COMPLIANCE SECTION

HENDERSON™

Annual Comprehensive Financial Report

City of Henderson, Nevada | For Fiscal Year Ended June 30, 2023

THIS PAGE INTENTIONALLY LEFT BLANK

CPAs & BUSINESS ADVISORS

Independent Auditor's 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*

To the Honorable Board of Commissioners
City of Henderson, Nevada
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 (*Government Auditing Standards)*, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Henderson, Nevada (the City), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated December 14, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as finding 2023-001, 2023-002, and 2023-003 to be material weaknesses.

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. We consider the deficiency described in the accompanying schedule of findings and questioned costs as finding 2023-004 to be a significant deficiency.

5441 Kietzke Ln., Ste. 150 | Reno, NV 89511-2094 | T 775.689.9100 | F 775.689.9299 | EOE

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's 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 financial statements. 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.*

City's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the City's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Eide Bailly LLP

Reno, Nevada
December 14, 2023

CPAs & BUSINESS ADVISORS

Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance

To the Honorable Board of Commissioners
City of Henderson, Nevada
Henderson, Nevada

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the City of Henderson, Nevada's (the City) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2023. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the City's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the City's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the City's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, Government Auditing Standards, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the City's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the City's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over* *compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2023-005 to be a significant deficiency.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards requires the auditor to perform limited procedures on the City's response to the internal control over compliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Eide Bailly LLP

Reno, Nevada
December 14, 2023

CPAs & BUSINESS ADVISORS

Auditor's Comments

To the Honorable Board of Commissioners
City of Henderson, Nevada
Henderson, Nevada

In connection with our audit of the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Henderson, Nevada (the City) as of and for the year ended June 30, 2023, and the related notes to the financial statements, nothing came to our attention that caused us to believe that the City failed to comply with the specific requirements of Nevada Revised Statutes cited below other than the violations reported in Note 2 to the financial statements. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the City's noncompliance with the requirements of Nevada Revised Statutes cited below, insofar as they relate to accounting matters.

Statute Compliance

The required disclosure on compliance with Nevada Revised Statutes and the Nevada Administrative Code is contained in Note 2 to the financial statements.

Progress on Prior Year Statute Compliance

Expenditures were monitored during the current year to avoid over-expenditures in accordance with NRS, except for those items disclosed in Note 2 to the financial statements.

Prior Year Recommendations

See the Summary Schedule of Prior Year Audit Findings.

Current Year Recommendations

Our current year recommendations are included in the Schedule of Findings and Questioned Costs.

Nevada Revised Statute 354.6115

A fund was created in accordance with Nevada Revised Statute 354.6115, "Fund to stabilize operations of local government and mitigate effects of natural disaster". Funds deposited and/or accumulated in the Stabilization Special Revenue Fund for budget stabilization can only be used if the conditions described in Note 1 are present.

