

Clark County, Nevada

Management's Discussion and Analysis
June 30, 2018

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 \$8,592,646,275. Net position of governmental activities totaled \$5,772,132,697 and those of business-type activities totaled \$2,820,513,578.
- The County's total net position increased by \$ 243,462,758 before the impact of prior period adjustments. Net position from governmental activities increased by \$112,717,874 and net position from business-type activities increased by \$130,744,884 before the impact of prior period adjustments. Net position from governmental activities increased mainly because of increased general revenues and decreased losses on disposal of capital assets related to annexations. Net position from business-type activities increased largely due to UMC, Clark County Water Reclamation, and Department of Aviation surpluses. In addition, beginning governmental and business-type activities net positions were reduced by \$272,874,520 and \$143,264,801, respectively, primarily due to the implementation of GASB 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The implementation of GASB 75 resulted in a decrease of net position from governmental activities at July 1, 2017 of \$262,865,858 to restate the net OPEB liability and recognize deferred outflows of resources. Additionally, governmental activities net position was decreased by \$10,008,662 to restate the receivable balance from the City of Las Vegas for their funding share of the Las Vegas Metropolitan Police Department's net OPEB liability at July 1, 2017. The implementation of GASB 75 resulted in a decrease of net position from business-type activities at July 1, 2017 of \$145,847,832 to restate the net OPEB liability and recognize deferred outflows of resources. Additionally, business-type activities net position was increased by \$2,583,031 due to the identification of unrecorded Clark County Water Reclamation District accounts receivable, donated capital assets, and impaired capital assets. The County's total net position decreased \$416,139,321 including the impact of prior period adjustments.
- Unrestricted net position was (\$878,698,799), with (\$880,767,370) resulting from governmental activities and \$2,068,571 from business-type activities. Unrestricted net position from governmental activities decreased by 38 percent from the prior year, and unrestricted net position from business-type activities decreased by 94 percent from the prior year.
- Net capital assets were \$12,973,135,204 of which \$6,390,283,332 was from governmental activities and \$6,582,851,872 was from business-type activities. Major additions for governmental activities during the year included \$140 million toward beltways, roadways, and streets, \$54 million toward flood control projects. Major additions for business-type activities during the year included \$48 million in Department of Aviation capital expenditures, the eighth largest airport in the United States, and \$331 million in sewer system and related equipment additions. Depreciation expense attributable to assets of governmental activities amounted to \$299,484,336 for the year, and \$312,703,173 for business-type activities.
- Bonds and loans payable totaled \$6,181,859,733. The following new debt was issued during the fiscal year:

Governmental activities:

General obligation bonds

\$66,240,000 in bonds for Special Improvement Districts

- On July 11, 2017, the County issued \$12,130,000 in Special Improvement District No. 158 (Las Vegas Boulevard -St. Rose Parkway to Pyle Avenue) Local Improvement Bonds with an interest rate of 5 percent. The bond proceed totaled \$14,523,860. The proceeds are being used to: (i) finance the cost of certain local improvements; (ii) fund a debt service reserve fund for the Bonds; and (iii) pay the costs of issuing the Bonds. Principal is paid annually beginning August 1, 2018 and interest is paid semiannually on August 1 and February 1. The bonds mature on August 1, 2037.
- On August 24, 2017, the County issued \$54,110,000 Special Improvement District No. 112 (Flamingo Underground) Local Improvement Refunding Bonds Series 2017 to refund all the outstanding \$56,495,000 Special Improvement District No. 112 (Flamingo Underground) Local Improvement Bonds, Series 2008, fund the Reserve Fund, and to pay certain costs of issuance thereof. The series 2017 bonds have stated interest ranging from 2.00 to 4.00 percent, with principal paid annually August 1 and February 1, and a maturity date of August 1, 2037. On August 24, 2017, the County created an escrow account (\$56,671,232) in an amount sufficient to pay the principal of and accrued interest on the Refunded Bonds on August 25, 2017. This transaction resulted in the defeasance of the 2008 issue and the related liability has been removed from the financial statements of the County. The refunding resulted in a gain of \$350,352, which represents the difference between the defeased bonds and the amount placed in escrow. The refunding also resulted in future cash flow savings of \$13,329,228 and an economic gain (difference between the present value of the old and new debt service payments) of \$10,221,169.

