



2018

Comprehensive Annual Financial Report

City of Henderson, Nevada | For Fiscal Year Ended June 30, 2018



CITY OF HENDERSON, NEVADA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR FISCAL YEAR ENDED JUNE 30, 2018

Prepared by: Finance Department

Jim McIntosh

Chief Financial Officer

THIS PAGE INTENTIONALLY LEFT BLANK

CITY OF HENDERSON, NEVADA

COMPREHENSIVE ANNUAL FINANCIAL REPORT TABLE OF CONTENTS FOR THE YEAR ENDED JUNE 30, 2018

| | <u>Page</u> |
|--|-------------|
| Introductory Section | |
| Letter of Transmittal | 1 |
| GFOA Certificate of Achievement | 6 |
| Organization Chart | 7 |
| List of Principal Officers | 8 |
| Financial Section | |
| Independent Auditors' Report on Financial Statements and Supplementary Information | 9 |
| Management's Discussion and Analysis | 11 |
| Basic Financial Statements | |
| Government-wide Financial Statements | |
| Statement of Net Position | 24 |
| Statement of Activities | 26 |
| Fund Financial Statements | |
| Balance Sheet - Governmental Funds | 28 |
| Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position - Governmental Activities | 29 |
| Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds | 30 |
| Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities - Governmental Activities | 31 |
| Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - General Fund | 32 |
| Major Special Revenue Funds | |
| Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - Grants Fund | 33 |
| Statement of Net Position - Proprietary Funds | 34 |
| Statement of Revenues, Expenses and Changes in Net Position - Proprietary Funds | 36 |
| Statement of Cash Flows - Proprietary Funds | 38 |
| Statement of Net Position - Fiduciary Funds | 40 |
| Notes to Basic Financial Statements | 41 |
| Required Supplementary Information | |
| Postemployment Benefits Other Than Pensions - Schedule of Changes in Total OPEB Liability | 80 |
| Multiple-Employer Cost-Sharing Defined Benefit Pension Plan Proportionate Share of the Collective Net Pension Liability Information | 81 |
| Multiple-Employer Cost-Sharing Defined Benefit Pension Plan Proportionate Share of Statutorily Required Contribution Information | 82 |
| Agent Multiple-Employer Defined Benefit Pension Plan Schedule of Changes in Net Pension Liability | 83 |
| Agent Multiple-Employer Defined Benefit Pension Plan Pension Plan Information | 84 |
| Agent Multiple-Employer Defined Benefit Pension Plan Actuarially Determined Contribution Information | 85 |
| Notes to Required Supplementary Information | 86 |
| Other Supplementary Information | |
| Governmental Funds | |
| Combining Balance Sheet - Non-Major Governmental Funds | 87 |
| Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Non-Major Governmental Funds | 88 |
| Combining Balance Sheet - Non-Major Special Revenue Funds | 89 |
| Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Non-Major Special Revenue Funds | 91 |
| Combining Balance Sheets - Non-Major Debt Service Funds | 93 |
| Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Non-Major Debt Service Funds | 94 |
| Combining Balance Sheets - Non-Major Capital Projects Funds | 95 |
| Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Non-Major Capital Projects Funds | 98 |

(Continued)

