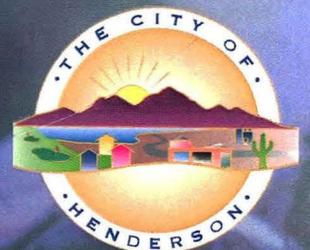


1999

City of Henderson, Nevada

Comprehensive Annual Financial Report

For Fiscal Year Ended June 30, 1999



A Place To Call Home

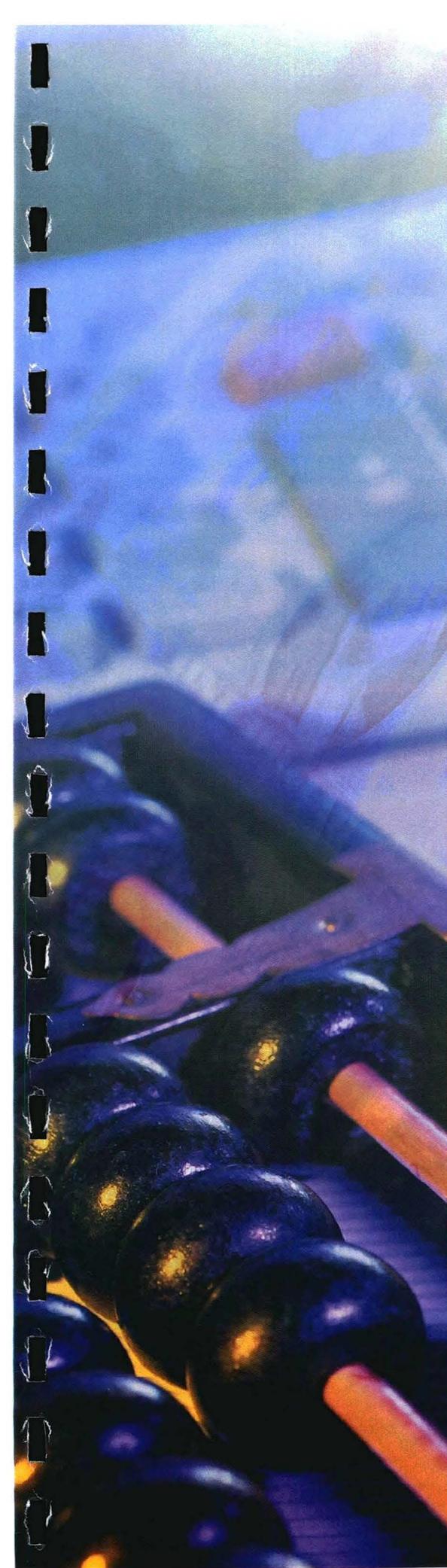
**CITY OF HENDERSON, NEVADA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

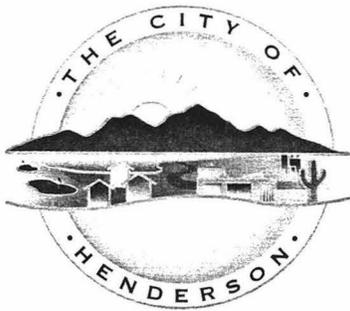
**Prepared by:
Department of Finance**

**Steven M. Hanson
Finance Director**

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Introductory Section





A Place To Call Home

November 30, 1999

To the citizens of The City of Henderson, Nevada:

The comprehensive annual financial report of the City of Henderson for the fiscal year ended June 30, 1999, is hereby submitted. Responsibility for both the accuracy of data, and the completeness and fairness of the presentation, including all disclosures, rests with the City. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds and account groups of the City. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

The comprehensive annual financial report is presented in four sections: introductory, financial, statistical and compliance. The introductory section includes this transmittal letter, the City of Henderson's organizational chart and a list of principal officials. The financial section includes the general purpose financial statements and the combining and individual fund and account group financial statements and schedules, as well as the independent auditors' report on the financial well as a component unit. A component unit is a legally separate entity for which the government is financially accountable. The City provides a full range of services including statements and schedules. The statistical section includes selected financial and demographic information, generally presented on a multi-year basis.

