

COMPLIANCE SECTION

COMPREHENSIVE ANNUAL
FINANCIAL REPORT

2013

CITY OF HENDERSON, NEVADA



A Place To Call Home



P B T K

PIERCY BOWLER
TAYLOR & KERN

Certified Public Accountants
Business Advisors

INDEPENDENT AUDITORS' REPORT ON INTERNAL
CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS*

Honorable Mayor and Members of the City Council
City of Henderson, Nevada

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Henderson, Nevada (the City) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents, and have issued our report thereon dated November 6, 2013.

Internal Control over Financial Reporting. In planning and performing our audit of the basic financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the basic financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies; and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency* in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the City's basic financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2013 - 001, to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2013 - 002 to be a significant deficiency.

Compliance and Other Matters. As part of obtaining reasonable assurance about whether the City's basic financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of basic financial statement amounts, including whether the funds established by the City, as listed in Nevada Revised Statutes (NRS) 354.624 (5)(a)(1 through 5), complied with the express purposes required by NRS 354.6241. 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 or other matters that are required to be reported under

Government Auditing Standards.

The City's Responses to Findings. The City's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The City's responses were not subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

We noted certain matters that we reported to management of the City in a separate letter dated November 6, 2013.

Purpose of this Report. The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in blue ink that reads "Percy Boulter Taylor" followed by a stylized flourish.

Las Vegas, Nevada
November 6, 2013

P B T K

PIERCY BOWLER
TAYLOR & KERN

Certified Public Accountants
Business Advisors

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH
REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL
EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133
AND SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

Honorable Mayor and Members of the City Council
City of Henderson, Nevada

We have audited the compliance of the City of Henderson, Nevada (the City) with the types of compliance requirements described in the Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2013. The City's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility. The City's management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility. Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; 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'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 on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Each Major Federal Program. In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2013.

Other Matters. The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2013 - 003 through 2013 - 006. Our opinion on each major federal program is not modified with respect to these matters.

The City's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The City's responses were not subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Report on Internal Control Over Compliance. The City's management is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of

expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A *deficiency* in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness* in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133. We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated November 6, 2013, which contained an unmodified opinion on those basic financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.



Las Vegas, Nevada
November 6, 2013

CITY OF HENDERSON, NEVADA

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2013**

| Federal Grantor/Pass-Through Grantor/Program Title | Federal CFDA Number | Agency or Pass-through Grantor's Number | Expenditures |
|--|---------------------------|---|------------------|
| <u>U.S. Department of Agriculture</u> | | | |
| <i>Food and Nutrition Service</i> | | | |
| Passed through State of Nevada Department of Education: | | | |
| <i>Child Nutrition Cluster:</i> | | | |
| Special Milk Program for Children | | | |
| Safekey Milk Grant FY13 | 10.556 | M-102375.10 | \$ 32,322 |
| <i>Forest Service</i> | | | |
| Passed through State of Nevada Forestry Division: | | | |
| Cooperative Forestry Assistance | 10.664 | UF/09/02 | 22,943 |
| Recovery Act of 2009: Wildland Fire Management | 10.688 | ARRA/UFCC/09/03 | <u>25,052</u> |
| Total U.S. Department of Agriculture | | | <u>80,317</u> |
| <u>U.S. Department of Housing and Urban Development</u> | | | |
| Direct programs | | | |
| <i>Community Planning and Development</i> | | | |
| Community Development Block Grants/Entitlement Grants | | | |
| Entitlement Funds | 14.218* | | 422,723 |
| NSP HERA Entitlement | 14.218* | | 876,610 |
| Program Income | 14.218* | | 1,061,003 |
| Amount Provided to Subrecipients | 14.218* | | <u>278,936</u> |
| Total Community Development Block Grants/Entitlement Grants | | | <u>2,639,272</u> |
| <i>Office of Sustainable Housing and Community</i> | | | |
| Sustainable Communities Regional Planning Grant Program | | | |
| HUD Sustainable Communities Grant | 14.703* | FR-5500-N-30FA | <u>1,177,779</u> |
| Total Direct Programs | | | <u>3,817,051</u> |
| <i>Office of Community Planning and Development</i> | | | |
| Passed through State of Nevada, Housing Division | | | |
| HOME Investment Partnerships Program | | | |
| HOME Grant - Program Income/Projects | 14.239 | | 302,716 |
| HOME Grant - Administration | 14.239 | | <u>5,141</u> |
| Total HOME Investment Partnerships Program | | | <u>307,857</u> |
| Total Department of Housing and Urban Development | | | <u>4,124,908</u> |

