FY 2019 Interim Quaterly Financial Report

For the Six Months Ended December 31, 2018

Clark County Department of Aviation

An Enterprise Fund of Clark County, Nevada

Interim Quarterly Financial Report

Clark County Department of Aviation

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For the Six Months Ended December 31, 2018

Prepared by the Department of Aviation

McCarran International Airport

Las Vegas, Nevada

CLARK COUNTY DEPARTMENT OF AVIATION
Clark County, Nevada

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CLARK COUNTY DEPARTMENT OF AVIATION
CLARK COUNTY, NEVADA
Interim Quarterly Financial Report
For the Six Months Ended December 31, 2018

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Introduction

The following is Management’s Discussion and Analysis (MD&A) of the financial performance and activity of the Clark County Department of Aviation (Department), a department of Clark County, Nevada (County), a political subdivision of the State of Nevada. The MD&A provides an introduction to and understanding of the financial statements of the Department for the first six months of fiscal year 2019 (FY 2019), which is the period of July 1, 2018 through December 31, 2018. Certain information is presented in comparison to the fiscal year ended June 30, 2018 (FY 2018), and certain information is presented in comparison to the first six months of FY 2018, which is the period of July 1, 2017 through December 31, 2017.

The Department, under the supervision of the Board of County Commissioners (Board) and the County Manager, is established to operate McCarran International Airport (Airport) and the four other general aviation facilities owned by the County (Airport System). The Airport System comprises the following: McCarran International Airport (Airport), the ninth-busiest airport in North America by passenger volume; North Las Vegas Airport, which services general aviation activity and is the second-busiest airport in the State of Nevada by aircraft operations; Henderson Executive Airport, a premier corporate aviation facility that features a state-of-the-art terminal and private hangar facilities designed to meet the needs of the business aviation community; Jean Sport Aviation Center and Overton-Perkins Field, which are primarily used for aviation-related recreational purposes.

The Department is a self-supporting entity that generates revenues from Airport System users to fund operating expenses and debt service requirements. Capital projects are funded by bond issuances, Passenger Facility Charges (PFCs), federal funds, and internally generated cash flows from operations. The Department is not subsidized by any tax revenues of the County.

Overview of Financial Statements

The MD&A, Financial Statements (including the Statements of Net Position, Statements of Revenues, Expenses, and Changes in Net Position, and Statements of Cash Flows) and Notes to the Financial Statements, presented for the six months ended December 31, 2018, are unaudited and will not contain certain information included in the Comprehensive Annual Financial Report (CAFR) issued by the Department. This Interim Quarterly Financial Report should be read in conjunction with the Department's CAFR for FY 2018.

Activity Highlights

Passenger enplanements for the first six months of FY 2019 totaled 12,596,131, compared to 12,361,670 for the first six months of FY 2018, which is an increase of 1.9%.

Aircraft landed weights for the first six months of FY 2019 totaled 13,822,539 thousand pounds, compared to 13,492,694 thousand pounds for the first six months of FY2018, which is an increase of 2.4%. The number of departures for domestic and international flights for the first six months of FY 2019 totaled 117,641 compared to 117,751 for the first six months of FY2018, which is a decrease of 0.1%.

Airline Rates and Charges

Effective July 1, 2010, the Department entered into an Airline-Airport Use and Lease Agreement (Agreement) with airlines serving the Las Vegas market; the Agreement has a five-year term with a two year extension option. The Agreement incorporates the lease and use of the terminal complex, apron areas, and airfields at the Airport System. On November 5, 2014, the Board approved an amendment to the Agreement (Amendment) which extended the terms of the Agreement through June 30, 2020. The Agreement establishes a residual rate-making methodology for the Airport System through both direct and indirect cost centers. The net cash flows from the Airport System’s gaming fees and the McCarran Rent-A-Car Center are set aside in a capital improvement account, the balance of which may be used to pay the costs of future capital projects or pay down outstanding Department debt.

Rates and charges are calculated annually at the beginning of each fiscal year, pursuant to budgeted revenues, expenses, and debt service requirements. The established rates and charges are reviewed and adjusted, if necessary, throughout each fiscal year to ensure that sufficient Department revenues are generated to satisfy all the requirements of the Master Indenture of Trust dated May 1, 2003, as amended, which governs the issuance of certain debt.

The following table provides the rates and fees in effect for the six months ended December 31, 2018 and 2017:

	Six months ended	
	Dec. 31, 2018	Dec. 31, 2017
Landing fee (per 1000 lbs.)	$ 1.70	$ 1.73
Terminal rental rate (per square foot)	167.10	161.93
Gate use fee-narrow body (per turn)	358.00	364.00
Gate use fee-wide body (per turn)	536.00	546.00
Gate use lease fee (per annum)	173,333.00	187,821.00
International facility use fee (per deplaned international passenger)	8.50	8.00
Common use ticketing fee (per enplaned passenger)	1.48	1.48

Certain airline landing fees, terminal building rentals, gate use fees, and passenger fees are used to calculate the airline rental and fee revenue, which is used to calculate cost per enplaned passenger. The following is the cost per enplaned passenger for the six months ended December 31, 2018 and 2017 (in thousands):

	Six months ended		Change	
	Dec. 31, 2018	Dec. 31, 2017		
Landing and other aircraft fees	$ 21,580	$ 22,010	$ (430)	(2.0)%
Terminal building rentals	80,033	77,604	2,429	3.1 %
Gate use fees	13,155	13,248	(93)	(0.7)%
Passenger fee - ticketing & customs and border patrol	10,230	9,604	626	6.5 %
Total	$ 124,998	$ 122,466	$ 2,532	2.1 %
Enplaned passengers	12,596	12,362	234	1.9 %
*Cost per enplaned passenger	$ 9.92	$ 9.91	$ 0.01	0.1 %

*This figure is not presented in thousands.

Financial Highlights

Net Position Summary

The following table is a summary of assets, liabilities, deferred inflows and outflows of resources, and net position as of December 31, 2018 and June 30, 2018:

	Dec. 31, 2018	June 30, 2018	Change	
Assets:				
Current assets	$ 1,184,508	$ 1,298,401	$ (113,893)	(8.8)%
Capital assets, net	4,365,196	4,428,782	(63,586)	(1.4)%
Other non-current assets	78,284	114,433	(36,149)	(31.6)%
Total assets	5,627,988	5,841,616	(213,628)	(3.7)%
Deferred outflows of resources:	70,488	86,625	(16,137)	(18.6)%
Total assets and deferred outflows of resources	$ 5,698,476	$ 5,928,241	$ (229,765)	(3.9)%
Liabilities:				
Current liabilities	288,293	344,803	(56,510)	(16.4)%
Noncurrent liabilities	3,986,022	4,161,181	(175,159)	(4.2)%
Total liabilities	4,274,315	4,505,984	(231,669)	(5.1)%
Deferred inflows of resources:	49,262	58,934	(9,672)	(16.4)%
Net position:				
Net investment in capital assets	771,898	668,209	103,689	15.5 %
Restricted	346,466	433,356	(86,890)	(20.1)%
Unrestricted	256,535	261,758	(5,223)	(2.0)%
Total net position	1,374,899	1,363,323	11,576	0.8 %
Total liabilities, deferred inflows of resources, and net position	$ 5,698,476	$ 5,928,241	$ (229,765)	(3.9)%

Discussion of Q1 FY 2019 Net Position:

Total net position for the Department as of December 31, 2018 was $1,374.9 million. This is an increase of $11.6 million from June 30, 2018. This can be primarily attributed to the following significant changes:

- Current assets
    - At December 31, 2018, current assets were $1,184.5 million, a decrease of $113.9 million from June 30, 2018. The majority of this decrease can be attributed to the change in cash and cash equivalents, which decreased $110.3 million, from $1,082.1 million in at June 30, 2018 to $971.8 million at December 31, 2018. Significant changes in cash and cash equivalents include principal payments on debt of $130.4 million, interest payments on

debt of $88.0 million, and the purchase of investments for $102.2 million, in addition to other smaller cash outflows. These cash outflows were offset by cash provided by operating activities of $285.5 million, $93.9 million in proceeds from the maturity of investments, $47.0 million in PFCs received, and interest and investment income of $16.0 million, in addition to smaller cash inflows. See the Statement of Cash Flows for further detail. Additionally, an increase of $8.5 million in other receivables was noted, primarily due to $8.4 million in federal subsidies owed to the Department, related to the Department's Build America Bonds.

– Capital assets
    ▪ Capital assets, net of accumulated depreciation, at December 31, 2018, decreased $63.6 million from June 30, 2018. See Capital Assets section of MD&A for detail.
– Other non-current assets and deferred outflows
    ▪ At December 31, 2018, other non-current assets were $78.3 million, a decrease of $36.1 million, from $114.4 million at June 30, 2018. This decrease primarily relates to decreases of $44.9 million in the valuation of derivative instruments, offset by an increase in restricted investments of $8.8 million. The decrease in the valuation of derivative instruments resulted primarily from the termination of swaps #15, #16, and #18, which totaled $38.8 million, in addition to a $6.1 million reduction in the fair value of the remaining swaps at December 31, 2018. Additionally, the termination of swaps #15, #16, and #18 created a net decrease in deferred outflows of $29.1 million, offset by increases of $8.8 million in the fair value of hedging derivative swaps. The majority of the remaining changes in deferred outflows are related to the amortization of deferred outflows related to the net pension liability and the other postemployment benefits liability.
– Current liabilities
    ▪ At December 31, 2018, current liabilities were $288.3 million, a decrease of $56.5 million, from $344.8 million at June 30, 2018. This decrease primarily relates to decreases in accounts payable of $63.3 million, offset by an increase in the current portion of long-term debt of $11.2 million. Total accounts payable decreased from $102.7 million at June 30, 2018 to $39.5 million at December 31, 2018 primarily due to the timing of vendor payments. The increase in the current portion of long-term debt is in accordance with the scheduled debt payments; see further detail in Note 8, Long Term Debt.
– Non-current liabilities
    ▪ At December 31, 2018, non-current liabilities were $3,986.0 million, a decrease of $175.2 million, from $4,161.2 million at June 30, 2018. This change is primarily due to a $150.9 million decrease in the non-current portion of long-term debt and a $39.4 million decrease in derivative instruments due to the termination of swaps #15, #16, and #18, offset by a $14.8

increase in the net pension liability. The non-current portion of long-term debt decreased $130.5 million, in accordance with the scheduled debt payments, and decreased an additional $11.2 million due to the reclassification of long-term debt to short-term debt. The net pension liability is actuarially determined as of June 30, each year, and increased at December 31, 2018 due to Department estimates.

Operating Revenue

The following table summarizes total operating revenue for the six months ended December 31, 2018 and 2017 (in thousands):

	Six Months Ended			
	Dec. 31, 2018	Dec. 31, 2017	Change	
Terminal building and use fees	$ 95,454	$ 92,495	$ 2,959	3.2 %
Landing fees and other aircraft fees	25,673	25,625	48	0.2 %
Gate use fees	14,613	15,049	(436)	(2.9)%
Terminal concession fees	37,829	38,712	(883)	(2.3)%
Rental car facility and concession fees				
Rental car facility fees	18,742	18,664	78	0.4 %
Rental car concession fees	19,383	19,811	(428)	(2.2)%
Parking and ground transportation fees				
Public and employee parking fees	20,745	19,898	847	4.3 %
Ground transportation fees	14,889	13,505	1,384	10.2 %
Gaming fees	18,120	17,894	226	1.3 %
Ground rents and use fees	12,362	13,384	(1,022)	(7.6)%
Other				
Other operating income	2,523	8,972	(6,449)	(71.9)%
General aviation fuel sales (net of cost)	2,136	2,138	(2)	(0.1)%
	$ 282,469	$ 286,147	$ (3,678)	(1.3)%

General Discussion of Operating Revenues

Refer to the FY 2018 CAFR for a general discussion regarding the sources that comprise the operating revenue categories, for both aviation and non aviation related revenues.

Discussion of Changes in Operating Revenues

Total operating revenues for the six months ended December 31, 2018 were $282.5 million. This is a decrease of $3.7 million from the six months ended December 31, 2017. This can be primarily attributed to the following significant changes:

- Terminal building and use fees
  - The increase of $3.0 million was mainly due to an increase in the terminal building rental rate from $161.93 per square foot to $167.10 per square foot.
- Ground transportation fees
  - The majority of the $1.4 million increase was due to an increase in fees derived from TNCs, which increased $2.5 million. This increase in revenue from TNCs was offset by a decrease in revenues from limousine and shuttle bus operations of $0.9 million, as well as a decrease in revenues from taxicab services of $0.2 million.
- Ground rents and use fees
  - Ground rents and use fees decreased $1.0 million. In FY 2018, the Department received $2.2 million due to a distribution of net revenues, related to the assignment of an existing lease agreement. This was not repeated in FY 2019, therefore, a decrease in ground rents and use fees is noted, and this decrease is partially offset by a one-time receipt in FY 2019 of $0.8 million in relation to rents owed to the Department after the completion of a tenant construction project.
- Other operating income
  - Other operating income decreased $6.4 million. The majority of this change can be attributed to decreases in the sales of surplus property, which decreased $6.7 million from the six months ended December 31, 2018 to the six months ended December 31, 2017. These decreases were partially offset by increases in operating contributions of $0.1 million, due to the Department's acquisition of automotive fleet inventory from the County.

