

CITY OF LAS VEGAS REDEVELOPMENT AGENCY  
 COMPREHENSIVE ANNUAL FINANCIAL REPORT  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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January 10, 2014

To the Board of Directors and Citizens of the City of Las Vegas Redevelopment Agency:

State law requires that local governments provide a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants at the close of each fiscal year. Pursuant to that requirement, we hereby issue the comprehensive annual financial report of the City of Las Vegas Redevelopment Agency (Agency) for the year ended June 30, 2013.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

Piercy Bowler Taylor & Kern, Certified Public Accountants and Business Advisors, have issued an unqualified (“clean”) opinion on the Agency’s financial statements for the year ended June 30, 2013. The independent auditors’ report is located at the front of the financial section of this report.

Management’s discussion and analysis (MD&A) immediately follows the independent auditors’ report and provides a narrative introduction, overview, and analysis of the basic financial statements. MD&A complements this letter of transmittal and should be read in conjunction with it.

### **Profile of the Agency**

The Agency was established November 6, 1985, by the City Council of the City of Las Vegas, Nevada (City). The mission of the Agency is to stimulate economic growth in decaying areas of the City of Las Vegas. A seven-member Board comprised of the seven City Council members governs the Agency. On March 5, 1986, the Agency Board members adopted the Redevelopment Plan that specified the boundaries of the Redevelopment Area. The use of eminent domain and tax increment financing are the primary tools made available to the Agency to carry out the Redevelopment Plan.

The Agency is a component unit of the City’s financial reporting entity and is included with the comprehensive annual financial report of the City. The purpose of a separate Agency comprehensive annual financial report is to fulfill a trust indenture requirement and the requirements of Nevada law.

The annual budget serves as the foundation for the Agency’s financial planning and control. Annual appropriated budgets are adopted for the general and debt service funds. The Agency is required to submit requests for appropriation to the City of Las Vegas Finance & Business Services Department on or before the first Tuesday in February each year for an Agency budget to be effective the following July 1. These requests are used as the starting point for developing a proposed budget. A tentative budget is submitted to the Department of Taxation by April 15. A public hearing is required on the third Tuesday of May and the final budget must be adopted by the Agency Board and filed with the Department of Taxation by June 1. The appropriated budget is prepared by fund, function (e.g., economic development) and department.



CITY OF LAS VEGAS  
**REDEVELOPMENT AGENCY**

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The Agency Board may amend or augment the annual budget following the public hearing. Budget-to-actual comparisons are provided in this report to the Nevada Department of Taxation for each governmental fund for which an appropriated annual budget has been adopted are presented on page 22 in the Basic Financial Statements and page 40 of the Other Supplementary Information.

**Local Economy.** The Las Vegas Valley in general continues its slow climb out of the economic downturn, while downtown Las Vegas is specifically experiencing a new vibrancy and increased business development. The relocation of Zappos.com's corporate headquarters, in addition to the infusion of \$350 million of its CEO's personal wealth into development, is helping to quickly revitalize this once neglected urban area.

**Economic Factors.** The local unemployment rate hovers around 9.6 percent, down from 11.4 percent one year prior. While improving, it is still well above the 7.3 percent unemployment rate reported nationally.

Overall, Southern Nevada's commercial markets are showing slow but ongoing recovery. Future projects may remain light, giving the market time to absorb vacant space and adjust to the realities of the new post-recession economy.

State-imposed restrictions on banks are slowing local foreclosures; this could result in an abundance of abandoned houses glutting the market down the road and reducing some of the price gains the local housing industry has made of late.

**Long-Term Financial Planning.** Successful lobbying efforts resulted in state legislation that extended the life of the Agency from 2031 to 2046. Extending the life of the Agency gives the Agency the option to refinance several bond issues currently used to finance major projects such as The Smith Center for the Performing Arts, which have had a huge impact on the positive revitalization of downtown Las Vegas.

**Major Initiatives.** During the Fiscal Year Ended June 30, 2013, the Las Vegas redevelopment areas realized the following:

- More than \$40 million in renovations and upgrades were made to the former Las Vegas City Hall, preparing it as the new home for Zappos.com's corporate headquarters.
- A topping out ceremony was held in late March 2013 for the \$35-million, 11-story Federal Justice Tower. This 140,000-square-foot Class A office development will house the executive and administrative offices of four federal government agencies and approximately 300 employees. The estimated completion date is late 2013/early 2014.
- The Discovery Children's Museum officially opened its doors to the public on March 10, 2013 in Symphony Park. Three stories tall, the museum's 58,000-square-foot building is home to themed exhibition halls focusing on science, arts and culture, and early childhood development.
- New multi-space parking meters that accept credit and debit cards, as well as coins, were installed throughout the downtown Las Vegas area. These solar-powered meters also enable users to print receipts.
- A new one-stop parking services office was provided on the ground level of the City Hall garage at 500 South Main Street.
- Sponsored by the Agency, the Urban Chamber of Commerce Business Development Center began offering "virtual tenant business space." Companies that do not need physical space, but could benefit from the Center's other services, can now apply to be a "virtual tenant." Benefits and amenities available at the center include high-speed Internet and a WiFi connection, meeting and training facilities featuring telephone conferencing capabilities, office equipment and business development advisors.

- Creation of jobs and value for Fiscal Year Ended 2013 for **completed** projects:
  - 1,347 construction workers employed (peak employment)
  - 1,480 permanent jobs created
  - 11.5 permanent jobs retained
  - \$83.5 million in project value/cost
  
- Creation of jobs and value for Fiscal Year Ended 2013 projects **under construction**:
  - 965 construction workers employed
  - 2,214 permanent jobs to be created
  - 300 permanent jobs retained
  - \$263 million in project value/cost
  
- Currently **planned** downtown projects:
  - 2,550 construction jobs projected
  - 2,417 permanent jobs anticipated
  - \$457 million in project value/cost estimated

**Acknowledgements.** The preparation of this report was made possible by the dedicated service of the staff of the City of Las Vegas Finance Department. I would like to express my appreciation to all members of the department who assisted and contributed to the preparation of this report.

It is the goal of the Agency to stimulate economic growth by participating in and supporting major development in the redevelopment areas. The commitment and leadership of the Agency Board will ensure a bright future for those areas in need of revitalization.

Respectfully submitted,



Venetta Appleyard  
Acting Finance Director

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**INDEPENDENT AUDITORS' REPORT ON FINANCIAL  
STATEMENTS AND SUPPLEMENTARY INFORMATION**

Honorable Chairperson, Board Members and Executive Director  
City of Las Vegas Redevelopment Agency  
Las Vegas, Nevada

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Las Vegas Redevelopment Agency (the Agency), a component unit of the City of Las Vegas, Nevada, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements as listed in the table of contents.

An audit performed in accordance with applicable professional standards is a process designed to obtain reasonable assurance about whether the Agency's basic financial statements are free from material misstatement. This process involves performing procedures to obtain audit evidence about the amounts and disclosures in the basic financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the basic financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Agency's preparation and fair presentation of the basic financial statements to enable the design of audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of significant accounting estimates made by management, as well as the overall presentation of the basic financial statements.

**Management's Responsibility for the Financial Statements.** Management is responsible for the preparation and fair presentation of the basic financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of basic financial statements that are free from material misstatement, whether due to fraud or error.

**Auditors' Responsibility.** Our responsibility is to express an opinion on the basic financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free from material misstatement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion.** In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Agency as of and for the year ended June 30, 2013, and the respective changes in financial position, and the budgetary comparison information for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matters.** Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 9-15 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

**Other Information.** Our audit was conducted for the purpose of forming our opinion on the financial statements that collectively comprise the Agency's basic financial statements. The introductory section and other supplementary information, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The other supplementary information, as listed in the table of contents, is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information as listed in the table of contents is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

**Other Reporting Required by *Government Auditing Standards*.** In accordance with *Government Auditing Standards*, we have also issued our report dated January 10, 2014, on our consideration of the Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Agency's internal control over financial reporting and compliance.

A handwritten signature in blue ink that reads "Percy Bowler Taylor & Co". The signature is written in a cursive style.

Las Vegas, Nevada  
January 10, 2014

CITY OF LAS VEGAS REDEVELOPMENT AGENCY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

The information presented in the "Management's Discussion and Analysis" is intended to be a narrative overview of the City of Las Vegas Redevelopment Agency (Agency) financial activities for the fiscal year ended June 30, 2013. We encourage readers to consider this information in conjunction with the accompanying basic financial statements.

The Agency is a component unit of the City of Las Vegas, Nevada (City). Separate financial information for the Agency is required to fulfill a trust indenture requirement and requirements of Nevada State law.

### Financial Highlights

The liabilities on the Statement of Net Position of the Agency exceeded its assets and deferred outflows at the close of fiscal year ended June 30, 2013, by (\$21,355,810) (*net position deficit*). Of this amount, (\$71,639,113) was used to meet the Agency's ongoing obligations to citizens and creditors. The major amounts that make up the unrestricted deficit resulted from the Agency contributing in fiscal year ended June 30, 2009, \$74,739,000 to the City of Las Vegas Capital Projects Fund for construction costs on the City's Performing Arts Center, located within the Redevelopment Agency area and \$15,472,180 in Fiscal Year ending June 30, 2011, to the City of Las Vegas Capital Project Fund for construction of the Mob Museum and Symphony Park.

- The Agency's total net position increased by \$1,220,594 in fiscal year ended June 30, 2013, net of a \$1,609,023 prior period adjustment.
- As of the close of the current fiscal year, the Agency's governmental funds reported combined ending fund balances of \$22,382,206, an increase of \$3,193,900 net of \$774,294 prior period adjustment (see note) in comparison with the prior year. Approximately 15 percent of the ending fund balance, \$3,396,246, is *available for spending* at the government's discretion (*unassigned*).
- At the end of the current fiscal year, the General Fund had \$5,094,799 in nonspendable fund balance and \$8,500,225 in restricted fund balance. The debt service fund also had \$2,176,080 in restricted and \$3,214,856 assigned fund balance for a combined total of \$13,891,161 designated for debt service.
- The Agency's total net debt decreased by \$3,987,686 (3.7 percent) (net of unamortized premiums, and discounts) during the current fiscal year.

### Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the Agency's basic financial statements. The Agency's basic financial statements comprise three components: (1) agency-wide financial statements, (2) fund financial statements, and (3) notes to the basic financial statements. This report also contains required supplemental information, other supplemental financial information and the Auditors' Compliance Section in addition to the basic financial statements themselves.

**Agency-wide financial statements.** The *Agency-wide financial statements* are designed to provide readers with a broad overview of the Agency's finances. These statements include all assets, liabilities and deferred inflows/outflows of resources, using the full accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the fiscal year's revenues and expenses are reported as soon as the underlying event giving rise to the change occurs regardless of the timing of related cash flows. Thus assets, liabilities, revenues and expenses are reported in these statements for some items that will result in cash flows in future periods.

The *statement of net position* presents information on all of the Agency's assets, liabilities and deferred inflows/outflows of resources with the net difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Agency is improving or deteriorating.

The *statement of activities* presents information showing how the Agency's net position, revenues and expenses have changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes).

CITY OF LAS VEGAS REDEVELOPMENT AGENCY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

The governmental activities of the Agency include economic development and assistance. The Agency has no business-type activities.

The Agency-wide financial statements can be found on pages 17 and 18 of this report.

**Fund financial statements.** A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Agency, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The Agency has only governmental fund types.

**Governmental funds.** *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the agency-wide financial statements. However, unlike the Agency-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating an agency's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the Agency-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the agency-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provides a reconciliation on pages 19 and 21 to facilitate this comparison between *governmental funds* and *governmental activities*.

The Agency maintains two individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund and the debt service fund, both of which are considered to be major funds. Also presented for the General Fund is the Statement of Revenues, Expenditures and Changes in Fund Balance—Budget and Actual.

These governmental fund financial statements can be found on pages 19 through 22 of this report.

**Notes to the basic financial statements.** The notes provide additional information that is essential to have a full understanding of the data provided in the agency-wide and fund financial statements. The notes to the basic financial statements can be found on pages 24 - 39 of this report.

**Other information.** In addition to the basic financial statements and accompanying notes, the report also presents certain Other Supplemental Financial Information relating to the Agency's budget for the debt service fund. The individual schedule provides budget versus actual comparisons and can be found in the Other Supplementary Information section on page 40 of this report. Also, the section includes information on the Agency's capital assets used in operation on pages 41 - 42 of this report.

CITY OF LAS VEGAS REDEVELOPMENT AGENCY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

**Agency-wide Financial Analysis**

Our Agency-wide analysis focuses on the net position and changes in net position for the Agency's governmental activities. A summary of the Agency's net position is as follows:

	Governmental Activities	
	June 30, 2013	June 30, 2012 (Restated)
Current and other assets	\$ 41,521,568	\$ 27,551,572
Capital assets (net of accumulated depreciation)	43,783,462	59,646,565
Total assets	85,305,030	87,198,137
Total deferred outflows of resources	111,141	222,282
Long-term liabilities	104,939,705	109,762,120
Other liabilities	1,832,279	1,843,726
	106,771,984	111,605,846
Net Position:		
Invested in capital assets, net of related debt	39,606,998	51,205,320
Restricted	10,676,305	10,676,407
Unrestricted (deficit)	(71,639,113)	(86,067,154)
Total net position (deficit)	\$ (21,355,810)	\$ (24,185,427)

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Agency, liabilities exceeded assets and deferred outflows by \$21,355,810 at June 30, 2013.

By far the largest positive portion of the Agency's net position (\$39,606,998) reflects its investment in capital assets (e.g., land, land improvements and buildings) less any related debt used to acquire those assets that are still outstanding. The Agency uses these capital assets to improve the economic opportunities within the Agency. Although the Agency's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the Agency's net position represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position deficit* (\$71,639,113) has been used to meet the Agency's ongoing obligations to citizens and creditors. The deficit in net position was brought about by the City issuing Redevelopment Tax Increment Bonds for \$85,000,000 in 2009, and then contributing proceeds of \$74,739,000 to the City for construction costs on the City's Performing Arts Center. The remainder was attributed from operational expenditures in excess of revenue from the downturn in the economy, and contribution to City Parkway V.

At the end of the current fiscal year, the Agency is able to report positive balances in two categories of net position, for the Agency as a whole.

CITY OF LAS VEGAS REDEVELOPMENT AGENCY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

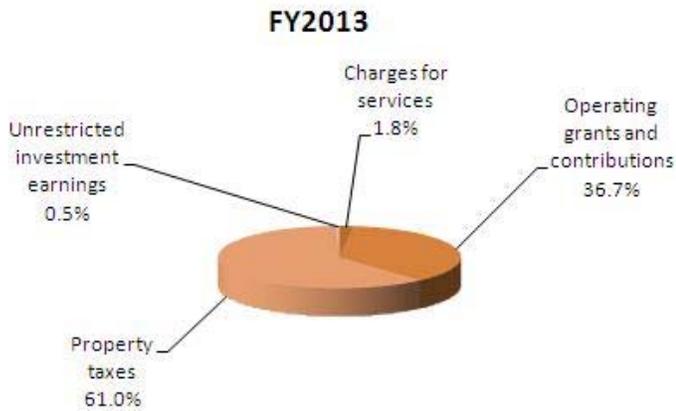
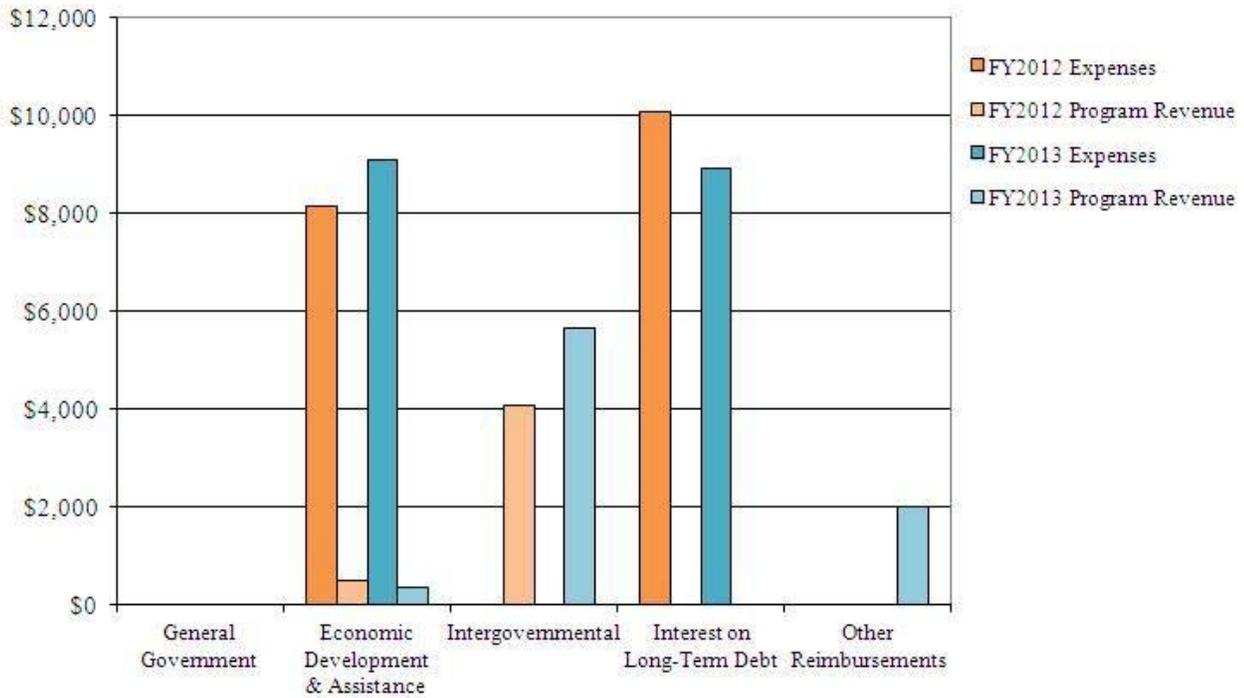
**Governmental activities.** Governmental activities increased the Agency's net position by \$2,829,617 or (11.7 percent). Key elements of this decrease are as follows:

<b>Summary of Activities</b>		<b>For the Years Ended</b>	
		<u>Governmental Activities</u>	
		<u>June 30, 2013</u>	<u>June 30, 2012</u>
Revenues:			
Program revenues:			
Charges for services	\$	373,123	\$ 488,886
Operating grants and contributions		7,642,417	4,085,100
General revenues:			
Property taxes		12,695,125	12,806,421
Unrestricted investment earnings		106,349	88,793
Gain on disposal of land held for resale			1,837,068
Total revenues		<u>20,817,014</u>	<u>19,306,268</u>
Expenses:			
Economic development and assistance		9,083,001	8,139,118
Interest on long-term debt		8,904,396	10,071,458
Total expenses		<u>17,987,397</u>	<u>18,210,576</u>
Change in net position (deficit)		<u>2,829,617</u>	<u>1,095,692</u>
Net Position (deficit) - July 1 as Previously Reported	(24,185,427)		(23,672,096)
Prior Period Adjustment			(1,609,023)
Net Position (deficit) - July 1 as Restated	<u>(24,185,427)</u>		<u>(25,281,119)</u>
Net Position (deficit) - June 30		<u>\$ (21,355,810)</u>	<u>\$ (24,185,427)</u>

- Charges for services represent income from rentals of Agency property for \$7,594 and \$365,529 of reimbursements of expenditures for the Fremont Street Experience Parking Garage spent in previous years. The Agency received \$5,642,417 in contributions from the City of Las Vegas. The contributions were for the following: \$283,850 for debt service payments, \$2,500,000 for operations and a \$2,858,567 return of construction reserve for the Performing Arts center. City Parkway contributed \$2,000,000 for operations.
- The Agency received \$12,695,125 in ad valorem property taxes. Property taxes decreased \$111,296 as compared to the prior fiscal year. The decrease was from a decline in property values derived from the downturn in the economy, but it appears that the values are starting to stabilize.
- The Agency also sold the 5<sup>th</sup> Street School to the City with a net book value of \$15,249,409, for \$13,521,264 resulting in a net loss of \$1,728,145 (see Note D.3). The loss is included in Economic Development and Assistance.
- The Agency had Economic Development and Assistance expenses of \$9,083,001. The expenses were for the following: \$2,846,593 went to the City of Las Vegas Redevelopment Agency Reimbursement Fund for payroll and benefits for the Agency; \$815,000 to the City for debt service fund associated with bonds used for Symphony Park; \$2,341,251 for housing set-aside; \$613,694 in depreciation expense; \$232,178 in additional operating costs; \$406,140 for Visual Improvement Program and \$100,000 to Buy Low.