* Major Program

CITY OF HENDERSON, NEVADA

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2013**

| Federal Grantor/Pass-Through Grantor/Program Title | Federal CFDA Number | Agency or Pass-through Grantor's Number | Expenditures |
|---|---------------------------|---|--------------|
| <u>U.S. Department of the Interior</u> | | | |
| <i>Bureau of Land Management</i> | | | |
| Southern Nevada Public Land Management | | | |
| Amargosa Trail | 15.235* | HN10, L04AC13519 | 931,224 |
| Cornerstone Lake Park | 15.235* | HN16, L05AC14906 | 4,930,647 |
| River Mountain Trail 13-14 | 15.235* | HN15, L05AC14679 | 1,445 |
| UPRR Right of Way | 15.235* | HN22, L05AC14427 | 53,862 |
| UPRR Phase III | 15.235* | HN23, L05AC14404 | 1,301,161 |
| UPRR Phase II | 15.235* | HN07, L05AC14553 | 27,461 |
| Mission View Park | 15.235* | HN25, L05AC12983 | 3,519,635 |
| McCullough Hills Trail | 15.235* | HN04, L07AC13260 | 814,989 |
| Arroyo Grande Project Green | 15.235* | HN26, L07AC13812 | 3,047,024 |
| Whitney Mesa Trailhead | 15.235* | HN27, L07AC12954 | 1,939,647 |
| Wetlands Trail Phase II | 15.235* | HN28, L07AC14291 | 1,330,291 |
| Heritage Park Phase II | 15.235* | HN29, L07AC14398 | 2,108,365 |
| Reunion Trails Park | 15.235* | HN32, L07AC14644 | 138,626 |
| Downs 5/Downtown Trail | 15.235* | HN30, L07AC14117 | 302,482 |
| Lake Mead Parkway Trail | 15.235* | HN31, L07AC14400 | 3,502,741 |
| McCullough Vista Park | 15.235* | HN33, L08AC14130 | 23,252 |
| Green Valley Flood Control Panel | 15.235* | HN35, L08AC13389 | 11,434 |
| Whitney Mesa Nature Preserve Phase II | 15.235* | HN36, L09AC15525 | 617,378 |
| Paradise Point Park | 15.235* | HN38, L11AC20013 | 435 |
| RMLT Safety & Education | 15.235* | HN37, L11AC20011 | 11,979 |
| Total U.S. Department of the Interior | | | 24,614,078 |
| <u>U.S. Department of Justice</u> | | | |
| Direct Programs | | | |
| <i>Bureau of Justice Assistance</i> | | | |
| Bulletproof Vest Partnership Program | 16.607 | | 2,904 |
| Edward Byrne Memorial Justice Assistance Grant Program | 16.738 | 2008-DD-BX-0561 | 254,380 |
| Edward Byrne Memorial Justice Assistance Grant Program | 16.738 | 2010-DJ-BX-1134 | 40,385 |
| Edward Byrne Memorial Justice Assistance Grant Program | 16.738 | 2012-DJ-BX-1055 | 14,989 |
| Edward Byrne Memorial Justice Assistance Grant Program - Recovery Act | 16.738 | 09-ARRA-66-1 | 30,403 |
| <i>Office of Community Oriented Policing Services</i> | | | |
| Public Safety Partnership and Community Policing Grants | 16.710 | 2010-CK-WX-0322 | 383,675 |
| Public Safety Partnership and Community Policing Grants | 16.710 | 2008CKWX0168 | 13,856 |
| <i>Office of Juvenile Justice and Delinquency Prevention</i> | | | |
| Missing Children's Assistance | 16.543 | 2011-MC-CX-K002 | 64,153 |
| <i>Department of Justice</i> | | | |
| Edward Byrne Memorial Competitive Grant Program - Recovery Act | 16.808 | 2009-SB-B9-1637-HPD | 107,115 |

