



2012

COMPREHENSIVE ANNUAL
FINANCIAL REPORT

For Fiscal Year Ended June 30, 2012

**CITY OF HENDERSON, NEVADA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

**Prepared by:
Department of Finance**

**Richard A. Derrick
Finance Director**

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COMPREHENSIVE ANNUAL FINANCIAL REPORT
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2012

Comprehensive Annual Financial Report

City of Henderson, Nevada

INTRODUCTORY SECTION



A Place To Call Home



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

November 7, 2012

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, 2012 is hereby submitted. State law requires that a local government 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 Piercy Bowler Taylor & Kern, 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, 2012 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, 2012, 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.

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. With a population of approximately 268,631, 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.

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 Budget Manager 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.

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 re-appropriated as part of the following year's budget augmentation.

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", having been able to maintain property taxes at the same low rate for 22 years.

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 business community. Some of the nation's best known and most respected corporations have established major operations in Henderson, including 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 M Resort, Sunset Station, Fiesta Henderson, and Green Valley Ranch Station.

An ongoing challenge for the public entities in Nevada has been the economic impact of the housing slowdown and the effect it has had on sales tax revenues. Sales tax revenue continued to recover in Fiscal Year 2012, and there was a slight increase in sales tax revenues of 4.26% during the 12 month period ended June 2012, compared to the same 12 month period from the prior year.

Southern Nevada real estate prices continue to remain under pressure. Although residential sales have begun rising, the real estate market has a substantial excess of supply in both the residential and commercial real estate segments. There will need to be a substantial growth in real estate demand before real estate prices show strong gains. On the positive side, according to the Case-Shiller index, housing prices in the Las Vegas Metropolitan Statistical Area have leveled off and are beginning to show slight increases. According to UNLV's Center for Business and Economic Research (CBER), permitting is likely to show gains in 2012 and 2013 as rental properties are doing quite well in the Las Vegas market and home builders have begun developing plans for additional construction. The City continues to monitor the Southern Nevada housing market and the impact it will have on future tax revenues.

In August 2012, the official Clark County unemployment estimate (as defined by the Las Vegas-Paradise MSA) was 12.3% with the national rate at 8.1%. The Las Vegas MSA added 1,700 jobs from July to August 2012. The increase in jobs was attributed to increases in a variety of industries, most notably Professional & Business Services (2,200 jobs), Trade, Transportation & Utilities (1,200 jobs), Financial Activities (300 jobs) and other Services (100 jobs). This increase, however, was partially offset by declines in Government (1,000 jobs), Leisure & Hospitality (900 jobs), Construction (100 jobs), and Manufacturing (100 jobs).

Henderson has a tax rate of \$.7108 per \$100 in assessed valuation. This property tax rate has remained relatively steady for the past 22 years and continues to be one of the lowest in the State of Nevada.

The City is highly reliant on the economically-sensitive consolidated tax; a variety of sales taxes collected statewide on liquor, gaming and other items then distributed to municipalities according to a formula based on growth and population. Because of the dependence on consolidated tax, visitor volume is a key leading indicator for the local economy, and its outlook is tied to the growth of the U.S. and western states' economies. According to CBER, the national economy is on a path for a gradual acceleration of economic growth. As the recoveries in the U.S. and western states' economies advance, they will stimulate the Southern Nevada tourism. Based on local economic indexes and an assessment of national and regional trends, CBER believes that the Southern Nevada economy will continue to see improvement in 2012 and 2013. The gains are expected to be stronger in the second half of 2012 than in the first, and the gains in 2013 are expected to be stronger than in 2012. Visitor volume and gaming revenue are expected to both rise. In recent years, the gains in gross gaming revenue have not kept pace with visitor volume. In 2012 and 2013, the gain in gross gaming revenue is expected to be similar to those in visitor volume. In terms of population growth, it is expected to be moderate over the next few years and is not expected to be a driver of economic growth as it was throughout much of Southern Nevada's history. Rather, economic growth will drive population growth for the next few years.

The City of Henderson is projected to experience limited population and revenue growth in the coming years, unlike the dramatic growth and rapid increases experienced through 2008. However, even though population and revenue growth is expected to stabilize, Henderson's population is expected to remain affluent as the median household income in Henderson continues to outpace the county and state averages. The high quality of life continues to attract new citizens.