Business-type activities:

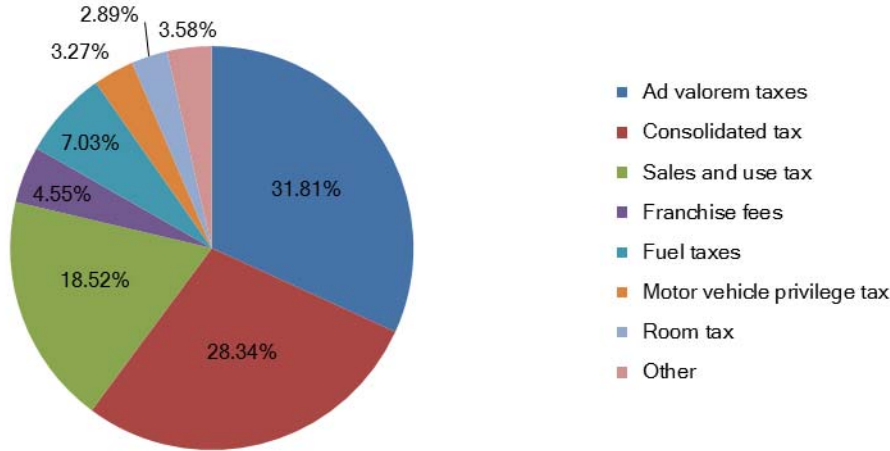
Revenue bonds

\$188,010,000 in bonds for the Department of Aviation

- On December 6, 2017, the County issued the Series 2017D Airport System Subordinate Lien Refunding Revenue Bonds (Series 2017D Bonds) for \$92,465,000 to mature on July 1, 2022. The Series 2017D is issued in accordance with the Indenture between Clark County and The Bank of New York Mellon Trust Company, N.A. The Series 2017D Bonds was issued to refund Series 2011B-2 Bonds and then Banc of America Preferred Funding Corporation has agreed to purchase the bonds pursuant to the terms and provisions of a floating rate Direct Purchase Agreement. Interest payments are due on the first business day of each month and scheduled principal payments are due on July 1 of each year. The Indenture and Direct Purchase Agreement contain a provision that in an event of default, outstanding amounts become immediately due if the County is unable to make payment.
- On June 29, 2018, the County issued the Series 2018A Junior Subordinate Lien Revenue Notes (Series 2018A Note) for \$95.5 million. The net proceeds of \$103.4 million, along with a \$2.5 million contribution from the Series 2014B Notes sinking fund, were used to refund the outstanding principal and interest on the Series 2014B Notes. The Series 2018A Notes have a fixed interest rate of 5.00% and a yield of 1.98%. Interest payments are due on January 1 and July 1 of each year, and scheduled principal payments are due on July 1 of each year until the scheduled maturity on July 1, 2021. The present value over the three-year life of the aggregate debt service payments for the Series 2018A Notes is \$103.9 million. There is no aggregate debt to service on the refunding transaction between the refunding notes and the refunded notes due to the fact that the Series 2014B Notes matured on July 1, 2018. As of June 30, 2018, the aggregate debt service balance of defeased bonds in escrow was \$105.9 million

