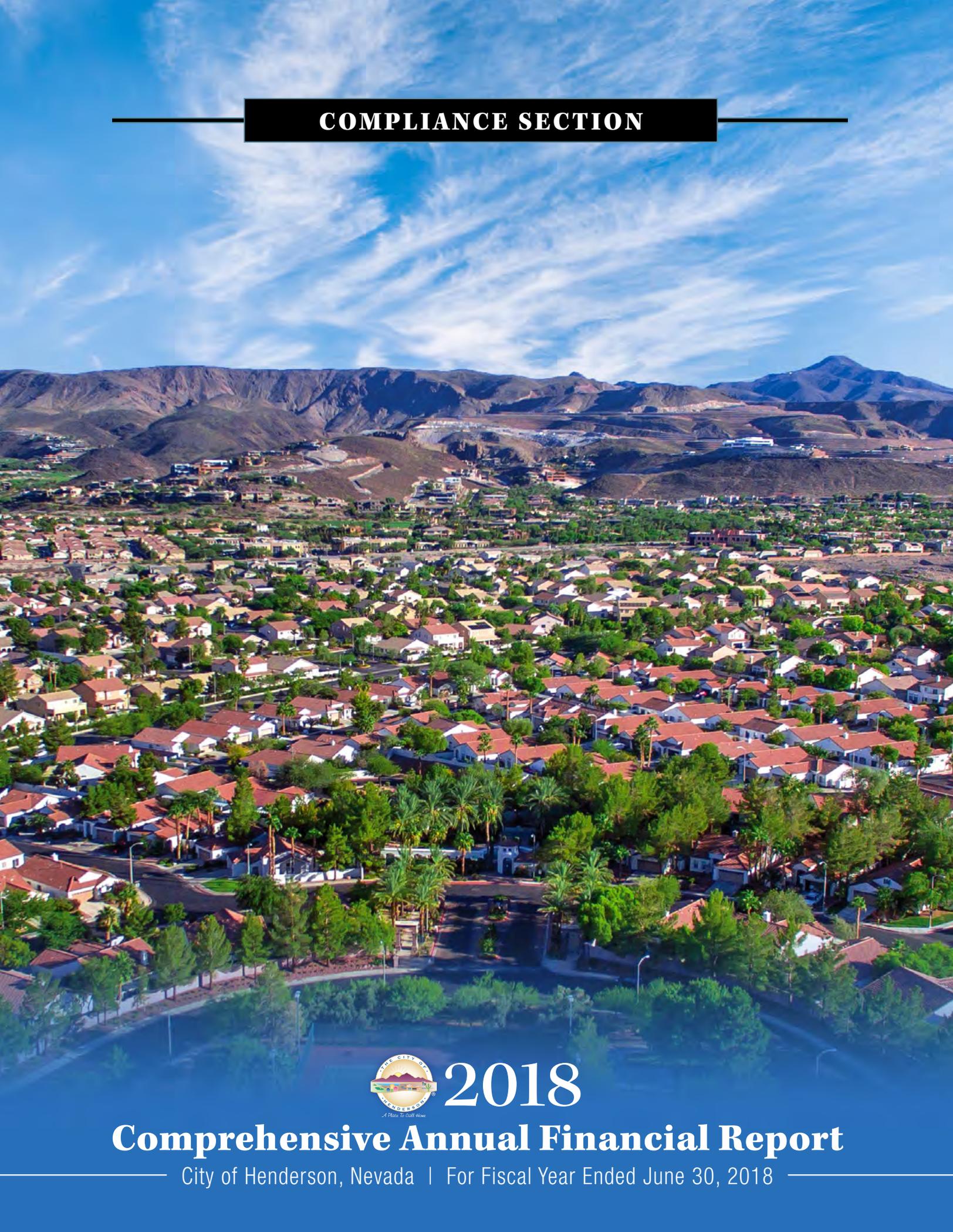


**COMPLIANCE SECTION**



**2018**

**Comprehensive Annual Financial Report**

City of Henderson, Nevada | For Fiscal Year Ended June 30, 2018

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

Honorable Mayor and Members of the City Council  
City of Henderson, Nevada

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Henderson (the City) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents, and have issued our report thereon dated October 31, 2018.

