



COMPLIANCE SECTION

2011

Comprehensive Annual Financial Report
City of Henderson, Nevada



P B T K

PIERCY BOWLER
TAYLOR & KERN

Certified Public Accountants
Business Advisors

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

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

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 of Henderson, Nevada, (the City) as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements and have issued our report thereon dated November 2, 2011. We conducted our audit in accordance with 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.

Internal Control over Financial Reporting. Management of the City is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

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 entity's 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 over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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

Compliance and other matters. As part of obtaining reasonable assurance about whether the City's basic financial statements are free of 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 financial statement amounts including whether the funds established by the City, as described in Nevada Revised Statutes (NRS) 354.624(5)(a)(1) – (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 were reported to the City's management in a separate letter dated November 2, 2011.

This report is intended for the information and use of the Honorable Mayor, Members of the City Council, management of the City, federal awarding agencies and pass-through entities. However, this report is a matter of public record, and therefore, its distribution is not limited.

A handwritten signature in cursive script that reads "Percy Bowler Taylor" followed by a stylized mark that appears to be a checkmark or a flourish.

November 2, 2011

P B T K

PIERCY BOWLER
TAYLOR & KERN

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**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**

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

Compliance. We have audited the compliance of the City of Henderson (the City) with the types of compliance requirements described in the *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, 2011. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

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. Our audit does not provide a legal determination of the City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

Internal Control over Compliance. Management of the City is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance 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.

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

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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be *material weaknesses*, as defined above.

Schedule of Expenditures of Federal Awards. 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 of Henderson, Nevada, (the City) as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements and have issued our report thereon dated November 2, 2011. Our audit was performed for the purpose of forming our opinions on the financial statements that collectively comprise the City's 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 has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended for the information and use of the Honorable Mayor, Members of the City Council, management of the City, federal awarding agencies and pass-through entities. However, this report is a matter of public record, and therefore, its distribution is not limited.

A handwritten signature in dark ink that reads "Percy Bowler Taylor" followed by a stylized flourish that appears to be "J. Kent".

November 2, 2011

CITY OF HENDERSON, NEVADA

Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2011

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Disbursements/ 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>			
Child and Adult Care Food Program			
Safekey Milk Grant FY11	10.558	--	\$ 14,984
Total U.S. Department of Agriculture			<u>14,984</u>
<u>U.S. Department of Housing and Urban Development</u>			
<i>Community Planning and Development</i>			
Direct Programs:			
Community Development Block Grants/Entitlement Grants			
Entitlement Funds	14.218	--	709,247
Program income	14.218	--	111,252
Amount Provided to Subrecipients	14.218	--	228,553
American Recovery and Reinvestment Act (ARRA)	14.218	--	160,995
Total Community Development Block Grants/Entitlement Grants			<u>1,210,047</u>
Passed through State of Nevada, Community Development			
Block Grants:			
NSP HERA Entitlement	14.218	--	<u>1,717,856</u>
HOME Investment Partnerships Program			
HOME Grant - Program Income/Projects	14.239	--	231,850
HOME Grant - Administration	14.239	--	79,835
Total HOME Investment Partnerships Program			
Passed through State of Nevada, Housing Division:			
HOME Investment Partnerships Program			
Program Income/Projects	14.239	--	400,000
			<u>711,685</u>
Total Department of Housing and Urban Development			<u>3,639,588</u>
<u>U.S. Department of the Interior</u>			
<i>Bureau of Land Management</i>			
Southern Nevada Public Land Management			
Amargosa Trail	15.235*	NAF04HN08	1,197,086
Burkholder Trail	15.235*	NAF04HN09	808,878
St. Rose Trail Phase 2	15.235*	NAF05HN15	833,467
Hidden Falls Park	15.235*	NAF05HN13	3,456,100
Heritage Recreation Area	15.235*	NAF05HN12	28,051
Cornerstone Lake Park	15.235*	NAF05HN18	1,166,503
River Mountain Trail 13-14	15.235*	NAF05HN17	1,495,748
Amargosa Trailheads	15.235*	NAF05HN19	2,413,759
Bird View Preserve Improvement	15.235*	NAF05HN24	919,289
UPRR Right of Way	15.235*	NAF05HN22	90,590
UPRR Phase III	15.235*	NAF05HN23	1,018,638
UPRR Phase II	15.235*	NAF05HN20	3,993

