



Compliance Section

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 general purpose financial statements of the City of Henderson, Nevada as of and for the year ended June 30, 2000, and have issued our report thereon dated October 26, 2000. 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 general purpose 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 general purpose 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 general purpose 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 October 26, 2000.

This report is intended solely for the information and use of management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Kafoury, Armstrong & Co.

Reno, Nevada
October 26, 2000

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, 2000. 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 each of its 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 each of its major federal programs for the year ended June 30, 2000.

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 certain matters 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, Nevada'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 00-1.

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 noncompliance 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 solely for the information and use of management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Kafoury, Armstrong & Co.

Reno, Nevada
October 26, 2000

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CITY OF HENDERSON, NEVADA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2000

<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>			
<u>Community Development Block Grants</u>			
1997 Entitlement	14.218	B-97-MC-32-005	\$ 154,080
1998 Entitlement	14.218	B-98-MC-32-005	87,449
Program Income			78,908
Amount Provided to Subrecipients			684,837
Total Community Development Block Grants			1,005,274
<u>Passed through State of Nevada, Department of Commerce</u>			
<u>Home Investment Partnership Program</u>			
HOME Grant - Projects	14.239	1996/1997 Grants	140,567
HOME Grant - Administration	14.239	1997 Grant	11,321
HOME Grant - Administration	14.239	1998 Grant	-
Program Income			159,840
Total Home Investment Partnership Program			311,728
<u>Passed through from the Housing Authority of Clark County, State of Nevada</u>			
<u>Public Housing Drug Elimination Grant Program</u>			
Community Policing Grant	14.854		25,000
Total U. S. Department of Housing and Urban Development			1,342,002
<u>U. S. Federal Emergency Management Administration</u>			
<u>Passed through State of Nevada, Department of Motor Vehicles and Public Safety</u>			
<u>Division of Emergency Management</u>			
State and Local Assistance	83.503	835522K	38,340
Total U. S. Federal Emergency Management Administration			38,340
<u>U. S. Department of Justice - Office of Justice Programs - Bureau of Justice Assistance</u>			
Bulletproof Vest Partnership Program	16.607	292002001	4,000
Total			4,000
Local Law Enforcement Block Grants Program	16.592	98LBVX2341	81,532
Local Law Enforcement Block Grants Program	16.592	98LBVX6513	66,891
Total			148,423
Total Office of Justice Programs - Bureau of Justice Assistance			152,423
<u>Passed through State of Nevada Office of the Attorney General</u>			
Violence Against Women Grant	16.588	98-VAWG-08	24,913
Victim Advocate Program	16.588	99-VAWG-14	35,774
Total Passed through State of Nevada Office of the Attorney General			60,687
<u>Passed through State of Nevada Juvenile Justice Commission</u>			
Juvenile Justice Grant	16.540		20,000
Total Passed through State of Nevada Juvenile Justice Commission			20,000
Total U. S. Department of Justice			233,110
<u>U. S. Department of Transportation</u>			
<u>Passed through State of Nevada, Department of Motor Vehicles and Public Safety - Office of Traffic Safety</u>			
Neighborhood Traffic Management	20.600	99CP-07-12	6,800
Traffic Management	20.600	20-157PT-02	10,000
Traffic Safety (Fire Department)	20.600	99EM-03-11	7,900
Total U. S. Department of Transportation			24,700
<u>U. S. Department of Health and Human Services - Administration on Aging</u>			
<u>Passed through State of Nevada, Division for Aging Services</u>			
Older Americans Act - Home Delivered Meals	93.045	0331-04-00	66,031
Older Americans Act - Congregate Meals	93.045	0331-07-00	60,951
Total U. S. Department of Health and Human Services			126,982
<u>U. S. Department of Agriculture - Food and Nutrition Service</u>			
<u>Passed through State of Nevada Department of Education</u>			
Summer Food Service Program	10.559	NE00332-531	5,339
Special Milk Program	10.556	NE00331-531	22,861
Total U. S. Department of Agriculture			28,200
TOTAL			\$ 1,793,334

**THE CITY OF HENDERSON, NEVADA
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2000**

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.

