

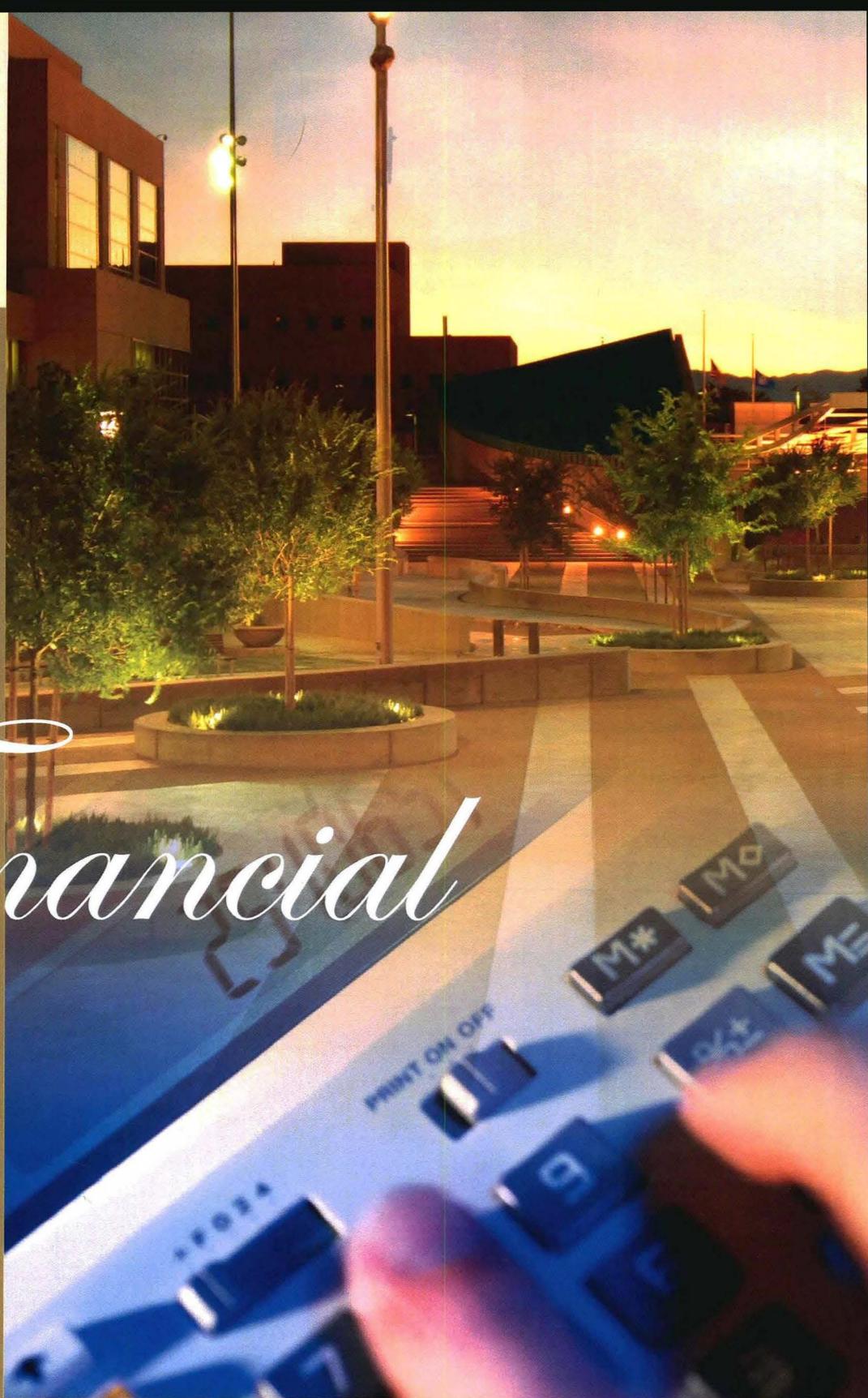
A Place To Call Home

City of Henderson, Nevada

Comprehensive
Annual

Financial Report

For Fiscal Year Ended
June 30, 2006



**CITY OF HENDERSON, NEVADA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

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, 2006**

Table of Contents

	<u>Page</u>
INTRODUCTORY SECTION	
Letter of Transmittal.....	i-vi
Certificate of Achievement for Excellence in Financial Reporting	vii
Organization Chart	viii
List of Principal Officials	ix
FINANCIAL SECTION	
Independent Auditor’s Report.....	1-2
Management’s Discussion and Analysis (required supplementary information)	3A-3M
<u>Basic Financial Statements</u>	
Government-Wide Financial Statements:	
Statement of Net Assets	4
Statement of Activities	5
Fund Financial Statements:	
Balance Sheet – Governmental Funds.....	6
Reconciliation of the Balance Sheet to the Statement of Net Assets – Governmental Funds	7
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	8-9
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities – Governmental Funds.....	10
Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General Fund	11
Statement of Net Assets – Proprietary Funds.....	12-13
Statement of Revenues, Expenses and Changes in Net Assets – Proprietary Funds	14
Statement of Cash Flows – Proprietary Funds	15-16
Statement of Fiduciary Net Assets	17
Notes to Financial Statements	18-56

CITY OF HENDERSON, NEVADA

**Comprehensive Annual Financial Report
For the Year Ended June 30, 2006**

Table of Contents

	<u>Page</u>
<u>Supplementary Information</u>	
<u>Combining and Individual Fund Statements and Schedules</u>	
Governmental Funds:	
Nonmajor Governmental Funds:	
Combining Balance Sheet	57
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	58
Nonmajor Special Revenue Funds:	
Combining Balance Sheet	59
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	60
Nonmajor Capital Projects Funds:	
Combining Balance Sheet	61
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	62
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget (GAAP Basis) and Actual:	
General Fund	63-67
Special Revenue Funds:	
Redevelopment Agency	68
Gas Tax.....	69
Forfeited Assets.....	70
Municipal Court Administrative Fee.....	71
Financial Stabilization.....	72
Equipment Repair and Maintenance	73
Multipurpose	74
Lake Las Vegas	75
Sales and Use Tax	76
Debt Service Funds:	
General Obligation	77
Special Assessment Districts.....	78

CITY OF HENDERSON, NEVADA

**Comprehensive Annual Financial Report
For the Year Ended June 30, 2006**

Table of Contents

	<u>Page</u>
Governmental Funds (continued):	
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget (GAAP Basis) and Actual (continued):	
Capital Projects Funds:	
Special Assessment Districts.....	79