Long Term Financial Planning

The City has an annual performance planning process. These plans include the following, but are contingent upon available funds:

- Provide efficient public services while maintaining one of the lowest employee-to-citizen ratios in the Las Vegas Valley
- Maintain the City of Henderson property tax at the same low rate
- Continued development and enhancements of the citywide asset management program

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 2013 include, contingent upon available funding: Grants and contributions to fund various parks and recreation projects, including Union Pacific Trial Phase III , Whitney Springs Park, Heritage Community Park Phase II, and Cornerstone Lake Park; Water Fund to fund Sites 17 and 18 Pump Station and Reservoir Upgrades. The City will continue to partner with the Clark County Regional Flood Control District, the Regional Transportation Commission, Nevada Department of Transportation, and developers to fund projects to include flood channels and street projects.

The City of Henderson maintains a forecast of the financial condition of the City's major operating funds over a five-year horizon. It is an invaluable tool used to assist the City Council, City Manager, and department heads in developing long-range strategies and tactics to be included in their Performance Budget and, ultimately, in formulating budget requests.

The long-range forecast is updated on a continual basis and is used to evaluate the current status of city-wide short and long-range goals and objectives, and to make predictions about how future events and circumstances may affect the City's financial stability. Forecasting is one of the most powerful tools the City has available to help make informed financial decisions that will ensure the City's future vitality and economic stability.

The City's approach to forecasting in general is to apply a conservative philosophy that will produce the long-term goals of not overstating revenues nor understating expenditures. Economic forecasting is not an exact science and at times relies upon the best professional judgment of the forecaster. To reduce the risks of miscalculating revenues or expenditures, we attempt to identify as many factors as possible that may contribute to changes in revenues and expenditures. The City's revenue and expenditure budgets are comprised of many unique elements that respond to a variety of external factors such as population growth, development, inflation, and interest rates. The forecast data includes assumptions relating to major revenues and expenditures for the various funds based on the current political and economic environment.

If a prolonged economic downturn occurs, and annual revenues are unable to support the costs of essential services, the City will consider several options. These options would include increasing revenues from existing sources such as property taxes, creating new taxing sources, and/or service reductions.

Major Initiatives

In 2008, the City began to prepare a 5-year plan to address the significant economic downturn that the country was facing. A 5-year plan committee was formed which continues to meet on a bi-weekly basis to assess current revenues and expenditures, and discuss options. Throughout fiscal years 2009, 2010, 2011, and 2012, several cost cutting strategies were implemented. Employment compensation reductions included: a hiring freeze for all non-critical positions, an employee buyout program, overtime restrictions, suspension of the City's deferred compensation match, as well as the suspension of car allowance benefits, compensatory time off in-lieu of paid overtime, suspension of cost-of-living pay raises, as well as modifications to paid holidays

including the elimination of the Columbus Day holiday, and the elimination of the tuition reimbursement program. Other expenditure reductions included prohibition of non-essential travel, reduction to base operating budgets, stricter cell phone policies, consolidation of service contracts, surrendering of one-time funds, reduction of non-essential services, extension of vehicle life, reduction to the city vehicle fleet, the closing of City Hall on Fridays, deferring of capital projects, and right sizing of staffing in areas where service demand is down.

Each department maintains a contingency plan that is periodically updated for possible implementation if needed. In addition the City is looking into revenue enhancement opportunities that could be presented to Council for approval. The City, in conjunction with local governments throughout the state, worked with the legislative subcommittee to review the consolidated tax formula. Changes in the formula are expected to be adopted during the 2013 legislative session.

To date, the City has reduced non-public safety staffing by over 17% through attrition, employee realignment, and employee buyout packages. Compared to other municipalities, the City continues to maintain one of the lowest employee-to-citizen ratios at 6.9 per 1,000 residents. Combined with conservative budgeting, the City has had the ability to sustain municipal service levels.

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, 2011.

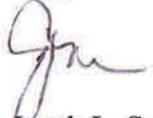
This was the 30th consecutive year that the government has received this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted 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 Piercy Bowler Taylor & Kern, 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,



Jacob L. Snow
City Manager



Richard A. Derrick
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, 2011

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.



