FY 2020 Interim Quarterly Financial Report

For the Nine Months Ended March 31, 2020

Clark County Department of Aviation

An Enterprise Fund of Clark County, Nevada

Interim Quarterly Financial Report

Clark County Department of Aviation

An Enterprise Fund of Clark County, Nevada

For the Nine Months Ended March 31, 2020

Prepared by the Department of Aviation

McCarran International Airport

Las Vegas, Nevada

CLARK COUNTY DEPARTMENT OF AVIATION

Clark County, Nevada

<u>Clark County Board of Commissioners</u>

Marilyn Kirkpatrick, Chair

Lawrence Weekly, Vice Chair

Larry Brown

James B. Gibson

Justin C. Jones

Michael Naft

Richard "Tick" Segerblom

<u>County Manager's Office</u>

Yolanda T. King, County Manager

Kevin Schiller, Assistant County Manager

Randall J. Tarr, Assistant County Manager

Jeffrey M. Wells, Assistant County Manager

<u>Department of Aviation</u>

Rosemary A. Vassiliadis, Director

James Chrisley, Deputy Director

Ralph Lepore, Deputy Director

Joseph M. Piurkowski, Airport Chief Financial Officer

CLARK COUNTY DEPARTMENT OF AVIATION
CLARK COUNTY, NEVADA
Interim Quarterly Financial Report
For the Nine Months Ended March 31, 2020

TABLE OF CONTENTS

Introduction

The following is Management's Discussion and Analysis (MD&A) of the financial performance and activity of the Clark County Department of Aviation. The MD&A provides an introduction to and understanding of the financial statements of the Department for the first nine months of fiscal year 2020 (FY 2020), which is the period of July 1, 2019 through March 31, 2020. Certain information is presented in comparison to the fiscal year end ended June 30, 2019 (FY 2019), and certain information is presented in comparison to the first nine months of FY 2019, which is the period of July 1, 2018 through March 31, 2019. This section should be read in conjunction with the financial statements and notes to gain a better understanding of the information presented in MD&A.

The Clark County Department of Aviation (Department) is a department of Clark County (County), a political subdivision of the State of Nevada. The Department, under the supervision of the Board of County Commissioners (Board) and the County Manager, is established to operate McCarran International Airport and the four other general aviation facilities owned by the County (Airport System). The Airport System comprises 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; and Jean Sport Aviation Center and Overton-Perkins Field, which primarily are 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 awards, 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 nine months ended March 31, 2020, 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 2019.

Activity Highlights

Passenger enplanements for Q3 FY 2020 totaled 18,250,855, compared to 18,541,988 during Q3 FY 2019, which is a decrease of 1.6%.

Aircraft landed weights for Q3 FY 2020 totaled 20,683,047 thousand pounds, compared to 20,394,679 thousand pounds for Q3 FY 2020, which is an increase of 1.4%. The number of departures for domestic and international flights for Q3 FY 2020 totaled 169,123, compared to 166,691, which is a 1.5% increase from Q3 FY 2019.

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 nine months ended March 31, 2020 and 2019:

	Nine Months Ended	
	March 31, 2020	March 31, 2019
Landing fee (per 1000 lbs.)	$ 1.68	$ 1.70
Terminal rental rate (per square foot)	169.88	167.10
Gate use fee-narrow body (per turn)	364.00	358.00
Gate use fee-wide body (per turn)	545.00	536.00
Gate use lease fee (per annum)	195,821.00	173,333.00
International facility use fee (per deplaned international passenger)	8.50	8.50
Common use ticketing fee (per enplaned passenger)	1.50	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 nine months ended March 31, 2020 and 2019 (in thousands):

	Nine Months Ended		Change	
	March 31, 2020	March 31, 2019		
Landing and other aircraft fees	$ 32,920	$ 32,190	$ 730	2.3 %
Terminal building rentals	122,528	120,087	2,441	2.0 %
Gate use fees	22,172	19,700	2,472	12.5 %
Passenger fee - ticketing & customs and border patrol	15,387	14,882	505	3.4 %
Total	$ 193,007	$ 186,859	$ 6,148	3.3 %
Enplaned passengers	18,251	18,542	(291)	(1.6)%
*Cost per enplaned passenger	$ 10.58	$ 10.08	$ 0.50	5.0 %

*This figure is not presented in thousands.

Financial Highlights

Net Position Summary

The following table summarizes assets, liabilities, deferred inflows and outflows of resources, and net position as of March 31, 2020 and June 30, 2019 (in thousands):

	March 31, 2020	June 30, 2019	Change	
Assets				
Current assets	$ 748,449	$ 869,679	$ (121,230)	(13.9%)
Capital assets, net	4,236,116	4,319,413	(83,297)	(1.9%)
Other non-current assets	411,836	515,648	(103,812)	(20.1%)
Total assets	5,396,401	5,704,740	(308,339)	(5.4%)
Deferred outflows of resources	116,884	78,531	38,353	48.8%
Total assets and deferred outflows of resources	$ 5,513,285	$ 5,783,271	$ (269,986)	(4.7%)
Liabilities, deferred inflows of resources, and net position				
Current liabilities	284,601	339,622	(55,021)	(16.2%)
Non-current liabilities	3,642,220	3,910,581	(268,361)	(6.9%)
Total liabilities	3,926,821	4,250,203	(323,382)	(7.6%)
Deferred inflows of resources	73,467	86,530	(13,063)	(15.1%)
Net position				
Net investment in capital assets	937,066	701,267	235,799	33.6%
Restricted	425,234	529,511	(104,277)	(19.7%)
Unrestricted	150,697	215,760	(65,063)	(30.2%)
Total net position	1,512,997	1,446,538	66,459	4.6%
Total liabilities, deferred inflows of resources, and net position	$ 5,513,285	$ 5,783,271	$ (269,986)	(4.7%)

Discussion of Q3 FY 2020 Net Position

Total net position for the Department as of March 31, 2020 was $1,513.0 million. This is an increase of $66.5 million from June 30, 2019. This can be primarily attributed to the following significant changes:

- Current assets
  - At March 31, 2020, current assets were $748.4 million, a decrease of $121.2 million from June 30, 2019. The majority of this change was due to decreases in other receivables, interest receivable, investments classified as current assets, and cash and cash equivalents classified as current assets. Other receivables decreased by $8.9 million, primarily due to a $5.9 million decrease in Build America Bond Subsidies owed to the Department and a $3.0 million decrease in amounts owed to Department from other County funds. At March 31, 2020, total interest receivable was $1.0 million, a decrease of $7.7 million from June 30, 2019. At June 30, 2019, $4.6 million of the interest receivable balance was related to amounts owed to the Department from the County, as a result of year-end adjustments, which were appropriately paid to the Department during Q1 FY 2020. Additionally, a $3.1 million reduction in interest receivable related to interest rate swaps was noted, primarily due to the terminations of swaps #15, #16, and #18 that occurred during FY 2019. Investments classified as current assets decreased $34.2 million, due to a lower amount of the Department's investments that were held in instruments due in under one year, as well as investments that matured during the first nine months of FY 2020 which have not yet been reinvested. Additionally, a $61.0 million decrease in cash and cash equivalents classified as current assets was noted; changes in cash and cash equivalents are detailed in the Statement of Cash Flows, and restricted asset classifications are detailed in Note 4, "Restricted Assets."
- Other non-current assets
  - At March 31, 2020, other non-current assets were $411.8 million, a decrease of $103.8 million, from $515.6 million at June 30, 2019. The majority of this change is due to decreases in cash and cash equivalents classified as non-current assets, offset by increases in investments classified as non-current assets. Investments classified as non-current assets increased $42.6 million, given that a higher amount of the Department's investments were held in instruments due in over one year at March 31, 2020 in comparison to June 30, 2019. A $136.3 million decrease in cash and cash equivalents classified as non-current assets was noted; changes in cash and cash equivalents are detailed in the Statement of Cash Flows, and restricted asset classifications are detailed in Note 4, "Restricted Assets."
- Capital assets
  - At March 31, 2020, capital assets, net of accumulated depreciation, decreased $83.3 million from June 30, 2019. See “Capital Assets” section for detail.
- Current liabilities
  - At March 31, 2020, current liabilities were $284.6 million, a decrease of $55.0 million, from $339.6 million at June 30, 2019. This change is primarily due to decreases in accrued interest and the current portion of long term debt. The decrease in the current portion of long-term debt and accrued interest is in accordance with scheduled debt payments and is also a result of the issuance, refunding, and

redemption of certain bonds during the nine months ended March 31, 2020; refer to the "Outstanding Debt" section of MD&A and Note 8, "Long Term Debt" for further detail.

- Non-current liabilities
  - Non-current liabilities at March 31, 2020 were $3,642.2 million, a decrease of $268.4 million, from $3,910.6 million at June 30, 2019. This change is primarily due to decreases in the non-current portion of long-term debt, offset by increases in the net pension liability and the net other post employment benefits liability. The non-current portion of long-term debt decreased $333.3 million in accordance with scheduled debt payments and is also a result of the issuance, refunding, and redemption of certain bonds which occurred during FY 2020; refer to the "Outstanding Debt" section of MD&A and Note 8, "Long Term Debt" for further detail. The net pension and net other post employment benefits liabilities increased $23.1 million and $13.8 million respectively; these liabilities are actuarially determined as of June 30 each fiscal year, and the liabilities increased at March 31, 2020, due to Department estimates.

Operating Revenue

The following table summarizes total operating revenue for the nine months ended March 31, 2020 and 2019 (in thousands):

	Nine Months Ended			
	March 31, 2020	March 31, 2019	Change	
Terminal building and use fees	$ 146,368	$ 142,631	$ 3,737	2.6%
Landing fees and other aircraft fees	39,346	38,377	969	2.5%
Gate use fees	24,343	21,875	2,468	11.3%
Terminal concession fees	56,816	55,548	1,268	2.3%
Rental car facility and concession fees				
Rental car facility fees	26,801	28,182	(1,381)	(4.9%)
Rental car concession fees	26,703	27,205	(502)	(1.8%)
Parking and ground transportation fees				
Public and employee parking fees	30,944	29,891	1,053	3.5%
Ground transportation fees	24,104	22,768	1,336	5.9%
Gaming fees	28,606	27,697	909	3.3%
Ground rents and use fees	18,428	18,947	(519)	(2.7%)
Other				
General aviation fuel sales (net of cost)	3,911	3,401	510	15.0%
Other operating income	4,769	3,659	1,110	30.3%
	$ 431,139	$ 420,181	$ 10,958	2.6%

General Discussion of Operating Revenues

Aviation Revenues

Refer to the FY 2019 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 Department for Q3 FY 2020 were $431.1 million, an increase of $11.0 million from Q3 FY 2019. This can be primarily attributed to the following significant changes:

- Terminal building and use fees
  - The increase of $3.7 million was attributable increase in the terminal building rental rate from $167.10 per square foot to $169.88 per square foot.
- Gate use fees
  - The increase of $2.5 million was attributable to a 13% increase in the gate lease rate, as well as a 10% increase in common use gate turns, which is mainly due to increases in flight services offered from certain airlines.
- Rental car facility fees
  - The decrease of $1.4 million was attributable to the $1.3 million decrease in CFC fees, as a result of an overall 5.7% decrease in the number of car rental days.
- Ground transportation fees
  - The majority of the $1.3 million increase was due to an increase in fees derived from transportation network companies (TNCs), which increased $2.2 million. This increase in revenue from TNCs was offset by a decrease in revenues from limousine, shuttle bus operations, and taxicab services of $1.0 million.
- Other operating income
  - The majority of the $1.1 million increase relates to increases in revenues from various land and space rentals, certain reimbursements received, and energy incentive credits received related to energy efficiency projects.

