

COMPLIANCE SECTION

2014 Comprehensive Annual Financial Report

City of Henderson, Nevada | For Fiscal Year Ended June 30, 2014



A Place To Call Home

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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, 2014, 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 October 30, 2014.

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.

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. 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.

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

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*.

We noted certain matters that we reported to management of the City in a separate letter dated October 30, 2014.

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 internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Perry Bowler Taylor CPA". The signature is written in black ink and is positioned above the typed name and date.

Las Vegas, Nevada
October 30, 2014

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, 2014. 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, 2014.

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 2014 - 001 through 2014 - 003. 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, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated October 30, 2014, 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
October 30, 2014

CITY OF HENDERSON, NEVADA

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2014**

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 FY14	10.556	M-102375.10	\$ 33,463
Total U.S. Department of Agriculture			<u>33,463</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		932,191
NSP HERA Entitlement	14.218		936,484
Program Income	14.218		581,923
Amount Provided to Subrecipients	14.218		<u>478,671</u>
Total Community Development Block Grants/Entitlement Grants			2,929,269
<i>Office of Sustainable Housing and Community</i>			
Sustainable Communities Regional Planning Grant Program			
HUD Sustainable Communities Grant	14.103*	FR-5500-N-30FA	<u>1,431,478</u>
Total Direct Programs			<u>4,360,747</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*		935,773
HOME Grant - Administration	14.239*		<u>82,197</u>
Total HOME Investment Partnerships Program			<u>1,017,970</u>
<i>Office of Healthy Homes and Lead Hazard Control</i>			
Lead Hazard Control	14.900	NVLHB0558-13	<u>326,764</u>
Total Department of Housing and Urban Development			<u>5,705,481</u>

* Major Program

CITY OF HENDERSON, NEVADA

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2014**

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	148,451
Cornerstone Lake Park	15.235	HN16, L05AC14906	836,401
UPRR Right of Way	15.235	HN22, L05AC14427	43,029
UPRR Phase III	15.235	HN23, L05AC14404	437,715
UPRR Phase II	15.235	HN07, L05AC14553	11,837
Mission View Park	15.235	HN25, L05AC12983	89,899
McCullough Hills Trail	15.235	HN04, L07AC13260	526,056
Arroyo Grande Project Green	15.235	HN26, L07AC13812	696,894
Whitney Mesa Trailhead	15.235	HN27, L07AC12954	248,858
Wetlands Trail Phase II	15.235	HN28, L07AC14291	911,601
Southeast Valley Acquisition	15.235	HN34, L08AC14797	114
Reunion Trails Park	15.235	HN32, L07AC14644	588,111
Lake Mead Parkway Trail	15.235	HN31, L07AC14400	21,213
McCullough Vista Park	15.235	HN33, L08AC14130	730,370
Green Valley Flood Control Panel	15.235	HN35, L08AC13389	565,202
Whitney Mesa Nature Preserve Phase II	15.235	HN36, L09AC15525	3,318
Paradise Point Park	15.235	HN38, L11AC20013	230,647
RMLT Safety & Education	15.235	HN37, L11AC20011	250,031
Fox Ridge Improvements	15.235	HN39, L12AC20355	6,928
I-215 Regional Trail	15.235	HN40, L12AC20494	4,693
Boulder Creek Park	15.235	HN41, L13AC20070	<u>168,560</u>
Total U.S. Department of the Interior			<u>6,519,928</u>
<u>U.S. Department of Justice</u>			
Direct Programs			
<i>Bureau of Justice Assistance</i>			
Byrne 2010 Congressional Mandate - ARRA	16.710	2010-CK-WX-0322	190,419
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2008-DD-BX-0561	6,571
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2010-DJ-BX-1134	26,040
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2010-DD-3X-0724	246,170
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2012-DJ-BX-1055	18,599
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2013-DJ-BX-0920	36,961
Edward Byrne Memorial Competitive Grant Program American Recovery and Reinvestment Act (ARRA)	16.808	2009-SB-B9-1637-HPD	212
<i>Office of Juvenile Justice and Delinquency Prevention</i>			
Missing Children's Assistance	16.543	2011-MC-CX-K002	25,184