CITY OF HENDERSON, NEVADA

Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2011

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Disbursements/ Expenditures
<u>U.S. Department of the Interior (continued)</u>			
<i>Bureau of Land Management (continued)</i>			
Southern Nevada Public Land Management			
Mission View Park	15.235*	NAF05HN21	118,845
McCullough Hills Trail	15.235*	NAF05HN25	105,793
Arroyo Grande Project Green	15.235*	FAA060150	271,181
Whitney Mesa Trailhead	15.235*	FAA060156	306,332
Wetlands Trail Phase II	15.235*	FAA060158	43,002
Heritage Park Phase II	15.235*	FAA060163	1,597,809
Southeast Valley Acquisition	15.235*	FAA080033	29,897
Reunion Trails Park	15.235*	FAA060176	2,960,447
Downs 5/Downtown Trail	15.235*	FAA060173	300,430
Lake Mead Parkway Trail	15.235*	FAA060175	147,576
McCullough Vista Park	15.235*	FAA080028	231,429
Green Valley Flood Control Panel	15.235*	FAA080045	3,023
Whitney Mesa Nature Preserve Phase II	15.235*	L09AC15525	66,901
Paradise Point Park	15.235*	L11AC20013	1,127
			19,615,894
<i>Bureau of Reclamation</i>			
Water Conservation Field Services Program (WCFSP)			
Bureau of Reclamation Irrigation	15.530	R09AP30009	6,000
Total U.S. Department of the Interior			19,621,894
<u>U.S. Department of Justice</u>			
<i>Bureau of Justice Assistance</i>			
Direct:			
Bulletproof Vest Partnership Program 2010	16.607	--	23,555
Drug Court Discretionary Grant Program	16.585	2010-DC-BX-0025	37,110
Edward Byrne Memorial State and Local Law Enforcement, Assistance Discretionary Grant Program	16.580	2008-DD-BX-0561	380,120
Edward Byrne Memorial Justice Assistance Grant Program	16.738	09-JAG-12	5,351
Edward Byrne Memorial Justice Assistance Grant Program	16.738	10-JAG-13	26,599
Edward Byrne Memorial Competitive Grant Program American Recovery and Reinvestment Act	16.808	2009-SB-B9-1637-HPD	133,914
<i>Office of Juvenile Justice and Delinquency Prevention</i>			
Part E - Developing, Testing and Demonstrating Promising New Programs	16.541	29-AL-5	15,947
Missing children's assistance	16.543	2008-MC-CX-K002	11,357

CITY OF HENDERSON, NEVADA

Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2011

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Disbursements/ Expenditures
<u>U.S. Department of Justice (continued)</u>			
<i>Bureau of Justice Assistance (continued)</i>			
Direct (continued):			
<i>Office of Community Oriented Policing Services</i>			
Public Safety Partnership and Community Policing Grants	16.710*	2008CKWX0168	1,433,871
Public Safety Partnership and Community Policing Grants	16.710*	2009CKWX0416	496,904
 <i>Office of Drug Enforcement Administration</i>			
Domestic Cannabis Eradication	n/a	2010-96	<u>12,251</u>
Total Direct			2,576,979
 <i>Office of Juvenile Justice and Delinquency Prevention</i>			
Passed through State of Nevada Juvenile Justice Commission:			
Enforcing Underage Drinking Laws Program	16.727	COH-PD-2011-G0245	24,381
 <i>Office on Violence Against Women</i>			
Passed through State of Nevada Office of Attorney General			
Violence Against Women Formula Grants	16.588	2009-STOP-01	19,950
Violence Against Women Formula Grants	16.588	2010-STOP-01	<u>20,112</u>
Total U.S. Department of Justice			<u>2,641,422</u>
 <u>U.S. Department of Transportation</u>			
<i>Federal Motor Carrier Safety Administration</i>			
National Motor Carrier Safety	20.218	MH103210000000	44,056
 <i>Federal Highway Administration</i>			
Highway Planning and Construction - American Recovery and Reinvestment Act (ARRA)			
	20.205	--	1,006,273
 Highway Planning and Construction			
I-515 Sunset Intrchg Landscape	20.205		32,378
Safe Rts Grant Infrastructure	20.205		19,198
 <i>Highway Research and Development Program</i>			
Passed through the State of Nevada Department of Transportation			
Safe Rte to School Grant	20.200		94,194
 <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 2010	20.600	210-JF-1.07	42,224
Joining Forces 2011	20.600	29-JF-1.06	78,535
Joining Forces Initiative 2010	20.600	21-406PT-1.1	6,611
Drugged Driving and the DRE	20.600	21-AL-8.1	<u>3,303</u>
Total U.S. Department of Transportation			<u>1,326,772</u>

