



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

Annual Financial Report
For the Year Ended June 30, 2020
State of Nevada

CITY OF HENDERSON REDEVELOPMENT AGENCY

ANNUAL FINANCIAL REPORT TABLE OF CONTENTS FOR THE YEAR ENDED JUNE 30, 2020

	<u>Page</u>
Financial Section	
Independent Auditors' Report on Financial Statements and Supplementary Information	1
Management's Discussion and Analysis	4
Basic Financial Statements	
Government-wide Financial Statements	
Statement of Net Position	12
Statement of Activities	13
Fund Financial Statements	
Balance Sheet - Governmental Fund	14
Reconciliation of the Balance Sheet - Governmental Fund to the Statement of Net Position - Governmental Activities	15
Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Fund	16
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Fund to the Statement of Activities - Governmental Activities	17
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund	18
Notes to Basic Financial Statements	20
Required Supplementary Information	
Postemployment Benefits Other Than Pensions - Schedule of Changes in OPEB Liability	46
Multiple-Employer Cost-Sharing Defined Benefit Pension Plan Proportionate Share of the Collective Net Pension Liability Information	47
Multiple-Employer Cost-Sharing Defined Benefit Pension Plan Proportionate Share of Statutorily Required Contribution Information	48
Notes to Required Supplementary Information	49
General Fund Combining Information	
General Fund - Combining Balance Sheet - By Project Area	50
General Fund - Combining Statement of Revenues, Expenditures and Changes in Fund Balance - By Project Area	51
Compliance Section	
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	52

FINANCIAL SECTION



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Independent Auditor's Report

Members of the City of Henderson Redevelopment Agency Board
Redevelopment Agency

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities and major fund of the City of Henderson Redevelopment Agency (the Agency), a component unit of the City of Henderson, Nevada, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these 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 financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and major fund of the Agency as of June 30, 2020, and the respective changes in financial position and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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 changes in total OPEB liability, multiple-employer cost-sharing defined benefit pension plan - proportionate share of the collective net pension liability information, multiple-employer cost-sharing defined benefit pension plan - proportionate share of statutorily required contribution information on pages 11-23 and 81-87 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 opinions on the financial statements that collectively comprise the Agency's basic financial statements. The general fund combining balance sheet by project area and the general fund statement of revenues, expenditures and changes in fund balance by project area are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The general fund combining balance sheet by project area and general fund statement of revenues, expenditures and changes in fund balance by project area are the responsibility of management and were derived from and relate 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 November 30, 2020, 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.

BDO USA, LLP

Las Vegas, Nevada
November 30, 2020

**MANAGEMENT'S DISCUSSION
AND ANALYSIS**

CITY OF HENDERSON REDEVELOPMENT AGENCY

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED JUNE 30, 2020

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, 2020.

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 \$23,648,765 (net position).

The Agency's total net position increased by \$5,906,576 (33%) during the current fiscal year.

As of the close of the current fiscal year, the Agency reported ending fund balance of \$33,251,117, an increase of \$4,975,994 in comparison with the prior year. The increase is primarily the result of an increase in total revenues of approximately \$4.5 million and a reduction in expenditures of approximately \$2.3 million.

The increase in revenues is due primarily to an increase in property tax revenues of \$3.4 million, combined with a gain on sale of land of approximately \$485,000. The decrease in expenditures from the prior year relates to decreased construction activity in the current fiscal year, which reduced program costs.

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 the following components: 1) government wide financial statements, 2) fund financial statements, 3) notes to financial statements. This report also contains other supplementary information in addition to the basic 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.

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.

(Continued)

CITY OF HENDERSON REDEVELOPMENT AGENCY

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2020

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 41 of this report.

Required supplementary information

In addition to the basic financial statements and accompanying notes, this report also presents required supplementary information concerning changes to the Agency's proportionate share of and actuarially determined contribution to the City's pension and OPEB provided to the Agency's employees, which is presented immediately following the notes to the financial statements.

CITY OF HENDERSON REDEVELOPMENT AGENCY

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2020

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 \$23,648,764 (net position).

Summary Statement of Net Position

	Governmental Activities	
	2020	2019
Assets		
Current, restricted and other	\$ 37,245,432	\$ 29,702,519
Capital	837,166	
Total assets	<u>38,082,598</u>	<u>29,702,519</u>
Deferred outflows of resources	<u>366,940</u>	<u>250,923</u>
Liabilities		
Current	3,918,626	361,152
Long-term	<u>10,765,561</u>	<u>11,766,090</u>
Total liabilities	<u>14,684,187</u>	<u>12,127,242</u>
Deferred inflows of resources	<u>116,586</u>	<u>84,011</u>
Net position		
Investment in capital assets	837,166	
Restricted	<u>22,811,599</u>	<u>17,742,189</u>
Total net position	<u>\$ 23,648,765</u>	<u>\$ 17,742,189</u>

Of the Agency's total liabilities, approximately 75.4% are long term liabilities as of June 30, 2020.

During the current fiscal year, total assets increased by approximately \$8.0 million. The increase in current, restricted and other assets is due to the sale of two parcels of land held for development for a total of \$1.5 million, and a \$3.4 million increase in incremental property tax revenues combined with lower than expected program expenses related to development projects. Restricted cash increased due to the accrual of liabilities related to commitments to developers that were incurred in the current fiscal year but will be paid in fiscal year 2021. The increase in capital assets relates to construction in progress due to several unfinished construction projects at June 30, 2020.

Total liabilities increased by approximately \$2.0 million mainly due to the accrual of liabilities to developers and to other governments at June 30, 2020, which will be paid in FY2021.

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CITY OF HENDERSON REDEVELOPMENT AGENCY

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2020

Summary Statement of Changes in Net Position

	Governmental Activities	
	2020	2019
Revenues		
Program revenues		
Charges for services	\$	\$ 10,888
Operating grants and contributions	21,090	
General revenues		
Property taxes	19,891,274	16,457,915
Unrestricted investment income	862,122	897,435
Contributions		893,605
Miscellaneous	524,646	98,863
Total revenues	21,299,132	18,358,706
Expenses		
General government	15,039,354	17,311,364
Interest expense and fiscal charges	353,202	350,277
Total expenses	15,392,556	17,661,641
Change in net position	5,906,576	697,065
Net position, beginning of year	17,742,189	17,045,124
Net position, end of year	\$ 23,648,765	\$ 17,742,189

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

Net Position increased by \$5,906,576 from the previous year end, mainly due to a larger than anticipated increase in appraised real property values, which increased the Agency's incremental property tax revenue by approximately \$3.4 million. The change in miscellaneous revenue in the current fiscal year is primarily due to the sale of two parcels of land held for development resulting in a gain of approximately \$485,000.