* Major Program

CITY OF HENDERSON, NEVADA

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2013**

| Federal Grantor/Pass-Through Grantor/Program Title | Federal CFDA Number | Agency or Pass-through Grantor's Number | Expenditures |
|--|---------------------------|---|------------------|
| <u>U.S. Department of Justice (continued)</u> | | | |
| Direct Programs (continued) | | | |
| <i>Office of Drug Enforcement Administration</i> | | | |
| Domestic Cannabis Eradication | n/a | 2012-90, 2013-94 | <u>21,889</u> |
| Total Direct Programs | | | <u>933,749</u> |
| <i>Bureau of Justice Assistance</i> | | | |
| Passed through State of Nevada Department of Public Safety | | | |
| Edward Byrne Memorial Justice Assistance Grant Program | | | |
| Edward Byrne Memorial Justice Assistance Grant Program | 16.738 | 11-JAG-12 | 27,526 |
| Edward Byrne Memorial Justice Assistance Grant Program - Recovery Act | 16.738 | 09-ARRA-38 | 200,000 |
| <i>Office of Juvenile Justice and Delinquency Prevention</i> | | | |
| Passed through State of Nevada Juvenile Justice Commission: | | | |
| Enforcing Underage Drinking Laws Program | 16.727 | | 27,426 |
| <i>Office on Violence Against Women</i> | | | |
| Passed through State of Nevada Office of Attorney General | | | |
| Violence Against Women Formula Grants | 16.588 | 2009-WF-AX-0029 | 20,974 |
| Violence Against Women Formula Grants | 16.588 | 2011-STOP-01 | <u>21,739</u> |
| Total U.S. Department of Justice | | | <u>1,231,414</u> |
| <u>U.S. Department of Transportation</u> | | | |
| Direct Programs | | | |
| <i>Federal Motor Carrier Safety Administration</i> | | | |
| National Motor Carrier Safety | 20.218 | FM-MHP-0077-12-01-00 | 76,507 |
| <i>Federal Highway Administration</i> | | | |
| Highway Planning and Construction - American Recovery and Reinvestment Act (ARRA) | | | |
| TRANSP Stimulus PH1-GVP | 20.205 | P127-09-063 | (41,574) |
| TRANSP Stimulus PH2-AmerPac | 20.205 | P128-09-063 | (12,991) |
| TRANSP Stimulus PH3-Voluntr | 20.205 | P136-09-063 | (30,922) |
| TRANSP Stimulus PH4-Stephanie | 20.205 | P006-10-063 | (8,792) |

* Major Program

CITY OF HENDERSON, NEVADA

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2013**

| Federal Grantor/Pass-Through Grantor/Program Title | Federal CFDA Number | Agency or Pass-through Grantor's Number | Expenditures |
|--|---------------------------|---|--------------|
| <u>U.S. Department of Transportation (continued)</u> | | | |
| Direct Programs (continued) | | | |
| Highway Planning and Construction | | | |
| Safe Route to School | 20.205 | P057-10-802 | 18,589 |
| I-515 Sunset Intrchg Landscape | 20.205 | P222-10-063 | 13,522 |
| Safe Rts Grant Infrastructure | 20.205 | P283-10-063 | 26,916 |
| NDOT Lake Mead Bus Turnouts | 20.205 | P350-12-063 | 18,408 |
| NDOT Sunset Td ITS Ph 1 | 20.205 | P349-12-063 | 11,406 |
| NDOT Sunset Td ITS Ph 2 | 20.205 | P352-12-063 | 11,677 |
| NDOT Valley Verde ITS | 20.205 | P347-12-063 | 291 |
| NDOT Pecos Rd ITS | 20.205 | P346-12-063 | 976 |
| NDOT St Rose Intrsectn Impvts | 20.205 | P348-12-063 | 818 |
| Total Direct Programs | | | 84,831 |
| <i>National Highway Traffic Safety Administration</i> | | | |
| Passed through State of Nevada, Department of Motor Vehicles and Public Safety - Office of Traffic Safety: | | | |
| State and Community Highway Safety | | | |
| Joining Forces 2012 | 20.600 | 22-JF-1.08 | 40,658 |
| Joining Forces Incentive 2010 | 20.600 | 23-JF-1.08 | 105,220 |
| Impaired Driving Reduction Program | 20.600 | 23-AL-9 | 3,567 |
| Total U.S. Department of Transportation | | | 234,276 |
| <u>U.S. Department of Energy</u> | | | |
| Direct Program | | | |
| Renewable Energy Research and Development | | | |
| Heritage Pk Solar PV Prj | 81.087 | EE-0003166 | 481,603 |
| <i>State Energy Program</i> | | | |
| Passed through State of Nevada Office of Energy | | | |
| State Energy Program - Recovery Act | 81.041 | SEPARRA032910005 | 230,311 |
| <i>Weatherization Assistance for Low-Income Persons</i> | | | |
| Passed through State of Nevada Housing Division | | | |
| DOE Base Projects 12/13 | 81.042 | DOE/2013/4 | 6,549 |
| Total U.S. Department of Energy | | | 718,463 |