* Major Program

CITY OF HENDERSON, NEVADA

Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2011

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Disbursements/ Expenditures
<u>U.S. Department of Energy</u>			
<i>Energy Efficiency and Conservation Block Grant Program (ARRA)</i>			
Solar PV Arrays @ NCPS-ARRA	81.128*	--	211,681
Energy Efficient Retrofits-ARRA	81.128*	--	831,084
Energy Audit Training -ARRA	81.128*	--	37,500
FCS-17 Hydroelectric Proj-ARRA	81.128*	--	465,575
Idle Reduction 2010 (ARRA)	81.128*	COH-PD-2010-G0246	50,000
			1,595,840
 <i>Office of Energy Efficiency and Renewable Energy</i>			
Passed through State of Nevada Housing Division			
Weatherization Assistance for Low-Income Persons - American			
Recovery and Reinvestment Act (ARRA)	81.042	DOE/2011/4	1,637,677
DOE Base Projects 10/11	81.042	DOE/2011/4	53,033
			3,286,550
 <u>U.S. Department of Health and Human Services</u>			
<i>Administration on Aging</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 2010	93.045	03-031-07-1X-10	33,539
Senior Nutrition Homebound 2010	93.045	03-31-04-2X-10	78,079
Senior Nutrition Congregate 2011	93.045	03-031-07-1X-11	108,767
Senior Nutrition Homebound 2011	93.045	03-031-04-2X-11	157,507
Sr Nutrition Equipment 2010	93.045	03-031-66-1X-10	18,500
			396,392
 Nutrition Services Incentive Program			
Sr. Nutrition NSIP S1	93.053	03-031-57-NX-10	25,078
Sr. Nutrition NSIP 2011	93.053	03-031-57-NX-11	35,801
			60,879
 <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		79,720
			79,720
 Total U.S. Department of Health and Human Services			
			536,991

CITY OF HENDERSON, NEVADA

Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2011

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Disbursements/ Expenditures
<u>Department of Homeland Security</u>			
<i>Homeland Security Grant Program</i>			
DHS - Citizen Corp 2008	97.067	--	15,989
<i>Buffer Zone Protection Program (BZPP)</i>			
DHS--UASI-Radios FFY09	97.078	--	468,633
<i>Pre-Disaster Mitigation</i>			
Pittman/Pecos Channel	97.047	--	199,245
Passed through the State of Nevada, Department of Motor Vehicles and Public Safety, Division of Emergency Management:			
Emergency Management Performance Grants			
Fire Department	97.042	9704209	<u>80,509</u>
Total Department of Homeland Security			<u>764,376</u>
<u>U.S. Environmental Protection Agency</u>			
Passed through the Nevada Division of Environmental Protection			
Capitalization Grants for Clean Water State Revolving Funds			
American Recovery and Reinvestment Act (ARRA)			
Pittman Wash Relocation	66.458		<u>968,331</u>
Total U.S. Environmental Protection Agency			<u>968,331</u>
Total Expenditures of Federal Awards			<u><u>\$ 32,800,908</u></u>

CITY OF HENDERSON, NEVADA

Notes to Schedule of Expenditures of Federal Awards June 30, 2011

Note 1. Reporting Entity

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal award programs of the City of Henderson (the City), except for those activities of the City's Redevelopment Agency (the Agency). The City's reporting entity is defined in Note 1 to the City's basic financial statements. Federal awards received directly from federal agencies as well as federal awards passed through other government agencies are included in the schedule. The Agency is a component unit of the City. A separate report has been issued for the Agency.