Total expenses decreased approximately \$2.3 million due to a decrease in the number of large construction projects in which the RDA participated in with the City.

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.

(Continued)

CITY OF HENDERSON REDEVELOPMENT AGENCY

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2020

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 134% 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.

The Agency's fund balance increased by \$4,975,994 from the previous year end, mainly due to an increase in appraised real property values, which translated into increased incremental property tax revenue of approximately \$3.4 million. In addition, land sales in the current fiscal year resulted in a gain of approximately \$485,000, which is included in miscellaneous revenues. Total expenses decreased approximately \$2.3 million due to a decrease in the number of large construction projects in which the RDA participated in with the City.

General Fund Budgetary Highlights

Differences between the original budget and final amended budget, as well as an explanation of budget-to-actual variances are summarized below:

Revenue estimates increased approximately \$3,062,771, which consisted mainly of an increase in property tax of \$2,381,450 due to Eastside, Tuscany, Cornerstone and Downtown redevelopment areas experiencing more growth than originally expected.

Budgeted expenditures were also increased by approximately \$6,135,771, the majority representing an increase to program costs associated with Owner Participation Agreement reimbursements and the Public Education 18% set-aside, both of these directly relate to the increase in property tax revenue, as well as an augmentation to the LifeGuard Arena project of \$2,332,000 and an anticipated write down of land held for sale.

Revenues exceeded budget due to greater increases in real and personal property values than anticipated and an increase in investment income.

Expenditures were lower than budget mainly due to budgeted expenditures for large projects expected to be incurred in the current fiscal year that are now anticipated to be expended in fiscal 2021.

Capital Asset and Debt Administration

Capital Assets

The Agency has \$837,166 in construction in progress due to funding agreements related to unfinished construction projects at June 30, 2020. When the projects are completed, these assets will be transferred to the City.

Long-term Liabilities

At the end of the fiscal year, the majority of long-term liabilities consist of total bonded debt outstanding of \$8,420,000. The remainder of long-term liabilities includes bond premiums, compensated absences net pension and post-employment benefits.

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CITY OF HENDERSON REDEVELOPMENT AGENCY

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2020

Outstanding Long-term Liabilities		Governmental Activities	
	2020		2019
Long-term liabilities, due within one year			
Bonds and notes payable	\$ 265,000	\$	250,000
Compensated absences	28,503		20,279
Long-term liabilities, due in more than one year			
Bonds and notes payable	8,539,740		8,824,555
Compensated absences	313,932		230,382
Other postemployment benefits	458,868		309,426
Net pension liability	1,159,518		1,162,810
Total long-term liabilities	\$ 10,765,561	\$	10,797,452

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.

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CITY OF HENDERSON REDEVELOPMENT AGENCY

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2020

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 2019-2020 fiscal year.

COVID-19 Pandemic

As mentioned previously, 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. The Agency does not receive any sales tax or consolidated taxes. As of June 30, 2020, the Agency has not been affected by a decline in ad valorem revenue from the COVID-19 pandemic. However, if assessed property values decrease in redevelopment areas due to effects of the pandemic, tax increment will also decrease. Further, the Agency has not seen a decline in ad valorem or personal property tax collections, but the possibility of a decrease in these collections exists due to the economic circumstances related to the pandemic.

The Agency cannot estimate the length or gravity of the impact of the COVID-19 outbreak at this time. If the pandemic continues, it may have an adverse effect on the Agency's future operations, financial position, and liquidity in fiscal year 2021 and in future years.

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, 2020

	<u>Governmental Activities</u>
ASSETS	
Cash, cash equivalents and investments, unrestricted	\$ 31,155,075
Cash, cash equivalents and investments, restricted	2,586,461
Taxes receivable	199,377
Interest receivable	88,134
Due from other governments	184,356
Land held for resale	3,032,029
Capital assets, not being depreciated	
Construction in progress	<u>837,166</u>
Total assets	<u>38,082,598</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred charge on refunding	42,473
Deferred amounts related to pensions	192,907
Deferred amounts related to other postemployment benefits	<u>131,560</u>
Total deferred outflows of resources	<u>366,940</u>
LIABILITIES	
Accounts payable and accrued liabilities	775,948
Accrued wages	33,987
Contracts and retentions payable	33,175
Tax increment payable to developers	1,141,138
Interest payable	90,513
Due to other governments	1,843,865
Long-term liabilities, due within one year	
Bonds and notes payable	265,000
Compensated absences	28,503
Long-term liabilities, due in more than one year	
Bonds and notes payable	8,539,740
Compensated absences	313,932
Other postemployment benefits	458,868
Net pension liability	<u>1,159,518</u>
Total liabilities	<u>14,684,187</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred amounts related to pensions	102,513
Deferred amounts related to other postemployment benefits	<u>14,073</u>
Total deferred inflows of resources	<u>116,586</u>
NET POSITION	
Investment in capital assets	837,166
Restricted for	
Land held for resale	3,032,029
Debt service	529,913
Contractual obligations	5,892,826
Economic stabilization	744,128
Future redevelopment activities	<u>12,612,703</u>
Total net position	<u>\$ 23,648,765</u>

See notes to basic financial statements.

CITY OF HENDERSON REDEVELOPMENT AGENCY

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2020

FUNCTION/PROGRAM	Program Revenues			Net (Expenses) Revenues and Change in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
			Governmental Activities	
Governmental activities				
General government	\$ 15,039,354	\$	21,090	\$ (15,018,264)
Debt service				
Interest expense and fiscal charges	<u>353,202</u>			<u>(353,202)</u>
Total function/program	<u>\$ 15,392,556</u>	<u>\$</u>	<u>21,090</u>	<u>\$ (15,371,466)</u>
GENERAL REVENUES				
Property taxes				19,891,274
Unrestricted investment income				862,122
Miscellaneous				<u>524,646</u>
Total general revenues				<u>21,278,042</u>
CHANGE IN NET POSITION				5,906,576
NET POSITION, BEGINNING OF YEAR				<u>17,742,189</u>
NET POSITION, END OF YEAR				<u>\$ 23,648,765</u>

See notes to basic financial statements.

