

CITY OF HENDERSON, KENTUCKY COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2019



CITY OF HENDERSON, KENTUCKY

**COMPREHENSIVE ANNUAL FINANCIAL
REPORT**

For the Fiscal Year Ended June 30, 2019



Prepared by:

Finance Department

CITY OF HENDERSON, KENTUCKY
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Fiscal Year Ended June 30, 2019

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INTRODUCTORY SECTION

Steve Austin, Mayor

Commissioners:
Patti Bugg
X Robert Royster, III
Bradley S. Staton
Austin P. Vowels

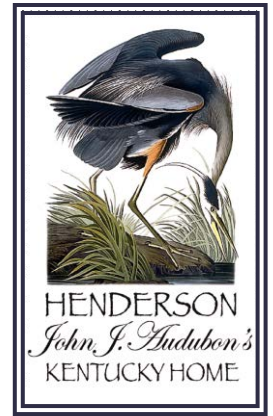


The City of Henderson

P.O. Box 716
Henderson, Kentucky 42419-0716

William L. "Buzzy" Newman, Jr., City Manager
Dawn S. Kelsey, City Attorney
Maree Collins, City Clerk
Donna Stinnett, Public Information Officer/Community Relations Manager

Robert Gunter, Finance Director



January 28, 2020

Honorable Mayor,
Members of the Board of Commissioners,
Citizens of the City of Henderson, Kentucky:

We present to you the Comprehensive Annual Financial Report of the City of Henderson, Kentucky for the fiscal year ended June 30, 2019. Kentucky Revised Statute 91A.040 requires that the City of Henderson publish, before February 1 immediately following the fiscal year, a complete set of audited financial statements. This report is published to fulfill that requirement.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

Alexander Thompson Arnold PLLC has issued an unmodified ("clean") opinion on the City of Henderson's financial statements for the fiscal year ended June 30, 2019. The independent auditors' report is located at the front of the financial section of this report.

Management's discussion and analysis (MD&A) immediately follows the independent auditors' report and provides a narrative introduction, overview, and analysis of the basic financial statements. MD&A complements this letter of transmittal and should be read in conjunction with it.



Profile of the government

The City of Henderson was incorporated as a town in 1810 and as a City in 1867. Henderson currently serves a population of 28,432 and is in northwest Kentucky. The City has operated under the Board of Commissioners-City Manager structure since 1966. Policy-making and legislative authority are vested in the governing Board of Commissioners consisting of the mayor and four commissioners, all of whom are elected at large. Commission members serve two-year terms. The Mayor is elected for a four-year term. The Board of Commissioners appoints the City of Henderson's manager. The City Manager, with the approval of the Board of Commissioners, appoints department heads.

The City of Henderson provides a full range of municipal services, including public safety (police, fire, and emergency communications), street maintenance, sanitation, cemetery, drainage, landfill, transit, recreation, and general administrative services. Henderson includes, for financial reporting purposes, all entities involved in the provision of these services and for which, in the opinion of the City, the City is financially accountable. The City is financially accountable for legally separate organizations if City officials appoint a voting majority of an organization's governing body, and the City is either able to impose its will on that organization, or there is potential for the organization to provide specific financial benefits to, or to impose financial burdens on, the City.

The City has performed a comprehensive evaluation of its financial reporting entity in accordance with Governmental Accounting Standards Board Statement No. 14, *The Financial Reporting Entity*, and based on the foregoing criteria, has included the following separate organizations as discretely presented component units within the City's basic financial statements.

Henderson Municipal Power and Light (HMPL) *Henderson Water Utility (HWU)*

In addition to internal controls, the City maintains budgetary controls. The objective of these controls is to ensure compliance with legal provisions embodied in the annual appropriation and budget ordinance approved by the Board of Commissioners. As required by Kentucky Revised Statutes 91A.030 and 83A.150, the City Manager submits a proposed operating budget on or before June 1st to the Board of Commissioners for the fiscal year commencing July 1. The budget includes appropriations for expenditures and means of financing them. The level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) is at the departmental level within an individual fund. The City also maintains an encumbrance accounting system as one technique of accomplishing budgetary control.

Local economy

Henderson is located in the Evansville, IN-KY Metropolitan Statistical Area (MSA). This geographical region covers approximately 2,367 square miles and is the 160th largest MSA in the United States. Based on 2018 estimates, Henderson is the 12th largest city in Kentucky. The economy for the City of Henderson and Henderson County continues a modest growth and the City continues to maintain a positive economic outlook.

Per the U.S. Census Bureau, the median household income for the City of Henderson for the past 12 months was estimated to be \$43,458 which was \$3,077 or 6.6% lower than the Kentucky family medium income of \$46,535. The estimated medium price of a single-family home in the city was \$120,100. Due to its strong fiscal management, stable financial position, strong reserves, healthy liquidity, and stable tax base, the City of Henderson received a credit rating of Aa3 from Moody's Investor Service on its 2017 general obligation bonds.

Over the past ten years, the City has experienced modest economic growth and investment. The real estate assessments have increased 14.8% or \$155.6 million from \$1,051.7 million at the start of fiscal 2010 to \$1,207.3 million at the end of fiscal 2019. This equates to a 1.4% annual increase. Bank deposits have increased 34.4% or \$163,904 from \$475,900 to \$639,818 over the same ten-year period.

The City of Henderson is a member of Kyndle, an economic development joint venture made up of the City of Henderson, Henderson and Webster counties. Kyndle markets not only the City of Henderson but also the northwest Kentucky region. This includes 234,000 members of the workforce. Kyndle has four primary objectives: business attraction, business retention, business development, and education and workforce development.

Long-term financial planning and major initiatives

General Fund reserves decreased to approximately \$9.0 million at June 30, 2019 which is a decrease of \$1,227,354 from the prior year. The reserves consisted of cash, investments, and receivables. The decrease in General Fund reserves was primarily the result of purchasing the new 18-hole golf course: The Bridges at a cost of \$750,000, higher pension costs of \$332,172 and health insurance costs of \$205,570. Tax collections increased \$251,297 or 1.2% with growth in property, payroll, and insurance premium taxes and a slight decrease in franchise taxes. Despite an increase of \$546,455, personnel expenses were still \$897,349 under budget and transfers finished over \$553,000 under budget. The General Fund will have a cash and investment balance, net of cash due to component units, entering the fiscal year equal to 4.1 months operating expense and transfers to other funds.

The Gas Fund's cash and investment balance will be equal to 3.9 months operating expense. The City has exceeded its goal of establishing a balance of cash and investments equal to 3 months worth of operating expense in the General and Gas funds.

The City continues to play an active role in the Public Energy Authority of Kentucky (PEAK); a group the City co-founded in the 1990's. As a result of the consumption during the fiscal year, \$321,496 was returned to Henderson which is an increase of \$24,721 from the \$296,775 that was returned in fiscal 2018.

As in the past, staff continues to monitor rates to determine if "cost of living adjustments" are needed to avoid large and excessive increases in the future. Effective January 1, 2020, there are modest increases approved for sanitation rates, 911 fees, and occupational taxes (payroll and net profits). Stagnant revenues with increasing costs of providing services is a something that can be avoided (or at least mostly offset) by smaller, incremental increases that do not have significant effects on taxpayers' abilities to keep up.

One of the largest single expenses for the City is employee health insurance. For fiscal 2019, the total health care cost was \$8,304,628 which is an increase of \$2,678,360 from the \$5,626,268 spent in fiscal 2013. This equates to an annualized increase of 6.7% or an increase of 47.6% since fiscal 2013. Several changes were made to the health insurance plan in fiscal 2012 and comparisons are made against that year to determine if those changes were successful.

The health insurance plan requires a premium in the amount \$50 per month for employee only coverage, \$100 per month for employee plus one dependent, or \$150 for employee plus family.

The plan also requires that spouses of employees who are eligible for coverage through their own employers are ineligible for coverage under the City's health plan unless they are enrolled in their own employers' coverage. Employees that elect to waive the City health insurance coverage on themselves or on their spouse are eligible for a waiver benefit. The benefit can be up to \$2,000 per year and can be used in a flexible spending account, in a health reimbursement arrangement, used to reduce the employee's health insurance premium, or a combination of any two of the above options.

Each employee that meets certain wellness criteria receives a HRA credit in the amount of \$500 for a single participant and \$1,000 for a family coverage participant in the health insurance plan. At the end of a plan year, any unused benefits in an HRA Plan account are carried forward for use in the subsequent year.

To promote healthier lifestyle and to encourage the wellness program the City offers a near-site clinic. The clinic is available to covered employees and dependents. The clinic offers 30 hours a week with staggered times to accommodate employees' schedules. There is a "zero" co-pay for the visit and a zero co-pay on nine basic lab tests. In addition to these basic services, the clinic provides a customized reduced service fee schedule for labs in general.

From a capital projects aspect, fiscal 2019 was a very busy year. Some projects and improvements of note include:

New 18-Hole Golf Course

The dormant Players Club course was purchased at a cost of \$750,000. Repairs, renovations and enhancements in the amount of \$245,000 were performed during the fiscal year. The City received a donation in the amount of \$500,000 from local resident James Marshall to help with the renovations. The course was renamed The Bridges Golf Course and opened for business on July 24, 2019.

Streets and Sidewalk Improvements:

In fiscal 2019, the City completed phase VI of the Long-Range Enhancement Projects. This included new sidewalks on South Main Street, and Sand Lane. A total of \$174,531 was spent on these projects during the fiscal year. Work in the amount of \$69,608 was spent to replace a bridge on Wathen Lane with an expected completion date in fiscal 2020.

City of Henderson and Henderson County Joint Ventures:

In 2007, the Board of Commissioners along with the Fiscal Court jointly approved the creation of a Flood Mitigation Board to oversee the expenditure of funds dedicated to addressing the flooding problems caused by Canoe Creek that have plagued the City for many years. \$1.25 million in State funding was secured to cover costs associated with Phase I of this project. This project was closed-out in fiscal 2012.

The City and County were awarded an additional \$1.35 million to be used in Phase II of flood mitigation. The grant is from the State of Kentucky and does require a local match from the City and County. It is administered by the Flood Mitigation Board. For fiscal 2019, \$153,821 was spent on flood prevention projects and another \$724,000 is included in fiscal 2020.

In August 2008, the City of Henderson and Henderson County signed a new inter-local agreement for the disposal of solid waste. The agreement provides for all Henderson County residents to use the transfer station and the construction demolition and debris landfill at a cost of \$5.00 per 400 pounds for permitted waste. The agreement also provides that the County make an annual lump sum payment as its financial obligation to the City for County residents using these services and to supplement the City's curbside recycling program. For fiscal 2019, the County contribution was \$158,640. The term of the agreement was for an initial period of five years beginning July 1, 2008 and ending June 30, 2013. After the recent renewal, the agreement has three five-year automatic renewal options remaining.

The City of Henderson and Henderson County continue to improve the funding options for the emergency dispatch operations in the 911 center. Due to more residents using cellphones over landlines, the revenue has decreased 32% from \$401,000 in fiscal 2014 to only \$272,500 in fiscal 2019. Effective January 1, 2020 the fee will move from the residents' phone bill to the water bills. Plus, the monthly rate will increase from \$2.50 to \$3.25.

The City of Henderson, Henderson County, and Methodist Hospital formed a committee to address the Emergency Medical Services (EMS) needs of the community. The hospital covers 25% of the cost of the service with the City of Henderson and Henderson County equally funding the remaining 75% of operations. The focus of this committee is to review and discuss improvements to the ambulance service that is provided by Methodist Hospital.

