



KAFOURY, ARMSTRONG & CO.
A PROFESSIONAL CORPORATION
CERTIFIED PUBLIC ACCOUNTANTS

Report on Compliance and on Internal Control over Financial
Reporting Based on an Audit of Financial Statements Performed
In Accordance with *Government Auditing Standards*

The Honorable Mayor,
Members of The City Council and
City Manager
City of Henderson, Nevada

We have audited the financial statements of the City of Henderson, Nevada as of and for the year ended June 30, 1998, and have issued our report thereon dated September 30, 1998. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance:

As part of obtaining reasonable assurance about whether the City of Henderson, Nevada's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. 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 that are required to be reported under *Government Auditing Standards*.

Internal Control over Financial Reporting:

In planning and performing our audit, we considered the City of Henderson, Nevada's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operations that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to management of the City of Henderson, Nevada in a separate letter dated September 30, 1998.

This report is intended for the information of management and federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited.

Kafoury, Armstrong & Co.

Reno, Nevada
September 30, 1998

KAFOURY, ARMSTRONG & CO.
A PROFESSIONAL CORPORATION
CERTIFIED PUBLIC ACCOUNTANTS

Report on Compliance with Requirements Applicable to Each
Major Program and Internal Control over Compliance in
Accordance with OMB Circular A-133

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

Compliance:

We have audited the compliance of the City of Henderson, Nevada with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 1998. The City of Henderson, Nevada's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of finding and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to the major federal programs is the responsibility of the City of Henderson, Nevada's management. Our responsibility is to express an opinion on the City of Henderson, Nevada's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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 of Henderson, Nevada'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. Our opinion does not provide a legal determination on the City of Henderson, Nevada's compliance with those requirements.

In our opinion, the City of Henderson, Nevada complied, in all material respects, with the requirements referred to above that are applicable to its major federal programs for the year ended June 30, 1998.

Internal Control over Compliance:

The management of the City of Henderson, Nevada is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City of Henderson, Nevada's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

We noted a matter involving the internal control over compliance and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the City of Henderson's ability to administer a major federal program in accordance with the applicable requirements of laws, regulations, contracts and grants. The reportable condition is described in the accompanying schedule of findings and questioned costs as item 98-1.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that non-compliance with the applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that the reportable condition described above is not a material weakness.

This report is intended for the information of management and federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited.

Kafoury, Armstrong & Co.

Reno, Nevada
September 30, 1998

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CITY OF HENDERSON, NEVADA

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 1998**

<u>Name of Agency of Department</u>	<u>CFDA or Other Number</u>	<u>Grant I. D. Number</u>	<u>Federal Disbursements/ Expenditures</u>
<u>U. S. Department of Housing and Urban Development</u>			
Community Development Block Grants			
1996 Entitlement	14.218	B-96-MC-32-005	\$ 362,472
1997 Entitlement	14.218	B-97-MC-32-005	-
Program Income			28,525
Amount Provided to Subrecipients			103,772
Total			<u>494,769</u>
Passed through State of Nevada, Department of Commerce			
Home Investment Partnership Program			
HOME Grant - Administration	14.239	M96SG-32-010	9,060
HOME Grant - Administration	14.239	M97SG-32-010	14,510
HOME Grant - Projects	14.239	1995/1996 Grant	54,896
HOME Grant - Projects	14.239	1996/1997 Grant	311,518
Program Income			87,428
HOME Delivery Costs			32,305
Total			<u>509,717</u>
Passed through from the Housing Authority of Clark County, State of Nevada			
Public Housing Drug Elimination Grant Program			
Community Policing Grant	14.854		<u>23,412</u>
Total U. S. Department of Housing and Urban Development			<u>1,027,898</u>
<u>U. S. Federal Emergency Management Administration</u>			
Passed through State of Nevada Department of Emergency Management			
Emergency Management Assistance			
State and Local Assistance	83.503	8353497	12,300
State and Local Assistance	83.503	8353498	33,167
Total U. S. Federal Emergency Management Administration			<u>45,467</u>
<u>U. S. Department of Justice, Office of Justice Programs</u>			
Assistant Attorney General			
Victim Advocates Grant	16.588	95-WF-NX-0032	9,000
Victim Advocates Grant	16.588	96-WF-NX-0032	26,550
Total U. S. Department of Justice, Office of Justice Programs			<u>35,550</u>
TOTAL			<u><u>\$ 1,108,915</u></u>

**THE CITY OF HENDERSON, NEVADA
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 1998**

1. REPORTING ENTITY

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal financial assistance programs of the City of Henderson, Nevada (the "City"). The City's reporting entity is defined in Note 1 to its general purpose financial statements. All expenditures of awards from federal agencies as well as expenditures of awards passed through other government agencies are included in the schedule.

2. BASIS OF ACCOUNTING

The Schedule of Expenditures of Federal Awards is prepared on the modified accrual basis of accounting.