3. AMOUNTS PROVIDED TO SUBRECIPIENTS

Included on the Schedule of Expenditures of Federal Awards for the Community Development Block Grant, are expenditures related to payments to Subrecipients. These expenditures include payments made to departments within the City of Henderson. For purposes of the Schedule of Expenditures of Federal Awards, the City considers these departments to be subrecipients, though they do not meet the definition of a subrecipient as described in OMB Circular A-133.

**THE CITY OF HENDERSON, NEVADA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2000**

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, 2000.
- The audit disclosed no instances of noncompliance which were material to the financial statements of the City of Henderson.
- No reportable conditions or material weaknesses were disclosed during the audit of the financial statements.
- A reportable condition, not identified as a material weakness, in the internal control over a major program was disclosed.
- Kafoury, Armstrong & Co. issued an unqualified opinion on compliance for major programs of the City of Henderson.
- An audit finding relative to the major federal award programs for the City of Henderson, which is required to be reported under section __.510(a) of OMB Circular A-133 is included on the following page.
- The City of Henderson had two major programs for the year ended June 30, 2000, 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, 2000, was \$300,000.
- The City of Henderson qualified as a low risk auditee for the year ended June 30, 2000 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, 2000.

**THE CITY OF HENDERSON, NEVADA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2000**

Findings and Questioned Costs for Federal Awards:

U.S. Department of Housing and Urban Development

Finding 00-1:

Community Development Block Grant, CFDA 14.218

Grant Award Number: Potentially affects the grant awards included under CFDA 14.218 on the Schedule of Expenditures of Federal Awards.

Condition and Criteria: OMB Circular A-133 requires that federal reports are supported by applicable accounting records from which the financial statements are prepared.

The City does not prepare and maintain supporting documentation for the Financial Summary report at the time the report is filed.

Questioned Cost: None.

Context: There is currently no control procedure in place to prepare and maintain supporting documentation for the Financial Summary.

Effect: The amounts included on the Financial Summary report may not reconcile to the City's General Ledger.

Cause: Policies are not in place to provide for the preparation and maintenance of the supporting documentation for the Financial Summary report at the time the report is filed. With the assistance of various personnel, the Financial Summary report was eventually reconciled to the General Ledger. However, this reconciliation had to be created during the annual audit, as it had not been prepared at the time the report was filed.

Recommendation: In order to ensure required reports for Federal awards include all activity of the reporting period, are supported by applicable accounting records, and are fairly presented in accordance with program requirements, we recommend the City keep on file all necessary supporting documentation to support amounts reported on the Financial Summary report at the time the report is filed.

**THE CITY OF HENDERSON, NEVADA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2000**

There were no prior audit findings.



Auditors Comments

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 1999-00 relating to statute violations as reported in the June 30, 1999, 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, 1999.

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, 2000, 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 354.611 and 354.6115

- The financial statements of the Extraordinary Repairs Capital Improvements Special Revenue Fund and the Financial Stabilization Special Revenue Fund are located in 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 2000-2001 budget.

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

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, 2000. This statement is the responsibility of the management of the City of Henderson.

Our review was conducted in accordance with the attestation standards established 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, 2000. 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 is not presented in all material respects based on the interpretation of reasonable and necessary provided by the Legislative Counsel Bureau.

Kafoury, Armstrong & Co.

Reno, Nevada
October 26, 2000

THE CITY OF HENDERSON, NEVADA
SCHEDULE OF FEES IMPOSED SUBJECT OF THE
PROVISIONS OF NRS 354.5989
LIMITATION OF FEES FOR BUSINESS LICENSES
FOR THE YEAR ENDED JUNE 30, 2000

Flat Fixed Fees:		
Business license revenue for the		
year ended June 30, 1999 (Base Year)		\$1,093,143
Adjustment to Base:		
1. Percentage increase in population		
of the local government	7.83%	
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>1.60%</u>	
	<u>9.43%</u>	<u>103,083</u>
		1,196,226
Adjusted Base at June 30, 2000		
Actual Revenue		<u>971,421</u>
Amount over (under) Allowable		
Amount		<u>\$ (224,805)</u>
Fees Calculated as a Percentage of Gross Revenue:		
Business license revenue for the year ended		
June 30, 1999		\$7,370,087
1. Percentage increase in the Consumer		
Price Index	1.60%	<u>117,921</u>
Adjusted Base		7,488,008
Actual Revenue		<u>7,815,854</u>
Actual Amount over (under)		
Allowable Amount		<u>\$ 327,846</u>

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