Municipal Facilities Acquisition and Construction.....	80
Land Sales.....	81
Special Recreation.....	82
Bond Proceeds.....	83
Park Development.....	84
Flood Control.....	85
RTC/County Funded.....	86
Special Ad Valorem Transportation.....	87
Proprietary Funds:	
Internal Service Funds:	
Combining Statement of Net Assets.....	88-89
Combining Statement of Revenues, Expenses and Changes in Net Assets.....	90
Combining Statement of Cash Flows.....	91-92
Schedule of Revenues, Expenses and Changes in Net Assets – Budget (GAAP Basis) and Actual:	
Internal Service Funds:	
Engineering.....	93
City Shop.....	94
Revolving.....	95
Self-Insurance.....	96
Workmen’s Compensation Self-Insurance.....	97
Health Insurance Self-Insurance.....	98
Citywide Services.....	99
Enterprise Funds:	
Combining Statement of Net Assets.....	100
Combining Statement of Revenues, Expenses and Changes in Net Assets.....	101
Combining Statement of Cash Flows.....	102

CITY OF HENDERSON, NEVADA

**Comprehensive Annual Financial Report
For the Year Ended June 30, 2006**

Table of Contents

	<u>Page</u>
Proprietary Funds (continued):	
Schedule of Revenues, Expenses and Changes in Net Assets – Budget (GAAP Basis) and Actual:	
Enterprise Funds:	
Water	103
Sewer	104
Development Services	105
Convention Center.....	106
Municipal Golf Course	107
Fiduciary Funds:	
Combining Statement of Fiduciary Assets and Liabilities – Agency Funds.....	108
Combining Statement of Changes in Assets and Liabilities – Agency Funds	109

Table No. Page

STATISTICAL SECTION

Net Assets by Component – Last Five Fiscal Years	1	110
Changes in Net Assets – Last Five Fiscal Years	2	111-112
Fund Balances, Governmental Funds – Last Ten Fiscal Years.....	3	113
Changes in Fund Balances, Governmental Funds – Last Ten Fiscal Years.....	4	114
Assessed and Estimated Actual Value of Taxable Property – Last Ten Fiscal Years	5	115
Property Tax Rates – Direct and Overlapping Governments (Per \$100 of Assessed Value) – Last Ten Fiscal Years	6	116
Principal Property Taxpayers – Current Year and Nine Years Ago	7	117
Property Tax Levies and Collections – Last Ten Fiscal Years	8	118
Ratios of Outstanding Debt by Type – Last Ten Fiscal Years	9	119
Ratios of General Bonded Debt Outstanding – Last Ten Fiscal Years	10	120
Direct and Overlapping Governmental Activities Debt	11	121
Legal Debt Margin Information – Last Ten Fiscal Years	12	122
Pledged Revenue Bond Coverage – Last Ten Fiscal Years	13	123
Demographic and Economic Statistics – Last Ten Fiscal Years.....	14	124
Principal Employers – Current Year and Nine Years Ago	15	125
Full-Time Equivalent City Government Employees by Function/Program.....	16	126
Operating Indicators by Function/Program	17	127
Capital Asset Statistics by Function/Program	18	128