Operating Expenses

The following table summarizes total operating expenses for the six months ended December 31, 2018 and 2017 (in thousands):

	Six Months Ended			
	Dec. 31, 2018	Dec. 31, 2017	Change	
Salaries and benefits	$ 70,930	$ 71,109	$ (179)	(0.3)%
Professional services	33,298	29,352	3,946	13.4 %
Utilities and communications	13,451	13,650	(199)	(1.5)%
Repairs and maintenance	11,383	10,185	1,198	11.8 %
Materials and supplies	9,075	7,754	1,321	17.0 %
General administrative				
Insurance	1,033	1,019	14	1.4 %
Administrative	1,810	4,548	(2,738)	(60.2)%
	$ 140,980	$ 137,617	$ 3,363	2.4 %

Discussion of Changes in Operating Expenses

For the six months ended December 31, 2018, the Department's total operating expenses were $141.0 million, an increase of $3.4 million from the six months ended December 31, 2017. This can be primarily attributed to the following significant changes:

– Professional services
  ▪ Professional services expenses increased $4.0 million. The majority of this increase is related to certain project expenses, as well as technical and software support services. Increased professional services were incurred related to certain projects for runway incursion mitigation and the analysis of roadways and traffic. Increases in technical and software support services largely resulted from various software upgrades.

Materials and supplies
  ▪ Materials and supplies expenses increased $1.3 million. The majority of this increase related to minor purchases of computer hardware and software, purchases of small equipment, and the conversion of certain lighting to more efficient LED lighting.

– Administrative
  ▪ Administrative expenses decreased $2.7 million, primarily due to commission expenses incurred in the prior year to sell land parcels (no such land parcels have been marketed for sale during the six months ended December 31, 2018).

Non-Operating Revenues/Expenses

Discussion of Non-Operating Revenues/Expenses

The following table is a summary of non-operating revenues and expenses for the six months ended December 31, 2018 and 2017:

	Six Months Ended		Change	
	Dec. 31, 2018	Dec. 31, 2017		
PFC revenue	$ 45,128	$ 44,433	$ 695	1.6 %
Jet A fuel tax revenue	5,979	` 5,954	25	0.4 %
Interest and investment income (loss)				
Unrestricted interest income	6,505	5,393	1,112	20.6 %
Restricted interest income	3,669	1,305	2,364	181.1 %
PFC interest income	1,947	920	1,027	111.6 %
Unrealized gain (loss) on investments - derivative instruments	(29,976)	(5,551)	(24,425)	440.0 %
Interest expense	(72,483)	(73,702)	1,219	(1.7)%
Gain (loss) on disposal of capital assets	246	643	(397)	(61.7)%
	$ (38,985)	$ (20,605)	$ (18,380)	89.2 %

For the six months ended December 31, 2018, non-operating revenues and expenses were $(39.0) million. This is a decrease of $18.4 million, from $(20.6) million for the six months ended December 31, 2017. This can be attributed to the following significant changes:

- PFC revenue
  - PFC revenue increased by $0.7 million. Given that there was no change in the rate charged, this increase is attributed to increased passenger traffic.
- Unrestricted interest income, restricted interest income, and PFC interest income
  - Unrestricted interest income increased $1.1 million, restricted interest income increased $2.4 million, and PFC interest income increased $1.0 million. These changes can be attributed mainly to an increased rate of return on investments.
- Unrealized gain (loss) on investments - derivate instruments
  - The Department's unrealized gain (loss) on investments - derivative instruments was a loss of $(24.4) million for the six months ended December 31, 2018, which is a decrease from $5.5) million in for the six months ended December 31, 2017. This decrease is due to fair value changes in investment derivative instruments, as well as the elimination of fair value for swaps #15, #16, and #18 occurred when these swaps were terminated in December 2018.

Capital Assets

As of December 31, 2018, capital assets, net of accumulated depreciation, were $4,365.2 million, a decrease of $63.6 million, from $4,428.8 at June 30, 2018. This decrease was primarily due to depreciation of $95.9 million, offset by capital expenditures of $32.5 million. Significant capital expenditures included continuing work on reconfiguration of the checked baggage and passenger screening systems in Terminal 1, remodeling of the restrooms in the D Gates, and refurbishing the passenger boarding bridges in Terminal 1. Refer to Note 7, Changes in Capital Assets for further detail.

Capital Contributions

The following table summarizes capital contributions for the six months ended December 31, 2018 and 2017 (in thousands):

	Six Months Ended			
	Dec. 31, 2018	Dec. 31, 2017	Change	
Capital contributions	$ 2,577	$ 5,169	$ (2,592)	(50.1)%

Discussion of Capital Contributions

Capital contributions during the six months ended December 31, 2018 were $2.6 million, a decrease of $2.6 million from the six months ended December 31, 2017.

During the six months ended December 31, 2018, the Department requested grant reimbursements of $2.1 million from the Federal Aviation Administration (FAA) for approved capital projects. These FAA grants represent the Department's portion of entitlement funds allocated to airports in the United States, based on an enplanement formula, in addition to discretionary grants obtained by the Department. The major FAA grant-funded projects and purchases during the six months ended December 31, 2018, that the Department requested reimbursement for, were the airport geometric study and the purchase of vehicle movement area transponders.

The Department completed the checked baggage system in Terminal 1 project in FY 2018; this project was completed using funding from the Transportation Security Administration (TSA). No reimbursements from the TSA were requested related to this project during the six months ended December 31, 2018, however, there are various reimbursable amounts outstanding related to this completed project, which will be reimbursed to the Department from the TSA in future quarters. The Department requested $0.4 million in reimbursements from the TSA related to the on-going security camera system upgrade project, during the six months ended December 31, 2018.

Interfund Transfers

The Department recognized $2.4 million in interfund transfers from the County Capital Projects Fund in relation to a joint public works project.

Outstanding Debt

The following table summarizes outstanding debt obligations at December 31, 2018 and June 30, 2018 (in thousands):

	Dec. 31, 2018	June 30, 2018	Change	
Senior lien bonds	$ 901,980	$ 914,380	$ (12,400)	(1.4)%
Subordinate lien bonds	1,705,640	1,783,915	(78,275)	(4.4)%
PFC bonds	755,245	795,025	(39,780)	(5.0)%
Junior subordinate lien and Jet A bonds	312,805	312,805	—	— %
General obligation bonds	76,020	76,020	—	— %
Total bonded debt principal outstanding	3,751,690	3,882,145	(130,455)	(3.4)%
Unamortized premiums	83,607	92,527	(8,920)	(9.6)%
Unamortized discounts	(15,997)	(16,631)	634	(3.8)%
Imputed debt from termination of hedges	6,866	7,846	(980)	(12.5)%
Current portion of long term debt	(141,605)	(130,455)	(11,150)	8.5 %
Total outstanding long-term debt obligations	$ 3,684,561	$ 3,835,432	$ (150,871)	(3.9)%

Total outstanding long-term debt as of December 31, 2018 was $3,684.5 million, a decrease of $150.9 million, from $3,835.4 million at June 30, 2018. This decrease was primarily related to scheduled principal payments along with related changes in discounts, premiums, and deferred charges on refundings and new bond issuances. A portion of the outstanding debt is at a naturally or synthetically fixed interest rate debt, due to interest rate swap agreements. Refer to Note 9, Derivative Instruments - Interest Rate Swaps for further detail regarding the Department’s swap portfolio. The Departments credit ratings remained unchanged from June 30, 2018 to December 31, 2018. Refer to Note 8, Long-Term Debt for further detail regarding long-term debt obligations.

Current Highlights

During the six months ended December 31, 2018, enplanements increased 1.9% over the six months ended December 31, 2017, partially due to additional services added. New services added during this period include additional flights to various destinations in Canada by SWOOP and WestJet. Frontier Airlines also added new services to Fort Meyers, Florida and Cancun, Mexico, and Contour Airlines started services to Santa Barbara, California and Page, Arizona. Further, the Department anticipates that new services to Everett, Washington and Anchorage, Alaska will begin in the third quarter of the fiscal year. Later in the fiscal year, the Department is planning to welcome Israeli airline EL AL, with service to and from Tel Aviv, Israel, as well as to KLM Royal Dutch Airlines, which would begin operating weekly, direct flights to and from Amsterdam, Netherlands.

CLARK COUNTY DEPARTMENT OF AVIATION
CLARK COUNTY, NEVADA
Statements of Net Position (Unaudited)
As of December 31, 2018 and June 30, 2018

Assets and Deferred Outflows of Resources	Dec. 31, 2018 (000)	June 30, 2018 (000)
Assets		
Current assets		
Cash and cash equivalents	$ 511,595	$ 531,998
Cash and cash equivalents, restricted	460,208	550,151
Investments, restricted	145,614	146,056
Accounts receivable, net of allowance for doubtful accounts of $748 and $473, respectively	37,144	42,520
Interest receivable	3,531	7,372
Grants receivable, restricted	2,252	6,882
Other receivables	11,185	2,944
Inventories	9,426	9,668
Prepaid expenses	3,553	810
Total current assets	1,184,508	1,298,401
Non-current assets		
Capital assets		
Property and equipment		
Land	595,736	595,736
Land improvements	1,748,783	1,748,988
Perpetual avigation easement	332,562	332,562
Buildings and improvements	3,660,914	3,634,284
Furniture and fixtures	45,908	45,908
Machinery and equipment	563,610	561,978
Construction in progress	46,814	43,301
	6,994,327	6,962,757
Accumulated depreciation	(2,629,131)	(2,533,975)
Capital assets, net	4,365,196	4,428,782
Other non-current assets		
Investments, restricted	55,617	46,867
Derivative instruments - interest rate swaps	21,283	66,131
Prepaid expenses	1,384	1,435
Total other non-current assets	78,284	114,433
Total non-current assets	4,443,480	4,543,215
Total assets	5,627,988	5,841,616
Deferred outflows of resources		
Pension	36,854	26,511
Other postemployement benefits	2,597	1,957
Hedging derivative instruments	2,341	26,925
Other deferred costs	28,696	31,232
Total deferred outflows of resources	70,488	86,625
Total assets and deferred outflows of resources	$ 5,698,476	$ 5,928,241

See accompanying notes to financial statements.

CLARK COUNTY DEPARTMENT OF AVIATION
CLARK COUNTY, NEVADA
Statements of Net Position (Unaudited)
As of December 31, 2018 and June 30, 2018

Liabilities, Deferred Inflows of Resources, and Net Position	Dec. 31, 2018 (000)	June 30, 2018 (000)
Liabilities		
Current liabilities		
Payable from unrestricted assets		
Accounts payable and other current liabilities	$ 19,856	$ 40,865
Other accrued expenses	17,236	21,201
Rents received in advance	3,919	5,572
Total payable from unrestricted assets	41,011	67,638
Payable from restricted assets:		
Accounts payable and other current liabilities	19,632	61,876
Accrued interest	86,045	84,834
Current portion of long-term debt	141,605	130,455
Total payable from restricted assets	247,282	277,165
Total current liabilities	288,293	344,803
Non-current liabilities:		
Payable from unrestricted assets:		
Net pension liability	185,192	170,398
Net other postemployment benefits liability	85,852	85,554
Derivative instruments - interest rate swaps	29,118	68,533
Deposits	1,299	1,223
Other non-current liabilities	—	41
Total payable from unrestricted assets	301,461	325,749
Payable from restricted assets:		
Long-term debt, net of current portion	3,684,561	3,835,432
Total payable from restricted assets	3,684,561	3,835,432
Total non-current liabilities	3,986,022	4,161,181
Total liabilities	4,274,315	4,505,984
Deferred inflows of resources:		
Pension	11,338	14,905
Other postemployment benefit	11,533	12,302
Hedging derivative instruments	18,942	23,400
Unamortized gain on bond refunding	7,449	8,327
Total deferred inflows of resources	49,262	58,934
Net position:		
Net investment in capital assets	771,898	668,209
Restricted for:		
Capital projects	87,451	84,356
Debt service	174,416	264,923
Other	84,599	84,077
Total restricted	346,466	433,356
Unrestricted	256,535	261,758
Total net position	1,374,899	1,363,323
Total liabilities, deferred inflows of resources, and net position	$ 5,698,476	$ 5,928,241

See accompanying notes to financial statements.