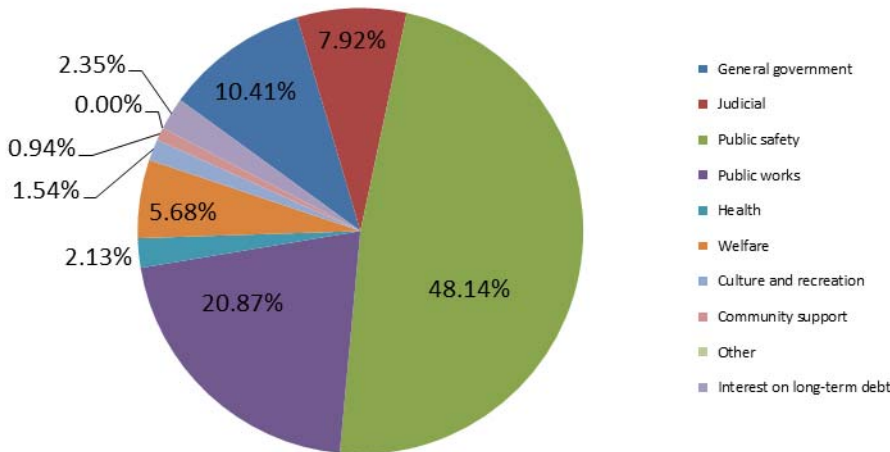
- The County's primary general revenue sources for governmental activities were ad valorem taxes in the amount of \$653,736,333, consolidated taxes in the amount of \$582,444,785, and sales and use taxes of \$380,470,034. These three revenue sources comprised 32 percent, 28 percent, and 19 percent, respectively, or 79 percent of total governmental activities general revenues.

General Revenues - Governmental Activities:



- The County's total expenses were \$4,427,550,423. Governmental activities comprised \$2,893,392,154 of total expenses, the largest functional expenses being public safety in the amount of \$1,393,176,958 and public works in the amount of \$604,077,714. Business-type activities accounted for \$1,534,158,269 of total expenses, the largest components being for hospital expense in the amount of \$672,683,257 and airport in the amount of \$608,661,056.

Expenses - Governmental Activities:



- General government expenses totaled \$301,208,753 or 5% more than the prior year.
- Public safety expenses totaled \$1,393,176,958 or 6% more than the prior year.
- Public works expenses totaled \$604,077,714 or 16% less than the prior year due to a decrease in the loss on disposal of capital assets related to annexations.
- Health expenses totaled \$61,716,234 or 7% less than the prior year.
- Welfare expenses totaled \$164,305,864 or 10% more than the prior year due to increase in IGT and uncompensated care payments.

- At the end of the fiscal year, the unassigned fund balance for the General Fund was \$227,543,963 or 12% 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

- 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, 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.
- 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

- 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 (fund closed 6/30/17)
- 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, one (1) investment trust fund, and 39 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 investment trust funds 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, 2018, and June 30, 2017, are summarized and analyzed below:

