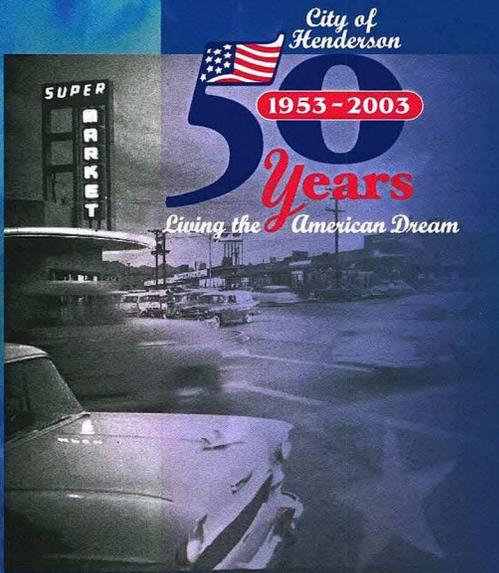


City of Henderson, Nevada

2003

Comprehensive
Annual
Financial
Report



For Fiscal Year
Ended June 30, 2003

**CITY OF HENDERSON, NEVADA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

**Prepared by:
Department of Finance**

**Steven M. Hanson
Finance Director**

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CITY OF HENDERSON, NEVADA

COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 2003

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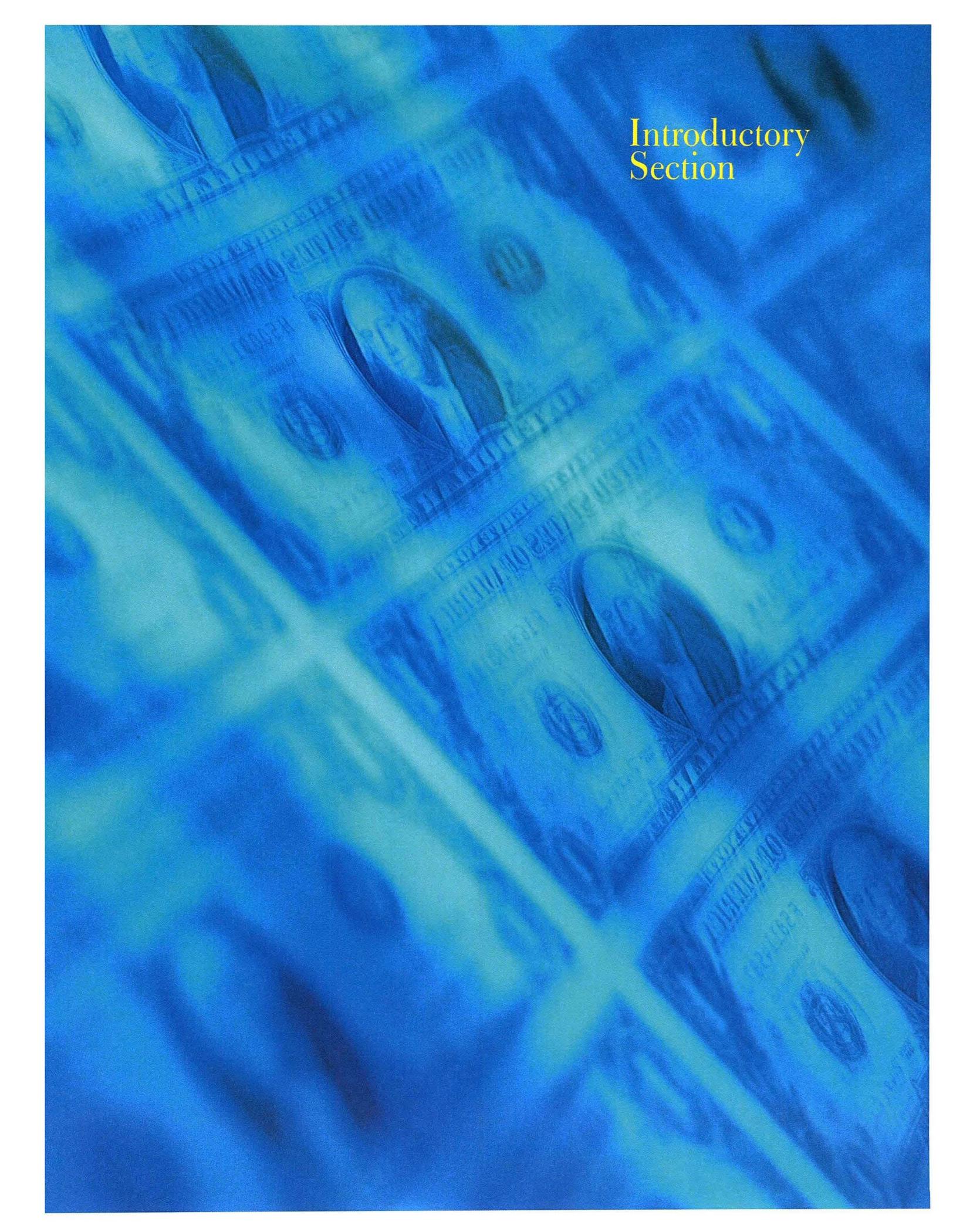
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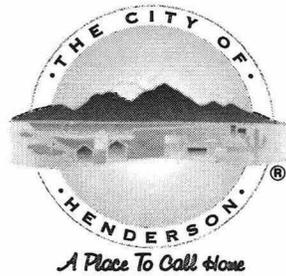
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Introductory
Section