CITY OF LAS VEGAS REDEVELOPMENT AGENCY  
 MANAGEMENT'S DISCUSSION AND ANALYSIS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2013

Expense and Program Revenues - Governmental Activities (in thousands)



CITY OF LAS VEGAS REDEVELOPMENT AGENCY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

### Financial Analysis of Agency's Funds

As noted earlier, the Agency uses fund accounting to ensure and demonstrate compliance with finance-regulated legal requirements.

**Governmental funds.** The focus of the Agency's *governmental funds* is to provide information on near-term inflows, outflows and balances of *spendable* resources. Such information is useful in assessing the Agency's financing requirements. In particular, the *unassigned fund balance* may serve as a useful measure of a government's net resources available for future spending at the end of the fiscal year.

At June 30, 2013, the Agency's governmental funds reported combined ending fund balances of 22,382,206, a net increase of \$3,193,900 in comparison with the prior year. Approximately 23 percent of the fund balance, or \$5,094,799, constitutes *nonspendable fund balance*. Approximately 15 percent, or \$3,396,246 constitutes *unassigned fund balance*, which is available for spending at the Agency's discretion. The remainder of fund balance (\$13,891,161) is *restricted or assigned* to indicate that it is not available for new spending because it has already been restricted or assigned to pay debt service.

The General Fund is the chief operating fund of the City of Las Vegas Redevelopment Agency. At the end of the current fiscal year, total fund balance of the general fund was \$16,991,270, of which \$5,094,799 was nonspendable, \$8,500,225 was restricted and \$3,396,246 was unassigned.

During the current fiscal year, the fund balance of the City of Las Vegas Redevelopment Agency's general fund had a net increase of \$1,170,851. The key factors in the increase were \$8,199,911 in expenditures, consisting of \$4,399,911 in economic development and assistance and \$3,800,000 of operating transfers out to the debt service funds. The expenditures were offset by \$10,145,056 in revenues, consisting of \$760,944 in miscellaneous rental income, \$5,358,567 in intergovernmental revenues from the City \$2,000,000 in proceeds from the sale of Capital Assets and \$25,545 in interest income.

The debt service fund has an ending fund balance of \$5,390,936, with 100 percent restricted or assigned for the payment of debt service.

### General Fund Budgetary Highlights

The general fund had an original and final budget in economic development and assistance of \$6,535,257 for the fiscal year. The fund's actual expenditures were less than budgeted expenditures by \$2,135,346. This difference was primarily due to the Agency reducing its operating costs.

### Capital Asset and Debt Administration

**Capital Assets.** The Agency's investment in capital assets for its governmental activities as of June 30, 2013, amounts to \$43,783,462 (net of accumulated depreciation). This investment in capital assets includes land, land improvements, buildings, building improvements and equipment. The total decrease of \$15,863,103 in capital assets for the current fiscal year was approximately 27 percent and was from depreciation expense of \$613,694 and the sale of the 5<sup>th</sup> Street School assets with a net book value of \$15,249,409. A summary of the Agency's capital assets follows:

CITY OF LAS VEGAS REDEVELOPMENT AGENCY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

**Capital Assets**

	<u>June 30, 2013</u>	<u>June 30, 2012</u>
Land	\$ 27,989,684	\$ 31,816,684
Land improvements (net of depreciation)	55,095	157,056
Buildings and improvements (net of depreciation)	15,738,683	27,666,143
Equipment (net of depreciation)	6,682	6,682
Total	<u>\$ 43,783,462</u>	<u>\$ 59,646,565</u>

The Agency had depreciation expense of \$613,694 on depreciable assets for the year ended June 30, 2013.

Additional information on the Agency's capital assets can be found in Note 5 on page 32 of this report.

**Long-term debt.** At the end of the current fiscal year, the Agency had total bonded debt outstanding of \$104,939,705 net of premiums and discounts. The Agency's long-term debt is payable from ad valorem tax levied against the incremental assessed value for all taxable property within the redevelopment area.

**Outstanding Debt Revenue Bonds**

	<u>June 30, 2013</u>	<u>June 30, 2012</u>
Revenue bonds (net of unamortized original issue premiums and discounts)	<u>\$ 104,939,705</u>	<u>\$ 108,927,391</u>

The Agency's total net debt decreased by \$4,045,000 (3.7 percent) (excluding unamortized premiums and discounts) during the current fiscal year. The Agency's overall bond credit rating with Standard & Poor's was lowered to A- from A on the Series 2003B Bonds and from BBB to BBB- on the Series 2009A and 2003A Bonds.

Additional information on the Agency's long-term debt can be found in Note 6 on pages 33-34 of this report.

**Economic Factors**

For Fiscal Year 2014, the incremental valuation (assessed value) of the Agency is \$568,564,713 with a tax rate of 2.5049 apportioned to the Agency per \$100 of assessed value. The incremental valuation increased \$38,518,778 from 2013.

**Requests for Information**

The financial report is designed to provide a general overview of the City of Las Vegas Redevelopment Agency's finances for all those with an interest in the Agency's finances. Questions concerning any of the information provided in this report, or requests for additional financial information, should be addressed to the Department of Finance, Chief Financial Officer, 495 South Main Street, Las Vegas, Nevada, 89101.

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CITY OF LAS VEGAS REDEVELOPMENT AGENCY  
STATEMENT OF NET POSITION  
JUNE 30, 2013

	GOVERNMENTAL ACTIVITIES
<b>ASSETS</b>	
Current assets:	
Cash and investments (Notes 1D and 4)	\$ 8,168,021
Receivables:	
Property taxes	600,843
Loans	18,102,629
Intergovernmental	12,259
Noncurrent assets:	
Restricted assets:	
Cash and investments (Note 4 and 6)	10,379,551
Land held for resale	4,258,265
Capital assets not being depreciated (Note 5)	
Land	27,989,684
Capital assets being depreciated (Note 5)	
Land improvements	55,095
Building and improvements	15,738,683
Total assets	85,305,030
 <b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred charges on refunding	111,141
Total deferred outflows of resources	111,141
 <b>LIABILITIES</b>	
Current liabilities:	
Accounts payable	22,284
Interest payable	449,618
Customer deposits (Note 7)	422,118
Intergovernmental payable	938,259
Noncurrent liabilities (Note 6):	
Due within one year	4,464,223
Due in more than one year	100,475,482
Total liabilities	106,771,984
Net position:	
Net investment in capital assets	39,606,998
Restricted for:	
Debt service (Note 6)	10,676,305
Unrestricted (deficit)	(71,639,113)
Total net position (deficit)	\$ (21,355,810)

See accompanying notes to the basic financial statements.

CITY OF LAS VEGAS REDEVELOPMENT AGENCY  
STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	PROGRAM REVENUES			
EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS (NOTE 8)	NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION	
<u>Functions/Programs</u>				
Governmental activities:				
Economic development and assistance	\$ 9,083,001	\$ 373,123	\$	\$ (8,709,878)
Intergovernmental (Note 8)			5,642,417	5,642,417
Interest	8,904,396			(8,904,396)
Other reimbursements			2,000,000	2,000,000
Total governmental activities	\$ 17,987,397	\$ 373,123	\$ 7,642,417	(9,971,857)
General revenues:				
Property taxes				12,695,125
Unrestricted investment earnings				106,349
Total general revenues				12,801,474
Change in net position				2,829,617
Net position (deficit) - July 1, as previously reported				(22,576,404)
Prior period adjustment				(1,609,023)
Net position (deficit) - July 1, as restated				(24,185,427)
Net position (deficit) - June 30				\$ (21,355,810)

See accompanying notes to the basic financial statements

CITY OF LAS VEGAS REDEVELOPMENT AGENCY  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2013

	GENERAL	DEBT SERVICE	TOTAL GOVERNMENTAL FUNDS
<b>ASSETS</b>			
CASH AND CASH EQUIVALENTS (Notes 1D and 4)	\$ 4,746,081	\$ 3,421,940	\$ 8,168,021
RESTRICTED INVESTMENTS (Note 4)	8,499,551	1,880,000	10,379,551
RECEIVABLES:			
PROPERTY TAXES		600,843	600,843
LOANS	18,102,629		18,102,629
DUE FROM OTHER GOVERNMENTS	12,010	249	12,259
LAND HELD FOR RESALE	4,258,265		4,258,265
<b>TOTAL ASSETS</b>	<b>\$ 35,618,536</b>	<b>\$ 5,903,032</b>	<b>\$ 41,521,568</b>
<b>LIABILITIES AND FUND BALANCES</b>			
LIABILITIES:			
ACCOUNTS PAYABLE	\$ 20,636	\$ 1,645	\$ 22,281
DUE TO OTHER GOVERNMENTS	918,417	19,842	938,259
CUSTOMER DEPOSITS (Note 7)	422,118		422,118
<b>TOTAL LIABILITIES</b>	<b>1,361,171</b>	<b>21,487</b>	<b>1,382,658</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
UNAVAILABLE REVENUE - LOANS	17,266,095		17,266,095
UNAVAILABLE REVENUE - PROPERTY TAX		490,609	490,609
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>17,266,095</b>	<b>490,609</b>	<b>17,756,704</b>
<b>FUND BALANCES</b>			
NONSPENDABLE:			
LAND HELD FOR RESALE	4,258,265		4,258,265
LOANS RECEIVABLE	836,534		836,534
RESTRICTED FOR:			
DEBT SERVICE (Note 6)	8,500,225	2,176,080	10,676,305
ASSIGNED:			
DEBT SERVICE (Note 6)		3,214,856	3,214,856
UNASSIGNED:	3,396,246		3,396,246
<b>TOTAL FUND BALANCES</b>	<b>16,991,270</b>	<b>5,390,936</b>	<b>22,382,206</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 35,618,536</b>	<b>\$ 5,903,032</b>	

Amounts reported for governmental activities in the Statement of Net Position are different because:

and, therefore, are not reported in the funds. (Note 5)	43,783,462
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds. (Note 2A)	(105,389,323)
Delinquent property taxes receivable are not available to pay for current-period expenditures and, therefore are deferred in the funds.	490,609
Loan proceeds that are not available to pay for current-period expenditures and, therefore are deferred in the fund.	17,266,095
Unamortized debt refunding transactions used in governmental activities that are not a financial resource and therefore, are not reported in the funds.	111,141
Net position (deficit) of governmental activities (Page 17)	<b>\$ (21,355,810)</b>

See accompanying notes to the basic financial statements.