CITY OF HENDERSON, NEVADA

COMPREHENSIVE ANNUAL FINANCIAL REPORT TABLE OF CONTENTS (CONTINUED) FOR THE YEAR ENDED JUNE 30, 2018

| | <u>Page</u> |
|--|-------------|
| Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - General Fund | 101 |
| Special Revenue Funds | |
| Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - | |
| Grants Fund | 105 |
| Redevelopment Agency Fund | 106 |
| Gas Tax Fund | 107 |
| Forfeited Assets Fund | 108 |
| Municipal Court Administrative Fee Fund | 109 |
| Financial Stabilization Fund | 110 |
| Sales and Use Tax Fund | 111 |
| Commissary Fund | 112 |
| Eldorado Valley Training Facility Fund | 113 |
| Crime Prevention Fund | 114 |
| Debt Service Funds | |
| Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - | |
| Special Assessment Districts Fund | 115 |
| General Obligation Fund | 116 |
| Capital Projects Funds | |
| Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - | |
| Municipal Facilities Acquisition and Construction Fund | 117 |
| Special Recreation Fund | 118 |
| Park Development Fund | 119 |
| Flood Control Fund | 120 |
| RTC/County Funded Fund | 121 |
| Special Ad Valorem Transportation Fund | 122 |
| Capital Replacement Fund | 123 |
| Lake Las Vegas Fund | 124 |
| Special Assessment Districts Fund | 125 |
| Land Sales Fund | 126 |
| Proprietary Funds | |
| Internal Service Funds | |
| Combining Statement of Net Position - Internal Service Funds | 127 |
| Combining Statement of Revenues, Expenses and Changes in Net Position - Internal Service Funds | 129 |
| Combining Statement of Cash Flows - Internal Service Funds | 131 |
| Schedule of Revenues, Expenses and Changes in Net Position - Budget and Actual - | |
| Engineering Fund | 133 |
| City Shop Fund | 134 |
| Revolving Fund | 135 |
| Self-Insurance Fund | 136 |
| Worker's Compensation Self-Insurance Fund | 137 |
| Health Insurance Self-Insurance Fund | 138 |
| Citywide Services Fund | 139 |
| Enterprise Funds | |
| Combining Statement of Net Position - Non-Major Enterprise Funds | 140 |
| Combining Statement of Revenues, Expenses and Changes in Net Position - Non-Major Enterprise Funds | 142 |
| Combining Statement of Cash Flows - Non-Major Enterprise Funds | 143 |
| Schedule of Revenues, Expenses and Changes in Net Position - Budget and Actual - | |
| Water Fund | 144 |
| Sewer Fund | 145 |
| Development Services Fund | 146 |
| Cultural Arts and Tourism Fund | 147 |
| Municipal Golf Course Fund | 148 |
| Fiduciary Funds | |
| Agency Funds | |
| Combining Statement of Fiduciary Assets and Liabilities | 149 |
| Combining Statement of Changes in Fiduciary Assets and Liabilities | 150 |

(Continued)