November 13, 2003

To the Honorable Mayor, Members of the City Council, and Citizens of the City of Henderson, Nevada:

The comprehensive annual financial report for the City of Henderson for the fiscal year ended June 30, 2003 is hereby submitted. State law requires that local governments provide for an annual audit by independent certified public accountants of its financial statements in accordance with generally accepted auditing standards.

This report consists of management's representations concerning the finances of the City of Henderson. Consequently, management assumes full responsibility for the completeness and reliability of all the information presented in this report. To provide a reasonable basis for making these representations, management of the City of Henderson has established a comprehensive internal control framework that is designed both to protect the City's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City of Henderson's financial statements in conformity with generally accepted accounting principles (GAAP). Because the cost of internal controls should not outweigh their benefits, the City of Henderson's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The City of Henderson's financial statements have been audited by Kafoury, Armstrong, & Co., a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Henderson for the fiscal year ended June 30, 2003 are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City of Henderson's financial statements for fiscal year ended June 30, 2003, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

The independent audit of the financial statements of the City of Henderson was part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and legal requirements involving the administration of federal awards. These reports are available in the compliance section of this report.

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GAAP require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The City of Henderson's MD&A can be found immediately following the report of the independent auditors.

Profile of the Government

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 223,070, Henderson ranks as the second largest city in the State of Nevada. The City of Henderson was incorporated in 1953 and celebrated its 50th anniversary this year. The City Charter was approved in its present form by the Nevada Legislature in 1971, and has been amended subsequent thereto.

The City operates under a council-manager form of government, with elective offices consisting of the mayor, four city councilmen, and two municipal court judges. The mayor and all councilmen are elected for four-year terms. Elections for city councilmen are held every other year with either three City Council seats or one City Council seat and the position of mayor being voted upon in any one election year. All City Council seats and the position of mayor are elected at large on a nonpartisan basis, although no two councilmen can be from the same ward of the City's four wards. City Council meetings are presided over by the mayor, or by the mayor pro tempore (a councilman elected to that position by the City Council) in the absence of the mayor.

The City provides a full range of services including police and fire protection; Municipal Court; detention facilities; water and sewer services; the construction and maintenance of boulevards, streets and other public infrastructure; recreational facilities and activities; and cultural events.

The City of Henderson 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. Prior to April 15, the Finance Director submits a tentative budget for the ensuing fiscal year to the City Council, the Nevada Department of Taxation and the Citizens via public hearings. The Nevada Department of Taxation notifies the City Council whether or not the budget is in compliance with the law and appropriate regulations. Public hearings, at which all changes made to the tentative budget are indicated, are conducted on the third Tuesday in May. The City Council adopts the budget prior to June 1 and submits it to the Department of Taxation for final approval.

All revisions to the adopted budget are made a matter of public record by actions of the City Council. Per Nevada law, the City Manager is authorized to transfer budgeted amounts within

November 13, 2003

functions (General Fund) or funds if the City Council is notified at the next regular meeting and the action is noted in the official minutes. Revisions which affect the total fund appropriations or transfers between funds are accomplished through formal City Council approval. Various supplemental appropriations were approved for the year to reflect necessary changes in spending and the corresponding additional resources available.

Activities of the general fund, special revenue funds, debt service funds, capital project funds, enterprise funds, and internal service funds, 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. Appropriations lapse at year end. However, encumbrances generally are reappropriated as part of the following year's budget augmentation.

Factors Affecting Financial Condition

Local Economy. The state and local economy are continuing to rebound from the national recession. Recovery is expected to continue through Fiscal Year 2004, with most economic indicators showing growth. Throughout the national and local economic weakening that began in late 2001, the City of Henderson has maintained a strong financial position. The City focused on building financial reserves since the last recession in 1991. Combined with conservative budgeting and one of the lowest employee-to-resident ratios, the City has had the ability to maintain and enhance current municipal service levels during the current economic downturn.