CLARK COUNTY DEPARTMENT OF AVIATION
CLARK COUNTY, NEVADA
Statements of Revenues, Expenses, and Changes in Net Position (Unaudited)
For the Three and Six Months Ended December 31, 2018 and 2017

	Three Months Ended		Six Months Ended	
	Dec. 31, 2018 (000)	Dec. 31, 2017 (000)	Dec. 31, 2018 (000)	Dec. 31, 2017 (000)
Operating revenues				
Terminal building and use fees	$ 47,610	$ 46,106	$ 95,454	$ 92,496
Landing fees and other aircraft fees	12,883	12,694	25,673	25,625
Gate use fees	7,364	7,493	14,613	15,049
Terminal concession fees	18,630	18,188	37,829	38,712
Rental car facility and concession fees	18,057	18,013	38,125	38,475
Parking and ground transportation fees	17,658	16,345	35,634	33,403
Gaming fees	8,939	8,823	18,120	17,894
Ground rents and use fees	6,598	5,593	12,362	13,384
Other operating income	2,783	2,151	4,659	11,111
Total operating revenues	140,522	135,406	282,469	286,149
Operating expenses				
Salaries and benefits	36,417	37,530	70,930	71,107
Professional services	16,790	15,538	33,298	29,351
Utilities and communication	5,358	5,377	13,451	13,650
Repairs and maintenance	5,615	5,503	11,383	10,185
Materials and supplies	4,874	4,726	9,075	7,753
General administrative	1,630	1,286	2,843	5,562
Total operating expenses	70,684	69,960	140,980	137,608
Operating income before depreciation	69,838	65,446	141,489	148,541
Depreciation and amortization	47,815	48,385	95,867	95,283
Operating income	22,023	17,061	45,622	53,258
Non-operating income (expense):				
Passenger Facility Charges	21,380	21,355	45,128	44,433
Jet A fuel taxes	2,964	2,737	5,979	5,950
Interest and investment income (loss)	(26,184)	(361)	(17,855)	2,176
Interest expense	(36,327)	(37,024)	(72,483)	(73,702)
Gain on disposal of capital assets	246	559	246	660
Total non-operating income (expense)	(37,921)	(12,734)	(38,985)	(20,483)
Income before capital contributions and transfers	(15,898)	4,327	6,637	32,775
Capital contributions	1,397	1,372	2,577	5,169
Interfund transfers	—	—	2,362	—
Change in net position	(14,501)	5,699	11,576	37,944
Net position, beginning of period	1,389,400	1,341,783	1,363,323	1,309,538
Net position, end of period	$ 1,374,899	$ 1,347,482	$ 1,374,899	$ 1,347,482

See accompanying notes to financial statements.

CLARK COUNTY DEPARTMENT OF AVIATION
CLARK COUNTY, NEVADA
Statements of Cash Flows (Unaudited)
For the Three and Six Months Ended December 31, 2018 and 2017

	Three Months Ended		Six Months Ended	
	Dec. 31, 2018 (000)	Dec. 31, 2017 (000)	Dec. 31, 2018 (000)	Dec. 31, 2017 (000)
Cash flows from operating activities:				
Cash received from operations	$ 144,934	$ 68,881	$ 285,497	$ 296,150
Cash paid to employees	(39,091)	(35,676)	(75,115)	(69,349)
Cash paid to outside vendors	(37,448)	(24,403)	(92,121)	(68,888)
Net cash provided by operating activities	68,395	8,802	118,261	157,913
Cash flows from capital and related financing activities:				
Passenger Facility Charges received	23,316	22,458	47,019	43,973
Jet A Fuel Taxes received	3,149	2,871	6,209	5,950
Acquisition and construction of capital assets	(18,402)	(9,744)	(35,231)	(23,724)
Federal grants and reimbursements	7,226	16,106	7,207	16,106
Interfund transfers	—	—	2,362	—
Collateralized agreements with swap counterparties	(39,460)	1,190	(41,160)	7,970
Swap termination payment	(4,417)	—	(4,417)	—
Bond proceeds	—	—	—	—
Deposit to refunding escrow	—	—	—	—
Proceeds from capital asset disposal	246	669	246	1,092
Debt service payments:				
Principal	—	—	(130,455)	(90,870)
Interest (net of capitalized costs)	(2,149)	(6,045)	(88,042)	(94,762)
Net cash provided (used) in capital and related financing activities	(30,491)	27,505	(236,262)	(134,265)
Cash flows from investing activities:				
Interest and investment income received	5,849	(1,012)	15,963	2,806
Proceeds from maturity of investments	81,566	21,537	93,936	137,394
Purchase of investments	(43,172)	—	(102,244)	(184,944)
Net cash provided (used) in investing activities	44,243	20,525	7,655	(44,744)
Increase (decrease) in cash and cash equivalents	82,147	56,832	(110,346)	(21,096)
Cash and cash equivalents, beginning of period	889,656	851,188	1,082,149	929,116
Cash and cash equivalents, end of period	$ 971,803	$ 908,020	$ 971,803	$ 908,020
Cash and Cash equivalent balances:				
Unrestricted cash and cash equivalents	$ 511,595	$ 489,199	$ 511,595	$ 489,199
Restricted cash and cash equivalents	460,208	418,821	460,208	418,821
Cash and cash equivalents, end of period	$ 971,803	$ 908,020	$ 971,803	$ 908,020

See accompanying notes to financial statements.

CLARK COUNTY DEPARTMENT OF AVIATION
CLARK COUNTY, NEVADA
Statements of Cash Flows (Unaudited)
For the Three and Six Months Ended December 31, 2018 and 2017

	Three Months Ended		Six Months Ended	
	Dec. 31, 2018 (000)	Dec. 31, 2017 (000)	Dec. 31, 2018 (000)	Dec. 31, 2017 (000)
Reconciliation of operating income to net cash provided by operating activities:				
Operating income	$ 22,023	$ 17,052	$ 46,622	$ 53,249
Depreciation and amortization	47,815	48,385	95,867	95,283
(Increase) decrease in accounts receivable - operations	9,164	(4,113)	3,469	8,708
Increase in other receivables-operations	—	(14)	—	(2)
(Increase) decrease in inventories	(19)	(139)	242	(57)
Increase in prepaid expenses	(2,372)	(762)	(2,743)	(853)
Increase in deferred outflows - pension contributions	(5,294)	(5,696)	(10,343)	(11,249)
(Increase) decrease in deferred outflows - OPEB contributions	(326)	—	(640)	—
Increase (decrease) in accounts payable - operations	(2,577)	10,558	(24,468)	(3,283)
Increase (decrease) in accrued payroll and benefits	(1,393)	942	(3,959)	(214)
Increase (decrease) in accrued expenses	(823)	(63,840)	5,021	2,732
Increase (decrease) in unearned revenue	(2,250)	(99)	(1,637)	383
Increase (decrease) in deposits	108	(84)	75	(7)
Increase (decrease) in net OPEB liability	(890)	—	297	—
Increase in net pension liability	7,397	7,302	14,794	14,604
Decrease in deferred inflows - OPEB	(384)	—	(769)	—
Increase (decrease) in deferred inflows - pension	(1,784)	(690)	(3,567)	(1,381)
Net cash provided by operating activities	$ 68,395	$ 8,802	$ 118,261	$ 157,913
Non-cash capital and related financing and investing activities				
Loss on investment income	$ (27,031)	$ (4,117)	$ (29,977)	$ (5,551)

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See accompanying notes to financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING AND REPORTING POLICIES

a) Reporting Entity

The Clark County Department of Aviation (Department) is a department of Clark County, Nevada (County), a political subdivision of the State of Nevada (State). The Department, under the supervision of a seven-member Board of County Commissioners (Board) and a County Manager, is established to operate McCarran International Airport (Airport) and the four other general aviation facilities owned by the County: North Las Vegas Airport, Henderson Executive Airport, Jean Sport Aviation Center, and Overton-Perkins Field (collectively referred to as the Airport System). The Board is the governing body of the County. The seven members are elected from County commission election districts to four-year staggered terms. The Board appoints the Director of Aviation, who is charged with the day-to-day operation of the Department.

Only the accounts of the Department are included in the reporting entity. The Airport System is owned and operated as an enterprise fund of the County and is included as part of the County's government-wide financial statements and Comprehensive Annual Financial Report (CAFR).

(b) Basis of Accounting

The accounting principles used are similar to those applicable to a private business enterprise, where the costs of providing services to the public are recovered through user fees. The Department is not subsidized by any tax revenues of the County. Unless otherwise noted, all accounting and reporting policies remain unchanged as presented in the June 30, 2018 CAFR.

(c) Use of Estimates

The preparation of financial statements in accordance with U.S. Generally Accepted Accounting Principles requires the Department to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates and assumptions.

2. CASH, CASH EQUIVALENTS, AND INVESTMENTS

According to State statutes, County monies must be deposited with federally insured banks, credit unions, or savings and loan associations within the County. The County is authorized to use demand accounts, time accounts, and certificates of deposit. State statutes do not specifically require collateral for demand deposits but do specify that collateral for time deposits may be of the same type as those described for permissible investments. Permissible investments are similar to the allowable County investments described below, except that State statutes permit a longer term and include securities issued by municipalities within Nevada.

The County's deposits are fully covered by federal depository insurance or collateral held by the County's agent in the County's name. The County has written custodial agreements in force with the various financial institutions' trust banks for demand deposits and certificates of deposits. These custodial agreements pledge securities totaling 102% of the deposits with each financial institution. The County has a written agreement with the State Treasurer for monitoring the collateral maintained by the County's depository institutions.

The majority of all cash and investments of the Airport System are included in the investment pool of the Clark County Treasurer (Treasurer) and the Department's Trustee, the Bank of New York Mellon (Trustee). The following shows how these amounts are distributed as of December 31, and June 30, 2018 (in thousands):

	Dec. 31, 2018	June 30, 2018
Clark County Investment Pool	$ 773,424	$ 770,222
Cash and Investments with Trustee	379,021	436,479
Custodian Account	18,380	59,540
Cash on Hand or in Transit	2,209	8,831
Total	$ 1,173,034	$ 1,275,072

(a) Clark County Investment Pool

The Treasurer invests monies held in individual funds and invests monies through a pooling of funds. The pooled funds, referred to as the Clark County Investment Pool, are invested as a whole and not as a combination of monies from each fund belonging to the pool. In this manner, the Treasurer is able to invest the monies at a higher interest rate for a longer period of time. Interest is apportioned to each participating department or agency on a monthly basis and is based on the average daily cash balance of the fund for the month in which the investments mature.

NRS does not specifically require collateral for demand and time deposits; however, it does specify that collateral for time deposits may be of the same type as that described for permissible state investments. Permissible state investments are similar to allowable County investments (described below), except that some state investments are longer term and include securities issued by municipalities outside the State of Nevada.

Due to the nature of the investment pool, it is not possible to separately identify any specific investment as being that of the Department. Instead, the Department owns a proportionate share of each investment, based on the Department’s participation percentage in the investment pool. Once a year, the County records the investments in the Treasurer Investment Pool at market and then apportions the corresponding adjustment to the various participants for the year. The Department's share of the investments held in the investment pool at December 31, 2018 was $769.2 million. The respective allocation percentages of the investments held in the investment pool as of December 31, 2018 are as follows:

		Percentage Share of Investment Maturities (in years)			
Investment Type	Fair Value	Less than 1	1 to 3	3 to 5	5 to 10
U.S. Treasury Obligations	26.8%	8.3%	65.9%	25.8%	—%
U.S. Agency Obligations	29.1%	14.8%	39.7%	45.5%	—%
Corporate Obligations	16.8%	32.1%	34.2%	33.7%	—%
Money Market Funds	0.3%	100.0%	—%	—%	—%
Negotiable Certificates of Deposits	10.9%	100.0%	—%	—%	—%
Commercial Paper	10.9%	100.0%	—%	—%	—%
Collateralized Mortgage Obligations	0.3%	1.4%	2.3%	76.3%	20.0%
Asset Backed Securities	3.0%	—%	16.9%	70.8%	12.3%
NV Local Government Investment Pool	—%	—%	—%	—%	—%
Repurchase Agreements	1.9%	100.0%	—%	—%	—%
	100.0%	35.9%	35.5%	28.2%	0.4%

The Department's share of the investments held in the investment pool at June 30, 2018 was $770.2 million. The respective allocation percentages of the investments held in the investment pool at June 30, 2018 are as follows:

		Percentage Share of Investment Maturities (in years)			
Investment Type	Fair Value	Less than 1	1 to 3	3 to 5	5 to 10
U.S. Treasury Obligations	31.0%	18.4%	59.3%	22.3%	—%
U.S. Agency Obligations	26.6%	20.6%	43.1%	36.3%	—%
Corporate Obligations	15.7%	40.6%	32.0%	27.4%	—%
Money Market Funds	1.3%	100.0%	—%	—%	—%
Commercial Paper	16.0%	100.0%	—%	—%	—%
Negotiable Certificates of Deposits	5.4%	100.0%	—%	—%	—%
Collateralized Mortgage Obligations	0.2%	4.7%	27.2%	15.6%	52.5%
Asset Backed Securities	3.1%	—%	18.6%	68.2%	13.2%
NV Local Government Investment Pool	0.7%	100.0%	—%	—%	—%
	100.0%	41.0%	35.5%	23.0%	0.5%

(b) Interest Rate Risk

Interest rate risk is defined as the risk that changes in interest rates will adversely affect the fair value of an investment. Through its investment policy, the County manages its exposure to fair value losses arising from increasing interest rates by limiting the average weighted duration of its investment pool to fewer than 2.5 years. Duration is a measure of the present value of a fixed income instrument’s cash flow and is used to estimate the sensitivity of a security’s price to interest rate changes.