* Major Program

CITY OF HENDERSON, NEVADA

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2013**

| Federal Grantor/Pass-Through Grantor/Program Title | Federal CFDA Number | Agency or Pass-through Grantor's Number | Expenditures |
|--|---------------------------|---|-----------------------------|
| <u>U.S. Department of Health and Human Services</u> | | | |
| Direct Program | | | |
| <i>Centers for Disease Control and Prevention</i> | | | |
| Affordable Care Act (ACA) - Communities Putting Prevention to Work | | | |
| CATCH Kids - Recovery Act | 93.520 | | <u>83,188</u> |
| <i>Administration for Community Living</i> | | | |
| Passed through State of Nevada, Division of Aging Services: | | | |
| <i>Aging Cluster:</i> | | | |
| Special Programs for the Aging: Title III, Part C: Nutrition Services | | | |
| Senior Nutrition Congregate 2012 | 93.045 | 03-031-57-NX-12 | 49,910 |
| Senior Nutrition Homebound 2012 | 93.045 | 03-031-04-2X-12 | 55,467 |
| Senior Nutrition Congregate 2013 | 93.045 | 03-031-07-1X-13 | 190,308 |
| Senior Nutrition Homebound 2013 | 93.045 | 03-031-04-2X-13 | 154,473 |
| Sr Nutrition Equipment | 93.045 | 03-031-07-04 | 106,549 |
| Nutrition Services Incentive Program | | | |
| Sr. Nutrition NSIP 2012 | 93.053 | 03-031-57-NX-12 | 73,676 |
| Sr. Nutrition NSIP 2013 | 93.053 | 03-031-57-NX-13 | 58,119 |
| Blk Mtn Sr. Nutrition Equip. | 93.053 | 03-031-66-1X-13 | <u>30,000</u> |
| | | | <u>718,502</u> |
| <i>Administration For Children and Families</i> | | | |
| Passed through State of Nevada, Department of Business and Industry-Housing Division, Weatherization Assistance Program | | | |
| Low Income Home Energy Assistance | 93.568 | LIHEA/2013/4 | <u>21,195</u> |
| Total U.S. Department of Health and Human Services | | | <u>822,885</u> |
| <u>Department of Homeland Security</u> | | | |
| <i>Emergency Management Performance Grants</i> | | | |
| Passed through the State of Nevada, Department of Motor Vehicles and Public Safety, Division of Emergency Management: | | | |
| Emergency Management FY12 | 97.042 | 9704211 | 170,446 |
| Assistance to Firefighters Grant | 97.044 | EMW-2011-FO-02987 | 64,800 |
| Homeland Security Grant Program | | | |
| DEM-UASI-FFY2011 | 97.067 | 11-U11 | 322,350 |
| DHS/FFY12 State Homeland Security Grant Program | 97.067 | 97067.12-HL2 | <u>2,067</u> |
| Total Department of Homeland Security | | | <u>559,663</u> |
| Total Expenditures of Federal Awards | | | <u><u>\$ 32,386,004</u></u> |

* Major Program

CITY OF HENDERSON, NEVADA

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2013

Note 1. Reporting Entity

The accompanying supplementary schedule of expenditures of federal awards presents the activity of all federal financial assistance programs of the City of Henderson, Nevada (the City), except for those activities of the Redevelopment Agency for which a separate report is issued. The reporting entity is defined in Note 1 to the basic financial statements. The schedule includes federal financial assistance received directly from federal agencies as well as passed through other government agencies.

