PBTK
PIERCY BOWLER
TAYLOR & KERN
Certified Public Accountants
Business Advisors

CITY OF HENDERSON REDEVELOPMENT AGENCY

(*A Component Unit of the City of Henderson, Nevada*)

Annual Financial Report

For the Year Ended June 30, 2018

State of Nevada

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CITY OF HENDERSON REDEVELOPMENT AGENCY

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INDEPENDENT AUDITORS' REPORT ON FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

Members of the City of Henderson Redevelopment Agency Board
City of Henderson Redevelopment Agency
Henderson, Nevada

We have audited the accompanying financial statements of the City of Henderson Redevelopment Agency (the Agency), a blended component unit of the City of Henderson, Nevada, as of and for the year ended June 30, 2018, and the budgetary comparison information for the general fund and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements as listed in the table of contents.

An audit performed in accordance with applicable professional standards is a process designed to obtain reasonable assurance about whether the Agency's basic financial statements are free from material misstatement. This process involves performing procedures to obtain audit evidence about the amounts and disclosures in the basic financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the basic financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Agency's preparation and fair presentation of the basic financial statements to enable the design of audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of significant accounting estimates made by management, as well as the overall presentation of the basic financial statements.

Management's Responsibility for the Financial Statements. Management is responsible for the preparation and fair presentation of the basic financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of basic financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility. Our responsibility is to express an opinion on the basic financial statements based on our audit. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free from material misstatement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion. In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the Agency as of June 30, 2018, and the changes in financial position, and the budgetary comparison information for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters. Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, postemployment benefits other than pensions, schedule of funding progress, proportionate share of the collective net pension liability information, proportionate share of statutorily

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required pension contribution information, on pages 3-8 and 43-48 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information. Our audit was conducted for the purpose of forming our opinion on the financial statements that collectively comprise the Agency's basic financial statements. The other supplementary information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The other supplementary information, as listed in the table of contents, 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. Such 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 other supplementary information as listed in the table of contents is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*. In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2018, on our consideration of the Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Agency's internal control over financial reporting and compliance.

Pisenty Bonetty Taylor & Kurt

October 31, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the finances of the City of Henderson Redevelopment Agency (the Agency), we offer readers of the Agency's financial statements this narrative overview and analysis of the financial activities of the Agency for the fiscal year ended June 30, 2018.

Financial Highlights

The assets and deferred outflows of the Agency's governmental activities exceeded its liabilities and deferred inflows at the close of the most recent fiscal year by $17,045,124 (net position).

Effective July 1, 2017, the Agency implemented GASB statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions* (GASB 75), which required the Agency to report the estimated liability for postemployment benefits other than pensions (OPEB), and the related deferred inflows and outflows of resources. As of July 1, 2017, the implementation of GASB 75 resulted in a decrease in the Agency's net position of $234,692.

Additionally, effective July 1, 2017, the Agency fully implemented GASB statement 82, *Pension Issues – an amendment of GASB Statement No. 67, No. 68, and No.73* (GASB 82), which provided clarification that payments that were made by an employer to satisfy contribution requirements that are identified by the pension plan terms as plan member contribution requirements should be classified as plan member contributions for purposes of GASB 67 and employee contributions for purpose of GASB 82. It also required that an employer's expense and expenditure for those amounts be recognized in the period for which the contribution was assessed. As of July 1, 2017, the implementation of GASB 82 resulted in a decrease in the Agency's net position of $106,517.

The Agency's total net position decreased by $2,024,637 (10.4%) during the current fiscal year.

As of the close of the current fiscal year, the Agency reported ending fund balance of $28,777,361, a decrease of $1,703,058 in comparison with the prior year. The decrease is a result of an impairment loss related to land held for resale, based on recently-obtained appraisals. Approximately 78.6% of fund balance is restricted for future redevelopment activities.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Agency's basic financial statements. The Agency's basic financial statements are comprised of three components: 1) government wide financial statements, 2) fund financial statements, and 3) notes to financial statements.

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the Agency's finances, in a manner similar to a private sector business.

The Statement of Net Position presents information on all the Agency's assets, deferred outflows, liabilities, and deferred inflows, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Agency is improving or deteriorating.

The Statement of Activities presents information showing how the Agency's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash inflows or outflows in future fiscal periods.

(Continued)

The government-wide financial statements include all five of the Agency's redevelopment areas (Downtown, Cornerstone, Tuscany, Eastside, and Lakemoor), which are principally supported by tax increment from ad valorem receipts. All redevelopment activity of the Agency, regardless of area, is included in the general government function, since the Agency is a single purpose entity.

The government-wide financial statements can be found on pages 9 and 10 of this report.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Agency, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance related legal requirements. All the activity of the Agency is recorded in the governmental fund category.

Governmental Fund

The governmental fund is used to account for essentially the same functions reported as governmental activities in the government wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the Agency's near-term financing requirements.

Because the focus of the governmental fund is narrower than that of the government-wide financial statements, it is useful to compare the information presented for the governmental fund with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the Agency's near-term financing decisions. Both the Governmental Fund Balance Sheet and the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances provide a reconciliation to facilitate this comparison between the governmental fund and governmental activities.

The Agency maintains only one governmental fund, the General Fund, which accounts for the activity of all five of the Agency's redevelopment areas.

The Agency adopts an annual appropriated budget for the General Fund. A budgetary comparison statement has been provided to demonstrate compliance with the budget.

The basic governmental fund financial statements (and reconciliations to the government-wide financial statements) can be found on pages 11 through 15 of this report.

Notes to Basic Financial Statements

The notes provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 17 through 42 of this report.

Government-wide Financial Analysis

The total assets and deferred outflows of the Agency's governmental activities exceeded its liabilities and deferred inflows at the close of the most recent fiscal year by $17,045,124 (net position).

Summary Statement of Net Position

	Governmental Activities	
	2018	2017 (Restated)
Assets		
Current, restricted and other	$ 30,288,011	$ 33,697,492
Deferred outflows of resources	233,588	255,827
Liabilities		
Current	484,580	2,733,378
Long-term	12,883,096	12,068,292
Total liabilities	13,367,676	14,801,670
Deferred inflows of resources	108,799	81,888
Net position		
Restricted	17,045,124	19,069,761
Total net position	$ 17,045,124	$ 19,069,761

Of the Agency's total liabilities, approximately 89.1% are long term liabilities as of June 30, 2018.

Summary Statement of Changes in Net Position

	Governmental Activities	
	2018	2017 (Restated)
Revenues		
Program revenues		
Charges for services	$ 2,080	$ 25,679
General revenues		
Property taxes	13,306,856	10,145,242
Unrestricted investment income	160,257	4,402
Contributions	190,553	
Miscellaneous	20,151	13,923
Total revenues	13,679,897	10,189,246
Expenses		
General government	15,315,932	7,713,442
Interest expense and fiscal charges	388,602	380,202
Total expenses	$ 15,704,534	$ 8,093,644
Change in net position	(2,024,637)	2,095,602
Net position, beginning of year, as previously reported	19,410,970	17,305,715
Adjustment	(341,209)	(331,556)
Net position, beginning of year, as adjusted	19,069,761	16,974,159
Net position, end of year	$ 17,045,124	$ 19,069,761

(Continued)

At the end of the current fiscal year, the Agency is able to report a positive balance in Net Position.

Financial Analysis of the Governmental Fund

As noted earlier, the Agency uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The focus of the Agency's governmental fund is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Agency's financing requirements. In particular, restricted fund balance for future redevelopment activities may serve as a useful measure of the Agency's net resources available for spending at the end of the fiscal year.

As a measure of the Agency's liquidity, it may be useful to compare the restricted fund balance for future redevelopment activities to fund expenditures. Fund balance restricted for future redevelopment activities represents 147% of total fund expenditures, including debt service. Restricted fund balance for future redevelopment activities is anticipated to provide the Agency's General Fund sufficient cash to meet its near-term operational obligations.

General Fund Budgetary Highlights

Differences between the original budget and final amended budget are summarized below:

Revenue estimates increased approximately $1,713,506, which consisted mainly of an increase in property tax of $1,548,310 due to Eastside, Tuscany, Cornerstone and Downtown redevelopment areas showing greater growth than originally expected.

Budgeted expenditures were increased by approximately $7,382,094, the majority representing a write-down of land held for sale related to a recent appraisal, an increase to program costs associated with Owner Participation Agreement reimbursements and the Clark County School District 18% set-aside, the latter two directly related to the increase in property tax revenue.

Capital Asset and Debt Administration

Capital Assets

The Agency does not have any capital assets as of June 30, 2018.

Long-term Liabilities

At the end of the fiscal year, the majority of long-term liabilities consist of total bonded debt outstanding of $8,670,000, and the long-term portion of tax increment payable to developers of $710,000. The remainder of long-term liabilities includes bond premiums, compensated absences and post-employment benefits.

(Continued)

Outstanding Long-term Liabilities

	Governmental Activities	
	2018	2017
Long-term liabilities, due within one year		
Bonds and notes payable	$ 240,000	$ 230,000
Compensated absences	27,416	23,672
Tax increment payable to developers	973,863	
Long-term liabilities, due in more than one year		
Bonds and notes payable	9,094,370	9,354,185
Due to other governments		621,261
Compensated absences	326,636	290,759
Other postemployment benefits (OPEB)	384,298	380,051
Net pension liability	1,126,513	1,168,364
Tax increment payable to developers	710,000	
Total long-term liabilities	$ 12,883,096	$ 12,068,292

In October 2015, Standard & Poor’s Ratings Services assigned its "A" rating to the Agency's, series 2015 refunding bonds, with a "stable outlook."

Additional information on the Agency's long-term liabilities can be found in Note 7 of the notes to the basic financial statements.

Economic Factors and Next Year's Budget and Rates

The primary funding source for Nevada's redevelopment agencies is tax increment, which consists of the incremental value of ad valorem tax and personal property tax above the base year in a particular redevelopment area. In Henderson, redevelopment areas total assessed values have increased each year since 2013.

In the 2005 legislative session, the Nevada State Legislature passed a law to provide property tax relief to citizens. Assembly Bill 489, signed into law on April 6, 2005, provides a partial abatement of taxes by applying a 3% cap on the tax bill of the owner's primary residence (single family house, townhouse, condominium or manufactured home). Only one property may be selected in the State of Nevada as a primary residence. Some rental dwellings that meet the low income rent limits may also qualify for a 3% cap on the tax bill.

An 8% cap on the tax bill will be applied to residences that are not the owner's primary residence. The 8% cap also applies to land, commercial buildings, business personal property, aircraft, *etc*. New construction or property that has a change of use (zoning change or manufactured home conversion) in the current year will not qualify for any cap until the following fiscal year.