FUND FINANCIAL STATEMENTS

CITY OF HENDERSON REDEVELOPMENT AGENCY

GOVERNMENTAL FUND BALANCE SHEET JUNE 30, 2020

	<u>General Fund</u>
ASSETS	
Cash, cash equivalents and investments	\$ 31,155,075
Restricted cash, cash equivalents and investments	2,586,461
Taxes receivable	199,377
Interest receivable	88,134
Due from other governments	184,356
Notes receivable, net	15,402
Land held for resale	<u>3,032,029</u>
Total assets	<u>\$ 37,260,834</u>
LIABILITIES	
Accounts payable and other accrued liabilities	\$ 775,948
Accrued wages	33,987
Due to other governments	1,843,865
Tax increment payable to developers	<u>1,141,138</u>
Total liabilities	<u>3,794,938</u>
DEFERRED INFLOWS OF RESOURCES	
Unavailable revenue, property taxes	199,377
Unavailable revenue, notes receivable	<u>15,402</u>
Total deferred inflows of resources	<u>214,779</u>
Total liabilities and deferred inflows of resources	<u>4,009,717</u>
FUND BALANCES	
Restricted for	
Land held for resale	3,032,029
Debt service	620,425
Contractual commitments	5,892,826
Economic stabilization	744,128
Future redevelopment activities	<u>22,961,709</u>
Total fund balances	<u>33,251,117</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 37,260,834</u>

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, 2020

FUND BALANCES, GOVERNMENTAL FUND	\$	33,251,117
Amounts reported in the statement of net position are different because:		
Capital assets used in governmental activities are not current financial resources; and therefore, are not reported in governmental funds:		
Capital assets	\$ <u>837,166</u>	837,166
Deferred outflows of resources benefit future periods; and therefore, are not reported in governmental funds:		
Deferred outflows related to pensions	192,907	
Deferred outflows related to other postemployment benefits	131,560	
Deferred charges on refunding	<u>42,473</u>	366,940
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	(8,804,740)	
Compensated absences payable	(342,435)	
Other postemployment benefits liability	(458,868)	
Net pension liability	(1,159,518)	
Construction contracts payable	<u>(33,175)</u>	(10,798,736)
Other liabilities are not due and payable in the current period; and therefore, are not reported in the governmental fund:		
Interest payable	<u>(90,513)</u>	(90,513)
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 pensions and other postemployment benefits are associated with long-term obligations; and therefore, are not recognized in the governmental funds:		
Unavailable revenue	199,377	
Deferred inflows related to pensions	(102,513)	
Deferred amounts related to other postemployment benefits	<u>(14,073)</u>	82,791
NET POSITION, GOVERNMENTAL ACTIVITIES	\$	<u><u>23,648,765</u></u>

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, 2020

	<u>General Fund</u>
REVENUES	
Property taxes	\$ 19,883,140
Investment income	862,122
Contributions	21,090
Miscellaneous	524,646
Total revenues	<u>21,290,998</u>
EXPENDITURES	
General government	
General operations	
Salaries and wages	729,762
Employee benefits	340,510
Services and supplies	3,140,629
Program costs	
Services and supplies	11,485,803
Total general government	<u>15,696,704</u>
Debt service	
Principal payments	250,000
Interest and fiscal charges	368,300
Total debt service	<u>618,300</u>
Total expenditures	<u>16,315,004</u>
CHANGE IN FUND BALANCE	4,975,994
FUND BALANCE, BEGINNING OF YEAR	<u>28,275,123</u>
FUND BALANCE, END OF YEAR	<u>\$ 33,251,117</u>

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, 2020

CHANGE IN FUND BALANCE, GOVERNMENTAL FUND		\$	4,975,994
Amounts reported in the statement of activities are different because:			
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of capital assets is capitalized and depreciated over their estimated useful lives:			
Expenditures for capital assets		\$	<u>803,990</u>
			803,990
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			<u>8,134</u>
			8,134
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			<u>250,000</u>
			250,000
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 liability for postemployment benefits other than pensions			(29,510)
Change in compensated absences payable			(91,774)
Amortization of debt premiums and refunding charge			11,973
Change in accrued interest			3,125
Change in net pension liability			<u>(25,356)</u>
			(131,542)
CHANGE IN NET POSITION, GOVERNMENTAL ACTIVITIES		\$	<u><u>5,906,576</u></u>

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, 2020

	Original Budget	Final Budget	Actual	Variance
REVENUES				
Property taxes	\$ 16,827,395	\$ 19,208,845	\$ 19,883,140	\$ 674,295
Investment income	296,300	459,135	862,122	402,987
Contributions			21,090	21,090
Miscellaneous		518,486	524,646	6,160
Total revenues	17,123,695	20,186,466	21,290,998	1,104,532
EXPENDITURES				
General government				
General operations				
Salaries and wages	792,043	792,043	729,762	62,281
Employee benefits	382,982	382,982	340,510	42,472
Services and supplies		3,397,012	3,140,629	256,383
Total general operations	1,175,025	4,572,037	4,210,901	361,136
Program costs				
Services and supplies	15,652,975	17,211,438	11,485,803	5,725,635
Impairment of land held for sale		1,180,296		1,180,296
Total general government	16,828,000	22,963,771	15,696,704	7,267,067
Debt service				
Principal payments	250,000	250,000	250,000	
Interest and fiscal charges	368,300	368,300	368,300	
Total debt service	618,300	618,300	618,300	
Total expenditures	17,446,300	23,582,071	16,315,004	7,267,067
CHANGE IN FUND BALANCE	(322,605)	(3,395,605)	4,975,994	8,371,599
FUND BALANCE, BEGINNING OF YEAR	28,275,123	28,275,123	28,275,123	
FUND BALANCE, END OF YEAR	\$ 27,952,518	\$ 24,879,518	\$ 33,251,117	\$ 8,371,599

See notes to basic financial statements.

**NOTES TO BASIC
FINANCIAL STATEMENTS**

CITY OF HENDERSON REDEVELOPMENT AGENCY

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

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 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

The financial statements of the Agency are not intended to present fairly the financial position and results of operations of the City of Henderson. Only the accounts of the Agency are included in the reporting entity.

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.

(Continued)

CITY OF HENDERSON REDEVELOPMENT AGENCY

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2020

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, pensions and other postemployment benefits 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.

(Continued)

CITY OF HENDERSON REDEVELOPMENT AGENCY

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2020

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.

CITY OF HENDERSON REDEVELOPMENT AGENCY

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2020

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 Sale

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. The Agency has \$837,166 in construction in progress due to funding agreements related to unfinished construction projects at June 30, 2020. When the projects are completed, these assets will be transferred to the City.

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 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, which does not differ materially from the effective interest 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 when paid.

(Continued)

CITY OF HENDERSON REDEVELOPMENT AGENCY

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2020

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.

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.

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, 2020, the Agency has three 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 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 and changes in actuarial assumptions. 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. Finally, the Agency reports deferred amounts related to OPEB for 1) the differences between expected and actual experience and 2) changes in assumptions. This amount is deferred and amortized over the average expected remaining service life of active and inactive plan members.

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, the net difference between projected and actual investment earnings on pension plan investments and 3) changes in proportion and differences between actual contributions and the Agency'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, with the exception of investment earnings which are recognized over a closed five-year period. Lastly, under full accrual accounting, the government-wide statement of net position also reports deferred inflows related to 1) the difference between expected and actual experience and 2) 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.