Effective January 1, 2017, Kentucky retailers are required to collect an additional \$0.93 flat fee on calling cards, cellular phones with preloaded minutes or units, and recharging of minutes. The proceeds of this new fee will be used to improve 911 services throughout the state. The wireless revenue increased by \$43,669 or 18.6% from fiscal 2017 total of \$234,905 to fiscal 2019 total of \$278,574.

The City and County also worked together to develop a new park in the East-end. Property was purchased in fiscal 2013 and dedicated in fiscal 2017. Playground equipment that includes an interactive water splash pad was installed. The park also includes a set of restrooms and landscaping. In fiscal 2019, a picnic shelter was added at a cost of \$17,529.

The entities worked to fund and replace the computer-aided dispatch (CAD) system for the emergency dispatch center. The cost of the project exceeded \$1.2 million and included infrastructure upgrades, work stations, and renovations at a backup site. Grants funds in the amount of approximately \$144,000 from the Delta Regional Authority were received in the prior year. Another \$165,000 funded by the Kentucky Commercial Mobile Radio Service Board was received in fiscal 2019.

To improve the communication needs in the city and county, a contract was signed with Motorola for a complete replacement of radios and the addition of communication towers. The \$2.5 million contract will benefit all city and county departments including the volunteer fire departments throughout the county. The contract also includes a maintenance contract for ten years. During fiscal 2019, \$388,908 was paid to Motorola for work completed on the replacement project.

Economic Development:

During the 2015 fiscal year, the City purchased 124 acres at the end of Borax Drive. The property was purchased with federal highway and transportation grant funds. It will be used for economic development. There is \$166,000 in additional funds in fiscal 2020 to complete infrastructure improvements that will include roads and utilities.

Other Developments:

As part of the budget process, the staff identifies and quantifies the operational costs associated with its capital projects and budgets resources accordingly. In addition, the budget committee

monitors the condition of all government equipment and vehicles and makes recommendations on their replacement.

The City of Henderson maintains a vehicle replacement schedule which serves as its fleet replacement guide over a five-year period. The fiscal year 2020 budget includes \$2.5 million in capital projects which includes \$992,000 in rolling stock replacement.

During the last fiscal year, HMP&L spent \$1,943,627 in capital improvements and replacements in the existing system and \$259,274 in capital improvements and replacements at Station Two. HWU added \$5.2 million in capital projects during fiscal 2019.

As with many other metropolitan areas, the economic dependency and interrelationship of the entire region is important as evidenced by the number of nonresident workers who commute daily to work in Henderson County and the equivalent number of Henderson County residents who commute to work outside of the county. Consequently, economic activity in the entire Kentucky, Indiana, and Illinois tri-state area – no matter where it occurs - is of benefit to the Henderson local economy.

With all of the various improvements, the City/County collaborations, US Highway 41 redevelopment, and possible interstate 69 bridges it is a very exciting time for the community. The citizens, businesses, and employees of the City of Henderson should be proud of the accomplishments of the past fiscal year.

Relevant financial policies

The City of Henderson uses a comprehensive set of financial policies. During the current year, two of these policies were particularly relevant. The City of Henderson has a policy that requires the adoption of a balanced annual operating budget where operating expenses may not exceed anticipated revenues plus available unassigned fund balance. The amended fiscal 2019 budget was adopted using \$3,452,000 of unassigned fund balance. However, only a small portion of these funds were used and \$2,224,646 or 64.5% was not needed.

The reserve policy designates that 20% of annual surpluses be set aside for short-term payments on large vehicles and equipment. In fiscal 2018, the City used \$370,000 designated for large vehicles to purchase and equip a new aerial fire truck with a cost that exceeded \$1.1 million.

The reserve policy also designates that 40% of annual surpluses be set aside for long-term payments on major building projects or improvements. At the end of fiscal 2018 there was over \$250,600 set aside for future payments. The General Fund's general obligation bonds payments for fiscal 2019 were approximately \$1.32 million. The fund had 19% of the payments already on hand.

The remaining 40% of the annual surplus was placed in the unassigned fund balance. At the end of fiscal 2019, the unassigned fund balance was \$7.1 million which is an increase of \$1.7 million over last year.

The second financial policy involves the reserve policy, where the goal of maintaining a minimum General Fund reserve of at least one-quarter (three months) of the General Fund's operating budget, was exceeded. The fiscal 2020 budget was adopted with approximately \$30.8 million in expenses and transfers out. With an ending reserve of approximately \$9.0 million at June 30, 2019, the General Fund has 3.5 months worth of reserve.

Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Henderson for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2018. This was the twentieth consecutive year that the government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, the government had to publish an easily readable and efficiently organized CAFR that satisfied both generally accepted accounting principles and applicable program requirements.

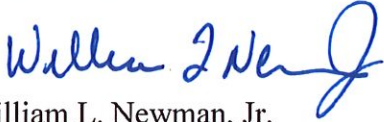
A Certificate of Achievement for Excellence in Financial Reporting is valid for a period of one year only. However, we believe that our current CAFR continues to meet the Certificate of Achievement for Excellence in Financial Reporting Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

The City of Henderson also received the GFOA's Distinguished Budget Presentation Award for its annual budget document beginning July 1, 2019 and ending June 30, 2020. This was the eleventh consecutive year that the government has achieved this prestigious award. To qualify for the Distinguished Budget Presentation Award, the government's budget document had to be judged proficient as a policy document, a financial plan, an operations guide, and a communications device. The preparation of this report would not have been possible without the skill, effort, and dedication of the entire staff including those of the Finance and Administration Departments.

And for the second consecutive year, the City of Henderson received the Popular Annual Financial Reporting Award for its June 30, 2018 presentation. The program is to assist state and local governments to extract information from their comprehensive annual financial report to produce high quality popular financial reports specifically designed to be readily accessible and easily understandable to the general public and other interested parties that do not have a background in public finance. Henderson is one of only three cities in Kentucky to be awarded all three awards for the most recent year.

We wish to thank all government departments for their assistance in providing the data necessary to prepare this report. Credit also is due to the Board of Commissioners for their unfailing support for maintaining the highest standards of professionalism in the management of the City of Henderson's finances.

Respectfully submitted,

A handwritten signature in blue ink, appearing to read "William L. Newman, Jr.", with a stylized, cursive script.

William L. Newman, Jr.
City Manager

A handwritten signature in blue ink, appearing to read "Robert Gunter", with a stylized, cursive script.

Robert Gunter
Finance Director



Government Finance Officers Association

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

Presented to

**City of Henderson
Kentucky**

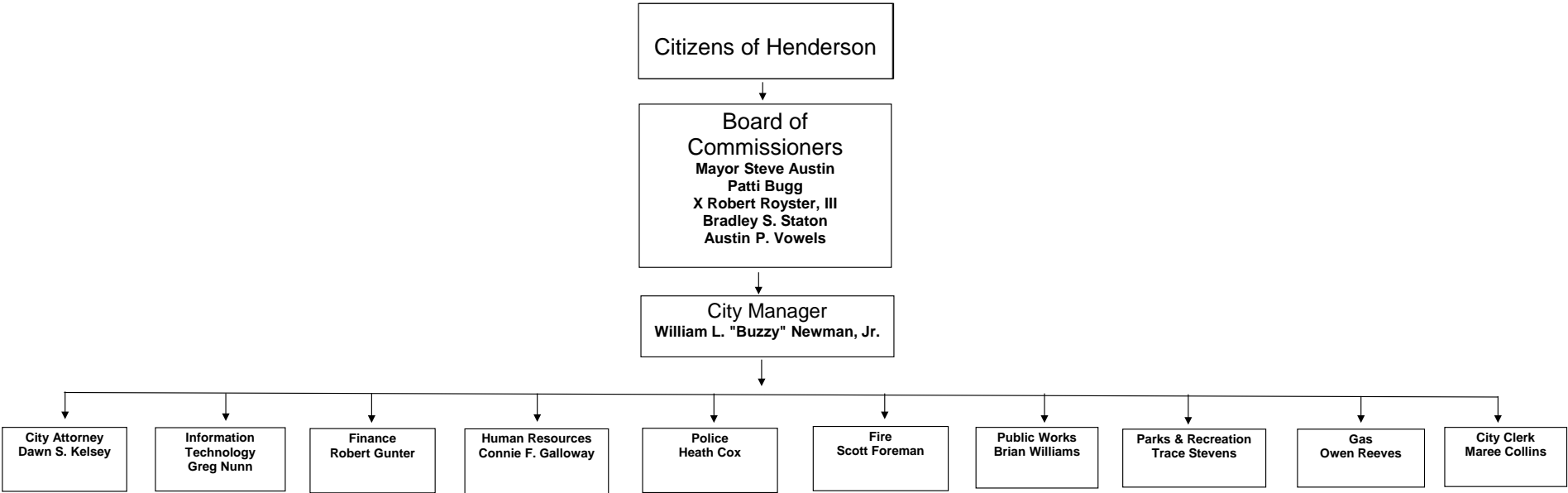
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2018

Christopher P. Morrill

Executive Director/CEO

CITY OF HENDERSON, KENTUCKY
Organizational Chart



**CITY OF HENDERSON, KENTUCKY
LIST OF ELECTED AND APPOINTED OFFICIALS**

Elected Officials

Mayor	Steve Austin
Commissioner	Patti Bugg
Commissioner	X Robert Royster, III
Commissioner	Bradley S. Staton
Commissioner	Austin P. Vowels

Appointed Officials

City Manager	William L. “Buzzy” Newman, Jr.
City Attorney	Dawn S. Kelsey
City Clerk	Maree Collins
Finance Director	Robert Gunter
Fire Chief	Scott Foreman
Gas System Director	Owen Reeves
Human Resources Director	Connie F. Galloway
Information Technology Director	Greg Nunn
Parks & Recreation Director	Trace Stevens
Police Chief	Heath Cox
Public Works Director	Brian Williams

FINANCIAL SECTION



Independent Auditor's Report

To the Honorable Steve Austin, Mayor
and the Board of Commissioners of the
City of Henderson, Kentucky

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Henderson, Kentucky as of and for the year ended June 30, 2019 and the related notes to the financial statements, which collectively comprise the City'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.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the City of Henderson, Kentucky Water and Sewer Commission. Those financial statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as they relate to the amounts included for the City of Henderson, Kentucky Water and Sewer Commission, are based solely on the report of the other auditor. 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, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Henderson, Kentucky, as of June 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof and the 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 and pension and OPEB schedules on pages 16 through 33 and 101 through 111 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 City of Henderson, Kentucky's basic financial statements. The introductory section, combining and individual non-major fund financial statements, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual non-major fund financial statements 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 combining and individual non-major fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 28, 2020, on our consideration of the City of Henderson, Kentucky's internal control over financial reporting and on our tests of compliance with laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and results of that testing and not to provide an opinion on the effectiveness of the City of Henderson Kentucky's 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 City of Henderson, Kentucky's internal control over financial reporting and compliance.

Alexander Thompson Arnold PLLC

Henderson, Kentucky

January 28, 2020

**Management's Discussion and Analysis
(Required Supplementary Information)**

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Henderson's Management's Discussion and Analysis provides an overview of the City's financial activities for the fiscal year ended June 30, 2019. It should be read in conjunction with the transmittal letter and the financial statements provided in this document.

Financial Highlights

- Primary Government liabilities and deferred inflows exceeded assets and deferred outflows by \$18.9 million at the close of fiscal 2019. Due to pension and other post-employment obligations, the unrestricted net position is a negative \$41.6 million.
- City governmental funds reported combined ending fund balances of \$42.2 million. Of this total, \$6.7 million is unassigned.
- In the City's business-type activities, income from operations decreased from \$1,692,796 in fiscal 2018 to \$1,297,766 in fiscal 2019.
- The City's General Fund ended the year with a fund balance of \$8,975,382, a decrease of \$1,227,354 or 12.0% from fiscal year 2018's balance of \$10,202,736.
- In the past four years, the General Fund's fund balance has decreased 16.7% from \$10.8 million in 2015 to \$9.0 million in 2019.