Eide Bailly LLP

Reno, Nevada
December 14, 2023

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Financial Assistance Listing	Pass-Through Entity Identifying Number	Amounts Passed Through to Subrecipients	Expenditures
U.S. Department of Agriculture				
Passed through Nevada Department of Agriculture				
Child Nutrition Cluster				
Special Milk Program for Children	10.556	Interlocal Agreement	$ -	$ 9,482
Special Milk Program for Children - Program Income	10.556	Interlocal Agreement	-	3,652
Total Child Nutrition Cluster			-	13,134
Direct program				
Farm to School Grant Program	10.575	Hydroponic	-	24,321
Total U.S. Department of Agriculture			-	37,455
U.S. Department of Housing and Urban Development				
Direct program				
CDBG - Entitlement Grants Cluster				
COVID-19 Community Development Block Grants/Entitlement Grants	14.218	Other	-	155,676
COVID-19 Community Development Block Grants/Entitlement Grants	14.218	Subrecipient	593,472	815,245
Community Development Block Grants/Entitlement Grants	14.218	Other	635,442	983,282
Community Development Block Grants/Entitlement Grants	14.218	Subrecipient	2,103,258	2,103,258
Total CDBG - Entitlement Grants Cluster			3,332,172	4,057,461
Passed through State of Nevada Governor's Office of Economic Development				
COVID-19 Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii	14.228	CDBG-CVR2 20/PS/27	529,335	529,335
Passed through State of Nevada Department of Business and Industry Housing Division				
COVID-19 - Emergency Solutions Grants Program	14.231	B-20-DW-32-0001	592,567	601,965
Direct program				
Home Investment Partnerships Program	14.239	Other	-	235,003
Home Investment Partnerships Program - Program Income	14.239	Subrecipient	179,688	179,688
Home Investment Partnerships Program	14.239	Other	-	41,148
			179,688	455,839
Passed through State of Nevada Housing Division				
Home Investment Partnerships Program	14.239	Interlocal Agreement	8,476	8,476
Total U.S. Department of Housing and Urban Development			4,642,238	5,653,076
U.S. Department of the Interior				
Direct program				
Southern Nevada Public Land Management	15.235	Adaptive Use Park	-	296,828
Southern Nevada Public Land Management	15.235	Pueblo Trail Enhancement	-	27,380
Southern Nevada Public Land Management	15.235	Drake St Park	-	20,858
Southern Nevada Public Land Management	15.235	Therapeutic Rec, Inclusive Center	-	28,208
Southern Nevada Public Land Management	15.235	Black Mtn Nature Preserve	-	2,403
Total U.S. Department of the Interior			-	375,677
U.S. Department of Justice				
Passed through Las Vegas Metropolitan Police Department				
Missing Children's Assistance	16.543	Interlocal Agreement	-	79,357

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Financial Assistance Listing	Pass-Through Entity Identifying Number	Amounts Passed Through to Subrecipients	Expenditures
Direct program				
Treatment Court Discretionary Grant Program	16.585	A.B.C Court	$ -	$ 68,654
Treatment Court Discretionary Grant Program	16.585	Adult Drug Court	-	61,634
			-	130,288
Passed through State of Nevada Office of the Attorney General				
Violence Against Women Formula Grants	16.588	2022-VAWA-20	-	33,824
Direct program				
Public Safety Partnership and Community Policing Grants	16.710	FY21 COPS Mental Health	-	9,235
Direct program				
Edward Byrne Memorial Justice Assistance Grant Program	16.738	Local JAG FY22	-	54,444
Passed through State of Nevada Department of Public Safety				
Paul Coverdell Forensic Sciences Improvement Grant Program	16.742	20-FSI-04	-	250,000
Paul Coverdell Forensic Sciences Improvement Grant Program	16.742	21-FSI-04	-	10,518
Paul Coverdell Forensic Sciences Improvement Grant Program	16.742	22-FSI-04	-	6,446
			-	266,964
Direct program				
Comprehensive Opioid, Stimulant, and Substance Abuse Site-based Program	16.838	FY23 COSSAP	-	88,973
Total U.S. Department of Justice			-	663,085
U.S. Department of Transportation				
Passed through State of Nevada Department of Transportation				
Highway Planning and Construction	20.205	PR13-22-063	-	5,285
Passed through State of Nevada Department of Public Safety				
Highway Safety Cluster				
State and Community Highway Safety	20.600	JF-2022-HPD-00002	-	48,068
State and Community Highway Safety	20.600	TS-2023-HPD-00049	-	61,990
Total Highway Safety Cluster			-	110,058
Passed through State of Nevada Department of Public Safety				
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	JF-2023-HPD-00001	-	162,606
Total U.S. Department of Transportation			-	277,949
U.S. Department of the Treasury				
Direct program				
Equitable Sharing	21.016	NA	-	140,434
Direct program				
COVID-19 Emergency Rental Assistance Program	21.023	ERA II	1,352,888	1,352,888
Direct program				
COVID-19 State and Local Fiscal Recovery Fund	21.027	NA	6,048	13,343,292
Total U.S. Department of the Treasury			1,358,936	14,836,614
National Endowment for the Arts				
Direct program				
Promotion of the Arts Grants to Organizations and Individuals	45.024	1892719-62-22	-	8,969
COVID-19 Promotion of the Arts Grants to Organizations and Individuals	45.024	1895721-66-22	-	66,155
Total National Endowment for the Arts			-	75,124