(Continued)

CITY OF HENDERSON REDEVELOPMENT AGENCY

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2020

Equity Classifications

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

Investment in Capital Assets - Capital assets, net of accumulated depreciation

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 "investment in capital assets."

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.

(Continued)

CITY OF HENDERSON REDEVELOPMENT AGENCY

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2020

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 the budget is in compliance with the appropriate regulations or not. 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.

Encumbered and unencumbered appropriations may be 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.

CITY OF HENDERSON REDEVELOPMENT AGENCY

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2020

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 overall, 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. 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, 2020, the Agency had the following cash and investments, of which \$2,586,461 were restricted:

	<u>Credit Rating</u>	<u>Cost</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>
Pooled cash, cash equivalents and investments held by the City of Henderson, Nevada *	N/A	\$ 32,773,119	\$ 33,118,209	1.50
Non-pooled cash equivalents and investments RDA Bonds - Morgan Stanley Money Market Fund	N/A	<u>623,327</u>	<u>623,327</u>	N/A
Total investments		<u>\$ 33,396,446</u>	<u>\$ 33,741,536</u>	

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

(Continued)

CITY OF HENDERSON REDEVELOPMENT AGENCY

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2020

Information regarding credit risk, custodial credit risk, concentration of credit risk, interest rate risk and fair value measurement for pooled cash, cash equivalents and investments in accordance with GASB Statement No. 72 can be found in the City's notes to the financial statements included in the separate City's Comprehensive Annual Financial Report. The City's pool is not registered with the SEC and investments are regulated by NRS 355.170. The City's pool is not rated and has an average maturity of 1.50 years in fiscal 2020.

The Agency's non-pooled 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.

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City or Agency will not be able to recover the value of its investments or collateral securities that are in the possession of the outside party. At year end, the City's investment pool and specific investments had no securities exposed to custodial credit risk. The City 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.

The City's investment policy further limits investments in money market mutual funds to those with minimum ratings of AAA and Aaa by Standard and Poor's and Moody's Investors Service, respectively. The Agency's money market fund was rated AAAm by Standard and Poors and Aaa-mf Moody's Investors Service, and has a weighted average maturity of 0.31 years.

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 economic downturn experienced in prior fiscal years, 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. In fiscal year 2012, the Agency established policies to mitigate the risk of loan defaults. However, 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.

(Continued)

CITY OF HENDERSON REDEVELOPMENT AGENCY

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2020

Note 5. Land Held for Resale

For the fiscal year ended June 30, 2020, land held for resale consists of the following:

	Balance July 1, 2019	Increases	Decreases	Balance June 30, 2020
Downtown Redevelopment Area				
Water Street Commons	\$ 1,076,873		\$ (674,525)	\$ 402,348
Lake Mead Project	113,000			113,000
Lake Mead/Water	134,500			134,500
Texas/Atlantic Parking	425,181			425,181
Lotus-Site D		398,542	(398,542)	
Water Street Plaza	491,000			491,000
Basic/Pacific	644,000			644,000
Other	262,000			262,000
	3,146,554	398,542	(1,073,067)	2,472,029
Eastside Redevelopment Area	560,000			560,000
	\$ 3,706,554	\$ 398,542	\$ (1,073,067)	\$ 3,032,029

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. During fiscal year 2020, the Agency wrote down the value of one Agency-owned property by \$653, based on recently obtained appraisals.

Note 6. Due to Other Governments

Education Set Aside

On June 6, 2017, the Agency Board approved an amended and restated Interlocal 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.

(Continued)

CITY OF HENDERSON REDEVELOPMENT AGENCY

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2020

During fiscal 2020, the Agency received tax increment revenue resulting in an educational set-aside expense of \$2,183,488 at June 30, 2020, of which \$1,673,230 relates to Eastside and \$510,258 relates to Downtown. Prior to the end of the fiscal 2020, \$585,321 was disbursed related to Eastside and \$152,845 was disbursed related to Downtown predominantly for a substantial renovation project for Early Childhood Education. The remainder of \$1,087,909 and \$357,413 for Eastside and Downtown, respectively, is recorded as tax increment Due to Other Governments at June 30, 2020, and will be disbursed in fiscal 2021.

Note 7. Other Long-term Liabilities

Long-term liabilities activity for the year ended June 30, 2020, was as follows:

	Balance July 1, 2019	Increases	Decreases	Balance June 30, 2020	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%	\$ 8,670,000		\$ (250,000)	\$ 8,420,000	\$ 265,000
Unamortized bond premiums	404,555		(19,815)	384,740	
Compensated absences	250,661	91,774		342,435	28,503
Liability for other postemployment benefits	309,426	149,932	(490)	458,868	
Net pension liability	<u>1,162,810</u>	<u>28,793</u>	<u>(32,085)</u>	<u>1,159,518</u>	
Total governmental activities	<u>\$ 10,797,452</u>	<u>\$ 270,499</u>	<u>\$ (302,390)</u>	<u>\$ 10,765,561</u>	<u>\$ 293,503</u>

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

At June 30, 2020, the annual requirements to pay principal and interest on all bonds outstanding were as follows:

<u>For the Year Ended June 30,</u>	<u>General Obligation Bonds</u>	
	<u>Principal</u>	<u>Interest</u>
Governmental activities		
2021	\$ 265,000	\$ 355,425
2022	275,000	341,925
2023	290,000	327,800
2024	305,000	312,925
2025	320,000	297,300
2026 - 2030	1,860,000	1,223,250
2031 - 2035	2,310,000	781,575
2036 - 2040	<u>2,795,000</u>	<u>288,500</u>
Total governmental activities	<u>\$ 8,420,000</u>	<u>\$ 3,928,700</u>

(Continued)

CITY OF HENDERSON REDEVELOPMENT AGENCY

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2020

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 and for regular members entering the System on or after July 1, 2015, there is a 2.25% 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.

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. Police/Fire members entering the System on or after July 1, 2015, are eligible for retirement at age 65 with five years of service, at age 60 with 10 years of service, at age 50 with 20 years of service, and at any age with 33 1/3 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.

(Continued)

CITY OF HENDERSON REDEVELOPMENT AGENCY

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2020

Retirees are eligible for annual benefit increases starting the fourth year of initially receiving benefits. Benefits are increased annually on the first day of the month following the anniversary of the commencement of benefits. The increases begin at 2% in years four, five, and six; increase to 3% in years seven, eight, and nine; 3.5% in years ten, eleven, and twelve; 4% for years thirteen and fourteen; and 5% in year fifteen and each year thereafter. If the benefit outpaces inflation in the period since retirement, the increase may be capped by a rolling three-year average of the Consumer Price Index (all items).