Overview of Financial Statements

This discussion and analysis provided here are intended to serve as an introduction to the City of Henderson's basic financial statements. The City's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also includes supplementary information intended to furnish additional detail to support the basic financial statements themselves.

Government-wide Financial Statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the City of Henderson's finances in a manner similar to private sector businesses.

The *statement of net position* presents financial information on all of the City of Henderson's assets, deferred outflows of resources, liabilities, and deferred inflows of resource with the difference reported as net position. Over time, increases or decreases in the net position may serve as a useful indicator of whether the financial position of the City of Henderson is improving or deteriorating.

The *statement of activities* presents information showing how the City of Henderson'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 for some items that will only result in cash flows in future fiscal periods (e.g., taxes, grants, and earned but unused vacation leave).

Both of the governmental-wide financial statements distinguish functions of the City of Henderson that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City of Henderson include administration, finance, mass transit, parks and recreation, police, fire, public works, information technology and nondepartmental. The business-type activities of the City of Henderson include the natural gas and sanitation operations.

Government-wide financial statements include not only the City of Henderson itself (known as the *primary government*) but also the legally separate Henderson Municipal Power & Light (HMPL) and Henderson Water Utility (HWU) for which the City of Henderson is financially accountable. Financial information for the component units is reported separately from the financial information presented for the primary government itself.

The government-wide financial statements can be found on pages 34-35 of this report.

Fund Financial Statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Henderson, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of Henderson can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds. Governmental funds are used to account for essentially the same function 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 assessing a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* 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 government'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 *governmental funds* and *governmental activities*.

The City of Henderson maintains eleven (11) individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General Fund, Debt Service Fund, and Capital Projects Fund, which are considered to be major funds. Information from the other eight (8) governmental funds is combined into a single aggregated presentation and shown as Nonmajor Governmental Funds. Individual fund information for each of these

nonmajor governmental funds is provided in the form of combining statements in the combining and individual fund statements and schedules section of this report.

The City of Henderson adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

The basic governmental funds financial statements can be found on pages 36-40 of this report.

Proprietary Funds. The City of Henderson maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City of Henderson uses enterprise funds to account for its natural gas and sanitation operations. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City of Henderson's various functions. The City of Henderson uses an internal service fund to account for the management of its self-funded health insurance. Because this service predominantly benefits governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements. The internal service fund is presented in the proprietary fund financial statements.

Proprietary funds provide the same kind of information as government-wide financial statements, only in greater detail. The proprietary fund financial statements provide separate information for the natural gas and sanitation operations, both of which are considered to be major funds of the City of Henderson.

There are also two component units that provide electricity and water/sewer services. These two component units (Henderson Municipal Power & Light and Henderson Water Utility) each has its own board of directors and are enterprise funds. Each of these enterprise funds is self-supporting and does not receive a subsidy from the General Fund.

The basic proprietary funds financial statements can be found on pages 41-43 of this report.

Fiduciary Funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because those resources are not available to support the City of Henderson's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The City of Henderson maintains three different types of fiduciary funds. The Civil Service Pension fund is used to report resources held in trust for non-hazardous retirees and beneficiaries that elected to participate in 1987. Police & Fire Pension fund is used to report resources held in trust for hazardous retirees and beneficiaries that elected to participate in 1987. The Health Reimbursement Arrangement Plan is used to help employees pay for health care expenses.

The fiduciary funds financial statements can be found on pages 44-45 of this report.

Notes to the Financial Statements. The notes provide additional information that is necessary to acquire a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 46-100 of this report.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents required supplementary information concerning the City of Henderson's progress in funding its obligations to provide pension and other post-employment benefits to its employees. Required supplementary information can be found on pages 101-111 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information on pensions and other post employment benefits. Combining and individual fund statements and schedules can be found on pages 112-124 of this report.

Government-Wide Overall Financial Analysis

As noted earlier, net position over time, may serve as a useful indicator of a government's financial position. In the case of the City of Henderson's liabilities and deferred inflows exceeded assets and deferred outflows by \$18,936,161 at the close of the most recent fiscal year.

The tables and charts on the next few pages provide a summary of the City of Henderson's operations for the fiscal year ended June 30, 2019.

City of Henderson's – Net Position

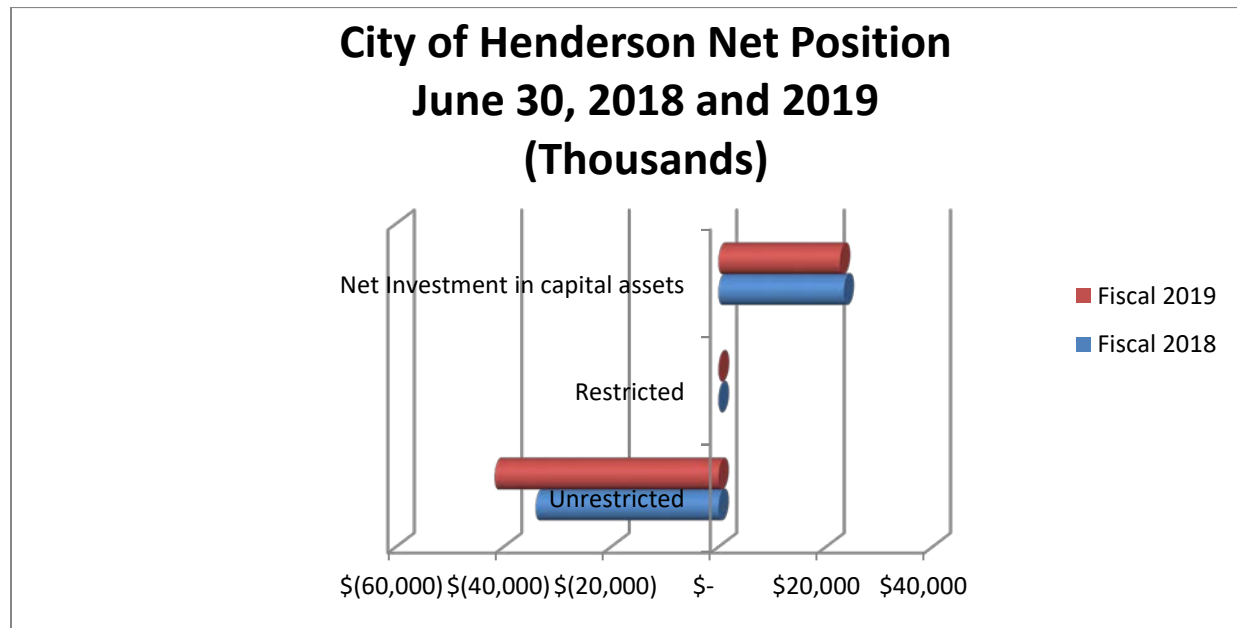
	Governmental Activities		Business-Type Activities		Total	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Current and other assets	\$ 48,296,140	\$ 52,208,051	\$10,840,828	\$10,971,199	\$ 59,136,968	\$ 63,179,250
Capital assets	34,710,215	36,078,502	2,602,642	2,700,550	37,312,857	38,779,052
Total assets	83,006,355	88,286,553	13,443,470	13,671,749	96,449,825	101,958,302
Deferred outflows	15,755,788	20,916,049	-	-	15,755,788	20,916,049
Total assets and deferred outflows	<u>\$ 98,762,143</u>	<u>\$109,202,602</u>	<u>\$13,443,470</u>	<u>\$13,671,749</u>	<u>\$112,205,613</u>	<u>\$122,874,351</u>
Long-term liabilities	\$114,335,271	\$116,931,859	\$ 4,224,032	\$ 4,187,000	\$118,559,303	\$121,118,859
Other liabilities	6,958,991	6,060,011	1,534,023	1,701,033	8,493,014	7,761,044
Total liabilities	<u>\$121,294,262</u>	<u>\$122,991,870</u>	<u>\$ 5,758,055</u>	<u>\$ 5,888,033</u>	<u>\$127,052,317</u>	<u>\$128,879,903</u>
Deferred inflows	\$ 4,089,457	\$ 4,620,124	\$ -	\$ -	\$ 4,089,457	\$ 4,620,124
Net position:						
Net investment in capital assets	20,019,886	20,637,291	2,602,642	2,700,550	22,622,528	23,337,841
Restricted for:						
Debt Service	467	871	-	-	467	871
Tourism	6,888	-	-	-	6,888	-
Law enforcement	67,903	41,906	-	-	67,903	41,906
Unrestricted	(46,716,720)	(39,089,460)	5,082,773	5,083,166	(41,633,947)	(34,006,294)
Total net position	<u>\$ (26,621,576)</u>	<u>\$ (18,409,392)</u>	<u>\$ 7,685,415</u>	<u>\$ 7,783,716</u>	<u>\$ (18,936,161)</u>	<u>\$ (10,625,676)</u>

By far, the largest portion of the City of Henderson's net position reflects its investment in capital assets (e.g., land, buildings, machinery, equipment, vehicles, and infrastructure), less any related outstanding debt that was used to acquire those assets. The City of Henderson uses these capital assets to provide a variety of services to its citizens. Accordingly, these assets are not available for future spending. Although the City of Henderson's investment in capital assets is reported net of related debt, it should be noted that the resources used to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City of Henderson's net position or \$75,258 represents resources that are subject to external restrictions on how they may be used. The remaining balance of (\$41,633,947) is unrestricted. Any positive balances would be used to meet the government's ongoing obligations to its citizens and creditors. However, the negative number reflected is due to a governmental accounting standard concerning pension and other post employment obligations that will be paid over several years. Deferred outflows of resources related to pensions and OPED decreased by \$5,160,261 or 24.7% to \$15,755,788. This included contributions subsequent to the measurement date of \$2,886,873 which will be included as a reduction of the collective net pension liability in the year ended June 30, 2020. Deferred inflows of resources related to pensions and OPED were \$4,089,457 which is down \$530,667 from the prior year.

At the end of the current fiscal year, the City of Henderson can report positive balances in net investment in the capital assets and the restricted categories of net position, both for the government, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

However, due to the governmental account standards mentioned above, the unrestricted net position reported a negative net position in the governmental activities.



The City of Henderson's overall net position decreased \$8,310,485 from the prior fiscal year. The reasons for this overall decrease are discussed in the following sections for governmental activities and business-type activities.

Governmental Activities. During the current fiscal year, net position for governmental activities decreased \$8,212,184 from the prior year for an ending balance of (\$26,621,576).

Governmental activities net of charges for services, operating grants/contributions, and capital grants/contributions were (\$33,334,382). Taxes, distributions from component units, investment income and transfers only generated \$25,122,198. This resulted in the (\$8,212,184) change in net position. Total general revenues and transfers increased \$752,263 or 3.1% from the prior year while general activities expenses increased by \$4,741,792 or 11.6%.

