

**REGIONAL TRANSPORTATION COMMISSION OF SOUTHERN NEVADA**

A COMPONENT UNIT OF CLARK COUNTY, NEVADA



COMPONENT UNIT FINANCIAL STATEMENTS

JUNE 30, 2012

**REGIONAL TRANSPORTATION  
COMMISSION OF SOUTHERN NEVADA**

**COMPONENT UNIT FINANCIAL  
STATEMENTS**

**FOR THE FISCAL YEAR ENDED  
JUNE 30, 2012**



Prepared by the Department of Finance

Las Vegas, Nevada

**REGIONAL TRANSPORTATION COMMISSION OF SOUTHERN NEVADA**  
**JUNE 30, 2012**

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## RTC BOARD OF COMMISSIONERS

## GENERAL MANAGER



*Tina Quigley, General Manager  
Regional Transportation Commission  
of Southern Nevada*



*Larry Brown, Chairman  
Clark County*



*Robert Eliason  
City of North Las Vegas*



*Mayor Roger Tobler  
City of Boulder City*



*Chris Giunchigliani  
Clark County*

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Steve Sisolak, Vice-Chair*

*Larry Brown  
Tom Collins*

*Chris Giunchigliani*

*Mary Beth Scow*

*Lawrence Weekly*



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*Debra March  
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*Lois Tarkanian  
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*Kraig Hafen  
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## FINANCIAL SECTION

**P B T K**

**PIERCY BOWLER  
TAYLOR & KERN**

Certified Public Accountants  
Business Advisors

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

Board of Commissioners  
Regional Transportation Commission of Southern Nevada  
Las Vegas, Nevada

We have audited the accompanying financial statements of the governmental activities, business-type activities, and each major fund of the Regional Transportation Commission of Southern Nevada (the RTC) as of and for the year ended June 30, 2012, which collectively comprise the RTC's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the RTC's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States 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 financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the RTC's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

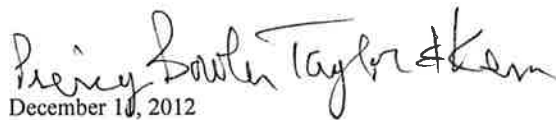
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the RTC as of June 30, 2012, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 11, 2012, on our consideration of the RTC'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* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States require that the management's discussion and analysis, schedule of funding progress, other postemployment benefits and budgetary comparison information on pages 3-12 and 54-58 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, 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the RTC's financial statements. The individual fund information are presented for purposes of additional analysis and are not a

required part of the financial statements. Such information is the responsibility of the RTC's management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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. 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.

  
December 14, 2012

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

### **June 30, 2012**

The Management's Discussion and Analysis (MD&A) of the Regional Transportation Commission of Southern Nevada's (RTC) financial performance provides an introduction and overview to the financial statements of the RTC for the fiscal year ended June 30, 2012. The information contained in this MD&A should be considered in conjunction with the information contained in the financial statements and accompanying notes in this report.

### **FINANCIAL STATEMENTS**

The RTC's financial statements are prepared in accordance with accounting principles generally accepted in the United States as promulgated by the Governmental Accounting Standards Board (GASB). The RTC is structured with several governmental funds for administration, debt service and street and highway construction, and one proprietary fund for public transit operations. In the proprietary fund and government-wide financial statements, revenues are recognized when earned, not when received and expenses are recognized when incurred, not when paid. Capital assets, except land, are depreciated over their estimated useful lives. A portion of net assets is restricted for debt service and for street and highway projects. See the financial statement notes for a summary of the RTC's significant accounting policies. The following is a brief discussion of the structure of the basic financial statements:

#### Government-wide Financial Statements

The government-wide financial statements are designed to provide a broad overview of the RTC's finances. These statements are structured around the primary government. They are further divided into governmental activities and business-type activities. Governmental activities being those generally financed through taxes and intergovernmental revenues, while business-type activities are those financed primarily by charging external parties for goods or services received.

The statement of net assets presents information on all of the RTC's assets and liabilities, with the difference between the two reported as net assets. Net assets are segregated into three components: invested in capital assets, net of related debt, restricted, and unrestricted net assets.

The statement of activities presents information showing how the RTC's net assets changed during the fiscal year. All changes in net assets are reported when the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, there are some revenues and expenses reported in this statement that will result in cash flows in future fiscal periods.

#### Fund Financial Statements

Fund financial statements provide detailed information about the RTC's funds. The RTC has two categories of funds.

**Governmental Funds** – Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements described above. However, unlike the government-wide financial statements, governmental fund financial statements use the modified accrual basis of accounting, which focuses on near-term inflows and outflows of available resources, as well as on balances of available resources at the end of the fiscal year. To provide a better understanding of the relationship between the governmental fund financial statements and government-wide financial statements, reconciliations are provided detailing the differences between the two financial statements' balances and results.

Proprietary Funds – Funds that focus on the determination of operating income, changes in net assets (or cost recovery), financial position, and cash flows are reported for proprietary funds. The RTC has one type of proprietary fund, an enterprise fund. Enterprise funds are used to report an activity where fees are charged to external users. The RTC's sole enterprise fund, the Public Transit Fund, is used to account for transit operations.

## FINANCIAL HIGHLIGHTS

The governmental activities of the RTC consist of two highway improvement funds, two debt service funds, and two funds utilized to account for administration of the RTC and distribution of a portion of the sales and excise tax revenue. The RTC funds a portion of street and highway projects for Clark County, the City of Las Vegas, City of Henderson, City of North Las Vegas, City of Boulder City, City of Mesquite, Bunkerville, Indian Springs, Laughlin, Moapa, Moapa Valley, Mt. Charleston, and Searchlight, (collectively referred to as the Jurisdictions) through the nine cent motor vehicle fuel tax and a portion of the sales and excise tax revenue allocated to the RTC Highway Improvement Fund. The business-type activities consist solely of the RTC Public Transit System, accounted for in an enterprise fund. The continued construction of street and highway, public transit facilities, and the acquisition of public transit equipment account for the majority of the changes in the balances reported in the statement of net assets.

Condensed Statements of Net Assets

	Governmental Activities		Business Type Activities		Total	
	FY 2012	FY 2011	FY 2012	FY 2011	FY 2012	FY 2011
<b>ASSETS:</b>						
Current and other assets	\$ 351,722,518	\$ 408,381,558	\$ 142,512,153	\$ 132,408,601	\$ 494,234,671	\$ 540,790,159
Net capital assets	17,242,602	15,246,132	384,523,416	404,770,604	401,766,018	420,016,736
<b>Total assets</b>	<b>368,965,120</b>	<b>423,627,690</b>	<b>527,035,569</b>	<b>537,179,205</b>	<b>896,000,689</b>	<b>960,806,895</b>
<b>LIABILITIES:</b>						
Long-term liabilities	811,958,886	852,065,952	3,701,781	3,062,049	815,660,667	855,128,001
Other liabilities	84,314,167	81,626,209	36,936,529	46,876,441	121,250,696	128,502,650
<b>Total liabilities</b>	<b>896,273,053</b>	<b>933,692,161</b>	<b>40,638,310</b>	<b>49,938,490</b>	<b>936,911,363</b>	<b>983,630,651</b>
<b>NET ASSETS:</b>						
Invested in capital assets, net of related debt	17,242,602	15,246,132	384,523,416	404,770,604	401,766,018	420,016,736
Restricted	255,373,700	308,896,695			255,373,700	308,896,695
Unrestricted (deficit)	(799,924,235)	(834,207,298)	101,873,843	82,470,111	(698,050,392)	(751,737,187)
<b>TOTAL NET ASSETS</b>	<b>\$ (527,307,933)</b>	<b>\$ (510,064,471)</b>	<b>\$ 486,397,259</b>	<b>\$ 487,240,715</b>	<b>\$ (40,910,674)</b>	<b>\$ (22,823,756)</b>

### Governmental Activities

During fiscal year 2012, the Jurisdictions continued to spend down bond proceeds on Streets and Highways projects from the Sales and Excise Tax Revenue Bonds, Series 2010B and 2010C which was the primary cause of the decrease in current and other assets.

The approximate \$2,000,000 increase in net capital assets is primarily due to the acquisition of disaster recovery software and equipment and design services for the Boulder City Bypass project.

Principal payments for Bonds of \$29,290,000 and paying down Commercial Paper by \$8,000,000 are the primary reasons long-term liabilities declined.

The increase in other liabilities is primarily due to Clark County increasing loaned securities allocated to the RTC by approximately \$6,900,000, and an increase of approximately \$3,300,000 in due to other funds caused by the accrual of three months of sales tax revenue and motor vehicle fuel tax revenue for the fiscal year 2012 versus the accrual of two months of these revenues for fiscal year 2011, which is due to the timing of the receipt and availability of these funds. An interfund balance was eliminated for fiscal year 2012 amounting to approximately \$9,700,000.

Net assets invested in capital assets, net of related debt increased as described for net capital assets above.

Restricted net assets are comprised of net resources for the Jurisdictions' street and highway projects and debt service. Available resources for the Jurisdictions' street and highway projects decreased as described above for current and other assets.

The RTC reimburses the Jurisdictions for approved expenditures on street and highway projects, and the Jurisdictions retain and maintain the improved assets. The RTC's borrowing to help fund jurisdictional street and highway improvement projects contributes to the accumulated deficit in the RTC governmental funds as the resulting debt is retained and serviced by the RTC.

#### Business Type Activities

Current and other assets increased primarily due to an increase in amounts due from other governmental units as a result of the accrual of three months of sales tax revenue and motor vehicle fuel tax revenue for the fiscal year 2012 versus the accrual of two months of these revenues for fiscal year 2011, which is due to the timing of the receipt and availability of these funds. In addition, Clark County allocated approximately \$5,600,000 more in fiscal year 2012 to the RTC in loaned securities.

Net capital assets decreased by approximately \$20,300,000. This decrease was primarily due to approximately \$35,600,000 in depreciation expense. The decrease for depreciation was offset by approximately \$15,300,000 in capital expenditures for paratransit vehicles, bus shelters and ticket vending machines for the Sahara Express, and other transit improvements.

Other liabilities decreased approximately \$10,000,000 primarily due to a reduction in accounts payable of approximately \$15,800,000 off-set by an increase of approximately \$5,500,000 in loaned securities allocated to the RTC by Clark County. In fiscal year 2012 additional efforts were made to pay vendors in a more timely manner.

Condensed Statements of Activities

	Governmental Activities		Business Type Activities		Total	
	FY 2012	FY 2011	FY 2012	FY 2011	FY 2012	FY 2011
<b>PROGRAM REVENUES</b>						
Charges for services			\$ 70,976,418	\$ 67,128,699	\$ 70,976,418	\$ 67,128,699
Operating grants and contributions	\$ 1,866,051	\$ 3,346,599	2,687,799	3,555,177	4,553,850	6,901,776
Capital grants and contributions	23,543,619	35,162,210	13,747,733	32,971,245	37,291,352	68,133,455
<b>GENERAL REVENUES</b>						
Motor vehicle fuel tax	64,868,301	65,409,657			64,868,301	65,409,657
Jet-aviation fuel tax	3,712,620	3,658,928			3,712,620	3,658,928
Sales and excise tax	37,606,331	35,444,544	112,818,994	106,333,631	150,425,325	141,778,175
Interest income	2,234,235	3,812,219	1,041,300	1,164,196	3,275,535	4,976,415
Other	6,481,905	4,140,717	198,182	29,734	6,680,087	4,170,451
	<u>140,313,062</u>	<u>150,974,874</u>	<u>201,470,426</u>	<u>211,182,682</u>	<u>341,783,488</u>	<u>362,157,556</u>
<b>EXPENSES</b>						
Public works	126,694,047	156,973,303			126,694,047	156,973,303
Interest on long-term debt	33,722,537	37,724,618			33,722,537	37,724,618
Public transit			199,453,822	201,724,886	199,453,822	201,724,886
	<u>160,416,584</u>	<u>194,697,921</u>	<u>199,453,822</u>	<u>201,724,886</u>	<u>359,870,406</u>	<u>396,422,807</u>
Changes in net assets before transfers	(20,103,522)	(43,723,047)	2,016,604	9,457,796	(18,086,918)	(34,265,251)
Net transfers	<u>2,860,060</u>	<u>2,794,787</u>	<u>(2,860,060)</u>	<u>(2,794,787)</u>		
Change in net assets	(17,243,462)	(40,928,260)	(843,456)	6,663,009	(18,086,918)	(34,265,251)
Net assets - beginning	(510,064,471)	(469,136,211)	487,240,715	480,577,706	(22,823,756)	11,441,496
Net Assets - ending	<u>\$ (527,307,933)</u>	<u>\$ (510,064,471)</u>	<u>\$ 486,397,259</u>	<u>\$ 487,240,715</u>	<u>\$ (40,910,673)</u>	<u>\$ (22,823,756)</u>

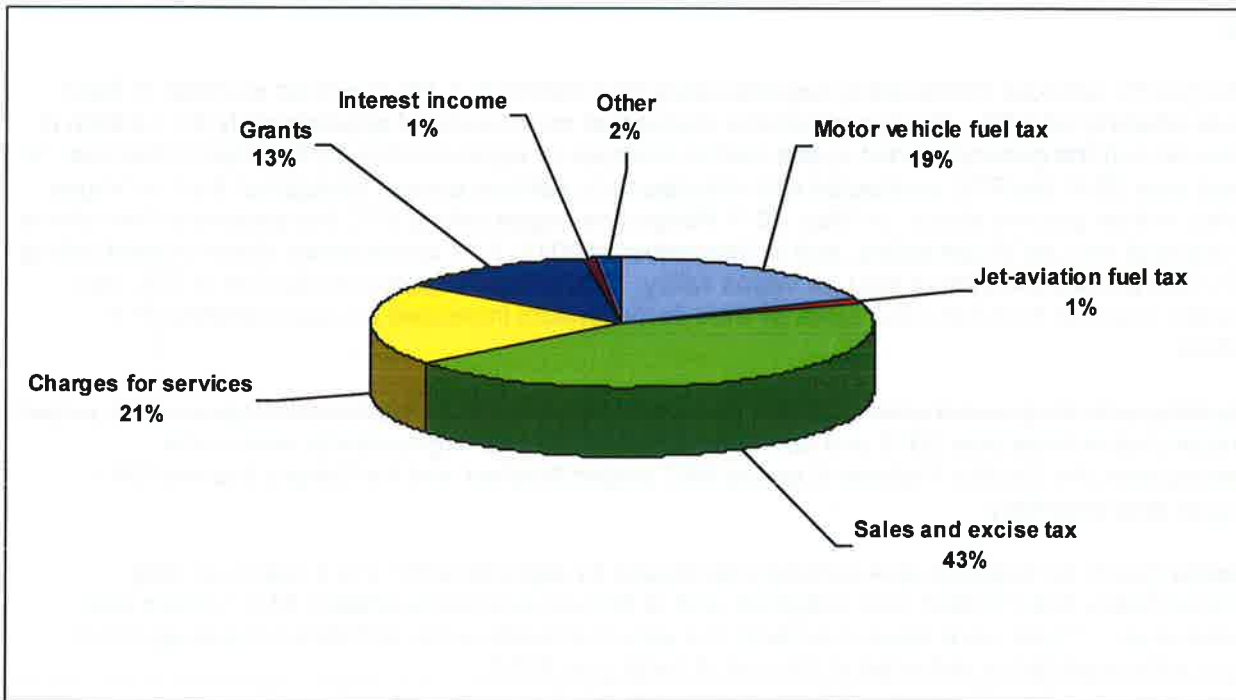
Fluctuations in revenues and expenses for fiscal year 2012 compared to fiscal year 2011 are explained below.

- Charges for services increased by approximately \$3.9 million or 5.7% due to an increase in fixed route ridership of 7.6%. The resort corridor routes had an increase of approximately \$1.1 million in revenue and the general market routes had an increase of approximately \$2.8 million in revenue. In fiscal year 2010 the RTC contracted with Albertson's to sell bus passes throughout the Las Vegas valley in their grocery stores. In May, 2011 Walgreens began selling RTC bus passes in their stores throughout the Las Vegas valley, and in September of 2011, 7-11 convenience stores started selling RTC bus passes throughout the Las Vegas valley. Due to the increased availability of RTC bus passes, revenue from bus pass sales by third-party vendors increased by approximately \$1.6 million.
- Capital grants for governmental activities decreased significantly as the Sahara Express BRT project wrapped up in fiscal year 2012 and during fiscal year 2011 two large projects were under construction; the Boulder Highway Express BRT project finished and the Sahara Express BRT project was underway.
- Capital grants for business type activities decreased by approximately \$19.3 million as only approximately \$24.7 million was budgeted, and of that amount approximately \$13.7 million was drawn down. There were several projects and vehicle procurements included in the budget that were not completed or delivered at the end of fiscal year 2012.
- Motor vehicle fuel tax revenue decreased slightly due to lower demand and more fuel efficient vehicles on the road, both caused by increased gas prices.
- Jet-aviation fuel tax increased by approximately 1.5% due to an increase of 3.4% in passenger activity at McCarran International Airport.