Retirees who enter the System on or after January 1, 2010, are eligible for annual benefit increases starting the fourth year of initially receiving benefits. Benefits are increased annually on the first day of the month following the anniversary of the commencement of benefits. The increases begin at 2% in years four, five, and six; increase to 3% in years seven, eight, and nine; 3.5% in years ten, eleven, and twelve; and 4% in year thirteen and each year thereafter. If the benefit outpaces inflation in the period since retirement, the increase may be capped by a rolling three-year average of the Consumer Price Index (all items).

Retirees who enter the System on or after July 1, 2015, are eligible for annual benefit increases starting the fourth year of initially receiving benefits. Benefits are increased annually on the first day of the month following the anniversary of the commencement of benefits. The increases begin at 2% in years four, five, and six; increase to 2.5% in years seven, eight, and nine; then adjust to the lesser of 3% or the increase, if any, in the Consumer Price Index (all items) for the preceding calendar year following the tenth year and every year thereafter.

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 reduced pay and 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 and cannot withdraw these contributions. 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.

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, 2019, 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.

(Continued)

CITY OF HENDERSON REDEVELOPMENT AGENCY

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2020

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, 2019, 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, 2019
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 Actuarial Cost Method
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

The schedule below shows the assumed healthy retiree mortality rates and projected life expectancies for selected ages at June 30, 2019:

Age	Mortality Rates		Expected Years of Life Remaining	
	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

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.

(Continued)

CITY OF HENDERSON REDEVELOPMENT AGENCY

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2020

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.

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, 2019:

Asset Class	Target Allocation	Long-term Geometric Expected Real Rate of Return *
Domestic equity	42.0 %	5.50 %
International equity	18.0 %	5.50 %
Domestic fixed income	28.0 %	0.75 %
Private markets	12.0 %	6.65 %

* As of June 30, 2019, PERS long-term inflation assumption was 2.75%.

The discount rate used to measure the total pension liability was 7.50% as of June 30, 2019 and 7.50% as of June 30, 2018. 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, 2019, 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, 2019.

The Agency's proportionate share of the net pension liability at June 30, 2019, 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	\$ 1,795,373	\$ 1,159,518	\$ 630,961

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 \$1,159,518, which represents .0085% of the collective net pension liability, which remains unchanged from the Agency's proportionate share in the prior year. Contributions for employer pay dates within the fiscal year ending June 30, 2019, 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, 2019.

(Continued)

CITY OF HENDERSON REDEVELOPMENT AGENCY

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2020

For the period ended June 30, 2020, the Agency's pension expense was \$134,926 and its reported deferred outflows and inflows of resources related to pensions as of June 30, 2020, were as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 43,191	\$ 20,770
Changes of assumptions and other inputs	42,193	
Net difference between projected and actual earnings on investments		65,804
Changes in proportion and differences between actual contributions and proportionate share of contributions	3,707	15,939
Contributions made subsequent to the measurement date	103,816	
	\$ 192,907	\$ 102,513

At June 30, 2019 (the actuarial valuation date), the average expected remaining service life is 6.18 years.

Deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date totaling \$103,816 will be recognized as a reduction of the net pension liability in the year ending June 30, 2021. 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,		
2021	\$	95,587
2022		(644,021)
2023		176,928
2024		219,172
2025		124,559
Thereafter		14,354
	\$	(13,421)

During fiscal year 2020, changes in the Agency's net pension liability were as follows:

Net pension liability, beginning of year	\$	1,162,810
Pension expense		134,926
Employer contributions		(194,139)
Net change in deferred inflows and outflows of resources		55,921
Net pension liability, end of year	\$	1,159,518

At June 30, 2020, \$9,941 is payable to PERS, for the June 2020 required contribution, and is included in a liability account.

(Continued)

CITY OF HENDERSON REDEVELOPMENT AGENCY

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2020

Note 9. Other Postemployment Benefits (OPEB)

Aggregate Balances

At June 30, 2020, the Agency's OPEB plan balances were as follows:

	<u>City of Henderson Plans</u>
Net OPEB assets administered through a qualifying trust	None
Net unamortized deferred outflows of resources related to OPEB	\$ 131,560
OPEB liability	458,868
Net unamortized deferred inflows of resources related to OPEB	14,073
OPEB expense	29,510

Plan Information

In accordance with NRS, the Agency participates with the City to provide other post-employment benefits to eligible retirees through the City of Henderson Plan (City Plan), a single-employer defined benefit plan, administered by City management.

The plan provides healthcare, prescription, dental, vision and life insurance benefits. Eligible pre-Medicare retirees can receive coverage through the City Plan and receive a term life insurance policy valued at \$50,000, with premiums paid by the City. 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.

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 Water Street, Mail Stop Code 121
P.O. Box 95050
Henderson, Nevada, 89009-5050
(702) 267-1700

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. Effective January 1, 2019, this graduated benefit was amended. The amendment modified the definition of full years of service, which are now based on enrollment date in the City Plan. Additionally, the post-65 benefit will be received up to seventeen years based on tier the retiree is eligible for. Previously, there was not cap on the number of years the post-65 benefit could be received, and the years of services were based on year of service with the City and not in the City Plan.

The City Insurance Committee determines the Contribution requirements and the plan options. Contribution amounts differ depending on the selected plan and range from \$545 to \$1,553 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.

(Continued)

CITY OF HENDERSON REDEVELOPMENT AGENCY

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2020

The Agency's OPEB liability represents 0.52% of the City's total OPEB liability for fiscal year 2020 and 0.54% for fiscal year 2019. 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 2019), applied to all periods included in the measurement:

Actuarial valuation date	June 30, 2020
Measurement date	June 30, 2020
Inflation rate	2.00% per annum
Salary changes	2.00% per annum
Discount rate	2.21% per annum as of June 30, 2020
	3.50% per annum as of June 30, 2019
Discount rate source	Bond Buyer 20-Bond GO index
Postemployment benefit changes	Changes to graduated benefit of lower monthly payment terms
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	6.50% per annum, decreasing 0.50% per year to an ultimate rate of 4.50%

Mortality rates are based on the Pub-2010 Mortality table with generational scale MP-2019.

Changes in the assumptions and other inputs that affected the measurement of the City's total OPEB liability during the period ended June 30, 2020, were as follows:

The discount rate was updated from 3.50% to 2.21%.

The termination and retirement rates were updated based on the NVPERS Actuarial Valuation for FYE 2019.

Trend rates were updated with an initial rate of 6.50% grading down by 0.5% per year until reaching the ultimate rate of 4.50%, to reflect higher than anticipated increasing cost environment.

The mortality assumption was updated from RP-2014 mortality table with generational scale MP-2018 to Pub-2010 mortality table with generational scale MP-2019 to reflect the Society of Actuaries' recent mortality study.