(c) Interest Rate Sensitivity

At December 31, 2018, the County invested in the following types of securities that have a higher sensitivity to interest rates:

Callable securities are directly affected by the movement of interest rates. Callable securities allow the issuer to redeem, or call, a security before maturity, either on a given date or, generally, on coupon dates.

Asset Backed Securities are financial securities backed by a loan, lease, or receivable against assets other than real estate and mortgage backed securities. These securities are subject to interest rate risk in that the value of the assets fluctuates inversely with changes in the general levels of interest rates.

A Corporate Note Floater is a note with a variable interest rate that is usually, but not always, tied to an index.

Step-up or *step-down securities* have fixed rate coupons for a specific time interval that will step up or step down a predetermined number of basis points at scheduled coupon dates or other reset dates. These securities are callable either one time or on their coupon dates.

(d) Credit Risk

Credit risk is defined as the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The County's investment policy applies the prudent-person rule: "In investing the County's monies, there shall be exercised the judgment and care under the circumstances then prevailing which persons of prudence, discretion, and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived." The County's investments were rated by Moody's Investors Service (Moody's) and Standard & Poor's (S&P) as follows:

	Moody's	S&P
U.S. Treasury Notes	Aaa	AA+
U.S. Agency Callables	Aaa	AA+
U.S. Agency Non Callables	Aaa	AA+
U.S. Agency Discounts	P-1	A-1+
Corporate Notes	A3	A-
Money Market Funds	Aaa	AAA
Commercial Paper Discount	P-1	A-1
Certificates of Deposit	P-1	A-1
Collateralized Mortgage Obligations	Aaa	AA+
Asset Backed Securities	Aaa	AAA
Agency Mortgage Backed Security Pass-Throughs	Aaa	AA+

(e) Concentration of Credit Risk

Concentration of credit risk is defined as the risk of loss attributed to the magnitude of a government's investment in a single issuer. The County's investment policy limits the amount that may be invested in the obligations of any one issuer, except direct obligations of the U.S. government or federal agencies, to no more than 5% of the value of the County Investment Pool.

As of December 31, 2018, the following investments exceeded 5% of the total cash, investments and loaned securities collateral for all entities combined:

Federal Home Loan Banks	7.52%
Federal Home Loan Mortgage Corporation	13.35%
Federal National Mortgage Association	7.79%

As of June 30, 2018, the following investments exceeded five percent of the total cash, investments and loaned securities collateral for all entities combined:

Federal Home Loan Mortgage Corporation	10.93%
Federal National Mortgage Association	11.57%

(f) Custodial Credit Risk

Custodial credit risk is the risk that, in the event of the failure of the counterparty to a transaction, the County will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

(g) Trustee Cash

In accordance with the Master Indenture of Trust dated May 3, 2003, as amended, between the County and the Trustee, the Department uses the Trustee to retain all debt service reserve funds and to make all annual debt service payments to bondholders. As of December 31, 2018, and June 30, 2018, the Trustee held $379.0 million and $436.5 million, respectively, of the Department's cash and investments restricted for debt service reserves and annual debt service payments.

As of December 31, 2018, of the $379.0 million held by the Trustee, $177.8 million was held as cash or cash equivalents invested in United States Government money market funds, and $201.2 million was invested in short-term and long-term investments with the following entities (in thousands):

Investment Type	Fair Value	Investment Maturities (in Years) Less Than 1	1 to 3	3 to 5
US Treasury Notes	$ 115,707	$ 102,623	$ 13,084	$ —
Federal Agricultural Mortgage Corp Non-Callables	1,973	—	1,973	—
Federal Farm Credit Bank Non-Callables	24,290	4,060	18,226	2,004
Federal Home Loan Bank Callables	7,509	—	7,509	—
Federal Home Loan Bank Discounts	26,585	26,585	—	—
Federal Home Loan Bank Non-Callables	18,258	9,372	4,937	3,949
Federal Home Loan Mortgage Corporation Non-Callables	3,935	—	1,970	1,965
Federal National Mortgage Association Non-Callables	2,974	2,974	—	—
	$ 201,231	$ 145,614	$ 47,699	$ 7,918

Investment Ratings	Moody's	S&P
US Treasury Notes	Aaa	AA+
Federal Agricultural Mortgage Corp Non-Callables*	N/A	N/A
Federal Farm Credit Bank Non-Callables	Aaa	AA+
Federal Home Loan Bank Callables	Aaa	AA+
Federal Home Loan Bank Discounts	P-1	A-1+
Federal Home Loan Bank Non-Callables	Aaa	AA+
Federal Home Loan Mortgage Corporation Non-Callables	Aaa	AA+
Federal National Mortgage Association Non-Callables	Aaa	AA+

*Investment not rated by Moody's and S&P

As of June 30, 2018, of the $436.5 million held by the Trustee, $243.6 million in cash and cash equivalents was invested in United States Government money market funds, and $192.9 million was invested in short- and long-term investments with the following entities (in thousands):

Investment Type	Fair Value	Investment Maturities (in Years) Less Than 1	1 to 3	3 to 5
US Treasury Bills	$ 15,847	$ 15,847	$ —	$ —
US Treasury Notes	106,836	104,906	$ 1,930	
Federal Agricultural Mortgage Corp Non-Callables	1,958	—	1,958	—
Federal Farm Credit Bank Non-Callables	21,780	1,996	19,784	—
Federal Home Loan Bank Callables	7,469	—	5,915	1,554
Federal Home Loan Bank Discounts	1,998	1,998	—	
Federal Home Loan Mortgage Corporation Non-Callables	17,253	12,341	4,912	—
Federal Home Loan Mortgage Corporation Non-Callables	12,860	8,968	1,958	1,934
Federal Home Loan Mortgage Corporation Step Ups	3,966	—		3,966
Federal National Mortgage Association Callables	2,956	—	2,956	—
	$ 192,923	$ 147,354	$ 42,861	$ 5,980

Investment Ratings	Moody's	S&P
US Treasury Notes	Aaa	AA+
Federal Farm Credit Bank Non-Callables	Aaa	AA+
Federal Home Loan Bank Discounts	P-1	A-1+
Federal Home Loan Bank Non-Callables	Aaa	AA+
Federal Home Loan Mortgage Corporation Callables	Aaa	AA+
Federal Home Loan Mortgage Corporation Non-Callables	Aaa	AA+
Federal Home Loan Mortgage Corporation Step Ups	Aaa	AA+
Federal National Mortgage Association Callables	Aaa	AA+
Federal National Mortgage Association Non-Callables	Aaa	AA+

Custodian Account

Under the master agreements between the Department and the counterparties to each swap, when a counterparty's credit rating falls to an established threshold as defined in each master agreement, the counterparty is required to post collateral equal to the mark-to-market value of the swap.

As of December 31, 2018, the counterparty to Swap #12A was required to post collateral. The County executed the Collateral Account Control Agreement (CACA) for Swap #12A on February 6, 2017. The Bank of New York Mellon agreed to be the custodian for the collateral. Under the CACAs, the custodian monitors the collateral posted by the counterparty on behalf of the County. As of December 31, 2018, the counterparty posted cash as collateral with the custodian for Swap #12A at a value of $18.5 million.

(h) Fair Value of Combined Investments and Derivative Instruments

The fair value of the Department's investments and derivative instruments as of December 31, 2018 and June 30, 2018 are as follows (in thousands):

As of December 31, 2018		Fair Value Measurement		
Investment Type	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Debt Securities with Clark County Investment Pool				
U.S. Treasuries	$ 207,942	$ 207,942	$ —	$ —
U.S. Agencies	224,907	12,025	212,882	—
Corporate Obligations	129,655	—	129,655	—
Money Market Funds	2,477	2,477	—	—
Commercial Paper	84,191	—	84,191	—
Negotiable CD	83,987	—	83,987	—
Collateralized Mortgage Obligations	1,967	—	1,967	—
Asset Backed Securities	23,577	—	23,577	—
Repurchase Agreements	14,721	—	14,721	—
Subtotal	773,424	222,444	550,980	—
Debt Securities held by Trustee				
U.S. Treasury Notes	115,707	115,707	—	—
Federal Agricultural Mortgage Corp Non-Callables	1,973	—	1,973	—
Federal Farm Credit Bank Non-Callables	24,290	—	24,290	—
Federal Home Loan Bank Callables	7,509	—	7,509	—
Federal Home Loan Bank Discounts	26,585	26,585	—	—
Federal Home Loan Bank Non-Callables	14,309	—	14,309	—
Federal Home Loan Mortgage Corporation Non-Callables	3,935	—	3,935	—
Federal Home Loan Mortgage Corporation Step Ups	3,949	—	3,949	—
Federal National Mortgage Association Non-Callables	2,974	—	2,974	—
Money Market Fund	176,411	176,411	—	—
Subtotal	377,642	318,703	58,939	—
Debt Securities Derivative Instruments				
Derivative Instruments - Assets	21,283	—	21,283	—
Derivative Instruments - Liability	(29,118)	—	(29,118)	—
Subtotal	(7,835)	—	(7,835)	—
Total	$ 1,143,231	$ 541,147	$ 602,084	$ —
Debt Securities with Clark County Investment Pool	$ 773,424			
NV Local Government Invest Pool Cash	—			
Total Clark County Investment Pool	$ 773,424			

Note: Includes money market and cash equivalent investments.

As of June 30, 2018

Investment Type	Fair Value	Fair Value Measurements: Quoted Prices in Active Markets for Identical Assets	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Debt Securities with Clark County Investment Pool				
U.S. Treasuries	$ 238,878	$ 238,878	$ —	$ —
U.S. Agencies	204,252	15,068	189,184	—
Corporate Obligations	120,966	—	120,966	—
Money Market Funds	10,331	10,331	—	—
Commercial Paper	122,837	—	122,837	—
Negotiable CD	41,815	—	41,815	—
Collateralized Mortgage Obligations	1,697	—	1,697	—
Asset Backed Securities	23,984	—	23,984	—
Subtotal	764,760	264,277	500,483	—
Debt Securities held by Trustee				
U.S. Treasury Bills	27,814	27,814	—	—
U.S. Treasury Notes	106,836	106,836	—	—
Federal Agricultural Mortgage Corp Non-Callables	1,958	—	1,958	—
Federal Farm Credit Bank Non-Callables	21,780	—	21,780	—
Federal Home Loan Bank Callables	7,469	—	7,469	—
Federal Home Loan Bank Discounts	1,998	1,998	—	—
Federal Home Loan Bank Non-Callables	17,253	—	17,253	—
Federal Home Loan Mortgage Corporation Non-Callables	12,860	—	12,860	—
Federal Home Loan Mortgage Corporation Step Ups	3,966	—	3,966	—
Federal National Mortgage Association Callables	2,956	—	2,956	—
Federal National Mortgage Association Non-Callables	—	—	—	—
Money Market Funds	230,764	230,764	—	—
Subtotal	435,654	367,412	68,242	—
Debt Securities Derivative Instruments				
Derivative Instruments - Assets	66,131	—	66,131	—
Derivative Instruments - Liability	(68,533)	—	(68,533)	—
Subtotal	(2,402)	—	(2,402)	—
Total	$ 1,198,012	$ 631,689	$ 566,323	$ —
Debt Securities with Clark County Investment Pool	$ 764,760			
NV Local Government Invest Pool Cash	5,462			
Total Clark County Investment Pool	$ 770,222			

Securities classified at Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities or offer same-day liquidity at a price of par. Securities classified at Level 2 of the fair value hierarchy are generally valued using a matrix pricing technique. Matrix pricing is the process of estimating the market price of a bond based on the quoted prices of more frequently traded comparable bonds. Certain state and local government series instruments are classified at Level 3 since these securities are purchased from the U.S. Department of Treasury through a subscription process and are not traded on the open market but can be redeemed through the Bureau of Fiscal Service by a redemption request.