CITY OF LAS VEGAS REDEVELOPMENT AGENCY  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	<b>GENERAL FUND</b>	<b>DEBT SERVICE</b>	<b>TOTAL GOVERNMENTAL FUNDS</b>
<b>REVENUES</b>			
PROPERTY TAXES	\$	\$ 13,006,960	\$ 13,006,960
INVESTMENT EARNINGS	25,545	2,682	28,227
MISCELLANEOUS RENTALS	760,944		760,944
INTERGOVERNMENTAL (NOTE 8)	5,358,567	283,850	5,642,417
OTHER REIMBURSEMENTS	2,000,000		2,000,000
TOTAL REVENUES	8,145,056	13,293,492	21,438,548
 <b>EXPENDITURES</b>			
CURRENT:			
ECONOMIC DEVELOPMENT AND ASSISTANCE	4,399,911	2,341,251	6,741,162
DEBT SERVICE:			
PRINCIPAL RETIREMENT		4,045,000	4,045,000
INTEREST AND FISCAL CHARGES		8,684,192	8,684,192
TOTAL EXPENDITURES	4,399,911	15,070,443	19,470,354
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	3,745,145	(1,776,951)	1,968,194
 OTHER FINANCING SOURCES (USES):			
TRANSFERS IN		3,800,000	3,800,000
TRANSFERS OUT	(3,800,000)		(3,800,000)
PROCEEDS FROM SALE OF CAPITAL ASSETS	2,000,000		2,000,000
TOTAL OTHER FINANCING SOURCES (USES)	(1,800,000)	3,800,000	2,000,000
NET CHANGE IN FUND BALANCES	1,945,145	2,023,049	3,968,194
FUND BALANCES, JULY 1 - AS PREVIOUSLY REPORTED	15,820,419	3,367,887	19,188,306
PRIOR PERIOD ADJUSTMENT	(774,294)		(774,294)
FUND BALANCES, JULY 1 - AS RESTATED	15,046,125	3,367,887	18,414,012
FUND BALANCES, JUNE 30	\$ 16,991,270	\$ 5,390,936	\$ 22,382,206

See accompanying notes to the basic financial statements.

CITY OF LAS VEGAS REDEVELOPMENT AGENCY  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

Amounts reported for governmental activities in the Statement of Activities (page 18) are different because:

Net change in fund balances - total governmental funds (page 20).	\$	3,968,194
Deferred loan proceeds in the Statement of Activities that do not provide current financial resources are not reported as revenue in the fund.		(387,821)
Certain property tax revenues in the Statement of Activities that do not provide current financial resources are not reported as revenue in the fund.		(311,835)
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense. (Note 2B)		(613,694)
The net effect of various miscellaneous transactions involving capital assets (i.e. sales, trade-ins and donations) is to (decrease) net assets		(3,728,145)
The issuance of long-term debt (e.g. bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. (Note 2B)		4,045,000
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. (Note 2B)		<u>(142,082)</u>
Change in net position of governmental activities (page 18).	\$	<u><u>2,829,617</u></u>

CITY OF LAS VEGAS REDEVELOPMENT AGENCY  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget -</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Intergovernmental	\$ 4,000,000	\$ 4,000,000	\$ 5,358,567	\$ 1,358,567
Investment earnings	4,900	4,900	25,545	20,645
Other reimbursements			2,000,000	2,000,000
Miscellaneous rentals	<u>2,700,400</u>	<u>2,700,400</u>	<u>760,944</u>	<u>(1,939,456)</u>
Total revenues	<u>6,705,300</u>	<u>6,705,300</u>	<u>8,145,056</u>	<u>1,439,756</u>
Expenditures:				
Current:				
Economic development and assistance	<u>6,535,257</u>	<u>6,535,257</u>	<u>4,399,911</u>	<u>2,135,346</u>
Total expenditures	<u>6,535,257</u>	<u>6,535,257</u>	<u>4,399,911</u>	<u>2,135,346</u>
Excess of revenues over expenditures	<u>170,043</u>	<u>170,043</u>	<u>3,745,145</u>	<u>3,575,102</u>
Other financing sources (uses):				
Transfers out	(3,800,000)	(3,800,000)	(3,800,000)	
Proceeds from sale of capital asset			<u>2,000,000</u>	<u>2,000,000</u>
Total other financing sources (uses)	<u>(3,800,000)</u>	<u>(3,800,000)</u>	<u>(1,800,000)</u>	<u>2,000,000</u>
Net change in fund balance	<u>(3,629,957)</u>	<u>(3,629,957)</u>	<u>1,945,145</u>	<u>5,575,102</u>
Fund balance, July 1 - as previously reported	15,388,330	15,388,330	15,820,419	432,089
Prior period adjustment			<u>(774,294)</u>	<u>(774,294)</u>
Fund balance, July 1 - as restated	15,388,330	15,388,330	15,046,125	(342,205)
Fund balance, June 30	<u>\$ 11,758,373</u>	<u>\$ 11,758,373</u>	<u>\$ 16,991,270</u>	<u>\$ 5,232,897</u>

See accompanying notes to the basic financial statements.

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CITY OF LAS VEGAS REDEVELOPMENT AGENCY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

**1. Summary of significant accounting policies**

The basic financial statements of the City of Las Vegas Redevelopment Agency have been prepared in conformity with United States generally accepted accounting principles as applied to government units (GAAP). The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies are described below.

**A. Reporting entity**

The City of Las Vegas Redevelopment Agency (hereafter referred to as the Agency) is a component unit of the City of Las Vegas, Nevada's financial reporting entity and is included in the comprehensive annual financial report of the City of Las Vegas, Nevada (City). The purpose of a separate Agency component unit financial report is to fulfill a trust indenture requirement and the requirements of the Nevada Revised Statutes (NRS).

On November 6, 1985, the City Council of the City of Las Vegas, acting pursuant to the provisions of the Nevada Community Redevelopment Law (NRS 279.382 to 279.680, inclusive), created the Agency by resolution. City Council members also serve as members of the Board of Directors for the Agency.

On March 5, 1986, the official Redevelopment Plan was adopted to facilitate redevelopment efforts for the downtown Las Vegas area.

**B. Agency-wide and fund financial statements**

The agency-wide financial statements (i.e., the statement of net position and the statement of activities) report information on the activities of the Agency. The effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely, to a significant extent on fees and charges for support. The Agency engages only in governmental activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

The Agency has no proprietary nor fiduciary funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

**C. Measurement focus, basis of accounting and financial statement presentation**

The Agency-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met and similar items are recognized as revenue as soon as all eligibility requirements have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Agency considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

CITY OF LAS VEGAS REDEVELOPMENT AGENCY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

**1. Summary of significant accounting policies (continued)**

**C. Measurement focus, basis of accounting and financial statement presentation (continued)**

Property taxes and interest associated with the current fiscal period are all considered susceptible to accrual and have been recognized as revenues of the current fiscal period. All other revenue items are considered measurable and available only when cash is received by the Agency.

The Agency reports the following major governmental funds:

The *general fund* is the Agency's operating fund. It accounts for financial resources of the agency.

The *debt service fund* accounts for the resources (ad valorem property tax) accumulated and payments made for principal and interest on long-term tax increment revenue debt of governmental funds.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services or privileges provided and 2) operating grants and contributions. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

When both restricted and unrestricted resources are available for use, it is the Agency's policy to use restricted resources first, then unrestricted resources, as they are needed.

**D. Assets, liabilities, deferred outflows/inflows of resources, and net position/fund balance**

1. Cash and investments

Investments include short-term investments that are easily converted to cash and long-term investments with a maturity of more than three months when purchased. Investments are stated at fair value or amortized cost in accordance with GASB Statement No. 31, *Accounting and Reporting for Certain Investments and for External Investment Pools*.

The Agency reports investments at amortized cost if they have a remaining maturity at the time of purchase of one year or less. Fair value of investments is determined by using quoted market prices provided by a nationally recognized major financial institution.

The Nevada Revised Statutes (NRS) authorize the Agency to invest in obligations of the U.S. Government and its agencies, commercial paper, corporate bonds, mutual funds, repurchase agreements or other securities in which commercial banks may legally invest money

2. Property taxes receivable

The Agency's primary source of revenue is ad valorem property tax. The Nevada Tax Commission must certify all tax rates on June 25, the levy date, and property is liened on July 1. Property taxes are levied in July and are payable to the County Treasurer in four equal installments during August, October, January and March. Apportionment of taxes by Clark County to the Agency is made in the calendar quarters of September, December, March and June.

The Agency receives that portion of ad valorem tax which is produced by the rate at which the tax is levied each year by all taxing entities in the redevelopment area. This tax is applied to that portion of the assessed valuation of all taxable property in the redevelopment area, which is in excess of the amount of the assessed valuation as certified by the Clark County Tax Assessor for the 1986 fiscal year. For Fiscal Year 2013, the incremental valuation (assessed value) was \$530,045,935 with a tax rate of \$2.5046 apportioned to the Agency per \$100 of assessed value.

CITY OF LAS VEGAS REDEVELOPMENT AGENCY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

**1. Summary of significant accounting policies (continued)**

**D. Assets, liabilities, deferred outflows/inflows of resources, and net position/fund balance (continued)**

3. Loans receivable

The Redevelopment Agency has loans receivable as follows:

- Office District Parking, Inc. for \$25,000
- City of Las Vegas Industrial Development Special Revenue Fund for \$811,534

These loans accrue interest at 2% per annum with principal and interest due when borrower and Agency mutually agree to the repayment of the note.

- Fremont Street Experience, LLC for \$2,487,317
- Fremont Street Experience, LLC for \$3,257,514

The first note bears interest at 4.152%, with monthly payments of principal and interest of \$57,950 and matures on May 1, 2017. The annual total payments received for the year ended June 30, 2013 were \$695,400.