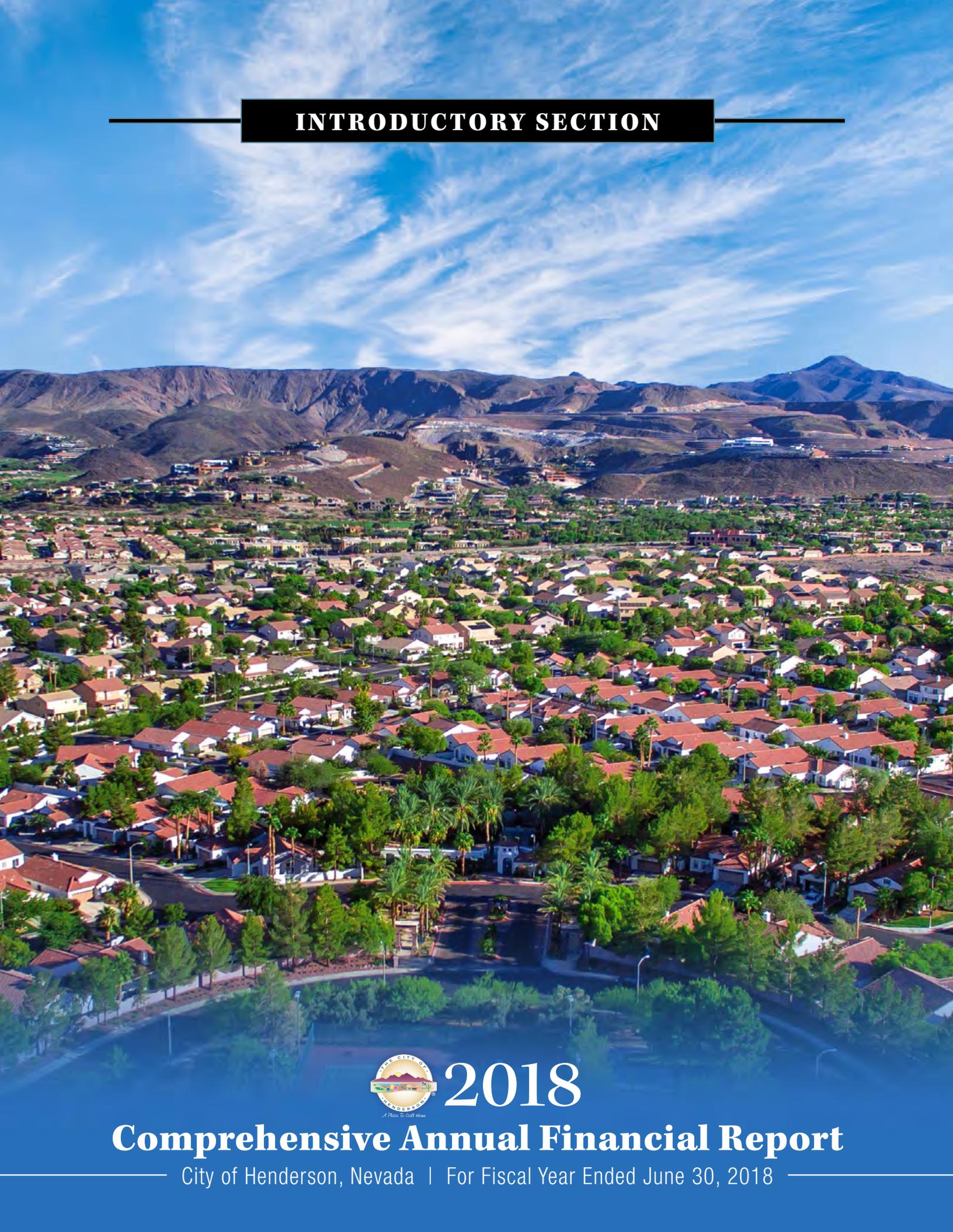
CITY OF HENDERSON, NEVADA

COMPREHENSIVE ANNUAL FINANCIAL REPORT TABLE OF CONTENTS (CONTINUED) FOR THE YEAR ENDED JUNE 30, 2018

| | <u>Page</u> |
|---|-------------|
| Statistical Section | |
| Table 1 - Net Position by Component - Last Ten Fiscal Years | 151 |
| Table 2 - Changes in Net Position - Last Ten Fiscal Years | 152 |
| Table 3 - Fund Balance, Governmental Funds - Last Ten Fiscal Years | 154 |
| Table 4 - Changes in Fund Balance, Governmental Funds - Last Ten Fiscal Years | 155 |
| Table 5 - Assessed and Estimated Actual Value of Taxable Property - Last Ten Fiscal Years | 157 |
| Table 6 - Property Tax Rates - Direct and Overlapping Governments - Last Ten Fiscal Years | 158 |
| Table 7 - Principal Property Taxpayers - Current and Nine Years Ago | 159 |
| Table 8 - Property Tax Levies and Collections - Last Ten Fiscal Years | 160 |
| Table 9 - Ratios of Outstanding Debt by Type - Last Ten Fiscal Years | 161 |
| Table 10 - Ratios of General Bonded Debt Outstanding - Last Ten Fiscal Years | 162 |
| Table 11 - Direct and Overlapping Governmental Activities Debt | 163 |
| Table 12 - Legal Debt Margin Information - Last Ten Fiscal Years | 164 |
| Table 13 - Pledged Revenue Bond Coverage - Last Ten Fiscal Years | 165 |
| Table 14 - Demographic and Economic Statistics - Last Ten Fiscal Years | 166 |
| Table 15 - Principal Employers - Current and Nine Years Ago | 167 |
| Table 16 - Full-Time Equivalent City Government Employees by Function/Program - Last Ten Fiscal Years | 168 |
| Table 17 - Operating Indicators by Function/Program - Last Ten Fiscal Years | 169 |
| Table 18 - Capital Asset Statistics by Function/Program - Last Ten Fiscal Years | 171 |
| Compliance Section | |
| 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 <i>Government Auditing Standards</i> | 172 |
| Independent Auditors' Report on Compliance for Each Major Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance | 174 |
| Schedule of Expenditures of Federal Awards | 176 |
| Notes to Schedule of Expenditures of Federal Awards | 180 |
| Schedule of Findings and Questioned Costs | 181 |
| Schedule of Prior Findings and Questioned Costs | 184 |
| Schedule of Business License Fees | 186 |