In the 2013 legislative session, the Nevada State Legislature passed a law allowing a redevelopment agency to complete a reset of the base year if in any year the assessed value of the taxable property in a redevelopment area located in a city in a county whose population is 700,000 or more, as shown by the assessment roll most recently equalized has decreased by 10% or more from the assessed value of the taxable property in the redevelopment area as shown by the assessment roll last equalized before the effective date of the ordinance approving the redevelopment plan. If such an ordinance is adopted, the bill requires that 18% of the revenues received from taxes on the taxable property located in the redevelopment area affected by the ordinance on or after the effective date of the ordinance be set aside to improve and preserve existing public educational facilities which are located within the redevelopment area or which serve pupils who reside within the redevelopment area. The obligation to set aside such revenues is subordinate to any existing obligation of the Agency. In December 2013, the Redevelopment Agency Board adopted a resolution approving a reset for the Eastside redevelopment project area beginning July 1, 2014.

In the 2015 legislative session, the Nevada State Legislature passed a law allowing a redevelopment agency to extend to a maximum of 45 years the date of termination of a redevelopment plan, and any amendments to the plan, adopted by a city whose population is 220,000 or more but less than 500,000 located in a county whose population is 700,000 or more if the city council adopts the extension of the plan by ordinance. If such an ordinance is adopted, the bill requires that 18% of the revenues received from taxes on the taxable property located in the redevelopment area affected by the ordinance on or after the effective date of the ordinance be set aside to improve and preserve existing public educational facilities which are located within the redevelopment area or which serve pupils who reside within the redevelopment area. The obligation to set aside such revenues is subordinate to any existing obligation of the Agency. In August 2015, the Redevelopment Agency Board adopted a resolution approving the extension of the Downtown redevelopment project area extending the life of the area from October 2025 to October 2040.

These factors were considered in preparing the Agency budget for the 2018-2019 fiscal year.

Requests for Information

The financial report is designed to provide a general overview of the Agency's finances for all those with an interest in the Agency's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City of Henderson Redevelopment Agency, Attention: Principal Redevelopment Fiscal Administrator, P.O. Box 95050, MSC 512, Henderson, Nevada 89009-5050.

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

CITY OF HENDERSON REDEVELOPMENT AGENCY

STATEMENT OF NET POSITION

JUNE 30, 2018

	Governmental Activities
ASSETS	
Cash, cash equivalents and investments, unrestricted	$ 23,797,806
Cash, cash equivalents and investments, restricted	2,329,680
Taxes receivable	162,945
Interest receivable	72,372
Due from other governments	196,602
Land held for resale	3,728,606
Total assets	30,288,011
DEFERRED OUTFLOWS OF RESOURCES	
Deferred charge on refunding	58,157
Deferred amounts related to pensions	175,431
Total deferred outflows of resources	233,588
LIABILITIES	
Accounts payable and accrued liabilities	280,284
Accrued wages	26,102
Interest payable	110,738
Due to other governments	67,456
Long-term liabilities, due within one year	
Bonds and notes payable	240,000
Compensated absences	27,416
Tax increment payable to developers	973,863
Long-term liabilities, due in more than one year	
Bonds and notes payable	9,094,370
Compensated absences	326,636
Other postemployment benefits (OPEB)	384,298
Net pension liability	1,126,513
Tax increment payable to developers	710,000
Total liabilities	13,367,676
DEFERRED INFLOWS OF RESOURCES	
Deferred amounts related to pensions	93,630
Deferred amounts related to OPEB	15,169
Total deferred inflows of resources	108,799
NET POSITION	
Restricted for	
Land held for resale	3,728,606
Debt service	619,350
Contractual obligations	1,366,117
Economic stabilization	647,404
Future redevelopment activities	10,683,647
Total net position	$ 17,045,124

See notes to basic financial statements.

CITY OF HENDERSON REDEVELOPMENT AGENCY

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2018

		Program Revenues			Net (Expenses) Revenues and Change in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
FUNCTION/PROGRAM					
Governmental activities					
General government	$ 15,315,932	$ 2,080	$	$	$ (15,313,852)
Debt service					
Interest expense and fiscal charges	388,602				(388,602)
Total function/program	$ 15,704,534	$ 2,080	$	$	$ (15,702,454)
GENERAL REVENUES					
Property taxes					13,306,856
Unrestricted investment income					160,257
Contributions					190,553
Miscellaneous					20,151
Total general revenues					13,677,817
CHANGE IN NET POSITION					(2,024,637)
NET POSITION, BEGINNING OF YEAR, AS PREVIOUSLY REPORTED					19,410,970
Adjustment					(341,209)
NET POSITION BEGINNING OF YEAR, AS ADJUSTED					19,069,761
NET POSITION, END OF YEAR					$ 17,045,124

See notes to basic financial statements.

FUND FINANCIAL STATEMENTS

CITY OF HENDERSON REDEVELOPMENT AGENCY

GOVERNMENTAL FUND
BALANCE SHEET
JUNE 30, 2018

		General Fund
ASSETS		
Cash, cash equivalents and investments	$	23,797,806
Restricted cash, cash equivalents and investments		2,329,680
Interest receivable		72,372
Taxes receivable		162,945
Notes receivable, net		23,411
Due from other governments		196,602
Land held for resale		3,728,606
Total assets	$	30,311,422
LIABILITIES		
Accounts payable and other accrued liabilities	$	280,284
Accrued wages		26,102
Tax increment payable to developers		973,863
Due to other governments		67,456
Total liabilities		1,347,705
DEFERRED INFLOWS OF RESOURCES		
Unavailable revenue, property taxes		162,945
Unavailable revenue, notes receivable		23,411
Total deferred inflows of resources		186,356
Total liabilities and deferred inflows of resources		1,534,061
FUND BALANCES		
Restricted for		
Land held for resale		3,728,606
Debt service		619,350
Contractual commitments		1,428,808
Economic stabilization		584,713
Future redevelopment activities		22,415,884
Total fund balances		28,777,361
Total liabilities, deferred inflows of resources and fund balances	$	30,311,422

See notes to basic financial statements.

CITY OF HENDERSON REDEVELOPMENT AGENCY

RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUND TO THE STATEMENT OF NET POSITION - GOVERNMENTAL ACTIVITIES JUNE 30, 2018

FUND BALANCES, GOVERNMENTAL FUND		$ 28,777,361
Amounts reported in the statement of net position are different because:		
Deferred outflows of resources benefit future periods; and therefore, are not reported in governmental funds:		
Deferred outflows related to pensions	$ 175,431	
Deferred charges on refunding	58,157	
		233,588
Long-term liabilities, including bonds payable are not due and payable in the current period; and therefore, are not reported in the governmental fund:		
Bonds and notes payable	(9,334,370)	
Compensated absences payable	(354,052)	
Other postemployment benefits (OPEB)	(384,298)	
Net pension liability	(1,126,513)	
Tax increment payable to developers	(710,000)	
		(11,909,233)
Other liabilities are not due and payable in the current period; and therefore, are not reported in the governmental fund:		
Interest payable	(110,738)	
		(110,738)
Unavailable revenue represents amounts that were not available to fund current expenditures; and therefore, are not reported in governmental funds. Deferred inflows of resources related to OPEB and pensions are associated with long-term obligations; and therefore, are not recognized in the governmental funds:		
Unavailable revenue	162,945	
Deferred inflows related to pensions	(93,630)	
Deferred inflows related to OPEB	(15,169)	
		54,146
NET POSITION, GOVERNMENTAL ACTIVITIES		$ 17,045,124

See notes to basic financial statements.

CITY OF HENDERSON REDEVELOPMENT AGENCY

GOVERNMENTAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2018

	General Fund
REVENUES	
Property taxes	$ 13,277,137
Investment income	160,257
Contributions	190,553
Miscellaneous	22,231
Total revenues	13,650,178
EXPENDITURES	
General government	
General operations	
Salaries and wages	727,215
Employee benefits	322,785
Services and supplies	1,935,564
Program costs	
Services and supplies	6,150,841
Impairment of land held for development	5,426,202
Total general government	14,562,607
Debt service	
Principal payments	230,000
Interest and fiscal charges	560,629
Total debt service	790,629
Total expenditures	15,353,236
CHANGE IN FUND BALANCE	(1,703,058)
FUND BALANCE, BEGINNING OF YEAR	30,480,419
FUND BALANCE, END OF YEAR	$ 28,777,361

See notes to basic financial statements.

CITY OF HENDERSON REDEVELOPMENT AGENCY

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUND TO THE STATEMENT OF ACTIVITIES - GOVERNMENTAL ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2018

CHANGE IN FUND BALANCE, GOVERNMENTAL FUND		$ (1,703,058)
Amounts reported in the statement of activities are different because:		
Revenues in the statement of activities, which do not provide current financial resources are not reported as revenues in the governmental fund:		
Change in unavailable revenues	$ 29,719	
		29,719
Debt proceeds provide current financial resources to the governmental fund, but issuing debt increases liabilities in the statement of net position. Repayment of debt principal is an expenditure in the governmental fund, but the repayment reduces liabilities in the statement of net position. This is the amount by which repayments exceeded debt issued		
Debt principal repayments	230,000	
		230,000
Some expenses reported in the statement of activities do not require the use of current financial resources; and therefore, are not reported as expenditures in the governmental fund:		
Change in postemployment benefits other than pensions	(19,416)	
Change in compensated absences payable	(39,621)	
Amortization of debt premiums and refunding charge	11,973	
Change in accrued interest	160,054	
Change in net pension liability	15,712	
Change in due to developers	(710,000)	
		(581,298)
CHANGE IN NET POSITION, GOVERNMENTAL ACTIVITIES		$ (2,024,637)

See notes to basic financial statements.