Operating Expenses

The following table summarizes total operating expenses for the nine months ended March 31, 2020 and 2019 (in thousands):

	Nine Months Ended			
	March 31, 2020	March 31, 2019	Change	
Salaries and benefits	$ 112,131	$ 106,491	$ 5,640	5.3%
Professional services	55,702	48,893	6,809	13.9%
Utilities and communications	19,326	18,291	1,035	5.7%
Repairs and maintenance	15,621	17,024	(1,403)	(8.2%)
Materials and supplies	15,278	14,183	1,095	7.7%
General administrative				
Administrative	2,794	2,287	507	22.2%
Insurance	1,530	1,553	(23)	(1.5%)
	$ 222,382	$ 208,722	$ 13,660	6.5%

Discussion of Changes in Operating Expenses

For the nine months ended March 31, 2020 the Department's total operating expenses were $222.4 million, an increase of $13.7 million from the nine months ended March 31, 2019. This can be primarily attributed to the following significant changes:

- Salaries and benefits
  - Salaries and benefits increased by $5.6 million. This majority of this change is due to an increase in salaries and wages of $5.5 million. This increase in salaries and wages is primarily due to a 8.4% increase in the full-time employee count from Q3 FY 2019 to Q3 FY 2020 and wage increases pursuant to the collective bargaining agreement with the employee union.
- Professional services
  - Professional services costs increased by $6.8 million. The majority of this increase is due to bond issuance costs of $4.8 million, in conjunction with the Series 2019 A, Series 2019 B, and Series 2019 C, Series 2019 D, and Series 2019 E issuances and related refundings, with the remainder of the increase due to certain project expenses, expenses incurred related to new software systems, and other professional services.
- Repairs and maintenance
  - Repairs and maintenance expense decreased $1.4 million. During Q3 FY 2019, certain large repairs and maintenance projects were in progress, including a runway joint seal replacement project and various maintenance repairs within Level 1 of Terminal 1.

Materials and Supplies

- Materials and supplies expenses increased $1.1 million, with a large portion of the increase being due to minor equipment purchases, including computers, LCD panels, printers, and other small equipment items.

Utilities and communications

- Utilities and communication expense increased $1.0 million. The majority of the increase is attributable to a $0.6 million increase in natural gas expenses, which increased largely due to increases in the rates charged for usage.

Non-Operating Revenues and Expenses

The following table summarizes non-operating revenues and expenses for the nine months ended March 31, 2020 and 2019 (in thousands):

	Nine Months Ended		Change	
	March 31, 2020	March 31, 2019		
Passenger Facility Charge revenue	$ 76,173	$ 72,245	$ 3,928	5.4%
Jet A Fuel Tax revenue	9,008	8,953	55	0.6%
Interest and investment income (loss)				
Unrestricted interest income	7,541	9,160	(1,619)	(17.7%)
Restricted interest income	7,850	6,057	1,793	29.6%
PFC interest income	3,426	3,205	221	6.9%
Unrealized loss on investments – derivative instruments	(21,368)	(34,165)	12,797	(37.5%)
Interest expense	(95,898)	(120,403)	24,505	(20.4%)
Net gain (loss) from disposition of capital assets	423	364	59	16.2%
Other non-operating revenue	7,653	12,711	(5,058)	(39.8%)
	$ (5,192)	$ (41,873)	$ 36,681	(87.6%)

<u>Discussion of Non-Operating Revenues/Expenses</u>

For the nine months ended March 31, 2020, non-operating revenue and expenses totaled $(5.2) million. This is a change of $36.7 million, from $(41.9) million for the nine months ended March 31, 2019, which can be attributed to the following significant changes:

- PFC Revenue
  - PFC Revenue increased $3.9 million. Given that there was no change in the PFC rate charged, this increase was attributed to increased passenger traffic.
- Unrestricted interest income
  - Unrestricted interest income decreased $1.6 million, which was mainly attributed to a decreased rate of return on unrestricted investments, as well as a lower amount of investments classified as unrestricted at March 31, 2020 compared to March 31, 2019.
- Restricted interest income
  - Restricted interest income increased $1.8 million, which as mainly attributed to a higher amount of investments classified as restricted investments, due to additional reserves related to bond issuances, at March 31, 2020 compared to March 31, 2019.
- Unrealized loss on investments – derivative instruments
  - The Department’s unrealized loss on investments – derivative instruments changed to a loss of $(21.4) million for the nine months ended March 31, 2020, from a loss of $(34.2) million for the nine months ended March 31, 2019. The decreased loss is due to fair value changes in investment derivative instruments.
- Interest expense
  - Interest expense on the Department's outstanding bonds and interest rate swaps decreased by $24.5 million. The majority of this decrease relates to interest savings and changes in bond premium amortizations, resulting from the issuance of and refundings that occurred during the nine months ended March 31, 2020; see Note 8, "Long Term Debt" for further detail.
- Other non-operating revenue
  - The Department's other non-operating revenue decreased by $5.1 million, primarily due to the July 1, 2019 refunding of the Series 2009B Senior Lien Build America Bonds; the Department previously received a semi-annual interest subsidy related to the Series 2009B bonds.

Capital Assets

As of March 31, 2020, capital assets, net of accumulated depreciation, were $4,236.1 million, a decrease of $83.3 million, from $4,319.4 million at June 30, 2019. This decrease was due to depreciation of $142.9 million, offset by capital expenditures of $59.6 million. Significant capital expenditures included surveillance system upgrades, airfield improvements, the reconfiguration of the checked baggage and passenger screening systems, and flooring upgrades in Terminal 1. Refer to Note 7, “Changes in Capital Assets,” for further detail.

Capital Contributions

The following table summarizes capital contributions for the nine months ended March 31, 2020 and 2019 (in thousands):

	Nine Months Ended			
	March 31, 2020	March 31, 2019	Change	
Capital contributions	$ 5,760	$ 7,169	(1,409)	(19.7%)

Discussion of Capital Contributions

Capital contributions during the nine months ended March 31, 2020 were $5.8 million, a decrease of $1.4 million from the nine months ended March 31, 2019. This change was due to a $1.8 million decrease in reimbursements from the Federal Aviation Administration (FAA), offset by a $0.4 million increase in reimbursements from the Transportation Security Administration (TSA).

During the nine months ended March 31, 2020, the Department requested grant reimbursements of $4.9 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 that the Department requested reimbursement for during Q3 FY 2020 were airfield geometry studies.

During the nine months ended March 31, 2020, the Department requested grant reimbursements of $0.8 million from the TSA related to reconfiguration of the checked baggage system in Terminal 1.

Outstanding Debt

The following table summarizes outstanding debt obligations at March 31, 2020 and June 30, 2019 (in thousands):

	March 31, 2020	June 30, 2019	Change	
Senior lien bonds	$ 825,505	$ 901,980	$ (76,475)	(8.5%)
Subordinate lien bonds	1,453,870	1,705,640	(251,770)	(14.8%)
PFC bonds	576,355	755,245	(178,890)	(23.7%)
Junior subordinate lien and Jet A bonds	307,785	312,805	(5,020)	(1.6%)
General obligation bonds	76,020	76,020	—	—
Total bonded debt principal outstanding	3,239,535	3,751,690	(512,155)	(13.7%)
Unamortized premiums	241,786	74,686	167,100	223.7%
Unamortized discounts	(10,312)	(15,362)	5,050	(32.9%)
Imputed debt from termination of hedges	4,413	5,885	(1,472)	(25.0%)
Current portion of long term debt	(174,380)	(182,504)	8,124	(4.5%)
Total outstanding long-term debt obligations	$ 3,301,042	$ 3,634,395	$ (333,353)	(9.2%)

Total outstanding long-term debt obligations as of March 31, 2020 were $3,301.0 million, a decrease of $333.4 million, from $3,634.4 million at June 30, 2019. This decrease was primarily related to scheduled principal payments along with related changes in discounts, premiums, as well as reductions in total outstanding long-term debt realized from the issuance, refunding, and redemption of certain bonds during the nine months ended March 31, 2020. On July 1, 2019, the Department issued the Series 2019 A Subordinate Lien Refunding Revenue Bonds and the Series 2019 B Senior Series Revenue Bonds, and the proceeds from the issuances of these bonds were used to refund the outstanding principal and interest on the Series 2009 C Subordinate Lien Bonds and the Senior Series 2009B Build America Bonds, respectively (as well as to fund new debt service reserve funds). On November 27, 2019, the Department issued the Series 2019 C Senior Revenue Bonds, Series 2019 D Subordinate Lien Refunding Revenue Bonds, and Series 2019 E PFC Refunding Revenue Bonds; the proceeds from the issuances of these bonds were used to refund the Series 2019 D Senior Lien Refunding Revenue Bonds, 2010B Subordinate Lien Revenue Bonds, and Series 2010 A PFC Revenue Bonds, respectively (as well as to fund new debt service reserve funds for the 2019 C Bonds and the 2019 E Bonds). Additionally, on November 8, 2019, the outstanding aggregate principal balance for the Series 2010 F-2 Bonds of $60.3 million, plus accrued interest of $0.3 million, was called for full redemption and the outstanding aggregate principal balance for the Series 2011 B-1 Bonds of $53.5 million, plus accrued interest of $0.3 million, was called for full redemption. 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, 2019 to March 31, 2020. Refer to Note 8, “Long-Term Debt” for further detail regarding long-term debt obligations.

Looking Forward

The outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus, which was first detected in China and has since spread to other countries, including the United States, was declared a pandemic by the World Health Organization on March 11, 2020. The outbreak of the disease has affected travel, commerce, and financial markets globally and has widely impacted economic growth worldwide.