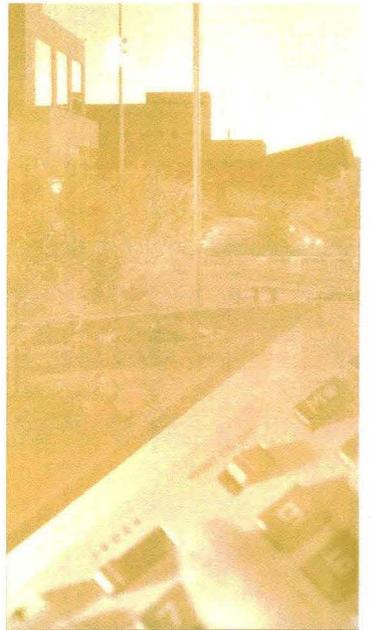
CITY OF HENDERSON, NEVADA

**Comprehensive Annual Financial Report
For the Year Ended June 30, 2006**

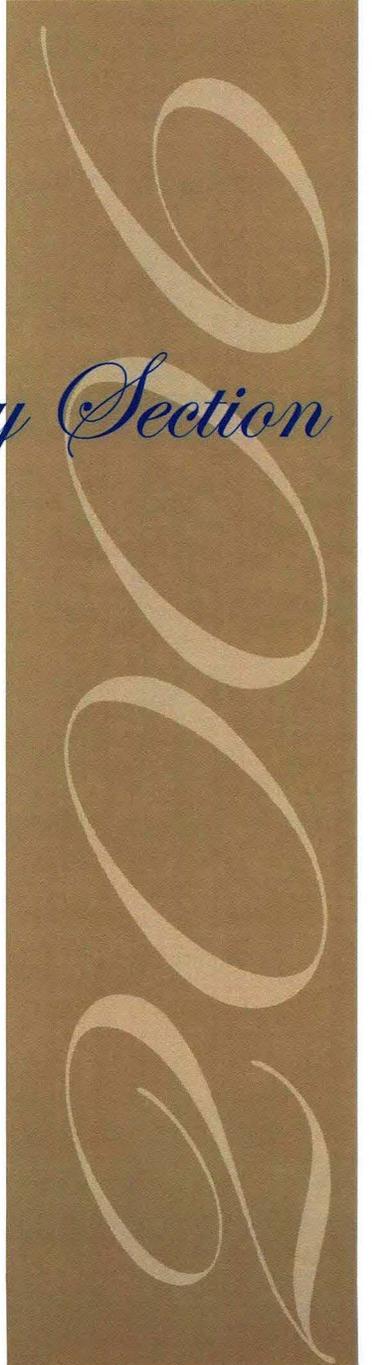
Table of Contents

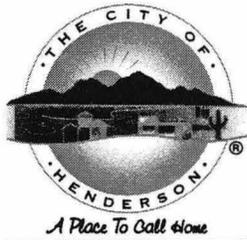
	<u>Page</u>
COMPLIANCE SECTION	
Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	129-130
Independent Auditor’s Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133	131-132
Schedule of Expenditures of Federal Awards	133-137
Notes to Schedule of Expenditures of Federal Awards.....	138-139
Schedule of Findings and Questioned Costs	140-141
Summary Schedule of Prior Audit Findings	142
AUDITOR’S COMMENTS	
Statute Compliance	143
Progress on Prior Year Statute Compliance.....	143
Prior Year Recommendations	143
Current Year Recommendations.....	143
Nevada Revised Statute 354.6115	143
Nevada Revised Statute 354.598155	143
Schedule of Fees Imposed Subject to the Provisions of NRS 354.5989 Limitation of Fees for Business Licenses	144
Independent Accountant’s Report on Nevada Revised Statute 354.6241	145-146

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Introductory Section





CITY OF HENDERSON
240 Water Street
P. O. Box 95050
Henderson, NV 89009

November 2, 2006

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, 2006 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 Bartig, Basler & Ray, LLP, 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, 2006 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, 2006, 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

November 2, 2006

government's internal controls and legal requirements involving the administration of federal awards. These reports are available in the compliance section of this report.