CITY OF HENDERSON REDEVELOPMENT AGENCY

GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET TO ACTUAL
FOR THE YEAR ENDED JUNE 30, 2018

	Original Budget	Final Budget	Actual	Variance
REVENUES				
Property taxes	$ 11,268,767	$ 12,817,077	$ 13,277,137	$ 460,060
Investment income	140,000	296,341	160,257	(136,084)
Contributions			190,553	190,553
Miscellaneous		8,855	22,231	13,376
Total revenues	11,408,767	13,122,273	13,650,178	527,905
EXPENDITURES				
General government				
General operations				
Salaries and wages	801,403	801,403	727,215	74,188
Employee benefits	366,684	366,684	322,785	43,899
Services and supplies	2,802,721	2,802,721	1,935,564	867,157
Total general operations	3,970,808	3,970,808	2,985,564	985,244
Program costs				
Services and supplies	11,460,789	13,416,481	6,150,841	7,265,640
Impairment of land held for development		5,426,400	5,426,202	198
Total general government	15,431,597	22,813,689	14,562,607	8,251,082
Debt service				
Principal payments	230,000	230,000	230,000	
Interest and fiscal charges	387,600	387,600	560,629	(173,029)
Total debt service	617,600	617,600	790,629	(173,029)
Total expenditures	16,049,197	23,431,289	15,353,236	8,078,053
CHANGE IN FUND BALANCE	(4,640,430)	(10,309,016)	(1,703,058)	8,605,958
FUND BALANCE, BEGINNING OF YEAR	28,865,874	30,480,419	30,480,419	
FUND BALANCE, END OF YEAR	$ 24,225,445	$ 20,171,403	$ 28,777,361	$ 8,605,958

See notes to basic financial statements.

NOTES TO BASIC FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies

The financial statements of the City of Henderson Redevelopment Agency (the Agency) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental entities. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The significant accounting policies are described below.

Reporting Entity

In evaluating how to define the financial reporting entity, management considered all potential component units using standards prescribed under GASB Statement No. 61, *The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34*. Component units would include any legally separate organizations for which the Agency Board is financially accountable. Financial accountability would result where the Agency Board appoints a voting majority of the organization's governing body and 1) is able to impose its will on that organization, or 2) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the Agency. Financial accountability may also result where an organization is fiscally dependent on the Agency. Based on these criteria, no component units or reportable organizations were identified.

The Agency is a blended component unit of the City of Henderson, Nevada (the City) and is governed by a five-member board composed of four City Council members and the Mayor of the City. As a component unit of the City, the Agency participates in the City's pooled cash, investments, other postemployment benefits, retirement plan, and risk management programs. Additional information can be obtained regarding these matters from the City's Comprehensive Annual Financial Report, which can be obtained by writing to:

City of Henderson, Finance Department
240 Water Street, Mail Stop Code 121
P.O. Box 95050
Henderson, Nevada 89009-5050

On December 20, 1994, the City Council, acting pursuant to the provisions of the Nevada Community Redevelopment Law (NRS 279.382 to 279.680, inclusive), created by resolution the Agency. The Agency was established in fiscal year 1996, as a separate and distinct legal entity to provide a diversified and strengthened economy in the central area of the City.

In October 1995, an official Redevelopment Plan was adopted to facilitate redevelopment efforts for the Downtown Redevelopment Area. Subsequently, in November 2005, the Redevelopment Plan was amended to include 73.48 acres of newly annexed land to the Downtown Redevelopment Area. In August 2015, an official Redevelopment Plan amendment was adopted approving the extension of the Downtown redevelopment project area life from October 2025 to October 2040.

In February 2001, an official Redevelopment Plan was adopted to facilitate redevelopment efforts for the Cornerstone Redevelopment Area.

In March 2001, an official Redevelopment Plan was adopted to facilitate redevelopment efforts for the Tuscany Redevelopment Area.

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In February 2006, an official Redevelopment Plan was adopted to facilitate redevelopment efforts for the Eastside Redevelopment Area. In December 2013, an official Redevelopment Plan amendment was adopted approving the base-year reset of the Eastside redevelopment project area.

In March 2009, an official Redevelopment Plan was adopted to facilitate redevelopment efforts for the Lakemoor Redevelopment Area.

Government-wide and Fund Financial Statements

The government-wide financial statements report information on all the non-fiduciary activities of the Agency. Eliminations have been made to minimize the double counting of internal activities.

The Statement of Activities demonstrates the degree to which the direct expenses of the General Government function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues. The fund financial statements provide information about the governmental activities of the Agency. The Agency reports no business type activities.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government wide financial statements are reported using the economic resources measurement focus, and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when liabilities are incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be measurable when the amount of the transaction can be determined and available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Agency considers revenues to be available if they are collected within sixty days of the end of the fiscal period. Expenditures generally are recorded when liabilities are incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, are recorded only when payment is due.

Property taxes levied by the City, intergovernmental revenues, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Miscellaneous revenues are not susceptible to accrual because generally they are not measurable until received in cash.

Property tax revenue is recognized in the fiscal year in which the taxes become due to the extent they are collected during the fiscal year or soon enough thereafter that they can be used to finance current period expenditures (no later than 60 days after year end).

The Agency reports only one fund (the General Fund), which accounts for all financial resources of the Agency.

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Assets, Liabilities and Equity

Cash, Cash Equivalents and Investments

The City pools the majority of its cash resources with the cash resources of the Agency in order to facilitate the management of cash and maximize investment earning potential. Cash applicable to the Agency is readily identifiable, and the balances in the pool are available to meet the Agency's current operating requirements.

Cash and cash equivalents include currency on hand, demand deposits with banks and other highly liquid investments with original maturities of three months or less, from the date of acquisition, which are readily convertible to cash. Since all cash is pooled with the rest of the City's cash and is available upon demand, all cash and investments in those funds are considered cash equivalents.

Property Taxes

The Agency's main source of revenue is ad valorem property taxes levied by the City. The Nevada Tax Commission must certify all tax rates on June 25, and property is liened on July 1.

Property taxes are levied in July and are payable to the County Treasurer in four installments during August, October, January and March. Apportionment of taxes by Clark County, to the Agency, is made monthly.

The Agency receives that portion of ad valorem tax which is produced by the rate at which the tax is levied each year by all taxing entities in the redevelopment area, applied to that portion of the assessed valuation of all taxable property in the redevelopment area, which is in excess of the base year assessed valuation as certified by the Clark County Tax Assessor.

In the 2005 legislative session, the Nevada State Legislature passed a law to provide property tax relief to citizens. Assembly Bill 489, signed into law on April 6, 2005, provides a partial abatement of taxes by applying a 3% cap on the tax bill of the owner's primary residence (single family house, townhouse, condominium or manufactured home). Only one property may be selected in the State of Nevada as a primary residence. Some rental dwellings that meet the low income rent limits may also qualify for a 3% cap on the tax bill.

An 8% cap on the tax bill will be applied to residences that are not the owner's primary residence. The 8% cap also applies to land, commercial buildings, business personal property, aircraft, etc. New construction or property that has a change of use (zoning change or manufactured home conversion) in the current year will not qualify for any cap until the following fiscal year.

In the 2013 legislative session, the Nevada State Legislature passed a law allowing redevelopment agencies to complete a reset of the base year, if in any year, the assessed value of the taxable property in a redevelopment area has decreased by 10% or more from the assessed value of the taxable property in the redevelopment area before the effective date of the ordinance approving the redevelopment plan. In December 2013, the Redevelopment Agency Board adopted a resolution approving a reset for the Eastside redevelopment project area beginning July 1, 2014.

(Continued)

In the 2015 legislative session, the Nevada State Legislature passed a law allowing redevelopment agencies to extend to a maximum of 45 years the date of termination of a redevelopment plan, and any amendments to the plan. The bill requires that 18% of the revenues received from taxes on the taxable property located in the redevelopment area affected by the ordinance be set aside to improve and preserve existing public educational facilities which are located within the redevelopment area or which serve pupils who reside within the redevelopment area. The obligation to set aside such revenues is subordinate to any existing obligation of the Agency. In August 2015, the Redevelopment Agency Board adopted a resolution approving the extension of the Downtown redevelopment project area from October 2025 to October 2040.

Land Held for Resale

Land held for resale consists of property obtained by the Agency in a defined redevelopment area with the intent that it will either be transferred to the City or a developer, in accordance with development agreements. Accordingly, land held for resale is not considered a capital asset, and is presented as an asset in the Agency's general fund.

The Disposition and Development Agreements provide for transfer of property to developers after certain redevelopment obligations have been fulfilled. The property is accounted for at the lower of cost, assessed value (if a recent appraisal has been obtained) or an agreed upon sales price if a disposition agreement has been made with a developer.

Capital Assets

Capital assets are defined by the Agency as assets with an initial individual cost of more than $10,000 and an estimated useful life of more than two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation. As of June 30, 2018, the Agency has no capital assets.

Compensated Absences

It is the Agency's policy to permit employees to accumulate earned by unused personal time off, vacation and sick pay benefits, which are collectively referred to as compensated absences. Compensated absences are accrued when incurred in the government-wide and proprietary fund statements.

Long-term Liabilities

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities. Bond premiums and discounts are amortized over the life of the bonds using the straight-line method. Issuance costs are expensed as incurred.

For governmental fund types, bond premiums and discounts, as well as bond issuance costs, are recognized during the period in which the bonds are issued. The face amount of bonds issued is reported as other financing sources, as are bond premiums. Bond discounts are recorded as other financing uses. Bond issuance costs, even if withheld from the actual net proceeds received, are reported as debt service expenditures.

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Other Postemployment Benefits (OPEB)

The Agency recognized benefit payments when due and payable in accordance with the benefit terms for the purpose of measuring the OPEB liability, deferred outflows of resources and deferred inflow of resources related to OPEB, and OPEB expense.

Multiple-Employer Cost-Sharing Defined Benefit Pension Plan

The Agency uses the same basis used in the Comprehensive Annual Financial Report of the Public Employees' Retirement System of Nevada (PERS) for reporting its proportionate share of the PERS collective net pension liability, the related deferred outflows and inflows of resources, and pension expense, including information related to the PERS fiduciary net position and related additions to or deductions from. Benefit payments (including refunds of employee contributions) are recognized by PERS when due and payable in accordance with the benefit terms. PERS investments are reported at fair value.

Deferred Outflows and Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial element represents a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditure) until then. At June 30, 2018, the Agency has two items which qualify for reporting in this category. A deferred charge on bond refunding is reported in the statement of net position, which results from the difference in the carrying value of refunded debt and the reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The Agency also reports deferred amounts related to pensions for the changes in proportion and differences between actual pension contributions and the Agency's proportionate share of pension contributions. This amount is deferred and amortized over the average expected remaining service life of all employees that are provided with pension benefits. Deferred outflows are also recorded for pension contributions made by the Agency subsequent to the pension plan's actuarial measurement date, which are deferred for one year.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Under a modified accrual basis of accounting, the governmental fund reports unavailable revenues from property taxes and notes receivable. These amounts are deferred and recognized as inflows of resources in the period that the amounts become available. Under full accrual accounting, the government-wide statement of net position also reports deferred inflows related to pensions for 1) the differences between expected and actual experience and 2) changes in proportion and differences between actual contributions and the City's proportionate share of contributions, which are deferred and amortized over the average expected remaining service life of all employees that are provided with pension benefits. Lastly, under full accrual accounting, the government-wide statement of net position also reports deferred inflows related to changes in assumptions regarding the estimated OPEB liability, which are deferred and amortized over the average expected remaining service life of active and inactive plan members.