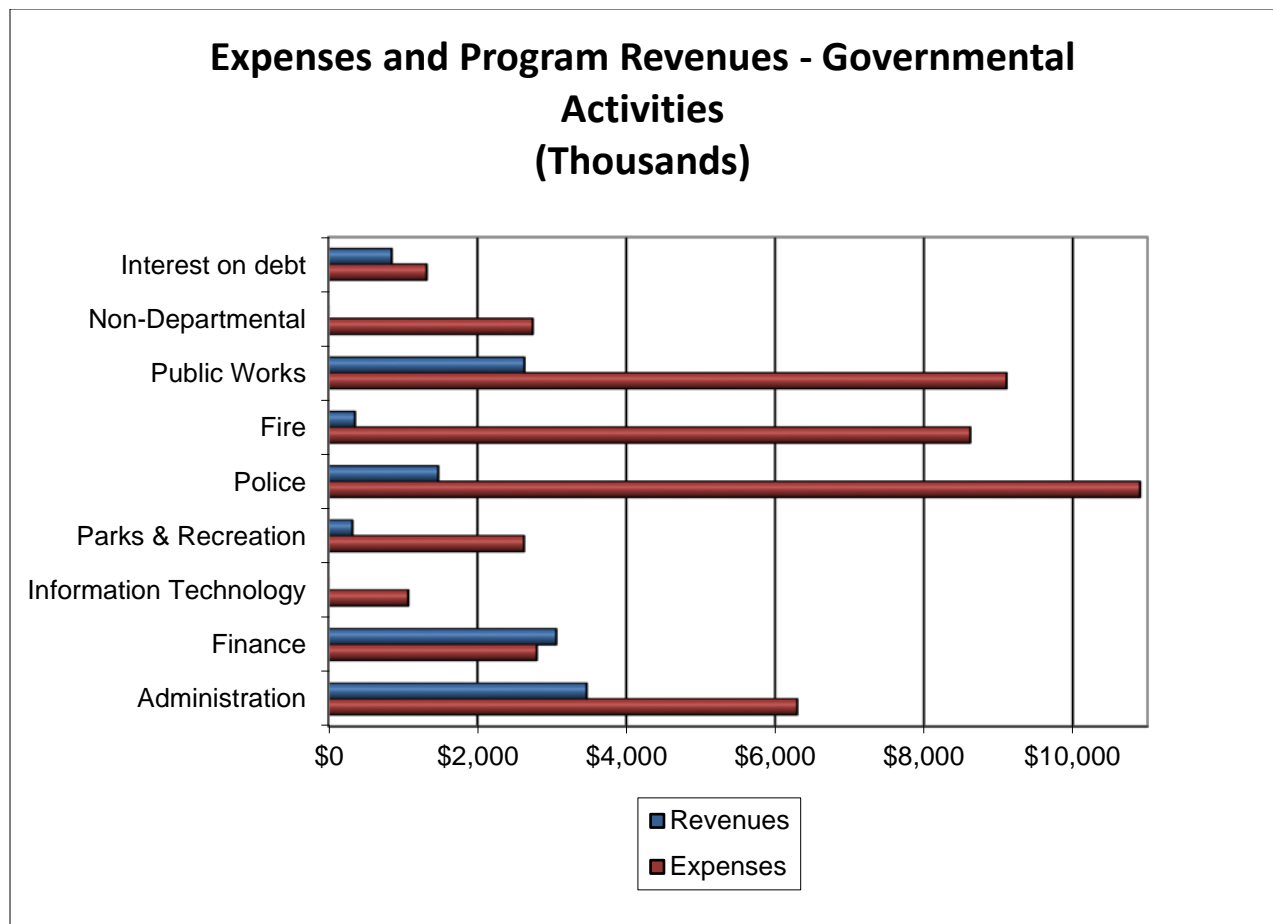
Pension expenses for the County Employees Pension System (CERS) were \$8,168,911. This includes \$5,282,038 that will be paid with future tax revenues. Other postemployment expenses for the County Employees Pension System (CERS) were \$3,210,492. This includes \$2,063,072 that will be paid with future tax revenues.

The governmental funds had a decrease in fund balance of \$3,973,074 with the General Fund decreasing \$1,227,354. Most, or \$2.3 million of the decrease in the Construction Fund was due to transfers to the Bond Fund for payment on outstanding bonds. These transfers accounted for 91.3% of the decrease in the Construction Fund. The governmental funds spent over \$2.7 million on capital items during the fiscal year. This included \$995,000 for the purchase and renovation of the Bridges Golf Course, \$458,600 for vehicles, over \$563,900 for office equipment for the 911 Center, and over \$244,000 on sidewalks and bridges.

The General Fund depleted its reserves in the amount of \$1,227,354. Since fiscal 2013, the fund's balance has decreased 5.2%. Based on the fiscal 2020 budgeted expenditures of \$30.8 million, the General Fund has approximately 3.5 months' worth of reserves. The City has assigned \$1.8 million of the fiscal 2019 fund balance with \$840,000 of that amount to fill the fiscal 2020 budget deficit leaving \$7.1 million unassigned.

City of Henderson – Changes in Net Position Analysis of the City's Operations

	Governmental Activities		Business-Type Activities		Total	
<u>Revenues:</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Program revenues:						
Charges for services	\$ 7,319,237	\$ 7,124,287	\$18,317,609	\$ 18,405,083	\$ 25,636,846	\$ 25,529,370
Operating grants	3,666,007	3,647,558	158,640	106,116	3,824,647	3,753,674
Capital grants	1,168,087	30,680	-	-	1,168,087	30,680
General revenues:						
Taxes	21,334,206	20,939,144	-	-	21,334,206	20,939,144
Investment income	463,726	102,067	283,475	39,067	747,201	141,134
Distributions from component units	1,644,724	1,644,724	-	-	1,644,724	1,644,724
Total revenues	<u>35,595,987</u>	<u>33,488,460</u>	<u>18,759,724</u>	<u>18,550,266</u>	<u>54,355,711</u>	<u>52,038,726</u>
<u>Expenses:</u>						
Administration	6,297,817	5,550,719	-	-	6,297,817	5,550,719
Finance	2,797,659	2,484,760	-	-	2,797,659	2,484,760
Information technology	1,069,526	959,900	-	-	1,069,526	959,900
Parks & recreation	2,626,211	2,442,957	-	-	2,626,211	2,442,957
Police	10,901,246	10,081,379	-	-	10,901,246	10,081,379
Fire	8,623,727	7,559,249	-	-	8,623,727	7,559,249
Public works	9,110,923	8,641,172	-	-	9,110,923	8,641,172
Nondepartmental	2,742,999	1,628,251	-	-	2,742,999	1,628,251
Interest on long-term debt	1,317,605	1,397,534	-	-	1,317,605	1,397,534
Gas	-	-	13,705,628	13,490,485	13,705,628	13,490,485
Sanitation	-	-	3,472,855	3,327,918	3,472,855	3,327,918
Total expenses	<u>45,487,713</u>	<u>40,745,921</u>	<u>17,178,483</u>	<u>16,818,403</u>	<u>62,666,196</u>	<u>57,564,324</u>
Increase/(Decrease) before transfers	(9,891,726)	(7,257,461)	1,581,241	1,731,863	(8,310,485)	(5,525,598)
Cumulative effect of change in accounting principle-pensions	-	(10,141,509)	-	-	-	(10,141,509)
Transfers	<u>1,679,542</u>	<u>1,684,000</u>	<u>(1,679,542)</u>	<u>(1,684,000)</u>	<u>-</u>	<u>-</u>
Increase (Decrease) in net position	(8,212,184)	(15,714,970)	(98,301)	47,863	(8,310,485)	(15,667,107)
Net position, beginning	<u>(18,409,392)</u>	<u>(2,694,422)</u>	<u>7,783,716</u>	<u>7,735,853</u>	<u>(10,625,676)</u>	<u>5,041,431</u>
Net position, ending	<u>\$ (26,621,576)</u>	<u>\$ (18,409,392)</u>	<u>\$ 7,685,415</u>	<u>\$ 7,783,716</u>	<u>\$ (18,936,161)</u>	<u>\$ (10,625,676)</u>



Business-type Activities. For the City of Henderson’s business-type activities, the results for the current fiscal year were negative in that overall net position decreased to an ending balance of \$7,685,415. The total decrease in net position for business-type activities (natural gas and sanitation) was \$98,301 or down 1.3% from the prior fiscal year. Some of the decrease is attributable to an increase in the benefit costs in health insurance and pension contributions. These expenditures increased by \$68,631 in the Gas Fund and \$12,664 in the Sanitation Fund. There was a \$86,671 loss in the Gas Fund and a \$11,630 loss in the Sanitation Fund.

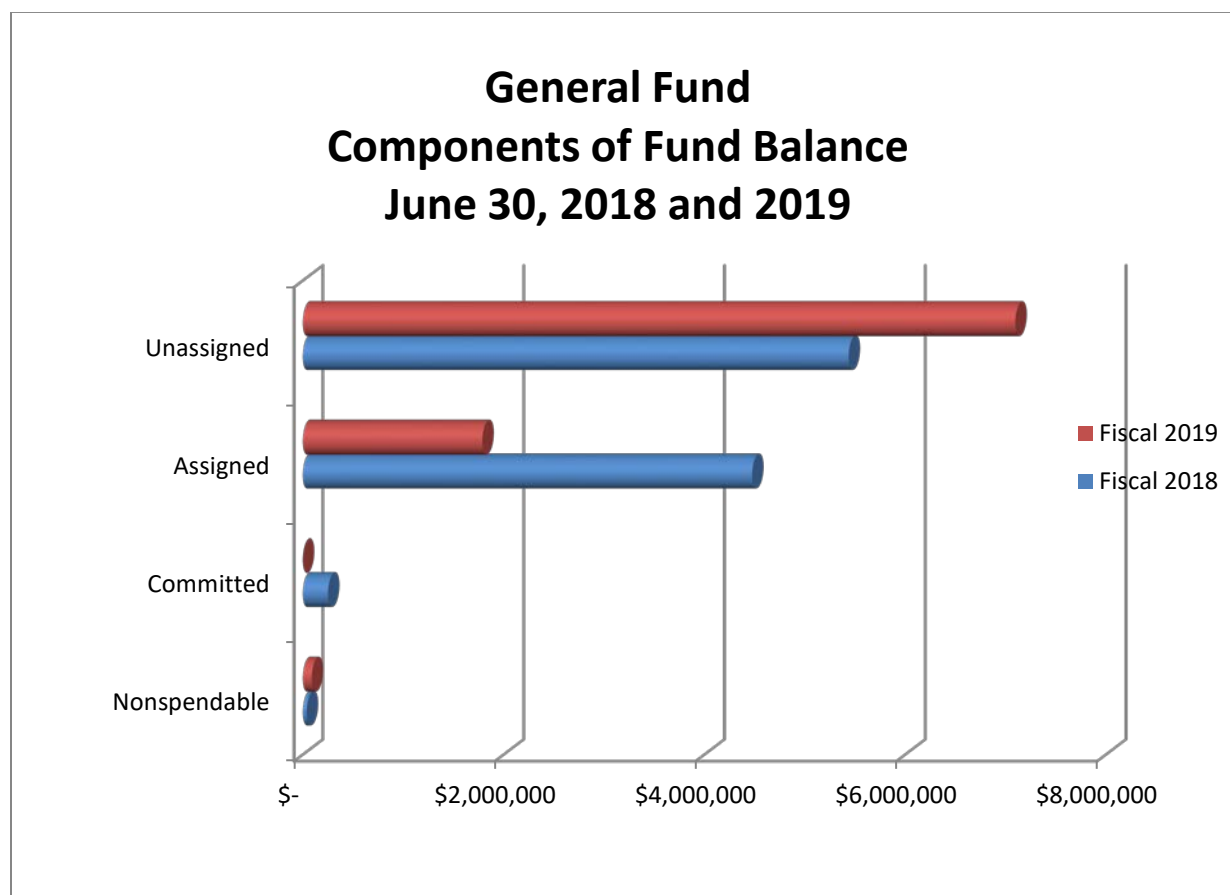
Financial Analysis of Governmental Funds

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

Governmental Funds. The focus of the City of Henderson’s *governmental funds* is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City of Henderson’s financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government’s net resources available for discretionary use as they represent the portion of fund balance which has not yet been limited to use for a particular purpose by either an external party, the City of Henderson