On March 17, 2020, the Governor of the state of Nevada declared that all non-essential businesses would be closed (including the properties along the Las Vegas Strip) to help mitigate the spread of COVID-19. As a result of the worldwide need to reduce travel and adhere to social distancing, as well as the temporary closure of the Las Vegas Strip properties and all non-essential businesses in the surrounding community, the Department has been impacted significantly. Passenger volume decreased 96.4% in April 2020 compared to April 2019. The Department expects continued decreases in passenger volume and revenues in the upcoming months, compared to the same months in the prior fiscal year.

As a result of the unusual circumstances, the Department has undertaken measures to reduce expenditures and maximize operating efficiencies. Additionally, the Department is a recipient of the Coronavirus Aid, Relief, and Economic Security (CARES) Act which provides funds to eligible U.S. airports affected by the prevention of, preparation for, and response to the COVID-19 pandemic. The Department has been awarded $195.5 million in funds from the CARES act, which will be distributed to the Department on a reimbursement basis from the FAA and applied towards eligible operating expenses.

During early May 2020, certain non-essential businesses began reopening within the state of Nevada. On May 27, 2020, the Governor of the state of Nevada announced that casinos within the state of Nevada could reopen on June 4, 2020, which would also include the properties along the Las Vegas Strip.

A significant portion of the Airport's passenger traffic is dependent on tourism, which heavily relies on hotels, conventions, dining, and entertainment venues in Southern Nevada. Continued closure or limited capacity of such areas will have a significant negative impact on tourism. Management cannot predict or determine the recovery period or the long-term financial effect that the pandemic will have on the Department's finances.

Additional Information

This financial report is designed to provide a general overview of the Department’s finances. For questions about this report or for additional financial information, please contact the Finance Division, Clark County Department of

Aviation, at P.O. Box 11005, Las Vegas, NV 89111-1005. Financial and statistical information for the Department may also be found at www.mccarran.com.

CLARK COUNTY DEPARTMENT OF AVIATION
CLARK COUNTY, NEVADA
Statements of Net Position
As of March 31, 2020 and June 30, 2019

Assets and Deferred Outflows of Resources		March 31, 2020 (000)		June 30, 2019 (000)
Assets				
Current assets:				
Cash and cash equivalents	$	476,964		504,235
Cash and cash equivalents, restricted		57,191		90,908
Investments, restricted		144,590		178,778
Accounts receivable, net of allowance for doubtful accounts of $927 and $736, respectively		39,349		41,698
Accounts receivable, restricted		11,113		12,653
Interest receivable		282		3,052
Interest receivable, restricted		722		5,642
Grants receivable		1,958		6,554
Other receivables		8		1,856
Other receivables, restricted		4,479		11,491
Inventories		9,993		12,044
Prepaid expenses		1,800		768
Total current assets		748,449		869,679
Non-current assets:				
Capital assets:				
Capital assets not being depreciated				
Construction in progress		114,585		64,372
Land		589,632		589,632
Land, restricted		13,018		13,018
Perpetual avigation easement		332,562		332,562
Capital assets being depreciated				
Land improvements		1,758,826		1,757,497
Buildings and improvements		3,672,181		3,668,926
Furniture and fixtures		45,868		45,868
Machinery and equipment		570,491		566,964
		7,097,163		7,038,839
Accumulated depreciation		(2,861,047)		(2,719,426)
Capital assets, net		4,236,116		4,319,413
Other non-current assets:				
Cash and cash equivalents, restricted		341,777		478,086
Investments, restricted		66,599		23,978
Derivative instruments - interest rate swaps		3,267		12,250
Prepaid expenses		193		1,334
Total other non-current assets		411,836		515,648
Total non-current assets		4,647,952		4,835,061
Total assets		5,396,401		5,704,740
Deferred outflows of resources:				
Pension		51,002		29,081
Other post employment benefits		27,248		17,414
Hedging derivative instruments		13,213		5,875
Losses on bond refundings and on imputed debt		25,421		26,161
Total deferred outflows of resources		116,884		78,531
Total assets and deferred outflows of resources	$	5,513,285	$	5,783,271

See accompanying notes to financial statements.

CLARK COUNTY DEPARTMENT OF AVIATION
CLARK COUNTY, NEVADA
Statements of Net Position
As of March 31, 2020 and June 30, 2019

Liabilities, Deferred Inflows of Resources, and Net Position	March 31, 2020 (000)	June 30, 2019 (000)
Liabilities:		
Current liabilities:		
Payable from unrestricted assets:		
Accounts payable and other current liabilities	$ 39,557	$ 31,771
Other accrued expenses	17,540	19,930
Rents received in advance	6,217	3,930
Total payable from unrestricted assets	63,314	55,631
Payable from restricted assets:		
Accounts payable and other current liabilities	7,617	14,626
Accrued interest	39,290	86,861
Current portion of long-term debt	174,380	182,504
Total payable from restricted assets	221,287	283,991
Total current liabilities	284,601	339,622
Noncurrent liabilities:		
Payable from unrestricted assets:		
Net pension liability	199,736	176,581
Net other post employment benefits liability	64,838	51,006
Derivative instruments - interest rate swaps	72,553	44,473
Compensated absences	2,748	2,748
Deposits	1,303	1,378
Total payable from unrestricted assets	341,178	302,564
Payable from restricted assets:		
Long-term debt, net of current portion	3,301,042	3,634,395
Total payable from restricted assets	3,301,042	3,634,395
Total noncurrent liabilities	3,642,220	3,910,581
Total liabilities	3,926,821	4,250,203
Deferred inflows of resources:		
Pension	10,290	12,105
Other post employment benefits	48,226	56,736
Hedging derivative instruments	2,761	11,118
Unamortized gain on bond refundings	12,190	6,571
Total deferred inflows of resources	73,467	86,530
Net position:		
Net investment in capital assets	937,066	701,267
Restricted for:		
Capital projects	83,765	124,317
Debt service	250,795	316,042
Other	90,674	89,152
Total restricted	425,234	529,511
Unrestricted	150,697	215,760
Total net position	1,512,997	1,446,538
Total liabilities, deferred inflows of resources, and net position	$ 5,513,285	$ 5,783,271

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 Nine Months Ended March 31, 2020 and 2019

	Three Months Ended		Nine Months Ended	
	March 31, 2020 (000)	March 31, 2019 (000)	March 31, 2020 (000)	March 31, 2019 (000)
Operating revenues:				
Terminal building and use fees	$ 47,750	$ 47,177	$ 146,368	$ 142,631
Landing fees and other aircraft fees	12,345	12,704	39,346	38,377
Gate use fees	7,899	7,261	24,343	21,875
Terminal concession fees	17,236	17,719	56,816	55,548
Rental car facility and concession fees	15,584	17,262	53,504	55,387
Parking and ground transportation fees	16,471	17,026	55,048	52,659
Gaming fees	8,950	9,578	28,606	27,697
Ground rents and use fees	5,520	6,585	18,428	18,947
Other	2,486	2,403	8,680	7,060
	134,241	137,715	431,139	420,181
Operating expenses:				
Salaries and benefits	37,369	35,561	112,131	106,491
Professional services	16,510	15,595	55,702	48,893
Utilities and communication	5,522	5,641	19,326	18,291
Repairs and maintenance	5,932	4,841	15,621	17,024
Materials and supplies	5,969	5,108	15,278	14,183
General administrative	1,318	997	4,324	3,840
	72,620	67,743	222,382	208,722
Operating income before depreciation and	61,621	69,972	208,757	211,459
Depreciation and amortization	47,711	47,529	142,866	143,396
Operating income	13,910	22,443	65,891	68,063
Non-operating revenues (expenses):				
Passenger Facility Charge	28,497	27,118	76,173	72,245
Jet A Fuel Tax	2,896	2,974	9,008	8,953
Interest and investment income	(12,330)	2,111	(2,551)	(15,743)
Interest expense	(28,291)	(39,446)	(95,898)	(120,403)
Net gain (loss) from disposition of capital assets	133	118	423	364
Other non-operating revenue	2,551	4,237	7,653	12,711
	(6,544)	(2,888)	(5,192)	(41,873)
Income before capital contributions	7,366	19,555	60,699	26,190
Capital contributions	5,459	2,230	5,760	7,169
	12,825	21,785	66,459	33,359
Net position, beginning of year	1,500,172	1,374,897	1,446,538	1,363,323
Net position, end of year	$ 1,512,997	$ 1,396,682	$ 1,512,997	$ 1,396,682

See accompanying notes to financial statements.

CLARK COUNTY DEPARTMENT OF AVIATION
CLARK COUNTY, NEVADA
Statements of Cash Flows (Unaudited)
For the Three and Nine Months Ended March 31, 2020 and 2019

	Three Months Ended		Nine Months Ended	
	March 31, 2020 (000)	March 31, 2019 (000)	March 31, 2020 (000)	March 31, 2019 (000)
Cash flows from operating activities:				
Cash received from customers	$ 143,243	$ 130,032	$ 439,931	$ 415,438
Cash paid to employees	(36,547)	(35,254)	(119,618)	(110,369)
Cash paid to outside vendors	(28,306)	(26,454)	(100,805)	(118,484)
Net cash provided by operating activities	78,390	68,324	219,508	186,585
Cash flows from capital and related financing				
Passenger Facility Charges received	27,994	23,860	77,712	70,879
Jet A Fuel Tax received	2,960	2,965	10,097	9,174
Acquisition and construction of capital assets	(23,784)	(15,883)	(60,339)	(51,114)
Federal grants and reimbursements received	4,995	4,073	10,356	13,642
Collateralized agreements with swap counterparties	(7,450)	(3,630)	(9,120)	(44,790)
Swap termination payment	—	—	—	(4,417)
Bond proceeds	—	118	1,283,211	—
Deposit to refunding escrow	—	—	(1,362,574)	—
Early payment of debt obligations	—	—	(114,386)	—
Proceeds from capital asset disposal	133	—	431	364
Build America Bonds subsidy	—	2,551	13,576	12,711
Debt service payments:				
Principal	—	—	(117,910)	(130,455)
Interest	(55,784)	(80,141)	(165,947)	(178,343)
Net cash used in capital and related financing	(50,936)	(66,087)	(434,893)	(302,349)
Cash flows from investing activities:				
Interest and investment income received	9,232	7,770	26,520	23,733
Proceeds from maturities of investments	19,010	41,729	239,554	135,665
Purchase of investments	(132,607)	(176,596)	(247,987)	(278,840)
Net cash used by investing activities	(104,365)	(127,097)	18,087	(119,442)
Decrease in cash and cash equivalents	(76,911)	(124,860)	(197,298)	(235,206)
Cash and cash equivalents, beginning of year	952,843	971,803	1,073,230	1,082,149
Cash and cash equivalents, end of year	$ 875,932	$ 846,943	$ 875,932	$ 846,943
Cash and cash equivalent balances:				
Unrestricted cash and cash equivalents	$ 477,633	$ 520,112	$ 477,633	$ 520,112
Restricted cash and cash equivalents	398,299	326,831	398,299	326,831
Cash and cash equivalents, end of year	$ 875,932	$ 846,943	$ 875,932	$ 846,943

See accompanying notes to financial statements.