Note 2. Basis of Accounting

The Schedule of Expenditures of Federal Awards is prepared on the accrual basis of accounting.

Note 3. Relationship to Financial Statements

The amounts reported in the accompanying Schedule of Expenditures of Federal Awards agree, in all material respects, to amounts reported within the City's financial statements. Federal award revenues are reported principally in the City's financial statements as intergovernmental revenues in the Grant Special Revenue fund.

Note 4. Subrecipients

Of the federal expenditures presented in the Schedule of Expenditures of Federal Awards, the City provided \$228,553 of federal awards to subrecipients related to Community Development Block Grants/Entitlement Grants (CFDA number 14.218).

Note 5. 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 the federal expenditures.

(continued)

CITY OF HENDERSON, NEVADA

Notes to Schedule of Expenditures of Federal Awards (continued)
June 30, 2011

Note 5. Outstanding loan balances (continued)

At June 30, 2011, the balances of loans outstanding are as follows:

Federal CFDA	Program Title	Loan Balances
14.218	Community Development Block Grants/Entitlement Grants - Receivable	\$ 593,961
14.239	Home Investment Partnership Program – Receivable	1,606,699
66.458	Capitalization Grants for Clean Water State Revolving Funds - Payable	1,659,396
	Total	<u>\$ 3,860,056</u>

Note 6. Program Clusters

Federal programs relating to the aging of the City’s population, which are considered together as a program cluster, include the following:

Federal CFDA	Program Title	Federal Expenditures
93.045	Special Programs for the Aging – Nutrition Services	\$ 396,392
93.053	Nutrition Services Incentive Program	60,879
	Total	<u>\$ 457,271</u>

Note 7. American Recovery and Reinvestment Act (“ARRA”)

Expenditures of ARRA funding are included in the following federal programs:

Federal CFDA	Program Title	ARRA Expenditures
14.218	Community Development Block Grants/Entitlement Grants	\$ 160,995
16.808	Edward Byrne Memorial Competitive Grant Program	133,914
20.205	Highway Planning and Construction	1,006,273
66.458	Capitalization Grants for Clean Water State Revolving Funds	968,331
81.128	Energy Efficiency and Conservation Block Grant Program	1,595,840
81.042	Weatherization Assistance for Low-income Persons	1,637,677
	Total	<u>\$ 5,503,030</u>

CITY OF HENDERSON, NEVADA

Schedule of Findings and Questioned Costs For the Fiscal Year Ended June 30, 2011

Section I – Summary of Auditors’ Results

Financial Statements:

Type of auditors’ report issued	Unqualified
Internal control over financial reporting:	
Material weaknesses identified?	No
Significant deficiencies identified that are not considered to be material weaknesses?	No
Noncompliance material to financial statements noted?	None reported

Federal Awards:

Internal control over major programs:	
Material weaknesses identified?	None reported
Significant deficiencies identified that are not considered to be material weaknesses?	No
Type of auditors’ report issued on compliance for major programs	Unqualified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133	None reported

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program</u>	
15.235	Southern Nevada Public Land Management	
16.710	Public Safety Partnership and Community Policing Grants	
81.128	Energy Efficiency and Conservation Block Grant Program	
Dollar threshold used to distinguish between Type A and Type B programs		\$984,027
Auditee qualified as a low risk auditee under Section 530 of OMB Circular A-133		No

CITY OF HENDERSON, NEVADA

Schedule of Findings and Questioned Costs (continued)
For the Fiscal Year Ended June 30, 2011

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:

No findings were noted.

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

No findings were noted.