The interest rate swaps are valued at fair value. The fair values of the interest rate swaps were estimated using an independent pricing service. The valuations provided were derived from proprietary models based upon well-recognized principles and estimates about relevant future market conditions. The instruments' expected cash flows are calculated using the zero-coupon discount method, which takes into consideration the prevailing benchmark interest rate environment as well as the specific terms and conditions of a given transaction and which assumes that the current forward rates implied by the benchmark yield curve are the market's best estimate of future spot interest rates. The income approach is then used to obtain the fair value of the instruments by discounting future expected cash flows to a single valuation using a rate of return that takes into account the relative risk of nonperformance associated with the cash flows and the time value of money. This valuation technique is applied consistently across all instruments. Given the observability of inputs that are significant to the entire sets of measurements, the fair values of the instruments are based on inputs categorized as Level 2.

3. GRANTS RECEIVABLE

Grants receivable as of December 31, 2018, and June 30, 2018, consists of TSA Other Transaction Agreements (OTAs) in the amounts of $1.8 million and $6.4 million, respectively, and FAA grants in the amounts of $0.4 million and $0.5 million, respectively.

4. RESTRICTED ASSETS

The Master Indenture of Trust requires segregation of certain assets into restricted accounts. The Department has also included as restricted assets those assets funded by Passenger Facility Charges (PFCs) and jet aviation fuel tax revenue because these revenues have been pledged for capital projects and debt service. Restricted assets consists of the following at December 31, 2018 and June 30, 2018 (in thousands):

	Dec. 31, 2018	June 30, 2018
Restricted for capital projects:		
Cash and investments - PFC and other bond proceeds	$ 69,784	$ 69,937
Cash and investments - PFC - other	77,592	68,647
Accounts receivable - PFC	9,816	11,483
Grants reimbursements receivable	1,718	385
Interest receivable	3,233	3,840
Subtotal restricted for capital projects	162,143	154,292
Restricted for debt service:		
Bond Funds:		
Cash and investments - PFC bonds	39,301	58,871
Cash and investments - other bonds	180,807	215,553
Other receivable	8,474	—
Interest receivable	—	2
Subtotal for debt service	228,582	274,426
Debt service reserves:		
Cash and investments - PFC bonds	62,611	61,973
Cash and investments - other bonds	101,974	98,807
Subtotal for debt service reserves	164,585	160,780
Subordinate and other debt coverage reserves:		
Cash and investments	39,072	38,593
Interest receivable	39	120
Other receivable - Jet A fuel tax	1,820	2,050
Subtotal subordinate and other debt coverage reserves	40,931	40,763
Subtotal restricted for debt service	434,098	475,969
Other restricted assets:		
Cash and investments - working capital and contingency	20,026	19,762
Custodian account	18,380	59,540
Cash and investments - capital fund	51,892	51,296
Land - heliport facility	3,718	3,718
Land - Henderson runway BLM	9,300	9,300
Subtotal other restricted assets	103,316	143,616
Total restricted assets	$ 699,557	$ 773,877
Restricted assets by class:		
Total current assets	$ 630,922	$ 712,018
Total capital assets	13,018	13,018
Total non-current assets	55,617	48,841
Total restricted assets by class	$ 699,557	$ 773,877

5. RETIREMENT SYSTEM

Plan Description

Public Employees Retirement System of Nevada (PERS or System) administers a cost-sharing, multiple-employer, defined benefit public employees' retirement system which includes both regular and Police/ Fire members. The Department contributes, through the County, to the System. The System was established by the Nevada Legislature in 1947, effective July 1, 1948. The System is administered to provide a reasonable base income to qualified employees who have been employed by a public employer and whose earnings capacities have been removed or substantially impaired by age or disability.

As of December 31, 2018, the Department estimated a net pension liability of $185.2 million; as of June 30, 2018 the Department had a net pension liability of $170.4 million, which represents the Department's percentage, 15.3%, of the County's net pension liability at June 30, 2018. This percentage was determined based on the contributions to PERS by the Department during fiscal year 2018, relative to the total contributions to PERS by the County during fiscal year 2018.

State of Nevada Public Employees' Retirement System

The System's fiduciary net position is reported in the PERS financial statements, and the net pension liability is disclosed in the PERS notes to the financial statements. An annual report containing financial statements and required information for the System may be obtained at www.nvpers.org, by writing to PERS, 693 W. Nye Lane, Carson City, Nevada 89703-1599, or by calling (775) 687-4200.

Refer to the Department's CAFR as of and for the year ended June 30, 2018, for comprehensive information and related disclosures pertaining to the Department's pension plan as of June 30, 2018. There are no updates to the disclosed information as of the issuance of these financial statements.

Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions

For the six months ended December 31, 2018, the Department reported pension expense of $13.5 million. For the year ended June 30, 2018, the Department recognized pension expense of $27.0 million.

At December 31, 2018 and June 30, 2018, the Department reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (in thousands):

	Deferred Outflows of Resources		Deferred Inflows of Resources	
	Dec. 31, 2018	June 30, 2018	Dec. 31, 2018	June 30, 2018
Differences between expected and actual experience	$ —	$ —	$ 9,673	$ 11,181
Changes in assumptions	10,421	11,305	—	—
Net difference between projected and actual earnings on investments	5	1,106	(1,747)	—
Changes in proportion and differences between actual contributions and proportionate share of contributions	1,767	2,053	3,412	3,724
Contributions to PERS after measurement date	24,661	12,047	—	—
	$ 36,854	$ 26,511	$ 11,338	$ 14,905

Deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date of June 30, 2017, reported as $12.0 million at June 30, 2018, will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2019. Amounts reported as deferred outflows of resources from the Department's contributions during the fiscal year ending June 30, 2019 will be recognized as reduction of the net pension liability in the year ended June 30, 2020.

Other estimated amounts reported as deferred outflows of resources and deferred inflows of resources related to the year ended June 30, 2018, will be recognized in pension expense as follows (in thousands):

Fiscal Year	Pension Expense/(Revenue)
2019	$ (3,320)
2020	3,992
2021	757
2022	(3,008)
2013	1,030
Thereafter	408

6. OTHER POST EMPLOYEMENT BENEFITS(OPEB)

Plan Descriptions

OPEB Plans Administered as Trusts

CCSF

The Clark County Self-Funded (CCSF) OPEB Trust provides OPEB to all permanent full-time employees of Clark County (primary government only and including the Department) enrolled in the Clark County Self-Funded Group Medical and Dental Benefit Plans. The CCSF OPEB Trust is a single-employer, defined benefit OPEB plan administered by Clark County, Nevada. CCSF OPEB Trust issues a publicly available financial report. The report may be obtained at http://www.clarkcountynv.gov/finance/comptroller/Pages/ClarkCounty,NevadaOPEBTrustFund.aspx.

OPEB Plans Not Administered as Trusts

CC RHPP

Clark County Retiree Health Program Plan (CC RHPP) provides OPEB to all permanent full-time employees of Clark County (primary government only) enrolled in the health maintenance organization (HMO) Plan. The plan also provides life insurance to eligible retirees of Clark County (primary government only). The CC RHPP is a non-trust, single-employer defined benefit OPEB Plan, administered by Clark County, which does not issue stand-alone financial statements.

PEBP

Public Employees' Benefits Plan (PEBP) is a non-trust, agent multiple-employer defined benefit OPEB plan administered by the State of Nevada. Clark County subsidizes eligible retirees' contributions to PEBP. NRS 287.041 assigns the authority to establish and amend benefit provisions to the PEBP nine-member board of trustees. The plan is now closed to future retirees, however, County employees who previously met the eligibility requirement for retirement within the Nevada Public Employee Retirement System had the option upon retirement to enroll in coverage under the PEBP with a subsidy provided by the County as determined by the number of years of service. The Department is required to pay the PEBP an explicit subsidy, based on years of service, for retirees who have enrolled in this plan. The subsidy is set by the State Legislature. The PEBP issues a publicly available financial report. The report may be obtained at https://pebp.state.nv.us/resources/fiscal-utilization-reports/.

Refer to the Department's CAFR as of and for the year ended June 30, 2018, for comprehensive information and related disclosures pertaining to the Department's OPEB plans as of June 30, 2018 and 2017. There have been no changes to this information as of the issuance of these financial statements.

Net OPEB Liability and Changes in the Net OPEB Liability

The Department's estimated total net OPEB liability as of December 31, 2018 was $85.9 million. The Department’s total net OPEB liability as of June 30, 2018 was $85.6 million and was measured by an actuarial valuation dated June 30, 2017. The Department’s portion of the CCSF and RHPP OPEB liabilities as of June 30, 2018 is calculated based on the Department’s census data for the plan valuation year. The Department’s portion of the PEBP OPEB liability as of June 30, 2018 is allocated to the Department, based on the proportion of the Department’s PEBP subsidy payments, during the PEBP actuarial valuation year, in proportion to all PEBP payments made by the County, during the PEBP actuarial valuation year. The Department’s CCSF fiduciary net position consists of contributions made by the Department to the CCSF Trust, including adjustments such as investment earnings.

The following table presents the changes in the Department’s net OPEB liability during the fiscal year ended June 30, 2018 (in thousands):

	CCSF	CC RHPP	PEBP	Total
Net OPEB liability at June 30, 2017	$ 72,515	$ 13,535	$ 4,159	$ 90,209
Changes recognized for the fiscal year:				
Service cost	7,199	979	—	8,178
Interest	2,745	413	118	3,276
Differences between expected and actual experience	510	356	13	879
Changes in assumptions	(11,662)	(993)	(384)	(13,039)
Benefit payments	(1,323)	(615)	(153)	(2,091)
Net change in total OPEB liability	(2,531)	140	(406)	(2,797)
Net change in plan's fiduciary net position	(1,858)	N/A	N/A	(1,858)
Net OPEB liability at June 30, 2018	$ 68,126	$ 13,675	$ 3,753	$ 85,554

The Department's fiduciary net position for CCSF at June 30, 2018, was $17.2 million. The following table presents the changes in the Department's fiduciary net position during June 30, 2018 (in thousands):

	CCSF
Beginning CCSF fiduciary net position	$ 15,312
Changes in CCSF fiduciary net position recognized for the fiscal year:	
Employer contributions	1,323
Employee contributions	—
Net investment income	1,859
Benefit payments	(1,323)
Administrative expense	(1)
Net change in CCSF fiduciary net position	1,858
Ending CCSF fiduciary net position	$ 17,170

During the six months ended December 31, 2018 the Department contributed $4.2 million to the CCSF OPEB trust. This amount will be reported as an increase in the Department's CCSF net fiduciary position at June 30, 2019 and is being net against the OPEB liability at December 31, 2018.

OPEB Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources

OPEB Expense for the fiscal year ended June 30, 2018 is as follows (in thousands):

	CCSF	CC RHPP	PEBP	Total
OPEB Expense	$ 7,906	$ 1,321	$ (254)	$ 8,973

At December 31, 2018 and June 30, 2018, the Department reported deferred outflows of resources and deferred inflows of resources related to OPEB, from the following sources for each plan (in thousands):

	Deferred Outflows of Resources		Deferred Inflows of Resources	
	Dec. 31, 2018	June 30, 2018	Dec. 31, 2018	June 30, 2018
Combined amounts, all plans				
Differences between expected and actual experience	720	764	—	—
Changes in assumptions or other inputs	—	—	10,514	11,170
Net excess of actual over projected earnings on OPEB plan investments	—	—	1,019	1,132
Contributions made after the June 30, 2017 measurement date	1,877	1,193	—	—
Total, all plans	$ 2,597	$ 1,957	$ 11,533	$ 12,302

Deferred outflows of resources related to OPEB resulting from the Department's contributions subsequent to the measurement date of June 30, 2017, reported as $1.2 million at June 30, 2018, will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2019. Amounts reported as deferred outflows of resources from the Department's contributions during the fiscal year ending June 30, 2019 will be recognized as reduction of the OPEB liability in the year ended June 30, 2020.