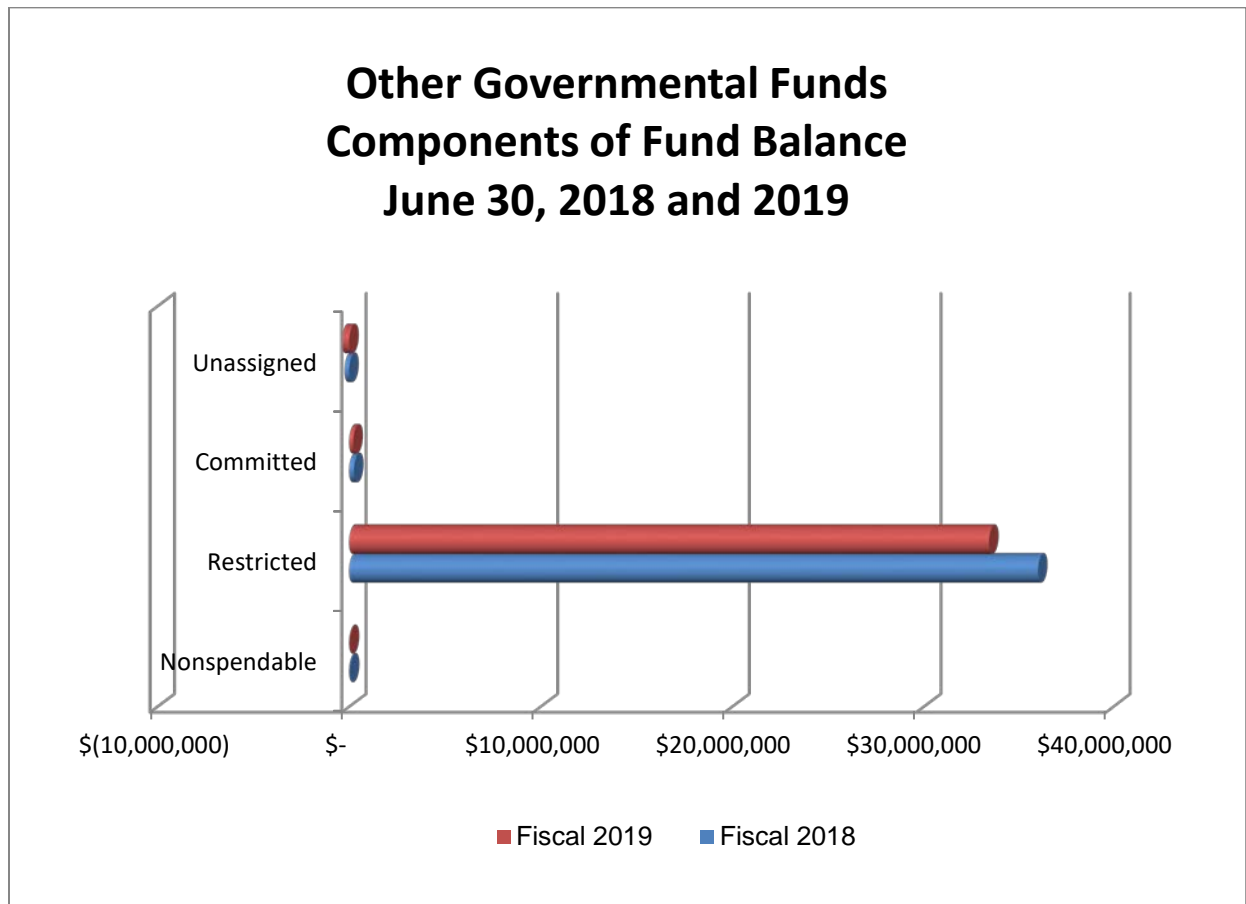
itself, or a group or individual that has been delegated authority to assign resources for use for particular purposes by the City of Henderson’s Board of Commissioners.

At June 30, 2019, the City of Henderson’s governmental funds reported a combined fund balance of \$42,236,807, a decrease of \$3,973,074 in comparison with the prior fiscal year. Approximately 15.9% of this amount or \$6,717,642 constitutes unassigned fund balance, which is available for spending at the government’s discretion. Nearly 79.1% or \$33.4 million of the fund balance was restricted for debt, capital projects and other special purposes. There was also \$115,167 that was classified as “nonspendable” because it is for inventories and prepaid expenditures. A total of \$217,051 was committed for other purposes. Another \$1,788,536 was assigned to fill the fiscal 2020 budget deficit of \$840,000, \$700,000 set aside for the future construction of a recreation/sports facility, \$200,000 set aside for the future construction of a Newman Park shelter, and \$48,536 assigned to be used for drainage in the Countryview subdivision.



The General Fund is the primary operating fund of the City of Henderson. At the end of the current fiscal year, the General Fund unassigned fund balance was \$7,098,072 which is an increase of \$1,660,460 or 30.5% from the prior year. Total fund balance decreased to \$8,975,382. As a measure of the general fund’s liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total general fund expenditures. Unassigned fund balance represents approximately 23.0 percent of the total 2020 fiscal year budgeted general

fund expenditures of \$30,815,000, while total fund balance represents approximately 29.1 percent of that same amount.



During the fiscal year, the fund balance for the City of Henderson's general fund decreased by \$1,227,354. The factors contributing to this decrease:

- Benefit costs were up \$530,222 with health insurance making up \$205,570 of that increase and pension cost accounting for another \$332,172.
- Transfers to other funds increased by \$1,235,493 with \$989,000 of the increase due to the purchase and renovation of the Bridges Golf Course.
- Ambulance Service expenditures were up \$348,554 due to the purchase of two vehicles during the fiscal year. One of the ambulances was a carryover from the prior year.

The Construction Fund ended the fiscal year with a fund balance of \$33,323,153 which is a decrease of \$2,525,267 from the prior year. Fiscal 2019 was only the second year since 2014 that the City of Henderson did not issue additional debt.

The City received \$1,142,623 in federal and state funding on various grants including Henderson Water Utility's Delta Regional Authority projects and the Department of Transportation grant for the riverfront project. These grants include the reimbursement of capital expenditures with a

small local match. The Construction Fund transferred \$2,306,297 to the Bond Fund to retire debt.

The Debt Service Fund, the remaining major governmental fund, had a decrease in fund balance during the current year of \$404 to bring the year end fund balance to \$467. The decrease is essentially the difference between bank interest and transfers from the various funds and the payments of bond principal and interest.

Proprietary Funds. The City of Henderson's proprietary funds provide the same type information found in the government-wide financial statements, but in more detail.

Unrestricted net position of the Natural Gas Fund at the end of the year was \$5,882,450 and for the Sanitation Fund it was (\$799,677). The change in net position for both funds was (\$86,671) and (\$11,630), respectively.

As noted earlier in the discussion of business-type activities, some of the decrease for the Natural Gas Fund was attributable to increases in personnel expenditures. These increased \$62,347 from the prior year. Another contributor to the decrease was that gross margins for natural gas decreased \$315,231 or 6.5%. The Gas Fund's income from operations decreased \$423,531 or 24.3% from the prior fiscal year. After investment income and transfers to the general fund, the change in net position was (\$86,671). Since 2010, the cumulative change in the net position for the Gas Fund has been an increase of \$376,820 or 5.0%. Based on the 2020 fiscal year's budgeted expenditures and net of invested in capital assets, the Gas Fund has approximately 4.4 months' worth of reserves. This is a slight decrease from the 4.5 months of the prior year. The Gas fund invested \$203,978 in fixed assets for the fiscal year compared to \$41,702 in the prior year. Another \$47,157 in labor costs were capitalized during fiscal 2019 compared to \$29,320 in fiscal 2018.

The engineer's estimate related to closing and monitoring the landfill increased by \$37,032. Landfill and transfer station activity was nearly identical to the prior year with fees down a combined \$1,660 or less than 0.2% from last year. Fiscal 2019 was the first full year of transporting CD&D material to Daviess County. The cost for this increased by \$109,534 and contributed to the decrease in the unrestricted net position for the Sanitation Fund. Income from operations was a loss of \$22,951.

The Sanitation Fund's statement of net position reflects the landfill closure and post closure costs of \$4.22 million. Of this total, approximately \$2.86 million is for landfill closure costs that will include placing a low-permeability cap on the landfill. The City has investments in the amount of approximately \$3.17 million in a trust account that will be used for the landfill closure. It is also estimated that approximately \$1.36 million will be needed for post closure costs that will involve monitoring, inspecting, and maintaining the landfill and its protective systems for at least 30 years. This includes extensive groundwater monitoring, inspection, and repair of the cap and other protective systems. The City will be able to fund the monitoring costs on an annual basis through the normal revenue flow.

General Fund Budgetary Highlights

Original budget compared to final budget. As with most years, there was a need for budget amendments. Fiscal 2019 had two amendments. The original budget was adopted with expenditures and transfers out set at \$31,286,000.

The first adjustment included \$700,000 in appropriations for the purchase of the Bridges Golf Course, \$31,000 for some donations to the police and fire departments, and \$360,000 for some projects that were budgeted in fiscal 2018 but not finished until fiscal 2019. The amendment total of \$1,091,000 increased the General Fund budget to \$32,377,000.

The second amendment was for a total of \$141,000 and increased the total General Fund appropriation to \$32,518,000. There were several small items covering several departments. The largest in the amount of \$54,000 was for the purchase of severe weather sirens. The next largest in the amount of \$32,000 was for the repairs of the Community Park Shelter that was damaged by a fire.

Final budget compared to actual results. The most significant differences between estimated revenues and actual revenues were as follows:

<u>Revenue source</u>	<u>Estimated Revenues</u>	<u>Actual Revenues</u>	<u>Difference</u>
Current Property Tax	\$6,953,700	\$6,822,909	\$(131,091)
Omitted Tangible Tax	\$ 57,000	\$ 148,480	\$ 91,480
Franchise Tax	\$ 730,000	\$ 664,753	\$ (65,247)
Insurance Premium Tax	\$5,249,000	\$5,383,164	\$ 134,164
Investment Income	\$ 23,740	\$ 423,141	\$ 399,401

As a general practice, the budgets for tax revenue are conservative. Even though prior year numbers are reviewed and trends are analyzed, the budget committee has adopted this approach to avoid budget shortfalls. Using this approach and despite variances, the actual tax revenue total exceeded budget by \$29,702. As for the difference in the investment income, the City's investment income is tied to the federal funds discount rate. The Federal Open Market Committee approved three rate increases during the fiscal year.

<u>Expenditure</u>	<u>Estimated Exp.</u>	<u>Actual Exp.</u>	<u>Difference</u>
Salaries	\$11,769,630	\$11,351,309	\$ 418,321
Health Insurance	\$ 4,020,500	\$ 3,716,699	\$ 303,801
Fuel	\$ 299,140	\$ 217,165	\$ 81,975
Special Projects	\$ 613,150	\$ 431,262	\$ 181,888
Motor Vehicles	\$ 412,570	\$ 153,131	\$ 259,439
Transfers	\$ 5,418,500	\$ 4,884,493	\$ 534,007

Several of the large expense items were below budget. As in all years, the City of Henderson works diligently to control costs in all departments and across all categories. Vacant positions allowed salaries to come in under budget. Total salaries were \$418,321 below budget or 96.5%

of anticipated expenses. Vacant positions also have an impact on health insurance expenses which were 92.5% of budget.

Due to a depressed energy market, fuel costs came in nearly \$82,000 below estimates. The special projects included local matching on several grants or projects that were either delayed or not approved.

The police department ordered five pursuit vehicles in the amount of \$179,900 that were not delivered until fiscal year 2020. Transfers to the Public Way Improvement (PWI) Fund were \$386,000 under budget. Some asphalt overlay projects were not started until late June 2019 and the invoices were not received until fiscal 2020. The replacement of the roof at the IBT training facility was delayed and the construction of the new wash bay came in well below budget. These enabled the transfers to the Construction Fund to come in \$454,500 under budget.