CLARK COUNTY DEPARTMENT OF AVIATION
CLARK COUNTY, NEVADA
Statements of Cash Flows (Unaudited)
For the Three and Nine Months Ended March 31, 2020 and 2019

Reconciliation of operating income to net cash provided by operating activities:	Three Months Ended March 31, 2020 (000)	Three Months Ended March 31, 2019 (000)	Nine Months Ended March 31, 2020 (000)	Nine Months Ended March 31, 2019 (000)
Operating income	$ 13,910	$ 22,443	$ 65,891	$ 68,063
Adjustments to reconcile income from operations to net				
Depreciation and amortization	47,711	47,529	142,866	143,396
Changes in operating assets and liabilities:				
Accounts receivable	4,968	(13,360)	2,350	(9,884)
Other receivables	665	883	1,848	883
Inventory	669	(491)	2,052	(249)
Prepaid expenses	1,860	1,772	(1,032)	(971)
Deferred outflows - pension	(7,272)	(5,183)	(21,921)	(15,526)
Deferred outflows - other post employment benefits	(2,584)	(324)	(9,834)	(964)
Accrued payroll and benefits	1,793	1,477	(2,391)	(2,482)
Accounts payable	2,904	6,291	622	(18,176)
Accrued expenses	5,658	(1,693)	10,184	4,338
Unearned revenue	(671)	4,556	2,288	2,903
Deposits	(109)	84	(75)	159
Net pension liability	7,718	7,397	23,153	22,190
Net other post employment benefits liability	4,611	(889)	13,833	(591)
Deferred inflows - pension	(605)	(1,784)	(1,816)	(1,153)
Deferred inflows - other post employment benefits	(2,836)	(384)	(8,510)	(5,351)
Net cash provided by operating activities	$ 78,390	$ 68,324	$ 219,508	$ 186,585
Non-cash capital and related financing and investing				
Loss on investment income	$ (19,771)	$ (4,190)	$ (21,368)	$ (29,732)

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 the 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 (all collectively referred to as the Airport System). The Board is the governing body of the County. The seven Board 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 the County's 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, 2019 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 institutions situated 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 that described for permissible investments. Permissible investments are similar to the allowable County investments described below, except the State statutes permits 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 those amounts are distributed as of March 31, 2020 and June 30, 2019 (in thousands):

	March 31, 2020	June 30, 2019
Clark County Investment Pool	$ 741,683	$ 824,830
Cash and Investments with Trustee	337,265	437,608
Custodian Account	2,940	12,060
Cash On Hand or In Transit	5,234	1,488
Total	$ 1,087,122	$ 1,275,986

(a) Clark County Investment Pool

The Treasurer invests monies both by individual funds and 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 per 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 March 31, 2020 was $741.7 million. The respective allocation percentages of the investments held in the investment pool at March 31, 2020 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	26.0 %	11.1 %	10.6 %	4.3 %	—%
U.S. Agency Obligations	30.3 %	5.1 %	8.7 %	8.0 %	8.5 %
Corporate Obligations	18.4 %	3.9 %	8.3 %	6.2 %	—%
Money Market Funds	1.4 %	1.4 %	—%	— %	—%
Commercial Paper	10.3 %	10.3 %	—%	— %	—%
Negotiable Certificates of Deposit	7.9 %	7.9 %	—%	—%	—%
Collateralized Mortgage Obligations	0.2 %	—%	0.1 %	— %	0.1 %
Asset Backed Securities	5.5 %	0.5 %	1.1 %	2.7 %	1.2 %
	100.0 %	40.2 %	28.8 %	21.2 %	9.8 %

The department's share of the investments held in the investment pool at June 30, 2019 was $824.8 million. The respective allocation percentages of the investments held in the investment pool at June 30, 2019 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%	24.5%	60.2%	11.7%	3.6%
U.S. Agency Obligations	29.2%	10.4%	35.4%	37.7%	16.5%
Corporate Obligations	18.0%	24.7%	49.0%	26.3%	—%
Money Market Funds	2.2%	100.0%	—%	—%	—%
Commercial Paper	6.1%	100.0%	—%	—%	—%
Negotiable Certificates of Deposit	10.2%	100.0%	—%	—%	—%
Collateralized Mortgage Obligations	0.3%	—%	3.4%	54.5%	42.1%
Asset Backed Securities	3.0%	2.2%	34.0%	47.8%	16.0%
	100.0%	33.6%	38.9%	21.0%	6.5%

(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 security's cash flows and is used to estimate the sensitivity of a security's price to interest rate changes.

(c) Interest Rate Sensitivity

As of March 31, 2020, 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+
Corporate Notes	A3	A-
Money Market Funds	Aaa	AAA
Commercial Paper Interest Bearing		
Negotiable 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 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.

At March 31, 2020, the following investments exceeded 5% of the total cash, investments and loaned securities collateral for all entities combined:

Federal Farm Credit Banks	15.71%
Federal Home Loan Banks	18.01%
Federal National Mortgage Association	9.80%

As of June 30, 2019, the following investments exceeded 5% of total cash, investments and loaned securities collateral for all entities combined:

Federal Farm Credit Banks Non-Callables	12.12%
Federal Home Loan Bank Discounts	7.38%
Federal Home Loan Bank Non-Callables	8.11%

(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 March 31, 2020, and June 30, 2019, the Trustee held $337.3 million and $437.6 million, respectively, of the Department's cash and investments restricted for debt service reserves and annual debt service payments.

As of March 31, 2020, of the $337.3 million held by the Trustee, $126.1 million was held as cash and cash equivalents invested in United States Government Money Market Funds, and $211.2 million was invested in short-term and long-term investments with the following entities (in thousands):

		Investment Maturities (in years)		
Investment Type	Fair Value	Less Than 1	1 to 3	3 to 5
US Treasury Notes	$ 23,450	$ 8,052	$ 15,398	$ —
Federal Agricultural Mortgage Corp Non-Callables	12,157	10,102	2,056	—
Federal Farm Credit Bank Non-Callables	33,183	8,003	16,718	8,462
Federal Home Loan Bank Callables	26,098	26,098	—	—
Federal Home Loan Bank Discounts	11,945	—	1,632	10,313
Federal Home Loan Bank Non-Callables	79,588	79,588	—	—
Federal Home Loan Mortgage Corporation Non-Callables	4,068	2,001	2,067	—
Federal National Mortgage Association Callables	20,700	—	11,777	8,922
	$ 211,189	$ 133,844	$ 49,648	$ 27,697

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 Non-Callables	Aaa	AA+
Federal Home Loan Mortgage Corporation Non-Callables	Aaa	AA+
Federal National Mortgage Association Callables	Aaa	AA+

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

As of June 30, 2019, of the $437.6 million held by the Trustee, $234.8 million in cash and cash equivalents was invested in United States Government Money Market Funds, and $202.8 million was invested in short- and long-term investments with the following entities (in thousands):

		Investment Maturities (in years)		
Investment Type	Fair Value	Less Than 1	1 to 3	3 to 5
US Treasury Bills	$ 30,210	$ 30,210	$ —	$ —
US Treasury Notes	99,603	97,618	1,985	—
Federal Agricultural Mortgage Corp Non-Callables	3,991	—	3,991	—
Federal Farm Credit Bank Non-Callables	24,574	20,046	2,459	2,069
Federal Home Loan Bank Callables	5,981	5,981	—	—
Federal Home Loan Bank Discounts	14,958	14,958	—	—
Federal Home Loan Bank Non-Callables	16,440	4,979	1,601	9,860
Federal Home Loan Mortgage Corporation Non-Callables	4,003	1,990	2,013	—
Federal National Mortgage Association Non-Callables	2,997	2,997	—	—
	$ 202,757	$ 178,779	$ 12,049	$ 11,929

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+

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

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 March 31, 2020, 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 CACA, the custodian monitors the collateral posted by the counterparty on behalf of the County. As of March 31, 2020, the counterparty posted cash as collateral with the custodian for Swap #12A at a value of $2.9 million.

(h) Fair Value of Combined Investments and Derivative Instruments

The fair value of the Department's investments and derivative instruments as of March 31, 2020 and June 30, 2019 are as follows (in thousands):

As of March 31, 2020

Investment Type	Fair Value	Fair Value Measurements: Quoted Prices in Active Markets for Identical Assets (Level 1)	Fair Value Measurements: Significant Other Observable Inputs (Level 2)
Debt Securities with Clark County Investment Pool			
U.S. Treasuries	$ 192,668	$ 192,668	$ —
U.S. Agencies	224,896	—	224,896
Corporate Obligations	136,413	—	136,413
Money Market Funds	10,062	10,062	—
Commercial Paper	76,212	—	76,212
Negotiable CD	58,785	—	58,785
Collateralized Mortgage Obligations	1,674	—	1,674
Asset Backed Securities	40,974	—	40,974
Subtotal	741,684	202,730	538,954
Debt Securities held by Trustee			
U.S. Treasury Notes	23,450	23,450	—
Federal Agricultural Mortgage Corp Non-Callables	12,157	—	12,157
Federal Farm Credit Bank Non-Callables	33,183	—	33,183
Federal Home Loan Bank Discounts	26,098	26,098	—
Federal Home Loan Bank Non-Callables	11,945	—	11,945
Federal Home Loan Mortgage Corporation Discounts	79,588	79,588	—
Federal Home Loan Mortgage Corporation Non-Callables	4,068	—	4,068
Federal National Mortgage Association Non-Callables	20,700	—	20,700
Money Market Funds	126,075	126,075	—
Subtotal	337,264	255,211	82,053
Debt Securities Derivative Instruments			
Derivative Instruments - Assets	3,267	—	3,267
Derivative Instruments - Liability	(72,553)	—	(72,553)
Subtotal	(69,286)	—	(69,286)
Total	$ 1,009,662	$ 457,941	$ 551,721

As of June 30, 2019

Investment Type	Fair Value	Fair Value Measurements: Quoted Prices in Active Markets for Identical Assets (Level 1)	Fair Value Measurements: Significant Other Observable Inputs (Level 2)
Debt Securities with Clark County Investment Pool			
U.S. Treasuries	$ 255,696	$ 255,696	$ —
U.S. Agencies	240,724	1,796	238,928
Corporate Obligations	148,554	—	148,554
Money Market Funds	17,926	17,926	—
Commercial Paper	50,332	—	50,332
Negotiable CD	83,933	—	83,933
Collateralized Mortgage Obligations	2,604	—	2,604
Asset Backed Securities	25,061	—	25,061
Subtotal	824,830	275,418	549,412
Debt Securities held by Trustee			
U.S. Treasury Bills	30,210	30,210	—
U.S. Treasury Notes	99,603	99,603	—
Federal Agricultural Mortgage Corp Non-Callables	3,991	—	3,991
Federal Farm Credit Bank Non-Callables	24,574	—	24,574
Federal Home Loan Bank Callables	5,981	—	5,981
Federal Home Loan Bank Discounts	14,958	14,958	—
Federal Home Loan Bank Non-Callables	16,440	—	16,440
Federal Home Loan Mortgage Corporation Non-Callables	4,003	—	4,003
Federal National Mortgage Association Non-Callables	2,997	—	2,997
Money Market Funds	234,186	234,186	—
Subtotal	436,943	378,957	57,986
Debt Securities Derivative Instruments			
Derivative Instruments - Assets	12,250	—	12,250
Derivative Instruments - Liability	(44,473)	—	(44,473)
Subtotal	(32,223)	—	(32,223)
Total	$ 1,229,550	$ 654,375	$ 575,175

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.