THIS PAGE INTENTIONALLY LEFT BLANK

INTRODUCTORY SECTION



2018

Comprehensive Annual Financial Report

City of Henderson, Nevada | For Fiscal Year Ended June 30, 2018



City of Henderson, Nevada
240 Water Street
Henderson, Nevada 89015

October 31, 2018

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, 2018 is hereby submitted. State law requires that a local government provide for an annual audit by independent certified public accountants of its financial statements in accordance with generally accepted auditing standards.

This report consists of management's representations concerning the finances of the City of Henderson (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, 2018 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 unmodified opinion that the City's financial statements for fiscal year ended June 30, 2018, 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 requires 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 the 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 300,000, 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 residents 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 no sooner than the third Monday in May and not later than the last day 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 America's most livable and tax-friendly cities, having been able to maintain property taxes at the same low rate for 28 years.

Located just seven miles from the famous Las Vegas Strip, Henderson is known throughout the nation for its premier 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 Medco Health Solutions, Ford Motor Credit, Core-Mark Distributors Inc., Walmart, Ethel M. Chocolates, Levi Strauss & Company, and Cashman Equipment. Henderson also has defined gaming districts which include casino/resort developments such as the M Resort, Sunset Station, Fiesta Henderson, and Green Valley Ranch Station. The City will soon become home to the National Football League's Las Vegas Raiders headquarters and practice facility. Construction on the facility will be completed by Spring 2020.

The City is focusing its efforts on recruiting new businesses from a select list of target industries including medical, industrial, financial, educational, and administrative offices. These new businesses help create job opportunities for residents, while also helping to diversify the local economy. Businesses that may be interested in relocating and local businesses planning to expand may be eligible for a number of incentive programs and services. As municipal stewards, it is essential that the financial integrity of the City is maintained regardless of the effects of outside forces and economic conditions.

Nevada's economy is expected to continue steady, incremental growth in 2019. Four key indicators support this outlook: increase in average wage for Nevada workers, increase in construction activity, decrease in the number of discouraged

workers and significant and continual growth in Nevada's GDP.

The national employment picture has continued to show signs of strengthening. The official unemployment rate, which was at 4.3% in June 2017, fell to 4.0% as of June 2018, suggesting that the U.S. job market continues to improve and progress toward full employment.

Like the national employment market, the local market has also shown signs of stability, with Nevada's and the Las Vegas Metropolitan Statistical Area unemployment rates remaining steady at 4.7% as of June 2018.

Nevada's job growth has continued to outpace the nation. As of June 2018, Nevada has seen year-over-year gains for 90 consecutive months, with employment higher than this time last year by 37,600. June was the 71st consecutive month that Nevada's year-over-year job growth had outpaced the nation.

The largest year-to-date job gains (as of June 2018) were found in manufacturing (+6,600 jobs), construction (+6,400 jobs), education/health services (+5,900), trade/transportation/utilities (+5,800) and government (+6,000).

The City has a tax rate of \$.7108 per \$100 in assessed valuation. This property tax rate has remained consistent for the past 28 years and continues to be one of the lowest in the State of Nevada.

The City is highly reliant on consolidated tax, which consists of liquor taxes, cigarette taxes, the Government Services Tax, the Real Property Transfer Tax, the Basic City County Relief Tax (BCCRT), and the Supplemental City County Relief Tax (SCCRT). The BCCRT and SCCRT are strictly sales tax based, and generally make up in excess of 85% of consolidated tax. Compiled at the state level, these funds are then distributed to municipalities according to a formula outlined in Nevada Revised Statutes (NRS) 360.