* Major Program

CITY OF HENDERSON, NEVADA

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2014**

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	18,732
Domestic Cannabis Eradication	n/a	2014-91	<u>4,329</u>
Total Direct Programs			573,217
<i>Bureau of Justice Assistance</i>			
Passed through State of Nevada Department of Public Safety			
Edward Byrne Memorial Justice Assistance Grant Program	16.738	11-JAG-12	8,257
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2011-DJ-BX-3449	50,328
<i>Office of Juvenile Justice and Delinquency Prevention</i>			
Passed through State of Nevada Juvenile Justice Commission:			
Enforcing Underage Drinking Laws Program	16.727		27,290
<i>Office on Violence Against Women</i>			
Passed through State of Nevada Office of Attorney General			
Violence Against Women Formula Grants - ARRA	16.588	2009-WF-AX-0029	21,470
Violence Against Women Formula Grants - ARRA	16.588	2012-WF-AX-0041	<u>20,881</u>
Total U.S. Department of Justice			<u>701,443</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	38,605
<i>Federal Highway Administration</i>			
Highway Planning and Construction - American Recovery and Reinvestment Act (ARRA)			
I-515 Sunset Interchange Landscape	20.205*	P222-10-063	962,737
NDOT Water St Enhancement	20.205*	PR249-12-063	842,865
NDOT Lake Mead Bus Turnouts	20.205*	P350-12-063	31,386
NDOT Sunset Td ITS Ph 1	20.205*	P349-12-063	19,316
NDOT Sunset Td ITS Ph 2	20.205*	P352-12-063	19,116
NDOT Valley Verde ITS	20.205*	P347-12-063	4,507
NDOT Pecos Rd ITS	20.205*	P346-12-063	24,050
NDOT St Rose Intersection Improvements	20.205*	P348-12-063	3,446
NDOT Boulder Hwy Trail	20.205*	PR-177-13-063	14,508
NDOT Horizon Rdg I515 Op Improvements	20.205*	PR-121-13-015	566
NDOT Volunteer-Via Firenze Signal	20.205*	PR-277-13-063	2,134
NDOT Boulder-Majic Signal	20.205*	PR-309-13-063	3,550

* Major Program

CITY OF HENDERSON, NEVADA

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2014**

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)			
NDOT School Walking Route Maps	20.205*	PR-129-13-802	<u>15,916</u>
Total Direct Programs			1,982,702
<i>Federal Highway Administration</i>			
Passed through State of Nevada, Division of Parks Office of Federal Highway Administration			
River Mountain Loop Trail Repaving	20.219*	2013-02	78,062
<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	(14)
Joining Forces Incentive 2010	20.600	23-JF-1.08	28,497
Joining Forces 2014	20.600		130,744
Impaired Driving Reduction Program	20.600	23-AL-9	<u>3,683</u>
Total U.S. Department of Transportation			<u>2,223,674</u>
<u>U.S. Department of Health and Human Services</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 2013	93.045*	03-031-07-1X-13	118,998
Senior Nutrition Homebound 2013	93.045*	03-031-04-2X-13	92,609
Sr Nutrition Equipment	93.045*	03-031-07-04	3,078
Senior Nutrition Congregate 2014	93.045*	03-031-07-1X-14	179,625
Senior Nutrition Homebound 2014	93.045*	03-031-04-2X-14	184,311

* Major Program

CITY OF HENDERSON, NEVADA

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2014**

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Agency or Pass-through Grantor's Number	Expenditures
Nutrition Services Incentive Program			
Sr. Nutrition NSIP 2013	93.053*	03-031-57-NX-13	57
Sr. Nutrition NSIP 2014	93.053*	03-031-57-NX-14	34,815
Sr. Nutrition NSIP 2013 SI	93.053*	03-031-66-1X-13	58,564
			<u>672,057</u>
<i>Centers for Disease Control and Prevention</i>			
Affordable Care Act (ACA)			
CATCH Kids Program	93.520		24,696
<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	10,928
Total U.S. Department of Health and Human Services			<u>707,681</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 FY13	97.042	9704211	153,716
SHSP FFY11 - Hazmat	97.073		80,035
Homeland Security Grant Program			
FFY 09 SHSP Grant	97.067		103,050
DEM-UASI-FFY2011	97.067	11-U11	433
Business Impact Analysis	97.067	HL3	58,000
Homeland Security 2010 - Gas Masks	97.067		22,440
Total Department of Homeland Security			<u>417,674</u>
Total Expenditures of Federal Awards			<u><u>\$ 16,309,344</u></u>