- Sales and excise tax increased by approximately \$8.6 million or 6.1% due to increased taxable sales in Clark County. This is the second year of increased sales and excise tax revenue which is contributing to a recovering Southern Nevada economy.
- Interest income decreased by approximately \$1.7 million in fiscal year 2012 due to declining short-term interest rates on cash and investments. In addition to the declining rates, the balance in the cash in custody of the fiscal agent decreased by approximately \$45.9 million.
- Spending on public works projects remains in excess of \$125 million for both fiscal years 2012 and 2011. The RTC has maximized opportunities to issue debt to fund public works projects in an attempt to help the local economy in boosting construction jobs and assist the Jurisdictions in providing improved streets and roads for their citizens.
- Interest on long-term debt decreased by approximately \$4 million due to the scheduled principal payments on bonds, and the refunding of the Motor Vehicle Fuel Tax Revenue Bonds Series 2003 at lower effective interest rates.
- Public transit expenses decreased approximately \$2.2 million or 1.1% due to continued efforts to maintain operating expenses at sustainable levels, and to provide enough excess revenues over expenses to pay the local portion for grant funded asset acquisitions.

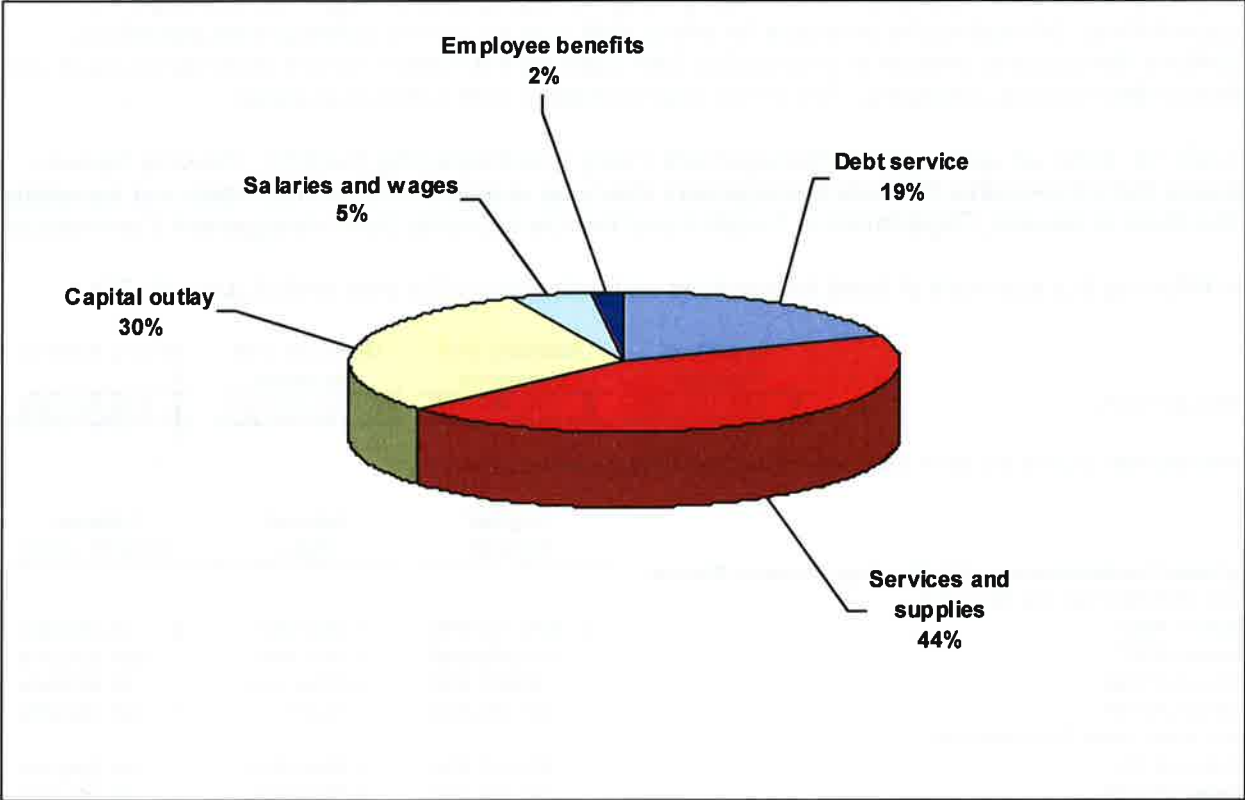
## REVENUES

The following chart shows the components of revenues for the year ended June 30, 2012:



**EXPENDITURES**

The following chart shows the components of expenditures for the year ended June 30, 2012:



**CAPITAL ACQUISITIONS AND CONSTRUCTION ACTIVITIES**

During fiscal year 2012, the RTC expended \$113 million on street and highway improvement projects for the Jurisdictions, and transit capital asset projects, such as vehicle procurements and facilities construction. The following identifies the street and highway capital improvement paid to the Jurisdictions and transit capital expenditures:

Street and highway capital improvement paid	\$97,704,177
Transit equipment, buildings, land, and improvements	15,268,066

All transit capital asset acquisitions and improvements exceeding \$5,000 are capitalized at cost. Acquisitions are funded from a variety of sources, including federal grants, state grants, debt issuance and local funds. Expenditures for the funding of street and highway capital improvement projects are not reported as assets on the RTC's financial statements, but on the financial statements of the Jurisdictions that own and are responsible for maintenance and repair of the assets. Additional information on the RTC's capital assets and commitments can be found within the notes to the financial statements.

## LONG-TERM DEBT ADMINISTRATION

A comprehensive debt management policy is an important foundation of sound financial management. This policy sets forth the parameters for issuing debt, managing outstanding debt, defining RTC responsibilities, delineating the purposes for which debt may be issued, defining debt objectives, identifying the type and amount of permissible debt, defining the method of sale that may be used, and defining other structural features. The policy also includes a debt capacity analysis.

On July 14, 2012, an updated Debt Management Policy was adopted by the RTC. Nevada Revised Statutes 350.013 requires the Debt Management Policy be updated on an annual basis and transmitted to the State of Nevada, Department of Taxation and the Clark County Debt Management Commission.

The following is a summary of bond transactions and balances for the year ended June 30, 2012:

	Beginning Balance	Additions and Premiums	Deletions and Discounts	Ending Balance
Revenue bonds	<u>\$ 832,161,220</u>	<u>\$ 135,489,785</u>	<u>\$ 161,402,337</u>	<u>\$ 806,248,668</u>

Bonds payable at June 30, 2012, are comprised of the following individual issues:

	Original Amount	Interest Rate	Balance June 30, 2012
<b>Highway Improvement and Refunding Revenue Bonds</b>			
Motor Vehicle Fuel Tax Revenue:			
Series 2003	\$ 200,000,000	4.50-6.00%	\$ 18,335,000
Series 2007	300,000,000	3.00-5.00%	261,325,000
Series 2010A	32,595,000	6.00-6.50%	32,595,000
Series 2010B	51,180,000	5.00%	51,180,000
Sales and Excise Tax Revenue:			
Series 2010	69,595,000	3.00-5.00%	64,590,000
Series 2010B	94,835,000	3.00-5.00%	86,965,000
Series 2010C	140,560,000	5.10-6.15%	140,560,000
Series 2011	118,105,000	4.00-5.00%	118,105,000
Plus unamortized premium			32,627,043
Less unamortized discount			(33,375)
Total			<u>\$ 806,248,668</u>

Issuing highway improvement bonds allows the RTC to fund the construction of street and highway projects for the benefit of the Jurisdictions. Clark County has issued all outstanding bonds for the RTC in the County's name. Repayment of the highway improvement bonds is pledged from twelve cents of motor vehicle fuel tax per gallon of fuel sold within Clark County, and 0.25% sales and excise tax in Clark County.

The RTC debt management policy stipulates that the debt service coverage ratio must be greater than or equal to 150%, which is calculated by dividing net pledged revenue by the maximum annual debt service, with which we believe that the RTC is in compliance.

In the past, the RTC utilized commercial paper notes as an interim financing tool to meet the needs of the street and highway programs funded by motor vehicle fuel tax and a portion of the sales and excise tax. During the year ended June 30, 2012, the RTC paid down \$8 million of motor vehicle fuel tax commercial paper notes. At June 30, 2012, the outstanding commercial paper consisted of \$8 million due from the motor vehicle fuel tax program. It is the RTC's intention to pay off the remaining \$8 million of commercial paper notes due from the motor vehicle fuel tax program in fiscal year 2013 from motor vehicle fuel tax revenues, and then discontinue the commercial paper program.

## PUBLIC TRANSIT STATISTICS

The RTC coordinates transportation programs and services for the safe, convenient, and effective movement of people and goods within southern Nevada. As part of this mission, the RTC operates a fixed route bus service and a paratransit service in southern Nevada. The Americans with Disabilities Act of 1990 requires all fixed route bus service operators to provide a comparable paratransit service for the elderly and disabled.

	2012	2011	2010	2009	2008
Ridership - fixed route	59,699,065	55,476,967	56,056,979	63,424,642	64,765,634
% increase (decrease)	7.6%	(1.0%)	(11.6%)	(2.1%)	4.90%
Ridership - paratransit	1,319,901	1,214,779	1,027,715	1,023,470	967,829
% increase	8.7%	18.2%	0.4%	5.7%	9.2%

The increase in the fixed route ridership for fiscal year 2012 may be attributed to the beginnings of an economic recovery in southern Nevada, and also due to the increased availability of RTC bus passes at local grocery and convenience stores, as previously discussed.

The continued increase in Paratransit ridership in fiscal year 2012 is due to the State of Nevada discontinuing the provision of transportation services for Medicaid recipients to medical appointments, and referring them to the RTC Paratransit service for their transportation needs, and the growing elderly population in Clark County.

## BUDGET

The Regional Transportation Commission Fund (1) is the general operating fund of the RTC. Total expenditures for this fund were 1.25% under budget.

The Regional Transportation Fund (2) is a special revenue fund for the purpose of accounting for half of the additional sales tax approved by voters in 2001. Total expenditures for this fund were 2.82% under the final budget, and transfers out were 1.09% under the final budgeted amount.

The RTC Bonds Fund (3) is utilized to account for the accumulation and payment of semi-annual debt service payments. Total expenditures for this fund were under budget 3.67% mainly due to a new payment schedule and lower interest rates for the Motor Vehicle Fuel Tax Revenue bonds Series 2003 that were partially refunded with the Series 2011 bonds issued in November, 2011.

The RTC Reserve Fund (4) is utilized to account for the debt service reserve funds required by all Clark County debt issued for the RTC. Due to the issuance of the Motor Vehicle Fuel Tax Revenue bonds Series 2011, \$1,454,816 of excess debt service reserves were used as some of the sources to partially refund the Motor Vehicle Fuel Tax Revenue bonds Series 2003.

The Highway Improvement Acquisition Fund (5) is a special revenue fund used to account for the nine cent Clark County Motor Vehicle Fuel Tax revenue. Expenditures in this fund were significantly under budget due to the Jurisdictions concentrating their efforts on spending bond proceeds from the Sales and Excise Tax Revenue Bonds Series 2010B and 2010C.

The Highway Improvement Fund (6) is a special revenue fund used to account for half of the additional sales tax approved by voters in 2001 after transfers to Fund 1 for FAST AMS operations and payments to the Clark County Department of Air Quality (CCDOAQ). Remaining bond proceeds from the Sales and Excise Tax Revenue Bonds Series 2010B and 2010C were budgeted and not entirely spent by the Jurisdictions.

The Public Transit Fund (50) is an enterprise fund that contains all financial activity for all aspects of the RTC Transit System. Sales and excise tax and transit revenue have increased for the past two years; however, management remains vigilant in controlling expenses to maintain adequate reserves for future unknown revenue declines especially related to future availability of federal grants for funding capital replacement as the federal government works through the balancing of their budget. Operating expenses for this fund were 4.3% less than the final budget due to a conservative depreciation budget and the \$3,000,000 expense augmentation discussed below. Service and supplies expense came in 0.75% less than the original budget. Actual services and supplies expenses being so close to the original budget toward the later part of the fiscal year provoked the budget augmentation, which in hind sight was not necessary.

In the June, 2012 the RTC approved several budget augmentations. Through May 2012 actual expenses were tracking very close to budgeted expenses and Paratransit expenses were exceeding budget in the Public Transit Fund (50); therefore, out of an abundance of caution transit fund expenses were augmented by \$3,000,000. Projected sales tax revenue based on actual sales tax revenue through March 31, 2012 was considered adequate to cover the augmented amount.

The Regional Transportation Fund (2) was augmented by \$3,200,000 as the increase in sales tax caused increases in transfers out and an increase in the payment to the CCDOAQ. The payment to CCDOAQ is based on 16% of one quarter percent of sales tax.

Bus stop shelters and equipment acquired as part of the Sahara Express construction project funded in the RTC Highway Improvement Fund(6) were transferred to the Public Transit Fund(50). This transfer was not included in the original budget; therefore, the RTC Highway Improvement Fund (6) was augmented by \$4,500,000 to cover this transfer.

Management continues its effort to manage resources in order to enhance efficiency in providing transit services and fund streets and highways projects.

## **CREDIT RATINGS**

NRS 373.130 mandates that Clark County must issue all revenue bonds on behalf of the RTC. The bond rating at September 6, 2012, for the Clark County, Nevada Highway Revenue (Motor Vehicle Fuel Tax) Improvement and Refunding Bonds from Moody's Investors Service, Inc. was Aa3, and the rating from Standard & Poor's Rating Service was AA-. The bond rating at September 6, 2012, for the Clark County, Nevada Sales and Excise Tax Revenue (Street and Highway Projects) Refunding Bonds from Moody's Investors Service, Inc. was Aa2, and the rating from Standard & Poor's Rating Service was AA.

The Highway Revenue (Motor Vehicle Fuel Tax) Commercial Paper Notes were rated "NR" by Moody's and Standard & Poor's at September 6, 2012, as the outstanding balance was paid off and the program was discontinued during the first part of July, 2012.

## **ECONOMIC FACTORS AND FUTURE BUDGETS**

In preparing revenue forecasts and future budgets the RTC mainly monitors Sales Tax and Fuel Tax Revenues. In addition to tax revenues, local economic indicators are monitored. These economic indicators are considered in preparing revenue forecasts and future budgets for transit fare revenue. The unemployment rate for Clark County, Nevada in September of 2012 was 11.5%, which was down from 13.6% in September a year ago, and down from 15.6% a year before that. The hotel/motel occupancy rate for the Las Vegas metropolitan area in September of 2012 was 86.8%, which was up from 85.7% in September a year ago. These indicators show some improvement in the local economy; however, other indicators, such as the price of real estate are still uncertain. Tax and transit fare revenue budgets are prepared considering the indicators mentioned above, and are set at previous year actual levels as a conservative budget practice.

## **REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of the RTC's finances for all those interested. Questions concerning any of the information provided in this report or requests for additional information should be addressed in writing to Marc Traasdahl, Director of Finance, Regional Transportation Commission of Southern Nevada, 600 South Grand Central Parkway, Suite 350, Las Vegas, NV 89106-4512 or by e-mail to [Traasdahlm@rtcsonv.com](mailto:Traasdahlm@rtcsonv.com).

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## **BASIC FINANCIAL STATEMENTS**

**REGIONAL TRANSPORTATION COMMISSION OF SOUTHERN NEVADA**  
**STATEMENT OF NET ASSETS**  
**JUNE 30, 2012**

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and investments:			
In custody of the County Treasurer	\$ 150,226,117	\$ 88,492,874	\$ 238,718,991
Cash in bank	12,325,538	2,978,114	15,303,652
Cash on hand	500	14,500	15,000
In custody of the fiscal agent	111,523,172		111,523,172
Loaned securities	30,076,101	17,623,973	47,700,074
Accounts receivable, net	6,318,133	3,384,049	9,702,182
Interest receivable	298,119	174,693	472,812
Internal balances *	1,560,000		
Due from other governmental units	33,436,341	29,816,624	63,252,965
Prepaid expenses	162,526	27,326	189,852
Deferred charges	5,795,971		5,795,971
Capital assets, not being depreciated	2,587,250	57,220,303	59,807,553
Capital assets, net of accumulated depreciation	<u>14,655,352</u>	<u>327,303,113</u>	<u>341,958,465</u>
<b>TOTAL ASSETS</b>	<u><b>368,965,120</b></u>	<u><b>527,035,569</b></u>	<u><b>894,440,689</b></u>
<b>LIABILITIES</b>			
Accounts payable	31,960,535	17,109,471	49,070,006
Accrued payroll	285,538	146,226	431,764
Accrued interest	19,454,889		19,454,889
Loaned securities	30,838,689	18,070,832	48,909,521
Internal balances *		1,560,000	
Other current liabilities	1,774,515	50,000	1,824,515
Long-term liabilities:			
Portion due or payable within one year:			
Bonds and notes payable	40,845,000		40,845,000
Compensated absences payable	736,657	561,423	1,298,080
Portion due or payable after one year:			
Bonds and notes payable	765,939,143		765,939,143
Compensated absences payable	1,353,437	592,169	1,945,606
Other post employment benefits	<u>3,084,650</u>	<u>2,548,189</u>	<u>5,632,839</u>
<b>TOTAL LIABILITIES</b>	<u><b>896,273,053</b></u>	<u><b>40,638,310</b></u>	<u><b>935,351,363</b></u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	17,242,602	384,523,416	401,766,018
Restricted for:			
Capital projects and intergovernmental capital grants	156,215,295		156,215,295
Debt service	99,158,405		99,158,405
Unrestricted	<u>(799,924,235)</u>	<u>101,873,843</u>	<u>(698,050,392)</u>
<b>TOTAL NET ASSETS</b>	<u><b>\$ (527,307,933)</b></u>	<u><b>\$ 486,397,259</b></u>	<u><b>\$ (40,910,674)</b></u>

\* All internal balances are eliminated in the total column. Accordingly, total balances will not foot.