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 March 31, 2020 and June 30, 2019, consists of TSA Other Transaction Agreements (OTAs) in the amounts of $0.9 million and $2.3 million, respectively, and FAA grants in the amounts $1.1 million and $4.2 million, respectively.

4.) RESTRICTED ASSETS

The Master Indenture of Trust requires segregation of certain assets into restricted accounts. The Department has also included 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 consist of the following at March 31, 2020 and June 30, 2019 (in thousands):

	March 31, 2020	June 30, 2019
Restricted for capital projects:		
Cash and investments - PFC and other bond proceeds	$ 75,820	$ 76,815
Cash and investments - PFC	65,891	101,957
Accounts receivable - PFC	11,113	12,653
Grant reimbursements receivable	5,230	4,291
Interest receivable	1,004	5,417
Subtotal restricted for capital projects	159,058	201,133
Restricted for debt service:		
Bond funds:		
Cash and investments - PFC bonds	43,213	60,792
Cash and investments - other bonds	126,335	254,612
Other receivable	2,551	8,474
Interest receivable	—	21
Subtotal restricted for bond funds	172,099	323,899
Debt service reserves:		
Cash and investments - PFC bonds	36,179	50,939
Cash and investments - other bonds	145,554	103,342
Subtotal restricted for debt service reserves	181,733	154,281
Subordinate and other debt coverage reserves:		
Cash and investments	35,900	35,101
Interest receivable	—	204
Other receivable - Jet A Fuel Tax	1,928	3,017
Subtotal restricted for subordinate and other debt coverage reserves	37,828	38,322
Subtotal restricted for debt service	391,660	516,502
Other restricted assets:		
Cash and investments - Working capital and contingency	23,784	23,333
Cash and investments - Capital fund	53,872	52,800
Custodian account	2,940	12,060
Land - Heliport facility	3,718	3,718
Land - Henderson runway	9,300	9,300
Subtotal other restricted assets	93,614	101,211
Total restricted assets	$ 644,332	$ 818,846
Restricted assets by class:		
Total current assets	$ 222,938	$ 303,764
Total capital assets	13,018	13,018
Total other non-current assets	408,376	502,064
Total restricted assets:	$ 644,332	$ 818,846

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.

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.

As of March 31, 2020, the Department estimated a net pension liability of $199.7 million; as of June 30, 2019 the Department had a net pension liability of $176.6 million, which represents the Department's percentage, 15.5%, of the County's net pension liability at June 30, 2019. This percentage was determined based on the contributions to PERS by the Department during fiscal year 2019, relative to the total contributions to PERS by the County during fiscal year 2019.

For the nine months ended March 31, 2020, the Department reported pension expense of $20.4 million. For the year ended June 30, 2019, the Department recognized pension expense of $27.0 million. The actuarial valuation related to the pension plan is prepared annually. Management records estimates during the fiscal year for pension expense, deferred outflows, and deferred inflows, and such amounts are adjusted to actuals at year-end, when the actuarial valuations are received.

Refer to the Department's CAFR as of and for the year ended June 30, 2019, for comprehensive information and related disclosures pertaining to the Department's pension plan as of June 30, 2019. There are no updates to the disclosed information as of the issuance of these financial statements.

6.) OTHER POST EMPLOYMENT 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 and including the Department) enrolled in the health maintenance organization (HMO) Plan. The plan also provides life insurance to eligible retirees of Clark County (primary government only and including the Department). 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/.

Net OPEB Liability and Changes in the Net OPEB Liability

The Department's estimated total net OPEB liability as of March 31, 2020 was $64.8 million. The Department's total net OPEB liability as of June 30, 2019 was $51.0 million and was measured by an actuarial valuation dated June 30, 2018. The Department's portion of the CCSF and RHPP OPEB liabilities as of June 30, 2019 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, 2019 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.

During the nine months ended March 31, 2020 the Department contributed $8.3 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, 2020 and is being net against the OPEB liability at March 31, 2020.

Refer to the Department's CAFR as of and for the year ended June 30, 2019, for comprehensive information and related disclosures pertaining to the Department's OPEB plans as of June 30, 2019. There have been no changes to this information as of the issuance of these financial statements.

7.) CHANGES IN CAPITAL ASSETS

Capital asset activity for the nine months ended March 31, 2020 was as follows (in thousands):

	June 30, 2019	Additions	Deletions	March 31, 2020
Capital assets, not being depreciated:				
Land	$ 602,650	$ —	$ —	$ 602,650
Avigation easement	332,562	—	—	332,562
Construction in progress	64,372	56,507	(6,294)	114,585
Total capital assets, not being depreciated	999,584	56,507	(6,294)	1,049,797
Capital assets, being depreciated:				
Land Improvements	1,757,497	1,329	—	1,758,826
Buildings and improvements	3,668,926	3,255	—	3,672,181
Machinery and equipment	566,964	4,779	(1,252)	570,491
Furniture and fixtures	45,868	—	—	45,868
Total capital assets being depreciated	6,039,255	9,363	(1,252)	6,047,366
Less accumulated depreciation:				
Land improvements	(1,047,101)	(45,382)	—	(1,092,483)
Buildings and improvements	(1,256,352)	(75,649)	—	(1,332,001)
Machinery and equipment	(384,464)	(20,160)	1,244	(403,380)
Furniture and fixtures	(31,509)	(1,674)	—	(33,183)
Total accumulated depreciation	(2,719,426)	(142,865)	1,244	(2,861,047)
Total capital assets being depreciated, net	3,319,829	(133,502)	(8)	3,186,319
Total capital assets, net	$ 4,319,413	$ (76,995)	$ (6,302)	$ 4,236,116

8.) LONG-TERM DEBT

(a) Changes in Long-Term Debt Obligations

Changes in long-term debt obligations from June 30, 2019 to March 31, 2020 are summarized as follows (in thousands):

	June 30, 2019	Additions	Refunding	Pay downs	March 31, 2020	
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	87,785	—	76,120	11,665	—	†
2015 Series A	59,915	—	—	—	59,915	†
2019 Series B	—	240,800	—	—	240,800	†
2019 Series C	—	70,510	—	—	70,510	†
Sub-Total Senior Lien Bonds	901,980	311,310	376,120	11,665	825,505	
SUBORDINATE LIEN BONDS:						
2008 Series A-2	36,600	—	—	9,840	26,760	*
2008 Series B-2	36,635	—	—	9,850	26,785	*
2008 Series C-1	122,900	—	—	—	122,900	*
2008 Series C-2	62,915	—	—	3,015	59,900	*
2008 Series C-3	62,910	—	—	3,010	59,900	*
2008 Series D-1	52,995	—	—	2,125	50,870	*
2008 Series D-2A	100,000	—	—	—	100,000	*
2008 Series D-2B	99,605	—	—	—	99,605	*
2008 Series D-3	120,925	—	—	530	120,395	*
2009 Series C	168,495	—	168,495	—	—	†
2010 Series B	350,000	—	350,000	—	—	†
2011 Series B-1	73,200	—	—	73,200	—	*
2014 Series A-1	21,490	—	—	4,780	16,710	†
2014 Series A-2	221,870	—	—	—	221,870	†
2017 Series A-1	54,035	—	—	10,910	43,125	†
2017 Series A-2	47,800	—	—	—	47,800	†
2019 Series A	—	107,530	—	—	107,530	†
2019 Series D	—	296,155	—	—	296,155	†
SUBORDINATE LIEN BONDS FROM DIRECT PLACEMENTS:						
2017 Series D	73,265	—	—	19,700	53,565	*
Sub-Total Subordinate Lien Bonds	1,705,640	403,685	518,495	136,960	1,453,870	
PFC BONDS:						
2010 Series A	446,765	—	446,150	615	—	†
2010 Series F-2	79,230	—	—	79,230	—	*
2012 Series B	64,360	—	—	4,530	59,830	†
2015 Series C	98,965	—	—	10,465	88,500	†
2017 Series B	65,925	—	—	6,945	58,980	†
2019 Series E	—	369,045	—	—	369,045	†
Sub-Total PFC Bonds	755,245	369,045	446,150	101,785	576,355	
JUNIOR SUBORDINATE LIEN DEBT AND JET A BONDS:						
2013 Jet A Fuel Tax Series A	70,965	—	—	5,020	65,945	†
2017 Notes Series C	146,295	—	—	—	146,295	‡
2018 Notes Series A	95,545	—	—	—	95,545	‡
Sub-Total Junior Subordinate Lien Debt and Jet A Bonds	312,805	—	—	5,020	307,785	
GENERAL OBLIGATION BONDS:						
2008 General Obligation Series A	43,105	—	—	—	43,105	*
2013 General Obligation Series B	32,915	—	—	—	32,915	†
Sub-Total General Obligation Bonds	76,020	—	—	—	76,020	
Total principal outstanding	3,751,690	1,084,040	1,340,765	255,430	3,239,535	
Premiums, discounts, and imputed debt from termination of hedges:		Additions	Amortization	Deletions		
Unamortized premiums	74,686	199,172	(24,711)	(7,361)	241,786	
Unamortized discounts	(15,362)	—	865	4,185	(10,312)	
Imputed debt from termination of hedges	5,885	—	(1,471)	—	4,413	
	65,209	199,172	(25,317)	(3,176)	235,887	
Current portion of long-term debt	(182,504)				(174,380)	
Total long-term debt outstanding	$ 3,634,395				$ 3,301,042	

* 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 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 senior lien bonds are issued in accordance with the Master Indenture of Trust dated May 1, 2003, (Indenture) between Clark County and The Bank of New York Mellon Trust Company, N.A.

Senior lien bonds are secured by and are payable from the 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 operating 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 ratios (the ratio of total revenue less operating expenses to debt service) for FY 2019 was 4.70. As of March 31, 2020, the Department had $825.5 million in principal of senior lien bonds outstanding.