Visitor volume in the Las Vegas valley continues to be strong at 42.2 million visitors with visitor spending exceeding \$34.8 billion in 2017. Convention growth has exceeded expectations by reaching a record high attendance of 6.6 million in 2017. Hotel room occupancy rates have also remained strong, nearing record highs for both midweek and weekend levels.

According to population estimates made by the Nevada state demographer, the population in Clark County rose to 2,193,818 as of July 1, 2017. This reflects a modest population increase of 1.3% over the July 1, 2016 figure of 2,166,181. It is estimated that the population growth will continue to gradually increase in Clark County in the coming years.

Long-Term Financial Planning

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 2019, contingent upon available funding, include:

Grants, park taxes, and contributions to fund various parks and recreation projects, including Union Pacific Railroad Right of Way Acquisition.

Water Fund to fund the pavement patching program. Additionally, surface repairs associated with replacement of water service laterals, water and sewer main repairs, or other excavations due to corrective work on the distribution or collection systems.

Sewer Fund to fund the galleria reclaimed waterline replacement. This project will consist of evaluating rehabilitation or replacement alternatives, designing and constructing approximately one mile of 27-inch diameter reclaimed waterline.

The City to fund the expansion of fleet maintenance facilities to accommodate fleet size and increase efficiency of maintenance.

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 for flood channels and street projects, including design and construction of the Pittman North Detention Basin and Outfall Channel from the basin to Starr 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 help meet the long-term goals of not over estimating revenues or under estimating expenditures. Economic forecasting is not an exact science and relies upon the professional judgment of the forecaster. To reduce the risks of miscalculating future revenues or expenditures, the City attempts 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

A comprehensive assessment of capital and operating needs has been compiled and is updated annually to provide for strategic allocation of additional or new resources. Additional investment in infrastructure and technology refresh has been made in the past few years and the City plans to continue to dedicate resources to these important initiatives. The City will continue to look for resourceful ways to maintain the quality services and facilities that our community has come to expect.

The City is actively participating in educational advancement in our community. The Redevelopment Agency dedicates 18% of the incremental tax revenue in certain redevelopment areas to be invested in schools serving residents. The City Council also voted to dedicate 30% of recreational marijuana business license revenue to local schools. The City created the Community Education Advisory Board to ensure that these funds are used for programs and facility reinvestment that produce positive outcomes for local students. City staff, in conjunction with community leaders, are working to level the playing field and provide better educational opportunities for all students in Henderson.

With the growth of the economy for the past several years, the City must prepare for the next economic decline. To this end, the City intends to build up reserves beyond the requirements outlined in the Financial Management Policy statements in order to be as prepared for the next downturn as it was for the last. This is an important step in keeping on the road to attaining our vision of being America's Premier Community.

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, 2017.

This was the 36th 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.

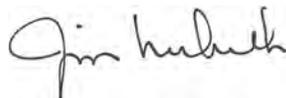
The preparation of this report on a timely basis could not be accomplished without the efficient and dedicated services of the Finance Department's Accounting staff as well as certain members of the City Manager's staff, Public Works, Parks and Recreation Department, Utilities, and Neighborhood Services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



Richard A. Derrick
City Manager/CEO



Jim McIntosh
Chief Financial Officer



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**City of Henderson
Nevada**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2017