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Financial Assistance Listing	Pass-Through Entity Identifying Number	Amounts Passed Through to Subrecipients	Expenditures
U.S. Environmental Protection Agency				
Direct program				
Brownfields Multipurpose, Assessment, Revolving Loan Fund, and Cleanup Cooperative Agreements	66.818	NA	$ -	$ 85,832
Total U.S. Environmental Protection Agency			-	85,832
U.S. Department of Health and Human Services				
Passed through State of Nevada Department of Health and Human Services				
Aging Cluster				
Special Programs for the Aging, Title III, Part C, Nutrition Services	93.045	03-031-07-1H1-23	-	79,626
Special Programs for the Aging, Title III, Part C, Nutrition Services	93.045	03-031-04-2X-23	-	433,287
Special Programs for the Aging, Title III, Part C, Nutrition Services	93.045	03-031-07-1H1-22	-	81,476
Special Programs for the Aging, Title III, Part C, Nutrition Services	93.045	03-031-04-2X-22	-	103,849
Special Programs for the Aging, Title III, Part C, Nutrition Services	93.045	03-031-04-2C5X-22	-	52,013
Special Programs for the Aging, Title III, Part C, Nutrition Services	93.045	03-031-66-1X-21	-	169,961
Program Income	93.045	NA	-	156,495
			-	1,076,707
Nutrition Services Incentive Program	93.053	03-031-57-NX-23	-	124,457
Total Aging Cluster			-	1,201,164
Passed through The Children's Cabinet, Inc.				
CCDF Cluster				
Child Care and Development Block Grant	93.575	G990238	-	298,410
Total CCDF Cluster			-	298,410
Passed through Southern Nevada Health District				
PPHF: Racial and Ethnic Approaches to Community Health Program financed solely by Public Prevention and Health Funds	93.738	C1900051	-	38,609
Total U.S. Department of Health and Human Services			-	1,538,183
Corporation for National and Community Service				
Passed through Nevada Volunteers				
AmeriCorps State and National	94.006	22AFINV0010001	-	29,306
Total Corporation for National and Community Service			-	29,306
U.S. Department of Homeland Security				
Passed through State of Nevada Department Office of the Military				
Emergency Management Performance Grants	97.042	97042.21	-	92,997
Emergency Management Performance Grants	97.042	97042.22	-	195,016
			-	288,013
Direct Program				
Assistance to Firefighters Grant Program	97.044	NA	-	116,375
Passed through State of Nevada Department of Public Safety				
Homeland Security Grant Program	97.067	97067.19-3100	-	111,715
Homeland Security Grant Program	97.067	97067.20	-	364,793
Homeland Security Grant Program	97.067	97067.21 - Mobile Barriers	-	449,982
Homeland Security Grant Program	97.067	97067.21 - Tactical Robot	-	212,171
			-	1,138,661
Total U.S. Department of Homeland Security			-	1,543,049
Total Expenditures of Federal Awards			$ 6,001,174	$ 25,115,350

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "SEFA") includes the federal award activity of the City of Henderson (the "City") under programs of the federal government for the year ended June 30, 2023. The information in this SEFA is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Because the SEFA presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in financial position, or cash flows of the City.

Note 2 - Summary of Significant Accounting Policies

Expenditures reported on the SEFA are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Federal financial assistance provided to a subrecipient is treated as an expenditure when it is paid to the subrecipient. Negative amounts shown on the SEFA represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

Note 3 - Indirect Cost Rate

The City has elected to use the 10-percent de minimis indirect cost rate for federal programs that allow those costs to be charged, as allowed under the Uniform Guidance, where applicable.