Clark County, Nevada Net Position - Primary Government

	Governmental Activities		Business -type Activities		Total	
	2018	2017	2018	2017	2018	2017
Assets						
Current and other assets	\$ 4,278,276,344	\$ 4,280,870,493	\$ 2,274,794,623	\$ 2,073,611,244	\$ 6,553,070,967	\$ 6,354,481,737
Net capital assets	6,390,283,332	6,370,277,894	6,582,851,872	6,723,714,241	12,973,135,204	13,093,992,135
Total assets	<u>10,668,559,676</u>	<u>10,651,148,387</u>	<u>8,857,646,495</u>	<u>8,797,325,485</u>	<u>19,526,206,171</u>	<u>19,448,473,872</u>
Deferred outflows	366,520,958	390,966,892	228,289,313	246,000,117	594,810,271	636,967,009
Liabilities						
Long-term liabilities	4,348,287,686	4,247,993,071	5,607,209,182	5,662,473,755	9,955,496,868	9,910,466,826
Other liabilities	653,981,142	672,491,593	516,842,703	458,071,281	1,170,823,845	1,130,562,874
Total liabilities	<u>5,002,268,828</u>	<u>4,920,484,664</u>	<u>6,124,051,885</u>	<u>6,120,545,036</u>	<u>11,126,320,713</u>	<u>11,041,029,700</u>
Deferred Inflows	260,679,109	189,341,272	141,370,345	89,747,071	402,049,454	279,088,343
Net Position						
Net investment in capital assets	5,746,137,281	5,702,560,978	2,360,701,467	2,415,916,940	8,106,838,748	8,118,477,918
Restricted	906,762,786	866,516,055	457,743,540	384,560,231	1,364,506,326	1,251,076,286
Unrestricted	(880,767,370)	(636,787,690)	2,068,571	32,556,324	(878,698,799)	(604,231,366)
Total net position	<u>\$ 5,772,132,697</u>	<u>\$ 5,932,289,343</u>	<u>\$ 2,820,513,578</u>	<u>\$ 2,833,033,495</u>	<u>\$ 8,592,646,275</u>	<u>\$ 8,765,322,838</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 \$8,592,646,275 as of June 30, 2018 and by \$8,765,322,838 as of June 30, 2017, a net decrease of \$172,676,563 or 2%.
- 94% 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.
- 16% 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, 32% is for construction of capital assets, 32% is for repayment of long-term debt, 15% is for public safety, 6% 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 (\$878,698,799) due to the recognition of the long-term net pension liability and net OPEB liability.
- At June 30, 2018, 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	
	2018	2017	2018	2017	2018	2017
Revenues						
Program revenues						
Charges for services	\$ 450,885,512	\$ 438,366,707	\$ 1,515,722,135	\$ 1,483,607,147	\$ 1,966,607,647	\$ 1,921,973,854
Operating grants and contributions	415,133,744	371,232,362	-	19,080	415,133,744	371,251,442
Capital grants and contributions	129,027,166	199,674,371	70,480,034	112,628,538	199,507,200	312,302,909
General revenues						
Ad valorem taxes	653,736,333	622,066,256	-	-	653,736,333	622,066,256
Consolidated tax	582,444,785	553,377,199	-	-	582,444,785	553,377,199
Sales and use tax	380,470,034	334,726,553	19,623,239	18,544,504	400,093,273	353,271,057
Franchise fees	93,461,490	95,436,976	-	-	93,461,490	95,436,976
Fuel taxes	144,492,230	136,480,612	-	-	144,492,230	136,480,612
Motor vehicle privilege tax	67,255,798	62,688,330	-	-	67,255,798	62,688,330
Room tax	59,460,118	58,981,471	-	-	59,460,118	58,981,471
Other	62,361,734	34,296,296	-	-	62,361,734	34,296,296
Gain on sale or disposition of assets	3,841,676	2,191,234	1,054,707	12,620	4,896,383	2,203,854
Interest income (loss)	7,331,882	1,064,089	14,230,564	30,900,506	21,562,446	31,964,595
Total revenues	3,049,902,502	2,910,582,456	1,621,110,679	1,645,712,395	4,671,013,181	4,556,294,851
Expenses						
General government	301,208,753	288,059,649	-	-	301,208,753	288,059,649
Judicial	229,206,684	226,100,942	-	-	229,206,684	226,100,942
Public safety	1,393,176,958	1,316,604,127	-	-	1,393,176,958	1,316,604,127
Public works	604,077,714	722,278,543	-	-	604,077,714	722,278,543
Health	61,716,234	66,601,476	-	-	61,716,234	66,601,476
Welfare	164,305,861	148,900,680	-	-	164,305,861	148,900,680
Culture and recreation	44,564,185	50,761,817	-	-	44,564,185	50,761,817
Community support	27,124,465	26,635,103	-	-	27,124,465	26,635,103
Other	-	-	-	-	-	-
Interest on long-term debt	68,011,300	79,454,714	-	-	68,011,300	79,454,714
Hospital	-	-	672,683,257	631,223,871	672,683,257	631,223,871
Airport	-	-	608,661,056	628,926,285	608,661,056	628,926,285
Sewer	-	-	203,967,829	189,048,443	203,967,829	189,048,443
Other	-	-	48,846,127	42,295,287	48,846,127	42,295,287
Total expenses	2,893,392,154	2,925,397,051	1,534,158,269	1,491,493,886	4,427,550,423	4,416,890,937
Increase (decrease) in net position before transfers	156,540,348	(14,814,595)	86,952,410	154,218,509	243,462,758	139,403,914
Transfers	(43,792,474)	(44,996,352)	43,792,474	44,996,352	-	-
Increase (decrease) in net position	112,717,874	(59,810,947)	130,744,884	199,214,861	243,462,758	139,403,914
Net position - beginning	5,932,289,343	6,151,627,021	2,833,033,495	2,692,924,299	8,765,322,838	8,844,551,320
Prior period adjustment	(272,874,520)	(159,526,731)	(143,264,801)	(59,105,665)	(416,139,321)	(218,632,396)
Net position - beginning, restated	5,659,414,823	5,992,100,290	2,689,768,694	2,633,818,634	8,349,183,517	8,625,918,924
Net position - ending	\$ 5,772,132,697	\$ 5,932,289,343	\$ 2,820,513,578	\$ 2,833,033,495	\$ 8,592,646,275	\$ 8,765,322,838

