

COMPREHENSIVE ANNUAL
FINANCIAL REPORT

2013

For Fiscal Year Ended June 30, 2013

CITY OF HENDERSON, NEVADA



A Place To Call Home



**CITY OF HENDERSON, NEVADA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

**Prepared by:
Department of Finance**

**Richard A. Derrick
Chief Financial Officer**

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CITY OF HENDERSON, NEVADA

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INTRODUCTORY SECTION

COMPREHENSIVE ANNUAL
FINANCIAL REPORT

2013

CITY OF HENDERSON, NEVADA



A Place To Call Home





City of Henderson, Nevada
240 Water Street

Henderson, Nevada 89015

November 6, 2013

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, 2013, 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 (referred to herein as either Henderson or the City). 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 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's financial statements in conformity with generally accepted accounting principles (GAAP). Because the cost of internal controls should not outweigh their benefits, the City'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'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 for the fiscal year ended June 30, 2013, 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, 2013, 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 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's MD&A can be found immediately following the report of the independent auditors.

Profile of the Government

Henderson is located in the southeastern part of Clark County, Nevada. With a population of approximately 278,047, 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 appointed 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 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 23 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, Titanium Metals Corporation of America, 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 slow economic recovery from the recession. Sales tax revenue continued to recover in Fiscal Year 2013, and there was an increase in sales tax revenues of 5.2% during the 12 month period ended June 2013, compared to the same 12 month period from the prior year.

Economists from UNLV's Center for Business and Economic Research (CBER) believe the Southern Nevada economy is about halfway through its third year of modest recovery. Furthermore, based on local economic indexes and an assessment of national and regional trends, CBER believes that stronger gains can be expected in the Southern Nevada economy during the second half of 2013 and in 2014 as the national economy gradually accelerates.

According to CBER, both visitor volume and gaming revenue are expected to increase slightly in 2013 and 2014.

According to population estimates made by the Nevada state demographer, the population in Clark County rose to 1,988,195 in 2012. This reflects a slight population increase of 1.1% over the 2011 figure of 1,966,630. In 2013, we can expect growth to continue by 1.2% and increase slightly to 1.3% in 2014.

In 2012, employment growth increased by 2.7% and CBER is forecasting employment growth of 2.5% and 3.0% for 2013 and 2014, respectively, primarily as a result of an improving national economy.

Despite rising home prices, construction activity remains low in Clark County and economists are still concerned about a potentially large shadow inventory of vacant homes. Housing permits for Clark County peaked in 2006 and bottomed out in mid-2011, a 90% decline during the five-year period. Since 2011, Clark County housing permits have increased by 57.4%. Although this recent growth is a positive sign, the overall Southern Nevada housing market is still far below its prerecession peak.

National unemployment, which was at 8.1% in August 2012, decreased to 7.3% in August 2013, thereby reflecting a continued stabilization in the U.S. job market.

The local employment market also showed signs of strength during the first half of 2013, with Nevada's unemployment rate dropping to 9.5% in August 2013, down from 11% a year ago. The Nevada Department of Employment Training and Rehabilitation (DETR) reported that unemployment rates were down in each of Nevada's three metropolitan statistical areas from prior year levels. Although improving, unemployment rates remain relatively high ranging from 9.6% in Las Vegas to 9.1% in Reno-Sparks. In the Las Vegas MSA ("Metropolitan Statistical Area"), the unemployment rate fell to 9.6% in August, down from 9.7% in July.

The Southern Nevada employment picture continued to show signs of recovery during the first eight months of 2013, as Las Vegas added 18,900 jobs over the same period in 2012. Job growth in the Las Vegas metro area has been positive every month since mid-2011 and has been hovering around 2%-3% as of late.

Henderson has a tax rate of \$.7108 per \$100 in assessed valuation. This property tax rate has remained relatively steady for the past 23 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. Visitor volume is expected to increase slightly, 0.9% and 1.4% for 2013 and 2014 respectively, according to CBER, as the outlook for the U.S. and western State's economy appear to be improving. If national employment figures improve and consumer confidence rebounds in 2013 and 2014, visitor volume, convention attendance, occupancy rates and average daily room rates will all be positively impacted.

The City 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

- Monitor resources made available due to legislative changes to the Consolidated Tax formula

The City 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 2014, contingent upon available funding, include:

Grants and contributions to fund various parks and recreation projects, including Union Pacific Trail Phase III, McCullough Vista Park, Whitney Mesa Recreation Area, Lake Mead Parkway Trail, Armagosa Trail, and Cornerstone Lake Community Park;

Water Fund to fund Sites 17 and 18 Pump Station and Reservoir Upgrades, and R-10A Reservoir;

Water and Sewer Funds to fund upgrades to the systems that monitor and control water, reclaimed water, and wastewater;

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, including Galleria Drive - Pabco Road to Lake Las Vegas, Horizon - Boulder Highway to Pacific Avenue, Horizon - I-515 to Boulder Highway, and installation of fiber optic cable along Pecos Road from I-215 to Sunset Road.

The City 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. Since 2008, several cost cutting strategies have been implemented. Employment compensation reductions included: a hiring freeze, an employee buyout program, overtime restrictions, suspension of the City's deferred compensation match, suspension of car allowance benefits, compensatory time off in-lieu of paid overtime, suspension of cost-of-living pay raises, modifications to paid holidays, the elimination of the tuition reimbursement program, and concessions from all employees equivalent to 2% of pay for fiscal year 2013 and fiscal year 2014. 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 the City Council for approval.