The second note bears interest at 7.623%, with monthly payments of principal and interest of \$57,950 starting on June 30, 2017 and maturing January 31, 2026.

- City of Las Vegas for \$11,521,264

The City shall make annual payments to the Agency for a period of seven years with a possible extension of an additional five years, commencing on July 18, 2012. The agreement bears no interest. The annual payment shall equal five percent of the Agency tax increment revenue received less any positive Agency Unassigned General Fund Balance. The annual payment shall not be less than \$500,000 nor exceed \$2,000,000. For the Year Ended June 30, 2013, the Agency received \$2,000,000.

4. Intergovernmental receivables/payables

Intergovernmental receivables and payables represent current amounts due from or payable to the City of Las Vegas and other governmental agencies.

5. Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Agency has no items that qualify for reporting in this category.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Agency has only one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from two resources: property taxes and loans receivable. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available

CITY OF LAS VEGAS REDEVELOPMENT AGENCY  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2013

**1. Summary of significant accounting policies (continued)**

**D. Assets, liabilities, deferred outflows/inflows of resources, and net position/fund balance (continued)**

6. Restricted assets

Resources set aside for repayment of debt are classified as restricted assets on the statement of net position because they are maintained in separate bank accounts and are required by bond covenants to make up potential future deficiencies in debt service payments.

7. Land held for resale

Land held for resale is recorded at cost.

8. Capital assets

Capital assets which include land, land improvements, buildings, building improvements, equipment and construction in progress are reported in the Agency-wide financial statements. Capital assets are defined by the Agency as assets with an initial individual cost of \$5,000 or more and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets (if any) are recorded at the estimated fair market value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Buildings and improvements, land improvements and equipment of the Agency are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	40
Building and Land Improvements	20
Equipment	7-10

9. Long-term obligations

In the Agency-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net position. Initial-issue bond premiums and discount are deferred and amortized over the life of the bonds. Bonds payable are reported net of the unamortized portion of applicable premium or discount.

In the fund financial statements, bond premiums, discounts and issuance costs are recognized during the period issued. The face amount of debt issued is reported as other financing sources. Premiums received are reported as other financing sources, while discounts are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

10. Net position

In the Agency-wide financial statements, net position is reported in three categories: net investment in capital assets, restricted and unrestricted. Restricted net position represents net position restricted by parties outside of the Agency (such as creditors, grantors, contributors, laws and regulations of other governments). All other net position is considered unrestricted.

CITY OF LAS VEGAS REDEVELOPMENT AGENCY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

**1. Summary of significant accounting policies (continued)**

**D. Assets, liabilities, deferred outflows/inflows of resources, and net position/fund balance (continued)**

11. Fund balance policies

In the fund financial statements, fund balance is reported in classifications that comprise a hierarchy based on the extent to which the Agency is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. The classifications of fund balance are Nonspendable, Restricted, Committed, Assigned, and Unassigned. Nonspendable and restricted fund balances represent the restricted classifications and Committed, Assigned, and Unassigned represent the unrestricted classifications.

Nonspendable fund balance includes amounts that cannot be spent because, either 1) it is not in a spendable form, such as inventory, prepaid items and land held for resale, or 2) legally or contractually required to be maintained intact. Restricted fund balance is externally (outside the Agency) enforceable limitations imposed by creditors, grantors, contributors, laws and regulations of other governments, or laws through constitutional provisions or enabling legislation. Committed fund balance is self-imposed limitations imposed at the highest level of decision making authority, namely, Mayor and Council. Mayor and Council approval is required to commit resources or to rescind the commitment. Assigned fund balance represents limitations imposed by management. Assigned fund balance requests are submitted to the Chief Financial Officer for approval/non-approval. Unassigned fund balance represents the residual net resources in excess of the other classifications. The General fund is the only fund that can report a positive unassigned fund balance and any governmental fund can report a negative unassigned fund balance.

When both restricted and unrestricted resources are available for specific resources, restricted resources are considered spent before unrestricted resources. Within unrestricted resources, committed and assigned are considered spent (if available) before unassigned amounts.

12. Estimates

The preparation of financial statements in conformance with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

CITY OF LAS VEGAS REDEVELOPMENT AGENCY  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2013

**2. Reconciliation of agency-wide and fund financial statements**

**A. Explanation of certain differences between Governmental Funds Balance Sheet and the Agency-wide Statement of Net Position**

The Governmental Funds Balance Sheet includes a reconciliation between *fund balance – total governmental funds* and *net position – governmental activities* as reported in the Agency-wide Statement of Net Position. One element of that reconciliation explains that “long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.” The detail of this \$105,389,323 difference is as follows:

Bonds and loans payable	\$ 104,712,192
Add: previously amortized original issue discount and premium (amortized over the life of the bonds to interest expense and fiscal charges)	227,513
Add: Accrued interest payable	449,618
Net adjustment to decrease <i>fund balance</i> total governmental funds to arrive at net <i>position – governmental activities</i>	\$ 105,389,323

**B. Explanation of certain differences between Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance and the Agency-wide Statement of Activities**

The Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances includes a reconciliation between *net changes in fund balances – total governmental funds* and *changes in net position of governmental activities* as reported in the Agency-wide Statement of Activities. One element of the reconciliation explains that “governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense.” The detail of this \$613,694 difference is as follows:

Depreciation expense	\$ (613,694)
Net adjustment to decrease <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	\$ (613,694)

Another element of that reconciliation states that “the issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities.” The detail of this \$4,045,000 difference is as follows:

Principal repayments	
Tax Increment Revenue Bonds	\$ 4,045,000
Net adjustment to decrease <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	\$ 4,045,000

CITY OF LAS VEGAS REDEVELOPMENT AGENCY  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**2. Reconciliation of agency-wide and fund financial statements (continued)**

**B. Explanation of certain differences between Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance and the Agency-wide Statement of Activities (continued)**

Another element of that reconciliation states that “some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.” The detail of this \$142,082 difference is as follows:

Amortization of bond premiums	\$ 78,122
Change in accrued interest	26,373
Amortization of defeasance costs	(111,141)
Amortization of bond discounts	(135,436)
Net adjustment to decrease <i>net changes in fund balances</i>	
<i>governmental funds to arrive at changes in net position of</i>	
<i>governmental activities</i>	\$ (142,082)

Another element of the reconciliation states that “The net effect of various miscellaneous transactions involving Capital Assets (i.e. Sales) is to increase Net Assets.” The details of the \$3,728,145 difference are as follows:

In the Statement of Activities, only the gain on the Sale of Capital Assets is reported. However, in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net assets differs from the change in fund balance by the cost of the capital asset sold

\$ (3,728,145)

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Net adjustment to decrease net change in fund balance – total governmental funds to arrive at changes in net assets of governmental activities

\$ (3,728,145)

**3. Stewardship and legal compliance**

**A. Budgetary information**

Budgets are adopted on a basis consistent with U. S. generally accepted accounting principles. Annual appropriated budgets are adopted for the general and debt service fund. The budget is filed with the Nevada Department of Taxation, a branch of the state government charged with the responsibility to oversee local government finances. The Agency Board of Directors approves annual appropriated budgets by expenditure categories; however, expenditures for all governmental fund types are controlled at the function level as prescribed by law.

By the first Tuesday in February of each year, Agency staff submits appropriation requests to the City’s Financial Services Division for the preparation of an Agency budget to be effective the following July 1. The budget is prepared by fund, function and activity and includes information on the prior year, current year estimates and requested appropriations for the next fiscal year.

A tentative budget is submitted to the Nevada Department of Taxation by April 15. A public hearing is required on the third Tuesday of May and the final budget must be adopted by the Agency Board and filed with the Department of Taxation by June 1.

The Agency Board may amend or augment the annual budget following a public hearing. In any legislative year the State of Nevada Legislature increases the revenues of any local government, and such increase was not anticipated and included in the final budget, the local government may amend the final budget before August 15 and file such amended budget with the Department of Taxation increasing budgeted revenues and expenditures (NRS 354.599). An augmented budget is approved

CITY OF LAS VEGAS REDEVELOPMENT AGENCY  
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**3. Stewardship and legal compliance (continued)**

**A. Budgetary information (continued)**

and filed when the total revenues and corresponding expenditures change. All budget appropriations lapse at the end of each fiscal year.

For the fiscal year ended June 30, 2013, the Agency did not augment its original budget.

**B. Legal compliance**

The Agency complied with all statutory, administrative code and bond covenants requirements during the year.

**4. Cash, cash equivalents and investments**

As of June 30, 2013, the Agency had the following investments:

<u>Investment Type</u>	<u>Book Value</u>	<u>Maturity (Year)</u>
U.S. Agency	\$ 8,499,551	0.3370
Money Market Fund (face value)	691,871	0.0027
U.S. Treasury Obligations	1,880,000	0.4493
	<u>\$ 11,071,422</u>	
 Portfolio weighted-average maturity		 0.3352

<u>Type of Investments</u>	<u>Amount</u>	<u>Investment Maturities</u>	
		<u>1 to 30</u>	<u>61-365</u>
		<u>1 - 30 Days</u>	<u>61 - 365 Days</u>
U.S. Agency	\$ 8,499,551	\$	\$ 8,499,551
U.S. Treasury	1,880,000		1,880,000
Money Market Fund	691,871	691,871	
 Total Investments	 <u>\$ 11,071,422</u>	 <u>\$ 691,871</u>	 <u>\$ 10,379,551</u>

Reconciliation of cash, cash equivalents and investments for government-wide financial statements:

Cash in bank	\$ 7,476,150
Money market fund	691,871
Total cash and cash equivalents	<u>\$ 8,168,021</u>

**Interest Rate Risk:** In accordance with its investment policy, the Agency manages its exposure to declines in fair value by limiting the weighted-average maturity of its investment portfolio to less than ten months.

The U.S. Agency investment is a discount note that will mature in six months and is not subject to prepayment or call risk.

CITY OF LAS VEGAS REDEVELOPMENT AGENCY  
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**4. Cash, cash equivalents and investments (continued)**

**Credit Risk:** Nevada Revised Statutes authorize the Agency to invest in obligations of the U.S. Treasury and U.S. agencies (i.e., FNMA, FHLB, etc.), repurchase agreements, certificates of deposit, money market mutual funds or other securities in which banking institutions may legally invest.