Capital Asset and Debt Administration

Capital Assets. The City of Henderson's investment in capital assets for its governmental and business-type activities as of June 30, 2019, amounts to \$37,312,857 (net of accumulated depreciation). This investment in capital assets includes land, buildings, machinery and equipment, gas system improvements, park facilities, vehicles, sculptures, and infrastructure. The total net decrease in capital assets for the current fiscal year was approximately 3.8%.

City of Henderson's Capital Assets (net of depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Land	\$ 4,397,483	\$ 3,961,483	\$ 114,815	\$ 114,815	\$ 4,512,298	\$ 4,076,298
Artwork	196,500	196,500	-	-	196,500	196,500
Buildings	16,434,758	16,347,845	128,858	155,609	16,563,616	16,503,454
Improvements	4,185,951	4,137,539	-	-	4,185,951	4,137,539
Vehicles	1,902,593	2,124,520	244,081	254,178	2,146,674	2,378,698
Natural Gas System	-	-	1,827,932	1,892,177	1,827,932	1,892,177
Equipment	2,768,092	3,029,889	286,956	283,771	3,055,048	3,313,660
Infrastructure	4,824,838	6,280,726	-	-	4,824,838	6,280,726
Total	<u>\$ 34,710,215</u>	<u>\$ 36,078,502</u>	<u>\$ 2,602,642</u>	<u>\$ 2,700,550</u>	<u>\$ 37,312,857</u>	<u>\$ 38,779,052</u>

Major capital asset events during the current fiscal year included the following:

- \$750,000 for the purchase and \$245,000 on renovations of the Bridges Golf Course.
- Over \$568,000 on vehicles including four police pursuit cruisers and four buses.
- \$55,294 for two new severe weather sirens.
- Another \$564,000 on new radio equipment.
- Nearly \$159,000 for utility improvements at the Borax Drive Industrial Park.
- \$244,139 was spent on new sidewalks and bridges.
- \$59,042 was spent on a new trencher with backhoe attachment for the Gas Fund.

Additional information on the City of Henderson's capital assets may be found in Note 4 in the notes to the financial statements on pages 59-60 of this report.

Long-Term Debt. At the end of the current fiscal year, the City of Henderson had total bonded debt outstanding of \$47,920,000 and a general obligation contract of \$240,519. All \$48,160,519 is backed by the full faith and credit of the City.

City of Henderson's Outstanding Debt

	Governmental Activities		Business-Type Activities		Total	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
General Obligation Bonds	\$ 48,160,519	\$ 51,680,375	\$ -	\$ -	\$ 48,160,519	\$ 51,680,375

Debt Description

Series 2010B: Refunding of Prior Debt - During the year ended June 30, 2011, the City issued \$3,605,000 to currently refund and redeem the outstanding City of Ewing, Kentucky, Kentucky Area Development Districts Financing Trust, Lease Acquisition Program Revenue Bonds, Fixed Rate Series 2000H (funding for the City of Henderson, Kentucky), dated July 20, 2000 (the "2000H Obligations"), being bonds maturing on December 1, 2011 – 2016 and term bonds maturing on December 1, 2022, in the total principal amount of \$1,310,000, by providing for the City's prepayment of its lease rental payments pursuant to two lease agreements between the Kentucky Area Development Districts Financing Trust and the City securing the 2000H Obligations, in order to derive debt service savings. This debt was recorded in the records of the City as KADD-Riverfront lease payable and KADD-Police Station lease payable.

Proceeds were also used to advance refund and redeem the outstanding City of Ewing, Kentucky, Kentucky Area Development Districts Financing Trust, Lease Acquisition Program Revenue Bonds, Fixed Rate Series 2000Y (funding for the City of Henderson, Kentucky), dated July 20, 2000 (the "2000Y Obligations"), being bonds maturing on December 1, 2015 and term bonds maturing on December 1, 2012, 2014, 2017, 2019, and 2023, in the principal amount of \$1,470,000, by providing for the City's prepayment of its lease rental payments pursuant to a lease agreement dated December 31, 2003, between the Kentucky Area Development Districts Financing Trust and the City securing the 2000Y Obligations, in order to derive debt service savings. This debt was recorded in the records of Henderson Water Utility as KADD 2002-Canoe Creek lease payable.

Proceeds in the amount of \$650,000 were also used to reimburse the City for its payment on December 15, 2010, of the City's General Obligation Bond Anticipation Note Series 2008C (the "2008C Note"), which was outstanding in the principal amount of \$1,583,737 and which matured on December 15, 2010 and to pay other allowable expenditures including issuance costs.

Series 2011A: Fire Station - During the year ended June 30, 2012, the City issued \$2,085,000 non-taxable bonds to pay costs of the acquisition, construction and equipping of a new municipal fire station within the City, including the costs of the land upon which the fire station is to be located, architectural fees, and other allowable expenditures.

Series 2012A: Combined and Consolidated Municipal Water, Sanitary Sewer and Storm Sewer System - During the year ended June 30, 2012, the City issued \$9,995,000 in non-taxable bonds to pay a portion of the costs of the acquisition, construction and installation of additions and improvements to the City's combined and consolidated municipal water, sanitary sewer and storm sewer system (the "System"), including (1) the renovation and upgrading of the City's North Wastewater Treatment Plant and (2) the construction of a new 12 MGD North Fork Pump Station and approximately 2,400 feet of related 42" gravity sewer lines.

Series 2013A: Combined and Consolidated Municipal Water, Sanitary Sewer and Storm Sewer System - During the year ended June 30, 2013, the City issued \$9,730,000 in non-taxable bonds to pay a portion of the costs of the acquisition, construction and installation of additions and improvements to the City's combined and consolidated municipal water, sanitary sewer and storm sewer system (the "System"), including (1) the renovation and upgrading of a new headworks structure, a third final clarifier, waste and return activated sludge pumping, ultraviolet disinfection, and internal plant piping at the City's North Wastewater Treatment Plant, such additions and improvements to increase the capacity of the Plant from 15 million to 25.5 million gallons per day.

Series 2014: Combined and Consolidated Municipal Water, Sanitary Sewer and Storm Sewer System - During the year ended June 30, 2015, the City issued \$8,000,000 non-taxable bonds to pay a portion of the costs of the acquisition, construction, installation, and equipping of new municipal water, sanitary sewer, and storm sewer improvements and additions to the City's combined and consolidated municipal water, sanitary sewer, and storm sewer system.

Series 2015A: Municipal Service Center and 911 System

During the year ended June 30, 2016, the City issued \$7,790,000 non-taxable bonds to pay costs of issuance, to pay a portion of the costs of the acquisition; construction, renovation, and equipping of new municipal service center and a new 911 computer assisted dispatch (CAD) and radio tower system.

This obligation matures in September 2035. Interest rates range from 2.0% to 3.75%. Interest is due in semi-annual installments. The obligation is secured by the full taxing authority of the City of Henderson.

Series 2015B: Refunding of Prior Debt

During the year ended June 30, 2016, the City issued \$1,870,000 non-taxable bonds to pay costs of issuance and for the purpose of currently refunding an outstanding assistance agreement dated as of May 1, 1996 between the Kentucky Infrastructure Authority and the City, the proceeds of which were used to finance the costs of the acquisition,

Series 2015B: Refunding of Prior Debt, continued

construction, installation, and equipping of certain improvements to the City's municipal water, sanitary sewer, and storm sewer system.

This obligation matures in November 2026. Interest rates range from 1.0% to 2.5%. Interest is due in semi-annual installments. The obligation is secured by the full taxing authority of the City of Henderson.

Series 2015C: Refunding of Prior Debt

During the year ended June 30, 2016, the City issued \$1,700,000 non-taxable bonds to pay costs of issuance and for the purpose of currently refunding an outstanding Lease Agreement dated as of May 30, 2005 between the Kentucky Area Development District and the City, the proceeds of which were used to finance certain improvements to the City's municipal water, sanitary sewer, and storm sewer system.

This obligation matures in November 2029. Interest rates range from 2.0% to 2.75%. Interest is due in semi-annual installments. The obligation is secured by the full taxing authority of the City of Henderson.

Series 2016A: Municipal Service Center

During the year ended June 30, 2016, the City issued \$1,725,000 non-taxable bonds to pay costs of issuance, to pay a portion of the costs of the acquisition; construction, renovation, and equipping of new municipal service center.

This obligation matures in March 2036. Interest rates range from 1.0% to 3.5%. Interest is due in semi-annual installments. The obligation is secured by the full taxing authority of the City of Henderson.

Series 2016B: Refunding of Prior Debt

During the year ended June 30, 2016, the City issued \$8,015,000 non-taxable bonds to pay costs of issuance and for the purpose of currently refunding the City's outstanding General Obligation Bonds, Taxable Series 2010A (Build America Bonds-Direct Payment to Issuer), the proceeds of which were used to finance the costs of the acquisition, construction and installation of additions and improvements to the City's combined and consolidated municipal water, sanitary sewer and storm sewer system, including the installation of new water and sanitary sewer lines and the conversion of existing sanitary sewer lines to storm sewer lines in the downtown area.

This obligation matures in November 2030. Interest rates range from 2.0% to 2.5%. Interest is due in semi-annual installments. The obligation is secured by the full taxing authority of the City of Henderson.

Series 2017A: Municipal Service Center

During the year ended June 30, 2017, the City issued \$3,155,000 non-taxable bonds to pay costs of issuance, to pay a portion of the costs of the acquisition; construction, renovation, and equipping of new municipal service center.

This obligation matures in March 2037. Interest rates range from 2.0% to 3.5%. Interest is due in semi-annual installments. The obligation is secured by the full taxing authority of the City of Henderson.

Series 2017B: Refunding of Prior Debt

During the year ended June 30, 2017, the City issued \$2,390,000 non-taxable bonds to pay costs of issuance and for the purpose of currently refunding the outstanding Henderson Water Utility revenue bonds, Series 2006, the proceeds of which were used to finance the costs of the acquisition, construction and installation of additions and improvements to the City's combined and consolidated municipal water, sanitary sewer and storm sewer system.

This obligation matures in November 2026. The interest rate was 3.0%. Interest is due in semi-annual installments. The obligation is secured by the full taxing authority of the City of Henderson.

Series 2017C: Refunding of Prior Debt

During the year ended June 30, 2017, the City issued \$2,250,000 non-taxable bonds to pay costs of issuance and for the purpose of partially refunding the City's General Obligation Bonds, Series 2007, the proceeds of which were used to advance refund the outstanding KADD loan dated March 9, 2000, to pay costs of construction of a new fire station, acquisition and development of additional riverfront property near downtown, and other allowable expenditures.

This obligation matures in April 2027. The interest rate was 3.0%. Interest is due in semi-annual installments. The obligation is secured by the full taxing authority of the City of Henderson.

During the fiscal year, the City of Henderson's total debt decreased by \$3,519,856 or 6.8%. The reason for the decrease was scheduled principal payments for all outstanding bonds. The last scheduled payment on the City's outstanding debt is March 1, 2037.

The City of Henderson has maintained an Aa3 rating from Moody's Investors Service for general obligation debt. The Aa3 is considered investment grade. For the long-term, Aa3 is rated as high quality and very low credit risk and for the short-term, it is rated as the best ability to repay short-term debt.

Kentucky statutes limit the amount of general obligation debt a governmental entity may issue to 10% of the value of the taxable property therein, to be estimated by the last assessment previous to the incurring of the indebtedness, unless in case of emergency, the public health or safety should so require.

The current debt limit for the City of Henderson is approximately \$120,719,000, which is significantly in excess of the current outstanding general obligation debt of \$48,160,519.

Additional information on the City of Henderson's long-term debt may be found in Note 5 on pages 61-75 of this report.