The Agency's OPEB liability at June 30, 2020, calculated using the discount rate of 2.21%, as well as what the Agency's OPEB liability would be if it were calculated using a discount rate that is 1.00% lower (1.21%) or 1.00% higher (3.21%) than the current discount rate was as follows:

	<u>1% Decrease in</u> <u>Discount Rate</u>	<u>Discount Rate</u>	<u>1% Increase in</u> <u>Discount Rate</u>
City of Henderson Plans	\$ 521,386	\$ 458,868	\$ 406,404

(Continued)

CITY OF HENDERSON REDEVELOPMENT AGENCY

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2020

The Agency's OPEB liability at June 30, 2020, calculated using the healthcare trend rate of 6.50% 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 (5.50% decreasing to 3.50%) or 1.00% higher (7.50% 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
City of Henderson Plans	\$ 418,510	\$ 458,868	\$ 507,046

At June 30, 2020, changes in the Agency's OPEB liability were as follows:

	City of Henderson Plans
Service cost	\$ 18,225
Interest on OPEB liability	10,757
Changes in benefit terms	(1,315)
Differences between expected and actual experience	61,436
Changes of assumptions or other inputs	71,479
Benefit payments	(11,140)
Net Change in OPEB liability	149,442
OPEB liability, beginning of year	309,426
OPEB liability, end of year	\$ 458,868

For the period ended June 30, 2020, the Agency's OPEB expense was \$29,510 and its reported deferred inflows of resources related to OPEB as of June 30, 2020, were as follows:

	City of Henderson Plans	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 57,449	\$ (2,156)
Changes of assumptions and other inputs	74,111	(11,917)
	\$ 131,560	\$ (14,073)
	\$ 131,560	\$ (14,073)

(Continued)

CITY OF HENDERSON REDEVELOPMENT AGENCY

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2020

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

<u>For the Year Ended June 30,</u>	<u>City of Henderson Plans</u>
2021	\$ 12,824
2022	12,824
2023	12,824
2024	12,824
2025	12,824
Thereafter	<u>53,367</u>
	<u>\$ 117,487</u>

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

COVID-19 Pandemic

In late January 2020, the World Health Organization (WHO) announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (the COVID-19 pandemic) and the risks to the international community as the virus spread globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic based on the rapid increase in exposure globally.

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. The Agency does not receive any sales tax or consolidated taxes. As of June 30, 2020, the Agency has not been affected by a decline in ad valorem revenue from the COVID-19 pandemic. However, if assessed property values decrease in redevelopment areas due to effects of the pandemic, tax increment will also decrease. Further, the Agency has not seen a decline in ad valorem or personal property tax collections, but the possibility of a decrease in these collections exists due to the economic circumstances related to the pandemic.

The full impact of the COVID-19 pandemic continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on the Agency's financial condition, liquidity, and future results of operations. The Agency's management is actively monitoring the impact of the global situation on its financial condition, liquidity, operations, suppliers, industry, and workforce. Given the daily evolution of the COVID-19 pandemic and the global responses to curb its spread, the Agency is not able to estimate the effects of the COVID-19 pandemic on its results of operations, financial condition, or liquidity for fiscal year 2021 and future years.

(Continued)

CITY OF HENDERSON REDEVELOPMENT AGENCY

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2020

On March 27, 2020, the President of the United States signed into law the “Coronavirus Aid, Relief, and Economic Security (“CARES Act).” The CARES Act, among other things, includes provisions appropriating funds from programs of the United States Department of the Treasury and Department of Education to be used to make payments for specified uses to states and certain local governments. There is no assurance the Agency is eligible for these funds, and will continue to examine the impact that the CARES Act may have on its operations.

Contingent Obligations Payable to Developers

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.

During fiscal 2020, the Agency fully paid-off and extinguished the CS Lot 1 Note. The payments were charged to program costs.

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.

(Continued)

CITY OF HENDERSON REDEVELOPMENT AGENCY

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2020

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 certificate of completion was issued in May 2011, and the interest rate is now 5.25% per annum compounded annually.

During fiscal 2020, the Agency made interest payments on the Tuscany Note of \$4,329,613 and at June 30, 2020, the outstanding balance is \$47,066,988. However, tax increment revenues, as described above, are not sufficient to pay the entire amount. Therefore, a liability has not been established for the entire Note. All unpaid principal and interest that is payable after March 2031 will be forgiven and deemed paid in full.

As of June 30, 2020, the Agency has a recorded liability in Due to Developer of \$770,739, which is payable to the developer for its share of the tax increment revenue collected since the last payment.

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.

In February 2020, the City Attorney Note was paid-off in full by Landwell.

As of June 30, 2020, LandWell requested and staff pre-approved all capital improvement projects in the Cadence development.

Through June 30, 2020, LandWell incurred costs of approximately \$45 million related to reimbursable public improvement projects, which would qualify for reimbursement, however tax increment revenues are not sufficient to pay the entire amounts. Accordingly, no liability has been established. During fiscal 2020, the Agency paid \$1,952,189 to LandWell. In addition, the Agency paid the City \$250,000 on behalf of LandWell related to City Attorney Note with the Developer.

At June 30, 2020, the outstanding balance of the Landwell Note is \$29,306,274. However, tax increment revenues, as described above, are not sufficient to pay the entire amount. Therefore, a liability has not been established for the entire Note.

(Continued)

CITY OF HENDERSON REDEVELOPMENT AGENCY

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2020

As of June 30, 2020, the Agency has a recorded liability in Due to Developer of \$361,827, which is payable to the developer for its share of the tax increment revenue collected since the last payment.

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.

At June 30, 2020, the outstanding balance of the Union Village Note is \$4,432,329. However, tax increment revenues, as described above, are not sufficient to pay the entire amount. Therefore, a liability has not been established for the entire Note.

As of June 30, 2020, the Agency has a recorded liability in Due to Developer of \$3,990, which is payable to the developer for its share of the tax increment revenue collected since the last payment. 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.

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.

At June 30, 2020, the outstanding balance of the Valley Health System Redevelopment Note is \$16,592,277. However, tax increment revenues, as described above, are not sufficient to pay the entire amount. Therefore, a liability has not been established for the entire Note.

During fiscal 2020, the Agency paid \$365,444 to VHS, and \$4,582 has been placed in a restricted cash account, as well as recorded as a program expense and a liability (Tax Increment Payable to Developers), for their share of tax increment that has been received since the last payment date of June 1, 2020.