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

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies; and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2018 - 001 that we consider to be a material weakness.

**Compliance and Other Matters.** As part of obtaining reasonable assurance about whether the City's basic financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of basic financial statement amounts, including whether the funds established by the City, as listed in Nevada Revised Statutes (NRS) 354.624 (5)(a)(1 through 5), complied with the express purposes required by NRS 354.6241. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**The City's Response to Findings.** The City's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

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

A handwritten signature in blue ink, appearing to read "Pieray Bonet Taylor & Co". The signature is written in a cursive style with a large initial "P".

Las Vegas, Nevada  
October 31, 2018

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR  
EACH MAJOR PROGRAM; REPORT ON INTERNAL CONTROL  
OVER COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES  
OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE**

Honorable Mayor and Members of the City Council  
City of Henderson, Nevada

We have audited the compliance of the City of Henderson (the City) with the types of compliance requirements described in the Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2018. The City's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility.** The City's management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

**Auditors' Responsibility.** Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

**Opinion on Each Major Federal Program.** In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2018.

**Report on Internal Control Over Compliance.** The City's management is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A *deficiency* in internal control over compliance exists when the design or operation of a control over

compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness* in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance 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 compliance that might be material weaknesses or significant deficiencies; and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2018 - 002, to be a material weakness.

The City's response to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

**Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance.** We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated October 31, 2018, which contained an unmodified opinion on those basic financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. 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 of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.



Las Vegas, Nevada  
October 31, 2018

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**CITY OF HENDERSON, NEVADA**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**FOR THE YEAR ENDED JUNE 30, 2018**

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-through Entity Identifying Number	Amount Passed Through to Subrecipients	Expenditures
<b><u>U.S. Department of Agriculture</u></b>				
Child Nutrition Cluster				
<i>Passed through State of Nevada Department of Agriculture</i>				
Special Milk Program for Children				
Safekey Milk Grant FY18	10.556	M-102375-10	\$	19,112
Total Child Nutrition Cluster				<u>19,112</u>
<i>Passed through State of Nevada Department of Conservation and Natural Resources</i>				
Cooperative Forestry Assistance				
Tree Inventory Update FY18	10.664	USDA/UF/17/03		28,175
Total U.S. Department of Agriculture				<u>47,287</u>
<b><u>U.S. Department of Housing and Urban Development</u></b>				
CDBG - Entitlement Grants Cluster				
<i>Direct program</i>				
Community Development Block Grants/Entitlement Grants				
Community Development Block Grants - Other	14.218			830,721
Community Development Block Grants - Subrecipient	14.218		\$ 619,186	
Program Income - NSP Funds	14.218			2,927
Community Development Block Grants - Loans outstanding balance at June 30, 2017	14.218			439,014
			619,186	<u>1,272,662</u>
Total CDBG - Entitlement Grants Cluster			619,186	<u>1,272,662</u>
<i>Direct program</i>				
Home Investment Partnerships Program				
Home Grants - Other	14.239*			66,440
Home Grants - Fiscal Year 2018 Loans	14.239*			210,634
Home Grants - Loans outstanding balance at June 30, 2017	14.239*			5,702,677
Program Income - Home Funds	14.239*			144,804
				<u>6,124,555</u>
Total U.S. Department of Housing and Urban Development			619,186	<u>7,397,217</u>
<b><u>U.S. Department of the Interior</u></b>				
<i>Direct program</i>				
Southern Nevada Public Land Management				
SNPLMA UPRR Trail Projects	15.235*			1,071,599
<i>Passed through State of Nevada Department of Conservation and Natural Resources</i>				
Outdoor Recreation Acquisition, Development and Planning				
LWCF BVP Signage and Dock	15.916	P17AP0016032-00351		8,674
Total U.S. Department of the Interior				<u>1,080,273</u>