Equity Classifications

In the government-wide financial statements, equity is classified as net position and displayed in three components:

Net Investment in Capital Assets - Capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Net Investment in Capital Assets - Capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted - Net position with constraints placed on its use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

Unrestricted - All other net position that does not meet the definition of "restricted" or "invested in capital assets, net of related debt".

Governmental fund equity is characterized as fund balance and is classified as follows:

Nonspendable - Includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. This classification includes inventories, prepaid items, assets held for sale and long-term receivables.

Restricted - Includes constraints placed on the use of these resources that are either externally imposed by creditors (such as debt covenants), grantors, contributors or other governments; or are imposed by law (through constitutional provisions or enabling legislation). For the Agency, all fund balance is considered restricted per Nevada Revised Statute 279, Redevelopment of Communities.

Committed - Includes amounts that can only be used for a specific purpose because of a formal action (ordinance) by the Redevelopment Agency Board, which is the Agency's highest level of decision making authority. Those constraints remain binding unless removed or changed in the same manner employed to previously commit those resources.

Assigned - Includes amounts that are constrained by the Agency's intent to be used for specific purposes, but do not meet the criteria to be classified as restricted or committed. The Agency Board has established formal Financial Management Policies that delegate authority to assign fund balances to the Agency's Treasurer. Constraints imposed on the use of assigned amounts can be removed without formal action by the Agency Board.

Unassigned - This is the residual classification of fund balance in the General Fund, which has not been reported in any other classification. The General Fund is the only fund that can report a positive unassigned fund balance. Other governmental funds might report a negative unassigned fund balance as a result of overspending for specific purposes for which amount has been restricted, committed or assigned.

The Agency's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

The Agency Board adopted its Financial Stabilization policy on August 16, 2011, effective June 30, 2011. The policy states that the Agency will accumulate for economic stabilization 1% of tax increment revenue per year with a target balance of 8.3% of the ensuing fiscal year's budgeted tax increment revenue. Accumulated balances maintained for economic stabilization may be made available to compensate for shortfalls in actual revenues of 2.0% or greater, as compared to the final budget filed with the Nevada Department of Taxation, or in the event of a natural disaster or terrorist attack as declared by the Agency Board. None of these circumstances are expected to occur routinely.

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Estimates

The preparation of basic financial statements in conformity with generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from these estimates.

Note 2. Stewardship and Accountability

Budgetary Information

An annual budget is legally adopted for the General Fund of the Agency on a basis of accounting consistent with GAAP.

Prior to April 15, the Treasurer of the Agency submits a tentative budget for the Agency for the ensuing fiscal year to the Agency Board, the Nevada Department of Taxation and the Citizens via public hearings. The Nevada Department of Taxation notifies the Agency whether or not the budget is in compliance with the 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 no later than the last day in May. The Agency Board adopts the budget prior to June 1 and submits it to the Department of Taxation for final approval. The revenue classifications and expenditure functions shown in the financial statements are those prescribed by the Nevada Department of Taxation.

All revisions to the adopted budget are made a matter of public record by actions of the Agency Board. Per Nevada law, the budget officer is authorized to transfer budgeted amounts within functions if the Agency Board is notified at the next regular meeting and the action is noted in the official minutes.

Revisions, which affect the total fund appropriations, are accomplished through formal Agency Board approval. Various supplemental appropriations are approved during the year to adjust resources available and to reflect corresponding changes in spending. Nevada law (NRS 354.626) requires budgetary control to be exercised at the function level in governmental funds.

The Agency uses an encumbrance system as an extension of normal budgetary accounting for the general fund. Under this system, purchase orders, contracts and other commitments for the expenditure of monies are recorded to reserve that portion of applicable appropriations.

Unencumbered appropriations lapse at year end. Encumbered appropriations are approved by the Agency Board and carried forward in the ensuing year's budget.

Compliance with the Nevada Revised Statutes (NRS) and the Nevada Administrative Code

The Agency conformed to all significant statutory constraints on its financial administration during the year.

Prior Period Adjustment

Effective July 1, 2017, the Agency implemented GASB statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions* (GASB 75). This statement requires governments to report a postemployment liability, along with other deferred amounts related to OPEB.

Also, effective July 1, 2017, the Agency fully implemented GASB statement 82, *Pension issues – an amendment of GASB statement No. 67, No. 68, and No. 73* (GASB 82). The statement provided clarification that payments that were made by an employer to satisfy contribution requirements that are identified by the pension plan terms as plan member contribution requirements should be classified as plan member contributions for purposes of GASB 67 and employee contributions for purpose of GASB 82. It also required that an employer's expense and expenditure for those amounts be recognized in the period for which the contribution was assessed and classified in the same manner as the employer classifies similar compensation other than pensions.

Net position as of July 1, 2017, has been retroactively adjusted as follows:

	Governmental Activities
Net position, as previously reported	$ 19,410,970
Adjustments	
Adoption of GASB 75	(234,692)
Adoption of GASB 82	(106,517)
Total adjustments	(341,209)
Net position, as adjusted	$ 19,069,761

Note 3. Cash, Cash Equivalents and Investments

Deposits

The NRS govern the Agency's deposit policies. Agency monies must be deposited in insured banks and savings and loan associations. The Agency is authorized to use demand accounts, time accounts and certificates of deposit. All deposits are covered by federal depository insurance or subject to collateralization.

The NRS do not specifically require collateral for demand deposits, but do specify that collateral for time deposits may be of the same type as those described for permissible state investments. Permissible state investments include obligations of the U.S. Treasury, certain farm loan bonds, certain securities issued by Nevada local governments, repurchase agreements, bankers' acceptances, commercial paper, negotiable certificates of deposit, and money market mutual funds. Allowable Agency investments are similar except that some state investments are longer-term and include securities issued by municipalities outside of Nevada.

The Agency invests monies on its own and through pooling of monies with the City. The pooling of monies, referred to as an internal investment pool, is theoretically invested on the whole, as a combination of monies from each fund belonging to the pool. In this manner, the City's Chief Financial Officer can invest the monies at a higher interest rate for a longer period of time. Interest revenue is apportioned monthly to each fund in the pool based on the average cash balance of the fund for the month.

Investments

The NRS authorize the Agency to invest in obligations of the U.S. Treasury and U.S. Agencies having maturity dates that do not extend more than ten years from the date of purchase, the state treasurer's investment pool, negotiable notes or short term negotiable bonds issued by other local governments of the State of Nevada, bankers' acceptances not exceeding 180 days maturity and eligible by law for rediscount with the Federal Reserve Banks and commercial paper issued by a corporation organized and operating in the U.S. that is purchased from a registered broker dealer, with a remaining term of less than 270 days rated "A 1", "P 1" or better (purchases of bankers' acceptances or commercial paper may not exceed 20% of the money available for local government investment).

At June 30, 2018, the Agency had the following investments, of which $2,329,680 were restricted:

	Credit Rating	Cost	Fair Value	Weighted Average Maturity (Years)
Pooled cash, cash equivalents and investments held by the City of Henderson, Nevada *	N/A	$ 25,731,415	$ 25,501,317	1.62
Non-pooled cash equivalents and investments RDA Bonds - Morgan Stanley Money Market Fund	N/A	626,169	626,169	N/A
Total investments		$ 26,357,584	$ 26,127,486	

* Certain pooled U. S. Agency securities have call provisions, which, if exercised, would shorten the maturity of these investments.

The Agency's investments are reported at estimated fair value based on quoted market prices, which are considered level 1 inputs in generally accepted accounting principles (GAAP). The GAAP fair value hierarchy is based on the inputs used to measure the fair value of an asset or liability. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The Agency manages its exposure to declines in fair values (e.g., interest rate risk) by limiting the weighted-average maturity of its investment portfolio to five years or less in accordance with its investment policy.

Note 4. Notes Receivable

As incentives to accomplish redevelopment efforts, the Agency will sometimes negotiate, and issue low interest notes to provide gap financing to developers; for business recruitment, retention and expansion; and, to owner occupied residents for home improvements.

Due to the recently-experienced economic downturn, many homeowners defaulted on their home improvement loans. Although the Agency carries a second position on the property serving as collateral, in most cases, the property value was not sufficient to cover the first deed of trust. Policies were put in place in fiscal year 2012 to mitigate the risk of loan defaults. In fiscal 2014, the Agency determined that the likelihood of full payment is uncertain; therefore, all loans have been fully reserved. Future payments, if any, will be recorded as program income in the year received.

The Agency also has a $775,000 note receivable from a developer, which is currently in default and has also been fully reserved.

Note 5. Land Held for Resale

For the fiscal year ended June 30, 2018, land held for resale consists of the following:

	Balance July 1, 2017	Increases	Decreases	Balance June 30, 2018
Downtown Redevelopment Area				
Water Street Commons	$ 1,181,873	$	$ (105,000)	$ 1,076,873
Lake Mead Parkway	113,000			113,000
Lake Mead/Water	134,500			134,500
Texas/Atlantic Parking	425,181			425,181
Blue Skye	119,000		(119,000)	
Water Street Plaza	491,000			491,000
Basic/Pacific	644,000			644,000
Other	284,052			284,052
	3,392,606		(224,000)	3,168,606
Eastside Redevelopment Area	5,881,633		(5,321,633)	560,000
	$ 9,274,239	$	$ (5,545,633)	$ 3,728,606

During fiscal year 2018, the Agency wrote down the value of three Agency-owned properties by $5,426,202, based on recently obtained appraisals. Per GASB 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre November 30, 1989 FASB and AICPA Pronouncements*, the carrying amount of a real estate project, or parts thereof, held for sale or development and sale should not exceed net realizable value. If costs exceed net realizable value, capitalization of costs associated with development and construction of a property should not cease; rather, an allowance should be provided to reduce the carrying amount to estimated net realizable value, determined on the basis of an evaluation of individual projects.

Note 6. Due to Other Governments

City of Henderson

The Agency had a note payable to the City's Land Fund of $621,260, related to a land purchase in 2004. The principal balance, plus accrued interest of $173,029 was fully repaid in fiscal year 2018.