See accompanying notes

**REGIONAL TRANSPORTATION COMMISSION OF SOUTHERN NEVADA  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2012**

Functions/Programs	Expenses	Program Revenue			Net (Expense) Revenues and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
<b>GOVERNMENTAL ACTIVITIES:</b>							
Public works	\$ 126,694,047		\$ 1,866,051	\$ 23,543,619	\$ (101,284,377)		\$ (101,284,377)
Interest on long-term debt	33,722,537				(33,722,537)		(33,722,537)
TOTAL GOVERNMENTAL ACTIVITIES	160,416,584		1,866,051	23,543,619	(135,006,914)		(135,006,914)
<b>BUSINESS-TYPE ACTIVITIES:</b>							
Public transit	199,453,822	\$ 70,976,418	2,687,799	13,747,733		\$ (112,041,872)	(112,041,872)
TOTAL BUSINESS-TYPE ACTIVITIES	199,453,822	70,976,418	2,687,799	13,747,733		(112,041,872)	(112,041,872)
Total	\$ 359,870,406	\$ 70,976,418	\$ 4,553,850	\$ 37,291,352	(135,006,914)	(112,041,872)	(247,048,786)
General Revenues:							
Fuel taxes					68,580,921		68,580,921
Sales and excise tax					37,606,331	112,818,994	150,425,325
Interest income					2,234,235	1,041,300	3,275,535
Other					6,481,905	198,182	6,680,087
Transfers					2,860,060	(2,860,060)	
Total general revenues and transfers					117,763,452	111,198,416	228,961,868
Changes in net assets					(17,243,462)	(843,456)	(18,086,918)
Net assets - beginning					(510,064,471)	487,240,715	(22,823,756)
Net assets - ending					\$ (527,307,933)	\$ 486,397,259	\$ (40,910,674)

See accompanying notes

**REGIONAL TRANSPORTATION COMMISSION OF SOUTHERN NEVADA**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**JUNE 30, 2012**

	General Fund	Special Revenue Fund	Debt Service Funds		Capital Project Funds		Total Governmental Funds
	Regional Transportation Commission	Regional Transportation	RTC Bonds	RTC Reserve	Highway Improvement Acquisition	RTC Highway Improvement	
<b>ASSETS</b>							
Cash and investments:							
In custody of the County Treasurer	\$ 1,044,616	\$ 468,015	\$ 53,440,112	\$ 23,177,745	\$ 38,958,312	\$ 33,137,317	\$ 150,226,117
Cash in bank	650,694	61,039			1,654,740	9,959,065	12,325,538
Cash on hand	500						500
In custody of the fiscal agent							
Loaned securities	209,138	93,699	10,699,005	44,006,839	7,799,670	67,516,333	111,523,172
Accounts receivable, net	2,898,894			4,640,314		6,634,275	30,076,101
Interest receivable	2,073	929	106,050	45,996	77,312	3,419,239	6,318,133
Due from other funds	3,987,233					65,759	298,119
Due from other governmental units	512,136	9,735,727			21,270,296	7,310,778	11,298,011
Prepaid expenses	152,370				8,750	1,918,182	33,436,341
					1,406		162,526
TOTAL ASSETS	<u>\$ 9,457,654</u>	<u>\$ 10,359,409</u>	<u>\$ 64,245,167</u>	<u>\$ 71,870,894</u>	<u>\$ 69,769,080</u>	<u>\$ 129,962,354</u>	<u>\$ 355,664,558</u>
<b>LIABILITIES AND FUND BALANCES</b>							
<b>LIABILITIES:</b>							
Accounts payable	\$ 3,246,601	\$ 1,557,716			\$ 2,692,667	\$ 24,463,551	\$ 31,960,535
Accrued payroll	285,538						285,538
Due to other funds		8,178,011			1,560,000		9,738,011
Loaned securities	214,441	96,075	\$ 10,970,282	\$ 4,757,970	7,997,433	6,802,488	30,838,689
Deferred revenues			1,774,515				1,774,515
Total liabilities	<u>3,746,580</u>	<u>9,831,802</u>	<u>12,744,797</u>	<u>4,757,970</u>	<u>12,250,100</u>	<u>31,266,039</u>	<u>74,597,288</u>
<b>FUND BALANCES:</b>							
Nonspendable fund balance	152,370				8,750	1,406	162,526
Restricted fund balance		527,607	51,500,370	67,112,924	57,510,230	98,694,909	275,346,040
Unassigned fund balance	5,558,704						5,558,704
Total fund balances	<u>5,711,074</u>	<u>527,607</u>	<u>51,500,370</u>	<u>67,112,924</u>	<u>57,518,980</u>	<u>98,696,315</u>	<u>281,067,270</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 9,457,654</u>	<u>\$ 10,359,409</u>	<u>\$ 64,245,167</u>	<u>\$ 71,870,894</u>	<u>\$ 69,769,080</u>	<u>\$ 129,962,354</u>	<u>\$ 355,664,558</u>

See accompanying notes

**REGIONAL TRANSPORTATION COMMISSION OF SOUTHERN NEVADA**  
**RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET ASSETS**  
**JUNE 30, 2012**

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Amounts reported for governmental activities in the statement of net assets are different because:

<b>Fund balance - governmental funds</b>		<b>\$ 281,067,270</b>
<p>Capital assets used in governmental activities are not current financial resources; and therefore, are not reported in the fund financial statements, but are reported in the statement of net assets.</p>		
Capital assets	\$ 24,818,827	
Less accumulated depreciation	<u>(7,576,225)</u>	17,242,602
<p>Long-term liabilities, including bonds and loans payable, are not due and payable in the current period; and therefore, are not reported in the fund financial statements.</p>		
Bonds and notes payable	(774,190,475)	
Unamortized issuance premiums	(32,627,043)	
Unamortized issuance discounts	33,375	
Unamortized deferred charges	5,795,971	
Accrued interest payable	(19,454,889)	
Compensated absences	(2,090,094)	
Other post employment benefits	<u>(3,084,650)</u>	(825,617,805)
<b>Total net assets - governmental activities</b>		<b><u>\$ (527,307,933)</u></b>

See accompanying notes

**REGIONAL TRANSPORTATION COMMISSION OF SOUTHERN NEVADA**  
**STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2012**

	General Fund	Special Revenue Fund	Debt Service Funds		Capital Project Funds		Total Governmental Funds
	Regional Transportation Commission	Regional Transportation	RTC Bonds	RTC Reserve	Highway Improvement Acquisition	RTC Highway Improvement	
<b>REVENUES</b>							
Intergovernmental revenue:							
Federal and state grants	\$ 3,824,797					\$ 22,643,963	\$ 26,468,760
Fuel taxes					\$ 64,868,301	3,712,620	68,580,921
Sales and excise tax		\$ 37,606,331					37,606,331
Interest	22,593	27,152	\$ 238,972	\$ 1,118,384	418,696	408,438	2,234,235
Other	2,474,093		3,780,233			227,579	6,481,905
Total revenues	6,321,483	37,633,483	4,019,205	1,118,384	65,286,997	26,992,600	141,372,152
<b>EXPENDITURES</b>							
Current:							
Salaries and wages	10,910,777						10,910,777
Employee benefits	4,083,042						4,083,042
Services and supplies	8,446,379	6,017,409	10,781	4,765	228,113	11,833	14,719,280
Bond issuance costs			726,380				726,380
Debt service:							
Principal			29,290,000		8,000,000		37,290,000
Interest			35,845,399				35,845,399
Capital outlay and intergovernmental capital grants	2,741,545				921,898	94,040,734	97,704,177
Total expenditures	26,181,743	6,017,409	65,872,560	4,765	9,150,011	94,052,567	201,279,055
Excess (deficiency) of revenues over (under) expenditures	(19,860,260)	31,616,074	(61,853,355)	1,113,619	56,136,986	(67,059,967)	(59,906,903)
<b>OTHER FINANCING SOURCES (USES)</b>							
Transfers in	15,954,467		64,452,653			28,120,385	108,527,505
Transfers out		(31,594,853)			(42,535,531)	(31,537,061)	(105,667,445)
Refunding bond issued			118,105,000				118,105,000
Premium on bond issued			17,384,785				17,384,785
Payment to refund bond			(134,739,837)	(1,454,816)			(136,194,653)
Total other financing sources (uses)	15,954,467	(31,594,853)	65,202,601	(1,454,816)	(42,535,531)	(3,416,676)	2,155,192
<b>CHANGES IN FUND BALANCES</b>							
	(3,905,793)	21,221	3,349,246	(341,197)	13,601,455	(70,476,643)	(57,751,711)
Fund balances - beginning	9,616,867	506,386	48,151,124	67,454,121	43,917,525	169,172,958	338,818,981
Fund balances - ending	\$ 5,711,074	\$ 527,607	\$ 51,500,370	\$ 67,112,924	\$ 57,518,980	\$ 98,696,315	\$ 281,067,270

**REGIONAL TRANSPORTATION COMMISSION OF SOUTHERN NEVADA**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**TO THE STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2012**

Amounts reported for governmental activities in the statement of activities are different because:

**Changes in fund balances - governmental funds** \$ (57,751,711)

Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. In contrast such outlays are allocated over the assets' estimated useful lives as depreciation expense for the period in the statement of activities.

Capital outlay and intergovernmental capital grants	\$ 97,704,177	
Less intergovernmental capital grants	(94,962,631)	
Capitalized expenditures	<u>2,741,546</u>	
Less current year depreciation	<u>(748,305)</u>	1,993,241

Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds. (1,059,091)

The issuance of long-term debt (e.g. bonds and notes) 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. 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 over the life of the related debt in the statement of activities.

Refunding bond issued	(135,489,785)	
Principal payments	29,290,000	
Commercial paper payments	8,000,000	
Payment to refund bond	136,194,653	
Amortization of issuance costs	(438,022)	
Amortization of deferred refunding charges	(365,396)	
Amortization of bond premiums	2,583,940	
Amortization of bond discounts	(1,804)	
Bond issuance costs	<u>726,380</u>	40,499,966

Some expenses reported in the statement of activities do not require the use of current financial resources and are not reported as expenditures in governmental fund financial statements.

Change in accrued interest payable	344,144	
Change in compensated absences	(128,232)	
Change in other post employment benefits	<u>(1,141,779)</u>	<u>(925,867)</u>

**Change in net assets - governmental activities** \$ (17,243,462)

**REGIONAL TRANSPORTATION COMMISSION OF SOUTHERN NEVADA**  
**STATEMENT OF NET ASSETS**  
**PROPRIETARY FUND**  
**JUNE 30, 2012**

	Public Transit
<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents:	
In custody of the County Treasurer	\$ 88,492,874
Cash in bank	2,978,114
Cash on hand	14,500
Loaned securities	17,623,973
Accounts receivable, net	3,384,049
Interest receivable	174,693
Due from other governmental units	29,816,624
Prepaid expenses	27,326
Total current assets	142,512,153
Non-current assets:	
Capital assets:	
Land and construction in progress	57,220,303
Buildings and improvements	181,397,441
Equipment	314,512,591
Accumulated depreciation	(168,606,919)
Total non-current assets	384,523,416
Total assets	527,035,569
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable	17,109,471
Accrued payroll	146,226
Loaned securities	18,070,832
Due to other funds	1,560,000
Other current liabilities	50,000
Total current liabilities	36,936,529
Non-current liabilities:	
Portion due or payable within one year:	
Compensated absences	561,423
Portion due or payable after one year:	
Compensated absences	592,169
Other post employment benefits	2,548,189
Total non-current liabilities	3,701,781
Total liabilities	40,638,310
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt	384,523,416
Unrestricted	101,873,843
Total net assets	\$ 486,397,259

See accompanying notes

**REGIONAL TRANSPORTATION COMMISSION OF SOUTHERN NEVADA  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
PROPRIETARY FUND  
FOR THE YEAR ENDED JUNE 30, 2012**

	Public Transit
<b>OPERATING REVENUES</b>	
Charges for services:	
Transit fees	\$ 68,796,660
Transit Advertising	2,060,513
Other	119,245
Total operating revenues	70,976,418
<b>OPERATING EXPENSES</b>	
Salaries and wages	6,825,936
Employee benefits	3,248,570
Services and supplies	153,791,519
Depreciation	35,587,797
Total operating expenses	199,453,822
Operating loss	(128,477,404)
<b>NON-OPERATING REVENUES</b>	
Intergovernmental revenue:	
Sales and excise tax	112,818,994
Federal and state grants	16,435,532
Interest income	1,041,300
Gain on sale of capital assets	198,182
Total non-operating revenues	130,494,008
Income before transfers	2,016,604
Transfers in	3,379,940
Transfers out	(6,240,000)
<b>CHANGE IN NET ASSETS</b>	(843,456)
Net assets - beginning	487,240,715
Net assets - ending	\$ 486,397,259

See accompanying notes

**REGIONAL TRANSPORTATION COMMISSION OF SOUTHERN NEVADA**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUND**  
**FOR THE YEAR ENDED JUNE 30, 2012**

	Public Transit
<b>Cash flows from operating activities:</b>	
Cash received from customers	\$ 69,044,874
Cash paid for employees and benefits	(9,451,796)
Cash paid for services and supplies	(169,232,708)
Other operating receipts	119,245
Net cash used in operating activities	(109,520,385)
<b>Cash flows from non-capital financing activities:</b>	
Cash provided by sales and excise tax	102,258,267
Transfers to other funds	(6,240,000)
Net cash provided by non-capital financing activities	96,018,267
<b>Cash flows from capital and related financing activities:</b>	
Federal and state grants	18,543,087
Acquisition, construction, or improvements of capital assets	(15,268,066)
Proceeds from sale of capital assets	198,182
Transfers from other funds	3,379,940
Net cash provided by capital and related financing activities	6,853,143
<b>Cash flows from investing activities:</b>	
Interest received	1,057,432
Net change in cash and cash equivalents	(5,591,543)
Cash and cash equivalents - beginning of year	97,077,031
Cash and cash equivalents - end of year	\$ 91,485,488
<b>Reconciliation of operating loss to net cash flows used in operating activities:</b>	
Operating loss	\$ (128,477,404)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation	35,587,797
Bad debts recovery	(72,542)
Decrease in accounts receivable	(1,795,300)
Decrease in prepaid expenses	38,755
Decrease in accounts payable	(15,770,122)
Decrease in accrued payroll	(14,301)
Decrease in due to other funds	360,000
Increase in other current liabilities	(17,000)
Increase in compensated absences	63,412
Increase in other post employment benefits	576,319
Net cash used in operating activities	\$ (109,520,385)

See accompanying notes

**REGIONAL TRANSPORTATION COMMISSION OF SOUTHERN NEVADA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2012**

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**NOTE 1 – Summary of Significant Accounting Policies**

The Reporting Entity

In accordance with Nevada Revised Statutes (NRS) 373, an ordinance was adopted by the Clark County Board of Commissioners on June 7, 1965, creating the Regional Streets and Highway Commission. On December 4, 1979, its name was changed to the Regional Transportation Commission. On September 21, 2000, the name was changed to the Regional Transportation Commission of Southern Nevada (the "RTC"). The RTC is governed by an 8 member Board of Commissioners (the "Board"), comprised of elected officials, as follows:

1. Two representatives appointed from the Clark County Board of Commissioners
2. Two representatives appointed from the governing board of the City of Las Vegas
3. One representative appointed from each of the governing boards of the Cities of Boulder City, Henderson, North Las Vegas and Mesquite

When initially adopted, the creating ordinance provided for a one cent per gallon tax on all motor vehicle fuel sold in Clark County (the "County"). On September 1, 1969, the tax was increased to two cents per gallon and remained in effect until April 1, 1983, at which time the tax was increased to four cents per gallon and remained at that rate until January 1, 1992. On November 6, 1990, Clark County voters approved an advisory ballot question increasing the motor vehicle fuel tax levy along with five other taxes. In 1991, the State of Nevada Legislature responded to this voter mandate and passed Senate Bill 112 in March 1991. On April 16, 1991, the County passed an ordinance increasing the tax on motor vehicle fuel. The effective dates for increases to this tax were: January 1, 1992, five cents; January 1, 1993, seven cents; January 1, 1994, eight cents, and January 1, 1995, nine cents.

In accordance with NRS 377A, an ordinance was also adopted by the County on April 16, 1991, levying a one quarter of one percent sales tax for public mass transportation.

In November 2002, Clark County voters approved an advisory ballot question providing for a variety of new taxes to fund transit infrastructure. The 2003 Nevada Legislature passed enabling legislation allowing the County to increase aviation fuel tax, sales tax, and residential development tax for this purpose. These increases were enacted by the Board of County Commissioners on July 1, 2003, with the increases taking effect on October 1, 2003.

In accordance with the provisions of Governmental Accounting Standards Board (GASB) Statement No. 14 as amended by GASB Statement No. 39, the RTC is a discretely presented component unit of the Clark County, Nevada financial reporting entity because the County issues debt on behalf of the RTC. The accounting policies of the RTC conform to accounting principles generally accepted in the United States as applicable to governmental entities.