Note 2. Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City. Expenditures passed through to subrecipients are presented on the cash basis of accounting and all other expenditures are presented on the accrual basis of accounting.

The information in the schedule of expenditures of federal awards is presented in accordance with the requirements of U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. The amounts reported in the schedule of expenditures of federal awards agree, in all material respects, to the amounts reported within the City's basic financial statements. Federal grant award revenue is reported as intergovernmental revenues principally in the City's grants special revenue fund.

Note 3. Subrecipients

During the year ended June 30, 2013, the City provided \$278,936 of federal awards to subrecipients related to the Community Development Block Grants/Entitlement Grants (CFDA number 14.218).

Note 4. Outstanding Loan Balances

Certain loan programs related to home ownership and improvements are administered directly by the City and balances and transactions relating to these programs are included in the City's basic financial statements as notes receivable. In addition, the City received a loan to fund the Pittman Wash relocation project, which was completed during fiscal 2011. The outstanding loan payable is included in the City's basic financial statements, does not bear interest, and is scheduled to be repaid by 2030.

Expenditures of loaned funds and loans made during the year are included in federal expenditures.

At June 30, 2013, outstanding loan balances were as follows:

| Federal CFDA Number | Program Title | Loan Balance Receivable |
|------------------------|---|----------------------------|
| 14.218 | Community Development Block Grants/Entitlement Grants | \$ 656,121 |
| 14.239 | Home Investment Partnerships Program | <u>1,746,059</u> |
| | | <u>\$ 2,402,180</u> |
| | | |
| Federal CFDA Number | Federal CFDA Number | Loan Balance Payable |
| 66.458 | Capitalization Grants for Clean Water State Revolving Funds | <u>\$ 1,484,723</u> |

CITY OF HENDERSON, NEVADA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013

Section I - Summary of Auditors' Results

| | |
|---|---|
| Financial Statements | |
| Type of auditors' report issued | Unqualified |
| Internal control over financial reporting | |
| Material weaknesses identified | Yes |
| Significant deficiencies identified that are not considered to be material weaknesses | None reported |
| Noncompliance material to financial statements | No |
| Federal Awards | |
| Internal control over major programs | |
| Material weaknesses identified | No |
| Significant deficiencies identified that are not considered to be material weaknesses | None reported |
| Type of auditors' report issued on compliance for major programs | Unqualified |
| Audit findings required to be reported in accordance with Circular A-133, Section .510(a) | Yes |
| Identification of major programs | |
| CFDA number | 15.235 |
| Name of federal program or cluster | Southern Nevada Public Land Management |
| CFDA number | 14.703 |
| | Sustainable Communities Regional Planning Grant |
| Name of federal program or cluster | Program |
| CFDA number | 14.218 |
| | Community Development Block Grants / |
| Name of federal program or cluster | Entitlement Grants |
| Dollar threshold used to distinguish between Type A and Type B programs | \$971,601 |
| Auditee qualified as low-risk auditee | Yes |

(Continued)

CITY OF HENDERSON, NEVADA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2013

Section II – Findings relating to the financial statements, which are required to be reported in accordance with auditing standards generally accepted in the United States and *Government Auditing Standards*

| | |
|-----------------------|--|
| 2013 - 001 | |
| Criteria | Donated assets recorded in the financial statements represent assets owned by the City for which the City is responsible to maintain. |
| Condition | In prior years, the City recorded donated assets that it did not own, nor did it have the responsibility to maintain. |
| Effect | In the City's water and sewer funds, capital assets (infrastructure) and net position were materially overstated, which led to a restatement of previously reported balances. |
| Cause | Prior to fiscal 2013, the review of donated assets did not identify that certain capital assets recorded in the City's financial statements did not belong to the City. |
| Recommendation | Donated capital asset additions should be reviewed at least annually by appropriate levels of management in both the finance and utilities departments to ensure that the asset has in fact been transferred to the City, and the City is responsible for ongoing repairs and maintenance. |
| Management's response | Management informed us that each year the finance department distributes lists of capital assets for department verification. Technical staff in public works and utilities will review donated asset addition journal entries and supporting detail prior to posting. The finance department will verify all respective approvals have been received prior to finalizing the transaction. |

(Continued)

CITY OF HENDERSON, NEVADA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2013

Section II – Findings relating to the financial statements, which are required to be reported in accordance with auditing standards generally accepted in the United States and *Government Auditing Standards* (continued)

2013 - 002

Criteria

Contracts and agreements with provisions that could have a financial impact on the City must be properly communicated to the finance department to ensure that they are accounted for properly and timely in the City's financial statements.