* Major Program

CITY OF HENDERSON, NEVADA

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2014

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, 2014, the City provided \$478,671 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, 2014, outstanding loan balances were as follows:

Federal CFDA Number	Program Title	Loan Balance Receivable
14.218	Community Development Block Grants/Entitlement Grants	\$ 490,431
14.239	Home Investment Partnerships Program	<u>1,860,898</u>
		<u>\$ 2,351,329</u>
Federal CFDA Number	Federal CFDA Number	Loan Balance Payable
66.458	Capitalization Grants for Clean Water State Revolving Funds	<u>\$ 1,397,386</u>

CITY OF HENDERSON, NEVADA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED JUNE 30, 2014

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued	Unmodified
Internal control over financial reporting	
Material weaknesses identified	No
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	Unmodified
Audit findings required to be reported in accordance with Circular A-133, Section .510(a)	Yes

Identification of major programs

CFDA number	14.103
Name of federal program or cluster	Interest Reduction Payments_Rental and Cooperative Housing for Lower Income Families
CFDA number	14.239
Name of federal program or cluster	Sustainable Communities Regional Planning Grant Program
CFDA number	20.205, 20.219
Name of federal program or cluster	Highway Planning and Construction, Recreational Trails Program (Highway Planning and Construction Cluster)
CFDA number	93.045, 93.053
Name of federal program or cluster	Special Programs for the Aging_Title III, Part C_Nutrition Services, Nutrition Services Incentive Program (Aging Cluster)
Name of federal program or cluster	

Dollar threshold used to distinguish between Type A and Type B programs	\$489,280
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, 2014

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 FINDINGS AND QUESTIONED COSTS (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2014

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

2014 - 001 Program	CFDA #14.703 - HUD Sustainable Communities Grant CFDA #93.045, 93.053 - Special Programs for the Aging_ Title III, Part C_Nutrition Services, Nutrition Services Incentive Program (Aging cluster)
Specific requirements	The information included in Federal Financial Reports (FFRs) filed with granting agencies is complete and accurate.
Condition and context	CFDA #14.703 - For the semi-annual period ended December 31, 2013, the matching expenditures reported on the FFR (\$687,185) were overstated by \$429 as compared to the detailed supporting schedules examined. CFDA #93.045, 93.053 - For the quarterly period ended June 30, 2014, the program income reported on the FFR for the Black Mountain Senior Nutrition Program (\$175,619) were overstated by \$985 when compared to the detailed supporting schedules examined.
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 program income / matching detail is tracked manually in Excel documents, which are sometimes modified subsequent to the filing of FFRs.
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 spreadsheets used to support matching expenditures and program income should be documented to provide an audit trail to the amounts reported on FFRs.
Management's response	Management informed us that FFRs will be reviewed by Finance staff before they are submitted to ascertain supporting documentation agrees and will be reconciled to the general ledger.

(Continued)

CITY OF HENDERSON, NEVADA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2014

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

2014 - 002 Program	CFDA #14.218 - Community Development Block Grants / Entitlement Grants (CDBG) CFDA #20.205 - Highway Planning and Construction
Specific requirements	The information included in the schedule of expenditures of federal awards (SEFA) is complete and accurate.
Condition and context	We noted that expenditures reported on the SEFA for CFDA #14.218 and CFDA #20.205 were overstated by \$98,029 and \$32,578, respectively.
Questioned costs	None
Effect	Expenditures reported on the unaudited SEFA were overstated by \$130,607.
Cause	CFDA #14.218 - Duplicate expenditure detail was included within the SEFA reconciliation which went undetected during the preparation of the SEFA and not noted when preparing the final SEFA. CFDA #20.205 - The granting agency modified its reimbursement process during the fiscal year; however, the change was not communicated by the City's grant administrator to the finance department.
Recommendation	The completeness and accuracy of the SEFA should be reviewed to verify that no duplicative information is included, and grant administrators should timely communicate any changes in grant reimbursement protocols and billing to the finance department to ensure that accounting records can be appropriately updated.
Management's response	Management informed us that the \$98,029 was a clerical error (the amount was included twice during the preparation of the SEFA), and that going forward, the SEFA and supporting schedules will be reviewed by Finance staff, other than the preparer, to reduce the risk of clerical error. We were also informed that departmental grant administrators will be reminded to communicate any changes in grant procedures to Finance staff.