**REGIONAL TRANSPORTATION COMMISSION OF SOUTHERN NEVADA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2012  
(CONTINUED)**

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**NOTE 1 – Summary of Significant Accounting Policies (continued)**

Government-Wide and Fund Financial Statements

The government-wide financial statements (*i.e.*, the statement of net assets and the statement of activities) report information on all of the activities of the RTC. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental activities, are reported separately from business-type activities that rely to a significant extent on user fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function are 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 as general revenues.

Separate financial statements are provided for governmental and proprietary funds. All governmental funds are considered to be major funds and they are reported in separate columns in the governmental fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

Government-Wide Financial Statements

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental Fund Financial Statements

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 year or soon enough thereafter to pay liabilities of the current year. For this purpose, the RTC considers revenues to be available if they are collected within 90 days after the end of the current fiscal year. Expenditures generally are recorded when a liability is incurred, as under accrual accounting; however, debt service, compensated absences and other post employment benefits expenditures are recorded only when payment is due.

Fuel taxes, sales and excise taxes, interest revenue, and charges for services associated with the current fiscal year are considered subject to accrual and have been recognized as revenues in the current year.

**REGIONAL TRANSPORTATION COMMISSION OF SOUTHERN NEVADA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2012  
(CONTINUED)**

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**NOTE 1 – Summary of Significant Accounting Policies (continued)**

Measurement Focus, Basis of Accounting and Financial Statement Presentation (continued)

The RTC reports the following major governmental funds:

***Regional Transportation Commission Fund (1)*** – this is the general operating fund of the RTC. It is used to account for all resources and cost of operations traditionally associated with governments, which are not required to be accounted for in other funds.

***Regional Transportation Fund (2)*** – this fund serves as a pass-through account for revenues received from the November 2002, voter-approved Question 10 tax, which are used to pay for transportation enhancements infrastructure.

***RTC Bonds Fund (3)*** – this fund is used to account for the payment of principal and interest, and the cost of operations associated with the debt service for the RTC's outstanding debt.

***RTC Reserve Fund (4)*** – this fund is used to accumulate a continuing reserve only to be used to prevent deficiencies in the payment of principal and interest associated with the RTC's outstanding debt.

***Highway Improvement Acquisition Fund (5)*** – this fund is used to account for the funding of construction of roads and streets paid for from both motor vehicle fuel taxes and proceeds of revenue bonds.

***RTC Highway Improvement Fund (6)*** – this fund is used to account for the funding of construction of roads and streets paid for from the November 2002, Question 10 voter approved Jet-Aviation fuel tax and sales tax increase in 2003.

The RTC reports the following major proprietary fund:

***Public Transit (50)*** – this fund is used to account for the operations of the RTC transit system.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the GASB. Governments also have the option of following subsequent private-sector guidance for their business-type activities and proprietary funds, subject to this same limitation. The RTC has elected not to follow subsequent private-sector guidance.

Amounts reported as program revenues include: 1) charges to customers or applicants for goods, services or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

**REGIONAL TRANSPORTATION COMMISSION OF SOUTHERN NEVADA  
NOTES TO FINANCIAL STATEMENTS  
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(CONTINUED)**

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**NOTE 1 – Summary of Significant Accounting Policies (continued)**

Measurement Focus, Basis of Accounting and Financial Statement Presentation (continued)

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the RTC's enterprise fund are charges to customers for transit and services. Operating expenses for the enterprise fund include the cost of transit services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

Assets, Liabilities and Net Assets or Equity

Cash and Investments

The majority of all cash and investment transactions of the RTC are handled by the County Treasurer's office. Cash balances are combined and invested as permitted by law in combination with County funds. Investments are reported at fair value on the balance sheet and statement of net assets. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties other than in a forced or liquidation sale. Changes in the fair value of investments are part of interest earnings of the individual funds.

Cash and cash equivalents include cash in bank, cash on hand, cash in custody of Clark County Treasurer or fiscal agent, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

At June 30, 2012, a significant portion of the RTC's cash and cash equivalents were deposited in the custody of the County Treasurer or a fiscal agent, in a manner similar to an external investment pool. These amounts are sufficiently liquid to permit withdrawals in the form of cash at any time without prior notice or penalty; and therefore, they are deemed to be cash equivalents.

Receivables and Payables

Activities between funds that are representative of lending/borrowing arrangements outstanding or transfers to be recorded upon receipt of revenue at the end of the fiscal year are reported to as due to/from other funds.

Capital Assets

Capital assets, which include land, buildings, equipment, and furniture, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements.

**REGIONAL TRANSPORTATION COMMISSION OF SOUTHERN NEVADA**  
**NOTES TO FINANCIAL STATEMENTS**  
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**(CONTINUED)**

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**NOTE 1 – Summary of Significant Accounting Policies (continued)**

Assets, Liabilities and Net Assets or Equity (continued)

Capital assets are defined by the RTC as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost. Donated capital assets are recorded at estimated fair value on the date of donation.

The costs of normal maintenance and repairs that do not significantly add to the functionality of the asset or materially extend the asset life are not capitalized.

Major outlays for capital assets and improvements that are part of a construction project are capitalized and depreciated once the projects are placed in service. Prior to that time, they are reported as construction in progress.

Capital assets are depreciated using the straight line method over the following estimated useful lives:

<u>Capital Assets</u>	<u>Years</u>
Buildings and improvements	7 - 50
Equipment	5 - 12

Prepaid expenses

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenses in both government-wide and fund financial statements and are reported as expenditures in the governmental fund financial statements when incurred.

Compensated Absences

It is the RTC's policy to permit employees to accumulate earned, but unused vacation and sick leave benefits. Such benefits are accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of accrued benefits for employees that resign or retire prior to year end, but are paid for these benefits subsequent to year end.

Other Postemployment Benefits (OPEB)

Effective July 1, 2007, the RTC implemented the provisions of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. In accordance with the transition rules of the statement, the RTC elected to apply its measurement and recognition requirements on a prospective basis and set its beginning net OPEB at zero for the year ended June 30, 2008. The annual OPEB cost reported in the accompanying financial statements is equal to the annual required contribution (ARC) of the RTC, calculated by using an actuarial valuation based upon the same methods and assumptions applied in determining the plan's funding requirements. The net OPEB obligation at June 30, 2012, was determined by adding the annual OPEB cost to the net OPEB obligation at the beginning of the year and deducting any contributions to the plan during the year.

**REGIONAL TRANSPORTATION COMMISSION OF SOUTHERN NEVADA**  
**NOTES TO FINANCIAL STATEMENTS**  
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**(CONTINUED)**

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**NOTE 1 – Summary of Significant Accounting Policies (continued)**

Assets, Liabilities and Net Assets or Equity (continued)

Long-Term Obligations

In the government-wide financial statements and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary fund type statements of net assets. Bond premiums, discounts, issuance costs, and deferred refunding charges are amortized over the life of the bonds using the straight line method, which approximates the effective interest method. Bonds payable are reported net of applicable bond premiums, discounts and deferred refunding charges.

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

Fund Balance

Governmental funds for the RTC report nonspendable fund balance, restricted fund balance and unassigned fund balance.

Nonspendable fund balance is for assets that never will be converted to cash. All RTC nonspendable fund balance pertains to prepaid expenses.

Restricted fund balance is legally restricted by outside parties or enabling legislation for a specific purpose. Restricted fund balance for the RTC Transportation fund is restricted for transportation enhancements infrastructure. Restricted fund balances for the RTC Bonds fund and the RTC Reserve fund are restricted for servicing the RTC's debt. Restricted fund balances for the Highway Improvement Acquisition fund and the RTC Highway Improvement fund are restricted for the funding of roads and streets constructions.

Unassigned fund balance in the Regional Transportation Commission fund is the excess of nonspendable fund balance.

When both restricted resources and other resources (*i.e.*, committed, assigned and unassigned) can be used for the same purposes, it is the RTC's policy to use restricted resources first. Furthermore, when committed, assigned and unassigned resources can be used for the same purpose, it is the RTC's policy to use committed resources first, assigned second, and unassigned last.

**REGIONAL TRANSPORTATION COMMISSION OF SOUTHERN NEVADA**  
**NOTES TO FINANCIAL STATEMENTS**  
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**(CONTINUED)**

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**NOTE 1 – Summary of Significant Accounting Policies (continued)**

Assets, Liabilities and Net Assets or Equity (continued)

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from these estimates. Estimates particularly sensitive to change during the upcoming year include market value estimates for loaned securities.

**NOTE 2 – Stewardship, Compliance and Accountability**

The RTC adopts annual budgets for the general fund and all special revenue, debt service, and capital project funds. All budgets are adopted on a basis consistent with applicable accounting principles generally accepted in the United States and used by the RTC for financial reporting.

The RTC uses the following procedures to establish, modify, and control the budgetary data presented in the financial statements:

- a. Prior to April 15, the RTC submits to the Nevada State Department of Taxation the tentative budget for the next fiscal year, commencing on July 1. The tentative budget as submitted contains the proposed expenditures and means of financing them.
- b. The Nevada State Department of Taxation notifies the RTC of its acceptance of the tentative budget.
- c. Public hearings are conducted on the third Thursday in May.
- d. After all the changes have been noted and hearings closed, the RTC Board of Commissioners adopts the final budget on or before June 1.
- e. The NRS require budget controls to be exercised at the function level. The General Manager or designee is authorized to transfer budgeted amounts within functions or funds, but the RTC Board of Commissioners must approve any transfers between funds or increases to a fund's original appropriated level.
- f. Increases to a fund's budget (augmentations) other than by transfers are accomplished through formal RTC Board of Commissioners action.
- g. All appropriations lapse at the end of the fiscal year. Encumbrances are re-appropriated in the ensuing fiscal year.

Compliance with Nevada Revised Statutes

Per NRS 354.626, the RTC is required to report and explain expenditures that exceeded budgeted appropriations at the legal level for each of its funds. For the year ended June 30, 2012, the RTC had no funds or functions with expenditures in excess of appropriations.

**REGIONAL TRANSPORTATION COMMISSION OF SOUTHERN NEVADA  
NOTES TO FINANCIAL STATEMENTS  
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(CONTINUED)**

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**NOTE 2 – Stewardship, Compliance and Accountability (continued)**

New Accounting Pronouncements

In November 2010, the GASB issued Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*. This Statement applies only to those arrangements in which specific criteria determining whether a transferor has control over the facility are met. This Statement also provides guidance for governments that are operators in a service concession arrangement (SCA). The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2011. The provisions of this Statement generally are required to be applied retroactively for all periods presented. The objective of this Statement is to improve financial reporting by addressing issues related to SCA, which are a type of public-private or public-public partnership. As used in this Statement, an SCA is an arrangement between a transferor (a government) and an operator (governmental or nongovernmental entity) in which (1) the transferor conveys to an operator the right and related obligation to provide services through the use of infrastructure or another public asset (a “facility”) in exchange for significant consideration and (2) the operator collects and is compensated by fees from third parties. The RTC does not have Service Concession Arrangements. Therefore, adoption of Statement No. 60 is not expected to affect the RTC’s financial position, results of operation or cash flows.

In November 2010, the GASB issued Statement No. 61, *The Financial Reporting Entity: Omnibus— an amendment of GASB Statements No. 14 and No. 34*. This Statement modifies certain requirements for inclusion of component units in the financial reporting entity. This Statement also amends the criteria for reporting component units as if they were part of the primary government (that is, blending) in certain circumstances. This Statement also clarifies the reporting of equity interests in legally separate organizations. It requires a primary government to report its equity interest in a component unit as an asset. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2012. The objective of this Statement is to improve financial reporting for a governmental financial reporting entity. The requirements of Statement No. 14, *The Financial Reporting Entity*, and the related financial reporting requirements of Statement No. 34, *Basic Financial Statements—and Management’s Discussion and Analysis—for State and Local Governments*, were amended to better meet user needs and to address reporting entity issues that have arisen since the issuance of those Statements. The RTC does not report any component unit and in fact is a component unit of Clark County. Therefore, adoption of Statement No. 61 is not expected to affect the RTC’s financial position, results of operation or cash flows.

In December 2010, the GASB issued Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. This Statement also supersedes Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, thereby eliminating the election provided in paragraph 7 of that Statement for enterprise funds and business-type activities to apply post-November 30, 1989 FASB Statements and Interpretations that do not conflict with or contradict GASB pronouncements. However, those entities can continue to apply, as other accounting literature, post-November 30, 1989 FASB pronouncements that do not conflict with or contradict GASB pronouncements, including this Statement. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2011. The provisions of this Statement generally are required to be applied retroactively for all periods presented.

**REGIONAL TRANSPORTATION COMMISSION OF SOUTHERN NEVADA**  
**NOTES TO FINANCIAL STATEMENTS**  
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**(CONTINUED)**

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**NOTE 2 – Stewardship, Compliance and Accountability (continued)**

The objective of this Statement is to incorporate into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the following pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements. Management has not yet completed its assessment of this statement; and therefore, the effect of adopting this statement, if any, is not subject to estimation at this time.

In June 2011, the GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This Statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. This Statement amends the net asset reporting requirements in Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2011. Management has not yet completed its assessment of this statement; and therefore, the effect of adopting this statement, if any, is not subject to estimation at this time.

In June 2011, the GASB issued Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions—an amendment of GASB Statement No. 53*. When these swap agreements have been reported as hedging instruments, questions have arisen regarding the application of the termination of hedge accounting provisions in Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*. Those provisions require a government to cease hedge accounting upon the termination of the hedging derivative instrument, resulting in the immediate recognition of the deferred outflows of resources or deferred inflows of resources as a component of investment income. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2011. The objective of this Statement is to clarify whether an effective hedging relationship continues after the replacement of a swap counterparty or a swap counterparty's credit support provider. This Statement sets forth criteria that establish when the effective hedging relationship continues and hedge accounting should continue to be applied. Management has not yet completed its assessment of this statement; and therefore, the effect of adopting this statement, if any, is not subject to estimation at this time.

In March 2012, the GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. This Statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources, such as changes in the determination of the major fund calculations and limiting the use of the term deferred in financial statement presentations. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2012. The requirements of this Statement will improve financial reporting by clarifying the appropriate use of the financial statement elements deferred outflows of resources and deferred inflows of resources to ensure consistency in financial reporting. Management has not yet completed

**REGIONAL TRANSPORTATION COMMISSION OF SOUTHERN NEVADA**  
**NOTES TO FINANCIAL STATEMENTS**  
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**(CONTINUED)**

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**NOTE 2 – Stewardship, Compliance and Accountability (continued)**

its assessment of this statement; and therefore, the effect of adopting this statement, if any, is not subject to estimation at this time.

In March 2012, the GASB issued Statement No. 66, *Technical Corrections—2012—an amendment of GASB Statements No. 10 and No. 62*. The objective of this Statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. This Statement amends Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, by removing the provision that limits fundbased reporting of an entity's risk financing activities to the general fund and the internal service fund type. As a result, governments should base their decisions about fund type classification on the nature of the activity to be reported, as required in Statement 54 and Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*. This Statement also amends Statement 62 by modifying the specific guidance on accounting for (1) operating lease payments that vary from a straight-line basis, (2) the difference between the initial investment (purchase price) and the principal amount of a purchased loan or group of loans, and (3) servicing fees related to mortgage loans that are sold when the stated service fee rate differs significantly from a current (normal) servicing fee rate. These changes clarify how to apply Statement No. 13, *Accounting for Operating Leases with Scheduled Rent Increases*, and result in guidance that is consistent with the requirements in Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*.

The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2012. The requirements of this resolve conflicting accounting and financial reporting guidance that could diminish the consistency of financial reporting and thereby enhance the usefulness of the financial reports. Management has not yet completed its assessment of this statement; and therefore, the effect of adopting this statement, if any, is not subject to estimation at this time.

In June 2012, the GASB issued Statement No. 67, *Financial Reporting for Pension Plans—an amendment of GASB Statement No. 25*. The objective of this Statement is to improve financial reporting by state and local governmental pension plans. This Statement replaces the requirements of Statements No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, and No. 50, *Pension Disclosures*, as they relate to pension plans that are administered through trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statements 25 and 50 remain applicable to pension plans that are not administered through trusts covered by the scope of this Statement and to defined contribution plans that provide postemployment benefits other than pensions. This Statement and Statement 68 establish a definition of a pension plan that reflects the primary activities associated with the pension arrangement—determining pensions, accumulating and managing assets dedicated for pensions, and paying benefits to plan members as they come due. This Statement requires that notes to financial statements of defined benefit pension plans include descriptive information, such as the types of benefits provided, the classes of plan members covered, and the composition of the pension plan's board. This Statement requires single-employer and cost-sharing pension plans to

**REGIONAL TRANSPORTATION COMMISSION OF SOUTHERN NEVADA**  
**NOTES TO FINANCIAL STATEMENTS**  
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**(CONTINUED)**

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**NOTE 2 – Stewardship, Compliance and Accountability (continued)**

present in required supplementary information the following information for each of the 10 most recent fiscal years about employer and nonemployer contributing entity obligations for pensions provided through the pension plan. This Statement requires the net pension liability to be measured as the total pension liability, less the amount of the pension plan's fiduciary net position. Actuarial valuations of the total pension liability are required to be performed at least every two years, with more frequent valuations encouraged. This Statement is effective for financial statements for fiscal years beginning after June 15, 2013. The requirements of this Statement will improve financial reporting primarily through enhanced note disclosures and schedules of required supplementary information that will be presented by the pension plans that are within its scope. Management has not yet completed its assessment of this statement; and therefore, the effect of adopting this statement, if any, is not subject to estimation at this time.