Investment Type	Amount	Minimum Legal Rating	Exempt From Disclosure	Year End Rating	
				AAA	Not Rated
U.S. Agency	\$ 8,499,551	N/A	\$	\$	\$ 8,499,551
U.S. Treasury	1,880,000	N/A	1,880,000		
Money Market Fund	691,871	AAA		691,871	
Total	<u>\$ 11,071,422</u>		<u>\$ 1,880,000</u>	<u>\$ 691,871</u>	<u>\$ 8,499,551</u>

**Concentration of Credit Risk:** The Agency’s investment policy allows for investments as follows (1) U.S. Treasury, money market funds and agencies, no limit; (2) Repurchase agreements, 20% of portfolio; (3) commercial paper, 20% of portfolio with a 10% per issue limit; (4) corporate notes, 20% of portfolio with a 25% per issue limit; and (5) certificates of deposit, \$100,000 per institution. To reduce the overall portfolio risks, the Agency will diversify its investments by security type and institution. With the exception of U.S. Treasuries and government agency securities, no more than 50% of the Agency’s total investment portfolio will be invested in a single security type or with a single financial institution.

As of June 30, 2013, more than 5% of the Agency’s investments are in U.S. Treasury and Federal National Mortgage Association. These investments are 17% and 77% respectively, of the total investments.

**Custodial Credit Risk – Investments:** For an investment, this is the risk that, in the event of the failure of the counterparty, the Agency will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Agency’s investments are registered and the securities are held by the Agency’s agent in the Agency’s name, minimizing the Agency’s custodial credit risk.

**Custodial Credit Risk – Deposits:** In the case of deposits, this is the risk that in the event of a bank failure, the Agency’s deposits may not be returned to it. The Agency has a deposit policy for custodial credit risk requiring all money deposited with a bank, savings and loan, savings bank or credit union including checking accounts, savings accounts, NOW accounts, non-negotiable certificates of deposit, time deposits or similar type accounts provided by the financial institution in excess of the amount of federal insurance to be fully collateralized. As of June 30, 2013, the Agency had a cash balance per books of \$7,476,150 and a bank balance of \$7,497,712. The bank balances were not exposed to custodial credit risk because they were collateralized with Securities held in the name of the Agency at a third party depository on behalf of the depository.

CITY OF LAS VEGAS REDEVELOPMENT AGENCY  
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**5. Capital assets**

	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 31,816,684	\$	\$ (3,827,000)	\$ 27,989,684
Total capital assets not being depreciated	<u>31,816,684</u>		<u>(3,827,000)</u>	<u>27,989,684</u>
Capital assets being depreciated:				
Land improvements	434,211		(134,685)	299,526
Buildings and improvements	37,776,478		(13,994,264)	23,782,214
Equipment	125,239		(6,355)	118,884
Total capital assets being depreciated	<u>38,335,928</u>		<u>(14,135,304)</u>	<u>24,200,624</u>
Less accumulated depreciation for:				
Land improvements	(277,155)	(14,976)	47,701	(244,430)
Buildings and improvements	(10,110,334)	(595,214)	2,662,017	(8,043,531)
Equipment	(118,558)	(3,504)	3,177	(118,885)
	<u>(10,506,047)</u>	<u>(613,694)</u>	<u>2,712,895</u>	<u>(8,406,846)</u>
Total capital assets being depreciated, net	<u>27,829,881</u>	<u>(613,694)</u>	<u>(11,422,409)</u>	<u>15,793,778</u>
Governmental activities capital assets, net	<u>\$ 59,646,565</u>	<u>\$ (613,694)</u>	<u>\$ (15,249,409)</u>	<u>\$ 43,783,462</u>

Depreciation expense is recorded in the Statement of Activities as follows:

Governmental activities:	
Economic development and assistance	\$ <u>613,694</u>

**6. Long-term debt**

The Agency bonds (Tax Incremental Revenue Bonds) do not constitute a debt or indebtedness of the Agency within the meaning of any constitutional or statutory provision or limitation and are not a general obligation of the Agency. The Agency has no taxing power. The Agency's long-term debt is payable from ad valorem property tax levied against the incremental assessed value for all taxable property within the redevelopment area, the debt is designated as Tax Increment Revenue Bonds. As security, \$10,676,305 has been deposited in a reserve account with the Agency's trustee. The following schedule summarizes the changes in general long-term debt:

**A. Changes in long-term debt**

The Agency issued tax increment revenue refunding bonds to get a better interest rate and refund bonds that were issued for early redevelopment projects. In March 2009, the Agency issued tax increment revenue bonds for construction of public infrastructure and a performing arts center.

CITY OF LAS VEGAS REDEVELOPMENT AGENCY  
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**6. Long-term debt (continued)**

**A. Changes in long-term debt (continued)**

Governmental activities:	Original Issue	Balance July 1, 2012	Additions	Reductions	Balance July 1, 2013	Due within one year
3.0% to 5.0% Redevelopment Agency Tax Increment Revenue Refunding Bonds Series 2003A, due 6/15/2014	\$ 19,115,000	\$ (7,755,000)	\$	\$ 3,785,000	(3,970,000)	\$ (3,970,000)
3.0% to 4.5% Redevelopment Agency Tax Increment Revenue Refunding Bonds Series 2003B, due 6/15/2014	2,395,000	(530,000)		260,000	(270,000)	(270,000)
6.0% to 8.00% Redevelopment Agency Tax Increment Revenue Bonds Series 2009A, due 06/15/2030	85,000,000	(85,000,000)			(85,000,000)	
3% Redevelopment Agency Tax Increment subordinate Lien Bonds, due 02/17/2021	15,472,192	(15,472,192)			(15,472,192)	
		<u>(108,757,192)</u>		<u>4,045,000</u>	<u>(104,712,192)</u>	<u>(4,240,000)</u>
Less deferred amounts for:						
Original issue discounts		(13,954)		(135,436)	(149,390)	(146,100)
Original issue premiums		(156,245)		78,122	(78,123)	(78,123)
		<u>(170,199)</u>		<u>(57,314)</u>	<u>(227,513)</u>	<u>(224,223)</u>
Total long-term debt		<u>\$ (108,927,391)</u>	\$	<u>\$ 3,987,686</u>	<u>\$ (104,939,705)</u>	<u>\$ (4,464,223)</u>

In September 1997, the Agency entered into a Forward Delivery Investment Agreement with Lehman Brothers Special Financing Inc. and received \$3,026,000, which represents interest that the Agency would have earned on the reserve funds for the 1989, 1994A, 1995A and 1995B bonds. In September 1998, the Agency canceled the portion of the Agreement associated with the 1989 and 1995A bond reserve funds at a cost of \$1,650,000. The portion of the Forward Delivery Agreement associated with the 1994 and 1995B bond reserve funds remains outstanding and will mature on June 14, 2014. On September 18, 2008, Lehman Brothers Holding, Inc. filed for Chapter 11 Bankruptcy. The funds are currently invested in U.S. Treasury Bills and the interest is going to the Bankruptcy trustee. The outstanding restricted funds at June 30, 2013 is \$1,936,580, included in debt service funds investment and cash and cash equivalents.

CITY OF LAS VEGAS REDEVELOPMENT AGENCY  
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**6. Long-term debt (continued)**

**B. Annual debt service requirements to maturity**

Annual debt service requirements to maturity for the Agency's bonds and loans at June 30, 2013, are as follows:

Year Ending June 30,	Governmental Activities		Total
	Tax Increment Revenue Bonds		
	Principal	Interest	
2014	4,240,000	7,108,904	11,348,904
2015	3,035,000	6,898,254	9,933,254
2016	3,215,000	6,716,154	9,931,154
2017	6,240,319	6,515,216	12,755,535
2018	6,535,912	6,208,481	12,744,393
2019-2023	32,155,961	25,537,726	57,693,687
2024-2028	32,410,000	14,928,400	47,338,400
2029-2030	16,880,000	2,051,600	18,931,600
	<u>104,712,192</u>	<u>75,964,735</u>	<u>180,676,927</u>
Unamortized portion of:			
Original issue premium	78,123		78,123
Original issue discount	149,390		149,390
Net total debt outstanding	<u>\$ 104,939,705</u>	<u>\$ 75,964,735</u>	<u>\$ 180,904,440</u>

**C. Pledged revenues**

**1. Tax Increment Revenue Supported Bonds**

The bonds are supported by incremental increases in property tax revenues to be generated by all property located within the Redevelopment Agency area over the remaining term of the outstanding bonds, less the aggregate amount of incremental taxes to be set aside (18%) for low-income housing. For fiscal year ended June 30, 2013, the Agency collected \$12,695,125 in property tax revenue, contributed \$2,285,123 to low income housing, leaving a balance of \$10,410,002 to retire \$4,045,000 in bond principal and \$7,309,854 in interest.

Bonds Issued	Maturity (Length of Pledge)
Redevelopment Agency Tax Increment Revenue Refunding Bonds Series 2003B	6/1/2014
Redevelopment Agency Tax Increment Revenue Refunding Bonds Series 2003B	6/1/2014
Redevelopment Agency Tax Increment Revenue Bonds Series 2009A	6/1/2030
Redevelopment Agency Tax Increment Subordinate Lien Bonds	2/17/2021

CITY OF LAS VEGAS REDEVELOPMENT AGENCY  
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**7. Customer deposits**

In prior years, the Stratosphere Corporation deposited \$4,295,000 with the Agency. This money, along with interest earned, has been used by the Agency for the acquisition of property. Of this total, \$3,899,882 has been spent, net of interest income, leaving a balance of \$395,118 at June 30, 2013. The excess money will be returned to Stratosphere Corporation. The Agency has other deposits of \$27,000 for other projects. At June 30, 2013, total customer deposits were \$422,118.

**8. Intergovernmental revenues and expenditures**

The following schedule details intergovernmental revenues as of June 30, 2013:

From	To Agency		Total
	Debt Service Fund	General Revenue Fund	
City of Las Vegas	\$ 283,850	\$ 5,358,567	\$ 5,642,417

The City transferred \$283,850 to the agency to pay principal and interest payment on the Series 2003B Tax Increment Subordinate Lien Revenue Refunding Bonds. The additional \$5,358,567 was provided by the City to fund Agency projects and operations.