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

CITY OF HENDERSON REDEVELOPMENT AGENCY

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2020

Medium Term Bonds - Funding Agreement

On May 19, 2020, the Agency and the City entered into a funding agreement, which provides that the Agency reimburse the City up to \$25,000,000 toward the cost and expenses associated with bonds issued by the City related to certain capital projects of the City. The Agency reimbursements are contingently payable to the City in ten annual installments not to exceed \$2,500,000. The current interest rate of the bonds is 2.00% and the actual debt service is approximately \$2.2 million per year.

The Agency's funding obligation is contingent upon receiving sufficient tax increment revenue for the Cornerstone Redevelopment Area in the fiscal year period immediately preceding the installment due date. In case of a shortfall in tax increment revenue, the Agency will only be obligated to pay the available tax increment monies to the City, and shall be released from any further obligation to pay for that year's installment.

Other Contractual Commitments

As of June 30, 2020, the Agency had \$5,892,826 in outstanding encumbrances in the General Fund mainly due to funding agreements for construction projects that have not been completed at year-end.

Note 12. Recently Issued Accounting Pronouncements

In May 2020, the GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, which was effective immediately. The objective of this Statement was to provide temporary relief to governments and other stakeholders in light of the COVID-19 Pandemic. For the statements below that were impacted by this Statement, the postponed dates are reflected.

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*, effective for reporting periods beginning after December 15, 2019. 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 financial statements starting with fiscal year ends June 30, 2022. The objective of this Statement is to better meet the informational needs of financial statement users by requiring recognition, for leases that previously were classified as operating leases, of certain lease assets, lease 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 reporting periods beginning after June 15, 2019. The objective of this statement is to improve the information that is disclosed in the notes to government financial statement related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. The Agency adopted Statement No. 88 in th current fiscal year, which did not affect the Agency's financial position, result of operations or cash flows.

In August 2018, the GASB issued Statement No. 90, *Majority Equity Interests*, effective for reporting periods beginning after December 15, 2019. This statement addresses the reporting of majority equity interests in legally separate organizations and requires that such majority equity interests be reported as investments. Management has not yet completed its assessment of this statement.

(Continued)

CITY OF HENDERSON REDEVELOPMENT AGENCY

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2020

In May 2019, the GASB issued Statement No. 91, *Conduit Debt Obligations*, effective for reporting periods beginning after December 15, 2021. This statement addresses the method to be used for reporting conduit debt obligations by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. Management has not yet completed its assessment of this statement.

In January 2020, the GASB issued Statement No. 92, *Omnibus 2020*. The requirements related to the effective dates of Statement No 87 and Implementation Guide 2019-3, reinsurance recoveries, were effective immediately. The requirements related to intra-entity transfers of assets and those related to the application of Statement No. 73 and 74 are effective for fiscal years beginning after June 15, 2021. Additionally, the requirements related to the application of Statement No. 84 are effective for reporting periods beginning after June 15, 2021. Lastly, the requirements related to the measurement of liabilities associated with asset retirement obligations are effective for government acquisitions occurring in reporting periods beginning after June 15, 2021. The objective of this Statement is to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by address practice issues that have been identified during implementation and application of certain GASB statements. Management has not yet completed its assessment of this statement.

In March 2020, the GASB issued Statement No. 93, *Replacement of Interbank Offered Rates*, effective for reporting periods beginning after June 15, 2020, with the exception of the provisions related to lease contracts which are effective for fiscal years beginning after June 15, 2021 and the provisions related to the removal of London Interbank Offered Rate as an appropriate benchmark interest rate, which is effective for reporting periods ending after December 31, 2021. The objective of this Statement is to address accounting and financial reporting implications that result from the replacement of an interbank offered rate. Management has not yet completed its assessment of this statement.

In March 2020, the GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, effective for periods beginning after June 15, 2022. This objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership agreements (PPPs). Management has not yet completed its assessment of this statement.

In May 2020, the GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*, effective for periods beginning after June 15, 2022. This statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements for governments and users. Management has not yet completed its assessment of this statement.

In June 2020, the GASB issued Statement No. 97, *Certain Component Unit Criteria and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*, effective for periods beginning after June 15, 2021, with the exception of limited sections that were effective immediately. The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution OPEB plans, and employee benefit plans other than pension plans or OPEB plans as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. 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, 2020 AND LAST NINE FISCAL YEARS¹**

	<u>Service Cost</u>	<u>Interest on OPEB Liability</u>	<u>Changes in Benefit Terms</u>	<u>Differences Between Expected and Actual Experience</u>	<u>Changes in Assumptions or Other Inputs</u>	<u>Benefit Payments</u>	<u>Net Change in OPEB Liability</u>	<u>OPEB Liability, Beginning of Year</u>	<u>OPEB Liability, End of Year</u>	<u>Covered Payroll</u>	<u>OPEB Liability, End of Year as a Percentage of Covered Payroll</u>
City of Henderson Plans ²											
2018	\$ 16,347	\$ 15,469	\$	\$	\$ (16,928)	\$ (10,641)	\$ 4,247	\$ 380,051	\$ 384,298	\$ 712,512	53.94 %
2019	15,305	14,105	(105,712)		12,430	(11,000)	(74,872)	384,298	309,426	655,221	47.22 %
2020	18,225	10,757	(1,315)	61,436	71,479	(11,140)	149,442	309,426	458,868	712,502	64.40 %

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 (PERS) PROPORTIONATE SHARE OF THE COLLECTIVE NET PENSION LIABILITY INFORMATION FOR THE YEAR ENDED JUNE 30, 2019 AND LAST NINE FISCAL YEARS¹

<u>For the Year Ended June 30,</u>	<u>Proportion of the Collective Net Pension Liability</u>	<u>Proportion of the Collective Net Pension Liability</u>	<u>Covered Payroll</u>	<u>Proportion of the Collective Net Pension Liability as a Percentage of Covered Payroll</u>	<u>PERS Fiduciary Net Position as a Percentage of Total Pension Liability</u>
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 %
2018	0.00853 %	1,162,810	712,512	163.20 %	75.24 %
2019	0.00850 %	1,159,518	655,221	176.97 %	76.46 %

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.

CITY OF HENDERSON REDEVELOPMENT AGENCY

**REQUIRED SUPPLEMENTARY INFORMATION
 MULTIPLE-EMPLOYER COST-SHARING DEFINED BENEFIT PENSION PLAN (PERS)
 PROPORTIONATE SHARE OF STATUTORILY REQUIRED CONTRIBUTION INFORMATION
 FOR THE YEAR ENDED JUNE 30, 2020 AND LAST NINE FISCAL YEARS¹**

<u>For the Year Ended June 30,</u>	<u>Statutorily Required Contribution</u>	<u>Contributions in relation to the Statutorily Required Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Payroll</u>	<u>Contributions as a Percentage of Covered Payroll</u>
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 %
2019	180,646	180,646		655,221	27.57 %
2020	207,632	207,632		712,502	29.14 %

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.