**CITY OF HENDERSON, NEVADA**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)**

**FOR THE YEAR ENDED JUNE 30, 2018**

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-through Entity Identifying Number	Amount Passed Through to Subrecipients	Expenditures
<b><u>U.S. Department of Justice</u></b>				
<i>Direct program</i>				
DEA-Cannabis 2017	16.unassigned			7,614
DEA-Cannabis 2018	16.unassigned			4,051
				<u>11,665</u>
<i>Passed through Las Vegas Metropolitan Police Department</i>				
<i>Missing Children's Assistance</i>				
Internet Crimes Against Children 2014	16.543	Interlocal Agreement		10,188
Internet Crimes Against Children 2017	16.543	Interlocal Agreement		10,943
				<u>21,131</u>
<i>Passed through State of Nevada Office of the Attorney General</i>				
<i>Violence Against Women Formula Grants</i>				
STOP VAWA 2017	16.588	2017-VAWA-01		42,631
<i>Passed through State of Nevada Department of Public Safety</i>				
<i>Edward Byrne Memorial Justice Assistance Grant Program</i>				
State JAG 2015	16.738	15-JAG-34		27,554
<i>Direct program</i>				
<i>Edward Byrne Memorial Competitive Grant Program</i>				
SMART 2014	16.751			144,943
<i>Passed through State of Nevada Department of Public Safety</i>				
<i>Emergency Law Enforcement Assistance Gran</i>				
ELE 2018	16.824	18-ELE-04ES		175,350
<i>Passed through State of Nevada Office of the Attorney General</i>				
<i>National Sexual Assault Kit Initiative</i>				
Sexual Assault Kit Initiative 2015	16.833	2015-SAKI-02		1,314
<i>Direct program</i>				
<i>Equitable Sharing Program</i>				
	16.922			260,279
Total U.S. Department of Justice				<u><u>684,867</u></u>
<b><u>U.S. Department of Transportation</u></b>				
<i>Highway Planning and Construction Cluster</i>				
<i>Passed through State of Nevada Department of Transportation</i>				
<i>Highway Planning and Construction</i>				
NDOT I-215 Regional Trail	20.205	P057-16-063		26,647
NDOT Pedestrian Flashers	20.205	P060-16-063		193,415
NDOT Electric Vehicles	20.205	P483-16-063		97,569
NDOT I-215 Trail Bridges	20.205	P484-16-063		30,428
NDOT Valle Verde ITS	20.205	P347-12-063		454,338
NDOT Boulder Hwy Trail	20.205	PR177-13-063		1,054,433

**CITY OF HENDERSON, NEVADA**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)**

**FOR THE YEAR ENDED JUNE 30, 2018**

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-through Entity Identifying Number	Amount Passed Through to Subrecipients	Expenditures
<b><u>U.S. Department of Transportation (Continued)</u></b>				
NDOT Pueblo Trail	20.205	PR285-14-063		429,090
NDOT St. Rose @ Gilespie	20.205	PR288-14-063		437,791
NDOT Amargosa Trail Pedestrian Bridge	20.205	P403-15-063		(223)
NDOT Sunset @ I-515 & Marks St. - Intersection Impv	20.205	P224-16-063		983,428
NDOT College Trail Connector Project	20.205	P076-16-063		112,960
NDOT Pueblo Trail Extension	20.205	P632-17-063		1,137
				<u>3,821,013</u>
<i>Passed through State of Nevada Department of Conservation and Natural Resources</i>				
Recreational Trails Program				
Whitney Mesa Trail Maintenance	20.219	2017-16		34,476
Total Highway Planning and Construction Cluster				<u>3,855,489</u>
<i>Direct program</i>				
Motor Carrier Safety Assistance				
Commercial Enforcement 2016	20.218			15,819
<i>Direct program</i>				
Motor Carrier Safety Assistance High Priority Activities Grants and Cooperative Agreements				
Commercial Enforcement 2017	20.237			96,611
Highway Safety Cluster				
<i>Passed through State of Nevada Department of Public Safety</i>				
State and Community Highway Safety				
Joining Forces 2017	20.600	JF-2017-HPD-00027		41,922
Joining Forces 2018	20.600	JF-2018-HPD-00061		62,900
				<u>104,822</u>
<i>Passed through State of Nevada Department of Public Safety</i>				
National Priority Safety Programs				
Brazos-Phase I	20.616	LFD-2017-HPD-00008		244,046
Joining Forces 2018	20.616	JF-2018-HPD-00061		24,377
				<u>268,423</u>
Total Highway Safety Cluster				<u>373,245</u>
Total U.S. Department of Transportation				<u>4,341,164</u>
<b><u>U.S. Environmental Protection Agency</u></b>				
<i>Direct program</i>				
Brownfields Assessment and Cleanup Cooperative Agreements				
Brownfields Assessment Grant	66.818			85,264
Total U.S. Environmental Protection Agency				<u>85,264</u>