On July 1, 2019, the Department issued the Series 2019 B Senior Series Revenue Bonds (Series 2019 B Bonds) for $240.8 million. The net proceeds of $300.0 million, along with a $23.2 million contribution from the Department, were used to refund the outstanding principal and interest on the Senior Series 2009B Build America Bonds (Series 2009B Bonds) and to fund a new debt service reserve fund for the Series 2019 B Bonds. The refunding transaction for the Series 2009B Bonds resulted in an economic gain of $88.2 million and a $138.8 million reduction of the aggregate debt service payments associated with those bonds. The Series 2019 B Bonds have a stated interest rate of 5.00%, with yields varying from 1.68% to 2.50% with interest payments due on January 1 and July 1 of each year, and scheduled principal payments are due on July 1 of each year until the scheduled maturity date of July 1, 2042.

On November 27, 2019, the Department issued the Series 2019 C Senior Revenue Bonds (Series 2019 C Bonds) for $70.5 million. The net proceeds of $72.6 million were used to refund the outstanding principal and interest on the Series 2010D Senior Lien Bonds (Series 2010 D Bonds) and to fund a new debt service reserve fund for the Series 2019 C Bonds. The difference between the reacquisition price and the net carrying amount of the old debt resulted in a gain of $1.7 million. The refunding transaction for the Series 2010 D Bonds resulted in an economic gain of $6.4 million and $ 9.1 million reduction of the aggregate debt service payments associated with those bonds. The Series 2019 C Bonds have a fixed interest rate of 5.00% with yields varying from 1.68% to 2.50%. Interest payments are due on July 1, 2020, January 1, 2021, and July 1, 2021. Scheduled principal payments are due on July 1, 2020 and July 1, 2021.

<u>*Subordinate Lien Bonds*</u>

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 Indenture 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 2019 was 1.61. As of March 31, 2020, the Department had $1,453.9 million in principal of subordinate lien bonds outstanding.

On July 1, 2019, the Department issued the Series 2019 A Subordinate Lien Refunding Revenue Bonds (Series 2019 A Bonds) for $107.5 million. The net proceeds of $125.8 million, along with a $51.3 million contribution from the Series 2017 Revocable Escrow Fund, were used to refund the outstanding principal and interest on the Series 2009 C Subordinate Lien Bonds and to fund a new debt service reserve fund for the Series 2019 A Bonds. The difference between the reacquisition price and the net carrying amount of the old debt resulted in a gain of $3.2 million. The refunding transaction for the Series 2009 C Bonds resulted in an economic gain of $26.3 million and reduction of the aggregate debt service payments associated with those bonds of $75.2 million. The Series 2019 A Bonds have a stated interest rate of 5.00%, with yields varying from 1.43% to 1.61%. Interest payments are due on January 1 and July 1 of each year, and scheduled principal payments are due starting July 1, 2023 and continuing for four years until the scheduled maturity date of July 1, 2026.

On November 8, 2019, the Department called for the full redemption of the Series 2011 B-1 Bonds, which had an outstanding par value of $53.5 million plus accrued interest of $0.3 million.

On November 27, 2019, the Department issued the Series 2019 D Subordinate Lien Refunding Revenue Bonds (Series 2019 D Bonds) for $296.2 million. The net proceeds of $347.2 million, along with the prior debt service deposit and debt service reserve fund balance of $35.7 million were used to refund the outstanding principal and interest on the Series 2010B Subordinate Lien Bonds and to fund a new debt service reserve fund for the Series 2019 D Bonds. The difference between the reacquisition price and the net carrying amount of the old debt resulted in a gain of $3.1 million. The refunding transaction for the Series 2009 C Bonds resulted in an economic gain of $203.5 million and reduction of the aggregate debt service payments associated with those bonds of $321.2 million. The Series 2019 D Bonds have a stated interest rate of 5.00% and with yields varying from 1.24% to 2.12%, with interest payments due on January 1 and July 1 of each year, and staggered scheduled principal payments due on July 1 of each year until the scheduled maturity date of July 1, 2032.

Subordinate Lien Bonds from Direct Placements

On December 6, 2017, the County issued the Series 2017 D Airport System Subordinate Lien Refunding Revenue Bonds (Series 2017 D Bonds) for $92.5 million to mature on July 1, 2022. The Series 2017 D is issued in accordance with the Indenture between Clark County and The Bank of New York Mellon Trust Company, N.A. The Series 2017 D Bonds was issued to refund Series 2011 B-2 Bonds and the Bank of America Preferred Funding Corporation has agreed to purchase the bonds pursuant to the terms and provisions of a Direct Purchase Agreement. The purchase agreement for the Series 2017 D Bonds constitutes a direct placement of debt. The Series 2017 D Bonds bears interest at a floating rate that is reset monthly and payable every month. Interest payments are due on the first business day of each month and scheduled principal payments are due on July 1 of each year. As of March 31, 2020, the Department had $53.6 million in outstanding subordinate lien bonds from direct placements (these amounts are also included in the total of subordinate lien bonds noted above).

PFC Bonds

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 Indenture 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 the net revenues of the Airport System on parity with that of the subordinate lien bonds and junior to that of the senior lien bonds. Effective October 1, 2008, the PFC rate is $4.50 per qualifying enplaned passenger. As of March 31, 2020, the Department had $576.4 million in outstanding PFC bonds.

During FY 2019, the Department earned $96.8 million in PFC revenues and earned $6.9 million in PFC interest income, and the Department pledged $77.8 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. The Master Indenture of Trust does not require additional coverage for PFC bonds. During the first nine months of FY 2020, the Department earned $76.2 million in PFC revenues and $3.4 million in PFC interest income.

On November 8, 2019, the Department called for the full redemption of the Series 2010 F-2 PFC Bonds with an outstanding par value of $60.3 million plus accrued interest of $0.3 million.

On November 27, 2019, the Department issued the Series 2019 E PFC Refunding Revenue Bonds (Series 2019 E PFC) for $369.0 million. The net proceeds of $432.8 million were used to refund the outstanding principal and interest on the Series 2010 A PFC Bonds and to fund a new debt service reserve fund for the Series 2019 E PFC Bonds. The difference between the reacquisition price and the net carrying amount of the old debt resulted in a loss of $3.5 million. The refunding transaction for the Series 2010 A Bonds resulted in an economic gain of $204.4 million and reduction of the aggregate debt service payments associated with those bonds of $337.2 million. The Series 2019 E PFC Bonds have a stated interest rate of 5.00% with yields varying from 1.22% to 2.13% Interest payments are due on January 1 and July 1 of each year, and scheduled principal payments are due on July 1 of each year until the scheduled maturity date of July 1, 2033.

Junior Subordinate Lien Debt and Jet A Bonds

The junior subordinate lien debt and Jet A bonds comprise Jet A Fuel Tax bonds and short term 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 March 31, 2020, the Department had $65.9 million in outstanding Jet A bonds and $241.8 million in outstanding short term notes, for a total of $307.8 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 March 31, 2020, 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 March 31, 2020, the Department had $76.0 million in outstanding general obligation bonds.

Other Information Related to Debt Issuances

The Department's outstanding bonds and notes (excluding direct placements) contain a provision that in an event of default, the Trustee shall enforce the rights of the bond owners if the Department is unable to make payment. The consequences in the event of a default may include various legal or financial actions taken against the Department by the Trustee, with financial actions being limited to the pursuit of amounts currently due. The Department's outstanding bond series from direct placements, Series 2017 D, contains a provision that upon the occurrence of any events of default, the bank has the right to accelerate all remaining outstanding amounts and any amounts owed to the purchaser.

The Department's variable rate demand bonds have 11 associated letters of credit and one line of credit. Under the letters of credit, the banks who issued the facilities are unconditionally obligated to pay principal and interest on the bonds secured by letters of credit when due, and to pay the purchase price of tendered bonds when tendered. The Department is obligated to immediately reimburse the banks who issued these facilities for principal and interest draws. According to the terms of the lines of credit, the bank who issued the facility is obligated (absent a default by the County) to pay the purchase price of tendered bonds when tendered. In both cases, it is expected that tendered bonds will be remarketed and remarketing proceeds will be used to reimburse the issuing banks for the purchase price of tendered bonds. Each line or letter of credit has a three-year term out agreement. If a term-out agreement were to take effect, it would require all outstanding amounts to such series of bonds to be repaid within three years on an accelerated basis. The Department’s line and letters of credit terminate on dates occurring between December 2020 and February 2024.

Below summarizes the credit facilities securing the variable rate bonds at March 31, 2020 (in thousands):

	Bond Series	Credit Provider	Facility Fee Rate	Remarketing Agent	Remarketing Fee Rate
(a)	2008A GO	State Street Bank and Trust	0.35 %	Citi Bank N.A.	0.09 %
(b)	2008A-2	State Street Bank and Trust	0.38 %	J.P. Morgan Securities	0.10 %
(c)	2008B-2	State Street Bank and Trust	0.38 %	Citi Bank N.A.	0.10 %
(d)	2008C-1	Bank of America	0.45 %	Bank of America Merrill Lynch	0.07 %
(e)	2008C-2	State Street Bank and Trust	0.40 %	J.P. Morgan Securities	0.09 %
(f)	2008C-3	Sumitomo Mitsui Banking Corporation	0.42 %	Citi Bank N.A.	0.09 %
(g)	2008D-1	Sumitomo Mitsui Banking Corporation	0.49 %	Citi Bank N.A.	0.09 %
(h)	2008D-2A	Wells Fargo Bank, N.A.	0.38 %	Wells Fargo Securities	0.07 %
(i)	2008D-2B	Royal Bank of Canada	0.50 %	RBC Capital Markets	0.09 %
(j)	2008D-3	Bank of America	0.40 %	Citi Bank N.A.	0.09 %

	Credit Type	Original Commitment Amount	Term Out	Termination Date
(a)	Line of credit*	$ 45,713	3 years	February 14, 2024
(b)	Letter of credit	53,321	3 years	July 1, 2022
(c)	Letter of credit	53,321	3 years	July 1, 2022
(d)	Letter of credit	130,941	3 years	December 4, 2020
(e)	Letter of credit	76,018	3 years	February 14, 2023
(f)	Letter of credit	76,018	3 years	February 14, 2024
(g)	Letter of credit	62,833	3 years	January 26, 2022
(h)	Letter of credit	106,641	3 years	February 24, 2023
(i)	Letter of credit	106,122	3 years	December 4, 2020
(j)	Letter of credit	130,903	3 years	June 2, 2023

* The full commitment amount on the Department's line of credit is unused as of March 31, 2020.