Education Set Aside

On June 6, 2017, the Agency Board approved an amended and restated lnterlocal Agreement (ILA) between the Agency and the Clark County School District (the District) relating to the disbursement of funds received by the Agency for the Eastside and Downtown Redevelopment Areas, to be used for certain qualified public education projects benefitting schools located within or serving students who reside within those redevelopment areas. Such projects are to be identified pursuant to the terms of the agreement. The agreement also provides for the creation of a joint planning group with designated representatives from the District and the Agency to make recommendations regarding the expenditure of the set aside funds on Qualified projects (as defined in the ILA). The Agency Board shall approve or disapprove of the recommendations.

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During fiscal 2018, the Agency received tax increment revenue resulting in an educational set-aside expense of $1,410,789 at June 30, 2018, of which $968,054 relates to Eastside and $442,735 relates to Downtown. Prior to year-end, $918,561 was disbursed related to Eastside and $424,771 was disbursed related to Downtown, with the remainder recorded as tax increment payable to developers at June 30, 2018.

Note 7. Other Long-term Liabilities

Long-term liabilities activity for the year ended June 30, 2018, was as follows:

	Balance July 1, 2017	Increases	Decreases	Balance June 30, 2018	Due Within One Year
Governmental activities					
General obligation bonds					
$9,365,000 Series 2015 Tax Increment Refunding Bonds due annually through October 2039; interest rate varies between 2.0% and 5.0%	$ 9,140,000	$	$ (230,000)	$ 8,910,000	$ 240,000
Total general obligation bonds	9,140,000		(230,000)	8,910,000	240,000
Unamortized bond premiums	444,185		(19,815)	424,370	
Compensated absences	314,431	39,621		354,052	27,416
Tax increment payable to developers	1,324,592	359,271		1,683,863	973,863
Other postemployment benefits (OPEB)	380,051	4,247		384,298	
Net pension liability	1,168,364	41,706	(83,557)	1,126,513	
Total governmental activities	$ 12,771,623	$ 444,845	$ (333,372)	$ 12,883,096	$ 1,241,279

Compensated absences and other postemployment benefits are liquidated by the general fund.

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At June 30, 2018, the annual requirements to pay principal and interest on all bonds outstanding were as follows:

	General Obligation Bonds	
For the Year Ended June 30,	Principal	Interest
Governmental activities		
2019	$ 240,000	$ 379,350
2020	250,000	368,300
2021	265,000	355,425
2022	275,000	341,925
2023	290,000	327,800
2024 - 2028	1,685,000	1,400,375
2029 - 2033	2,135,000	952,676
2034 - 2038	2,585,000	502,600
2039 - 2043	1,185,000	47,900
Total governmental activities	$ 8,910,000	$ 4,676,351

Note 8. Multiple-Employer Cost-Sharing Defined Benefit Pension Plan

The Agency's employees are covered by the Public Employees' Retirement System of Nevada (PERS), which was established by the Nevada Legislature in 1947, effective July 1, 1948, and is governed by the Public Employees Retirement Board (the PERS Board) whose seven members are appointed by the governor. The Agency does not exercise any control over PERS. NRS 286.110 states that "The respective participating public employers are not liable for any obligations of the system."

PERS is a cost sharing, multiple employer, defined benefit public employees' retirement system which includes both regular and police/fire members. PERS is administered to provide a reasonable base income to qualified employees who have been employed by a public employer and whose earnings capacities have been removed or substantially impaired by age or disability.

Benefits, as required by NRS, are determined by the number of years of accredited service at time of retirement and the member's highest average compensation in any 36 consecutive months with special provisions for members entering the system on or after January 1, 2010. Benefit payments to which participants or their beneficiaries may be entitled under the plan include pension benefits, disability benefits, and survivor benefits.

Monthly benefit allowances for members are computed as 2.5% of average compensation for each accredited year of service prior to July 1, 2001. For service earned on and after July 1, 2001, this multiplier is 2.67% of average compensation. For members entering the system on or after January 1, 2010, there is a 2.5% multiplier. PERS offers several alternatives to the unmodified service retirement allowance which, in general, allow the retired employee to accept a reduced service retirement allowance payable monthly during his or her lifetime and various optional monthly payments to a named beneficiary after his or her death.

Post retirement increases are provided by authority of NRS 286.575-.579, which for members entering the system before January 1, 2010, is equal to the lesser of:

1) 2% per year following the third anniversary of the commencement of benefits, 3% per year following the sixth anniversary, 3.5% per year following the ninth anniversary, 4% per year following the twelfth anniversary and 5% per year following the fourteenth anniversary, or

(Continued)

2) The average percentage increase in the Consumer Price Index (or other PERS Board approved index) for the three preceding years.

In any event, a member's benefit must be increased by the percentages in paragraph 1, above, if the benefit of a member has not been increased at a rate greater than or equal to the average of the Consumer Price Index (All Items) (or other PERS Board approved index) for the period between retirement and the date of increase.

For members entering the system on or after January 1, 2010, the post-retirement increases are the same as above, except that the increases do not exceed 4% per year.

For members with an effective date of membership on or after July 1, 2015, 2% per year following the third anniversary of the commencement of benefits, 2.5% per year following the sixth anniversary, the lesser of 3% or the CPI for the preceding calendar year following the ninth anniversary.

Regular members are eligible for retirement at age 65 with five years of service, at age 60 with ten years of service, or at any age with thirty years of service. Regular members entering the System on or after January 1, 2010, are eligible for retirement at age 65 with five years of service, at age 62 with ten years of service, or any age with thirty years of service. Regular members entering the System on or after July 1, 2015, are eligible for retirement at age 65 with five years of service, at age 62 with ten years of service, at age 55 with 30 years of service, or at any age with 33 1/3 years of service.

Police/fire members are eligible for retirement at age 65 with five years of service, at age 55 with ten years of service, at age 50 with twenty years of service, or at any age with twenty-five years of service. Police/fire members entering the system on or after January 1, 2010, are eligible for retirement at age 65 with five years of service, or age 60 with ten years of service, or age 50 with twenty years of service, or at any age with thirty years of service. Only service performed in a position as a police officer or firefighter may be counted toward the eligibility for retirement as Police/fire accredited service.

The normal ceiling limitation on the monthly benefit allowances is 75% of average compensation. However, a member who has an effective date of membership before July 1, 1985, is entitled to a benefit of up to 90% of average compensation. Both regular and police/fire members become fully vested as to benefits upon completion of five years of service.

The authority for establishing and amending the obligation to make contributions, and member contribution rates rests with NRS. New hires, in agencies which did not elect the Employer Pay Contribution (EPC) plan prior to July 1, 1983, have the option of selecting one of two contribution plans. One plan provides for matching employee and employer contributions, while the other plan provides for employer pay contributions only. Under the matching Employee/Employer Contribution plan a member may, upon termination of service for which contribution is required, withdraw employee contributions which have been credited to their account. All membership rights and active service credit in the System are canceled upon withdrawal of contributions from the member's account. If EPC was elected, the member cannot convert to the Employee/Employer Contribution plan. The Agency elected the EPC plan prior to July 1, 1983.

PERS's basic funding policy provides for periodic contributions at a level pattern of cost as a percentage of salary throughout an employee's working lifetime to accumulate sufficient assets to pay benefits when due.

(Continued)

PERS receives an actuarial valuation on an annual basis for determining the prospective funding contribution rates required to fund the system on an actuarial reserve basis. Contributions made are in accordance with the required rates established by NRS. These statutory rates are increased/decreased pursuant to NRS 286.421 and 286.450. The actuarial funding method used is the entry age normal cost method. It is intended to meet the funding objective and result in a relatively level long-term contributions requirement as a percentage of salary.

For the fiscal year ended June 30, 2017, the required employer/employee matching rate was 14.50% for regular and 20.75% for police/fire members. The EPC rate was 28.00% for regular and 40.50% for police/fire members.

PERS issues a publicly available Comprehensive Annual Financial Report that includes financial statements and required supplemental information. This report is available on the PER's website, www.nvpers.org under publications.

PERS collective net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. For this purpose, certain actuarial valuation assumptions are stipulated by GASB and may vary from those used to determine the prospective funding contribution rates.

The total PERS pension liability was determined using the following economic actuarial assumptions (based on the results of an experience review completed in October 2017), applied to all periods included in the measurement:

Actuarial valuation date	June 30, 2017
Inflation rate	2.75%
Payroll growth	5.00%, including inflation
Investment rate of return	7.50%
Discount rate	7.50%
Productivity pay increase	0.50%
Consumer price index	2.75%
Actuarial cost method	Entry age normal and level percentage of payroll
Projected salary increases	Regular: 4.25% to 9.15%, depending on service Police/Fire: 4.55% to 13.90%, depending on service Rates include inflation and productivity increases

Since the last measurement date of June 30, 2016, several assumption changes were made resulting from the experience review completed in October 2017. These changes include a decrease in the inflation rate and the consumer price index from 3.50% to 2.75%, a decrease in the investment rate of return and discount rate from 8.00% to 7.50%, and a decrease in productivity pay from 0.75% to 0.50%. Lastly, projected salary decreased from a range of 4.60%-9.75% for regular and 5.25%-14.50% for police/fire to 4.25%-9.15% for regular and 4.55%-13.90% for police/fire.

The schedule below shows the assumed healthy retiree mortality rates and projected life expectancies for selected ages at June 30, 2017:

	Mortality Rates		Expected Years of Life Remaining	
Age	Males	Females	Males	Females
40	0.20 %	0.14 %	40.4	43.6
50	0.49 %	0.38 %	31.4	34.5
60	0.90 %	0.59 %	23.2	25.9
70	1.81 %	1.26 %	15.6	17.7
80	4.55 %	3.42 %	9.1	10.5

(Continued)

These mortality rates and projected life expectancies are based on the following:

Healthy
Headcount-Weighted RP-2014 Healthy Annuitant Table projected to 2020 with Scale MP-2016, set forward one year for spouses and beneficiaries.
For ages less than 50 (The RP-2014 Healthy Annuitant Mortality Tables have rates only for ages 50 and later), mortality rates are based on the Headcount-Weighted RP-2014 Employee Mortality Tables. Those mortality rates are adjusted by the ratio of the mortality rate for healthy annuitants at age 50 to the mortality rate for employees at age 50. The mortality rates are then projected to 2020 with Scale MP-2016.

Disabled
Headcount-Weighted RP-2014 Disabled Retiree Table, set forward four years.

Pre-Retirement
Headcount-Weighted RP-2014 Employee Table, projected to 2020 with Scale MP-2016.

The RP-2014 Headcount-Weighted Mortality Tables, set forward one year for spouses and beneficiaries, reasonably reflect the projected mortality experience of the Plan as of the measurement date. The additional projection of 6 years is a provision made for future mortality improvement.