The compliance section includes information required pursuant to the Single Audit Act Amendments of 1996 as incorporated in the newly revised Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. This section includes the Schedule of Expenditures of Federal Awards; the independent auditor's report on compliance with laws, regulations, and the provisions of contracts of grant agreements that could have a direct and material effect on the financial statements and the major programs; the independent auditor's report on internal control related to the financial statements and federal awards, and the Schedule of Findings and Questioned Costs.

The comprehensive annual financial report includes all funds and account groups of the City, as police and fire protection; Municipal Court; detention facilities; water and sanitary sewer services; the construction and maintenance of boulevards, streets and other public infrastructure; recreational facilities and activities; and, cultural events. In addition to general government activities, the City Council exercises oversight responsibility for the Henderson Redevelopment Agency. Consequently, this activity has been included in the annual financial report as a blended component unit.

The City of Henderson was incorporated in June of 1953, pursuant to the provisions of Chapter 125 of the Nevada Statutes of 1907 as amended and subsequently reenacted as Chapter 266 of the Nevada Revised Statutes. The City operates under a Council - Manager form of government.

The financial statements present the financial position, results of operations and changes in fund balances/retained earnings of all funds for which the Henderson City Council is financially accountable. Financial accountability would result where the City Council appoints a voting majority of the organization's governing body and (1) is able to impose its will on that organization or (2) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the City. Financial accountability may also result where an organization is fiscally dependent on the City. Based upon the aforementioned criteria, no other reportable organizations were identified.

ECONOMIC CONDITION AND OUTLOOK

The City of Henderson is located in the southeastern part of Clark County, Nevada, which ranks as the nation's top growth area. With a population of approximately 176,670 Henderson ranks as the second largest city in the State of Nevada. The acceleration of economic activity in Nevada resulted in increased tax and construction driven revenues to the City. The Lake Las Vegas project, a major multi-hotel/casino and residential development located in Henderson continued construction. The estimated assessed valuation of the project at build-out in six years will be approximately equal to the current total assessed valuation of the City.

MAJOR INITIATIVES

Presently under construction is an expansion to City Hall, construction of a Police Station in West Henderson, additions to the Emergency Management Center and the construction of various recreation center/aquatic park complexes in Henderson

FINANCIAL INFORMATION

Management of the City of Henderson is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the City are protected from loss, theft or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgements by management.

Single Audit. As a recipient of federal, state and county financial assistance, the City also is responsible for ensuring that an adequate internal control structure is in place to ensure compliance with applicable laws and regulations related to those programs. This internal control structure is subject to periodic evaluation by management and the internal audit staff of the City.

As a part of the City's single audit, described earlier, tests are made to determine the adequacy of the internal control structure, including that portion related to federal award programs, as well as to determine that the City has complied with applicable laws and regulations. The results of the City's single audit for the fiscal year ended June 30, 1999 identified no reportable conditions.

Budgeting Controls. In addition, the City maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget, as augmented, that was approved by the City Council and the State of Nevada's Department of Taxation. Activities of the general fund, special revenue funds, debt service funds, capital projects funds, enterprise funds, internal service funds and expendable trust fund are included in the annual budget. The level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) is statutorily required to be exercised at the function level in the general fund and at the fund level for other funds. The City also maintains an encumbrance accounting system as one technique of accomplishing budgetary control. Encumbered amounts lapse at year end. However, encumbrances generally are reappropriated as part of the following year's budget augmentation.

As demonstrated by the statements and schedules included in the financial section of this report, the City continues to meet its responsibility for sound financial management.

General Government Functions. The following schedule presents a summary of general fund revenues for the fiscal year ended June 30, 1999 and the amount and percentage of increases in relation to prior year revenues.