**CITY OF HENDERSON, NEVADA**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)**

**FOR THE YEAR ENDED JUNE 30, 2018**

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-through Entity Identifying Number	Amount Passed Through to Subrecipients	Expenditures
<b><u>U.S. Department of Health and Human Services</u></b>				
Aging Cluster				
<i>Passed through State of Nevada Department of Health and Human Services</i>				
Special Programs for the Aging, Title III, Part C, Nutrition Services				
Senior Nutrition Congregate 2017	93.045	03-031-07-1X-17		(2,899)
Senior Nutrition Congregate 2018	93.045	03-031-07-1X-18		137,329
Senior Nutrition Homebound 2017	93.045	03-031-04-2X-17		4,497
Senior Nutrition Homebound 2018	93.045	03-031-04-2H-18		242,288
Program Income - Senior Nutrition	93.045			119,637
				<u>500,852</u>
 <i>Passed through State of Nevada Department of Health and Human Services</i>				
Nutrition Services Incentive Program				
Senior Nutrition 2017	93.053	03-031-57-NX-17		70,647
Senior Nutrition 2018	93.053	03-031-57-NX-18		138,270
				<u>208,917</u>
 Total Aging Cluster				 <u><u>709,769</u></u>
 <i>Direct program</i>				
Substance Abuse and Mental Health Services Projects of Regional and National Significance				
A. B. C. Court	93.243			69,452
 Total U.S. Department of Health and Human Services				 <u><u>779,221</u></u>
 <b><u>U.S. Department of Homeland Security</u></b>				
<i>Passed through State of Nevada Department of Public Safety</i>				
Emergency Management Performance Grants				
Emergency Management Performance Grants FFY17	97.042	9704217		78,944
Emergency Management Performance Grants FFY18	97.042	Unknown		62,929
				<u>141,873</u>
 <i>Passed through State of Nevada Department of Public Safety</i>				
Homeland Security Grant Program				
HSG FFY15 - Hazmat Vehicle	97.067*	97067U15		544,000
HSG FFY16 - EOC (UASI)	97.067*	97067.16-3100		252,663
Cyber Incident Response 3000	97.067*	97067.16-3000		48,184
Cyber Incident Response 3100	97.067*	97067.16-3100		82,000
				<u>926,847</u>
 Total U.S. Department of Homeland Security				 <u><u>1,068,720</u></u>
 Total expenditures of federal awards				 <u><u>\$ 619,186 \$ 15,484,013</u></u>

\* Major program

# CITY OF HENDERSON, NEVADA

## NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2018

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### Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the City of Henderson, Nevada (the City) under programs of the federal government for the year ended June 30, 2018. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City, it is not intended to, and does not, present the net position, changes in net position, or cash flows of the City.

### Note 2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts, if any, shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

### Note 3. Indirect Cost Rate

The City has not elected to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

### Note 4. Outstanding Loan Balances

The federal loan programs listed below are administered directly by the City, and balances and transactions relating to these programs are included in the City's basic financial statements. Loans outstanding at the beginning of the year and loans made during the year are included in the federal expenditures presented in the Schedule.