The City of Henderson continues to experience rapid increases in population. Located just seven miles from the famous Las Vegas Strip and a mile from Lake Mead, Henderson is known throughout the nation for its premiere master planned residential communities, outstanding parks and recreational facilities, cultural activities, and a rapidly growing business community. The median household income in Henderson continues to outpace the county and the state averages. Some of the nation's best known and most respected corporations have established major operations in Henderson. These include, but are not limited to, Ocean Spray Cranberries, Inc., Ethel M. Chocolates, Conopco, Inc, and Levi Strauss & Company. Henderson also has defined gaming districts which include casino/resort development such as the Hyatt and Ritz-Carlton at Lake Las Vegas, Sunset Station, Fiesta, and Green Valley Ranch Station. In addition the City opened the Nevada State College in September 2002.

Henderson has a tax rate of \$.7108 per \$100 in assessed valuation. This property tax rate has remained relatively steady for the past fourteen years and continues to be one of the lowest in the State of Nevada.

November 13, 2003

Long Term Financial Planning. The City of Henderson has many long range plans. These plans include adding ten uniformed and support positions to the Police Department and adding six Fire Department Peak Load Rescue units to enhance coverage in the City and improve response times.

Also included in these plans is maintaining City vitality through quality land use planning and zoning of federally released land. The Bureau of Land Management will be auctioning to developers approximately 1,900 acres of land in November of 2003 that has been annexed by the City. This will continue to increase City growth.

Other projects include continuing to invest in technology to enhance service delivery to our customers; increasing staffing and operational expenditures necessary to transition City Hall Phase III, which includes the new Development Services Center, a one-stop shop that will streamline all development related services; developing a private property management program to help maintain neighborhood integrity; and redesigning the City's website to enhance navigation and strengthen citizen and neighborhood connectivity to the City.

The City of Henderson continues to update the Capital Improvement Plan, a multi-year planning document that identifies and prioritizes the need for a variety of public improvements and coordinates the City's financing and construction time frames. Some of these capital projects for fiscal year 2004 include: RTC/County funded traffic improvement projects including \$3.8 million for an interchange at the Valley Automall and Highway 95, and \$4.7 million for Horizon Ridge Parkway between Gibson and Seven Hills; Park Development funded projects including \$2.6 million for two new parks and \$0.3 million for improvements to existing parks; Municipal Facilities funded projects include \$27 million for the City Hall addition-Phase III. Grant funded projects include \$3.6 million for additions to the City's trail network.

The enterprise funds capital improvements for Fiscal Year 2004 total \$51.1 million. These represent water and sewer utility projects and will be financed through bond funding, grants, and developer contributions.

Cash Management Policies and Practices. Cash temporarily idle during the year was invested in U. S. Treasury and agency obligations, banker's acceptances, and the State Treasurer's investment pool. The average yield on investments was approximately 3.27%.

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. One hundred percent of the categorized investments held by the City at June 30, 2003 are classified in the category of lowest credit risk as defined by the Governmental Accounting Standards Board. Investment income includes changes (appreciation or depreciation) in the fair value of investments. Increases in fair value during the current year, however, do not necessarily represent trends that will continue; nor is it always possible to realize such amounts, especially in the case of

November 13, 2003

temporary changes in the fair value of investments that the government intends to hold to maturity.

Risk Management. The City has obtained \$5,000,000 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 \$354 million blanket property insurance policy on all buildings and \$18 million building contents with a \$50,000 deductible; a \$50,000,000 Boiler & Machinery policy with a \$10,000 deductible; \$2.7 million Inland Marine coverage on a scheduled basis for heavy equipment with a \$50,000 deductible; a \$250,000 Commercial Crime policy with a \$2,500 deductible that covers employee dishonesty, forgery and alteration; and a \$5.6 million Fire Truck Physical Damage policy with a \$50,000 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, 2003 the Self Insurance Fund had \$4,821,732 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 \$75,000 per participant with a \$1,000,000 lifetime maximum is maintained. A third party administrator is used to pay claims.

On April 1, 1993 the City became self insured for worker's compensation claims. A third party administrator is utilized for claim payment. The City has a \$750,000 SIR for all employees per occurrence, with a maximum of \$10 million on all claims per coverage period.

Pension Information. The employees of the City are covered by the State of Nevada Public Employees' Retirement System. 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.