- 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 \$14,227,018, or 1 percent, due to a decrease in capital grants and contributions for road, flood and other infrastructure projects. Program revenues from business-type activities decreased by \$10,052,596, or 1 percent, primarily due to decreases in airport capital grants and contributions from the TSA, the prior year revenue included a non-recurring grant for the reconfiguration of the checked baggage system in Terminal 1.
- 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 \$31,670,077 or 5 percent. This increase reflects the recovery of assessed values during the fiscal year. Consolidated tax increased by \$29,067,586, or 5 percent, and sales and use tax increased in governmental activities by \$45,743,481, or 14 percent, both due to a continued increased in economic activity during fiscal year 2018. Fuel tax revenue increased \$8,011,618 or 6 percent primarily due to the increase in fuel index revenue in fiscal year 2018. Interest income decreased \$10,402,149 or 33% primarily due to an increase in unrealized losses on investments.

- County governmental activity expenses decreased by 1% in fiscal year 2018. Significant changes from the prior year are as follows:
 - General government expenses increased by \$ 13,149,104 or 5 percent due to increases in postemployment benefit costs.
 - Public Safety expenses increased \$76,572,831 or 6 percent due to increases in salaries and benefits for the hiring of additional police officers and staff.
 - Public works expenses decreased \$118,200,829 or 16% due to a decrease in loss on disposal of capital assets from annexations of land and infrastructure to other jurisdictions.
 - Welfare expenses increased \$15,405,181 or 10 percent due to a reclassification of expenses from health to welfare and increases in Upper Payment Limit IGT and uncompensated care costs.

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 \$2,174,477,086, an increase of \$89,294,675, or 4 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 \$354,359 and consists of \$323,846 of inventory for Las Vegas Metropolitan Police Department, \$629 of prepaid expenses for the County Grant Fund and \$29,884 of inventory for the Forensic Fund.
- Restricted fund balance is \$906,762,786 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 \$346,752,147 for capital projects, \$204,906,975 for public safety activities and \$156,771,703 for debt service.
- Committed and assigned fund balances combined represent 48% 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 \$96,049,583 includes restricted cash and unspent proceeds from legislatively mandated ad valorem taxes. Unrestricted fund balance, which includes committed, assigned, and unassigned balances, totaled \$408,019,609 at June 30, 2018. Unrestricted fund balance was 22% of expenditures and other financing uses and includes amounts committed and assigned of \$6,332,539 and \$174,143,107 respectively. Unassigned fund balance is \$227,543,963, 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 \$61,861,450, or 5 percent.

General fund revenues increased by \$52,854,982, or 5 percent. Ad valorem tax revenues increased by \$14,896,547, or 5 percent due to increases in new construction and property assessed values. Intergovernmental revenue, the largest component of which is the consolidated tax, increased by \$20,337,379, or 5 percent, due to the increased economic activity in the local economy.

Transfers-in increased by \$9,006,468, or 3 percent, primarily due to increases in transfers from the various town funds for town services.
 - Expenditures and transfers out increased by \$34,297,815, or 3 percent.