For the measurement date of June 30, 2016, the RP-2000 Combined Health Mortality Table projected to 2013 with Scale AA, set back one year for females (no setback for males) was used for non-disabled regular male and female members. For all non-disabled police/fire members, the RP-2000 Combined Health mortality Table projected to 2013 with Scale AA, set forward one year were used. Lastly, for all disabled regular members and disabled police/fire members, the RP-2000 Combined Disabled Retiree Mortality Table projected to 2013 with Scale AA, set forward three years were used.

PERS's policies which determine the investment portfolio target asset allocation are established by the PERS Board. The asset allocation is reviewed annually and is designed to meet the future risk and return needs of PERS. The following target asset allocation policy was adopted as of June 30, 2017:

Asset Class	Target Allocation	Long-term Geometric Expected Real Rate of Return *
Domestic equity	42 %	5.50 %
International equity	18 %	5.75 %
Domestic fixed income	30 %	0.25 %
Private markets	10 %	6.80 %

* These geometric return rates are combined to produce the long-term expected rate of return by adding the long-term expected inflation rate of 2.75%.

The discount rate used to measure the total pension liability was 7.50% as of June 30, 2017 and 8.00% as of June 30, 2016. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rate specified by NRS. Based on that assumption, PERS's fiduciary net position at June 30, 2017, was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments (7.50%) was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2017.

The Agency's proportionate share of the net pension liability at June 30, 2017, calculated using the discount rate of 7.50%, as well as what the Agency's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% lower (6.50%) or 1% higher (8.50%) than the current discount rate was as follows:

	1% Decrease in Discount Rate	Discount Rate	1% Increase in Discount Rate
Net pension liability	$ 1,702,973	$ 1,126,513	$ 647,754

Detailed information about PERS fiduciary net position is available in the PERS Comprehensive Annual Financial Report, available on the PERS website, www.nvpers.org under publications. PERS fiduciary net position and additions to/deductions from it have been determined on the same basis used in the PERS Comprehensive Annual Financial Report. PERS financial statements are prepared in accordance with accounting principles generally accepted in the United States of America applicable to governmental accounting for fiduciary funds. Benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

The Agency's proportionate share (amount) of the collective net pension liability was $1,126,513, which represents .008470% of the collective net pension liability. Contributions for employer pay dates within the fiscal year ending June 30, 2017, were used as the basis for determining each employer's proportionate share. Each employer's proportion of the net pension liability is based on their combined employer and member contributions relative to the total combined employer and member contributions for all employers for the period ended June 30, 2017.

For the period ended June 30, 2018, the Agency's pension expense was $98,579 and its reported deferred outflows and inflows of resources related to pensions as of June 30, 2018, were as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$	$ 65,572
Changes of assumptions and other inputs	66,943	
Net difference between projected and actual earnings on investments	6,551	
Changes in proportion and differences between actual contributions and proportionate share of contributions	2,888	28,059
Contributions made subsequent to the measurement date	99,047	

At June 30, 2017 (the actuarial valuation date) , the average expected remaining service life is 6.39 years.

(Continued)

Deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date totaling $99,047 will be recognized as a reduction of the net pension liability in the year ending June 30, 2019. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

For the Year Ending June 30,		
2019	$	42,885
2020		(55,514)
2021		(14,337)
2022		39,090
2023		(20,213)
Thereafter		(9,161)

During fiscal year 2018, changes in the Agency's net pension liability were as follows:

Net pension liability, beginning of year	$	1,168,364
Pension expense		98,579
Employer contributions		(83,557)
Net change in deferred inflows and outflows of resources		(56,874)
Net pension liability, end of year	$	1,126,513

At June 30, 2018, $7,198 is payable to PERS, for the June 2018 required contribution, and is included in accounts payable.

Note 9. Other Postemployment Benefits (OPEB)

Aggregate Balances

At June 30, 2018, the Agency's OPEB plan balances were as follows:

		City of Henderson Plans
Net OPEB assets administered through a qualifying trust		None
OPEB liability	$	384,298
Net unamortized deferred inflows of resources related to OPEB		15,169
OPEB expense		30,056

Plan Information

In accordance with NRS, the Agency participates with the City to provide other post-employment benefits to eligible retirees through the following two plans:

The Nevada Public Employee Benefit Program (PEBP), a multiple-employer cost sharing plan, administered by a ten member governing board appointed by the Governor, including an Executive Officer who directs the program and serves at the pleasure of the Board.

The City of Henderson Plan (City Plan), a single-employer defined benefit plan, administered by City management.

Both plans provide healthcare, prescription, dental, vision and life insurance benefits. Eligible pre-Medicare retirees that are not eligible for PEBP, can receive coverage through the City Plan. Medicare eligible retirees must purchase coverage through the Extended Health, and will retain their post-65 term life insurance policy valued at $25,000, with the premiums paid by the City.

PEBP issues a publicly available financial report that includes financial statements and required supplemental information. This report may be obtained by writing or calling the following:

Public Employee Benefit Plan
901 South Stewart Street, Suite 101
Carson City, NV 89701
(775) 684-7000

The City Plan does not issue a separate financial report; however, additional information may be obtained by writing or calling the following:

City of Henderson
Finance Department
240 S. Water Street
Henderson, Nevada, 89014
(702) 267-1700

PEBP eligibility and subsidy requirements are governed by the NRS and can only be amended through legislation. In 2008, the NRS were amended and as a result of this amendment, the number of retirees for whom the City is obligated to provide postemployment benefits is limited to eligible employees who retired from City service prior to December 1, 2008. No future retirees are eligible for this benefit.

The City is required to provide a subsidy, based on years of service for a closed group of its retirees that have enrolled in PEBP. The subsidy is paid on a pay-as-you-go basis and is set by the State Legislature. In fiscal year 2018, the maximum subsidy was $1,325 per month.

Benefit provisions for the City Plan are established pursuant to NRS 287 and amended by the City's eight member Insurance Committee, which includes representation from the various participating employee groups. Eligible retirees are able to participate in the plan at the same rates as active employees. Effective January 1, 2014, eligible retirees participating in the City Plan receive a graduated benefit of lower monthly premiums based on years of full service with the City, with a maximum monthly benefit of $500. This benefit will be reduced by 50% for Medicare eligible retirees, who can no longer participate in the City's Plan.

The City Insurance Committee determines the Contribution requirements and the plan options. Contribution amounts differ depending on the selected plan and range from $1,134 to $1,323 per month. Retiree loss experience is pooled with active employee loss experience for the purpose of setting rates and the difference between the true claims cost and the blended rate creates an implicit rate subsidy from the City.

The Agency's OPEB liability represents 0.54% of the City's total OPEB liability for fiscal year 2018 and 0.42% for fiscal year 2017. The Agency's proportionate share is calculated by the percentage of annual benefits paid to the plan by the Agency compared to the annual benefits paid to the plan by the City in total.

Assumptions and Other Inputs

The total OPEB liability was determined using the following actuarial assumptions (based on the results of an experience review completed in 2018), applied to all periods included in the measurement:

Actuarial valuation date	June 30, 2018
Measurement date	June 30, 2018
Inflation rate	2.00% per annum
Salary changes	2.00% per annum
Discount rate	3.87% per annum as of June 30, 2018
Discount rate source	Bond Buyer 20-Bond GO index
Postemployment benefit changes	None
Benefit-related costs shared with inactive employees	Retirees are required to contribute 100% of premium equivalent rates
Actuarial cost method	Entry Age Normal based on level percentage of projected salary
Healthcare cost trend rates	7.00% per annum, decreasing 0.50%/1.00% (City Plan/PEBP) per year to an ultimate rate of 4.50%

Mortality rates are based on the RP-2014 generational table scaled using MP-17 and applied on a gender-specific basis.

Changes in the assumptions and other inputs that affected the measurement of the City's total OPEB liability during the period ended June 30, 2018, were as follows:

Discount rates for the years ended June 30, 2018 and 2017 were 3.87% and 3.58%, respectively.

There were no changes in OPEB benefit terms that affected the measurement of the Agency's OPEB liability during the period ended June 30, 2018.

The Agency's OPEB liability at June 30, 2018, calculated using the discount rate of 3.87%, as well as what the Agency's OPEB liability would be if it were calculated using a discount rate that is 1.00% lower (2.87%) or 1.00% higher (4.87%) than the current discount rate was as follows:

	1% Decrease in Discount Rate	Discount Rate	1% Increase in Discount Rate
OPEB liability	$ 461,564	$ 384,298	$ 324,277

The Agency's OPEB liability at June 30, 2018, calculated using the healthcare trend rate of 7.00% decreasing to 4.50%, as well as what the Agency's OPEB liability would be if it were calculated using a healthcare trend rate that is 1.00% lower (6.00% decreasing to 3.50%) or 1.00% higher (8.00% decreasing to 5.50%) than the current healthcare trend rate was as follows:

	1% Decrease in Healthcare Trend Rate	Healthcare Trend Rate	1% Increase in Healthcare Trend Rate
OPEB liability	$ 349,658	$ 384,298	$ 427,063

(Continued)

At June 30, 2018, changes in the Agency's OPEB liability were as follows:

	City of Henderson Plans
Service cost	$ 16,347
Interest on OPEB liability	15,469
Changes in benefit terms	
Differences between expected and actual experience	
Changes of assumptions or other inputs	(16,928)
Benefit payments	(10,641)
Net Change in OPEB liability	4,247
OPEB liability, beginning of year	380,051
OPEB liability, end of year	$ 384,298

For the period ended June 30, 2018, the Agency's OPEB expense was $30,056 and its reported deferred inflows of resources related to OPEB as of June 30, 2018, were as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions and other inputs	$	$ (15,169)

Since fiscal year 2018 is the year GASB 75 was implemented, there are no deferred outflows of resources related to OPEB.

Amounts reported as deferred inflows of resources related to OPEB will be recognized in employee benefit expense as follows:

For the Year Ended June 30,	
2019	$ (1,759)
2020	(1,759)
2021	(1,759)
2022	(1,759)
2023	(1,759)
Thereafter	(6,373)

Note 10. Risk Management

The Agency is exposed to various risks of loss related to theft, damage and destruction of assets. Liability exposures are also present, including errors and omissions. The Agency is covered under the City's health insurance, commercial property and liability insurance policies providing coverage for liability, fire, theft, automobile, inland marine, workers' compensation and Directors' and Officers' coverage. Settled claims resulting from these risks have not exceeded the commercial insurance limits in any of the past three fiscal years for the Agency.