At June 30, 2018, outstanding loan balances were as follows:

Federal CFDA Number	Program Title	Loan Balance Receivable
14.218	Community Development Block Grants/Entitlement Grants	\$ 424,818
14.239	Home Investment Partnerships Program	5,830,016
		<u>\$ 6,254,834</u>

# CITY OF HENDERSON, NEVADA

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED JUNE 30, 2018

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### Section I - Summary of Auditors' Results

Financial Statements	
Type of auditors' report issued	Unmodified
Internal control over financial reporting	
Material weaknesses identified	Yes
Significant deficiencies identified that are not considered to be material weaknesses	None reported
Noncompliance material to financial statements	No
Federal Awards	
Internal control over major programs	
Material weaknesses identified	Yes
Significant deficiencies identified that are not considered to be material weaknesses	None reported
Type of auditors' report issued on compliance for major programs	Unmodified
Audit findings required to be reported in accordance with 2 CFR 200.516(a)	No
Identification of major programs	
CFDA number	14.239
Name of federal program or cluster	Home Investment Partnerships Program
CFDA number	15.235
Name of federal program or cluster	Southern Nevada Public Land Management
CFDA number	97.037
Name of federal program or cluster	Homeland Security Grant Program
Dollar threshold used to distinguish between Type A and Type B programs	\$750,000
Auditee qualified as low-risk auditee	No

(Continued)

# CITY OF HENDERSON, NEVADA

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2018

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

2018 - 001

Criteria or specific requirement	Policies and procedures are in place and operating effectively to provide reasonable assurance that license and permit revenue in the Development Services enterprise fund is recorded in the period during which the revenue has been earned.
Condition and context	The report used to determine whether license and permit revenue should be recognized or deferred at year end was inaccurate, which caused unearned revenue to be overstated and revenue to be understated. The inaccuracy was not detected as part of the year-end closing process in which the journal entry is recorded to record unearned revenue.
Effect	In the City's Development Services enterprise fund, revenue was understated and unearned revenue was overstated by approximately \$790,000.
Cause	The error was caused by a flaw in the data conversion when new permitting software (EnerGov) was put in place March 6, 2017. In addition, after the conversion certain fields were not being correctly updated when projects were completed. At fiscal year-end, the financial close process did not detect the error, and the year-end entry to record unearned revenue was therefore overstated.
Recommendation	We recommend that management review its license and permit revenue cutoff procedures, and consider creating custom reports in the Energov system to generate exception reports at year-end to ensure that recorded license and permit revenue is complete and accurate.
Management's response	Management informed us that they will create a script to run one time, capturing all inaccuracies in the converted data and updating such items. In addition, they will create a script in the system which will identify all permits that should be recognized as revenue and automatically update appropriate fields to do so. Finally, they will create a system report which will identify all permits for which revenue should be recognized.

(Continued)

# CITY OF HENDERSON, NEVADA

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2018

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### Section III – Findings and questioned costs for federal awards, including audit findings required by 2 CFR 200.516(a)

2018 - 002	
Federal program	Home Grants (CFDA #14.239)
Criteria or specific requirement	<p><b>§200.502 Loan and loan guarantees (loans).</b> Since the Federal Government is at risk for loans until the debt is repaid, the following guidelines must be used to calculate the value of Federal awards expended under loan programs, except as noted in paragraphs (c) and (d) of this section:</p> <ul style="list-style-type: none"><li>(1) Value of new loans made or received during the audit period; plus</li><li>(2) Beginning of the audit period balance of loans from previous years for which the Federal Government imposes continuing compliance requirements; plus</li><li>(3) Any interest subsidy, cash, or administrative cost allowance received.</li></ul>
Condition and context	During the current year audit, we noted that the beginning balance identified on the SEFA was understated.
A statistically valid sample was used	No
Questioned costs	None
Effect	The schedule of expenditures of federal awards for the year ended June 30, 2018 was understated by approximately \$1,015,000, resulting from an incorrect beginning balance of notes receivable.
Cause	Inadequate controls in place to ensure beginning loan balance on the schedule of expenditures of federal awards is correct.
Repeat finding	No
Recommendation	The total loan balance should be more closely monitored to ensure proper reporting on the City's SEFA. Management needs to improve controls over the preparation of the schedule of expenditures of federal awards to ensure all federal funds and loans are included.
Management's response	Management informed us that finance will complete additional reconciliation procedures of the loan activity to notes receivable schedules and agree those to SEFA reporting and disclosure. A unique general ledger account number for loan activity has been established to ensure that costs are no longer commingled with other non-loan related expenditures, and that they are reported properly. Neighborhood Services will also be conducting annual audits of their open loan files to verify that loan balances, project numbers and other information are correct and in agreement with the loan portfolio.