General fund expenditures increased by \$25,298,612 or 4 percent primarily due to increases in Welfare and Other General expenditures. Transfers out increased by \$8,999,203, or 2 percent.
- 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 \$11,930,997. Total

revenues and transfers in were \$575,828,890, which was an increase of \$24,170,208 or 4 percent, over the prior year. Expenditures and transfers out, which consist primarily of personnel costs, increased \$18,174,842 or 3 percent largely due to the addition of 114 full-time positions and an aggressive hiring plan to fill vacant Police Officer positions.

- The non-major governmental funds reported a fund balance of \$1,658,153,051 of which \$810,713,203 or 49% 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 23,102,207 or 1% percent from the prior year. Unrestricted net position of the enterprise funds totaled \$2,322,153, a decrease of \$41,070,043 or 95% primarily due to the prior period adjustment related to the implementation of GASB No. 75.

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 \$1,382,267,659, increased through augmentation by \$53,818,161 from the original budget. Actual expenditures and other financing uses were \$1,340,052,861, or 3 percent less than the final budget, primarily due to staff vacancy savings, and the reduction of intergovernmental transfers.
- Revenues and other transfers from other financing sources of the general fund exceeded the final budget by \$52,450,234, or 4 percent due to an increase in consolidated tax revenue, business licenses, and charges for services.

Capital Assets and Debt Administration

Primary Government

• Capital Assets

- o The County's investment in capital assets, net of accumulated depreciation at June 30, 2018, was \$12,973,135,204, a decrease of \$120,856,931, or 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	\$ 79 million	Airport improvements and additions	\$ 48 million
Flood control projects	\$ 54 million	Sewer system additions	\$ 331 million

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

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Land and improvements	\$ 1,579,489,724	\$ 1,581,641,174	\$ 2,733,179,719	\$ 2,696,866,883	\$ 4,312,669,443	\$ 4,278,508,057
Buildings	1,283,450,285	1,153,372,506	3,278,840,652	3,239,559,311	4,562,290,937	4,392,931,817
Machinery and equipment	115,448,326	107,326,648	433,937,274	432,093,418	549,385,600	539,420,066
Infrastructure	3,163,973,716	3,159,522,116	-	-	3,163,973,716	3,159,522,116
Construction in progress	247,921,281	368,415,450	136,894,227	357,424,051	384,815,508	725,839,501
Total	\$ 6,390,283,332	\$ 6,370,277,894	\$ 6,582,851,872	\$ 6,725,943,663	\$ 12,973,135,204	\$ 13,096,221,557

- 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, 2018, the County had total outstanding bonds and loans of \$6,181,859,733, a decrease of \$221,004,482, or 3 percent, from the prior year. Of this amount, \$1,353,253,855 comprised general obligation debt backed by the full faith and credit of the County, \$606,436,472 of general obligation bonds additionally secured by specified revenue sources, \$3,886,661,351 of revenue bonds secured by pledges of various revenue sources, \$149,567,590 in special assessment debt for which the County is liable in the event of default by the property owners subject to assessment, and \$185,940,465 in capital leases.

Clark County, Nevada Outstanding Debt - Primary Government

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
General obligation bonds	\$ 1,353,253,855	\$ 1,436,379,313	\$ -	\$ -	\$ 1,353,253,855	\$ 1,436,379,313
Revenue backed general obligation bonds	-	-	606,436,472	626,149,989	606,436,472	626,149,989
Revenue bonds	10,000	10,000	3,886,651,351	4,000,474,993	3,886,661,351	4,000,484,993
Special assessment bonds	149,567,590	153,467,887	-	-	149,567,590	153,467,887
Capital leases	185,940,465	186,382,033	-	-	185,940,465	186,382,033
Total	\$ 1,688,771,910	\$ 1,776,239,233	\$ 4,493,087,823	\$ 4,626,624,982	\$ 6,181,859,733	\$ 6,402,864,215

- 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 profit was \$15,939,581 for the fiscal year 2017 compared to an operating loss of \$21,082,790 in fiscal year 2018. The operating loss is due primarily to increases in operating expenses. Salaries and benefits increased due to an increase in the number of FTEs and OPEB expense.
- 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 Anna Danchik, Comptroller, at 500 South Grand Central Parkway, Las Vegas, NV 89155.