Arbitrage Rebate Requirement

Tax-exempt bond arbitrage involves the investment of governmental bond proceeds which are derived from the sale 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 March 31, 2020 the Department has estimated its potential arbitrage rebate liability and has accrued $0.03 million to cover this estimated liability.

(c) Deferred Inflows of Resources Related to Debt

The following schedule details the unamortized gains on bond refundings, presented as deferred inflows, at March 31, 2020 and June 30, 2019 (in thousands):

	March 31, 2020	June 30, 2019
2008 Series D-1	$ 35	$ 39
2013 Jet A Fuel Tax Series A	707	971
2014 Series A-1	400	503
2015 Series A	862	898
2017 Series A-1	723	1,157
2017 Series A-2	1,743	1,811
2017 Series B PFC	952	1,192
2019 Series A	2,756	—
2019 Series C	1,049	—
2019 Series D	2,963	—
Total unamortized gains on refunded bonds	$ 12,190	$ 6,571

(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 March 31, 2020 and June 30, 2019 (in thousands):

	March 31, 2020	June 30, 2019
2008 Series A-2	$ 1	$ 1
2008 Series A	503	555
2008 Series B-2	1	1
2008 Series C	984	1,291
2008 Series D-2	9,371	9,884
2008 Series D-3	600	657
2010 Series F-2	—	669
2011 Series B-1	—	12
2012 Series B	976	1,341
2013 Series B	63	74
2014 Series A-2	2,632	2,799
2015 Series C	2,553	2,993
2019 Series E	3,324	0
Total unamortized losses on refunded bonds	21,008	20,277
Deferred losses on imputed debt	4,413	5,885
Total other deferred costs	$ 25,421	$ 26,162

(e) Long-term Debt Obligations

The following table summarizes long term debt obligations at March 31, 2020 (in thousands):

Series			Purpose	Pledged Revenue
Senior Lien Bonds	(a)	2010C	Issued to fund the construction of Terminal 3	Airport System Revenue
	(b)	2015A	Refunded Series 2005A	Airport System Revenue
	(c)	2019B	Refunded Series 2009B	Airport System Revenue
	(d)	2019C	Refunded Series 2010D	Airport System Revenue
Subordinate Lien Bonds	(e)	2008A2	Refunded Series 2006 B1	Airport System Revenue
	(f)	2008B2	Refunded Series 2006 B1	Airport System Revenue
	(g)	2008C1*		Airport System Revenue
	(h)	2008C2*	*Refunded Series 2005 C1A and Series 2005 C1B, Series C2, Series 2005 C3, Series 2005 D1, Series 2005 D2, 2005 E1, Series 2005 E2, Series 2005 E3	Airport System Revenue
	(i)	2008C3*		Airport System Revenue
	(j)	2008D1*		Airport System Revenue
	(k)	2008D2*		Airport System Revenue
	(l)	2008D3	Refunded Series 2001C	Airport System Revenue
	(m)	2014A1	Refunded Series 2004 A1 and Series 2004 A2	Airport System Revenue
	(n)	2014A2		Airport System Revenue
	(o)	2017A1	Refunded Series 2007 A	Airport System Revenue
	(p)	2017A2		Airport System Revenue
	(q)	2019A	Refunded Series 2009C	Airport System Revenue
	(r)	2019D	Refunded Series 2010B	Airport System Revenue
Subordinate Lien Bonds from Direct		2017D	Refunded Series 2011 B-2	Airport System Revenue
PFC Bonds	(s)	2012BPFC	Refunded Series 1998A	Passenger Facility Charge
	(t)	2015CPFC	Refunded Series 2007	Passenger Facility Charge
	(u)	2017B PFC	Refunded Series 2007 A1 Bonds and funded a new debt	Passenger Facility Charge
	(v)	2019E PFC	Refunded Series 2010A PFC	Passenger Facility Charge
Junior Subordinate Lien and Jet A Bonds	(w)	2013A	Refunded Series 2003C	Jet Aviation Fuel Tax
	(x)	2017C	Refunded Series 2013 C1	Airport System Revenue
	(y)	2018A	Refunded Series 2014B	Airport System Revenue
General Obligation Bonds	(z)	2008A	Refunded Series 2003A	Airport System Revenue
	(aa)	2013B	Refunded Series 2003B	Airport System Revenue

	Issue Date	Maturity Date	Interest Rate	Original Issue	March 31, 2020
(a)	2/23/2010	7/1/2045	6.82%	$ 454,280	$ 454,280
(b)	4/30/2015	7/1/2040	5.00%	59,915	59,915
(c)	7/1/2019	7/1/2042	5.00%	240,800	240,800
(d)	11/27/2019	7/1/2021	5.00%	70,510	70,510
		Subtotal			825,505
		Unamortized premiums			65,724
		Current portion			(46,875)
		Total Senior Lien Bonds			844,354
(e)	6/26/2008	7/1/2022	weekly variable rate	50,000	26,760
(f)	6/26/2008	7/1/2022	weekly variable rate	50,000	26,785
(g)	3/19/2008	7/1/2040	weekly variable rate	122,900	122,900
(h)	3/19/2008	7/1/2029	weekly variable rate	71,550	59,900
(i)	3/19/2008	7/1/2029	weekly variable rate	71,550	59,900
(j)	3/19/2008	7/1/2036	weekly variable rate	58,920	50,870
(k)	3/19/2008	7/1/2040	weekly variable rate	199,605	199,605
(l)	3/19/2008	7/1/2029	weekly variable rate	122,865	120,395
(m)	4/8/2014	7/1/2024	4.00%-5.00%	95,950	16,710
(n)	4/8/2014	7/1/2036	4.00%-5.00%	221,870	221,870
(o)	4/25/2017	7/1/2022	4.00%-5.00%	65,505	43,125
(p)	4/25/2017	7/1/2040	5.00%	47,800	47,800
(q)	7/1/2019	7/1/2026	5.00%	107,530	107,530
(r)	11/27/2019	7/1/2032	5.00%	296,155	296,155
	12/6/2017	7/1/2022	monthly variable rate †	92,465	53,565
		Subtotal			1,453,870
		Unamortized premiums			81,558
		Unamortized discounts			(10,312)
		Current portion			(64,920)
		Total Subordinate Lien Bonds			1,460,196
(s)	7/2/2012	7/1/2033	5.00%	64,360	59,830
(t)	7/22/2015	7/1/2027	5.00%	98,965	88,500
(u)	4/25/2017	7/1/2025	3.25%-5.00%	69,305	58,980
(v)	11/27/2019	7/1/2033	5.00%	369,045	369,045
		Subtotal			576,355
		Unamortized premiums			78,206
		Unamortized discounts			—
		Current portion			(57,315)
		Total PFC bonds			597,246
(w)	4/2/2013	7/1/2029	5.00%	70,965	65,945
(x)	6/29/2017	7/1/2021	5.00%	146,295	146,295
(y)	6/29/2018	7/1/2021	5.00%	95,545	95,545
		Subtotal			307,785
		Unamortized premiums			13,504
		Current portion			(5,270)
		Total Junior Subordinate Lien and Jet A bonds			316,019
(z)	2/26/2008	7/1/2027	weekly variable rate	43,105	43,105
(aa)	4/2/2013	7/1/2033	5.00%	32,915	32,915
		Subtotal			76,020
		Unamortized premiums			2,794
		Total General Obligation bonds			78,814
		Imputed debt from termination of			4,413
	Total long-term debt				$ 3,301,042

** Interest on the variable-rate bonds is determined by each remarketing agent and reset weekly.

† Interest on the Series 2017D is paid at 70% of one month LIBOR plus 49 basis points and reset monthly.

(f) Schedule of Debt Principal and Interest

Principal and interest payments on debt at March 31, 2020, are as follows (in thousands):

	Total		Senior Lien Bonds		Subordinate Lien Bonds **		Subordinate Lien Bonds from Direct Placements		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	Principal	Interest
2021	$ 174,380	$ 137,420	$ 46,875	$ 48,704	$ 45,170	$ 42,045	$ 19,750	$ 399	$ 57,315	$ 29,075	$ 5,270	$ 15,258	$ —	$ 1,939
2022	407,845	121,360	23,635	46,609	64,610	39,117	19,800	165	52,425	24,589	247,375	8,941	—	1,939
2023	172,970	108,652	—	46,018	98,100	36,181	14,015	—	55,045	21,902	5,810	2,612	—	1,939
2024	152,250	101,638	—	46,018	88,355	32,286	—	—	57,795	19,081	6,100	2,314	—	1,939
2025-2029	704,195	420,667	29,550	228,629	390,965	115,043	—	—	205,170	61,333	35,405	6,555	43,105	9,108
2030-2034	625,385	301,695	87,815	212,152	348,225	65,376	—	—	148,605	19,300	7,825	196	32,915	4,672
2035-2039	418,385	204,670	154,360	182,339	264,025	22,331	—	—	—	—	—	—	—	—
2040-2044	375,690	124,309	274,835	122,466	100,855	1,843	—	—	—	—	—	—	—	—
2045-2049	208,435	14,369	208,435	14,369	—	—	—	—	—	—	—	—	—	—
Total	$3,239,535	$1,534,779	$ 825,505	$947,303	$1,400,305	$ 354,222	$ 53,565	$ 564	$ 576,355	$175,280	$ 307,785	$ 35,875	$ 76,020	$ 21,536

** Subordinate Lien Bonds from Direct Placements are excluded from these figures and presented separately.

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, 2019, for comprehensive information and related disclosures pertaining to the Department's interest rate swaps as of June 30, 2019. There have been no significant 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):