<u>Revenues</u>	<u>Amount</u>	<u>Percent of Total</u>	<u>Increase/ (Decrease) from 1998</u>	<u>Percentage Increase/ (Decrease)</u>
Property taxes	13,249,364	13.67	\$ 3,001,737	29.29%
Franchise fees	9,939,571	10.26	1,652,048	19.93
Licenses and permits	8,418,719	8.69	289,589	0.60
Intergovernmental	49,858,599	51.46	1,511,428	3.13
Charges for services	11,341,965	11.71	2,820,691	33.10
Fines and forfeits	1,369,274	1.41	(10,130)	(0.73)
Miscellaneous	2,710,847	2.80	1,056,465	63.86
	<u>\$96,888,339</u>	<u>100.00%</u>	<u>\$10,321,828</u>	

Increased property taxes result from higher assessed property valuations.

Franchise fees revenue which is based upon the gross receipts of gas, electric, telephone and other public utility companies increased because of the increase in the City's population.

The most significant revenue source was from intergovernmental revenues. Fiscal year ended June 30, 1999 marked the initial year of the Consolidated Tax Distribution which was formerly six individual revenue tax sources: Supplemental Sales, Basic Sales, Motor Vehicle Privilege, Real Property Transfer, Liquor, and Cigarette. The Consolidated Tax Distribution is comprised of a base distribution which is based on prior years' revenues adjusted by the Consumer Price Index, and an excess distribution which factors in population percentage changes and assessed valuation changes. For presentation purposes, last year's revenue information for these six sources is shown. The following table shows the various components included in intergovernmental revenue:

<u>Revenues</u>	<u>Amount</u>	<u>Percent of Total</u>	<u>Increase (Decrease) from 1998</u>	<u>Percentage Increase (Decrease)</u>
Federal Sources	---	---	\$ (62,784)	---
State Sources:				
Motor vehicle fuel tax	\$ 1,189,595	2.39%	128,758	12.13%
Consolidated tax	46,839,359	93.94	935,718	2.03
Other	339,545	0.68	290,463	591.79
County Sources	1,490,100	2.99	251,225	20.28
In lieu of property tax	-----	---	(31,952)	---
	<u>\$49,858,599</u>	<u>100.00%</u>	<u>\$ 1,511,428</u>	

The implementation of the Consolidated Tax Distribution and related changes in the distribution methodology resulted in a low percentage increase. It is expected to increase in future years as a result of the City of Henderson being one of the fastest growing cities in the State.

Increased county sources are due to significant increase in county gaming licenses resulting from the opening of two major casinos during the previous fiscal year.

The City Council elected to forgo the nominal monies received from the Clark County Housing Authority which provides low income housing for residents of the City of Henderson. This represents a one-time forgiveness to ease cash flow problems at the Clark County Housing Authority.

The following schedule presents a summary of general fund expenditures for the fiscal year ended June 30, 1999 and the percentage of increase in relation to prior year amounts:

<u>Expenditures</u>	<u>Amount</u>	<u>Percent of Total</u>	<u>Increase from 1998</u>	<u>Percentage Increase</u>
General Government	\$25,200,565	27.19%	\$ 4,924,776	24.29%
Judicial	2,168,199	2.34	179,695	9.04
Public Safety	46,241,144	49.90	7,383,191	19.00
Highways and Streets	5,726,957	6.18	1,012,793	21.48
Culture and Recreation	13,332,298	14.39	2,848,050	27.16
	<u>\$92,669,163</u>	<u>100.00%</u>	<u>\$16,348,505</u>	

The increases in General Government; Judicial; Public Safety; Highways and Streets and Cultural and Recreation; are a result of salary increases and personnel additions needed to keep up with the City's rapid rate of growth.

General Fund Balance. The fund balance of the General Fund increased by 13.25% in 1999. The \$3,111,978 increase provides the City with a fund balance of \$26,597,632. That is the equivalent of approximately 97 days of expenditures and is deemed adequate to meet the City's cash flow requirements.