CITY OF HENDERSON, NEVADA

Summary Schedule of Prior Audit Findings
For the Fiscal Year Ended June 30, 2011

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:

2010-1

Criteria	Agreements that could have a potentially material effect on the City’s financial statements should be reviewed, with the salient provisions abstracted and summarized to support and document the rationale for the accounting treatment applied.
Condition/context	Certain Owner Participation Agreements (OPAs) and Disposition and Development Agreements (DDAs), each of which include material commitments that may potentially obligate the City’s Redevelopment Agency (the Agency) over the next several years, have not been abstracted. In addition, although Agency management appears familiar with the various OPAs and DDAs, documentation supporting prior decisions regarding the accounting treatment for certain provisions of each OPA or DDA has not been created and reviewed by an appropriate level of management.
Effect	A material commitment to a developer and a \$9.1 million liability to various developers were not reported in the prior year financial statements, and a \$2.3 million adjustment to the amount owed to developers was not recorded in the current year.
Cause	The majority of OPAs and DDAs were originally written and maintained by individuals who are no longer with the Agency. However, current management has not adequately summarized and documented its understanding of the material provisions of all of the agreements, including documenting its rationale for the accounting treatment applied to each agreement.
Recommendation	We recommend that management create documentation summarizing its understanding of the salient, material provisions of the OPAs and DDAs and the rationale for the accounting treatment applied to those provisions. These abstracts should be updated periodically to document the status of the related development, the perceived financial condition of the developer and the perceived value of collateral for notes receivable, if any. The abstracts and updates thereto should be reviewed periodically by an appropriate level of management to provide reasonable assurance that all material provisions are properly reported and adequately disclosed in the notes to the City’s basic financial statements.
Status	Corrected

CITY OF HENDERSON, NEVADA

Summary Schedule of Prior Audit Findings (continued)
For the Fiscal Year Ended June 30, 2011

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 (continued):

2010-2

Criteria	Notes receivable are periodically evaluated for impairment based on evolving events and circumstances that may be impairment indicators (<i>i.e.</i> , those that increase the risk that the recorded balance may not be collectible).
Condition/context	The City’s Redevelopment Agency (the Agency) has several notes receivable from developers which, due to the current economic climate and the hardships being experienced by developers, should be evaluated for impairment.
Effect	The Agency’s notes receivable were overstated by \$775,000 due to an unrecorded impairment charge.
Cause	Due to ineffective monitoring, a formal impairment analysis on the Agency’s notes receivable was not completed.
Recommendation	The collectibility of the Agency’s notes receivable from developers should be evaluated at least annually for impairment based on evolving events and circumstances that may be indicators of impairment. The perceived financial condition of the counterparty, as well as the Agency’s collateral should be considered in determining if the receivable is impaired.
Status	Corrected

CITY OF HENDERSON, NEVADA

Summary Schedule of Prior Audit Findings (continued)
For the Fiscal Year Ended June 30, 2011

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 (continued):

2010-3

Criteria	Accurate and complete subsidiary ledgers are maintained for CDBG/HOME low income program loans receivable.
Condition/context	The subsidiary ledger for CDBG/HOME program loans receivable was not accurate and complete.
Effect	The general ledger was improperly adjusted to agree to the inaccurate subsidiary ledger and as a result, was understated by \$1,341,718.
Cause	Ineffective monitoring and review of the subsidiary ledger for all CDBG/HOME low income program loans receivable.
Recommendation	The CDBG/HOME low income program loan subsidiary ledger should be periodically reconciled to the actual note receivable documentation (<i>i.e.</i> , original note agreements, subsequent amendments, documentation of advances, <i>etc.</i>) to verify that all activity has been properly recorded.
Status	Corrected.