Economic Factors and Next Year's Budget and Rates

The City of Henderson was able to fund the fiscal 2020 Budget by using reserves from the General, Gas, and Sanitation Funds. Modest growth in property and insurance premium tax receipts and holding increases in operating expenses to a minimum will enable the City to continue to meet its needs.

Effective January 1, 2020, the Board of Commissioner increased occupational tax rate from 1.0% to 1.49% for net profits and from 1.29% to 1.49% on payroll. The increase in rates should result in additional revenue increase of \$710,000 in fiscal 2020 and \$1.4 million in fiscal 2021.

For fiscal 2019, there were 236 construction permits issued with a total value of \$18,791,877. There were 14 single family units, 11 duplexes (22 units), and 2 multi-family (10 units) for a total of 46 units approved. The total value for new housing was \$4,753,776.

There were 6 new commercial developments with a total value of \$8,681,000. There were 34 permits issued for demolition of substandard residential structures.

The unemployment rate for the City of Henderson in June 2019 was approximately 4.4% which was slightly higher than the national rate of 3.7% and the Kentucky rate of 4.1%.

The 12 months from July 1, 2018 to June 30, 2019 were some of the most challenging months for the City of Henderson. However, the staff by working with the Board of Commissioners to make some difficult decisions as far as staffing, revenue, and operations, believes the City is primed and prepared for the future.

Requests for Information

This financial report is designed to provide a general financial overview for citizens, taxpayers, and customers of the City of Henderson. Questions or requests for additional financial information may be sent to Robert Gunter, Finance Director, City of Henderson, 222 First Street, PO Box 716, Henderson, KY 42419-0716, or visit our website at: www.cityofhendersonky.org.

Basic Financial Statements

City of Henderson, Kentucky
Statement of Net Position
June 30, 2019

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	Henderson Municipal Power & Light	Henderson Water Utility
ASSETS					
Cash	\$ 5,576,463	\$ 2,270,547	\$ 7,847,010	\$ 12,390,092	\$ 7,922,065
Investments	7,961,469	6,198,960	14,160,429	13,152,433	50,390
Receivables	1,403,289	1,941,019	3,344,308	8,412,557	3,701,580
Internal balances	(200,392)	200,392	-	-	-
Inventories	63,428	220,256	283,684	4,675,758	789,154
Prepaid expenses	51,739	9,654	61,393	289,063	102,455
Restricted assets:					
Cash	713,961	-	713,961	-	-
Investments	-	-	-	2,518,824	-
Receivable from HWU:					
Due in one year	2,354,090	-	2,354,090	-	-
Due after one year	30,372,093	-	30,372,093	-	-
Land and other nondepreciable capital assets	4,593,983	114,815	4,708,798	1,326,404	1,466,482
Capital assets, net of accumulated depreciation	30,116,232	2,487,827	32,604,059	10,929,325	82,113,283
Other assets	-	-	-	449,395	200,574
Total assets	83,006,355	13,443,470	96,449,825	54,143,851	96,345,983
DEFERRED OUTFLOWS OF RESOURCES					
Deferred outflows of resources	15,755,788	-	15,755,788	2,528,013	3,328,021
Total assets and deferred outflows of resources	\$ 98,762,143	\$ 13,443,470	\$ 112,205,613	\$ 56,671,864	\$ 99,674,004
LIABILITIES					
Accounts payable and accrued liabilities	\$ 3,572,362	\$ 931,869	\$ 4,504,231	\$ 4,054,867	\$ 1,909,196
Deposits payable	699,740	287,154	986,894	701,075	139,704
Due to component units	2,686,889	-	2,686,889	-	-
Gas storage liability	-	315,000	315,000	-	-
Noncurrent liabilities:					
Due in one year	4,932,454	-	4,932,454	950,235	2,788,752
Due after one year	109,402,817	4,224,032	113,626,849	20,812,915	44,037,107
Total liabilities	121,294,262	5,758,055	127,052,317	26,519,092	48,874,759
DEFERRED INFLOWS OF RESOURCES					
Deferred inflows of resources	4,089,457	-	4,089,457	808,203	1,363,133
NET POSITION					
Net investment in capital assets	20,019,886	2,602,642	22,622,528	1,495,729	50,311,002
Restricted for:					
Debt service	467	-	467	2,518,824	-
Tourism	6,888	-	6,888	-	-
Law enforcement	67,903	-	67,903	-	-
Unrestricted	(46,716,720)	5,082,773	(41,633,947)	25,330,016	(874,890)
Total net position	(26,621,576)	7,685,415	(18,936,161)	29,344,569	49,436,112
Total liabilities, deferred inflows, and net position	\$ 98,762,143	\$ 13,443,470	\$ 112,205,613	\$ 56,671,864	\$ 99,674,004

The accompanying notes are an integral part of the financial statements.

City of Henderson, Kentucky
Statement of Activities
For the Fiscal Year Ended June 30, 2019

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position				
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Units	
					Governmental Activities	Business-type Activities	Total	Henderson Municipal Power & Light	Henderson Water Utility
Primary government									
Governmental activities:									
Administration	\$ 6,297,817	\$ 3,006,231	\$ 302,788	\$ 158,719	\$ (2,830,079)	\$ -	\$ (2,830,079)		
Finance	2,797,659	3,059,589	-	-	261,930	-	261,930		
Information technology	1,069,526	-	-	-	(1,069,526)	-	(1,069,526)		
Parks and recreation	2,626,211	293,799	-	25,464	(2,306,948)	-	(2,306,948)		
Police	10,901,246	711,944	761,103	-	(9,428,199)	-	(9,428,199)		
Fire	8,623,727	13,000	341,170	-	(8,269,557)	-	(8,269,557)		
Public works	9,110,923	234,674	1,412,779	983,904	(6,479,566)	-	(6,479,566)		
Nondepartmental	2,742,999	-	-	-	(2,742,999)	-	(2,742,999)		
Interest on long-term debt	1,317,605	-	848,167	-	(469,438)	-	(469,438)		
Total governmental activities	45,487,713	7,319,237	3,666,007	1,168,087	(33,334,382)	-	(33,334,382)		
Business-type activities:									
Gas	13,705,628	15,026,345	-	-	-	1,320,717	1,320,717		
Sanitation	3,472,855	3,291,264	158,640	-	-	(22,951)	(22,951)		
Total business-type activities	17,178,483	18,317,609	158,640	-	-	1,297,766	1,297,766		
Total primary government	\$ 62,666,196	\$ 25,636,846	\$ 3,824,647	\$ 1,168,087	(33,334,382)	1,297,766	(32,036,616)		
Component units									
Henderson Municipal Power & Light	\$ 92,926,009	\$ 51,395,744	\$ -	\$ -				\$ (41,530,265)	\$ -
Henderson Water Utility	20,426,234	22,209,372	-	1,645,693				-	3,428,831
Total component units	\$ 113,352,243	\$ 73,605,116	\$ -	\$ 1,645,693				(41,530,265)	3,428,831
General revenues:									
Taxes:									
Property					7,701,986	-	7,701,986	-	-
Payroll and net profits					7,283,786	-	7,283,786	-	-
Insurance					5,383,164	-	5,383,164	-	-
Franchise					664,753	-	664,753	-	-
Bank deposits					156,752	-	156,752	-	-
Transient					143,765	-	143,765	-	-
Distributions from component units					1,644,724	-	1,644,724	-	-
Investment income					463,726	283,475	747,201	459,955	181,866
Transfers					1,679,542	(1,679,542)	-	-	-
Total general revenues and transfers					25,122,198	(1,396,067)	23,726,131	459,955	181,866
Change in net position					(8,212,184)	(98,301)	(8,310,485)	(41,070,310)	3,610,697
Cumulative effect of change in accounting principle-OPEB					-	-	-	-	-
Prior period adjustment					-	-	-	-	-
Net position, beginning of year					(18,409,392)	7,783,716	(10,625,676)	70,414,879	45,825,415
Net position, end of year					\$ (26,621,576)	\$ 7,685,415	\$ (18,936,161)	\$ 29,344,569	\$ 49,436,112

The accompanying notes are an integral part of the financial statements.

City of Henderson, Kentucky
Balance Sheet
Governmental Funds
June 30, 2019

	General Fund	Debt Service Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS					
Cash	\$ 5,165,362	\$ -	\$ 830	\$ 13,945	\$ 5,180,137
Investments	7,961,469	-	-	-	7,961,469
Receivables	443,201	-	206,235	572,100	1,221,536
Prepaid Expenditures	43,006	-	-	8,733	51,739
Due from other funds	49,174	-	50,000	-	99,174
Inventories	45,768	-	-	17,660	63,428
Restricted assets:					
Cash	-	467	503,488	210,006	713,961
Receivable from HWU:					
Due in one year	-	-	2,354,090	-	2,354,090
Due after one year	-	-	30,372,093	-	30,372,093
Total assets	\$ 13,707,980	\$ 467	\$ 33,486,736	\$ 822,444	\$ 48,017,627
LIABILITIES					
Accounts payable	\$ 515,997	\$ -	\$ 163,583	\$ 735,822	\$ 1,415,402
Deposits payable	699,740	-	-	-	699,740
Accrued wages	592,893	-	-	86,330	679,223
Due to other funds	237,079	-	-	62,487	299,566
Due to component units	2,686,889	-	-	-	2,686,889
Total liabilities	4,732,598	-	163,583	884,639	5,780,820
FUND BALANCES					
Nonspendable	88,774	-	-	26,393	115,167
Restricted	-	467	33,323,153	74,791	33,398,411
Committed	-	-	-	217,051	217,051
Assigned	1,788,536	-	-	-	1,788,536
Unassigned	7,098,072	-	-	(380,430)	6,717,642
Total fund balances	8,975,382	467	33,323,153	(62,195)	42,236,807
Total liabilities and fund balances	\$ 13,707,980	\$ 467	\$ 33,486,736	\$ 822,444	\$ 48,017,627

The accompanying notes are an integral part of the financial statements.

City of Henderson, Kentucky
Reconciliation of the Balance Sheet of Governmental Funds
To the Statement of Net Position
June 30, 2019

Total fund balances of governmental funds per balance sheet	\$ 42,236,807
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Amounts reported for governmental activities in the statement of net position are different because:

Capital assets, net of accumulated depreciation, used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds.	34,710,215
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Deferred outflows and inflows of resources shown in governmental activities apply to future periods and, therefore, are not reported in the governmental funds.	
Deferred outflows of resources - Pensions	11,007,569
Deferred outflows of resources - OPEB	4,748,219
Deferred inflows of resources - Pensions	(1,396,539)
Deferred inflows of resources - OPEB	(2,692,918)

The Health Insurance Fund, an internal service fund, is used to charge health insurance costs to individual funds and other entities. The assets and liabilities of this internal service fund are included in governmental activities in the statement of net position.	(899,658)
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Long-term debt and other liabilities were not currently due and payable in the fiscal year ended June 30, 2018, and, therefore, were not reported in the governmental funds.	
Long-term debt payable	\$ (47,920,000)
Net Pension & OPEB liability	(64,047,152)
Accrued compensated absences	(1,429,600)
HRA Fund unfunded obligation	(698,000)
Body cameras contract	(240,519)
	(114,335,271)

Total net position of governmental activities per statement of net position	\$ (26,621,576)
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The accompanying notes are an integral part of the financial statements.