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 256,128, Henderson ranks as the second largest city in the State of Nevada. 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; cultural events; and a municipal golf course.

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 2, 2006

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 continues to provide a top-rated business and residential climate supporting ongoing growth in employment and population. The key economic sectors of tourism, hospitality, and construction continue to be driving forces in the local economy. Resort development continues to be an expanding part of Henderson's commercial development future with nearly 3,000 new rooms expected to be completed before the end of 2008. Local unemployment rates continue to be well below national averages, and population growth, as well as construction activity, is expected to be strong in Fiscal Year 2007, though at more moderate rates that will be sustainable in the longer term.

Located just seven miles from the famous Las Vegas Strip, 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. 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, Good-Humor-Breyers Ice Cream, Ford Motor Credit Company. Henderson also has defined gaming districts which include casino/resort development such as the Hyatt, Ritz Carlton, and Monte Lago at Lake Las Vegas, Sunset Station, Fiesta, and Green Valley Ranch Station.

The City has maintained current workforce and employee levels, while still delivering award-winning service to residents. Compared with other local municipalities, the City of Henderson continues to maintain the lowest employee-to-resident ratio at 6.9 employees per 1,000 residents. In addition, the city has protected its fiscal stability by focusing on building financial reserves since the last recession in 2001. Combined with conservative budgeting, the City has had the ability to sustain and enhance current municipal service levels.

November 2, 2006

The strength of the local economy continues to create new jobs in the multiple industry sectors, thus helping to increase the diversity of employment opportunities within the City of Henderson. As such, the City is projected to experience strong population growth, however, the rate of growth is expected to slow to historical rates. The median household income continues to outpace the county and state averages. The availability of relatively high-paying jobs and exceptional quality of life continues to attract new citizens.

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

Long Term Financial Planning. The City of Henderson has many long range plans. These plans include the following:

- Adding 43 police officers funded by the voter approved Sales Tax Override to improve police response time.
- Improving emergency communications by upgrading the 9-1-1 system, and adding a medical service officer to the dispatch center.
- Improving emergency response time by implementing an additional full-time rescue unit to the Fire Department and adding the first phase of a second fire ladder truck company.
- Expediting crime solving processes through the hiring of a forensic chemist, crime scene analysts and evidence technicians.
- Increasing traffic signal repair and preventative maintenance by adding a traffic signal technician and equipment.
- Continuing to invest in technology to enhance service delivery to customers and increase efficiency.
- Implementing additional protection of customer information by upgrading the information technology security system.
- Expanding the Meals on Wheels program for homebound senior citizens.

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 2007 include: Municipal Facilities to fund the Justice Facility Expansion and Parking Garage, the North Community Police Station, and the Senior Center; partnering with Clark County Regional Flood Control District, the Regional Transportation Commission and developers to fund projects to include flood channels, street projects, and parks; and grants to fund an extensive trail system.

An ongoing challenge for the City is the growing number of anti-tax ballot initiatives, which would impact the City's revenues and expenditures. The most visible initiative that will likely qualify for the 2007 ballot is the Tax and Spending Control for Nevada (TASC). This initiative proposes to limit the increase in state and local government spending by a factor of growth in

November 2, 2006

population plus inflation. TASC would require voter approval for new taxes, increases in existing taxes, multi-year direct or indirect debt, as well as any spending above the expenditure limits. If approved, TASC would become effective in Fiscal Year 2010 using Fiscal Year 2009 as the base year for expenditure limits. TASC would impact all City departments and would only maintain funding levels in situations involving one negative fiscal year, and would not protect funding levels against a multiple year economic recession.

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 3.33%.

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, 2006 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 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 coverage: a \$517 million blanket property insurance policy on all buildings and building contents with a \$100,000 deductible; a \$78,000,000 Boiler & Machinery policy with a \$100,000 deductible; \$2.7 million Inland Marine coverage on a scheduled basis for heavy equipment with a \$100,000 deductible; a \$250,000 Commercial Crime policy with a \$2,500 deductible that covers employee dishonesty, forgery and alteration; and a \$7 million 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 effective date of the excess liability policy and all claims that fall under the \$1,000,000 SIR. The City's Risk Management division 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 a biannual basis. At June 30, 2006 the Self Insurance Fund had \$5,466,157 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. The City maintains a specific stop loss policy of \$100,000 per participant, per plan year with plan benefits subject to a \$1,000,000 lifetime maximum is maintained. A third party administrator is used to pay claims.