**THE CITY OF HENDERSON, NEVADA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 1998**

Summary of Auditor's Results:

- Kafoury, Armstrong & Co. issued an unqualified opinion on the general purpose financial statements of the City of Henderson, Nevada for the year ended June 30, 1998.
- The audit disclosed no instances of noncompliance which were material to the financial statements of the City of Henderson.
- A reportable condition not identified as a material weakness was disclosed during the audit of the major federal award programs.
- Kafoury, Armstrong & Co. issued an unqualified opinion on compliance for major programs of the City of Henderson.
- The audit of the City of Henderson for the year ended June 30, 1998, disclosed no audit findings which we are required to report under section __.510(a) of OMB Circular A-133.
- The City of Henderson had two major programs for the year ended June 30, 1998, as follows:
 - Community Development Block Grant - CFDA # 14.218
 - Home Investment Partnerships Program – CFDA # 14.239
- The dollar threshold used to distinguish between Type A and Type B programs for the year ended June 30, 1998, was \$300,000.
- The City of Henderson qualified as a low risk auditee for the year ended June 30, 1998 under the criteria set forth in section __.530 of OMB Circular A-133.

Findings Relating to the Financial Statements Reported in Accordance with GAGAS:

There were no such findings in relation to the general purpose financial statement audit of the City of Henderson for the year ended June 30, 1998.

Findings and Questioned Costs for Federal Awards:

98-1 Home Investment Partnerships Program – CFDA # 14.239

Transactions for the Home Investment Partnerships Program are not recorded and accounted for in the City's general ledger.

In order to permit the preparation of reliable financial statements and Federal reports, maintain accountability over assets and demonstrate compliance with laws, regulations, and other compliance requirements, Federal program activity must be reported in the City's general ledger.

**THE CITY OF HENDERSON, NEVADA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 1998
(Continued)**

We recommend all activity related to the Home Investment Partnerships Program be recorded in the City's general ledger from which financial statements and Federal reports are prepared.

**THE CITY OF HENDERSON, NEVADA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 1998**

There were no prior audit findings.



AUDITOR'S COMMENTS

STATUTE COMPLIANCE

The required disclosure on compliance with the Nevada Revised Statutes and the Nevada Administrative Code is contained in Note II to the financial statements.

PROGRESS ON PRIOR YEAR STATUTE COMPLIANCE

The following action was taken during 1997-98 relating to statute violations as reported in the June 30, 1997, audit report:

- During the current year, efforts were made to monitor all expenditures and expenses. However, the City was unable to avoid all potential violations.

PRIOR YEAR RECOMMENDATIONS

There were no specific recommendations made in the audit report for the year ended June 30, 1997.

CURRENT YEAR RECOMMENDATIONS

We did not find any financial weaknesses of a magnitude to justify inclusion within our audit report. However, our audit activity did identify recommendations to improve procedures and accountability that have been included in our current management letter.

STATEMENT REQUIRED BY NRS 354.624(4)(c)

In accordance with NRS 354.624(4)(c) and NRS 354.6241 the following requirements are noted:

- The funds subject to these reporting requirements are as noted in the table of contents of the City of Henderson, Nevada's financial statements for the year ended June 30, 1998, except for the General Fund which is exempt from the requirements.
- All funds maintained by the City of Henderson conform to all significant statutory constraints on financial administration during the year, (except as previously noted under statute compliance) and are administered in accordance with generally accepted accounting principles in all material respects.
- The sources of all revenues, including transfers, available for all funds are as noted in the financial statements, as are the ending fund balances of all funds.

NRS 354.6105

- The financial statements of the Extraordinary Repairs Capital Improvements Special Revenue Fund are located on Pages 63 and 64 of this report. Detailed records of individual transactions are maintained by the Finance Department.
- The planned accumulation and the planned uses thereof have been incorporated in the City's 1998-99 budget.

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Independent Accountant's Report

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

We have reviewed the assertion provided by management that the reserved fund balances/retained earnings in the funds were reasonable and necessary to carry out the purposes of the funds at June 30, 1998. Our review was conducted in accordance with standards issued by the American Institute of Certified Public Accountants.

A review is substantially less in scope than an examination, the objective of which is the expression of an opinion on the assertion that the reserved fund balances/retained earnings in the funds were reasonable and necessary to carry out the purposes of the funds at June 30, 1998. Accordingly, we do not express such an opinion.

Based on our review, nothing came to our attention that caused us to believe that the assertion provided by management that the reserved fund balances/retained earnings in the funds were reasonable and necessary to carry out the purposes of the funds at June 30, 1998 is not presented in conformity with the interpretation of reasonable and necessary provided by the Legislative Counsel Bureau.

Kafoury, Armstrong & Co.

Reno, Nevada
September 30, 1998

THE CITY OF HENDERSON, NEVADA
SCHEDULE OF FEES IMPOSED SUBJECT OT THE
PROVISIONS OF NRS 354.5989
LIMITATION OF FEES FOR BUSINESS LICENSES
FOR THE YEAR ENDED JUNE 30, 1998

Flat Fixed Fees:

Business license revenue for the year ended June 30, 1997 (Base Year)	\$ 881,341
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Adjustment to Base:

1. Percentage increase in population of the local government	8.87%	
2. Percentage increase in the Consumer Price Index for the year ending on December 31, next preceding the year for which the limit is being calculated	<u>1.70%</u>	
	<u>10.27%</u>	<u>90,514</u>

Adjusted Base at June 30, 1998	971,855
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Actual Revenue	<u>724,893</u>
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Amount over (under) Allowable Amount	<u>\$ (246,962)</u>
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Fees Calculated as a Percentage of Gross Revenue:

Business license revenue for the year ended June 30, 1998	\$5,811,497
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1. Percentage increase in the Consumer Price Index	1.70%	<u>98,795</u>
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Adjusted Base	5,910,292
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Actual Revenue	<u>7,174,650</u>
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Actual Amount over (under) Allowable Amount	<u>\$1,264,358</u>
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