Note 11. Commitments and Contingencies

The Agency has entered into tax increment subordinate lien notes as part of owner participation agreements. The notes varied by amount of indebtedness, interest rate and maturity date and have been allocated to various parcels of land in their respective redevelopment area. The indebtedness is payable solely and exclusively from a predetermined percentage of the site ad valorem tax increment received by the Agency on those specific parcels and is not payable from any other source. The requirements to repay the notes are contingent on the Agency receiving sufficient site tax increment on the specific parcels, as well as the developer incurring approved reimbursable project costs. Accordingly, only certain of these potential future obligations of the Agency have been reflected in the Agency's financial statements to the extent that tax increment revenue has been collected and approved, qualified expenses have been incurred by the developer.

Cornerstone Redevelopment Area

CS Lot 1 Land Purchase Note

On June 1, 2001, the Agency entered into a development agreement and executed the CS Lot 1 Land Purchase Promissory Note in the amount of $3,100,000 (the CS Lot 1 Note), which is payable solely from 25% of the related site tax increment from the development area. Interest accrues at 9.5% unless the Cornerstone Developer fails to meet the Private Improvement Schedule set forth in the CS Lot 1 Note. As of January 1, 2014, the developer did not meet the Private Improvement Schedule and therefore, interest will permanently toll. The proceeds from the CS Lot 1 Note were used to purchase land, upon which a public improvement project was built by the Cornerstone Developer. Any unpaid principal and interest that remains outstanding thirty (30) years after the date of the adoption of the Cornerstone Redevelopment Plan (*i.e.*, as of February, 2031) will be forgiven and deemed paid in full. At June 30, 2018, the balance on the CS Lot 1 Note was $1,037,614.

During fiscal 2018, the Agency received site tax increment revenue and paid an assignee of the Cornerstone Developer $478,932, which was charged to program costs.

Series B Bonds Note

The Agency executed a $6,250,000 promissory note on May 9, 2002 (the Series B Note), which bears interest at 6.9% (beginning December 1, 2002) and is payable over sixteen years. The note is equal to the proceeds of the Series B LID Bonds issued by the City. A separate agreement executed by the Cornerstone Developer and the City assigned all payments on the Series B Note to the City as an offset to the principal and interest payments the City is obligated to pay on the Series B LID Bonds. Accordingly, the Agency is currently obligated to make payments on the Series B Note to the City, who in turn uses the proceeds to fund the payments due on the Series B LID bonds. The percentage of site tax increment from which the note is to be repaid is 40%. The amount of principal and interest owed to the City for fiscal 2018 was $220,185 and $49,590, respectively. During fiscal 2018, the Agency received site tax increment revenue and paid $269,774 in principal and interest, which was charged to program costs.

During fiscal 2018, 40% of site tax increment revenue of up to the fiscal 2019 Series B principal payment of $215,000 was accrued to program cost, but will not be disbursed until fiscal 2019, and is shown as Tax Increment Payable to Developers.

(Continued)

In February 2013, the City issued $7,770,000 in Limited Obligation Refunding Bonds, Series 2013. These proceeds were placed in an irrevocable trust with an escrow agent to provide funds for the future debt service payment on $8,585,000 of refunded debt. This is estimated to save the Agency $600,000 over the remaining life of the bonds.

Tuscany Redevelopment Area

Lynn Investments LLC Note

On April 16, 2002, the Agency and Commerce and Associates, LLC (Commerce) entered into an Owner Participation Agreement (the Commerce OPA), which provides that the Agency reimburse Commerce up to $40 million for public improvements, payable from 85% of the tax increment received from the Tuscany redevelopment project area (the Commerce Note). Interest on the Commerce Note was originally 8.5%, but tolls when the accumulated assessed value fails to equal or exceed the minimums per the Commerce Note. The original schedule for completion of all public and private improvements per the Commerce OPA was by December 31, 2006. However, Commerce received four amendments, which extended the time for completion to December 15, 2011.

The amendments also increased the Agency's reimbursement commitment to $60 million, payable from 90% of the tax increment received from the Tuscany redevelopment project area, until such time that the 18% low income housing set aside is required by NRS. At that time, the Agency's reimbursement commitment increases to 95% of tax increment remaining after the low-income housing set aside. The amendments also modified the Commerce Note interest rate such that interest shall not accrue until the date a certificate of completion is executed by the Agency. The interest rate is now 5.25% per annum compounded annually.

During fiscal 2018, the Agency made interest payments on the Tuscany Note of $2,952,061 and at June 30, 2018, the outstanding balance is $50,048,511. All unpaid principal and interest that is payable after March 2031 will be forgiven and deemed paid in full.

As of June 30, 2018, the Agency has a recorded liability of $478,807, which is payable to the developer for its share of the tax increment revenue collected.

Eastside Redevelopment Area

LandWell Note

On October 16, 2007, the Agency and LandWell, LLC (LandWell) entered into an Owner Participation Agreement (the LandWell OPA), which provides that the Agency reimburse LandWell up to $170 million for public improvements from 50% of the tax increment received from the project (the LandWell Note) on October 1 and April 1. The LandWell Note bears interest at 8%, but interest will toll when accrued interest reaches $39 million in total.

On May 15, 2012, the Agency and LandWell completed the first amendment to the LandWell OPA, which increases the percentage of tax increment received from the project from 50% to 75% and reduces the interest rate on the LandWell Note from 8% to 6%. It also formalizes LandWell's obligation to reimburse the City of Henderson City Attorney's office for $3,948,896 in legal fees related to environmental work (the City Attorney Note). The Agency will reimburse the City for all funds held to date for LandWell, and up to $500,000 annually from future tax increment proceeds related to the LandWell Note. Interest on the $3.9 million receivable from LandWell accrues at 3%. If on October 1, 2020, there has not been sufficient tax increment collected to pay off the amount remaining to the City Attorney's office, LandWell is required to pay the remaining balance on or before October 15, 2020. Additionally, the amendment includes LandWell's obligation to reimburse the City of Henderson Public Works department of $298,587 for the construction of a sewer main servicing the project.

At June 30, 2018, LandWell requested and staff pre-approved the following capital improvement projects:

Galleria Road	$ 1,100,000
Phase I	21,000,000
Active Adult	11,000,000
Cadence Charter School	1,800,000
	$ 34,900,000

Through June 30, 2018, LandWell incurred costs of $32,615,822 related to the above projects, which would qualify for reimbursement, however, the Agency's formal reimbursement approval process has not been completed as of year end, and tax increment revenues are not sufficient to pay these amounts. Accordingly, no liability has been established. During fiscal 2018, the Agency paid $347,723 to LandWell. In addition, the Agency paid the City $500,000 related to LandWell.

At June 30, 2018, the outstanding balances of the Eastside Redevelopment Notes are as follows:

City Attorney’s Office	$ 2,297,066
LandWell	1,213,322
	$ 3,510,388

At June 30, 2018, $882,725 has been received in site tax increment since the last semi-annual payment and $179,192 has been placed in a restricted cash account as well as recorded as a program expense and a liability (Tax Increment Payable to Developers).

All unpaid principal and interest on the LandWell Note that is payable after February 2036 will be forgiven and deemed paid in full.

Union Village Note

On December 17, 2013, the Agency and Union Village, LLC (Union Village) entered into an Owner Participation Agreement (the Union Village OPA), which provides that the Agency reimburse Union Village up to $80,200,000 for constructing certain capital improvements in the Eastside Redevelopment Area (the Union Village Note). The Union Village Note will bear interest at 6%, but interest is capped at $14 million in total. Assuming that tax increment revenues are sufficient, outstanding balances on the note will be repaid (principal and interest) in June and December from 90% of Union Village's share of tax increment through 2025, after which the payments will be funded from 80% of Union Village's share of tax increment revenues.

All unpaid principal and interest on the Union Village Note that is payable as of February 2036 will be forgiven and deemed paid in full.

As of June 30, 2018, there was not sufficient progress to activate the promissory note, and $105,986 has been placed in a restricted cash account.

Valley Health System Note

On December 17, 2013, the Agency and Valley Health System, LLC (VHS) entered into an Owner Participation Agreement, which provides that the Agency reimburse VHS up to $33,000,000 for constructing certain capital improvements in the Eastside Redevelopment Area (the VHS Note). The VHS Note will bear interest at 6%, but interest is capped at $6.5 million in total. Assuming that tax increment revenues are sufficient, outstanding balances on the note will be repaid (principal and interest) in June and December from 90% of VHS's share of tax increment through 2025, after which the payments will be funded from 80% of VHS's share of tax increment revenues.

All unpaid principal and interest on the VHS Note that is payable after February 2036 will be forgiven and deemed paid in full.

As of June 30, 2018, VHS opted to complete the project and add all the improvements to the promissory note at one time. The total expenditures by VHS are currently under review by Nevada Construction Services, and as of June 30, 2018, no liability has been recorded, but $356,274 has been placed in a restricted cash account.

Other Contractual Commitments

As of June 30, 2018, the Agency had $1,428,808 in outstanding encumbrances in the General Fund.

Note 12. Recently Issued Accounting Pronouncements

In November 2016, the GASB issued Statement No. 83, *Certain Asset Retirement Obligation*s, effective for periods beginning after June 15, 2018. The objective of this Statement is to address accounting and financial reporting for certain asset retirement obligations that result from a legally enforceable liability associated with the retirement of a tangible capital asset. Management has completed its assessment of this statement and determined that it will not have a material effect on financial position or changes therein.

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*, effective for periods beginning after December 15, 2018. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. Management has not yet completed its assessment of this statement.

In June 2017, the GASB issued Statement No. 87, *Leases*, effective for periods beginning after December 15, 2019. The objective of this Statement is to better meet the information needs of financial statement users by requiring recognition, for leases that previously were classified as operating leases, of certain lease assets, liabilities and inflows or outflows of resources based on the payment provisions of the contract. Management has not yet completed its assessment of this statement.

In March 2018, the GASB issued Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*, effective for periods beginning after June 15, 2018. This statement addresses the information to be disclosed related to debt, including direct borrowings and direct placements and clarifies which liabilities governments should include when disclosing information related to debt. Management has not yet completed its assessment of this statement.

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Perio*d, effective for periods beginning after December 15, 2019. This statement establishes accounting requirements for interest cost incurred before the end of a construction period and requires that such interest costs be recognized as an expense in the period in which the cost is incurred. Management has not yet completed its assessment of this statement.