Condition

The finance department was not notified timely of an executed interlocal agreement involving a \$2.6 million obligation; consequently, the obligation was not recorded in the accounting records of the City.

Effect

In the City's sewer fund, liabilities were materially understated and net position was materially overstated as of the beginning of the current period.

Cause

The policies and procedure in place that require notification of the finance department with regard to any financial and accounting related documents that come to the attention of City personnel, did not function as intended.

Recommendation

All City personnel should be periodically reminded of the policies and procedures requiring the routing to the finance department of all contracts and agreements with a potential for financial accounting impact on the City. In addition, the finance department should consider a monthly review of city council meeting minutes, which could contain details regarding approved contracts and agreements that may have not been otherwise communicated.

Management's response

Management informed us that the City has recorded a liability for the excess distributions and will adjust as paid through reduced collections over the next eight years under its latest interlocal agreement with the City of Las Vegas, the Southern Nevada Water Authority and the Clark County Water Reclamation District. All interlocal agreements are authorized by City Council and reviewed by the Chief Financial Officer and/or Budget Manager. Agreements with on-going obligations or financial implications will be communicated to accounting staff for analysis and recorded as needed. Additionally, all departments will be reminded annually to submit any financially related documents to the Accounting Managers in the finance department.

(Continued)

CITY OF HENDERSON, NEVADA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2013

Section III – Findings and questioned costs for federal awards, including audit findings as defined in Circular A-133 Section .510(a)

| | |
|-----------------------|--|
| 2013 - 003 | |
| Program | CFDA #14.703 - HUD Sustainable Communities Grant |
| Specific requirements | The information included in Federal Financial Reports (FFRs) filed with granting agencies is complete and accurate. |
| Condition and context | <p>For the semi-annual period ended December 31, 2012, the City's matching expenditures reported on the FFR (\$186,678) were overstated by \$7,828.</p> <p>For the semi-annual period ended December 31, 2012, the City's expenditures reported on the FFR for (\$428,484) were overstated by \$65,097.</p> |
| Questioned costs | None |
| Effect | The information included in the foregoing FFRs was not complete and accurate. |
| Cause | The review of FFRs did not identify improperly reported amounts, and matching detail is tracked manually in an excel document, which is sometimes modified subsequent to the FFR being filed. |
| Recommendation | Policies and procedures regarding the review of FFRs should be reviewed and updated, if necessary, to ensure the FFRs are complete and accurate prior to being filed. In addition, modifications to the Excel spreadsheet used to support matching expenditures should be documented to provide an audit trail to the amounts reported on FFRs. |
| Management's response | <p>Management informed us that for matching expenditures, following the reporting of the match expenditures in the FFR, a review was undertaken and an error in reporting was found. The error was remedied in the period in which the error occurred rather than in the period in which it was found. In the future, errors will be fixed in the period in which they are found and hard copies of backup supporting the FFR numbers will be attached documenting the correct numbers at the time of the report.</p> <p>For City expenditures, in January 2013, Housing and Urban Development (HUD) was contacted to obtain clarification on the information to be reported on the FFRs. HUD instructed staff for this grant to report only cumulative HUD funds drawn down not expenditures. HUD stated, "if an amount HUD funds has not yet been drawn, you would not include that amount on this line." Subsequently all FFRs reported only drawn funds.</p> |

(Continued)

CITY OF HENDERSON, NEVADA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2013