In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as the requirements of Statement No. 50, *Pension Disclosures*, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statements 27 and 50 remain applicable for pensions that are not covered by the scope of this Statement. This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures. For defined benefit pensions, this Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about pensions also are addressed. Distinctions are made regarding the particular requirements for employers based on the number of employers whose employees are provided with pensions through the pension plan and whether pension obligations and pension plan assets are shared. This Statement is effective for fiscal years beginning after June 15, 2014. The requirements of this Statement will improve the decision-usefulness of information in employer and governmental nonemployer contributing entity financial reports and will enhance its value for assessing accountability and interperiod equity by requiring recognition of the entire net pension liability and a more comprehensive measure of pension expense. Management has not yet completed its assessment of this statement; and therefore, the effect of adopting this statement, if any, is not subject to estimation at this time.

**REGIONAL TRANSPORTATION COMMISSION OF SOUTHERN NEVADA  
NOTES TO FINANCIAL STATEMENTS  
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(CONTINUED)**

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**NOTE 3 – Cash and Investments**

The majority of all cash and investments of RTC are included in the investment pool of the County Treasurer or are in the custody of a fiscal agent. Other investments held by RTC are comprised of money market mutual funds and U.S. agency obligations. As of June 30, 2012, these amounts are summarized as follows:

Clark County Investment Pool	\$ 286,419,065
Money Market Mutual Funds	111,523,172
Cash in bank	15,303,652
Cash on hand	<u>15,000</u>
 Total cash and investments	 <u>\$ 413,260,889</u>

The RTC's cash and cash equivalents on deposit with financial institutions, including cash and cash equivalents in the custody of the County Treasurer or a fiscal agent, are often in excess of federally-insured limits, and the risk of losses related to such concentrations may be increasing as a result of current economic conditions including, but not limited to, weakness in the commercial and investment banking systems. The extent of a future loss, if any, to be sustained as a result of uninsured deposits in the event of a future failure of a financial institution; however, is not subject to estimation at this time.

According to the NRS, County monies must be deposited with federally insured banks, credit unions, or savings and loan associations within the County. The County is authorized to use demand accounts, time accounts, and certificates of deposit.

The NRS does not specifically require collateral for demand deposits, but do specify that collateral for time deposits may be of the same type as those described for permissible investments. Permissible investments are similar to allowable County investments described below, except the NRS permit a longer term and include securities issued by municipalities within Nevada. The County's, and therefore, the RTC's deposits are fully covered by federal depository insurance or collateral held by the County's agent in the County's name.

**REGIONAL TRANSPORTATION COMMISSION OF SOUTHERN NEVADA  
NOTES TO FINANCIAL STATEMENTS  
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(CONTINUED)**

**NOTE 3 – Cash and Investments (continued)**

Due to the nature of the investment pool, it is not possible to separately identify any specific investment as being that of the RTC. Instead, the RTC owns a proportionate share of each investment, based on the RTC's participation percentage in the investment pool. As of June 30, 2012, the \$286,419,065 of RTC monies held in the investment pool are categorized as follows:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in years)</u>			
		<u>Less Than 1</u>	<u>1 to 3</u>	<u>3 to 5</u>	<u>More than 5</u>
Debt Securities:					
U.S. Treasuries	10.7%	18.5%	81.5%		
U.S. Agencies	59.2%	24.7%	55.9%	16.1%	3.4%
State and Local Government Obligations	0.1%		14.5%	31.0%	54.6%
Corporate Obligations	6.1%	52.1%	38.8%	9.0%	
Money Market Funds	5.2%	100.0%			
Commercial Paper	3.5%	100.0%			
Negotiable Certificates of Deposit	3.5%	98.1%	1.9%		
NV Local Government Investment Pool	0.3%	100.0%			
Collateralized Mortgage Obligations	0.7%		2.1%	15.4%	82.5%
Collateralized Investment Agreements*	0.2%	100.0%			
Repurchase Agreements	8.3%	100.0%			
Asset Backed Securities	1.2%		67.9%	24.0%	8.1%
Derivative Instruments	1.0%				100.0%
	<u>100.0%</u>				

\* These are fully collateralized guaranteed investment contracts and forward delivery agreements related to bond proceeds.

**Interest Rate Risk**

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

**REGIONAL TRANSPORTATION COMMISSION OF SOUTHERN NEVADA  
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(CONTINUED)**

**NOTE 3 – Cash and Investments (continued)**

**Credit Risk**

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

At June 30, 2012, County investments were categorized by quality rating as follows:

<u>Investment Type</u>	<u>Quality Ratings by Moody's</u>					
	<u>Aaa</u>	<u>Aa</u>	<u>A</u>	<u>Baa</u>	<u>P</u>	<u>Unrated</u>
Debt Securities:						
U.S. Treasuries	97%				3%	
U.S. Agencies	91%				9%	
State and Local Government Obligations		100%				
Corporate Obligations	4%	48%	47%			1%
Money Market Funds	100%					
Commercial Paper					100%	
Negotiable Certificates of Deposit					97%	3%
NV Local Government Investment Pool						100%
Collateralized Mortgage Obligations	100%					
Collateralized Investment Agreements *		100%				
Repurchase Agreements	100%					
Asset Backed Securities	100%					
Derivative Instruments				100%		

\* These are fully collateralized guaranteed investment contracts and forward delivery agreements related to bond proceeds.

**REGIONAL TRANSPORTATION COMMISSION OF SOUTHERN NEVADA**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2012**  
**(CONTINUED)**

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**NOTE 3 - Cash and Investments (continued)**

**Concentrations of Credit Risk**

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

GASB Statement No. 40 requires disclosure of all investments in any one issuer that represent 5% or more of total investments. At June 30, 2012, the following investments exceeded 5% of the investment pool:

Federal Farm Credit Banks (FFCB)	12.44%
Federal Home Loan Banks (FHLB)	10.48%
Federal Home Loan Mortgage Corporation (FHLMC)	26.50%
Federal National Mortgage Association (FNMA)	20.82%
Morgan Stanley Money Market Funds (MSGF) *	5.98%

\* These can only be invested with Treasury Agencies or Repurchased Agreements backed by US Treasuries which are excluded from the calculation of the 5% threshold.

**Interest Rate Sensitivity**

At June 30, 2012, the County invested in the following types of securities that have a higher sensitivity to interest rates:

*Callable Securities* are directly affected by the movement of interest rates. Callable securities allow the issuer to redeem or call a security before maturity, one time, generally on coupon dates.

*Fixed-to-floating rate notes* have fixed rate coupons for a specified period of time then a variable rate coupon for the remaining life of the security. The variable rate is generally based on three month LIBOR plus or minus a specified number of basis points. In some cases, interest rate caps are reset higher annually. These securities are callable generally on their coupon dates.

**Securities Lending Transactions**

NRS 355.178 authorizes the County to participate in securities lending transactions, where the County's securities are loaned to broker/dealers and other entities with a simultaneous agreement to return the collateral for the same securities in the future. The County's securities lending agent administers the securities lending program and receives cash or other securities equal to at least 102% of the fair value of the loaned securities plus accrued interest as collateral for securities of the type on loan at year end. The collateral for the loans is maintained at 102%, and the value of the securities borrowed is determined on a daily basis.

**REGIONAL TRANSPORTATION COMMISSION OF SOUTHERN NEVADA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2012  
(CONTINUED)**

**NOTE 3 – Cash and Investments (continued)**

At June 30, 2012, the County had no credit risk exposure to borrowers because the amount the County held as collateral exceeded the amounts the borrowers owed to the County. The contract with the securities lending agent requires it to indemnify the County for all losses relating to securities lending transactions. There were no losses resulting from borrower default during fiscal year 2012 nor were there any recoveries of prior period losses.

The NRS place no restrictions on the amount of securities that can be loaned. Either the County or the borrower can terminate all open securities lending transactions on demand. Cash collateral is invested in accordance with the investment guidelines stated in NRS 355.170.

The fair value of the County's securities on loan at June 30, 2012, was \$752,887,730. At June 30, 2012, the County had received cash collateral with a value totaling \$768,152,607. The total collateral received was in excess of the fair value of the investments held by brokers/dealers under the securities lending agreement.

**Custodial Credit Risk**

Custodial credit risk is the risk that, in the event of the failure of the counterparty to a transaction, the County will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Consistent with the County's securities lending policy, \$749,209,973 was held by the counterparty that was acting as the County's agent in securities lending transactions, and consisted of U.S. corporate obligations, certificates of deposit, commercial paper, and money market funds of which RTC's proportionate share was \$47,700,074.

**GASB 31**

GASB Statement No. 31 requires the County to adjust the carrying amount of its investment portfolio to reflect the change in fair value. Interest revenue is increased or decreased in relation to this adjustment of unrealized gain or loss. Net interest income in the funds reflects this positive or negative fair value adjustment.

**NOTE 4 – Accounts Receivable and Due from other Governmental Units**

Accounts receivable and due from other governmental units as of June 30, 2012, were as follows:

	Governmental Activities					Business-type Activities	
	General Fund Regional Transportation Commission	Special Revenue Fund		Capital Project Funds			Total
		Regional Transportation	Highway Improvement Acquisition	RTC Highway Improvement			
Accounts receivable	\$ 2,898,894		\$ 436,380	3,419,239	\$ 6,754,513	\$ 3,384,049	
Less allowance for uncollectible receivables			(436,380)		(436,380)		
Accounts receivables, net	<u>\$ 2,898,894</u>		<u>\$ -</u>	<u>\$ 3,419,239</u>	<u>\$ 6,318,133</u>	<u>\$ 3,384,049</u>	
Due from other governmental units	<u>\$ 512,136</u>	<u>\$ 9,735,727</u>	<u>\$ 21,270,296</u>	<u>\$ 1,918,182</u>	<u>\$ 33,436,341</u>	<u>\$ 29,816,624</u>	

**REGIONAL TRANSPORTATION COMMISSION OF SOUTHERN NEVADA**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2012**  
**(CONTINUED)**

**NOTE 5 – Capital Assets**

Capital asset activity for the year ended June 30, 2012, consisted of the following:

	Balance June 30, 2011	Increases	Decreases	Balance June 30, 2012
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Construction in progress	\$ 264,472	\$ 2,741,545	\$ 418,767	\$ 2,587,250
Capital assets being depreciated:				
Buildings	18,522,095			18,522,095
Equipment	3,290,715	418,767		3,709,482
Total capital assets being depreciated	21,812,810	418,767	-	22,231,577
Less accumulated depreciation for:				
Buildings	4,523,846	369,120		4,892,966
Equipment	2,304,074	379,185		2,683,259
Total accumulated depreciation	6,827,920	748,305	-	7,576,225
Total capital assets being depreciated, net	14,984,890	(329,538)		14,655,352
Governmental activities capital assets, net	<u>\$ 15,249,362</u>	<u>\$ 2,412,007</u>	<u>\$ 418,767</u>	<u>\$ 17,242,602</u>
<b>Business-type activities:</b>				
Capital assets not being depreciated:				
Land	\$ 32,038,082			\$ 32,038,082
Construction in progress	17,630,804	\$ 15,340,609	\$ 7,789,192	25,182,221
Total capital assets not being depreciated	49,668,886	15,340,609	7,789,192	57,220,303
Capital assets being depreciated:				
Buildings and improvements	176,772,362	4,625,079		181,397,441
Equipment	330,749,225	3,164,113	19,400,747	314,512,591
Total capital assets being depreciated	507,521,587	7,789,192	19,400,747	495,910,032
Less accumulated depreciation for:				
Buildings and improvements	27,991,955	5,694,107		33,686,062
Equipment	124,427,914	29,893,690	19,400,747	134,920,857
Total accumulated depreciation	152,419,869	35,587,797	19,400,747	168,606,919
Total capital assets being depreciated, net	355,101,718	(27,798,605)	-	327,303,113
Business-type activities capital assets, net	<u>\$ 404,770,604</u>	<u>\$ (12,457,996)</u>	<u>\$ 7,789,192</u>	<u>\$ 384,523,416</u>
	<u>Governmental activities</u>		<u>Business-type activities</u>	
FY 2012 depreciation expense	<u>\$748,305</u>		<u>\$35,587,797</u>	

**REGIONAL TRANSPORTATION COMMISSION OF SOUTHERN NEVADA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2012  
(CONTINUED)**

**NOTE 6 – Interfund Balances and Transfers**

Interfund balances as of June 30, 2012, consisted of the following:

Receivable Fund	Payable Fund			Total
	Regional Transportation	Highway Improvement Acquisition	Public Transit	
General fund	\$ 867,233	\$ 1,560,000	\$ 1,560,000	\$ 3,987,233
RTC Highway Improvement	7,310,778			7,310,778
<b>Totals</b>	<b>\$ 8,178,011</b>	<b>\$ 1,560,000</b>	<b>\$ 1,560,000</b>	<b>\$ 11,298,011</b>

These balances result from the time lag between the dates that: (1) revenue is recognized, (2) receipt from the other fund, and (3) payments between funds are made.

Interfund transfers for the year ended June 30, 2012, consisted of the following:

Transfers Out	Transfers In				Total
	General fund	RTC Bonds	RTC Highway Improvement	Public Transit	
Regional Transportation	\$ 3,474,467		\$ 28,120,385		\$ 31,594,852
Highway Improvement Acquisition	6,240,000	\$ 36,295,531			42,535,531
RTC Highway Improvement		28,157,121		\$ 3,379,940	31,537,061
Public Transit	6,240,000				6,240,000
<b>Total</b>	<b>\$ 15,954,467</b>	<b>\$ 64,452,653</b>	<b>\$ 28,120,385</b>	<b>\$ 3,379,940</b>	<b>\$ 111,907,444</b>

Transfers are used to: (1) move revenues from the fund that statute or budget requires collecting them to the fund that statute or budget requires to expend them, and (2) move receipts restricted for debt service from the funds collecting the receipts to the debt service fund to provide adequate cash when debt service payments become due.

**REGIONAL TRANSPORTATION COMMISSION OF SOUTHERN NEVADA**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2012**  
**(CONTINUED)**

**NOTE 7 – Long-Term Debt**

Revenue Bonds

The RTC issues revenue bonds and pledges revenue derived from the motor vehicle fuel tax and the sales and excise tax to pay debt service. Revenue bonds outstanding at June 30, 2012, were as follows:

<u>Highway Improvement Revenue Bonds</u>	<u>Original Amount</u>	<u>Interest Rate</u>	<u>Balance June 30, 2012</u>
<b>Motor vehicle fuel tax revenue bonds:</b>			
Series 2003	\$ 200,000,000	4.50-6.00%	\$ 18,335,000
Series 2007	300,000,000	3.00-5.00%	261,325,000
Series 2010A	32,595,000	6.10-6.35%	32,595,000
Series 2010B	51,180,000	5.00%	51,180,000
Series 2011	118,105,000	4.00-5.00%	118,105,000
<b>Sales tax revenue bonds:</b>			
Series 2010	69,595,000	3.00-5.00%	64,590,000
Series 2010B	94,835,000	3.00-5.00%	86,965,000
Series 2010C	140,560,000	5.10-6.15%	140,560,000
<b>Total revenue bonds</b>			<b><u><u>\$ 773,655,000</u></u></b>

At June 30, 2012, revenue bond debt service requirements to maturity was as follows:

<u>Year ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 32,845,000	\$ 37,617,445	\$ 70,462,445
2014	32,080,000	35,579,301	67,659,301
2015	33,030,000	34,034,038	67,064,038
2016	34,545,000	32,463,313	67,008,313
2017	36,170,000	30,787,788	66,957,788
2018-2022	208,105,000	125,891,902	333,996,902
2023-2027	230,395,000	70,752,545	301,147,545
2028-2031	166,485,000	16,626,378	183,111,378
	<b><u><u>\$ 773,655,000</u></u></b>	<b><u><u>\$ 383,752,709</u></u></b>	<b><u><u>\$ 1,157,407,709</u></u></b>

**REGIONAL TRANSPORTATION COMMISSION OF SOUTHERN NEVADA**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2012**  
**(CONTINUED)**

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**NOTE 7 – Long-Term Debt (continued)**

Refunding Bonds

On November 29, 2011, the Clark County issued \$118,105,000 Highway Revenue (Motor Vehicle Fuel Tax) Refunding Bonds at a fixed rate that ranges between 4% and 5% for the RTC. The bonds were issued for the purpose of refunding \$124,025,000 of the County's Highway Revenue (Motor Vehicle Fuel Tax) Improvement and Refunding Bonds, Series 2003 and to pay certain costs of issuance thereof. The bonds were issued at a premium of \$17.4 million and resulted in a deferred refunding loss of \$7.8 million. This refunding resulted in a future cash flow savings \$12 million, which has a present value savings of \$10.2 million and a net present value savings of \$8.8 million. The 2011 refunding bonds mature in 2023.

Commercial Paper Notes Payable

In February 2008, the RTC established a commercial paper program, for the streets and highways improvement projects incorporated in Clark County's Master Transportation Plan. This program is authorized for the issuance of up to \$200 million in tax-exempt commercial paper notes to be paid from pledged motor vehicle fuel tax revenues and additionally secured by an irrevocable letter of credit dated March 5, 2008 (Series 2008A and Series 2008B). In August 2010, the amount authorized for the program was reduced to \$100 million. As of June 30, 2012, \$8 million was outstanding. The commercial paper notes may have a maturity date from 1 to 270 days after their issuance; however, no note may mature after the earlier of March 4, 2018, or five days prior to the line of credit expiration date, currently March 13, 2013. Interest rates are variable based on market rates and averaged 0.3% at June 30, 2012.

