or 8%. This increase reflects the recovery of assessed values during the fiscal year. Consolidated tax decreased by \$24,889,353, or 4% due the economic impacts of COVID-19, and sales and use tax increased in governmental activities by \$5,972,783, or 1%. Fuel tax revenue decreased by \$11,105,362 or 7% and room taxes decreased by

\$11,627,178 or 19% primarily due to the COVID-19 pandemic. Interest income increased by \$21,088,704 primarily due to an increase in unrealized gain on investments.

- County governmental activity expenses increased by 4% in fiscal year 2020. Significant changes from the prior year are as follows:
 - General government expenses increased by \$11,611,581 or 4% primarily due to increases in other post-employment benefits and pension expenses.
 - Public Safety expenses increased by \$122,585,796 or 8% primarily due to increases in salaries and benefits for cost of living adjustments and merit increases, the hiring of additional corrections officers and staff, increases in other post-employment benefits and pension expenses, increases to specialized foster care rates, and increases in costs to respond to the COVID-19 pandemic.
 - Health expenses decreased by \$6,263,356, or 12%, primarily due to a decrease in IGT payments.
 - Welfare expenses increased by \$17,342,478, or 10%, primarily due to increases in costs for emergency housing programs and costs to respond to the COVID-19.

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 \$2,907,206,714, an increase of \$107,247,240, or 4%. 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 399,208 and consists of \$388,143 of prepaid items for Las Vegas Metropolitan Police Department, and \$11,065 of prepaid items for the Forensic Fund.
- Restricted fund balance is \$1,376,859,420 or 47% 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 \$791,186,055 for capital projects, \$207,585,258 for public safety activities and \$138,678,731 for debt service.
- Committed and assigned fund balances combined represent 42% 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 \$102,683,578 includes restricted cash and unspent proceeds from legislatively mandated ad valorem taxes. Unrestricted fund balance, which includes committed, assigned, and unassigned balances, totaled \$512,593,537 at June 30, 2020. Unrestricted fund balance was 27% of expenditures and other financing uses and includes amounts committed and assigned of \$4,212,876 and \$209,990,751 respectively. Unassigned fund balance is \$298,389,910, or 16% 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 \$20,792,973, or 1%.

General fund revenues increased by \$1,732,000, or .15%. Ad valorem tax revenues increased by \$22,585,578, or 7%, due to increases in new construction and property assessed values. Intergovernmental revenue, the largest component of which is the consolidated tax, decreased by \$15,848,318, or 4%, due to the COVID-19 pandemic.

Transfers-in increased by \$19,060,973, or 6%, primarily due to increases in transfers from the various town funds for town services.
 - Expenditures and transfers out decreased by \$29,434,211, or 2%.

General fund expenditures increased by \$8,695,821 or 1% primarily due to increases in Public Safety expenditures. Transfers out decreased by \$38,130,032, or 6%.

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 \$28,815,956. Total revenues and transfers in were \$638,418,110, which was an increase of \$24,595,396, or 4%, over the prior year. Expenditures and transfers out, which consist primarily of personnel costs, increased \$7,993,424, or 1%, largely due to cost of living adjustments (COLA), merit increases, and increases in retirement contribution rates.
- The non-major governmental funds reported a fund balance of \$2,262,725,500 of which \$1,274,175,842 or 56% 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 increased \$126,124,113 or 4% from the prior year. Unrestricted net position of the enterprise funds totaled (\$19,736,844), a decrease of \$88,991,686 primarily due to the decrease of UMC's net position.

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 \$1,551,102,614, increased through augmentation by \$53,864,705 from the original budget. Actual expenditures and other financing uses were \$1,415,586,825, or 9% less than the final budget, primarily due to staff vacancy savings.
- Revenues and other transfers from other financing sources of the general fund exceeded the final budget by \$13,128,769, or .90%.

Capital Assets and Debt Administration.