Proprietary Operations. The City operates three enterprise funds and six internal service funds. The enterprise functions consist of a Water Enterprise Fund that provides potable water to the residents of the City of Henderson; a Sewer Enterprise Fund that provides sanitary sewer services to the residents of the City and reuse water for irrigation purposes to some golf courses and other large users within the City; and, a Convention Center Enterprise Fund that rents meeting and conference space to various groups and individuals.

The Water and Sewer Funds ended the fiscal year with \$107,333,104 and \$126,738,715 respectively, in working capital which is more than adequate to meet their needs. The Convention Center's working capital was \$924,489 at year-end, which is approximately equivalent to 400 days of expenses and is more than adequate to meet that fund's cash flow requirements.

The internal service functions include the Engineering Fund which provides engineering services to other departments and certain capital projects funds; and, the City Shop Fund which accounts for the cost of repairs, maintenance and acquisition of motor vehicles for user departments. The Revolving Internal Service Fund accounts for monies to be used for loans to special assessments districts, that are repaid by the special assessment debt service fund. The Self Insurance Fund, Health Insurance Fund and Workmen's Compensation Self Insurance Fund are used to account for monies collected from various City departments and funds to be used for payment of claims, to certain limits, and the purchase of certain types of insurance coverage for casualty and accident losses, employees health (medical, dental and vision) and workmen's injuries, respectively.

Engineering Internal Service Fund revenues increased by \$575,433 which is a result of more projects in fiscal year 1999 that could be charged to other users.

Fiduciary Operations. The City of Henderson maintains one expendable trust fund; one investment trust fund and four agency funds which are used to account for assets held by the City as a fiduciary on behalf of other entities.

The Lake Las Vegas Expendable Trust Fund is used to account for monies provided by the City of Henderson and a developer to fund a contingent liability for stormwater treatment.

The Investment Trust Fund is used to account for assets of an external investment pool for the Henderson District Public Librarians.

The agency funds include the Bridges Fund used to account for developer contributions towards the cost of constructing bridges across flood channels that traverse the City where funding for the anticipated projects have not been identified; the Section 125 Plan Fund used to account for employee contributions to an employee benefits plan, established under Section 125 of the Internal Revenue Code; the Traffic Signal Fund used to account for developer contributions toward the cost of installing new traffic signals or upgrading existing signals; and, the Forfeited Assets Fund used to account for monies impounded under applicable racketeering and/or controlled substance laws pending court adjudication.

Pension Information. The employees of the City are covered by the State of Nevada Public Employees' Retirement Plan. The City does not exercise any control over the plan and is not liable for any of the plan's unfunded obligations. The Plan was established on July 1, 1948 by the Nevada Legislature and is governed by the Public Employees' Retirement Board, whose seven members are appointed by the Governor.

Debt Administration. At June 30, 1999 the City had a number of debt issues outstanding. These issues included \$330,734,477 of General Obligation bonds and \$163,820,000 of Special Assessment bonds with some government commitment. The City maintained it's A+ rating with Standard and Poors' Corporation and an A1 with Moody's Investor Service. Under current state statutes the City's general obligation bonded debt issuances are subject to a legal limitation based on 15 percent of total assessed value of real and personal property.

As of June 30, 1999, the City's net general obligation bonded debt of \$131,003,413 was below the legal limit of \$548,503,619 and net bonded debt per capita equaled \$741.51.

During the year, the City issued \$14,660,000 in General Obligation Parks & Recreation Bonds and \$95,000,000 in General Obligation Water and Sewer Bonds, \$43,840,000 in Local Improvement Refunding Bonds, and \$50,000,000 in Local Improvement District Bonds.

Cash Management. Cash temporarily idle during the year was invested in U.S. Treasury and agency obligations, banker's acceptances, repurchase agreements and the State Treasurer's investment pool. The average yield on investments was approximately 6.16%.