As of June 30, 2012, the total amount of commercial paper approved for sale was \$100 million, which was divided equally into two separate issues, Series 2008A and Series 2008B with an aggregate of \$8 million issued and outstanding.

The commercial paper is ordinarily due in various periodic installments of not more than 270 days from date of issue; however, because the commercial paper is subject to an irrevocable letter of credit the obligation it is classified as long-term debt in the statement of net assets.

**REGIONAL TRANSPORTATION COMMISSION OF SOUTHERN NEVADA**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2012**  
**(CONTINUED)**

**NOTE 7 – Long-Term Debt (continued)**

Changes in Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2012, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental activities:</b>					
Bonds payable:					
Revenue bonds	\$ 808,865,000	\$ 118,105,000	\$ 153,315,000	\$ 773,655,000	\$ 32,845,000
Unamortized issuance premium	23,331,399	17,384,785	8,089,141	32,627,043	
Unamortized issuance discount	(35,179)		(1,804)	(33,375)	
Deferred refunding charges		(7,829,921)	(365,396)	(7,464,525)	
<b>Total bonds payable</b>	<b>832,161,220</b>	<b>127,659,864</b>	<b>161,036,941</b>	<b>798,784,143</b>	<b>32,845,000</b>
Commercial paper notes payable	16,000,000		8,000,000	8,000,000	8,000,000
Compensated absences	1,961,861	864,889	736,657	2,090,093	736,657
Other post employment benefits	1,942,872	1,141,779		3,084,651	
<b>Governmental activities long-term liabilities</b>	<b>\$ 852,065,953</b>	<b>\$ 129,666,532</b>	<b>\$ 169,773,598</b>	<b>\$ 811,958,887</b>	<b>\$ 41,581,657</b>
<b>Business-type activities:</b>					
Compensated absences	\$ 1,090,179	\$ 624,835	\$ 561,423	\$ 1,153,591	\$ 561,423
Other post employment benefits	1,971,870	576,319		2,548,189	
<b>Business-type activities long-term liabilities</b>	<b>\$ 3,062,049</b>	<b>\$ 1,201,154</b>	<b>\$ 561,423</b>	<b>\$ 3,701,780</b>	<b>\$ 561,423</b>

Arbitrage Rebate and Debt Covenant Requirements

The federal Tax Reform Act of 1986 imposes a rebate requirement with respect to some bonds issued by the County for the RTC. Under this Act, an amount may be required to be rebated to the United States Treasury (called "arbitrage") for interest on the bonds to qualify for exclusion from gross income for federal income tax purposes. Rebatable arbitrage is computed as of each installment computation date and as of the most recent such date the RTC's management believes that there is no rebatable arbitrage amount due. Future calculations might result in adjustments to this determination.

Long-term debt obligations are subject to restrictive debt covenants, including certain revenue levels and revenue/expense ratios, for which management believes the RTC is in compliance.

**REGIONAL TRANSPORTATION COMMISSION OF SOUTHERN NEVADA  
 NOTES TO FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED JUNE 30, 2012  
 (CONTINUED)**

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**NOTE 7 – Long-Term Debt (continued)**

Pledged Revenues

Motor vehicle fuel tax revenue bonds issued for RTC purposes are collateralized by a maximum of nine cents per gallon motor vehicle fuel tax levied by the County, except that portion required to be allocated as direct distributions for those political subdivisions not included in the “Las Vegas Valley Area Major Street and Highway Plan.”

The bonds are additionally collateralized by the County's share of the three cents per gallon tax levied by the State pursuant to NRS 365.180 and 365.190 and accounted for in other County funds.

The net pledged revenues for the year ended June 30, 2012, were as follows:

Pledged revenues (net of administrative expenditures):	
State motor vehicle fuel tax	\$ 18,483,425
County motor vehicle fuel tax	64,923,105
	83,406,530
Direct distributions allocated for certain political subdivisions not included in the Las Vegas Valley Area Major Street and Highway Plan	(2,069,823)
	\$ 81,336,707

Series 2010 sales and excise tax revenue bonds issued for RTC purposes are collateralized by 1/8% sales and excise tax and a 1 cent jet aviation fuel tax in Clark County.

Series 2010B and 2010C sales and excise tax revenue bonds issued for RTC purposes are collateralized by 1/4% sales and excise tax and a 1 cent jet aviation fuel tax in Clark County.

The net pledged revenues for the year ended June 30, 2012, were as follows:

Pledged revenues:	
Sales and excise tax	\$ 75,212,662
Jet aviation fuel tax	3,712,620
	\$ 78,925,282

**REGIONAL TRANSPORTATION COMMISSION OF SOUTHERN NEVADA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2012  
(CONTINUED)**

**NOTE 8 - Operating Lease Commitments**

The RTC was party to one operating lease at June 30, 2012, as follows:

<u>Lessor</u>	<u>FY12 Average Monthly Rental</u>	<u>Date Lease Commenced</u>	<u>Date Lease Terminates</u>
LiveWork, LLC	<u>\$ 115,533</u>	January 5, 2008	January 4, 2048

Total rent expense for fiscal year 2012 was \$1,386,397. The following is a schedule of future minimum lease payments for the operating lease as of June 30, 2012:

Year ending June 30:

2013	\$ 1,449,093
2014	1,513,669
2015	1,559,079
2016	1,605,851
2017	1,654,027
2018-2022	9,283,895
2023-2027	11,076,052
2028-2032	13,214,166
2033-2037	15,765,020
2038-2042	18,808,289
2043-2047	22,439,029
2048	<u>2,472,025</u>
 Total minimum lease payments	 <u>\$ 100,840,196</u>

The RTC entered into a 40-year land lease with LiveWork, LLC on April 2, 2007, as amended by First Amendment of Lease dated September 17, 2007. The base rent is \$1,250,000 per annum with a 3% annual escalation beginning in January 2009, and an additional 3% escalation in the 5th, 10th, 15th, 20th, 30th, and 35th years. This operating lease is cancelable if funds become unavailable. As a condition of the lease agreement, the RTC provided the lessor with a \$5,000,000 letter of credit as a security deposit. The security deposit shall be reduced by an amount equal to \$1,250,000 until the balance reaches the base security amount. Base security amount shall mean an amount equal to 1 year's then base rent. The reduction starts on the first day of the lease year immediately following the lease year in which the RTC commences operation of the terminal and on the first day of each subsequent lease year until the security deposit reaches the base security amount. As of June 30, 2012, a \$3,750,000 letter of credit was issued and unused.

**REGIONAL TRANSPORTATION COMMISSION OF SOUTHERN NEVADA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2012  
(CONTINUED)**

**NOTE 9 - Net Assets and Fund Balances**

Net Assets

At June 30, 2012, the RTC's government-wide statement of net assets accumulated deficit is mainly attributable to borrowings to fund jurisdictional street and highway improvement projects. The resultant debt is retained and serviced by the RTC while the improved assets are owned and maintained by the Jurisdictions. Net assets restricted for debt service totaled \$99,158,405. This amount is made up of restricted funds exclusively for debt service of \$118,693,294 less accrued interest payable of \$19,454,889.

Fund Balances

Included in the amounts restricted for capital projects and intergovernmental capital grants on the Governmental Funds Balance Sheet are direct distributions representing that portion of the special County motor vehicle fuel tax required to be allocated for use by those political entities not included wholly or in part in the "Las Vegas Valley Area Major Street and Highway Plan." The allocation to these entities is made based on the ratio of their assessed valuation to the total County assessed valuation.

The following is a schedule of changes in the reserve for direct distributions for the year ended June 30, 2012:

	Balance June 30, 2011	Current Year Increases	Current Year Decreases	Balance June 30, 2012
City of Boulder City	\$ 979,566	\$ 678,233	\$ (521,000)	\$ 1,136,799
Bunkerville	644,810	30,992		675,802
Indian Springs	26,042	26,155	(27,000)	25,197
Laughlin	157,493	436,579	(340,900)	253,172
City of Mesquite	213,946	628,613	(630,196)	212,363
Moapa Town	122,107	96,248		218,355
Moapa Valley	349,564	187,363		536,927
Mt. Charleston	92,665	233,367		326,032
Searchlight	47,301	30,630		77,931
<b>Total</b>	<b>\$ 2,633,494</b>	<b>\$ 2,348,179</b>	<b>\$ (1,519,096)</b>	<b>\$ 3,462,577</b>

**NOTE 10 - Defined Benefit Pension Plan**

RTC employees are covered by the State of Nevada Public Employees' Retirement System (the "System"). The System was established on July 1, 1948, by the State Legislature and is governed by the Public Employees' Retirement Board whose seven members are appointed by the Governor. All public employees who meet certain eligibility requirements participate in the System, which is a cost-sharing multiple-employer defined benefit plan.

**REGIONAL TRANSPORTATION COMMISSION OF SOUTHERN NEVADA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2012  
(CONTINUED)**

**NOTE 10 - Defined Benefit Pension Plan (continued)**

The RTC does not exercise any control over the System. Nevada Revised Statute 286.110 states that: "Respective participating public employers are not liable for any obligation of the System."

Benefits, as required by the NRS, are determined by the number of years of accredited service at the time of retirement and the member's highest average compensation in any 36 consecutive months. Benefit payments to which participants may be entitled under the System include pension, disability, and death benefits. Benefits may only be amended through legislation.

Monthly benefit allowances for regular members are computed at 2.5% for service credits earned prior to July 1, 2001, and 2.67% for service credits earned after July 1, 2001, of average compensation (36 consecutive months of highest compensation) for each accredited year of service prior to retirement up to a maximum of 90% of the average compensation for employees who entered the system prior to July 1, 1985, and 75% for those entering after that date. The System offers several alternatives to the unmodified service retirement allowance which, in general, allows the retired employee to accept a reduced service retirement allowance, payable monthly during the employee's life and various optional monthly payments to a named beneficiary after the employee's death. Eligible employees are eligible for retirement benefits at age 65 with 5 years of service, at age 60 with 10 years of service and at any age with 30 years of service.

The 2009 Legislation made changes to the system. The benefit allowances for members enrolled on or after January 1, 2010, are computed at 2.5% for service credits of average compensation (36 consecutive months of highest compensation, however; salary subject to 10% cap if it has increased more than 10% from the prior year) for each accredited year of service prior to retirement up to a maximum of 75% of the average compensation. Early retirement benefit reduction based on years, months and days increased from 4% to 6% for each full year. Eligible employees are eligible for retirement benefits at age 65 with 5 years of service, at age 62 with 10 years of service and at any age with 30 years of service.

Contribution rates are established by NRS 286.410, which provides for yearly increases until such time as the actuarially determined unfunded liability of the System is reduced to zero. The RTC is obligated to contribute all amounts due under the System. The contribution rate for eligible employees and the RTC's required contributions are as follows:

	FISCAL YEAR ENDING JUNE 30,		
	2012	2011	2010
Contribution rates	23.75%	21.50%	21.50%
RTC's contribution	\$ 3,971,166	\$ 3,641,281	\$ 3,568,171

An annual report containing financial statements and required information for the System may be obtained by writing to PERS, 693 W. Nye Lane, Carson City, Nevada 89703-1599, or by calling (775) 687-4200.

**REGIONAL TRANSPORTATION COMMISSION OF SOUTHERN NEVADA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2012  
(CONTINUED)**

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**NOTE 11 - Other Post-Employment Benefits (OPEB)**

The RTC participates in Clark County's other postemployment benefits plan, a cost sharing, multiple employer defined benefit plan, as well as the State of Nevada's Public Employee Benefit Plan (PEBP), a cost-sharing multiple employer define benefit plan.

Plan Descriptions

In accordance with the NRS, retirees of RTC may continue insurance through existing plans of insurance, if enrolled as an active employee at the time of retirement. Retirees are offered medical, dental, prescription drugs, and life insurance benefits for themselves and their dependents. Retirees may choose between the Clark County Self-Funded Group Medical and Dental Benefits Plan (Self-Funded Plan) and an HMO Plan.

The RTC also provides other postemployment benefits to retirees by participating in the State of Nevada's Public Employee Benefit Plan (PEBP), cost sharing, multiple-employer, defined benefit plan administered by a nine member governing board. PEBP provides medical, prescription, dental and vision benefits to retirees. Eligibility and subsidy requirements are governed by NRS and can only be amended through legislation. In 2008, NRS was amended. As a result of this amendment, the number of retirees for whom the RTC is obligated to provide postemployment benefits is limited to eligible employees who retired from RTC service prior to September 1, 2008.

Self-Funded/HMO Plan benefit provisions are established and amended through negotiations between Clark County and the SEIU employee union. The RTC has an interlocal agreement with Clark County which allows Clark County to negotiate with the SEIU on RTC's behalf. PEBP benefit provisions are established and amended by the State Legislature.

The Self-Funded/HMO Plan are included in the financial statements of Clark County as an internal service fund (the Self-Funded Group Insurance fund). The Self-Funded/HMO Plan are not administered as a qualifying trust or equivalent arrangement. The PEBP issues a publicly available financial report that includes financial statements and required supplementary information. The Self-Funded and PEBP reports may be obtained by writing or calling the plans at the following addresses or numbers:

Clark County, Nevada  
PO Box 551210  
500 S. Grand Central Parkway  
Las Vegas, NV 89155-1210  
(702) 455-3895

Public Employee Benefit Plan  
901 South Stewart Street, Suite 1001  
Carson City, NV 89701  
(800) 326-5496

Funding Policy and Annual OPEB Cost

The RTC pays approximately 90% of premiums for active employee coverage, a monthly average of \$704 per active employee for the year ended June 30, 2012. Retirees in the Self-Funded/HMO Plan receive no direct subsidy from the RTC. Under State law, retiree loss experience is pooled with active loss experience for the purpose of setting rates. The difference between the true claims cost and the blended premium is an implicit rate subsidy that creates an OPEB cost for the RTC.

**REGIONAL TRANSPORTATION COMMISSION OF SOUTHERN NEVADA**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2012**  
**(CONTINUED)**

**NOTE 11 - Other Post-Employment Benefits (OPEB) (continued)**

Funding Policy and Annual OPEB Cost (continued)

The RTC is required to pay the PEBP an explicit subsidy, based on years of service, for retirees who are enrolled in this plan. In 2012, retirees were eligible for a \$105 per month subsidy after five years of service with a Nevada state or local government entity. The maximum subsidy of \$575 is earned after 20 years of combined service with any eligible entity. The subsidy is set by the State Legislature.

The annual other postemployment benefit (OPEB) cost for each plan is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. RTC's annual OPEB cost for the current year and the related information for each plan are as follows:

	<u>Self-Funded Plan/HMO Plan</u>	<u>PEBP</u>	<u>Total</u>
Contribution rates	Actuarially determined, premium sharing determined by union contracts	Set by State Legislature	
RTC	Implicit subsidy through blending of active and retiree loss experience	\$105 per month after 5 years of service up to \$575 per month after 20 years	
Plan members	From \$159 per month for single coverage to \$1,428 per month for family coverage, depending on plan	From \$495 to \$1,716, depending on level of coverage and subsidy earned	
Annual required contribution (ARC)	\$ 1,750,697	\$ 141,359	\$ 1,892,056
Interest on net OPEB obligation	142,872	13,718	156,590
Adjustment to annual required contribution	(132,119)	(94,271)	(226,390)
Annual OPEB cost	1,761,450	60,806	1,822,256
Employer contributions made	(30,988)	(73,170)	(104,158)
Increase in net OPEB obligation	1,730,462	(12,364)	1,718,098
Net OPEB obligation, beginning of year	3,831,901	82,841	3,914,742
Net OPEB obligation, end of year	\$ 5,562,363	\$ 70,477	\$ 5,632,840

**REGIONAL TRANSPORTATION COMMISSION OF SOUTHERN NEVADA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2012  
(CONTINUED)**

**NOTE 11 - Other Post-Employment Benefits (OPEB) (continued)**

Funding Policy and Annual OPEB Cost (continued)

RTC's annual OPEB cost, the percentage of annual cost contributed to the plan, and the net OPEB obligation for 2010, 2011 and 2012 were as follows:

	Year ended	Annual OPEB Cost	% of OPEB cost	Net OPEB obligation
Self-funded/HMO Plan	June 30, 2010	\$ 882,970	4.7%	\$ 2,302,973
Self-funded/HMO Plan	June 30, 2011	1,561,702	2.1%	3,831,901
Self-funded/HMO Plan	June 30, 2012	1,761,450	1.8%	5,562,363
PEBP Plan	June 30, 2010	47,503	75.5%	52,229
PEBP Plan	June 30, 2011	123,212	75.2%	82,841
PEBP Plan	June 30, 2012	60,806	120.3%	70,477

Funded status and funding progress

The funded status of the plans as of June 30, 2012, 2011 and 2010, were as follows:

	Self-funded / HMO Plan		
	2010	2011	2012
Actuarial accrued liability (a)	\$ 6,633,463	\$ 11,562,585	\$ 11,562,585
Actuarial value of plan assets (b)			
Unfunded actuarial accrued liability (funding excess) (a) - (b)	\$ 6,633,463	\$ 11,562,585	\$ 11,562,585
Funded ratio (b) / (a)	0%	0%	0%
Covered payroll ( c)	\$ 17,626,557	\$ 17,646,945	\$ 17,646,945
Unfunded actuarial accrued liability (funding excess) as a percentage of covered payroll [(a) - (b)] / ( c)	37.6%	65.5%	65.5%
	PEBP *		
	2010	2011	2012
Actuarial accrued liability (a)	\$ 864,895	\$ 2,444,380	\$ 2,444,380
Actuarial value of plan assets (b)			
Unfunded actuarial accrued liability (funding excess) (a) - (b)	\$ 864,895	\$ 2,444,380	\$ 2,444,380
Funded ratio (b) / (a)	0%	0%	0%
Covered payroll ( c)	N/A	N/A	N/A
Unfunded actuarial accrued liability (funding excess) as a percentage of covered payroll [(a) - (b)] / ( c)	N/A	N/A	N/A

\* PEBP is a closed plan; and therefore, there are no current employees covered by the PEBP.