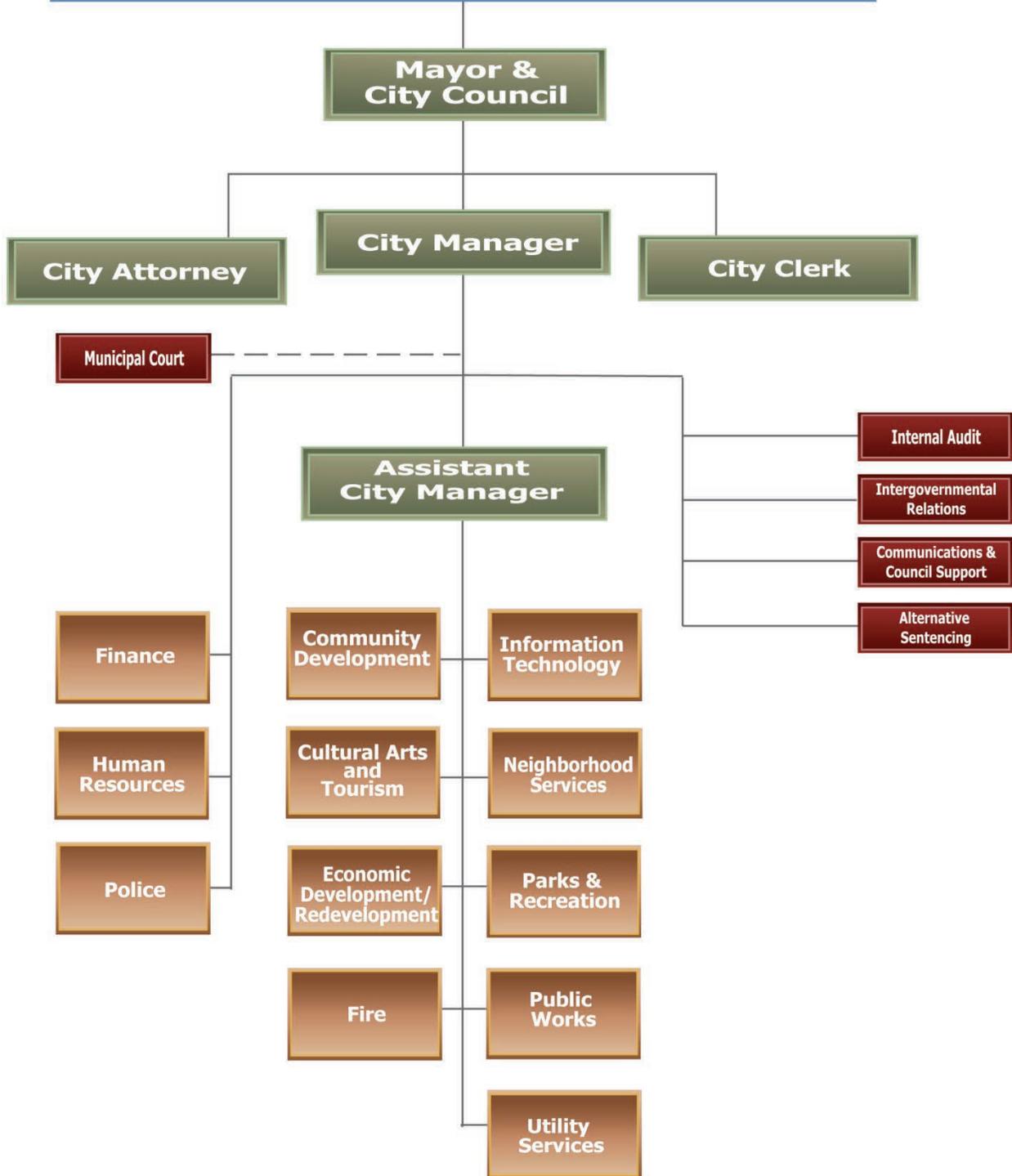
Linda C. Davison

President

Jeffrey R. Enos

Executive Director

Citizens of Henderson



MAYOR AND COUNCIL

Andy A. Hafen, Mayor
Gerri Schroder, Councilwoman
John F. Marz, Councilman
Debra March, Councilwoman
Sam Bateman, Councilman

CITY OFFICIALS

Jacob L. Snow, City Manager
Josh Reid, City Attorney
Sabrina Mercadante, City Clerk