The City's investment policy is to minimize credit and market risks while maintaining a competitive yield on its portfolio. Accordingly, investments were either in U.S. Treasury and agency obligations; insured by Federal Depository Insurance; or, collateralized. The majority of the collateral on deposits (\$8,005,335.00) was held by Union Bank of California in the City's name. One hundred percent of the categorized investments held by the City at June 30, 1999 are classified in the category of lowest credit risk as defined by the Governmental Accounting Standards Board.

Risk Management. The City has obtained \$10,000,000 in excess Commercial General Liability insurance with a \$1,000,000 self-insured retention (SIR). In addition, the City continues to maintain the following coverages: a \$152.5 million blanket property insurance policy on all buildings and furnishings with a \$10,000 deductible; a \$50,000,000 Boiler & Machinery policy with a \$10,000 deductible; a \$500,000 Ambulance Drivers & Attendants Malpractice Liability policy with \$250 deductible; \$2,788,997 Inland Marine coverage on a scheduled basis for heavy equipment with 90% coinsurance after a \$5,000 deductible; a \$250,000 Commercial Crime policy with a \$2,500 deductible that covers employee dishonesty, forgery and alteration; and a \$2,665,355 Fire Truck Physical Damage policy with a \$2,500 deductible.

The City maintains its self-insurance fund to cover all claims made or occurring prior to the securing of the excess liability policy and all claims that fall under the \$1,000,000 SIR. The City's risk manager works with the City Attorney's office; an outside claims adjusting firm; the excess insurance company and its administrator; and, applicable departments in handling claims filed against the City. In addition the City obtains an actuarial analysis on an annual basis. At June 30, 1999 the Self Insurance Fund had \$2,796,041 in working capital. No current claims are expected to be settled in a manner which would adversely affect the fund's financial condition.

On July 1, 1992 the City became self insured for employee health benefits, providing medical, dental and vision care. A specific stop loss policy of \$35,000 per participant with a \$1,000,000 lifetime maximum is maintained. A third party administrator is used to pay claims under the stop loss threshold.

The City withdrew from the State Industrial Insurance System for workmen's compensation claims and established a self insurance program for workmen's compensation on April 1, 1993. A third party administrator is utilized for claim payment. A stop-loss policy was purchased providing coverage for claims in excess of \$325,000 per participant up to a maximum of \$1,000,000 for each occurrence. For incidents occurring prior to April 1, 1993 liability is retained by the State Industrial Insurance System.

OTHER INFORMATION

Independent Audit. State statutes require an annual audit by independent certified public accountants. The accounting firm of Kafoury, Armstrong & Company was selected by the City Council. In addition to meeting the requirements set forth in state statutes, the audit also was designed to meet the requirements of the Federal Single Audit Act Amendments of 1996 and related OMB Circular A-133. The independent auditors' report on the general purpose financial statements and combining, individual fund, and account group financial statements and schedules of federal awards is included in the financial section of this report. The independent auditors' reports related specifically to the single audit are included in the Compliance Section.

Awards. The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Henderson for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 1998. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. Such CAFR must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. The City of Henderson has received a Certificate of Achievement for the last sixteen consecutive years (fiscal years ended 1982 through 1998). We believe our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to GFOA.

Acknowledgments. The preparation of this report on a timely basis could not be accomplished without the efficient and dedicated services of the Finance Department's Accounting Division staff (especially Roy Borsellino, Neal Couch, Rhonda Dunaway, Connie Kershaw and Phil Stoeckinger) as well as certain members of the City Manager's staff and Public Works Department. We would like to express our appreciation to all members of the Departments who assisted and contributed to its preparation, as well as the contributions of the staff of Kafoury, Armstrong & Co., Independent Certified Public Accountants.

In closing, without the leadership and support of the City Council of the City of Henderson, preparation of this report would not have been possible.

Respectfully submitted.