Awards and Acknowledgements

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 for the fiscal year ended June 30, 2002. This was the 21st consecutive year that the government has received this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable

November 13, 2003

and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

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 as well as certain members of the City Manager's staff, Public Works Department, and the Neighborhood Services staff. 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, 2002

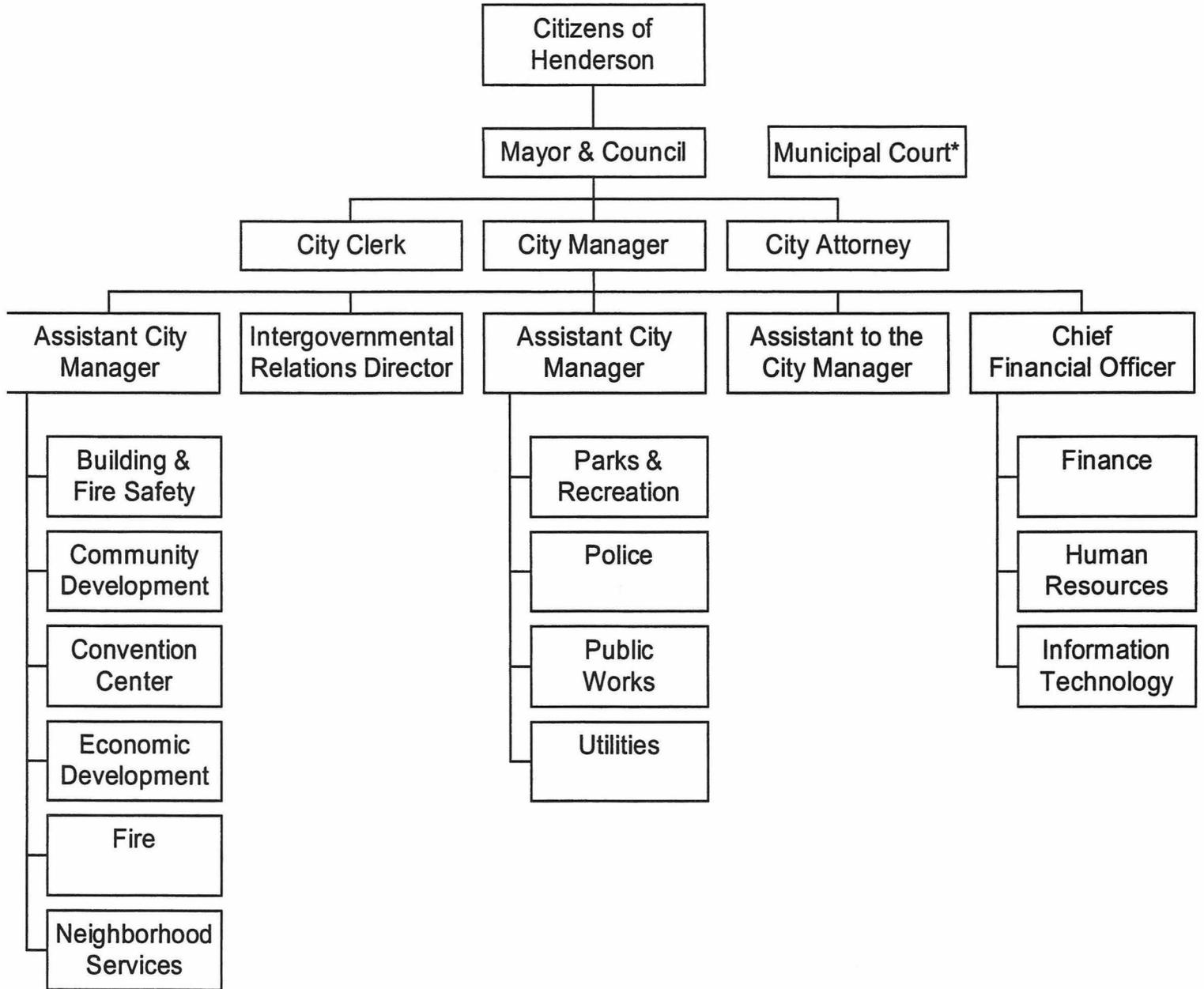
A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards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



President

Executive Director

City of Henderson Organization Chart



* The Municipal Court Judges are elected officials

MAYOR AND COUNCIL

James B. Gibson, Mayor
Amanda M. Cyphers, Councilman
Andy A. Hafen, Councilman
Jack K. Clark, Councilman
Steven D. Kirk, Councilman

CITY OFFICIALS

Philip D. Speight , City Manager
Shauna Hughes, City Attorney
Monica M. Simmons, City Clerk

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