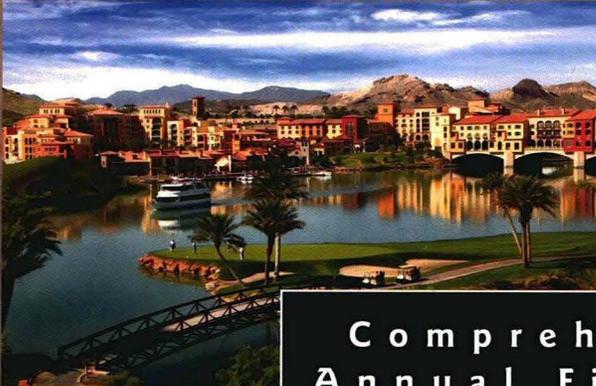
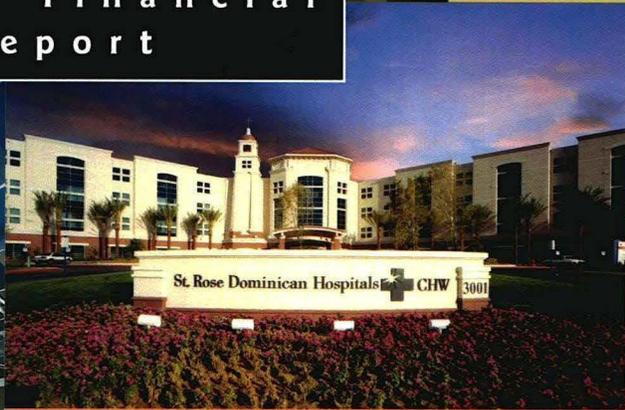


City of Henderson, Nevada



Comprehensive Annual Financial Report



For Fiscal Year Ended
June 30, 2007

St. Rose Dominican Hospitals

**CITY OF HENDERSON, NEVADA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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, 2007**

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Introductory Section





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

October 29, 2007

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, 2007 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, 2007 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, 2007, 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

October 29, 2007

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 one of the nation's top growth areas. With a population of approximately 265,589, Henderson is 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 council members, and three municipal court judges. The mayor and all council members are elected for four-year terms. Elections for city council members 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 council members 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.

Philip D. Speight, our City Manager during fiscal year 2006/2007, retired after nineteen years on October 18, 2007. Mary Kay Peck has been appointed as the new City Manager.

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 15th, the Manager of Budget and Strategic Planning 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 if 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.

October 29, 2007

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 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. Henderson continues to be ranked as one of the most tax-friendly cities as well as one of the best cities to “live and play”. While the local housing market is expected to remain at current levels for the remainder of the year, commercial construction is anticipated to return to a more sustainable growth level and provide a solid base for continued economic growth. Gaming and tourism are expected to show continued growth as national employment levels improve, enabling more visitors to spend discretionary funds on travel and leisure activities. Employment growth is expected to be modest, relative to historical employment growth, with new jobs being created in business, service, and hospitality sectors.

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, and Good-Humor-Breyers Ice Cream. Henderson also has defined gaming districts which include casino/resort development such as the Loew's Resort, Ritz Carlton, and Monte Lago at Lake Las Vegas, Sunset Station, Fiesta Henderson, 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 6.8 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.

October 29, 2007

The local economy continues to create new jobs in 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 moderate population and revenue growth, which is expected to return to historical rates. The median household buying income in Henderson continues to outpace the county and the 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 seven years and continues to be one of the lowest in the State of Nevada.

Long Term Financial Planning. The City has an annual performance planning process. These plans include the following:

- Improving police response time by adding 20 police officers funded by the voter approved Sales Tax Override, as well as staffing for the North Patrol Substation
- Expediting crime solving processes through the hiring of three crime scene analysts and two crime analysts
- Improving emergency response time by implementing the second phase of the City's second fire ladder truck company
- Implementing a monitoring program for first-time offenders via the new Alternative Sentencing/Direct Supervision Program
- Increasing capacity and operating efficiency of the office of the Domestic Violence Advocate
- Maintaining service standards by adding maintenance positions for the 23 new park acres donated to the City by developers

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 2008 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.

The City continues to monitor the impact of the property tax legislation passed during the 2005 Legislative session. The State passed a law to impose a cap on the increase in the taxable value of property. For primary residences, a 3% cap was implemented and an 8% cap on land, commercial buildings, business personal property, and other property. This tax abatement reduced the amount of increased property tax dollars for the City by an estimated \$33.3 million for fiscal year 2008. The effects of this abatement will compound each year as the limits on taxable value increases are imposed.

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Another challenge facing the City is the economic impact of the housing slowdown and the impact it has had on sales tax revenues. The decline in residential construction activity has resulted in a drop in sales of building supplies and other home-improvement related items. Although sales growth is expected to remain flat through the rest of 2007, sales activity is expected to pick up near the end of 2008 with the continued growth of gaming related developments.

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 4.76%.

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, 2007 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 \$516 million blanket property insurance policy on all buildings and building contents with a \$100,000 deductible; a \$100,000,000 Boiler & Machinery policy with a \$100,000 deductible; \$3 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 \$8.9 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, 2007 the Self Insurance Fund had \$7,097,089 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 \$2,000,000 lifetime maximum is maintained. A third party administrator is used to pay claims.

October 29, 2007

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 \$1,250,000 SIR for all employees per occurrence, with the maximum on all claims at statutory limits for the coverage period from April 1, 2007 through April 1, 2008.

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, 2006.