The following schedule details intergovernmental expenditures as of June 30, 2013:

To	From Agency
	General Fund
City of Las Vegas Internal Service Fund	\$ 2,846,593
City of Las Vegas Debt Service Fund	815,000
City of Las Vegas Special Revenue Fund	2,341,251
	\$ 6,002,844

The Agency reimbursed the City \$2,846,593 for redevelopment salaries and benefits. The Agency also contributed \$2,341,251 to the City for the 18% set-aside (from property taxes) and \$815,000 toward interest and principal payments on the Tax Increment Subordinate Lien Bonds.

**9. Interfund transfers**

Interfund transfers are legally authorized transfers from a fund receiving revenue to the fund through which the resources are to be expended. During the year ended June 30, 2013, the Agency's general fund transferred \$3,800,000 to the debt service fund.

CITY OF LAS VEGAS REDEVELOPMENT AGENCY  
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**10. Prior Period Adjustments**

**A. Correction of Error**

During the current fiscal year, it was noted that land held for resale was not reduced to account for land sold in fiscal 2008, which overstated both total assets and net position by \$774,294. This error has been corrected in the current year financial statements via a reduction of beginning net position.

**B. Change in Basis of Accounting**

During the current fiscal year, the Agency adopted GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities* (GASB 65). Among other things, the adoption of GASB 65 requires retroactive adjustment to expense amounts previously reported as deferred charges associated with bond issuance costs. The cumulative effect of this change in accounting principle is reported in the current year as an adjustment to beginning net position. At June 30, 2012, the Agency reported unamortized bond issuance costs of \$834,729, which were written-off via a reduction of beginning net position.

Summary of Prior Period Adjustments:		
Net Position (deficit) - July as previously reported		\$ (22,576,404)
Prior Period Adjustment		
Reduction of land held for resale	\$ (774, 294)	
Adoption of GASB 65	<u>(834, 729)</u>	
		<u>(1,609,023)</u>
Net Position (deficit) - July 1 restated		\$ <u><u>(24,185,427)</u></u>

CITY OF LAS VEGAS REDEVELOPMENT AGENCY  
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**11. Commitments and contingent liabilities**

**A. Tax Increment Financing**

The Agency is involved in various claims and legal actions arising in the ordinary course of business. In the opinion of management, the ultimate disposition of these matters will not have a material effect on the Agency's financial position, changes in net assets or liabilities.

The Agency has entered into eight tax increment subordinate lien notes as part of various owner participation agreements. The indebtedness represented by the notes have been allocated to the land and improvements and is payable solely and exclusively from a predetermined percentage of the Site Tax Increment received by the Agency on the parcels, and shall not be payable from any other source. Because the requirements to repay the notes are contingent on the Agency receiving sufficient site tax increment on the specific parcels and subordinate to the lien of the Agency's preexisting debt and future debt, the potential future obligation of the Agency has not been reflected in the basic financial statements. The following summarizes the unique terms of various notes:

- Simon/Chelsea Las Vegas Development, LLC Note – Taxable tax increment subordinate Lien Note entered into June 30, 2004, in the amount of \$1,837,360 (on June 18, 2008, the note was modified to add an additional \$756,095 for a total of \$2,593,455). Payments started June 30, 2004 and continue for twelve years until March 5, 2016. Interest accrues at 7 percent per annum, beginning July 1, 2004. The percentage of site tax increment from which the note is paid is 41%. All unpaid principal and interest that remains due on the maturity date will cease to be owed and the Agency will owe no additional money after the maturity date. The note has payments starting June 30, 2010 and continuing for eight years until June 30, 2016, with interest at 7 percent beginning accrual June 18, 2008. Also, the percentage of site tax increment from which the note is paid is 41%, and all unpaid principal and interest that remains due on the maturity date will cease to be owed and the Agency will owe no additional money after the maturity date. During the year the Agency received site tax increment revenue and paid \$134,277 in interest to Simon/Chelsea, which was charged to economic development and assistance. The combined outstanding balance at June 30, 2013 was \$2,930,747, which includes \$482,191 of accrued interest.
- WMCV Phase I, LLC Note – Taxable tax increment subordinate Lien Note entered into June 30, 2005, in the amount of \$1,696,622. Payments started June 30, 2006, and continue for twenty years until June 30, 2026. Interest accrues at 8.07 percent per annum, beginning July 1, 2005. The percentage of site tax increment from which the note is paid is 41%. All unpaid principal and interest that remains due on the maturity date will cease to be owed and the Agency will owe no additional money after the maturity date. During the year, the Agency received site tax increment revenue and paid \$136,917 in interest to WMCV Phase I, LLC, which was charged to economic development and assistance. The outstanding balance was \$1,833,539 at June 30, 2013, which includes \$136,917 of accrued interest.
- WMCV Phase II, LLC Note – Taxable tax increment subordinate Lien Note entered into June 30, 2006, in the amount of \$8,725,545. Payments started June 30, 2006, and continue for nineteen years until June 30, 2025, interest accrues at 8.04 percent per annum, beginning July 1, 2005. The percentage of site tax increment from which the note is paid is 41%. All unpaid principal and interest that remains due on the maturity date will cease to be owed and the Agency will owe no additional money after the maturity date. During the year, the Agency received site tax increment revenue and paid \$70,630 in interest to WMCV Phase II, which was charged to economic development and assistance. The outstanding balance was \$13,605,869 at June 30, 2013, which includes \$4,880,324 of accrued interest.

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**11. Commitments and contingent liabilities (continued)**

**A. Tax Increment Financing**

- WMCV Phase III, LLC Note – Taxable tax increment subordinate Lien Note entered into June 18, 2008, in the amount of \$14,268,157. Payments started June 30, 2010, and continue for seventeen years until June 30, 2025. Interest accrues at 7.90 percent per annum, beginning June 30, 2010. The percentage of site tax increment from which the note is paid is 41%. All unpaid principal and interest that remains due on the maturity date will cease to be owed and the Agency will owe no additional money after the maturity date. During the year, the Agency received site tax increment revenue and paid \$292,490 in interest to WMCV Phase III, LLC, which was charged to economic development and assistance. The outstanding balance was \$16,656,818 at June 30, 2013, which includes \$2,829,925 of accrued interest.
- SP Sahara Development, LLC Note – Taxable tax increment subordinate Lien Note entered into June 30, 2008, in the amount of \$20,912,094. Payments started June 30, 2010, and continue for nineteen years until June 30, 2027, interest accrues at 7.09 percent per annum, beginning June 30, 2010. The percentage of site tax increment from which the note is paid is 41%. All unpaid principal and interest that remains due on the maturity date will cease to be owed and the Agency will owe no additional money after the maturity date. During the year, the Agency received site tax increment revenue and paid \$292,772 in interest to SP Sahara Development, LLC, which was charged to economic and development assistance. The outstanding balance at June 30, 2013 was \$27,315,485, which includes \$6,703,806 in accrued interest.
- PH ASA, LLC Note – Taxable tax increment subordinate Lien Note entered into April 24, 2006, in the amount of \$995,510. Payments started June 30, 2006, and continue for twenty years until June 30, 2026. Interest accrues at 7 percent per annum, beginning April 24, 2006. The percentage of site tax increment from which the note is paid is 41%. All unpaid principal and interest that remains due on the maturity date will cease to be owed and the Agency will owe no additional money after the maturity date. During the year, the Agency received site tax increment revenue and paid \$37,309 in interest to PH ASA, LLC, which was charged to economic development and assistance. The outstanding balance at June 30, 2013 was \$1,305,680 which includes \$310,170 of accrued interest.
- WMCV Phase 3, LLC Note—Taxable tax increment subordinate Lien Note entered into June 17, 2009, in the amount of \$12,321,620. Payments started June 30, 2009, and continue for seventeen years until June 30, 2025. Interest accrues at 7.57% per annum, beginning June 30, 2009. The percentage of site tax increment from which the note is paid is 41%. All unpaid principal and interest that remains due on the maturity date will cease to be owed and the Agency will owe no additional money after the maturity date. During the year, the Agency received site tax increment revenue and paid \$390,226 in interest to WMCV Phase 3, LLC, which was charged to economic development and assistance. The outstanding balance was \$13,318,195 at June 30, 2013, which includes \$996,575 of accrued interest.
- WMCII Associates, LLC Note – Taxable tax increment subordinate Lien Note entered into June 17, 2009, in the amount of \$2,663,073. Payments started June 30, 2009, and continue for seventeen years until June 30, 2025. Interest accrues at 7.57% per annum, beginning June 30, 2009. The percentage of site tax increment from which the note is paid is 41%. All unpaid principal and interest that remains due on the maturity date will cease to be owed and the Agency will owe no additional money after the maturity date. The outstanding balance was \$3,267,170 at June 30, 2012, which includes \$604,097 of accrued interest.
- On June 15, 2011, the Agency entered into an Interlocal Cooperative Agreement with the City. This Agreement is for the purpose of transferring to the City a portion of the real estate taxes attributable to the Las Vegas Metropolitan Police Department Metroplex that are distributed to and received by the Agency. The Agency will transfer to the City sixty percent (60%) of the Agency share of real estate taxes, as defined in the Metro Interlocal Agreement between Clark County and the City each year in connection with the Metroplex. The annual transfer commenced on the first anniversary of the date of a Certificate of Occupancy issued for the Metroplex, and will continue until the County either closes escrow on the purchase of the Metroplex or March 5, 2031, whichever comes first. During September 2012, the RDA transferred \$9,885 of real estate taxes to the City for Metroplex tax paid for fiscal year ended June 30, 2013.

CITY OF LAS VEGAS REDEVELOPMENT AGENCY  
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**11. Commitments and contingent liabilities (continued)**

**B. Future Car Rental Fee Distributions**

On March 26, 2009, the City issued \$101,220,000 of City of Las Vegas Nevada General Obligation Performing Arts Center Bonds, Series 2009, to be paid from a fee (Rental Car Fee) upon rental of a passenger car in the amount of not more than 2 percent of the total amount for which the passenger car was rented.

On May 6, 2009, the City and the Agency entered into an interlocal agreement regarding the distribution of funds for a performing arts center. On May 26, 2009, the Agency issued \$85,000,000 of Tax Increment Revenue Bonds. The Agency's bonds are to be used for the construction of the Performing Arts Center project in the City of Las Vegas.