In August 2018, the GASB issued Statement No. 90, *Majority Equity Interests*, effective for periods beginning after December 15, 2018. This statement addresses the reporting of a majority equity interest in a legally separate organization and requires that such majority equity interest be reported as an investment. Management has not yet completed its assessment of this statement.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF HENDERSON REDEVELOPMENT AGENCY

REQUIRED SUPPLEMENTARY INFORMATION
POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS
SCHEDULE OF CHANGES IN OPEB LIABILITY
FOR THE YEAR ENDED JUNE 30, 2018 AND LAST NINE FISCAL YEARS[1]

	Service Cost	Interest on OPEB Liability	Changes in Benefit Terms	Differences Between Expected and Actual Experience	Changes in Assumptions or Other Inputs	Benefit Payments	Net Change in OPEB Liability	OPEB Liability, Beginning of Year	OPEB Liability, End of Year	Covered Payroll	OPEB Liability, End of Year as a Percentage of Covered Payroll
City of Henderson Plans [2]											
2018	$ 16,347	$ 15,469	$	$	$ (16,928)	$ (10,641)	$ 4,247	$ 380,051	$ 384,298	$ 712,512	53.94 %

1. Information for Postemployment Benefits Other Than Pension is not available for years prior to the year ended June 30, 2018. As additional information becomes available, this schedule will ultimately present information for the ten most recent fiscal years.
2. No assets have been placed in a trust.

CITY OF HENDERSON REDEVELOPMENT AGENCY

REQUIRED SUPPLEMENTARY INFORMATION
MULTIPLE-EMPLOYER COST-SHARING DEFINED BENEFIT PENSION PLAN
PROPORTIONATE SHARE OF THE COLLECTIVE NET PENSION LIABILITY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2017 AND LAST NINE FISCAL YEARS[1]

For the Year Ended June 30,	Proportion of the Collective Net Pension Liability	Proportion of the Collective Net Pension Liability	Covered Payroll	Proportion of the Collective Net Pension Liability as a Percentage of Covered Payroll	PERS Fiduciary Net Position as a Percentage of Total Pension Liability
2014	0.00862 %	$ 898,176	$ 553,144	162.38 %	76.31 %
2015	0.00870 %	1,001,154	534,637	187.26 %	75.13 %
2016	0.00868 %	1,168,364	571,388	204.48 %	72.23 %
2017	0.00847 %	1,126,513	596,834	188.75 %	74.42 %

1. Information for the multiple-employer cost-sharing defined benefit pension plan is not available for years prior to the year ended June 30, 2014. As more information becomes available, this schedule will ultimately present information for the ten most recent fiscal years.
2. Covered payroll is presented in accordance with the guidance in GASB 82, Pension Issues - An Amendment of GASB Statements No. 67, 68, and 73.

CITY OF HENDERSON REDEVELOPMENT AGENCY

REQUIRED SUPPLEMENTARY INFORMATION
MULTIPLE-EMPLOYER COST-SHARING DEFINED BENEFIT PENSION PLAN
PROPORTIONATE SHARE OF STATUTORILY REQUIRED CONTRIBUTION INFORMATION
FOR THE YEAR ENDED JUNE 30, 2018 AND LAST NINE FISCAL YEARS[1]

For the Year Ended June 30,	Statutorily Required Contribution	Contributions in relation to the Statutorily Required Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
2015	$ 134,827	$ 134,827	$	$ 534,637	25.22 %
2016	158,210	158,210		571,388	27.69 %
2017	167,114	167,114		596,834	28.00 %
2018	198,315	198,315		712,512	27.83 %

1. Information for the multiple-employer cost-sharing defined benefit pension plan is not available for years prior to the year ended June 30, 2015. As more information becomes available, this schedule will ultimately present information for the ten most recent fiscal years.
2. Covered payroll is presented in accordance with the guidance in GASB 82, Pension Issues - An Amendment of GASB Statements No. 67, 68, and 73.

Note 1. Other Postemployment Benefits

For the year ended June 30, 2018, no significant events occurred that had an effect on the benefit provision, size or composition of those covered by the postemployment benefit plans. The only significant change in actuarial methods and assumptions used was an increase in the discount rate from 3.57% at the beginning of the year to 3.87% at the end of the year.

At June 30, 2018, no assets were accumulated in a qualifying trust in which the assets contributed and earnings thereon are irrevocable, dedicated solely to providing postemployment benefits and are legally protected from creditors.

Actuarial information for postemployment benefits other than pensions is not available for measurement years prior to the year ended June 30, 2018. As information becomes available this schedule will ultimately present information for the ten most recent fiscal years.

Additional information related to other postemployment benefits can be found in Note 9 to the basic financial statements.

Note 2. Multiple-Employer Cost-Sharing Defined Benefit Pension Plan

For the year ended June 30, 2018, there were no changes in the pension benefit plan terms. Since the last measurement date of June 30, 2016, several assumption changes were made resulting from the experience review completed in October 2017. These changes include, a decrease in the inflation rate and the consumer price index from 3.50% to 2.75%, a decrease in the investment rate of return and discount rate from 8.00% to 7.50%. Lastly, projected salary decreased from a range of 4.60% - 9.75% for regular and 5.25% - 14.50% for police/fire to 4.25% - 9.15% for regular and 4.55% - 13.90% for police/fire.

The actuarial valuation report dated June 30, 2014, was the first valuation of the multiple-employer cost-sharing defined benefit pension plan. As additional actuarial valuations are obtained, these schedules will ultimately present information from the ten most recent valuations.

Additional pension plan information can be found in Note 8 to the basic financial statements.

OTHER SUPPLEMENTARY INFORMATION

CITY OF HENDERSON REDEVELOPMENT AGENCY

GENERAL FUND
COMBINING BALANCE SHEET - BY PROJECT AREA
JUNE 30, 2018

	Downtown	Tuscany	Cornerstone	Eastside	Lakemoor	Revolving	Administration	Total General Fund
ASSETS								
Cash, cash equivalents and investments	$ 7,951,428	$ 350,145	$ 2,301,952	$ 13,006,958	$ 72,240	$ 72,256	$ 42,827	$ 23,797,806
Restricted cash, cash equivalents and investments	17,964	578,807	1,041,964	690,945				2,329,680
Interest receivable	21,337	3,002	8,811	39,023	196		3	72,372
Taxes receivable	72,756	8,057	3,437	78,695				162,945
Notes receivable, net	21,952			1,459				23,411
Due from other governments	12,426	21,013	5,536	157,627				196,602
Land held for resale	3,168,606			560,000				3,728,606
Total assets	$ 11,266,469	$ 961,024	$ 3,361,700	$ 14,534,707	$ 72,436	$ 72,256	$ 42,830	$ 30,311,422
LIABILITIES								
Accounts payable and other accrued liabilities	$ 171,574	$	$ 50,378	$ 41,605	$	$	$ 16,727	$ 280,284
Accrued wages							26,102	26,102
Tax increment payable to developers		578,807	215,864	179,192				973,863
Due to other governments	17,964			49,492				67,456
Total liabilities	189,538	578,807	266,242	270,289			42,829	1,347,705
DEFERRED INFLOWS OF RESOURCES								
Unavailable revenue, property taxes	72,756	8,057	3,437	78,695				162,945
Unavailable revenue, notes receivable	21,952			1,459				23,411
Total deferred inflows of resources	94,708	8,057	3,437	80,154				186,356
Total liabilities and deferred inflows of resources	284,246	586,864	269,679	350,443			42,829	1,534,061
FUND BALANCE								
Restricted for								
Land held for resale	3,168,606			560,000				3,728,606
Debt service	619,350							619,350
Contractual commitments	1,131,941		62,691	234,176				1,428,808
Economic stabilization	243,780			340,933				584,713
Future redevelopment activities	5,818,546	374,160	3,029,330	13,049,155	72,436	72,256	1	22,415,884
Total fund balance	10,982,223	374,160	3,092,021	14,184,264	72,436	72,256	1	28,777,361
Total liabilities, deferred inflows of resources and fund balance	$ 11,266,469	$ 961,024	$ 3,361,700	$ 14,534,707	$ 72,436	$ 72,256	$ 42,830	$ 30,311,422

CITY OF HENDERSON REDEVELOPMENT AGENCY

GENERAL FUND
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BY PROJECT AREA
FOR THE YEAR ENDED JUNE 30, 2018

	Downtown	Tuscany	Cornerstone	Eastside	Lakemoor	Revolving	Administration	Total General Fund
REVENUES								
Property taxes	$ 2,459,638	$ 3,322,372	$ 2,116,695	$ 5,378,076	$ 356	$	$	$ 13,277,137
Investment income	62,162	11,026	10,989	75,914	395		(229)	160,257
Contributions	190,553							190,553
Miscellaneous	19,751			1,680		800		22,231
Total revenues	2,732,104	3,333,398	2,127,684	5,455,670	751	800	(229)	13,650,178
EXPENDITURES								
General government								
General operations								
Salaries and wages							727,215	727,215
Employee benefits							322,785	322,785
Services and supplies	492,568		3,501	1,016,448		6,041	417,006	1,935,564
Program costs								
Services and supplies	1,550,194	3,025,137	335,034	1,237,156			3,320	6,150,841
Impairment of land held for development	104,569			5,321,633				5,426,202
Total general government	2,147,331	3,025,137	338,535	7,575,237		6,041	1,470,326	14,562,607
Debt service								
Principal payments	230,000							230,000
Interest and fiscal charges	560,629							560,629
Total debt service	790,629							790,629
Total expenditures	2,937,960	3,025,137	338,535	7,575,237		6,041	1,470,326	15,353,236
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(205,856)	308,261	1,789,149	(2,119,567)	751	(5,241)	(1,470,555)	(1,703,058)
OTHER FINANCING SOURCES (USES)								
Transfers between project areas	(161,655)	(286,791)	(185,591)	(836,261)			1,470,298	
CHANGE IN FUND BALANCE	(367,511)	21,470	1,603,558	(2,955,828)	751	(5,241)	(257)	(1,703,058)
FUND BALANCE, BEGINNING OF YEAR	11,349,734	352,690	1,488,463	17,140,092	71,685	77,497	258	30,480,419
FUND BALANCE, END OF YEAR	$ 10,982,223	$ 374,160	$ 3,092,021	$ 14,184,264	$ 72,436	$ 72,256	$ 1	$ 28,777,361

COMPLIANCE SECTION

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*

Members of the City of Henderson Redevelopment Agency Board
City of Henderson Redevelopment Agency
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 City of Henderson Redevelopment Agency (the Agency), a blended component unit of the City of Henderson, Nevada, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements as listed in the table of contents, and have issued our report thereon dated October 31, 2018.

Internal Control over Financial Reporting. In planning and performing our audit of the basic financial statements, we considered the Agency'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 Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of the Agency'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 Agency'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 Agency'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 Agency, 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*.

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

Pierpont, Bovvitz, Taylor & Kerr

October 31, 2018

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