Section III – Findings and questioned costs for federal awards, including audit findings as defined in Circular A-133 Section .510(a) (continued)

| | |
|-----------------------|--|
| 2013 - 004 Program | CFDA #14.218 - Community Development Block Grants / Entitlement Grants |
| Specific requirements | The Federal Funding Accountability and Transparency Act (Transparency Act) requires specific information to be reported using the OMB website (www.USAspending.gov) for "first-tier" subawards. First-tier subawards are defined as Non-Recovery Act funding received directly from a federal agency in excess of \$25,000 that are passed through to a subrecipient. |
| Condition and context | During fiscal 2013, there were thirteen first-tier subawards approved by City Council that were not reported on the www.USAspending.gov web site. |
| Questioned costs | None |
| Effect | The City is not in compliance with the reporting requirements of the Transparency Act. |
| Cause | Management was not aware of the additional reporting requirements required by the Transparency Act. |
| Recommendation | All subaward agreements should be reviewed to determine if Transparency Act reporting applies. |
| Management's response | Management informed us that it is in the process of rectifying this finding. Staff is currently inputting sub-contractor data from October 1, 2010 to the current fiscal year into the FSRS.gov website. |

(Continued)

CITY OF HENDERSON, NEVADA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2013

Section III – Findings and questioned costs for federal awards, including audit findings as defined in Circular A-133 Section .510(a) (continued)

| | |
|-----------------------|---|
| 2013 - 005 | |
| Program | CFDA #15.235 Southern Nevada Public Land Management Act (SNPLMA) |
| Specific requirements | The information included in the schedule of expenditures of federal awards (SEFA) is complete and accurate. |
| Condition and context | In the audited SEFA, \$30,980 of expenditures pertaining to fiscal year 2012 and \$692 of expenditures pertaining to fiscal year 2014 were included. |
| Questioned costs | None |
| Effect | The unaudited fiscal year 2013 SEFA was overstated by \$31,672. |
| Cause | Accounts payable cut-off errors were not detected in the SEFA preparation and review process. |
| Recommendation | The SEFA preparation and review process should include specific procedures to identify potential accounts payable cutoff issues. |
| Management's response | Management informed us that in order to promote accurate year-end cutoff, Accounts Payable (AP) actively communicates with ordering departments via planning meetings, instructive all user emails, two-way communication with public works and system warnings and messages. AP continues to review invoices after the normal July 31st deadline in order to record payments in the correct fiscal year. Any exceptions are logged and material items are accrued. AP is adding a new screen, a system query where invoice date and accounting date disagree, in order to better capture exceptions. This query will be used to analyze charges to SEFA projects to identify potential AP cutoff issues in the future. |

(Continued)

CITY OF HENDERSON, NEVADA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2013

Section III – Findings and questioned costs for federal awards, including audit findings as defined in Circular A-133 Section .510(a) (continued)

| | |
|-----------------------|--|
| 2013 - 006 Program | CFDA #15.235 Southern Nevada Public Land Management Act (SNPLMA) |
| Specific requirements | <p>§ 12.830 Buy American Act—Construction materials. As prescribed in § 12.825, insert the following clause in solicitations for procurement contracts awarded under a grant or cooperative agreement for construction inside the United States:</p> <p>BUY AMERICAN ACT—CONSTRUCTION MATERIALS</p> <p>(a) The Buy American Act (41 U.S.C. 10) provides that the Government give preference to domestic construction material. Components, used in this clause, means those articles, materials, and supplies incorporated directly into construction materials.</p> <p><i>Construction material</i>, as used in this clause, means an article, material, or supply brought to the construction site for incorporation into the building or work. Construction material also includes an item brought to the site pre-assembled from articles, materials or supplies. However, emergency life safety systems, such as emergency lighting, fire alarm, and audio evacuation systems, which are discrete systems incorporated into a public building or work and which are produced as a complete system, shall be evaluated as a single and distinct construction material regardless of when or how the individual parts or components of such systems are delivered to the construction site.</p> <p><i>Domestic construction material</i>, as used in this clause, means (a) an unmanufactured construction material mined or produced in the United States, or (b) a construction material manufactured in the United States, if the cost of its components mined, produced, or manufactured in the United States exceeds 50 percent of the cost of all its components. Components of foreign origin of the same class or kind as the construction materials determined to be unavailable pursuant to § 12.810(a)(3) of 43 CFR part 12, subpart E shall be treated as domestic.</p> <p>(b) The contractor agrees that only domestic construction material will be used by the contractor, subcontractors, materialmen, and suppliers in the performance of this agreement, except for foreign construction materials, if any, listed in this agreement.</p> |
| Condition and context | Per examination of contracts and discussion with management, we noted that provisions pertaining to the Buy American Act are not included in SNPLMA contracts, and no other information or documentation is available for examination regarding the City's compliance with the provisions of the Buy American Act. |
| Questioned costs | None |
| Effect | We are unable to determine if the City is in compliance with the provisions of the Buy American Act. |
| Cause | The existing City policies and procedures designed to reasonably assure that construction contracts contain the clause required by the Buy American Act did not function as intended, due to ineffective monitoring for compliance therewith. |
| Recommendation | We recommend that management review the provisions and requirements of the Buy American Act, and modify the existing City policies and procedures designed to reasonably assure that construction contracts contain the clause required by the Buy American Act. |
| Management's response | <p>Management informed us that it has reviewed the provisions of the Buy American Act and is adding the following language into Section 102 "Bidding Requirements and Conditions" of our standard specifications: "BUY AMERICAN: This contract is subject to the provisions of the Buy American Act, 43 CFR 12 (e). CONTRACTOR agrees by submission of a bid for this project that, as defined in the law, to the greatest extent practicable, all equipment and products purchased with project funds, should be American-made."</p> <p>Management is also researching the possibility of obtaining agreements for the current contracts to follow the provisions of the above Act.</p> |