November 2, 2006

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 \$1,000,000 SIR for all employees per occurrence, with the maximum on all claims at statutory limits for the coverage period from April 1, 2006 through April 1, 2007.

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, 2005.

This was the 24th 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 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 Bartig, Basler & Ray, LLP, the City's independent auditors.

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, 2005

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.

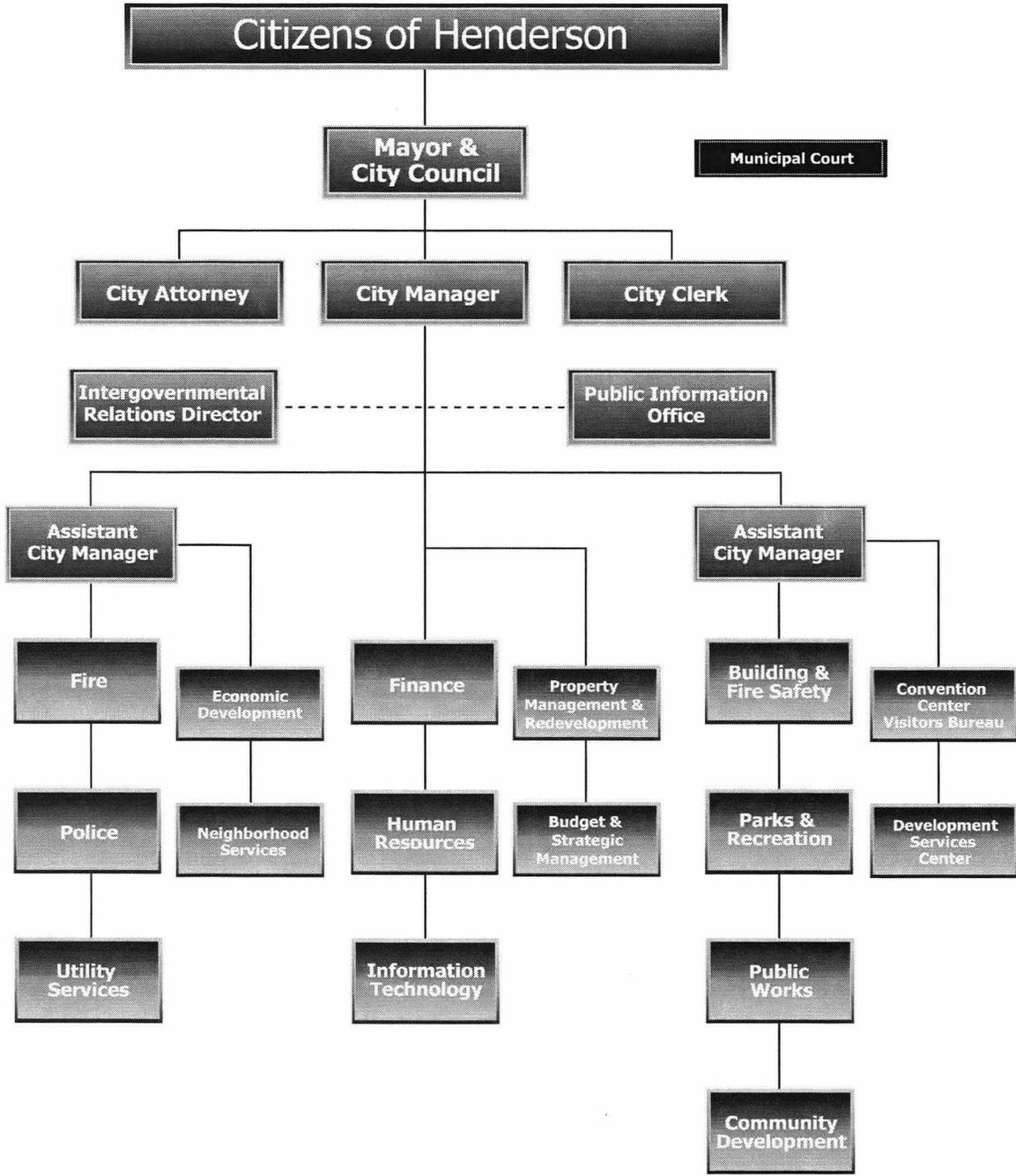


Carla E. Perry

President

Jeffrey R. Emer

Executive Director



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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