(Continued)

CITY OF HENDERSON, NEVADA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2014

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

2014 - 003 Program	CFDA #93.045, 93.053 - Special Programs for the Aging_ Title III, Part C_Nutrition Services, Nutrition Services Incentive Program (Aging cluster)
Specific requirements	Expenditures subject to grant requirements should be review and approved timely to ensure compliance with applicable grant requirements. The review and approval should be adequately documented and maintained.
Condition and context	We were unable to examine supporting documentation for one of the expenditures selected for testing. Although we were able to perform alternative procedures to determine that the expenditures incurred were allowable and within the period of availability, we were unable to determine if the expenditure was properly reviewed and approved.
Questioned costs	None
Effect	We were unable to determine if the expenditure was properly reviewed and approved.
Cause	Supporting documentation (in this case a journal entry) for expenditures is maintained manually, and due to the volume of documentation, information can easily be misplaced.
Recommendation	Electronic document storage options should be considered, depending on the results of a cost / benefit analysis.
Management's response	Management informed us that journal entry documentation will be attached electronically in the general ledger system, and that procedures will be performed to ascertain that review and approval history is maintained.

CITY OF HENDERSON, NEVADA

SCHEDULE OF PRIOR FINDINGS AND QUESTIONED COSTS

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	Prior to July 1, 2012, 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.
Current status	Corrected

(Continued)

CITY OF HENDERSON, NEVADA

SCHEDULE OF PRIOR 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 are 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.

Current status

Corrected

(Continued)

CITY OF HENDERSON, NEVADA

SCHEDULE OF PRIOR 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	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. 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.
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.
Current status	See finding 2014-001.

(Continued)

CITY OF HENDERSON, NEVADA

SCHEDULE OF PRIOR 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.
Current status	Corrected

(Continued)

CITY OF HENDERSON, NEVADA

SCHEDULE OF PRIOR 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.
Current status	See finding 2014-002.

(Continued)

CITY OF HENDERSON, NEVADA

SCHEDULE OF PRIOR 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.</p> <p>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>Construction material, 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>Domestic construction material, 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.
Current status	Corrected

CITY OF HENDERSON, NEVADA

SCHEDULE OF BUSINESS LICENSE FEES

FOR THE YEAR ENDED JUNE 30, 2014

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.

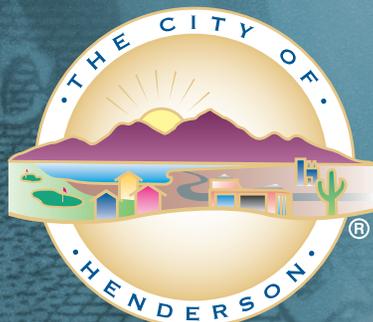
FEES CALCULATED AS A PERCENTAGE OF GROSS REVENUE

Business license revenue for the year ended June 30, 2014		\$	3,499,248
Business license revenue for the year ended June 30, 2013 (base year)		\$	3,278,270
Adjustment to base year			
Percentage change in Consumer Price Index			<u>2.10 %</u>
Total adjustment to base year			<u>68,844</u>
Adjusted business license revenue base for the year ended June 30, 2014			<u>3,347,114</u>
Amount over allowable maximum		\$	<u>152,134</u>

FEES CALCULATED ON A FLAT OR FIXED RATE

Business license revenue for the year ended June 30, 2014		\$	2,249,022
Business license revenue for the year ended June 30, 2013 (base year)		\$	2,168,461
Adjustment to base year			
Percentage change in local government population			3.89 %
Percentage change in Consumer Price Index			<u>2.10 %</u>
Total adjustment to base year			<u>5.99 %</u>
Adjusted business license revenue base for the year ended June 30, 2014			<u>129,891</u>
Amount under allowable maximum		\$	<u>(49,330)</u>

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A Place To Call Home

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