Other amounts reported as deferred outflows of resources and deferred inflows of resources, related to OPEB, will be recognized in OPEB expense as follows (in thousands):

For the fiscal year ended June 30,	CCSF	CC RHPP	PEBP	Total
2019	$ (1,595)	$ (73)	$ —	$ (1,668)
2020	(1,595)	(73)	—	(1,668)
2021	(1,595)	(73)	—	(1,668)
2022	(1,595)	(73)	—	(1,668)
2023	(1,312)	(73)	—	(1,385)
Thereafter	(3,280)	(201)	—	(3,481)

7. CHANGES IN CAPITAL ASSETS

Capital asset activity at December 31, 2018 was as follows (in thousands):

	Balance June 30, 2018	Additions and Reclasses	Deletions and Reclasses	Balance Dec. 31, 2018
Capital assets not being depreciated:				
Land	$ 595,736	$ —	$ —	$ 595,736
Avigation easement	332,562	—	—	332,562
Construction in progress	43,302	30,850	(27,338)	46,814
Total capital assets not being depreciated	971,600	30,850	(27,338)	975,112
Capital assets being depreciated:				
Land improvements	1,748,988	36	(242)	1,748,782
Buildings and improvements	3,634,284	26,630	—	3,660,914
Machinery and equipment	561,978	2,345	(712)	563,611
Furniture and fixtures	45,908	—	—	45,908
Total capital assets being depreciated:	5,991,158	29,011	(954)	6,019,215
Less accumulated depreciation:				
Land improvements	(987,055)	(30,011)	—	(1,017,066)
Buildings and improvements	(1,156,016)	(49,984)	—	(1,206,000)
Machinery and equipment	(361,729)	(14,638)	712	(375,655)
Furniture and fixtures	(29,176)	(1,234)	—	(30,410)
Total accumulated depreciation	(2,533,976)	(95,867)	712	(2,629,131)
Total capital assets being depreciated, net	3,457,182	(66,856)	(242)	3,390,084
Total capital assets, net	$ 4,428,782	$ (36,006)	$ (27,580)	$ 4,365,196

8. LONG-TERM DEBT

(a) Changes in Long-Term Debt Obligation

Changes in long-term debt obligations from June 30, 2018 to December 31, 2018 as summarized as follows (in thousands):

	Balance June 30, 2018	Additions	Refundings	Pay downs	Balance Dec. 31, 2018
SENIOR LIEN BONDS:					
2009 Series B Build America Bonds	$ 300,000	$ —	$ —	$ —	$ 300,000
2010 Series C Build America Bonds	454,280	—	—	—	454,280
2010 Series D	100,185	—	—	12,400	87,785
2015 Series A	59,915	—	—	—	59,915
Subtotal Senior Lien Bonds	914,380	—	—	12,400	901,980
SUBORDINATE LIEN BONDS:					
2008 Series A-2	46,200	—	—	9,600	36,600
2008 Series B-2	46,235	—	—	9,600	36,635
2008 Series C-1	122,900	—	—	—	122,900
2008 Series C-2	65,815	—	—	2,900	62,915
2008 Series C-3	65,810	—	—	2,900	62,910
2008 Series D-1	55,040	—	—	2,045	52,995
2008 Series D-2A	100,000	—	—	—	100,000
2008 Series D-2B	99,605	—	—	—	99,605
2008 Series D-3	121,435	—	—	510	120,925
2009 Series C	168,495	—	—	—	168,495
2010 Series B	350,000	—	—	—	350,000
2011 Series B-1	92,400	—	—	19,200	73,200
2014 Series A-1	22,340	—	—	850	21,490
2014 Series A-2	221,870	—	—	—	221,870
2017 Series A-1	65,505	—	—	11,470	54,035
2017 Series A-2	47,800	—	—	—	47,800
2017 Series D	92,465	—	—	19,200	73,265
Subtotal Subordinate Lien Bonds	1,783,915	—	—	78,275	1,705,640
PFC BONDS:					
2008 Series A	17,565	—	—	17,565	—
2010 Series A	447,360	—	—	595	446,765
2010 Series F-2	97,470	—	—	18,240	79,230
2012 Series B	64,360	—	—	—	64,360
2015 Series C	98,965	—	—	—	98,965
2017 Series B	69,305	—	—	3,380	65,925
Subtotal PFC Bonds	795,025	—	—	39,780	755,245
JUNIOR SUBORDINATE LIEN DEBT AND JET A BONDS:					
2013 Jet A Fuel Tax Series A	70,965	—	—	—	70,965
2017 Notes Series C	146,295	—	—	—	146,295
2018 Notes Series A	95,545	—	—	—	95,545
Subtotal Junior Subordinate Lien Debt and Jet A Bonds	312,805	—	—	—	312,805
GENERAL OBLIGATION BONDS:					
2008 General Obligation Series A	43,105	—	—	—	43,105
2013 General Obligation Series B	32,915	—	—	—	32,915
Subtotal General Obligation Bonds	76,020	—	—	—	76,020
Total Bonds:	3,882,145	$ —	$ —	$ 130,455	3,751,690
Add:					
Unamortized Premiums	92,527				83,607
Imputed Debt from Termination of Hedges	7,846				6,866
Less:					
Current Portion of Long-Term Debt	130,455				141,605
Unamortized Discount	16,631				15,997
Total Long-Term Debt Outstanding:	$ 3,835,432				$ 3,684,561

* Variable Rate Debt Obligations † Fixed Rate Bonds ‡ Bond Anticipation Notes

Senior Lien Bonds

The issuance of senior lien bonds is authorized pursuant to the Nevada Municipal Airports Act (NRS § 496.010 et s*eq*.), the Nevada Local Government Securities Law (NRS § 350.500 *et seq*.), and the Nevada Registration of Public Securities Law (NRS § 348.010 *et seq*.). All senior lien bonds are issued in accordance with the Master Indenture of Trust ("Indenture") dated May 1, 2003, between Clark County and The Bank of New York Mellon Trust Company, N.A.

Senior lien bonds are secured by and are payable from net revenues of the Airport System after the payment of all Airport System operating and maintenance expenses. Pursuant to the Indenture, the Department has covenanted to fix, charge, and collect rentals, fees, and charges for the use of the Airport System such that, in any fiscal year, the gross revenues, together with any other available funds, will at all times be at least sufficient (1) to provide for the payment of all Airport System operation and maintenance expenses in the fiscal year and (2) to provide an amount not less than 125% of the aggregate debt service requirement (Senior Lien Coverage) for all the senior lien bonds then outstanding for the fiscal year. The actual senior lien coverage ratio (the ratio of total revenue less operating expenses to debt service) for FY 2018 was 4.57. As of December 31, 2018, the Department had $902.0 million in principal of senior lien bonds outstanding. No new senior lien bonds were issued during the first three months of FY 2019.

Subordinate Lien Bonds

The issuance of subordinate lien bonds is authorized pursuant to the Nevada Municipal Airports Act (NRS § 496.010 *et seq*.), the Nevada Local Government Securities Law (NRS § 350.500 *et seq*.), and the Nevada Registration of Public Securities Law (NRS § 348.010 *et seq*.). All subordinate lien bonds are issued in accordance with the Master Indenture of Trust ("Indenture") dated May 1, 2003, between Clark County and The Bank of New York Mellon Trust Company, N.A.

Subordinate lien bonds are secured by and are payable from net revenues of the Airport System after the payment of all Airport System operating and maintenance expenses and after the payment of all senior lien debt service. Pursuant to the Indenture, the Department has covenanted to fix, charge, and collect rentals, fees, and charges for the use of the Airport System such that, in any fiscal year, the gross revenues, together with any other available funds, will at all times be at least sufficient (1) to provide for the payment of all Airport System operation and maintenance expenses in such fiscal year and (2) to provide an amount not less than 110% of the aggregate debt service requirement (Subordinate Lien Coverage) for all the senior lien and subordinate lien bonds then outstanding for the fiscal year. The actual senior and subordinate combined lien coverage for FY 2018 was 1.58. As of December 31, 2018, the Department had $1,705.6 million in principal of subordinate lien bonds outstanding.

On July 8, 2016, the Irrevocable Transferable Letter of Credit with Bank of America, N.A., for the Series2008 D3 Bonds was extended through July 8, 2019. Also, on January 18, 2017, the Irrevocable DirectPay Letter of Credit for the Series 2008 D1 Bonds was extended through January 26, 2022, and the Irrevocable DirectPay Letter of Credit for the Series 2008 D2A Bonds was extended through March 27, 2020. On February 8, 2017, the Irrevocable DirectPay Letter of Credit for the Series 2011 B1 Bonds was extended through March 17, 2020. On February 18, 2015, a reoffering occurred on the Series 2008 C2 and 2008 C3 Bonds. Concurrent with this reoffering, the Letters of Credit for the 2008 C2 and 2008 C3 Bonds were replaced with Irrevocable DirectPay Letters of Credit that had a scheduled termination date of February 15, 2019. On December 20, 2018, the term on the Irrevocable Direct-Pay Letter of Credit with Sumitomo Bank for the 2008 C-3 Bond was extended to February 14, 2024 and the term on the Irrevocable Transferrable Direct-Pay Letters of Credit with State Street Bank in support of the 2008 A-2, 2008 B-2, and 2008 C-2 Bonds were extended to July 1, 2022. On March 10, 2017, the Department appointed Wells Fargo Bank, N.A., as the successor Remarketing Agent to Citigroup Global Markets Inc. for the Series 2008 D2A Bonds. On December 6, 2017, the Department amended the Irrevocable DirectPay Letter of Credit supporting the Series 2008 D2B Bonds to extend its terms through December 4, 2020, and the Department replaced the Irrevocable DirectPay Letter of Credit supporting the Series 2008 C1 Bonds with an alternate Irrevocable DirectPay Letter of Credit scheduled to expire on December 4, 2020.

On December 6, 2017, the Series 2011 B-2 Bonds were refunded by the Series 2017D Subordinate Refunding Revenue Bonds. The Series 2017D bonds then were sold to Bank of America Preferred Funding Corporation pursuant to a floating rate Direct Purchase Agreement through the final maturity of the bonds on July 1, 2022.

<u>PFC Bonds</u>

The issuance of PFC bonds is authorized pursuant to the Nevada Municipal Airports Act (NRS § 496.010 *et seq*.), the Nevada Local Government Securities Law (NRS § 350.500 *et seq*.), and the Nevada Registration of Public Securities Law (NRS § 348.010 *et seq*.). All PFC bonds are issued in accordance with the Master Indenture of Trust dated May 1, 2003, between Clark County and The Bank of New York Mellon Trust Company, N.A.

PFC bonds are secured by a pledge of and lien upon pledged PFC revenues derived from a $4.50 PFC which has been imposed by the County under authorization of the Federal Aviation Act. In addition, the PFC Bonds are secured by and are payable from a claim on net revenues of the Airport System on parity with that of the subordinate lien bonds and junior to that of the senior lien bonds. claim on net revenues by outstanding senior lien bonds.
In FY 2018, the Department earned $94.6 million in PFC revenues and $1.3 million in PFC interest income and pledged $77.0 million toward debt service payments associated with outstanding PFC bonds and pledged no monies toward debt service payments on certain subordinate lien bonds that were used to fund PFC projects approved by the FAA. No coverage is required for the PFC bonds. During the first six months of FY 2019, the Department earned $45.1 million in PFC revenues. As of December 31, 2018, Department had $755.2 million in outstanding PFC bonds.

On July 8, 2016, the Irrevocable Transferable Direct-Pay Letter of Credit with Union Bank, N.A., for the Series 2010 F-2 PFC Bonds was extended through August 7, 2020. In addition, on March 14, 2017, Moody's Investor Service upgraded the Department's outstanding PFC bonds from A1 to Aa3.

Junior Subordinate Lien Debt and Jet A Bonds

The junior subordinate lien debt and Jet A bonds comprise Jet A Fuel Tax bonds and bond anticipation notes issued pursuant to the Nevada Municipal Airports Act (NRS §§496.010 et seq.), the Nevada Local Government Securities Law (NRS §§350.500 et seq.), and the Nevada Registration of Public Securities Law (NRS §§348.010 et seq.). These bonds and notes are issued in accordance with the Indenture between Clark County and The Bank of New York Mellon Trust Company, N.A.

The junior subordinate lien debt and Jet A bonds are on parity with each other and are secured by and payable from the net revenues of the Airport System after the payment of all Airport System operating and maintenance expenses and after the payment of all senior lien debt service, subordinate lien debt service, and PFC lien debt service. These bonds and notes do not constitute debt of Clark County within the meaning of any constitutional or statutory provisions or limitations, and neither the full faith and credit nor the taxing power of the County is pledged to the payment thereof. As of December 31, 2018, the Department had $71.0 million in outstanding Jet A bonds and $241.8 million in outstanding bond anticipation notes, for a total of $312.8 million in total outstanding third lien debt.

The Jet A Bonds are payable from and secured by a pledge of and lien upon the proceeds of a three-cent-per-gallon tax collected by the County on jet aviation fuel sold, distributed, or used in the County.

Shortages in debt service from fuel tax collections are funded with Airport System revenues. As of June 30, 2018, there was no shortage of Jet A Fuel Tax revenues to cover the Jet A Bonds debt service.