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

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 were adopted during the 2013 legislative session and it is anticipated that the consolidated tax revenue will increase \$1.5 million annually beginning in fiscal year 2014. The City is currently meeting with a similar group to work on reviewing Nevada property tax policies and provide findings to the State legislators at the 2015 Legislative Session.

During fiscal year 2014, a Special Ad Hoc Budget Committee will convene. This committee is comprised of business and community leaders in Henderson. They will review and analyze the City budget as well as make recommendations regarding future budget reductions, cost containment and revenue enhancement. They will focus on strategies to enhance our ability to make investments in capital improvements, streets, and parks and address our aging buildings and infrastructure. Recommendations from this committee will be forwarded to the Mayor and City Council for consideration in the fiscal year 2015 budget development.

Thus far, the City has had the ability to sustain municipal service levels. With the strategies that have been implemented along with what we are working on currently, we believe that we will continue to be able to provide quality services to the business and families that call Henderson home.

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, 2012.

This was the 31st 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
Chief Financial Officer



Government Finance Officers Association

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for Excellence
in Financial
Reporting**

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**City of Henderson
Nevada**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

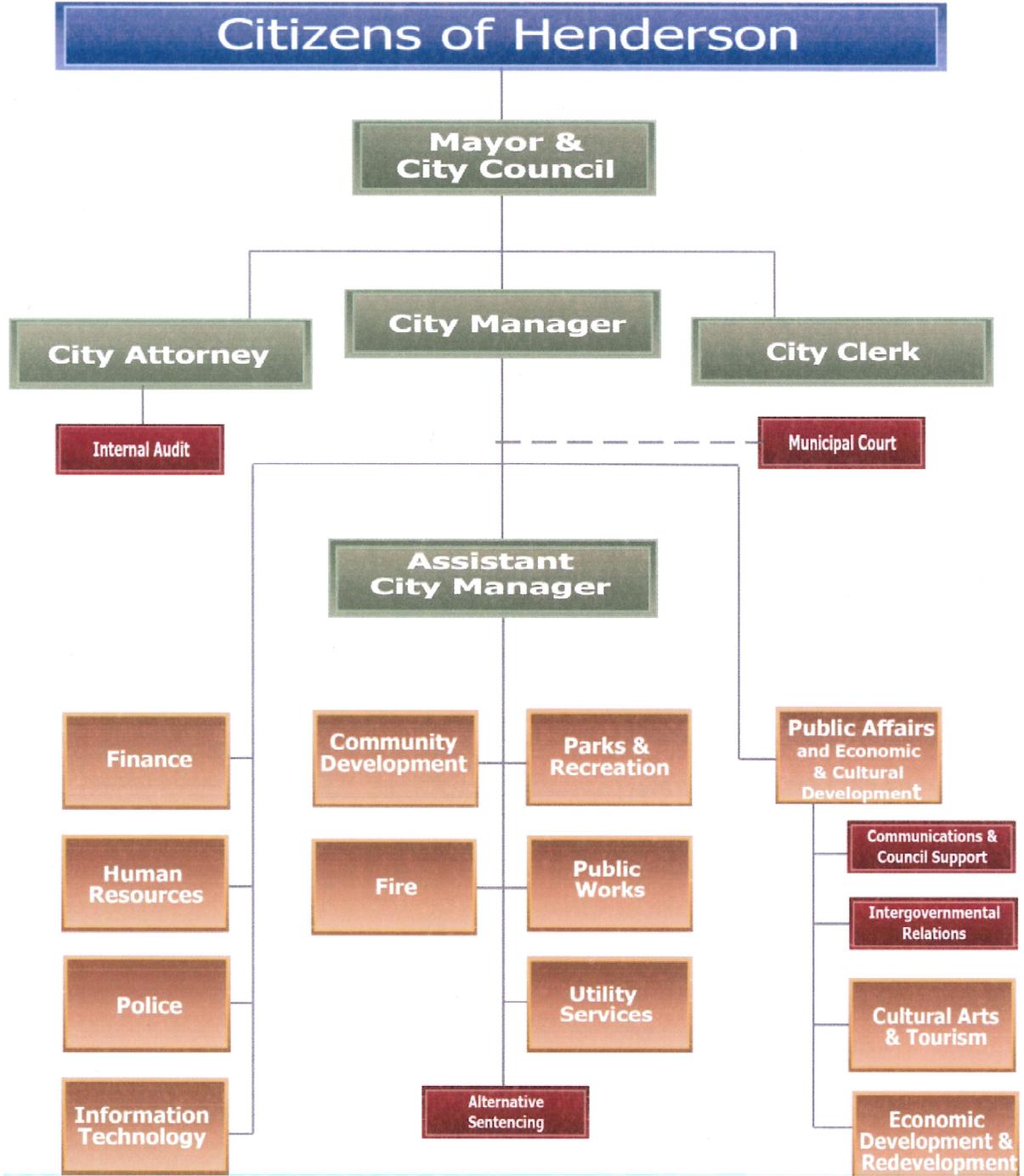
June 30, 2012

Executive Director/CEO

CITY OF HENDERSON, NEVADA

ORGANIZATION CHART

FOR THE YEAR ENDED JUNE 30, 2013



CITY OF HENDERSON, NEVADA

List of Principal Officers

FOR THE YEAR ENDED JUNE 30, 2013

MAYOR AND COUNCIL

Andy 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