**CITY OF HENDERSON, NEVADA**

**SCHEDULE OF PRIOR FINDINGS AND QUESTIONED COSTS**

**FOR THE YEAR ENDED JUNE 30, 2017**

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

None reported

(Continued)

# CITY OF HENDERSON, NEVADA

## SCHEDULE OF PRIOR FINDINGS AND QUESTIONED COSTS (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2017

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### Section III – Findings and questioned costs for federal awards, including audit findings as defined in findings required by 2 CFR 200.516(a)

2017 - 001

Federal program

Home Grants (CFDA #14.239)

Criteria or specific requirement

**§200.502 Loan and loan guarantees (loans).** Since the Federal Government is at risk for loans until the debt is repaid, the following guidelines must be used to calculate the value of Federal awards expended under loan programs, except as noted in paragraphs (c) and (d) of this section:

- (1) Value of new loans made or received during the audit period; plus
- (2) Beginning of the audit period balance of loans from previous years for which the Federal Government imposes continuing compliance requirements; plus
- (3) Any interest subsidy, cash, or administrative cost allowance received.

Condition and context

During the current year audit, we noted that certain loans of federal funding were incorrectly identified as being loans of non-federal funds.

Current status

Corrected.

Reason this finding is no longer valid or does not warrant further action

Controls were implemented in the reconciliation schedule and all loan activities were properly identified as being federal funding and loans of non-federal funding. In addition, management implemented a second independent finance review of the loan classification to ensure balances are properly identified. Additionally, management reiterated to all current staff the importance of proper identification of loan balances. The ending Notes receivable balance was properly presented in the notes to the SEFA.

# CITY OF HENDERSON, NEVADA

## SCHEDULE OF BUSINESS LICENSE FEES

### FOR THE YEAR ENDED JUNE 30, 2018

As required by Nevada Revised Statutes (NRS) 354.624, Section 4(a), all fees imposed by a local government are subject to the provisions of NRS 354.5989. A local government may adopt new business license fees only if the revenue from the fees is less than the prescribed calculated maximum.

#### FEES CALCULATED AS A PERCENTAGE OF GROSS REVENUE

Business license revenue for the year ended June 30, 2018	\$	4,729,600
Business license revenue for the year ended June 30, 2017 (base year)	\$	4,780,769
Adjustment to base year		
Percentage change in Consumer Price Index		<u>2.11 %</u>
Total adjustment to base year		<u>100,874</u>
Adjusted business license revenue base for the year ended June 30, 2018		<u>4,881,643</u>
Amount under allowable maximum	\$	<u><u>(152,043)</u></u>

#### FEES CALCULATED ON A FLAT OR FIXED RATE

Business license revenue for the year ended June 30, 2018	\$	2,576,576
Business license revenue for the year ended June 30, 2017 (base year)	\$	2,440,704
Adjustment to base year		
Percentage change in local government population		4.08 %
Percentage change in Consumer Price Index		<u>2.11 %</u>
Total adjustment to base year		<u>6.19 %</u>
Adjusted business license revenue base for the year ended June 30, 2018		<u>151,080</u>
Amount under allowable maximum	\$	<u><u>(15,208)</u></u>



*A Place To Call Home*

**Debra March**

Mayor

**John F. Marz**

Councilman

**Gerri Schroder**

Councilwoman

**Dan K. Shaw**

Councilman

**Dan H. Stewart**

Councilman

**Richard A. Derrick**

City Manager/CEO

**Bristol S. Ellington**

Deputy City Manager/  
Chief Operating Officer

**Stephanie Garcia-Vause**

Assistant City Manager/  
Chief Strategy Officer

**Robert Herr**

Assistant City Manager/  
Chief Infrastructure Officer

**Jim McIntosh**

Chief Financial Officer

**CITY OF HENDERSON**

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