CITY OF HENDERSON, NEVADA

SCHEDULE OF PRIOR FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED JUNE 30, 2012

Section II – Findings relating to the financial statements, which are required to be reported in accordance with auditing standards generally accepted in the United States and *Government Auditing Standards*

None reported

(Continued)

CITY OF HENDERSON, NEVADA

SCHEDULE OF PRIOR FINDINGS AND QUESTIONED COSTS (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2012

Section III – Findings and questioned costs for federal awards, including audit findings as defined in Circular A-133 Section .510(a)

None reported

CITY OF HENDERSON, NEVADA

SCHEDULE OF BUSINESS LICENSE FEES

FOR THE YEAR ENDED JUNE 30, 2013

As required by Nevada Revised Statutes (NRS) 354.624, Section 4(a), all fees imposed by a local government are subject to the provisions of NRS 354.5989. A local government may adopt new business license fees only if the revenue from the fees is less than the prescribed calculated maximum.

FEES CALCULATED AS A PERCENTAGE OF GROSS REVENUE

| | | |
|---|----|------------------|
| Business license revenue for the year ended June 30, 2013 | \$ | 3,278,270 |
| Business license revenue for the year ended June 30, 2012 (base year) | \$ | 3,161,110 |
| Adjustment to base year | | |
| Percentage change in Consumer Price Index | | <u>1.80 %</u> |
| Total adjustment to base year | | <u>56,900</u> |
| Adjusted business license revenue base for the year ended June 30, 2013 | | <u>3,218,010</u> |
| Amount over allowable maximum | \$ | <u>60,260</u> |

FEES CALCULATED ON A FLAT OR FIXED RATE

| | | |
|---|----|-----------------|
| Business license revenue for the year ended June 30, 2013 | \$ | 2,137,064 |
| Business license revenue for the year ended June 30, 2012 (base year) | \$ | 2,059,122 |
| Adjustment to base year | | |
| Percentage change in local government population | | 3.51 % |
| Percentage change in Consumer Price Index | | <u>1.80 %</u> |
| Total adjustment to base year | | <u>5.31 %</u> |
| Adjusted business license revenue base for the year ended June 30, 2013 | | <u>109,339</u> |
| Amount under allowable maximum | \$ | <u>(31,397)</u> |

MAYOR AND COUNCIL

Andy Hafen, Mayor

Gerri Schroder, Council Ward I

Debra March, Council Ward II

John F. Marz, Council Ward III

Sam Bateman, Council Ward IV

CITY MANAGER'S OFFICE

Jacob L. Snow, City Manager

Bristol S. Ellington, Assistant City Manager

Fred Horvath, Assistant City Manager

FINANCE DEPARTMENT

Richard A. Derrick, Chief Financial Officer



A Place To Call Home

Celebrating 60 Years