Note 4 - Loan Programs

The City participates in Revolving Loan Funds and Section 108 Loan Guarantee programs sponsored by the Department of Housing and Urban Development - Community Development Block Grants (CDBG) and the HOME Investment Partnerships Program. Under these programs, the City issues loans to program participants which may be forgiven over time, or are repaid into the program for the issuance of new loans. Only current year loan drawdowns (new loans issued) are reported on the SEFA; there are no contingencies noted. At June 30, 2023, the City had the following loan activities:

Program Title	Federal ALN	Outstanding Receivable from Program Participants
Home Investment Partnerships Program	14.239	$ 5,776,619
Community Development Block Grants/Entitlement Grants	14.218	170,000
		$ 5,946,619

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weaknesses identified	Yes
Significant deficiencies identified not considered to be material weaknesses	Yes
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major program:	
Material weaknesses identified	No
Significant deficiencies identified not considered to be material weaknesses	Yes
Type of auditor's report issued on compliance for major programs	Unmodified
Any audit findings disclosed that are required to be reported in in accordance with Uniform Guidance 2 CFR 200.516	Yes

Identification of major programs:

Name of Federal Program	Federal Financial Assistance Listing
CDBG – Entitlement Cluster	
Community Development Block Grants/Entitlement Grants	14.218
COVID-19 Emergency Rental Assistance Program	21.023
COVID-19 Coronavirus State and Local Fiscal Recovery Fund	21.027
Aging Cluster	
Special Programs for the Aging, Title III, Part C, Nutrition Services	93.045
Nutrition Services Incentive Program	93.053
Homeland Security Grant Program	97.067

Dollar threshold used to distinguish between Type A and Type B programs:	$753,460
Auditee qualified as low-risk auditee?	No

(continued)

Section II – Financial Statement Findings:

2023-001: Opioid Settlement
Material Weakness in Internal Control

Criteria: Management is responsible for establishing and maintaining an effective system of internal control over financial reporting. Strong communication channels that allow for the monitoring of legal settlements is a key component of internal control to ensure they are recorded in accordance with U.S. GAAP.

Condition: Opioid settlement receivables were not originally recorded.

Cause: The City did not have adequate internal controls to monitor the State of Nevada opioid legal settlements to ensure they were appropriately recorded.

Effect: Prior to adjustment, receivables reported in the General Fund (and Governmental Activities) were understated by $4,876,089.

Recommendation: We recommend the City enhance internal controls to monitor the State of Nevada opioid legal settlements to ensure they are appropriately recorded.

Views of Responsible Officials: The City of Henderson agrees with this finding.

2023-002: Notes Receivable
Material Weakness in Internal Control

Criteria: Management is responsible for establishing and maintaining an effective system of internal control over financial reporting. Controls should ensure the correct application of modified accrual accounting in the governmental fund financial statements, and the conversion to full accrual accounting in the government-wide financial statements.

Condition: Management had determined the likelihood of collections on notes receivable in the Grants Special Revenue Fund was low and considered all the notes to be uncollectible and therefore, created an allowance for uncollectible accounts for the entire balance of the notes receivable. However, this allowance was only reported in the government-wide financial statements. In the governmental fund financial statements, an unavailable revenue was reported.

Cause: The City did not have adequate internal controls to ensure proper and consistent reporting of the allowance at the fund level and the government-wide level.

Effect: Prior to adjustment, receivables and unavailable revenue reported in the Grants Fund on the fund level statements were overstated by $12,432,269.

(continued)

Recommendation: We recommend the City enhance internal controls to monitor proper and consistent reporting between the fund level and government-wide level.

Views of Responsible Officials: The City of Henderson agrees with this finding.

2023-003: Restricted Net Position and Assigned Fund Balance
Material Weakness in Internal Control

Criteria: Management is responsible for establishing and maintaining an effective system of internal control over financial reporting. Controls should ensure net position and fund balances are appropriately classified in accordance with GASB Statement No. 36 and GASB Statement No. 54.

Condition: During our testing of the net position/fund balance of the various opinion units, we observed the following classification matters:

- In the Development Services Fund, the City improperly classified customer deposits as restricted net position despite the reporting of a liability offsetting the deposits.
- In the Self-Insurance Fund, Worker's Compensation Self-Insurance Fund, and Health Insurance Self-Insurance Fund, the City improperly classified the net position as unrestricted even though Nevada Revised Statutes dictate that these amounts should be restricted.
- In the Governmental Activities, the City did not include all required adjustments to convert from restricted fund balance to restricted net position.
- In the General Fund, the City did not adequately assign fund balance for the fiscal year 2024 budgetary shortfall.

Cause: The City did not have adequate internal controls to ensure proper and consistent reporting of restricted net position and assigned fund balance at the fund and government-wide level.