Primary Government

• Capital Assets

- o The County's investment in capital assets, net of accumulated depreciation at June 30, 2020, was \$13,153,915,312, an increase of \$129,413,810, or 1%. 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	\$ 175 million	Airport improvements and additions	\$ 34 million
Flood control projects	\$ 52 million	Sewer system additions	\$ 74 million
		Hospital capital additions	\$ 14 million

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

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Land and improvements	\$ 1,604,497,658	\$ 1,563,802,495	\$ 2,688,699,582	\$ 2,708,954,524	\$ 4,293,197,240	\$ 4,272,757,019
Buildings	1,261,918,706	1,290,314,922	3,044,708,294	3,177,296,264	4,306,627,000	4,467,611,186
Machinery and equipment	111,801,948	110,133,684	391,676,016	429,242,846	503,477,964	539,376,530
Infrastructure	3,319,033,975	3,278,602,602	-	-	3,319,033,975	3,278,602,602
Construction in progress	517,863,684	332,308,396	213,715,449	133,845,769	731,579,133	466,154,165
Total	\$ 6,815,115,971	\$ 6,575,162,099	\$ 6,338,799,341	\$ 6,449,339,403	\$ 13,153,915,312	\$ 13,024,501,502

- 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, 2020, the County had total outstanding bonds, loans, and capital leases of \$6,007,365,990, a decrease of \$420,649,755, or 7%, from the prior year. Of this amount, \$1,936,061,698 comprised general obligation debt backed by the full faith and credit of the County, \$559,145,857 of general obligation bonds additionally secured by specified revenue sources, \$3,385,456,605 of revenue bonds secured by pledges of various revenue sources, \$118,906,282 in special assessment debt for which the County is liable in the event of default by the property owners subject to assessment, \$5,400,000 in notes payable, and \$2,385,548 in capital leases.

Clark County, Nevada Outstanding Debt - Primary Government

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
General obligation bonds	\$ 1,936,061,698	\$ 1,733,756,093	\$ -	\$ -	\$ 1,936,061,698	\$ 1,733,756,093
Revenue backed general obligation bonds	-	-	559,145,857	583,373,695	559,145,857	583,373,695
Revenue bonds	10,000	10,000	3,385,456,605	3,737,904,788	3,385,466,605	3,737,914,788
Special assessment bonds	118,906,282	134,195,213	-	-	118,906,282	134,195,213
Notes payable	5,400,000	235,913,750	-	-	5,400,000	235,913,750
Capital leases	2,385,548	2,862,206	-	-	2,385,548	2,862,206
Total	\$ 2,062,763,528	\$ 2,106,737,262	\$ 3,944,602,462	\$ 4,321,278,483	\$ 6,007,365,990	\$ 6,428,015,745

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

Economic Factors

- UMC's operating loss was \$10,975,129 in fiscal year 2019 compared to an operating loss of \$129,008,039 in fiscal year 2020. The increase in operating loss is due primarily to decreases in hospital revenue driven by declines in patient days and visits, as well as increased operating expenses.
- The Department of Aviation's operating income was \$94,997,283 in fiscal year 2019 compared to operating income of \$20,943,832 in fiscal year 2020. The decrease in operating income is due to significant decreases in passenger traffic during the 4th quarter of fiscal year 2020 as a result of the COVID-19 pandemic.
- The COVID-19 pandemic has significantly impacted the Southern Nevada economy. To address the fiscal year 2021 budget deficit, the County utilized \$107.3 million in unrestricted reserves from the general and non-general funds, reducing the General Fund balance to 8.3%. In addition, a variety of cost containment measures previously utilized during the Great Recession were implemented. These measures included the cancellation of capital projects, the elimination of discretionary transfers to the Capital Project Fund, the reduction in transfers to the Las Vegas Metropolitan Police Department, the Clark County Detention Center, and to the University Medical Center, and a reduction to discretionary service and supply items across all functions. A hiring freeze was also implemented as well as a voluntary separation program resulting in the retirement of more than 400 employees countywide. Lastly, the County successfully negotiated a 0% COLA and an additional one year 5% concession with the collective bargaining units representing over 99% of the union covered employees and applied the same terms to all non-union and management employees. These cost saving measures accounted for an additional \$163.4 million in fiscal year 2021 general fund expenditure savings for the County.
- The degree of impact from COVID-19 to the County's financial operations is difficult to predict due to the evolving nature of the COVID-19 transmission, including uncertainties relating to the duration of the outbreak and what additional actions may be taken by governmental authorities to contain or mitigate its current impact or to respond to future escalations of cases, if any. The County also cannot predict the timeframe for the return of tourism and visitors to the levels prior to the onset of the COVID-19 pandemic.

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 Anna Danchik, Comptroller, at 500 South Grand Central Parkway, Las Vegas, NV 89155.