**REGIONAL TRANSPORTATION COMMISSION OF SOUTHERN NEVADA**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2012**  
**(CONTINUED)**

**NOTE 11 - Other Post-Employment Benefits (OPEB) (continued)**

Funded status and funding progress (continued)

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future. Amounts determined regarding the funded status of the plans and the annual required contributions of the employer are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The required schedule of funding progress, presented as required supplementary information, provides multi-year trend information that shows, whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Projections of benefits are based on the substantive plans (the plans as understood by the employer and plan members) and include the types of benefits provided at the valuation date and the historical pattern of sharing benefit costs between RTC and the plan members at that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets. Significant methods and assumptions are as follows:

Actuarial methods and assumptions

	<u>Self-funded / HPN</u>	<u>PEBP Plan</u>
Actuarial valuation date	July 1, 2010	July 1, 2010
Actuarial cost method	Entry age normal	Entry age normal
Amortization method	Level dollar amount	Level dollar amount
Remaining amortization period	30 years, open	30 years, open
Asset valuation method	No assets in trust	No assets in trust
Actuarial assumptions:		
Discount rate	4.0%	4.0%
Projected salary increases	N/A	N/A
Healthcare inflation rate	9.5% initial / 5% ultimate	10% initial / 5% ultimate

RTC assets in internal service fund

Clark County utilizes the Other Employment Benefit Reserve internal service fund to allocate OPEB costs to each fund, based on employee count. Each fund incurs a charge for service from the Other Postemployment Benefit Reserve fund for their portion of the annual OPEB cost. As of June 30, 2012, the Other Postemployment Benefit Reserve fund has \$222,932 in cash, investments, and interest receivable held on behalf of the RTC. The RTC intends to use these assets for future OPEB funding. These assets cannot be included in the plan assets considered in the OPEB funding schedules because they are not held in a qualifying trust or equivalent arrangement as defined by GASB Statement No. 45.

**REGIONAL TRANSPORTATION COMMISSION OF SOUTHERN NEVADA**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2012**  
**(CONTINUED)**

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**NOTE 12 - Risk Management**

The RTC's operating activities are comprised primarily of providing both transit authority services and transportation-planning agency services in southern Nevada; and therefore, realization of the RTC's receivables and its future operations could be affected by an adverse change in the economic conditions in the area.

The United States is experiencing a widespread recession accompanied by declines in residential real estate sales and values, mortgage lending and related construction activity, and weakness in the commercial and investment banking systems, and is engaged in a war on terror, all of which are likely to continue to have far-reaching effects on the economic activity in the country for an indeterminate period. The near and long-term impact of these factors on the southern Nevada economy and the RTC's operating activities cannot be predicted at this time but may be substantial.

In the ordinary course of its operations, claims are filed against the RTC. It is the opinion of management that these claims will not have a material adverse effect on the RTC's financial position, results of operation, or cash flows.

The RTC does not accrue for estimated future legal and defense costs, if any, to be incurred in connection with outstanding or threatened litigation and other disputed matters but rather, records such as period costs when services are rendered.

The RTC is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

Effective January 1, 2010, the RTC acquired its own insurance with Travelers' Insurance for Commercial Property, Workers' Compensation, Commercial Auto Liability, Excess Liability, Employee Benefit Liability and Employment Practices Liability.

Under the interlocal agreement with the County, the RTC was solely responsible to pay all claim costs which come within its retained limit as set forth in the agreement. Under the insurance policies with Travelers', the RTC is only responsible to pay the deductibles and co-insurance amounts stipulated in the policies.

Under the interlocal agreement with the County, the RTC's designated representative shall notify the County's designated representative and the designated adjusting firm of any occurrence for which it is believed liability will exceed RTC's retention. RTC was solely responsible for the costs of the services rendered it by the claims adjusting firm.

The interlocal agreement with the County for the provision of employee health insurance has not been terminated.

**REGIONAL TRANSPORTATION COMMISSION OF SOUTHERN NEVADA**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2012**  
**(CONTINUED)**

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**NOTE 12 - Risk Management (continued)**

Workers' Compensation

The RTC has placed insurance coverage with a licensed and rated carrier which includes Coverage A – Workers' Compensation Benefits with Statutory Limits and Coverage B Employer's Liability – Bodily Injury Each Accident \$1,000,000, Bodily Injury by Disease (Policy Limit) \$1,000,000, and Bodily Injury by Disease (Each Employee) \$1,000,000. No deductible applies to this coverage. Claims are reported by the RTC directly to the insurance carrier.

Commercial Property

The RTC has placed insurance coverage with a licensed and rated carrier for all RTC owned facilities. Building and Business Personal Property/Contents (including Mechanical Breakdown) are insured for Replacement Cost on a Blanket basis with a \$50,000 deductible. Equipment Insurance is also maintained for the RTC's computerized equipment, ticket vending machines, electronic data processing, etc. A \$10,000 deductible applies for this coverage. This equipment is insured on an Actual Cash Value basis (which is common for this type of insurance). Builder's Risk/Course of Construction policies are purchased by the RTC for any project constructed on RTC property with limits and deductible levels varying by project size and type. (For projects not constructed on RTC property the General Contractor or Construction Manager is responsible for placement of Builder's Risk/Course of Construction policies). Claims are reported to the RTC's insurance carrier by the RTC's insurance broker.

Commercial General Liability

The RTC has placed insurance coverage with a licensed and rated carrier which includes \$1,000,000 limits for Bodily Injury/Property Damage (Each Occurrence) and Personal and Advertising Injury, \$2,000,000 limit for Products/Completed Operates Aggregate, and \$2,000,000 limit for General Aggregate. No deductible applies to this coverage. Employee Benefits Liability is also included on a Claims Made Basis (which is common for this type of insurance) with a \$1,000,000 limit for Each Employee and a \$2,000,000 Aggregate Limit. No deductible applies to this coverage. Claims are reported to the RTC's insurance carrier by the RTC's insurance broker.

Commercial Auto Liability

The RTC has placed insurance coverage with a licensed and rated carrier which includes \$1,000,000 limits for Owned Automobile Bodily Injury and Property Damage and Uninsured/Underinsured Motorist. Comprehensive and Collision Physical Damage Coverage is maintained on most vehicles but is not maintained on older vehicles with low value. Also included is Hired and Non Owned Auto Liability with limits of \$1,000,000 for Bodily Injury and Property Damage. No deductible applies to this coverage. Hired Auto Physical Damage coverage is also in place with \$50,000 Maximum Limit per Vehicle. A \$1,000 deductible applies to this coverage. Claims are reported to the RTC's insurance carrier by the RTC's insurance broker.

**REGIONAL TRANSPORTATION COMMISSION OF SOUTHERN NEVADA**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2012**  
**(CONTINUED)**

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**NOTE 12 - Risk Management (continued)**

Excess Liability

The RTC has placed insurance coverage with a licensed and rated carrier which includes \$10,000,000 in limits for Combined Bodily Injury and Property Damage Each Occurrence and General Aggregate. The Excess Liability policy provides additional liability limits over and above the Commercial General Liability, Auto Liability, Employers Liability and Employee Benefit Liability. Claims are reported to the RTC's insurance carrier by the RTC's insurance broker.

Employment Practices Liability

The RTC has placed insurance coverage with a licensed and rated insurance carrier which includes \$2,000,000 in coverage for each claim and in the Aggregate. A \$50,000 retention/deductible applies for each claim. Coverage is written on a Claims Made basis (which is common for this type of insurance). Claims are reported to the RTC's insurance carrier by the RTC's insurance broker.

Over the past three years, no settlements have exceeded any of the above insurance coverages.

**NOTE 13 - Construction Commitments**

Construction commitments include roadway projects with various local entities of approximately \$57,550,000. In addition, the Public Transit fund has outstanding construction commitments of approximately \$15,600,000 for capital projects and vehicles.

**NOTE 14 - Variable-to-Fixed Commodity Swap Agreement**

The RTC actively engages in commodity swap agreements for the purpose of reducing the effects of the volatility of diesel fuel prices and to provide for future operations at a known and budgeted cost.

At June 30, 2010, the RTC's derivative portfolio was comprised of one variable-to-fixed commodity swap agreement, solely for the purpose of providing the RTC's projected diesel fuel requirements through June 2012. As of June 30, 2012, the RTC has not pursued any commodity swap agreements.



**SUPPLEMENTARY INFORMATION**

**REGIONAL TRANSPORTATION COMMISSION OF SOUTHERN NEVADA  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF FUNDING PROGRESS, OTHER POSTEMPLOYMENT BENEFITS  
 FOR THE YEAR ENDED JUNE 30, 2012**

	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL)- Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a percentage of covered payroll ((b-a)/c)
County Plan	June 30, 2006	\$0	\$5,007,082	\$5,007,082	0.0%	\$16,577,905	30.2%
	July 1, 2008	0	6,633,463	6,633,463	0.0%	17,076,022	38.8%
	July 1, 2010	0	11,562,585	11,562,585	0.0%	17,646,945	65.5%
PEBP	June 30, 2006	0	1,046,677	1,046,677	0.0%	16,577,905	6.3%
	July 1, 2008	0	864,895	864,895	0.0%	N/A*	N/A*
	July 1, 2010	0	2,444,380	2,444,380	0.0%	N/A*	N/A*

\* PEBP is a closed plan; and therefore, there are no current employees covered by the PEBP.

**REGIONAL TRANSPORTATION COMMISSION OF SOUTHERN NEVADA**  
**REGIONAL TRANSPORTATION COMMISSION FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2012**  
**(WITH COMPARATIVE ACTUAL AMOUNTS FOR THE FISCAL YEAR ENDED JUNE 30, 2011)**

	<b>2012</b>				<b>2011</b>
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>	<u>Actual</u>
<b>REVENUES</b>					
Intergovernmental revenue:					
Federal and state grants	\$ 3,500,000	\$ 3,500,000	\$ 3,824,797	\$ 324,797	\$ 3,441,917
Interest	50,000	50,000	22,593	(27,407)	73,133
Other	2,150,000	2,150,000	2,474,093	324,093	2,421,948
Total revenues	<u>5,700,000</u>	<u>5,700,000</u>	<u>6,321,483</u>	<u>621,483</u>	<u>5,936,998</u>
<b>EXPENDITURES</b>					
Current:					
Salaries and wages	11,286,709	11,286,709	10,910,777	(375,932)	10,660,033
Employee benefits	4,054,090	4,054,090	4,083,042	28,952	3,858,474
Services and supplies	10,964,367	10,964,367	8,446,379	(2,517,988)	8,121,318
Capital outlay and intergovernmental capital grants	207,000	207,000	2,741,545	2,534,545	572,128
Total expenditures	<u>26,512,166</u>	<u>26,512,166</u>	<u>26,181,743</u>	<u>(330,423)</u>	<u>23,211,953</u>
<b>OTHER FINANCING SOURCES</b>					
Transfers in	<u>15,948,933</u>	<u>15,948,933</u>	<u>15,954,467</u>	<u>5,534</u>	<u>18,583,849</u>
<b>CHANGES IN FUND BALANCE</b>					
	(4,863,233)	(4,863,233)	(3,905,793)	957,440	1,308,894
Fund balance - beginning	<u>7,529,418</u>	<u>7,529,418</u>	<u>9,616,867</u>	<u>2,087,449</u>	<u>8,307,973</u>
Fund balance - ending	<u>\$ 2,666,185</u>	<u>\$ 2,666,185</u>	<u>\$ 5,711,074</u>	<u>\$ 3,044,889</u>	<u>\$ 9,616,867</u>

**REGIONAL TRANSPORTATION COMMISSION OF SOUTHERN NEVADA**  
**REGIONAL TRANSPORTATION FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2012**  
**(WITH COMPARATIVE ACTUAL AMOUNTS FOR THE FISCAL YEAR ENDED JUNE 30, 2011)**

	2012				2011
	Original Budget	Final Budget	Actual	Variance	Actual
<b>REVENUES</b>					
Intergovernmental revenue:					
Sales and excise tax	\$ 34,952,054	\$ 37,952,054	\$ 37,606,331	\$ (345,723)	\$ 35,444,544
Interest	5,000	5,000	27,152	22,152	27,889
Total revenues	<u>34,957,054</u>	<u>37,957,054</u>	<u>37,633,483</u>	<u>(323,571)</u>	<u>35,472,433</u>
<b>EXPENDITURES</b>					
Current:					
Services and supplies	<u>5,592,329</u>	<u>6,192,329</u>	<u>6,017,409</u>	<u>(174,920)</u>	<u>5,671,155</u>
<b>OTHER FINANCING USES</b>					
Transfers out	<u>29,342,685</u>	<u>31,942,685</u>	<u>31,594,853</u>	<u>(347,832)</u>	<u>29,773,417</u>
<b>CHANGES IN FUND BALANCE</b>	22,040	(177,960)	21,221	199,181	27,861
Fund balance - beginning	<u>483,525</u>	<u>483,525</u>	<u>506,386</u>	<u>22,861</u>	<u>478,525</u>
Fund balance - ending	<u>\$ 505,565</u>	<u>\$ 305,565</u>	<u>\$ 527,607</u>	<u>\$ 222,042</u>	<u>\$ 506,386</u>

**REGIONAL TRANSPORTATION COMMISSION OF SOUTHERN NEVADA**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**FOR THE YEAR ENDED JUNE 30, 2012**

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**NOTE 1 - Other Postemployment Benefits**

For the year ended June 30, 2012, no significant events occurred that would have affected or changed the benefits provision, size or composition of those covered by the other postemployment benefit plans, or actuarial methods and assumptions used in the actuarial valuation reports dated July 1, 2006, July 1, 2008 and July 1, 2010.

The actuarial accrued liability and unfunded actuarial accrued liability involved estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. These estimates are subject to continual revisions.

Additional information related to postemployment benefits other than pensions can be found in Note 11 to the RTC's financial statements on pages 45 through 48 of this report.

**NOTE 2 - Budgetary Information**

The accompanying required supplementary general fund schedule of revenues, expenditures and changes in fund balances presents the original adopted budget, the final amended budget and actual fund data. The original budget was adopted on a basis consistent with the RTC's financial accounting policies and with accounting principles generally accepted in the United States. All amendments made to the original budget were as prescribed by law and similarly consistent.

The RTC uses the following procedures to establish, modify and control the budgetary data presented in the financial statements:

- a. Prior to April 15, the RTC General Manager submits to the Nevada State Department of Taxation the tentative budget for the next fiscal year, commencing on July 1. The budget as submitted contains the proposed expenditures and means of financing them.
- b. The Nevada State Department of Taxation notifies the RTC of its acceptance of the budget.
- c. Public hearings are conducted on the third Thursday in May.
- d. After all changes have been noted and hearings closed, the RTC governing board adopts the budget on or before June 1.
- e. The RTC's General Manager is authorized to transfer budgeted amounts within functions or funds, but any other transfers must be approved by the RTC governing board.
- f. Increases to a fund's budget (augmentations) other than by transfers are accomplished through formal board action.
- g. Formal budgetary control is employed for all RTC funds.

**REGIONAL TRANSPORTATION COMMISSION OF SOUTHERN NEVADA  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2012**

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NOTE 2 - Budgetary Information (Continued)

- h. Statutory regulations require budget control to be exercised at the function level within the Regional Transportation commission fund, which serves as the RTC's general fund. Budget control is exercised at the fund level for all funds. The board administratively exercises control at the budgeted item level within a department.
- i. All unencumbered appropriations lapse at the end of the fiscal year. Encumbrances are re-appropriated in the ensuing fiscal year.
- j. Budgets are adopted on a basis consistent with the method used to report on governmental funds, which are prepared in accordance with accounting principles generally accepted in the United States of America.

Comparative data for the prior year have been presented for the individual fund statements in order to provide an understanding of the changes in these funds.

Additional budgetary information can be found in Note 2 to the RTC's financial statements on page 28 of this report.