General Obligation Bonds

The general obligation bonds were issued pursuant to the Nevada Municipal Airports Act (NRS §§496.010 et seq.), the Nevada Local Government Securities Law (NRS §§350.500 et seq.), and the Nevada Registration of Public Securities Law (NRS §§348.010 et seq.). All general obligation bonds are issued in accordance with the Indenture between Clark County and The Bank of New York Mellon Trust Company, N.A.

These bonds constitute direct and general obligations of the County. The full faith and credit of the County is pledged for the payment of principal and interest subject to Nevada constitutional and statutory limitations on the aggregate amount of ad valorem taxes and to certain other limitations on the amount of ad valorem taxes the County may levy.

The general obligation bonds are secured by and payable from a claim on the net revenues of the Airport System after the payment of all Airport System operating and maintenance expenses and after the payment of all senior lien debt service, subordinate lien debt service, PFC lien debt service, and junior subordinate lien and Jet A bonds lien debt service. Pursuant to the Indenture, the County has covenanted to fix, charge, and collect rentals, fees, and charges for the use of the Airport System sufficient to pay debt service on the senior lien bonds, the subordinate lien bonds, the general obligation (limited tax) Airport bonds, the PFC bonds, and the junior subordinate lien debt and Jet A bonds. As of December 31, 2018, the Department had $76.0 million in outstanding general obligation bonds.

Arbitrage Rebate Requirement

Tax-exempt bond arbitrage involves the investment of governmental bond proceeds derived from the issuance of tax-exempt obligations in higher yielding taxable securities that generate a profit. The Tax Reform Act of 1986 imposes arbitrage restrictions on bonds issued by the County. Under this Act, an amount may be required to be rebated to the United States Treasury so that all interest on the bonds qualifies for exclusion from gross income for federal income tax purposes.

The Department is current on all required arbitrage payments. As of December 31, 2018 the Department estimated no potential arbitrage rebate liability.

(b) Debt Related Prepaid Expenses

Non-current prepaid expenses consists of prepaid bond insurance premiums. The detail of these costs as of December 31, 2018 and June 30, 2018, is as follows (in thousands):

	Dec. 31, 2018	June 30, 2018
2010 Series A PFC	$ 1,151	$ 1,185
2014 Series A-2	25	26
2015 Series A Senior	61	62
2015 Series C PFC	147	162
Total non-current prepaid expenses	1,384	1,435

(c) Deferred Inflows of Resources Related to Debt

The following schedule details the unamortized gains on bond refundings, presented as deferred inflows, at December 31, 2018 and June 30, 2018 (in thousands):

	Dec. 31, 2018	June 30, 2018
2008 Series D-1	$ 44	$ 48
2013 Jet A Fuel Tax Series A	1,160	1,350
2014 Series A-1	591	679
2015 Series A	921	945
2017 Series A-1	1,505	1,853
2017 Series A-2	1,857	1,902
2017 Series B PFC	1,371	1,550
Total unamortized gains on refunded bonds	$ 7,449	$ 8,327

(d) Deferred Outflows of Resources Related to Debt

The Department has incurred deferred costs, which comprise unamortized losses on bond refundings and deferred losses on imputed debt resulting from the revaluation of certain interest rate swaps pursuant to the refunding of certain hedged bonds.

Such deferred outflows are as follows at December 31, 2018 and June 30, 2018 (in thousands):

	Dec. 31, 2018	June 30, 2018
2008 Series A	$ 2	$ 2
2008 Series A General Obligation	589	624
2008 Series B-2	2	2
2008 Series C	1,501	1,711
2008 Series D-2	10,225	10,567
2008 Series D-3	695	734
2010 Series F-2 PFC	886	1,103
2011 Series B-1	16	20
2012 Series B PFC	1,603	1,864
2013 Series B General Obligation	81	89
2014 Series A-2	2,910	3,021
2015 Series C PFC	3,321	3,649
Total unamortized losses on refunded bonds	21,831	23,386
Deferred loss on imputed debt	6,865	7,846
Total other deferred costs	$ 28,696	$ 31,232

(e) Debt Maturity

Principal and interest maturities of long term debt as of December 31, 2018 and June 30, 2018 are as follows:

December 31, 2018:

Fiscal Year Ended June 30,	Total		Senior		Subordinate		PFC		Jet A Fuel A Tax Bonds Bond Anticipation Notes		General Obligation Bonds	
	Principal	Interest	Principal	Interest*	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2019	$ —	$ 74,541	$ —	$ 20,444	$ —	$ 29,526	$ —	$ 17,944	$ —	$ 5,432	$ —	$ 1,196
2020	141,605	146,200	11,665	40,613	83,445	57,451	41,475	35,007	5,020	10,738	—	2,391
2021	145,050	141,869	12,180	40,036	84,655	55,431	42,945	33,530	5,270	10,480	—	2,391
2022	390,445	133,673	12,920	39,415	85,590	53,320	44,560	31,994	247,375	6,553	—	2,391
2023	152,760	125,214	16,175	38,695	84,420	51,120	46,355	30,397	5,810	2,612	—	2,391
2024-2028	541,060	557,060	34,845	184,520	328,890	215,979	100,505	137,066	33,715	8,283	43,105	11,212
2029-2033	549,760	458,726	35,875	179,652	327,190	165,500	143,660	106,612	15,615	782	27,420	6,181
2034-2038	642,360	342,257	137,270	165,578	348,865	108,283	150,730	68,259	—	—	5,495	137
2039-2043	882,585	178,342	334,985	107,796	362,585	45,270	185,015	25,276	—	—	—	—
2044-2048	306,065	20,744	306,065	20,744	—	—	—	—	—	—	—	—
Total	$ 3,751,690	$ 2,398,186	$ 926,435	$ 899,990	$ 1,828,090	$ 860,072	$ 829,665	$ 541,367	$ 320,625	$ 65,308	$ 76,020	$ 31,447

*Interest payments on the 2009B and 2010C Build America Bonds are presented net of the projected 35% percent rebate payments from the U.S. Treasury.

June 30, 2018:

	Total		Senior		Subordinate		PFC		Jet A Fuel A Tax Bonds Bond Anticipation Notes		General Obligation Bonds	
Fiscal Year Ended June 30,	Principal	Interest	Principal	Interest*	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2019	$ 130,455	$ 151,444	$ 12,400	$ 41,182	$ 78,275	$ 58,128	$ 39,780	$ 36,343	$ —	$ 13,447	$ —	$ 2,344
2020	141,605	144,940	11,665	40,613	83,445	56,317	41,475	34,928	5,020	10,738	—	2,344
2021	145,050	140,728	12,180	40,036	84,655	54,391	42,945	33,477	5,270	10,480	—	2,344
2022	390,445	132,653	12,920	39,415	85,590	52,374	44,560	31,967	247,375	6,553	—	2,344
2023	152,760	124,292	16,175	38,695	84,420	50,245	46,355	30,397	5,810	2,612	—	2,344
2024-2028	541,060	553,106	34,845	184,520	328,890	212,215	100,505	137,066	33,715	8,283	43,105	11,022
2029-2033	549,760	456,271	35,875	179,652	327,190	163,045	143,660	106,612	15,615	782	27,420	6,181
2034-2038	642,360	340,967	137,270	165,578	348,865	106,993	150,730	68,259	—	—	5,495	137
2039-2043	882,585	178,182	334,985	107,796	362,585	45,110	185,015	25,276	—	—	—	—
2044-2048	306,065	20,744	306,065	20,744	—	—	—	—	—	—	—	—
Total	$ 3,882,145	$ 2,398,186	$ 926,435	$ 899,990	$ 1,828,090	$ 860,072	$ 829,665	$ 541,367	$ 320,625	$ 65,308	$ 76,020	$ 31,447

*Interest payments on the 2009B and 2010C Build America Bonds are presented net of the projected 35% percent rebate payments from the U.S. Treasury.

9. DERIVATIVE INSTRUMENTS – INTEREST RATE SWAPS

(a) Interest Rate Swaps

The intention of the Department's implementation of a swap portfolio was to convert variable interest rate bonds to synthetically fixed interest rate bonds as a means to lower its borrowing costs when compared to fixed-rate bonds at the time of issuance. The Department executed several floating-to-fixed swaps in connection with its issuance of variable rate bonds. The Department also executed forward starting swaps to lock in attractive synthetically fixed rates for future variable rate bonds. Some of the Department's swaps are structured with step-down coupons to reduce the cash outflows of the fixed leg of those swaps in the later years of the swap.

Refer to the Department's CAFR of June 30, 2018, for comprehensive information and related disclosures pertaining to the Department's interest rate swaps as of June 30, 2018 and 2017. On December 19, 2018, the Department fully terminated swaps #14A, #14B, #15, #16, and #18. At the transaction closing, the fair values of all the terminated swaps, coupled with their related accrued interest, resulted in a net termination payment of $5.2 million, including $0.8 million of accrued interest. The Department executed this transaction to lower overall swap exposure, reduce interest rate risk, increase cash flow, and reduce debt service. There have been no other changes to the comprehensive information and related disclosures pertaining to the Department's interest rate swap as of the date of this report.

The table below summarizes the Department's interest rate swaps (in thousands):

									Counterparty Ratings			Outstanding National	
Swap #	Interest Rate Swap Description	Associated Variable Rate Bonds or Amended Swaps	County Pays	County Receives	Effective Date	Maturity Date	Initial Notional Amount	Counterparty	Moody's	S&P	Fitch	Dec. 31, 2018	June 30, 2018
02	Basis Swap	N/A	SIFMA Swap Index - 0.41%	72.5% of USD LIBOR - 0.410%	8/23/2001	7/1/2036	$ 185,855	Citigroup Financial Products Inc.	Baa1	BBB+	A	$ 64,930	$ 70,799
04	Basis Swap	N/A	SIFMA Swap Index	69.0% of USD LIBOR + 0.350%	7/1/2003	7/1/2025	200,000	Citigroup Financial Products Inc.	Baa1	BBB+	A	94,600	95,660
07A ‡	Floating-to-Fixed	2008 A-2, 2011 B-1	4.3057% to 7/2017, 0.2500% to maturity	68.0% of USD LIBOR + 0.435%	7/1/2008	7/1/2022	150,000	JPMorgan Chase Bank, N.A.	Aa2	A+	AA	109,800	138,600
07B ‡	Floating-to-Fixed	2008 B-2, 2011 B-2	4.3057% to 7/2017, 0.2500% to maturity	62.6% of USD LIBOR + 0.330%	7/1/2008	7/1/2022	150,000	UBS AG	Aa3	A+	AA-	109,900	138,700
08A	Floating-to-Fixed	2008C	4.0000% to 7/2015, 3.0000% to maturity	64.7% of USD LIBOR + 0.280%	3/19/2008	7/1/2040	151,200	Citigroup Financial Products Inc.	Baa1	BBB+	A	139,725	143,700
08B	Floating-to-Fixed	2008C	4.0000% to 7/2015, 3.0000% to maturity	64.7% of USD LIBOR + 0.280%	3/19/2008	7/1/2040	31,975	JPMorgan Chase Bank, N.A.	Aa2	A+	AA	29,525	30,375
08C	Floating-to-Fixed	2008C	4.0000% to 7/2015, 3.0000% to maturity	82.0% of 10 year CMS - 0.936%	3/19/2008	7/1/2040	31,975	UBS AG	Aa3	A+	AA-	29,525	30,375
09A	Floating-to-Fixed	2008 D-1	5.0000% to 7/2015, 1.2100% to maturity	82.0% of 10 year CMS - 0.936%	3/19/2008	7/1/2036	41,330	Citigroup Financial Products Inc.	Baa1	BBB+	A	37,175	38,610
09B	Floating-to-Fixed	2008 D-1	5.0000% to 7/2015, 1.2100% to maturity	82.0% of 10 year CMS - 0.936%	3/19/2008	7/1/2036	8,795	JPMorgan Chase Bank, N.A.	Aa2	A+	AA	7,910	8,215
09C	Floating-to-Fixed	2008 D-1	5.0000% to 7/2015, 1.2100% to maturity	82.0% of 10 year CMS - 1.031%	3/19/2008	7/1/2036	8,795	UBS AG	Aa3	A+	AA-	7,910	8,215
10B	Floating-to-Fixed	2008 D-2A, 2008 D-2B	4.0030% to 7/2015, 2.2700% to maturity	82.0% of 10 year CMS - 1.031%	3/19/2008	7/1/2040	29,935	JPMorgan Chase Bank, N.A.	Aa2	A+	AA	29,935	29,935
10C	Floating-to-Fixed	2008 D-2A, 2008 D-2B	4.0030% to 7/2015, 2.2700% to maturity	82.0% of 10 year CMS - 1.031%	3/19/2008	7/1/2040	29,935	UBS AG	Aa3	A+	AA-	29,935	29,935
12A	Floating-to-Fixed	2008 D-2A, 2008 D-2B, 2008C, 2008 D-3, 2010 F-2 PFC	5.6260% to 7/2017, 0.2500% to maturity	62.0% of USD LIBOR + 0.280%	7/1/2009	7/1/2026	200,000	Citigroup Financial Products Inc.	Baa1	BBB+	A	200,000	200,000
14A **	Floating-to-Fixed	2008 D-2, 2008 D-3	3.8860%	64.4% of USD LIBOR + 0.280%	7/1/2011	7/1/2030	73,025	UBS AG	Aa2	A+	AA	—	73,025
14B **	Floating-to-Fixed	2008 C, 2008 D-2A, 2008 D-2B, 2008A GO, 2010	3.8810%	64.4% of USD LIBOR + 0.280%	7/1/2011	7/1/2037	145,150	Citibank, N.A., New York	A1	A+	A+	—	145,150
Remaining portions of swaps after April 6, 2010 terminations													
15	Fixed-to-Fixed	swap #03 (amended and restated)	1.0200% until 7/1/2010	1.4700% starting at 7/1/2010	4/6/2010	7/1/2022	N/A	Citigroup Financial Products Inc.	Baa1	BBB+	A	—	29,844
16	Fixed-to-Fixed	swap #05 (amended and restated)	1.3700% until 7/1/2010	0.6000% starting at 7/1/2010	4/6/2010	7/1/2025	N/A	Citigroup Financial Products Inc.	Baa1	BBB+	A	—	50,075
18	Fixed-to-Fixed	swap #13 (amended and restated)	2.4930% until 7/1/2017	1.5940% starting at 7/1/2017	4/6/2010	7/1/2040	N/A	Citigroup Financial Products Inc.	Baa1	BBB+	A	—	150,000
Total							$ 1,908,045					$ 890,870	$ 1,411,213