Effect: Prior to adjustment, restricted net position in the Development Services Fund was overstated by approximately $316,000. In the Self-Insurance Internal Service Funds, restricted net position was understated and unrestricted net position was overstated by approximately $19.3 million. In the Governmental Activities, we noted partially off-setting errors for the overstatement of restricted net position by approximately $19.4 million for unspent bond proceeds and the understatement of restricted net position by approximately $5.1 million for the recognition of unavailable revenues, resulting in a net overstatement of restricted net position and understatement of unrestricted net position by approximately $14.3 million (excluding the self-insurance internal service funds). In the General Fund, assigned fund balance was understated by approximately $2.5 million.

(continued)

Views of Responsible Officials: The City of Henderson agrees with this finding.

2023-004: Retainage Payable
Significant Deficiency in Internal Control

Criteria: Management is responsible for establishing and maintaining an effective system of internal control over financial reporting. Controls should ensure the correct application of modified accrual in the governmental fund financial statements. Retainage is amounts withheld from contractors in an exchange transaction, rather than long-term general indebtedness, and should be accrued in the governmental fund financial statements.

Condition: Retainage owed to contractors at June 30 was not accrued in the governmental fund financial statements. However, it was monitored and recorded as a government-wide conversion to the full accrual basis of accounting.

Cause: The City did not have adequate internal controls to ensure proper and consistent reporting of the retainage payable at the fund level.

Effect: Capital outlay and current liabilities reported in the Aggregate Non-Major Governmental Funds in the governmental fund financial statements are understated by $910,013 and $1,843,737, respectively. Beginning fund balance is overstated by $933,724.

Views of Responsible Officials: The City of Henderson agrees with this finding.

(continued)

Section III – Findings and Questioned Costs for Federal Awards:

2023-005: U.S. Department of the Treasury
COVID-19: Coronavirus State and Local Fiscal Recovery Funds, Assistance Listing #21.027
Reporting
Significant Deficiency in Internal Control over Compliance

Grant Award Number: Affects all grant awards included under Assistance Listing 21.027 on the Schedule of Expenditures of Federal Awards.

Criteria: The *OMB Compliance Supplement* requires that reports submitted to the federal awarding agency include all activity of the reporting period, are supported by applicable accounting or performance records, and are fairly presented in accordance with governing requirements.

The City of Henderson (the City) must submit quarterly *Project and Expenditure Reports* that contain costs incurred during the covered period. Certain critical information includes:

- Obligations and Expenditures
    - Current period obligation
    - Cumulative obligation
    - Current period expenditure
    - Cumulative expenditure

Condition: Obligation information was reported inaccurately.

Cause: The City of Henderson did not have adequate internal controls to ensure Project and Expenditure Reports were prepared in accordance with governing requirements as estimated obligations, rather than actual, were reported.

Effect: Inaccurate information was reported to the federal awarding agency.

Questioned Costs: None

Context/Sampling: A nonstatistical sample of two out of a population of four *Project and Expenditure Reports* submitted during the year was selected for testing.

The cumulative impact is as follows:

Period Ended September 30, 2022

	Originally Reported	Actual
Obligations and Expenditures:		
Cumulative obligation	$25,414,500	$25,021,569

(continued)

Period Ended March 31, 2023

	Originally Reported	Actual
Obligations and Expenditures:		
Cumulative obligation	$26,664,517	$26,563,907

Repeat Finding from Prior Year: No

Recommendation: We recommend the City enhance internal controls to ensure *Project and Expenditure Reports* are prepared in accordance with governing requirements through using actual obligations, rather than estimated.

Views of Responsible Officials: The City of Henderson agrees with this finding.

Management's Response to Auditor's Findings:
Summary Schedule of Prior Audit Findings and
Corrective Action Plan
June 30, 2023

Prepared by Management of

City of Henderson, Nevada

Finance
240 S. Water Street, MSC 121, Henderson, NV 89015
T 702-267-1700 **W** cityofhenderson.com

HENDERSON™

Summary Schedule of Prior Audit Findings

Finding 2022-001

Initial Fiscal Year Finding Occurred: 2022

Finding Summary: A liability was recorded when a liability did not exist at year-end related to the 18% Education Set-aside.