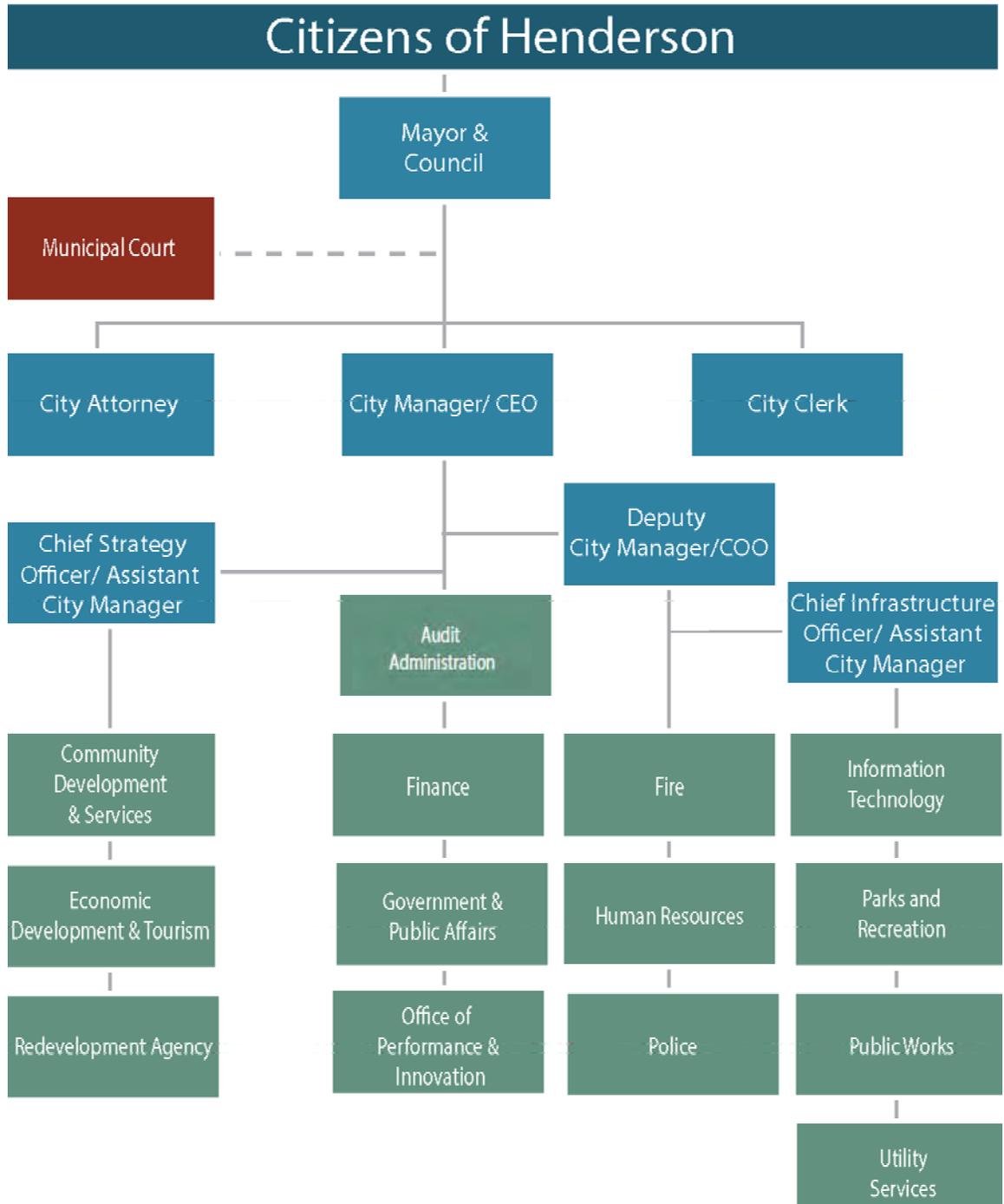
Christopher P. Morrill

Executive Director/CEO

CITY OF HENDERSON, NEVADA

ORGANIZATION CHART

FOR THE YEAR ENDED JUNE 30, 2018



CITY OF HENDERSON, NEVADA

LIST OF PRINCIPAL OFFICERS

PRESENTED AS OF OCTOBER 31, 2018

MAYOR AND COUNCIL

Debra March, Mayor
Gerri Schroder, Councilwoman
Dan K. Shaw, Councilman
John F. Marz, Councilman
Dan H. Stewart, Councilman

CITY OFFICIALS

Richard A. Derrick, City Manager/CEO
Nicholas G. Vaskov, City Attorney
Sabrina Mercadante, City Clerk