On February 15, 2012, the City and the Smith Center for the Performing Arts entered into a Lease and Operating Agreement for the Performing Arts.

Under the terms of the agreement, the City agrees that any Rental Car Fees received by the City in excess of what is determined by the City to be needed to pay annual debt service on the Bonds for the then current year, and a reserve for the next succeeding year, shall be used only as permitted by NRS 244A.860(3) and the Interlocal Agreement.

The City shall pay the Smith Center for the Performing Arts any excess Rental Car Fees on a quarterly basis. The Smith Center for the Performing Arts agrees that any excess Rental Car Fees it receives from the City will be used first to pay all amounts necessary to satisfy all of the Smith Center for Performing Arts' obligations under the Smith Center for Performing Arts' revolving line of credit agreement dated January 28, 2010 with Bank of Nevada. After the Bank has been fully repaid, the Smith Center for Performing Arts agrees that excess Rental Car Fees in the amount of \$20,000,000 plus the City Contingency Amount to the extent actually expended and used, provided such amount shall not exceed \$5,000,000 in any event (the City Reimbursement Amount), may be retained by the City as a reimbursement for funds that have been contributed.

Under the terms of the Interlocal Agreement between the City and the Agency, the \$20,000,000 of excess Rental Car Fees will be refunded to the Agency plus \$141,433 in Agency Contingency Funds paid. This refund is contingent solely upon excess Rental Car Fees and shall be completed no later than September 6, 2030 if funds are available.

CITY OF LAS VEGAS REDEVELOPMENT AGENCY  
DEBT SERVICE FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget -</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Property taxes	\$ 11,000,000	\$ 11,000,000	\$ 13,006,960	\$ 2,006,960
Intergovernmental	283,850	283,850	283,850	
Investment earnings	2,685	2,685	2,682	(3)
	<u>11,286,535</u>	<u>11,286,535</u>	<u>13,293,492</u>	<u>2,006,957</u>
Total revenues				
Expenditures:				
Current:				
Economic development and assistance	1,980,000	1,980,000	2,341,251	(361,251)
Debt service:				
Principal retirement	4,045,000	4,045,000	4,045,000	
Interest and fiscal charges	8,832,854	8,832,854	8,684,192	148,662
	<u>14,857,854</u>	<u>14,857,854</u>	<u>15,070,443</u>	<u>(212,589)</u>
Total expenditures				
Deficiency of revenues under expenditures	<u>(3,571,319)</u>	<u>(3,571,319)</u>	<u>(1,776,951)</u>	<u>1,794,368</u>
Other financing sources (uses):				
Transfers in	<u>3,800,000</u>	<u>3,800,000</u>	<u>3,800,000</u>	
Net change in fund balance	228,681	228,681	2,023,049	1,794,368
Fund balance, July 1	<u>2,818,276</u>	<u>2,818,276</u>	<u>3,367,887</u>	<u>549,611</u>
Fund balance, June 30	<u>\$ 3,046,957</u>	<u>\$ 3,046,957</u>	<u>\$ 5,390,936</u>	<u>\$ 2,343,979</u>

CITY OF LAS VEGAS REDEVELOPMENT AGENCY  
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS  
BY SOURCE  
JUNE 30, 2013

CAPITAL ASSETS:

Land	\$ 27,989,684
Land improvements	299,526
Buildings and improvements	23,782,213
Equipment	<u>118,884</u>
Total capital assets	<u>\$ 52,190,307</u>

INVESTMENT IN CAPITAL ASSETS BY SOURCE:

General obligation bonds	<u>\$ 52,190,037</u>
Total investment in capital assets	<u>\$ 52,190,037</u>

Note: Capital assets listed above do not reflect accumulated depreciation.

CITY OF LAS VEGAS REDEVELOPMENT AGENCY  
 CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS  
 BY FUNCTION AND ACTIVITY  
 JUNE 30, 2013

	<u>Land</u>	<u>Land Improvements</u>	<u>Buildings and Improvements</u>	<u>Equipment</u>	<u>Total</u>
Economic development and assistance:					
Urban redevelopment	\$ 27,989,684	\$ 299,526	\$ 23,782,213	\$ 118,884	\$ 52,190,307
Total capital assets	<u>\$ 27,989,684</u>	<u>\$ 299,526</u>	<u>\$ 23,782,213</u>	<u>\$ 118,884</u>	<u>\$ 52,190,307</u>

CITY OF LAS VEGAS REDEVELOPMENT AGENCY  
 CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS  
 SCHEDULE OF CHANGES BY FUNCTION AND ACTIVITY  
 JUNE 30, 2013

	<u>Capital Assets July 1, 2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>Capital Assets June 30, 2013</u>
Economic development and assistance:				
Urban redevelopment	\$ 70,152,612	\$ _____	\$ 17,962,305	\$ 52,190,307
Total capital assets	<u>\$ 70,152,612</u>	<u>\$ _____</u>	<u>\$ 17,962,305</u>	<u>\$ 52,190,307</u>

Note: Capital assets listed above do not reflect accumulated depreciation.

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P B T K

PIERCY BOWLER  
TAYLOR & KERN

Certified Public Accountants  
Business Advisors

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND  
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

Honorable Chairperson, Board Members and Executive Director  
City of Las Vegas Redevelopment Agency  
Las Vegas, Nevada

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Las Vegas Redevelopment Agency (the Agency), a component unit of the City of Las Vegas, Nevada, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements as listed in the table of contents, and have issued our report thereon dated January 10, 2014.

**Internal Control over Financial Reporting.** In planning and performing our audit of the basic financial statements, we considered the Agency's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the basic financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies; and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency* in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Agency's basic financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses as item 2013 - 1 to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and responses as item 2013 - 2 to be a significant deficiency.

**Compliance and Other Matters.** As part of obtaining reasonable assurance about whether the Agency's basic financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of basic financial statement amounts, including whether the funds established by the Agency, as listed in Nevada Revised Statutes (NRS) 354.624 (5)(a)(1 through 5), complied with the express purposes required by NRS 354.6241. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**The Agency's Responses to Findings.** The Agency's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. The Agency's responses were not subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

We noted certain matters that we reported to management of the Agency in a separate letter dated January 10, 2014.

**Purpose of this Report.** The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Agency's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Agency's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Las Vegas, Nevada  
January 10, 2014

# CITY OF LAS VEGAS REDEVELOPMENT AGENCY

## SCHEDULE OF FINDINGS AND RESPONSES

FOR THE YEAR ENDED JUNE 30, 2013

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**Findings relating to the financial statements, which are required to be reported in accordance with auditing standards generally accepted in the United States and *Government Auditing Standards***

2013 - 001

Criteria

Expense / expenditure and accounts payable cutoff procedures are properly designed and utilized to ensure all accruals are completely and accurately recorded. Invoices received subsequent to the balance sheet date should be analyzed for recognition in the proper period and the accounts payable subledger should remain open for a reasonable period of time to allow for the receipt and processing of invoices relating to goods received and services performed prior to the balance sheet date.

Condition

The accounts payable subledger was only left open through July 30, 2013, which is not a sufficient period of time to allow for invoices to be evaluated for proper period recognition. Per discussion with accounts payable clerks, we were informed they were instructed to post all invoices received after July 30, 2013 to fiscal year 2014, regardless of the period benefited.

Effect

Accounts payable and accrued expenses could be materially understated if large invoices are received after the July 30<sup>th</sup> cutoff date that benefit the current fiscal year, but are posted in the subsequent fiscal year.

Cause

The policies and procedures in place to provide reasonable assurance that expenditures / expenses are posted to the proper accounting period are not designed properly. Specifically, the accounts payable subledger is not left open for a sufficient period of time to capture invoices benefiting the prior fiscal year.

Recommendation

We recommend that the Agency redesign or modify its existing policies and procedures to require that the accounts payable subledger remain open for a longer period of time after the end of the fiscal year to provide better assurance that invoices are recorded in the proper accounting period. In addition, invoices that are received after the accounts payable subledger has been closed should also be evaluated to determine if an additional accrual is necessary.

Management's response

The period of time in which the accounts payable sub-ledger is left open to accrue invoices to the prior fiscal year will be evaluated and adjusted as needed to ensure material invoices are recorded in the proper accounting period. Any additional invoices received after the cutoff date within a reasonable period of time will be reviewed and accrued if the dollar amount exceeds an established materiality threshold.

**CITY OF LAS VEGAS REDEVELOPMENT AGENCY**

**SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)**

**FOR THE YEAR ENDED JUNE 30, 2013**

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**Findings relating to the financial statements, which are required to be reported in accordance with auditing standards generally accepted in the United States and *Government Auditing Standards* (continued)**

2013 – 002

Criteria

Detailed debt subledgers and original issue discount/premium amortization tables are maintained and reviewed for accuracy and approved by an appropriate level of management. Such subledgers should be reconciled to the amounts recorded in the general ledger to ensure that the amounts are reported accurately in the City's financial statements.

Amortization of bond premiums / discounts should be calculated using the effective interest method, or the straight-line method assuming it does not differ materially from the effective interest method.

Condition

We noted that the discount amortization on the \$85,000,000 2009A tax increment revenue bonds was calculated incorrectly. Specifically, in prior fiscal years, the City recognized amortization expense in excess of the total recorded discount and at the end of the current fiscal year is reporting a negative discount.

Effect

The bond discount and net position for governmental activities is understated at June 30, 2013. A prior period adjusting entry was proposed to correct the accumulated amortization of the discount, which would have increased the net position of governmental activities by \$284,243. However, the City elected to pass on posting the journal entry based on entity-wide materiality considerations.

Cause

The review of the amortization schedule for bond issuance discounts and premiums did not detect that there was an error in the schedule used to calculate amortization expense.

Recommendation

We recommend that management post the entry to correct accumulated amortization on the bond, and update the corresponding schedule to accurately post amortization expense in future periods.

Management's response

The Agency was aware of the overstatement of amortization expense. However, the effect is only at the Agency wide level and the amount is immaterial to total Agency's net position.

**CITY OF LAS VEGAS**  
**SCHEDULE OF PRIOR FINDINGS AND RESPONSES**  
**FOR THE YEAR ENDED JUNE 30, 2012**

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**Findings relating to the financial statements, which are required to be reported in accordance with auditing standards generally accepted in the United States and *Government Auditing Standards***

None reported