‡ On August 3, 2011, the Department refunded the outstanding principal of its Series 2008 A-1 and B-1 Bonds with the Series 2011 B-1 and B-2 Bonds, respectively. Upon refunding, swap #07B was re-associated with the cash flows of the $100 million of outstanding principal of the Series 2011 B-1 Bonds, and swap #07A was re-associated with the cash flows of the $100 million of outstanding principal of the Series 2011 B-2 Bonds. On November ...

** On July 1, 2011, forward swaps #14A and #14B, both with a trade date of April 17, 2007, became effective as scheduled. $4.48 million of the entire notional amount of swap #14A, $73.025 million, was associated with the 2008A General Obligation Bonds, with the excess notional balance classified as an investment derivative. The entire notional amount of swap #14B, $201.975 million, was associated both with the principal of the 2008A General Obligation Bonds remaining after the association of swap #14A and with the 2013 C-1 and 2013 C-2 Notes. Although these Notes are deemed to mature in perpetuity, the 2008A General Obligation Bond matures on July 1, 2027, a date in advance of the maturities of swaps #14A and #14B, which occur on July 1, 2030 and July 1, 2037, respectively. Therefore, those portions of swaps #14A and #14B associated with these excess maturities had been classified as investment derivatives. On November 19, 2013, these swaps were re-associated with variable rate bonds following the termination of swaps noted below. These swaps are fully hedged derivatives. On July 1, 2016, the outstanding notional previously associated with 2013C-1 Notes were re-associated with Bonds 2008-2A and 2008B-2B to maximize hedging the derivative.

(b) Changes in Fair Value

The following summary provides the aggregate fair values and the changes in fair values of the Department's interest rate swap agreements for the three months ended December 31, 2018:

Derivative Instruments	Assets	Liabilities	Net
Balance as of June 30, 2018	$ 66,131	$ (68,533)	$ (2,402)
Net increase (decrease) in fair value of hedging derivatives	(43,252)	40,172	(3,080)
Net increase (decrease) in fair value of investing derivatives	(1,596)	(757)	(2,353)
Balance as of December 31, 2018	$ 21,283	$ (29,118)	$ (7,835)

For the three-month period ended December 31, 2018 no derivatives were reclassified from hedging derivative instruments to investment derivative instruments. The table below provides the fair values, changes in fair values, and outstanding notional amounts of the Department's interest rate swap agreements as of December 31, 2018 (in thousands):

			Fair Value and Classifications as of December 31, 2018		Changes in Fair Value for the Three Months Ended December 31, 2018		
Swap #		Description	Outstanding Notional	Derivative Instrument Classification	Fair Value	Increase (Decrease) in Deferred Inflows	Increase (Decrease) in Deferred Outflows	Net Change in Fair Value
Hedging derivative instruments								
07A	‡	Floating-to-Fixed Interest Rate Swap	$ 109,800	Non-current asset	$ 1,148	$ (680)	$ —	$ (680)
07B	‡	Floating-to-Fixed Interest Rate Swap	109,900	Non-current asset	1,150	(680)	—	(680)
10B		Floating-to-Fixed Interest Rate Swap	29,935	Non-current liability	(1,170)	—	783	(783)
10C		Floating-to-Fixed Interest Rate Swap	29,935	Non-current liability	(1,170)	—	783	(783)
12A		Floating-to-Fixed Interest Rate Swap	200,000	Non-current asset	16,644	(3,520)	—	(3,520)
Total hedging derivative activities			479,570		16,602	(4,880)	1,566	(6,446)
						Gain (loss) on Investment	Deferrals Included in Gain (Loss)	
Investment derivative instruments								
02		Basis Rate Swap	64,930	Non-current liability	(841)	14	—	14
04		Basis Rate Swap	94,600	Non-current asset	1,089	40	—	40
08A		Floating-to-Fixed Interest Rate Swap	139,725	Non-current liability	(18,227)	(3,036)	—	(3,036)
08B		Floating-to-Fixed Interest Rate Swap	29,525	Non-current liability	(3,855)	(642)	—	(642)
08C		Floating-to-Fixed Interest Rate Swap	29,525	Non-current liability	(3,855)	(642)	—	(642)
09A		Floating-to-Fixed Interest Rate Swap	37,175	Non-current asset	884	(719)	—	(719)
09B		Floating-to-Fixed Interest Rate Swap	7,910	Non-current asset	184	(157)	—	(157)
09C		Floating-to-Fixed Interest Rate Swap	7,910	Non-current asset	184	(157)	—	(157)
Total investment derivative activities			411,300		(24,437)	(5,299)	—	(5,299)
Total			$ 890,870		$ (7,835)			$ (11,745)

‡ On August 3, 2011, the Department refunded the outstanding principal of its Series 2008 A-1 and B-1 Bonds with the Series 2011 B-1 and B-2 Bonds, respectively. Upon refunding, swap #07B was re-associated with the cash flows of the $100 million of outstanding principal of the Series 2011B-1

10. PAYMENTS TO CLARK COUNTY

The Department reimburses the County for providing the Airport System with fire services, police services, legal services, administrative services, and certain maintenance services, based on actual costs. The total amounts billed for these services for the six months ended December 31, 2018 and 2017 were $19.3 million and $16.9 million, respectively.

11. COMMITMENTS AND CONTINGENCIES

(a) Construction in Progress

As of December 31, 2018, the Department's management estimated that construction in progress will require an additional outlay of approximately $41.7 million to bring related projects to completion.

(b) Litigation and Claims

General Litigation

The Department, through the County, is contingently liable in respect to lawsuits and other claims incidental to the ordinary course of its operations. The opinion of County management, based on the advice of the County Attorney, is that the outcome of such claims will not have a material adverse effect on the Department's Fund's financial position, results of operations or liquidity at December 31, 2018.

Other Litigation

The County is a party to numerous other actions and claims in connection with the ownership and operation of the Airport System, including personal injury claims, employment-related claims, and construction claims, but, in the opinion of the District Attorney, the actions and claims described in this paragraph are not expected, in the aggregate, to have a material adverse effect on the financial condition of the Airport System. Cases of note are as follows:

United States of America ex rel. Barnes v. Clark County, Nevada

On March 2017, the County was served with a complaint in *United States of America ex .rel. Cheryl Barnes vs Clark County*. Outside counsel is handling this litigation on behalf of the County. This case was filed by a litigant from previous inverse condemnation cases against the County. The complaint alleges claims under the federal False Claims Act in connection with grant and other applications the County submitted to the Federal Aviation Administration. The complaint seeks treble damages and penalties in an aggregate amount of approximately $2.8 billion. On March 28, 2017, the County filed a motion to dismiss, based upon the statute of limitations and substantive deficiencies, including what the County believes are incurable pleading failures on the False Claims Act's requirements of scienter, falsity, materiality and causation.

As of January 9, 2018, the County has prevailed on its motion to dismiss, and the case was dismissed without leave to amend. The Court indicated that the airport did not knowingly make false statements. On August 23, 2018, the Court granted the County's motion for attorneys' fees and ordered the Plaintiff to pay such fees.

On September 20, 2018, Plaintiff filed a Motion to Alter or Amend the Order Awarding Attorney Fees and noted their intention to file an appeal regarding the previous outcome at mediation. The County has filed a Response and Plaintiff filed their Reply October 10, 2018. Currently, the appeal is being held pending the outcome of Plaintiff's Motion to Alter or Amend the Order. The plaintiff has until April 30, 2019 (with an option to request an additional 30 day extension) to file an opening brief with the 9th Circuit Court. If Plaintiff does not file anything by that deadline, the Court will more than likely close the case.

U.S. Department of Justice v. Nevada Links and Clark County

The County was served with a lawsuit filed by the U.S. Department of Justice regarding a modification to a 1999 lease that the County entered into involving land subject to the Southern Nevada Public Lands Management Act. The complaint alleged that a 2011 amendment impermissibly changed the rent structure in violation of the County's duty to obtain fair market value for the land. While the initial demand requested the present value of future rent, in the event of an adverse ruling, the County would likely only be subject to back rent of approximately $12.0 million. Alternatively, the complaint sought rescission of the amendment, which would relieve the County of the back rent obligation. The County has no objection to rescission but plans to vigorously defend the claim for back rent. At this early time, counsel is unable to predict the outcome of the dispute. The current tenant, Nevada Links, is also a defendant in this litigation and may share responsibility for back payments. Nevada Links filed a motion to dismiss itself from the case at a December 12, 2017 hearing; however, that motion was denied. Due to the partial shutdown of the federal government earlier this year, a motion to extend deadlines was entered by the Court on February 5, 2019. Dispositive motions are due May 31, 2019 and a pretrial order is due June 28, 2019.

The only current movement on the case has been two appraisal experts being deposed and Plaintiff filing Objections to Defendant Nevada Links's Subpoena for Expert Consulting Report.

12. RISK MANAGEMENT

The Department is exposed to various risks of loss related to theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and customers; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties and County self-insured programs for off-airport auto liability, employee medical benefits, and workers' compensation.

From time-to-time, the Department carries cash and cash equivalents on deposit with financial institutions in excess of federally-insured limits. However, the extent of any future loss to be sustained as a result of uninsured deposits in the event of a failure of a financial institution, if any, is not subject to estimation at this time.

The County has established a fund for self-insurance related to medical benefits provided to employees and covered dependents. An independent claims administrator handles all claims procedures. The County also provides an option for employees to select an independent health maintenance organization for medical benefits.

The County has also established a fund for self-insurance related to workers' compensation claims. The County maintains reinsurance coverage obtained from private insurers for losses in excess of $1.0 million per claim.

The Department reimburses the County at a per capita rate for employee medical benefits and for a percentage of payrolls for workers' compensation coverage. Rates for this coverage are uniform for all County departments and are adjusted based on the overall performance of the self-insured medical benefits fund and the self-insured workers' compensation fund.

As a participant in the County's self-insured programs, the Department is assessed annual fees based on the allocation of each respective fund. These assessments are charged to the Department's expense each year. There is no separate accounting for the Department's claims. Accordingly, information regarding claims liability and payments are not presented in this financial report.

Settled claims from these risks have not exceeded commercial insurance coverage during the past three years.

13. AIRPORT LAND TRANSFERS

Gross proceeds from the sale or lease of CMA land for the six months ended December 31, 2018, were $3.2 million, and from inception to that date were $263.1 million. The Department's share of these proceeds was $0.3 million for the six months ended December 31, 2018, and $26.3 million from inception to that date. As of December 31, 2018, the Department has $1.2 million payable to the BLM and $0.06 million payable to the State related to such land sales.

14. SUBSEQUENT EVENTS

Subsequent to December 31, 2018, the following significant events occurred:

1. The Department began procedures related to the issuance of the Series 2019A and 2019B Airport Refunding Bonds, which will refund the 2009 Series B Subordinate Lien Build America Bonds and the 2009 Series C Senior Lien bonds. It is anticipated that these issuances and refundings will be presented to the Board for approval during April 2019 and are anticipated to be completed on July 1, 2019.