Status: Corrective action has been taken for this item.

Finance
240 S. Water Street, MSC 121, Henderson, NV 89015
T 702-267-1700 **W** cityofhenderson.com

HENDERSON

Corrective Action Plan

Finding 2023-001

Finding Summary:	The City did not have adequate internal controls to monitor the State of Nevada opioid legal settlements to ensure they were appropriately recorded.
Responsible Individuals:	Rebecca Gillis, Accounting Manager
Corrective Action Plan:	City staff will request an updated opioid estimated settlement schedule from the State of Nevada Attorney General annually. This schedule will be reconciled to any new or amended opioid agreements and evaluated for proper period recognition.
Anticipated Completion Date:	November 1, 2023

Finding 2023-002

Finding Summary:	The City did not have adequate internal controls to ensure proper and consistent reporting of the allowance at the fund level and the government-wide level.
Responsible Individuals:	Rebecca Gillis, Accounting Manager
Corrective Action Plan:	City staff will prepare and review an analysis of the likelihood of collections on notes receivable annually. Amounts deemed uncollectible will be recorded consistently at the fund and government-wide level.
Anticipated Completion Date:	December 4, 2023

Finance
240 S. Water Street, MSC 121, Henderson, NV 89015
T 702-267-1700 **W** cityofhenderson.com

Corrective Action Plan, *Continued*

Finding 2023-003

Finding Summary: The City did not have adequate internal controls to ensure proper and consistent reporting of restricted net positions and assigned fund balance at the fund and government-wide level.

Responsible Individuals: Jan Fullmer, Accounting Manager

Corrective Action Plan: City staff will implement additional review procedures to ensure that net position and fund balances are appropriately classified in accordance with GASB Statement No. 36 and 54. Staff will review GASB Statement No. 36 and 54 to ensure a more comprehensive understanding of classification requirements. Additionally, templates used by the City for calculation/tracking of fund balance and net position classification will be updated and reviewed annually for consistency with GASB Statement No. 36 and 54.

Anticipated Completion Date: June 30, 2024

Finding 2023-004

Finding Summary: The City did not have adequate internal controls to ensure proper and consistent reporting of the retainage payable at the fund level.

Responsible Individuals: Jan Fullmer, Accounting Manager

Corrective Action Plan: City staff will prepare and review a reconciliation(s) to ensure that retainage payable is recorded consistently at the fund and government-wide level.

Anticipated Completion Date: June 30, 2024

Corrective Action Plan, *Continued*

Finding 2023-005

Finding Summary: The City did not have adequate internal controls to ensure Project and Expenditures Reports were prepared in accordance with governing requirements as estimates obligations, rather than actual, were reported.

The *OMB Compliance Supplement* requires that reports submitted to the federal awarding agency include all activity of the reporting period, are supported by applicable accounting or performance records, and are fairly presented in accordance with governing requirements.

The City of Henderson (the City) must submit quarterly Project and Expenditure Reports that contain costs incurred during the covered period. Certain critical information includes:

- Obligations and Expenditures
- Current period obligation
- Cumulative obligation
- Current period expenditure
- Cumulative expenditure

Responsible Individuals: Rebecca Gillis, Accounting Manager

Corrective Action Plan: City management and staff has reviewed the reporting requirements. The City has contacted the Treasury Department to assist in updating the obligated amounts reported in their reporting system. This is currently a system limitation that the City is unable to correct.

Anticipated Completion Date: Ongoing pending response from the Treasury Department

THIS PAGE INTENTIONALLY LEFT BLANK

HENDERSON

Michelle Romero
Mayor

Carrie Cox
Councilwoman

Jim Seebock
Councilman

Dan K. Shaw
Councilman

Dan H. Stewart
Councilman

Richard A. Derrick
City Manager/CEO

Stephanie Garcia-Vause
Assistant City Manager/
Chief Strategy Officer

Robert Herr
Assistant City Manager/
Chief Infrastructure Officer

Jim McIntosh
Assistant City Manager/
Chief Financial Officer

CITY OF HENDERSON
240 S. Water St. | Henderson, NV 89015
cityofhenderson.com