Swap #	Interest Rate Swap Description	Associated Variable Rate Bonds or Amended Swaps	County Pays	County Receives	Effective Date	Maturity Date	Initial Notional Amount	Counterparty	Counterparty Ratings: Moody's	Counterparty Ratings: S&P	Counterparty Ratings: Fitch	Outstanding National: March 31, 2020	Outstanding National: June 30, 2019
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	A3	BBB+	A	$ 64,409	$ 64,930
04	Basis Swap	N/A	SIFMA Swap Index	68.0% of USD LIBOR + 0.435%	7/1/2003	7/1/2025	200,000	Citigroup Financial	A3	BBB+	A	83,431	94,600
07A ‡	Floating-to-Fixed	2008 A-2	0.2500%	64.7% of USD LIBOR + 0.280%	7/1/2008	7/1/2022	150,000	JPMorgan Chase Bank, N.A.	Aa2	A+	AA	80,275	109,800
07B ‡	Floating-to-Fixed	2008 B-2, 2017 D	0.2500%	64.7% of USD LIBOR + 0.280%	7/1/2008	7/1/2022	150,000	UBS AG	Aa3	A+	AA-	80,350	109,900
08A	Floating-to-Fixed	2008C	3.0000%	82.0% of 10 year CMS - 0.936%	3/19/2008	7/1/2040	151,200	Citigroup Financial	A3	BBB+	A	135,575	139,725
08B	Floating-to-Fixed	2008C	3.0000%	82.0% of 10 year CMS - 0.936%	3/19/2008	7/1/2040	31,975	JPMorgan Chase Bank, N.A.	Aa2	A+	AA	28,650	29,525
08C	Floating-to-Fixed	2008C	3.0000%	82.0% of 10 year CMS - 0.936%	3/19/2008	7/1/2040	31,975	UBS AG	Aa3	A+	AA-	28,650	29,525
09A	Floating-to-Fixed	2008 D-1	1.2100%	82.0% of 10 year CMS - 1.031%	3/19/2008	7/1/2036	41,330	Citigroup Financial	A3	BBB+	A	35,680	37,175
09B	Floating-to-Fixed	2008 D-1	1.2100%	82.0% of 10 year CMS - 1.031%	3/19/2008	7/1/2036	8,795	JPMorgan Chase Bank, N.A.	Aa2	A+	AA	7,595	7,910
09C	Floating-to-Fixed	2008 D-1	1.2100%	82.0% of 10 year CMS - 1.031%	3/19/2008	7/1/2036	8,795	UBS AG	Aa3	A+	AA-	7,595	7,910
10B	Floating-to-Fixed	2008 D-2A, 2008 D-2B	2.2700%	62.0% of USD LIBOR + 0.280%	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	2.2700%	62.0% of USD LIBOR + 0.280%	3/19/2008	7/1/2040	29,935	UBS AG	Aa3	A+	AA-	29,935	29,935
12A *	Floating-to-Fixed	2008C, 2008 D-3, 2008A GO	0.2500%	64.7% of USD LIBOR + 0.280%	7/1/2009	7/1/2026	200,000	Citigroup Financial	A3	BBB+	A	200,000	200,000
Total							$1,219,795					$ 812,080	$ 890,870

‡ 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 19, 2013, to better match the principal amortizations, swap #07A was re-associated with the Series 2011 B-1 Bonds, and swap #07B was re-associated with the Series 2011 B-2 Bonds. On December 6, 2017, the Series 2011 B-2 Bonds were refunded by the issuance of Series 2017 D Bonds and therefore re-associating $92.5 million in notional of swap #07B with 2017 D Bonds.

*On July 1, 2011, forward swaps #14A and #14B, both with a trade date of April 17, 2007, became effective as scheduled. The $4.48 million of the entire notional amount of swap #14A, $73.0 million, was associated with the 2008 A General Obligation Bonds, with the excess notional balance classified as an investment derivative. The entire notional amount of swap #14B, $201.9 million, was associated both with the principal of the 2008 A 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, the Department partially terminated swap #14B and re-associated with variable rate bonds. Swaps #14A and 14B were fully hedged derivatives. On July 1, 2016, the outstanding notional amounts previously associated with the 2013 C-1 Notes were re-associated with the 2008 D-2A and 2008 D-2B Bonds to maximize the hedging of the derivative. On December 19, 2018, swaps #14A and 14B were terminated. Upon the termination, the $47.5 million in notional amount of swap #12A was re-associated to 2008 D-3 Bonds from swap #14A while $29.1 million and $0.4 million in notional amounts of swap#12A were re-associated to 2008 A General Obligation Bonds and 2008 C Bonds, respectively, from swap #14B. Notional amounts of swaps #14A and 14B associated to 2008 D-2A, 2008 D2-B, and 2010 F-2 PFC were not re-associated with other active hedged swaps as of the termination date.

(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 nine months ended March 31, 2020:

	Assets	Liabilities	Net
Balance as of June 30, 2019	$ 12,250	$ (44,473)	$ (32,223)
Net decrease in fair value of hedging derivatives	(8,357)	(7,338)	(15,695)
Net decrease in fair value of investing derivatives	(626)	(20,742)	(21,368)
Balance as of March 31, 2020	$ 3,267	(72,553)	$ (69,286)

For the nine-month period ended March 31, 2020 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 March 31, 2020 (in thousands):

		Fair Value and Classifications as of March 31, 2020		Changes in Fair Value for the Nine Months Ended March 31, 2020		
Swap #	Description	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	Non-current asset	$ (442)	$ (545)	$ —	$ (545)
07B ‡	Floating-to-Fixed Interest Rate Swap	Non-current asset	(499)	(964)	—	(964)
10B	Floating-to-Fixed Interest Rate Swap	Non-current liability	(6,136)	—	3,199	(3,199)
10C	Floating-to-Fixed Interest Rate Swap	Non-current liability	(6,136)	—	3,199	(3,199)
12A	Floating-to-Fixed Interest Rate Swap	Non-current asset	2,761	(7,788)		(7,788)
Total hedging derivative activities			(10,452)	$ (9,297)	$ 6,398	(15,695)
Investment derivative instruments				Gain (loss) on Investment	Deferral Included in Gain (loss)	
2	Basis Rate Swap	Non-current liability	(962)	(538)	$ —	(538)
4	Basis Rate Swap	Non-current asset	506	(626)	—	(626)
08A	Floating-to-Fixed Interest Rate Swap	Non-current liability	(37,601)	(11,514)	—	(11,514)
08B	Floating-to-Fixed Interest Rate Swap	Non-current liability	(7,954)	(2,436)	—	(2,436)
08C	Floating-to-Fixed Interest Rate Swap	Non-current liability	(7,954)	(2,436)	—	(2,436)
09A	Floating-to-Fixed Interest Rate Swap	Non-current asset	(3,416)	(2,677)	—	(2,677)
09B	Floating-to-Fixed Interest Rate Swap	Non-current asset	(727)	(570)	—	(570)
09C	Floating-to-Fixed Interest Rate Swap	Non-current asset	(727)	(570)	—	(570)
Total investment derivative activities			(58,835)	$ (21,367)	$ —	(21,367)
Total			$ (69,287)			$ (37,062)

‡ On August 3, 2011, the Department refunded the outstanding principal of 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 19, 2013, to better match the principal amortizations, swap #07A was re-associated with the Series 2011 B-1 Bonds and swap #07B was re-associated with the Series 2011 B-2 Bonds.

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 the actual cost. The total amounts billed for these services for the nine months ended March 31, 2020 and 2019 were $24.1 million and $28.2 million, respectively.

11.) COMMITMENTS AND CONTINGENCIES

(a) Construction in Progress

As of March 31, 2020, the Department's management estimates that construction in progress will require an additional outlay of approximately $38.1 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 March 31, 2020.

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

During March 2017, the County was served with a complaint in *United States of America ex .rel. Cheryl Barnes vs Clark Count*y. 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 FAA. The complaint seeks treble damages and penalties in an aggregate amount of approximately $2.8 billion.

On January 9, 2018, the County prevailed 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 awarded attorney's fees against Plaintiff for filing the lawsuit. On April 1, 2019, the District Court issued an Order denying the Plaintiff's motion for reconsideration. However, on June 10, 2018, the Plaintiff appealed and filed an Opening Brief with the 9th Circuit that contained the same basic arguments raised by the Plaintiff in District Court. The County submitted their Answering Brief, along with a response to Plaintiff's Errata to Opening Brief of Plaintiff-Appellant. Oral arguments were set for March 25, 2020. However, due to the COVID-19 pandemic, the 9th Circuit Court of Appeals canceled the oral arguments. On April 10, 2020, the 9th Circuit dismissed the appeal and found in favor of Clark County on the false claim issues. On May 26, 2020, the 9th Circuit denied Plaintiff's petition for a rehearing. At this this time, the Plaintiff has a possibility of a right to petition the US Supreme Court for a Writ of Certiorari.

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

The County was served with a lawsuit filed by the 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 alleges 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 requests the present value of future rent, in the event of an adverse ruling, the County would likely be subject to back rent of approximately $12.0 million. Alternatively, the complaint seeks 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 claims for back rent. At this time, counsel is unable to predict the outcome of the dispute. The current tenant is also a defendant in this litigation and may share responsibility for back payments. NV Links submitted an Expert Appraisal Report indicating that the market value of the County's leased fee interest as of September 6, 2011 was $900,000. Each party has submitted their own renewed Motions for Summary Judgment, and the Court still has not set a date in determining the motion for summary judgments. Due to the COVID-19 pandemic, all brief due dates and court scheduling and determination has been temporarily postponed.

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 is not presented in this financial report.

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

14.) AIRPORT LAND TRANSFERS

Gross proceeds from the sale or lease of CMA land for the nine months ended March 31, 2020, were $9.6 million, and from inception to that date were $275.8 million. The Department's share of these proceeds was $0.9 million for the nine months ended March 31, 2020, and $27.6 million from inception to that date. As of March 31, 2020, the Department has $4.5 million payable to the BLM and $0.2 million payable to the State related to such land sales.

15.) SUBSEQUENT EVENTS

Below are significant events that occurred subsequent to March 31, 2020 (which are related to and impacted by certain events that took place prior to March 31, 2020, which are also described below):

The outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus, which was first detected in China and has since spread to other countries, including the United States, was declared a pandemic by the World Health Organization on March 11, 2020. The outbreak of the disease has affected travel, commerce, and financial markets globally and has widely impacted economic growth worldwide.

On March 17, 2020, the Governor of the state of Nevada declared that all non-essential businesses would be closed (including the properties along the Las Vegas Strip) to help mitigate the spread of COVID-19. As a result of the worldwide need to reduce travel and adhere to social distancing, as well as the temporary closure of the Las Vegas Strip properties and all non-essential businesses in the surrounding community, the Department has been impacted significantly. Passenger volume decreased 96.4% in April 2020 compared to April 2019. The Department expects continued decreases in passenger volume and revenues in the upcoming months, compared to the same months in the prior fiscal year.

As a result of the unusual circumstances, the Department has undertaken measures to reduce expenditures and maximize operating efficiencies. Additionally, the Department is a recipient of the Coronavirus Aid, Relief, and Economic Security (CARES) Act which provides funds to eligible U.S. airports affected by the prevention of, preparation for, and response to the COVID-19 pandemic. The Department has been awarded $195.5 million in funds from the CARES act, which will be distributed to the Department on a reimbursement basis from the FAA and applied towards eligible operating expenses.

During early May 2020, certain non-essential businesses began reopening within the state of Nevada. On May 27, 2020, the Governor of the state of Nevada announced that casinos within the state of Nevada could reopen on June 4, 2020, which would also include the properties along the Las Vegas Strip.

A significant portion of the Airport's passenger traffic is dependent on tourism, which heavily relies on hotels, conventions, dining, and entertainment venues in Southern Nevada. Continued closure or limited capacity of such areas will have a significant negative impact on tourism. Management cannot predict or determine the recovery period or the long-term financial effect that the pandemic will have on the Department's finances.