CITY OF HENDERSON, NEVADA

Summary Schedule of Prior Audit Findings (continued)
For the Fiscal Year Ended June 30, 2011

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

2010-4

Programs:	Community Development Block Grants/ Entitlement Grants (CFDA # 14.218) Recreation Resource Management (CFDA #15.225) Recovery Act - Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants To Units Of Local Government (CFDA #16.804) Highway Planning and Construction (CFDA #20.205) Weatherization Assistance for Low-income Persons (CFDA #81.042) Energy Efficiency and Conservation Block Grant Program (CFDA # 81.128)
Specific requirements:	The schedule of expenditures of federal awards (SEFA) should be complete and accurate.
Condition / context:	The unaudited SEFA included four programs with incorrect/missing CFDA numbers, one program which included expenditures of state grant funding and one program which was incorrectly not identified as American Recovery and Reinvestment Act (ARRA).
Questioned costs	Not applicable
Effect	The unaudited SEFA was not complete and accurate.
Cause	Controls over the preparation of the SEFA did not function as intended, due to ineffective monitoring for compliance therewith.
Recommendation	Management should instruct personnel as to the importance of compliance with the requirements applicable to ensuring the completeness and accuracy of the SEFA, and it should exercise additional control by monitoring such compliance.
Status	Corrected.

CITY OF HENDERSON, NEVADA

Summary Schedule of Prior Audit Findings (continued)
For the Fiscal Year Ended June 30, 2011

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

2010-5

Programs:	Recovery Act - Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants To Units Of Local Government (CFDA #16.804) Energy Efficiency and Conservation Block Grant Program (CFDA # 81.128)
Specific requirements:	Periodic Federal Financial Reports (FFRs) should only include federal expenditures that were incurred during the reporting period.
Condition / context:	FFRs inappropriately excluded \$260,482 of payroll and other expenditures that were incurred during the reporting period.
Questioned costs	Not applicable
Effect	FFRs were not completed correctly.
Cause	Controls over the preparation of FFRs did not function as intended, due to ineffective monitoring for compliance therewith.
Recommendation	Management should instruct personnel as to the importance of compliance with the requirements applicable to ensuring the completeness and accuracy of FFRs, and it should exercise additional control by monitoring such compliance.
Status	Corrected.

CITY OF HENDERSON, NEVADA

**SCHEDULE OF BUSINESS LICENSE FEES
SUBJECT TO THE PROVISIONS OF NRS 354.5989
FOR THE YEAR ENDED JUNE 30, 2011
(UNAUDITED)**

Nevada Revised Statutes (NRS) 354.5989: As required by NRS 354.624, Section 4(a), all fees imposed by the City are subject to the provisions of NRS 354.5989. The City may adopt new business license fees only if the revenue from the fees is less than the calculated maximum prescribed by the statute. Total revenues for the year ended June 30, 2011, from business license fees did not exceed the allowable maximum revenue in the flat or fixed fee revenue category.

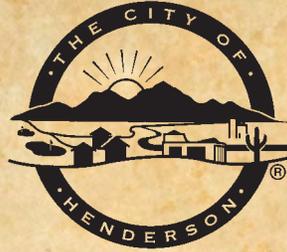
Fees calculated as a percentage of gross revenue:

Business license revenue for the year based on percentage of gross		<u>\$ 5,360,795</u>
Less maximum allowable revenue:		
Prior actual revenue (Base)	\$ 5,546,501	
Times change in Consumer Price Index	<u>3.60%</u>	
Total adjustment to Base	<u>199,674</u>	
Adjusted business license gross revenue		<u>5,746,175</u>
Amount over (under) allowable maximum		<u><u>\$ (385,380)</u></u>

Fees calculated on a flat or fixed rate:

Business license revenue for the year based on a flat or fixed rate		\$ 1,996,628
Less maximum allowable revenue:		
Prior actual revenue (Base)	\$ 2,076,135	
Percentage change in population of the City of Henderson	0.89%	
Percentage change in CPI for the year ending June 30 preceding the year for which the limit is being calculated	<u>3.60%</u>	
Total adjustment to Base	4.49% <u>93,218</u>	
Adjusted business license gross revenue		<u>2,169,353</u>
Amount over (under) allowable maximum		<u><u>\$ (172,725)</u></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

Kathleen Vermillion, Council Ward III

Sam Bateman, Council Ward IV

City Manager's Office

Mark T. Calhoun, City Manager

Bristol S. Ellington, Assistant City Manager

Finance Department

Richard A. Derrick, Finance Director