**REGIONAL TRANSPORTATION COMMISSION OF SOUTHERN NEVADA**  
**RTC BONDS FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2012**  
**(WITH COMPARATIVE ACTUAL AMOUNTS FOR THE FISCAL YEAR ENDED JUNE 30, 2011)**

	2012				2011
	Original Budget	Final Budget	Actual	Variance	Actual
<b>REVENUES</b>					
Interest	\$ 250,000	\$ 250,000	\$ 238,972	\$ (11,028)	\$ 362,056
IRS Rebate - Build America Bonds	3,549,032	3,549,032	3,549,031	(1)	1,713,769
Other			231,202	231,202	
Total revenues	<u>3,799,032</u>	<u>3,799,032</u>	<u>4,019,205</u>	<u>220,173</u>	<u>2,075,825</u>
<b>EXPENDITURES</b>					
Current:					
Services and supplies			10,781	10,781	601
Bond issuance costs			726,380	726,380	
Debt Service:					
Principal	29,290,000	29,290,000	29,290,000		20,860,000
Interest	39,094,519	39,094,519	35,845,399	(3,249,120)	31,734,073
Total expenditures	<u>68,384,519</u>	<u>68,384,519</u>	<u>65,872,560</u>	<u>(2,511,959)</u>	<u>52,594,674</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	65,386,941	65,386,941	64,452,653	(934,288)	63,153,587
Refunding bond issued			118,105,000	118,105,000	
Premium on bond issued			17,384,785	17,384,785	
Payment to refund bond			(134,739,837)	(134,739,837)	
Total other financing sources (uses)	<u>65,386,941</u>	<u>65,386,941</u>	<u>65,202,601</u>	<u>(184,340)</u>	<u>63,153,587</u>
<b>CHANGES IN FUND BALANCE</b>	801,454	801,454	3,349,246	2,547,792	12,634,738
Fund balance - beginning	<u>48,134,998</u>	<u>48,134,998</u>	<u>48,151,124</u>	<u>16,126</u>	<u>35,516,386</u>
Fund balance - ending	<u>\$ 48,936,452</u>	<u>\$ 48,936,452</u>	<u>\$ 51,500,370</u>	<u>\$ 2,563,918</u>	<u>\$ 48,151,124</u>

**REGIONAL TRANSPORTATION COMMISSION OF SOUTHERN NEVADA  
RTC RESERVE FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(WITH COMPARATIVE ACTUAL AMOUNTS FOR THE FISCAL YEAR ENDED JUNE 30, 2011)**

	2012				2011
	Original Budget	Final Budget	Actual	Variance	Actual
<b>REVENUES</b>					
Interest	\$ 200,000	\$ 200,000	\$ 1,118,384	\$ 918,384	\$ 1,338,301
<b>EXPENDITURES</b>					
Current:					
Services and supplies			4,765	4,765	364
<b>OTHER FINANCING SOURCES (USES)</b>					
Proceeds from bonds and loans					14,890,693
Transfers in					2,037,892
Payment to refund bond			(1,454,816)	(1,454,816)	
<b>CHANGES IN FUND BALANCE</b>	200,000	200,000	(341,197)	2,368,435	18,266,522
Fund balance - beginning	67,431,530	67,431,530	67,454,121	22,591	49,187,599
Fund balance - ending	<u>\$ 67,631,530</u>	<u>\$ 67,631,530</u>	<u>\$ 67,112,924</u>	<u>\$ 2,391,026</u>	<u>\$ 67,454,121</u>

**REGIONAL TRANSPORTATION COMMISSION OF SOUTHERN NEVADA  
HIGHWAY IMPROVEMENT ACQUISITION FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(WITH COMPARATIVE ACTUAL AMOUNTS FOR THE FISCAL YEAR ENDED JUNE 30, 2011)**

	2012				2011
	Original Budget	Final Budget	Actual	Variance	Actual
<b>REVENUES</b>					
Intergovernmental revenue:					
Federal and state grants	\$ 2,385,000	\$ 2,385,000		\$ (2,385,000)	
Fuel taxes	65,400,000	65,400,000	\$ 64,868,301	(531,699)	\$ 65,409,657
Interest	65,000	65,000	418,696	353,696	790,994
Other					5,000
Total revenues	<u>67,850,000</u>	<u>67,850,000</u>	<u>65,286,997</u>	<u>(2,563,003)</u>	<u>66,205,651</u>
<b>EXPENDITURES</b>					
Current:					
Services and supplies	450,000	450,000	228,113	(221,887)	256,016
Debt Service:					
Principal			8,000,000	8,000,000	11,000,000
Capital outlay and intergovernmental capital grants	45,000,000	45,000,000	921,898	(44,078,102)	34,085,835
Total expenditures	<u>45,450,000</u>	<u>45,450,000</u>	<u>9,150,011</u>	<u>(36,299,989)</u>	<u>45,341,851</u>
<b>OTHER FINANCING USES</b>					
Transfers out	(43,492,316)	(43,492,316)	(42,535,531)	956,785	(44,395,924)
Payments to refund commercial paper	(8,500,000)	(8,500,000)		8,500,000	
Total other financing uses	<u>(51,992,316)</u>	<u>(51,992,316)</u>	<u>(42,535,531)</u>	<u>9,456,785</u>	<u>(44,395,924)</u>
<b>CHANGES IN FUND BALANCE</b>	(29,592,316)	(29,592,316)	13,601,455	43,193,771	(23,532,124)
Fund balance - beginning	42,518,919	42,718,919	43,917,525	1,198,606	67,449,649
Fund balance - ending	<u>\$ 12,926,603</u>	<u>\$ 13,126,603</u>	<u>\$ 57,518,980</u>	<u>\$ 44,392,377</u>	<u>\$ 43,917,525</u>

**REGIONAL TRANSPORTATION COMMISSION OF SOUTHERN NEVADA**  
**RTC HIGHWAY IMPROVEMENT FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2012**  
**(WITH COMPARATIVE ACTUAL AMOUNTS FOR THE FISCAL YEAR ENDED JUNE 30, 2011)**

	2012				2011
	Original Budget	Final Budget	Actual	Variance	Actual
<b>REVENUES</b>					
Intergovernmental revenue:					
Federal and state grants	\$ 14,669,781	\$ 14,669,781	\$ 22,643,963	\$ 7,974,182	\$ 34,257,778
Fuel taxes	3,353,520	3,353,520	3,712,620	359,100	3,658,928
Interest	344,690	344,690	408,438	63,748	1,219,847
Other	220,000	220,000	227,579	7,579	
Total revenues	<u>18,587,991</u>	<u>18,587,991</u>	<u>26,992,600</u>	<u>8,404,609</u>	<u>39,136,553</u>
<b>EXPENDITURES</b>					
Current:					
Services and supplies	50,000	5,000,000	11,833	(4,988,167)	102,027
Bond issuance costs					2,820,239
Capital outlay and intergovernmental capital grants	<u>78,655,500</u>	<u>160,741,400</u>	<u>94,040,734</u>	<u>(66,700,666)</u>	<u>92,149,224</u>
Total expenditures	<u>78,705,500</u>	<u>165,741,400</u>	<u>94,052,567</u>	<u>(71,688,833)</u>	<u>95,071,490</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Proceeds from bonds and loans					229,491,656
Payments to refund commercial paper					(32,600,000)
Transfers in	25,873,752	25,873,752	28,120,385	2,246,633	26,089,568
Transfers out	<u>(28,134,625)</u>	<u>(32,634,625)</u>	<u>(31,537,061)</u>	<u>1,097,564</u>	<u>(32,900,768)</u>
Total other financing sources (uses)	<u>(2,260,873)</u>	<u>(6,760,873)</u>	<u>(3,416,676)</u>	<u>3,344,197</u>	<u>190,080,456</u>
<b>CHANGES IN FUND BALANCE</b>	(62,378,382)	(153,914,282)	(70,476,643)	83,437,639	134,145,519
Fund balance - beginning	<u>106,763,714</u>	<u>194,569,614</u>	<u>169,172,958</u>	<u>(25,396,656)</u>	<u>35,027,439</u>
Fund balance - ending	<u>\$ 44,385,332</u>	<u>\$ 40,655,332</u>	<u>\$ 98,696,315</u>	<u>\$ 58,040,983</u>	<u>\$ 169,172,958</u>

**REGIONAL TRANSPORTATION COMMISSION OF SOUTHERN NEVADA  
PUBLIC TRANSIT FUND  
SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS - BUDGET AND ACTUAL  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(WITH COMPARATIVE ACTUAL AMOUNTS FOR THE FISCAL YEAR ENDED JUNE 30, 2011)**

	2012				2011
	Original Budget	Final Budget	Actual	Variance	Actual
<b>OPERATING REVENUES</b>					
Charges for services:					
Transit fees	\$ 62,660,000	\$ 62,660,000	\$ 68,796,660	\$ 6,136,660	\$ 64,181,103
Transit Advertising	2,300,000	2,300,000	2,060,513	(239,487)	2,682,121
Other	200,000	200,000	119,245	(80,755)	265,475
Total operating revenues	<u>65,160,000</u>	<u>65,160,000</u>	<u>70,976,418</u>	<u>5,816,418</u>	<u>67,128,699</u>
<b>OPERATING EXPENSES</b>					
Salaries and wages	7,243,877	7,243,877	6,825,936	(417,941)	6,986,912
Employee benefits	3,218,970	3,218,970	3,248,570	29,600	3,387,853
Services and supplies	154,961,332	157,961,332	153,791,519	(4,169,813)	153,733,969
Depreciation	40,000,000	40,000,000	35,587,797	(4,412,203)	37,616,152
Total operating expenses	<u>205,424,179</u>	<u>208,424,179</u>	<u>199,453,822</u>	<u>(8,970,357)</u>	<u>201,724,886</u>
Operating loss	<u>(140,264,179)</u>	<u>(143,264,179)</u>	<u>(128,477,404)</u>	<u>14,786,775</u>	<u>(134,596,187)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>					
Intergovernmental revenue:					
Sales and excise tax	104,860,000	112,860,000	112,818,994	(41,006)	106,333,631
Federal and state grants	27,142,109	27,142,109	16,435,532	(10,706,577)	36,526,422
Interest income	1,015,704	1,015,704	1,041,300	25,596	1,164,196
Gain on sale of capital assets			198,182	198,182	29,734
Total nonoperating revenues (expenses)	<u>133,017,813</u>	<u>141,017,813</u>	<u>130,494,008</u>	<u>(10,523,805)</u>	<u>144,053,983</u>
Income before capital contributions and transfers	<u>(7,246,366)</u>	<u>(2,246,366)</u>	<u>2,016,604</u>	<u>4,262,970</u>	<u>9,457,796</u>
Transfers in			3,379,940	3,379,940	4,655,213
Transfers out	<u>(6,240,000)</u>	<u>(6,240,000)</u>	<u>(6,240,000)</u>		<u>(7,450,000)</u>
<b>CHANGES IN NET ASSETS</b>	<u>\$ (13,486,366)</u>	<u>\$ (8,486,366)</u>	<u>\$ (843,456)</u>	<u>\$ 7,642,910</u>	<u>\$ 6,663,009</u>

**REGIONAL TRANSPORTATION COMMISSION OF SOUTHERN NEVADA  
PUBLIC TRANSIT FUND  
SCHEDULE OF CASH FLOWS - BUDGET AND ACTUAL  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(WITH COMPARATIVE ACTUAL AMOUNTS FOR THE FISCAL YEAR ENDED JUNE 30, 2011)**

	2012				2011
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>	<u>Actual</u>
<b>Cash flows from operating activities:</b>					
Cash received from customers	\$ 64,960,000	\$ 64,960,000	\$ 69,044,874	\$ 4,084,874	\$ 68,671,716
Cash paid for employees and benefits	(10,462,847)	(10,462,847)	(9,451,796)	1,011,051	(9,815,345)
Cash paid for services and supplies	(154,961,332)	(154,961,332)	(169,232,708)	(14,271,376)	(159,675,685)
Other operating receipts	200,000	200,000	119,245	(80,755)	265,475
Net cash used in operating activities	<u>(100,264,179)</u>	<u>(100,264,179)</u>	<u>(109,520,386)</u>	<u>(9,256,207)</u>	<u>(100,553,839)</u>
<b>Cash flows from noncapital financing activities:</b>					
Cash provided by sales and excise tax	104,860,000	104,860,000	102,258,267	(2,601,733)	105,155,671
Transfers to other funds	<u>(6,240,000)</u>	<u>(6,240,000)</u>	<u>(6,240,000)</u>	-	<u>(7,450,000)</u>
Net cash provided by non-capital financing activities	<u>98,620,000</u>	<u>98,620,000</u>	<u>96,018,267</u>	<u>(2,601,733)</u>	<u>97,705,671</u>
<b>Cash flows from capital and related financing activities:</b>					
Federal and state grants	27,142,109	27,142,109	18,543,087	(8,599,022)	46,637,924
Acquisition, construction, or improvement of capital assets	(24,533,271)	(24,533,271)	(15,268,066)	9,265,205	(28,883,613)
Proceeds from the sale of capital assets			198,182	198,182	29,734
Transfers from RTC Highway Improvement Fund for capital assets			<u>3,379,940</u>	<u>3,379,940</u>	<u>4,655,213</u>
Net cash provided by (used in) capital and related financing activities	<u>2,608,838</u>	<u>2,608,838</u>	<u>6,853,143</u>	<u>4,244,305</u>	<u>22,439,258</u>
<b>Cash flows from investing activities:</b>					
Interest received	<u>1,015,704</u>	<u>1,015,704</u>	<u>1,057,432</u>	<u>41,728</u>	<u>1,312,995</u>
Net change in cash and cash equivalents	1,980,363	1,980,363	(5,591,544)	(7,571,907)	20,904,085
Cash and cash equivalents - beginning of year	76,011,978	76,011,978	97,077,031	21,065,053	76,172,946
Cash and cash equivalents - end of year	<u>\$ 77,992,341</u>	<u>\$ 77,992,341</u>	<u>\$ 91,485,487</u>	<u>\$ 13,493,146</u>	<u>\$ 97,077,031</u>



**COMMENTS OF INDEPENDENT AUDITORS**

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**

Board of Commissioners  
Regional Transportation Commission of Southern Nevada  
Las Vegas, Nevada

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Regional Transportation Commission of Southern Nevada (the RTC), as of and for the year ended June 30, 2012, and have issued our report thereon dated December 11, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control over Financial Reporting.** Management of the RTC is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the RTC's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing an opinion on the basic financial statements, but not for the purpose of expressing an opinion on the effectiveness of the RTC's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the RTC's internal control over financial reporting.

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 RTC's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined previously. However, we identified deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and responses as items 12-1 through 12-3 that we consider to be a significant deficiency in internal control over financial reporting. 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.

**Compliance and other matters.** As part of obtaining reasonable assurance about whether RTC's financial statements are free of 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 financial statement amounts, including whether the funds established by the RTC, 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*.

We noted certain matters that we reported to management of RTC in a separate letter dated December 11, 2012.

The RTC's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit the RTC's responses and, accordingly, we express no opinion on them.

This report is intended for the information and use of the RTC's management, members of the Board of Commissioners, others with the RTC and federal award agencies and pass-through entities. However, this report is a matter of public record, and its distribution is not limited.

  
December 11, 2012

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**Regional Transportation Commission of Southern Nevada**

**Schedule of Findings and Responses  
For the Year Ended June 30, 2012**

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**12-1**

Criteria:	Schedules of depreciation and amortization of property and equipment and gain/loss on sales or disposals should be independently reviewed/approved and recalculated.
Condition:	Examination of detailed schedules within the new accounting software, MS Govern, revealed both asset basis error and calculation errors in the depreciation of the transferred assets.
Effect:	The financial statements with respect to the property and equipment and depreciation could be misstated.
Cause:	The schedules produced by MS Govern were not reconciled to the general ledger and independently reviewed and controls were not in place to verify the integrity of the data transferred.
Recommendation:	We recommend that management re-upload the asset data to avoid depreciation calculation errors and the corresponding misstatements in the net book value of the assets.
Management response:	Management has informed us that they have initiated the recommended changes and will monitor compliance therewith timely.

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**Regional Transportation Commission of Southern Nevada**

**Schedule of Findings and Responses (continued)  
For the Year Ended June 30, 2012**

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**12-2**

Criteria:	Bank account reconciliations should be reviewed by an individual independent of the preparation thereof and of the cash receipts and disbursements functions. The monthly review process should include inspection and checking numerical accountability of returned checks.
Condition:	Two bank reconciliations that we examined did not include evidence of review, and we ascertained that reviews of the bank reconciliations are not consistently performed.
Effect:	Fraudulent activity involving cash could occur and not be detected, and the financial statements could be misstated.
Cause:	Bank reconciliations are not being reviewed by someone independent of their preparation on a consistent basis.
Recommendation:	We recommend that management amend the policies and procedures to include monthly reviews of bank reconciliations documented by signature and date evidencing timely review by appropriate management personnel.
Management response:	Management has informed us that they have initiated the recommended changes to policies and procedures and will monitor compliance therewith timely

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**Regional Transportation Commission of Southern Nevada**

**Schedule of Findings and Responses (continued)  
For the Year Ended June 30, 2012**

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**12-3**

Criteria:	Expenses should be recorded in the period for which services were rendered to prevent financial statement misstatements.
Condition:	We identified one instance in which expense charges from other governmental agencies were received several months after year end and the related expenses were entered into the accounting system based on the invoice date rather than the period for which the related services were provided. Management further explained that the error in the period of recognition is partially the result of management's inability to access and enter data during the conversion to the new accounting software. (Current and historical testing indicates that this risk is isolated to intergovernmental billings in connection with capital projects.)
Effect:	The expenses reported for the year and related asset and liability accounts could be misstated.
Cause:	Ineffective application and monitoring of the payables process.
Recommendation:	We encourage management to establish an agreement with the governmental agencies, and a process, to assure that such charges are invoiced timely, thereby facilitating accruals in the proper period of services rendered so that expenses reported for the year and related asset and liability accounts at year-end are not misstated.
Management response:	Management has informed us that they have considered the recommended changes.

Regional Transportation Commission  
of Southern Nevada  
600 S. Grand Central Pkwy.  
Las Vegas, Nevada 89106