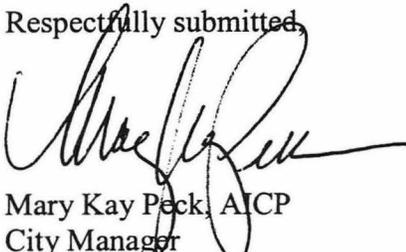
This was the 25th consecutive year that the government has received this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted 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.

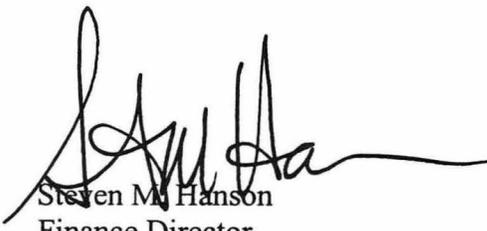
The preparation of this report on a timely basis could not be accomplished without the efficient and dedicated services of the Finance Department's Accounting Division staff as well as certain members of the City Manager's staff, Public Works Department, and the Neighborhood Services staff. We would 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,



Mary Kay Peck, AICP
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, 2006

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.

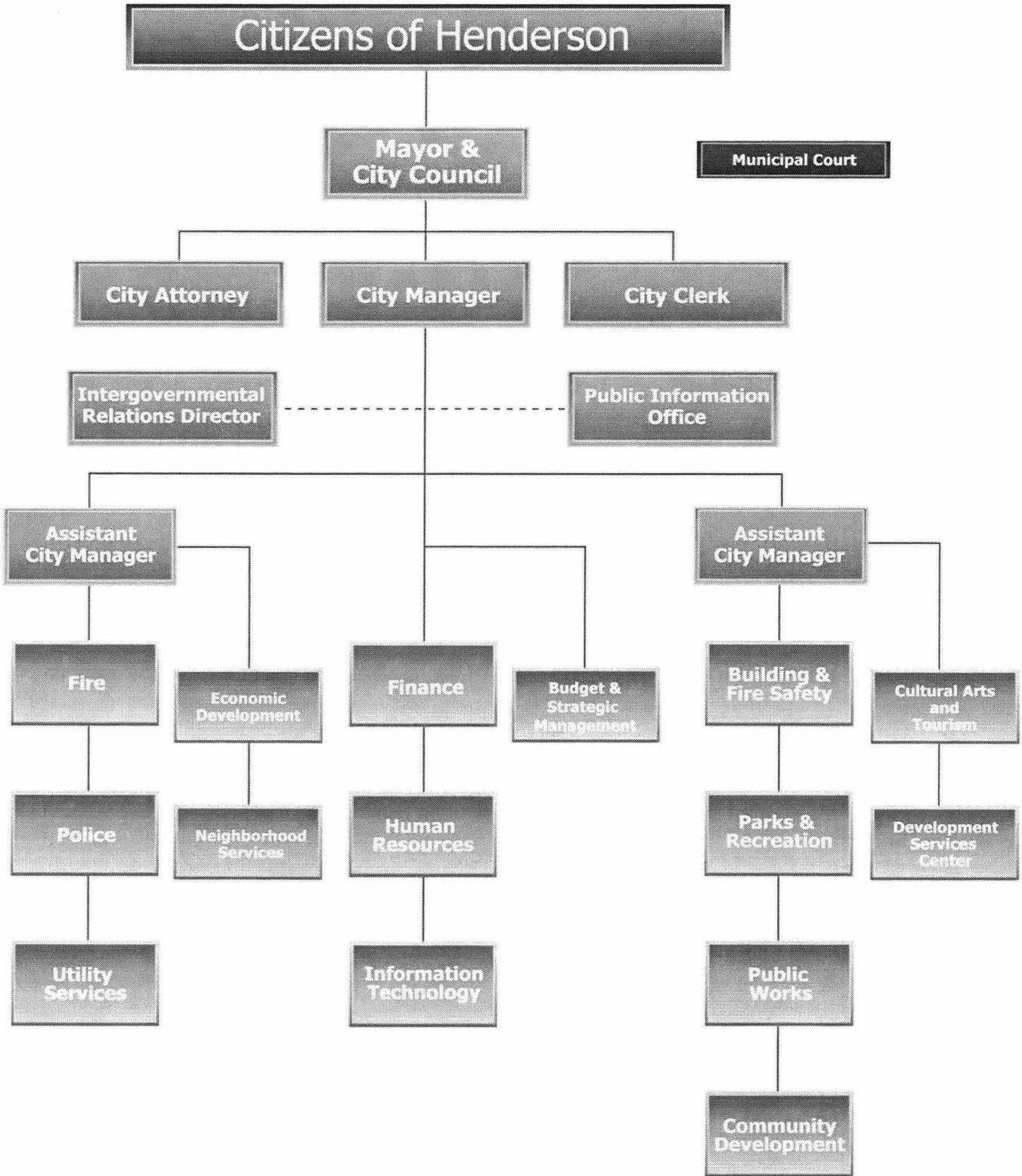


A handwritten signature in black ink, appearing to read "Ronald J. Hawn".

President

A handwritten signature in black ink, appearing to read "Jeffrey R. Emer".

Executive Director



MAYOR AND COUNCIL
James B. Gibson, Mayor
Andy A. Hafen, Councilman
Jack K. Clark, Councilman
Steven D. Kirk, Councilman
Gerri Schroder, Councilwoman

CITY OFFICIALS
Philip D. Speight , City Manager (During Fiscal Year)
Mary Kay Peck, City Manager (Effective October 19, 2007)
Shauna Hughes, City Attorney
Monica M. Simmons, City Clerk

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