Philip D. Speight
City Manager



Steven M. Hanson
Finance Director



Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Henderson,
Nevada

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 1998

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



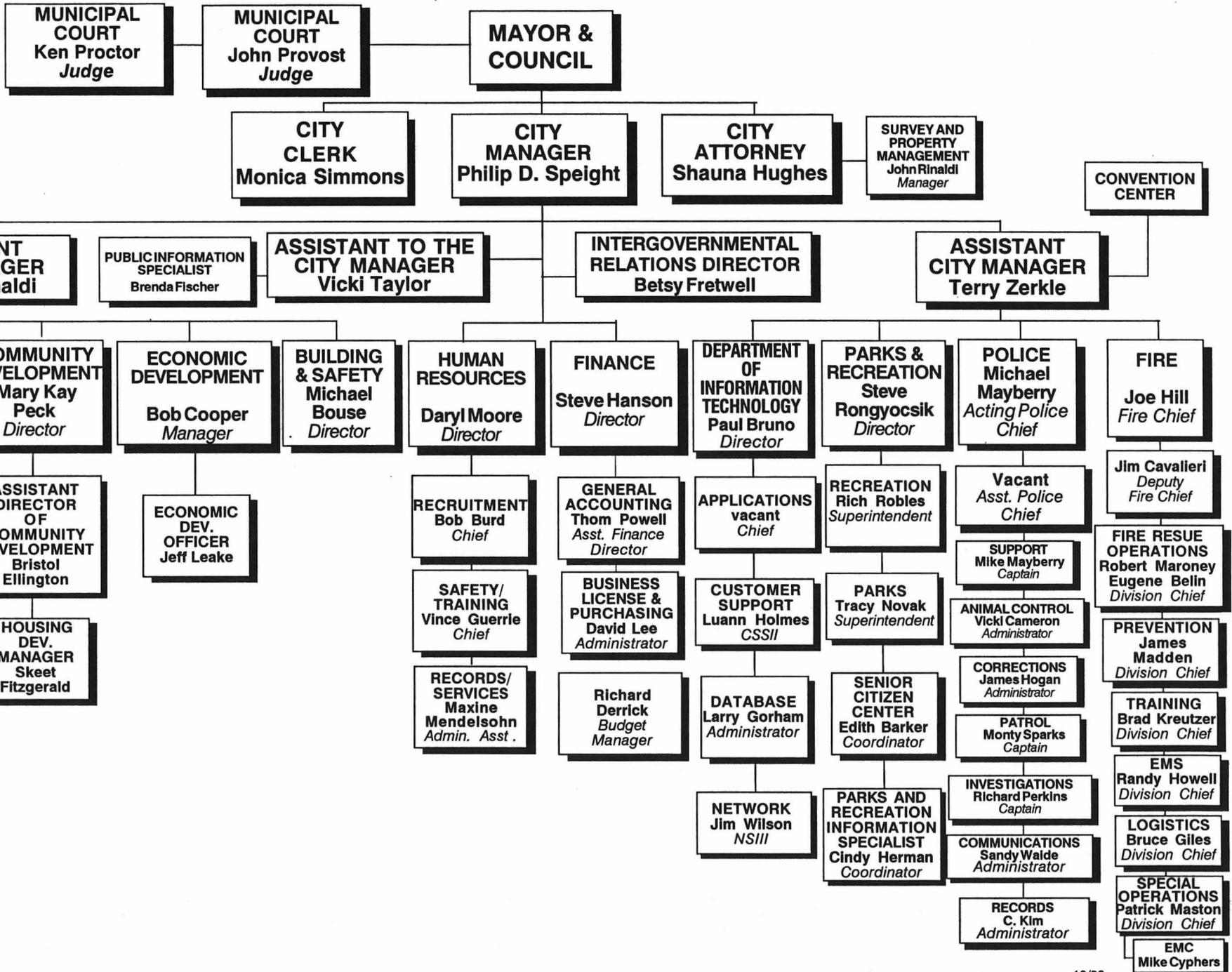
Cary Brubaker
President

Jeffrey L. Esser
Executive Director

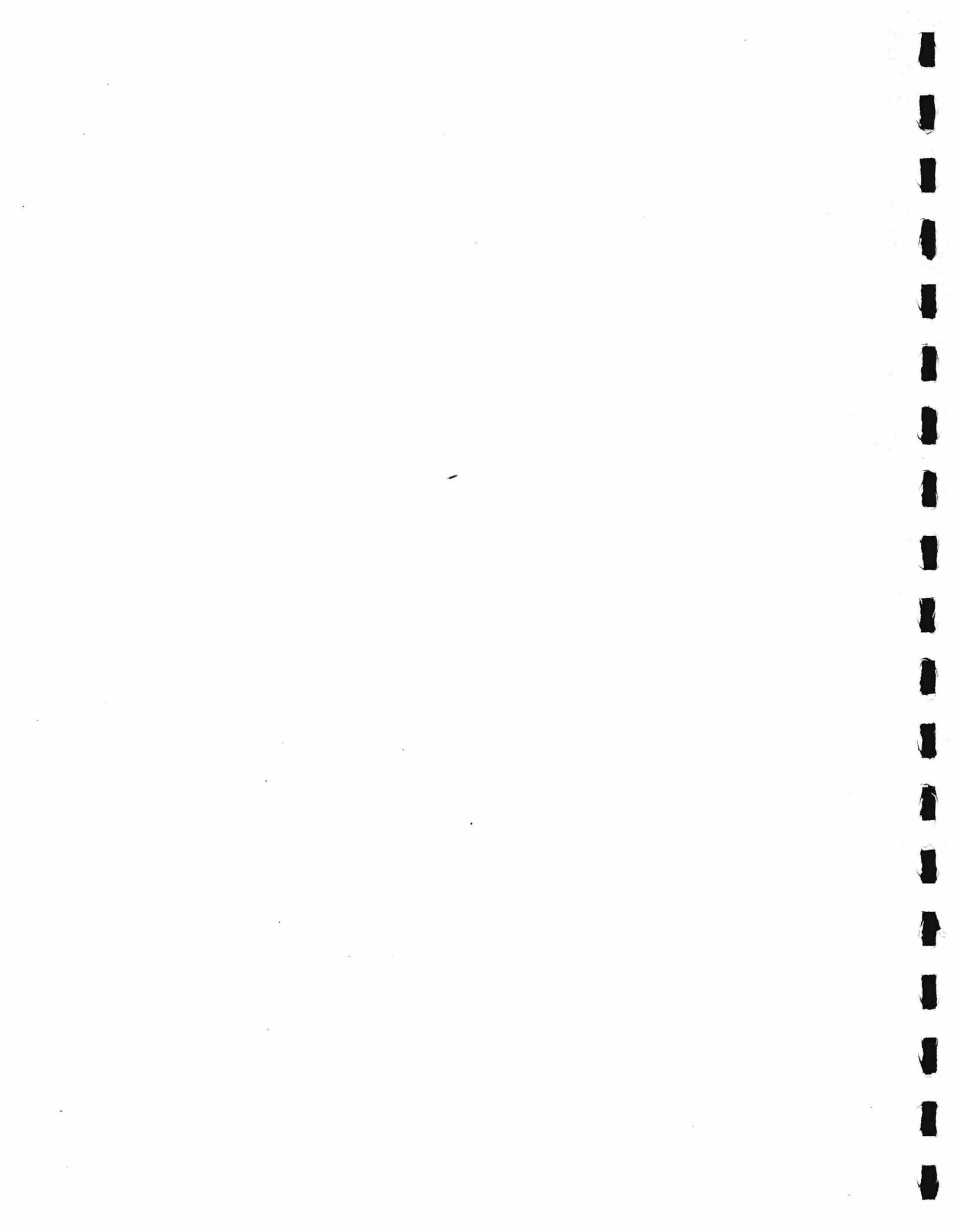


City of Henderson TABLE OF ORGANIZATION

CITY-WIDE ELECTORATE



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