CITY OF HENDERSON REDEVELOPMENT AGENCY

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

FOR THE YEAR ENDED JUNE 30, 2020

Note 1. Other Postemployment Benefits

Changes in the assumptions and other inputs that affected the measurement of the City's total OPEB liability during the period ended June 30, 2020, were as follows:

The discount rate was updated from 3.50% to 2.21%.

The termination and retirement rates were updated based on the PERS Actuarial Valuation for the fiscal year ended June 30, 2019.

Trend rates were updated with an initial rate of 6.50% grading down until reaching the ultimate rate of 4.50%, to reflect higher than anticipated increasing cost environment.

The mortality assumption was updated from RP-2014 mortality table with generational scale MP-2018 to Pub-2010 mortality table with generational scale MP-2019 to reflect the Society of Actuaries' recent mortality study.

At June 30, 2020, 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, 2019. 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, 2020, there were no changes in the pension benefit plan terms. Since the last measurement date of June 30, 2019.

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, 2020**

	<u>Downtown</u>	<u>Tuscany</u>	<u>Cornerstone</u>	<u>Eastside</u>	<u>Lakemoor</u>	<u>Revolving</u>	<u>Administration</u>	<u>Total General Fund</u>
ASSETS								
Cash, cash equivalents and investments	\$ 8,340,824	\$ 383,298	\$ 6,334,474	\$ 15,876,178	\$ 98,466	\$ 68,282	\$ 53,553	\$ 31,155,075
Restricted cash, cash equivalents and investments	357,414	770,739		1,458,308				2,586,461
Taxes receivable	47,395	18,328	13,264	120,390				199,377
Interest receivable	23,877	3,257	15,844	44,878	253		25	88,134
Due from other governments	23,642	60,735	10,069	89,910				184,356
Notes receivable, net	15,402							15,402
Land held for resale	2,472,029			560,000				3,032,029
Total assets	<u>\$ 11,280,583</u>	<u>\$ 1,236,357</u>	<u>\$ 6,373,651</u>	<u>\$ 18,149,664</u>	<u>\$ 98,719</u>	<u>\$ 68,282</u>	<u>\$ 53,578</u>	<u>\$ 37,260,834</u>
LIABILITIES								
Accounts payable and other accrued liabilities	\$ 305,613		\$ 11,099	\$ 440,756		\$	\$ 18,480	\$ 775,948
Accrued wages							33,987	33,987
Due to other governments	755,956			1,087,909				1,843,865
Tax increment payable to developers		770,739		370,399				1,141,138
Total liabilities	<u>1,061,569</u>	<u>770,739</u>	<u>11,099</u>	<u>1,899,064</u>			<u>52,467</u>	<u>3,794,938</u>
DEFERRED INFLOWS OF RESOURCES								
Unavailable revenue, property taxes	47,395	18,328	13,264	120,390				199,377
Unavailable revenue, notes receivable	15,402							15,402
Total deferred inflows of resources	<u>62,797</u>	<u>18,328</u>	<u>13,264</u>	<u>120,390</u>				<u>214,779</u>
Total liabilities and deferred inflows of resources	<u>1,124,366</u>	<u>789,067</u>	<u>24,363</u>	<u>2,019,454</u>			<u>52,467</u>	<u>4,009,717</u>
FUND BALANCE								
Restricted for								
Land held for resale	2,472,029			560,000				3,032,029
Debt service	620,425							620,425
Contractual commitments	2,936,348		1,489,518	1,466,960				5,892,826
Economic stabilization	243,780			500,337		11		744,128
Future redevelopment activities	3,883,635	447,290	4,859,770	13,602,913	98,708	68,282	1,111	22,961,709
Total fund balance	<u>10,156,217</u>	<u>447,290</u>	<u>6,349,288</u>	<u>16,130,210</u>	<u>98,719</u>	<u>68,282</u>	<u>1,111</u>	<u>33,251,117</u>
Total liabilities, deferred inflows of resources and fund balance	<u>\$ 11,280,583</u>	<u>\$ 1,236,357</u>	<u>\$ 6,373,651</u>	<u>\$ 18,149,664</u>	<u>\$ 98,719</u>	<u>\$ 68,282</u>	<u>\$ 53,578</u>	<u>\$ 37,260,834</u>

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, 2020

	Downtown	Tuscany	Cornerstone	Eastside	Lakemoor	Revolving	Administration	Total General Fund
REVENUES								
Property taxes	\$ 2,822,744	\$ 4,873,552	\$ 2,890,523	\$ 9,295,723	\$ 598		\$	\$ 19,883,140
Investment income	239,838	40,916	149,459	429,016	2,376		517	862,122
Contributions	21,090							21,090
Miscellaneous	501,859			1,209	20,813	765		524,646
Total revenues	3,585,531	4,914,468	3,039,982	9,725,948	23,787	765	517	21,290,998
EXPENDITURES								
General government								
General operations								
Salaries and wages							729,762	729,762
Employee benefits							340,510	340,510
Services and supplies	556,343			2,188,370		2,443	393,473	3,140,629
Program costs								
Services and supplies	3,413,158	4,386,197	429,562	3,254,574			2,312	11,485,803
Total general government	3,969,501	4,386,197	429,562	5,442,944		2,443	1,466,057	15,696,704
Debt service								
Principal payments	250,000							250,000
Interest and fiscal charges	368,300							368,300
Total debt service	618,300							618,300
Total expenditures	4,587,801	4,386,197	429,562	5,442,944		2,443	1,466,057	16,315,004
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(1,002,270)	528,271	2,610,420	4,283,004	23,787	(1,678)	(1,465,540)	4,975,994
OTHER FINANCING SOURCES (USES)								
Transfers between project areas	(205,228)	(337,160)	(102,614)	(821,056)			1,466,058	
CHANGE IN FUND BALANCE	(1,207,498)	191,111	2,507,806	3,461,948	23,787	(1,678)	518	4,975,994
FUND BALANCE, BEGINNING OF YEAR	11,363,715	256,179	3,841,482	12,668,262	74,932	69,960	593	28,275,123
FUND BALANCE, END OF YEAR	\$ 10,156,217	\$ 447,290	\$ 6,349,288	\$ 16,130,210	\$ 98,719	\$ 68,282	\$ 1,111	\$ 33,251,117

COMPLIANCE SECTION



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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*

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and major fund of the City of Henderson Redevelopment Agency (the Agency), a component unit of the City of Henderson, Nevada, as of and for the year ended June 30, 2020, the related notes to the financial statements, which collectively comprise the Agency's basic financial statements, and have issued our report thereon dated November 30, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Agency'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 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 entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control 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 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*.

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

BDO USA, LLP

Las Vegas, Nevada
November 30, 2020