City of Henderson, Kentucky
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2019

	General Fund	Debt Service Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES					
Taxes:					
Property	\$ 7,701,986	\$ -	\$ -	\$ -	\$ 7,701,986
Payroll and net profits	7,283,786	-	-	-	7,283,786
Insurance	5,383,164	-	-	-	5,383,164
Franchise	664,753	-	-	-	664,753
Bank deposits	156,752	-	-	-	156,752
Transient	-	-	-	143,765	143,765
Intergovernmental	3,476,212	848,167	1,142,623	2,046,607	7,513,609
Distributions from component units	1,644,724	-	-	-	1,644,724
Service charges and fees	443,559	-	-	894,309	1,337,868
Rents, concessions, and other services	127,386	-	-	-	127,386
Fines, finance charges, and penalties	61,746	-	-	-	61,746
Licenses and permits	88,147	-	-	-	88,147
Investment income	423,141	7,194	16,708	7,460	454,503
Miscellaneous	175,368	-	437,423	18,768	631,559
Total revenues	<u>27,630,724</u>	<u>855,361</u>	<u>1,596,754</u>	<u>3,110,909</u>	<u>33,193,748</u>
EXPENDITURES					
Current:					
Administration	2,381,777	-	-	355,270	2,737,047
Finance	2,335,066	-	-	-	2,335,066
Information technology	832,620	-	-	-	832,620
Parks and recreation	1,557,120	-	-	425,747	1,982,867
Police	6,811,136	-	-	1,372,998	8,184,134
Fire	6,442,754	-	-	-	6,442,754
Public works	2,523,755	-	525,537	3,054,916	6,104,208
Nondepartmental	2,218,734	-	523,644	-	2,742,378
Debt service:	-	-	-	-	-
Principal	-	3,445,000	-	-	3,445,000
Interest	-	1,317,605	-	-	1,317,605
Capital outlays	286,304	-	1,907,354	529,027	2,722,685
Total expenditures	<u>25,389,266</u>	<u>4,762,605</u>	<u>2,956,535</u>	<u>5,737,958</u>	<u>38,846,364</u>
Excess (deficiency) of revenues over expenditures	<u>2,241,458</u>	<u>(3,907,244)</u>	<u>(1,359,781)</u>	<u>(2,627,049)</u>	<u>(5,652,616)</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	1,415,681	3,906,840	1,156,493	2,407,000	8,886,014
Transfers out	(4,884,493)	-	(2,321,979)	-	(7,206,472)
Total other financing sources (uses)	<u>(3,468,812)</u>	<u>3,906,840</u>	<u>(1,165,486)</u>	<u>2,407,000</u>	<u>1,679,542</u>
Net change in fund balances	(1,227,354)	(404)	(2,525,267)	(220,049)	(3,973,074)
Fund balances, beginning of year	<u>10,202,736</u>	<u>871</u>	<u>35,848,420</u>	<u>157,854</u>	<u>46,209,881</u>
Fund balances, end of year	<u>\$ 8,975,382</u>	<u>\$ 467</u>	<u>\$ 33,323,153</u>	<u>\$ (62,195)</u>	<u>\$ 42,236,807</u>

The accompanying notes are an integral part of the financial statements.

City of Henderson, Kentucky
Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balances of Governmental Funds
To the Statement of Activities
For the Fiscal Year Ended June 30, 2019

Net change in fund balances of governmental funds	\$ (3,973,074)
Amounts reported for governmental activities 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 allocated over their estimated useful lives and reported as depreciation expense:	
Capital outlays	2,722,685
Depreciation expense	(4,090,972)
Governmental funds report the repayment of the principal on long-term debt as an expenditure, while the statement of activities does not report such repayment as an expense:	
Principal paid on long-term debt	3,445,000
Payment on body cameras contract	74,856
Expenses or revenues in the statement of activities that do not affect current financial resources are not reported as expenditures or revenues in the governmental funds:	
CERS Pension expense adjustment	(5,282,038)
CERS OPEB expense adjustment	(915,652)
Decrease in CSPP and PFPP Pension expense adjustment	720,829
Increase in accrued compensated absences	(30,000)
Increase in HRA Fund unfunded obligation	(46,000)
The Health Insurance Fund, an internal service fund, is used to charge health insurance costs to individual funds and other entities. The statement of activities includes the net loss of this fund.	
Net loss of Health Insurance Fund	<u>(837,818)</u>
Change in net position of governmental activities	<u><u>\$ (8,212,184)</u></u>

The accompanying notes are an integral part of the financial statements.

City of Henderson, Kentucky
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
General Fund
For the Fiscal Year Ended June 30, 2019

	<u>Budget</u>			
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
REVENUES				
Taxes:				
Property	\$ 7,725,400	\$ 7,725,400	\$ 7,701,986	\$ (23,414)
Payroll and net profits	7,290,400	7,290,400	7,283,786	(6,614)
Insurance	5,249,000	5,249,000	5,383,164	134,164
Franchise	730,000	730,000	664,753	(65,247)
Bank deposits	163,000	163,000	156,752	(6,248)
Intergovernmental	3,427,360	3,454,360	3,476,212	21,852
Distributions from component units	1,644,700	1,644,700	1,644,724	24
Service charges and fees	523,400	523,400	443,559	(79,841)
Rents, concessions, and other services	131,000	131,000	127,386	(3,614)
Licenses and permits	79,500	79,500	88,147	8,647
Fines, finance charges, and penalties	66,000	66,000	61,746	(4,254)
Investment income	23,740	23,740	423,141	399,401
Miscellaneous	532,500	585,500	175,368	(410,132)
Total revenues	<u>27,586,000</u>	<u>27,666,000</u>	<u>27,630,724</u>	<u>(35,276)</u>
EXPENDITURES				
Current:				
Administration	2,684,330	2,684,330	2,381,777	302,553
Finance	2,392,670	2,392,670	2,335,066	57,604
Information Technology	818,960	858,960	832,620	26,340
Parks and recreation	1,675,690	1,721,690	1,557,120	164,570
Police	7,415,180	7,452,680	6,811,136	641,544
Fire	6,302,990	6,387,990	6,442,754	(54,764)
Public works	2,657,380	2,657,380	2,523,755	133,625
Nondepartmental	2,260,410	2,493,410	2,218,734	274,676
Capital outlays	367,390	450,390	286,304	164,086
Total expenditures	<u>26,575,000</u>	<u>27,099,500</u>	<u>25,389,266</u>	<u>1,710,234</u>
Excess (deficiency) of revenues over expenditures	<u>1,011,000</u>	<u>566,500</u>	<u>2,241,458</u>	<u>1,674,958</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	1,400,000	1,400,000	1,415,681	15,681
Transfers out	(4,711,000)	(5,418,500)	(4,884,493)	534,007
Total other financing sources (uses)	<u>(3,311,000)</u>	<u>(4,018,500)</u>	<u>(3,468,812)</u>	<u>549,688</u>
Net change in fund balance	(2,300,000)	(3,452,000)	(1,227,354)	2,224,646
Fund balance, beginning of year	<u>10,202,736</u>	<u>10,202,736</u>	<u>10,202,736</u>	<u>-</u>
Fund balance, end of year	<u>\$ 7,902,736</u>	<u>\$ 6,750,736</u>	<u>\$ 8,975,382</u>	<u>\$ 2,224,646</u>

The accompanying notes are an integral part of the financial statements.

City of Henderson, Kentucky
Statement of Net Position
Proprietary Funds
June 30, 2019

	Business-type Activities Enterprise Funds			Governmental Activities- Internal Service Fund
	Gas Fund	Sanitation Fund	Total Enterprise Funds	Health Insurance Fund
ASSETS				
Current assets:				
Cash	\$ 2,120,218	\$ 150,329	\$ 2,270,547	\$ 396,326
Investments	3,031,306	-	3,031,306	-
Receivables	1,724,866	216,153	1,941,019	202,607
Due from other funds	156,993	80,086	237,079	-
Prepaid Expenditures	3,242	6,412	9,654	-
Inventories	220,256	-	220,256	-
Total current assets	<u>7,256,881</u>	<u>452,980</u>	<u>7,709,861</u>	<u>598,933</u>
Noncurrent assets:				
Investments, designated for landfill closure costs	-	3,167,654	3,167,654	-
Land	-	114,815	114,815	-
Capital assets, net of accumulated depreciation	<u>2,049,741</u>	<u>438,086</u>	<u>2,487,827</u>	<u>-</u>
Total noncurrent assets	<u>2,049,741</u>	<u>3,720,555</u>	<u>5,770,296</u>	<u>-</u>
Total assets	<u><u>\$ 9,306,622</u></u>	<u><u>\$ 4,173,535</u></u>	<u><u>\$ 13,480,157</u></u>	<u><u>\$ 598,933</u></u>
LIABILITIES				
Current liabilities:				
Accounts payable	\$ 705,662	\$ 137,774	\$ 843,436	\$ 1,498,591
Deposits payable	286,154	1,000	287,154	-
Accrued wages	56,951	31,482	88,433	-
Due to other funds	10,664	26,023	36,687	-
Gas storage liability	<u>315,000</u>	<u>-</u>	<u>315,000</u>	<u>-</u>
Total current liabilities	<u>1,374,431</u>	<u>196,279</u>	<u>1,570,710</u>	<u>1,498,591</u>
Noncurrent liabilities:				
Estimated landfill closure costs	-	4,224,032	4,224,032	-
Total noncurrent liabilities	<u>-</u>	<u>4,224,032</u>	<u>4,224,032</u>	<u>-</u>
Total liabilities	<u>1,374,431</u>	<u>4,420,311</u>	<u>5,794,742</u>	<u>1,498,591</u>
NET POSITION				
Net investment in capital assets	2,049,741	552,901	2,602,642	-
Unrestricted	<u>5,882,450</u>	<u>(799,677)</u>	<u>5,082,773</u>	<u>(899,658)</u>
Total net position	<u>7,932,191</u>	<u>(246,776)</u>	<u>7,685,415</u>	<u>(899,658)</u>
Total liabilities and net position	<u><u>\$ 9,306,622</u></u>	<u><u>\$ 4,173,535</u></u>	<u><u>\$ 13,480,157</u></u>	<u><u>\$ 598,933</u></u>

The accompanying notes are an integral part of the financial statements.

City of Henderson, Kentucky
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Fiscal Year Ended June 30, 2019

	Business-type Activities Enterprise Funds			Governmental Activities- Internal Service Fund
	Gas Fund	Sanitation Fund	Total Enterprise Funds	Health Insurance Fund
OPERATING REVENUES				
Gas sales	\$ 14,815,764	\$ -	\$ 14,815,764	\$ -
Sanitation fees	-	3,426,098	3,426,098	-
Other income	210,581	23,806	234,387	-
Health insurance premiums:				
City of Henderson	-	-	-	5,064,572
Henderson Municipal Power & Light	-	-	-	676,448
Henderson Water Utility	-	-	-	1,353,044
Other	-	-	-	363,524
Total operating revenues	<u>15,026,345</u>	<u>3,449,904</u>	<u>18,476,249</u>	<u>7,457,588</u>
 OPERATING EXPENSES				
Gas administration	1,658,189	-	1,658,189	-
Gas distribution	11,843,527	-	11,843,527	-
Sanitation expenses	-	3,290,692	3,290,692	-
Landfill closure cost	-	37,032	37,032	-
Depreciation	203,912	145,131	349,043	-
HRA Fund contributions	-	-	-	383,900
Health insurance administration	-	-	-	676,492
Health insurance claims	-	-	-	7,244,236
Total operating expenses	<u>13,705,628</u>	<u>3,472,855</u>	<u>17,178,483</u>	<u>8,304,628</u>
 Income (loss) from operations	1,320,717	(22,951)	1,297,766	(847,040)
 NONOPERATING REVENUES				
Investment income	<u>173,669</u>	<u>109,806</u>	<u>283,475</u>	<u>9,223</u>
 Income before transfers	1,494,386	86,855	1,581,241	(837,817)
 Transfers out to Debt Service Fund	(181,057)	(98,485)	(279,542)	-
Transfers out to General Fund	<u>(1,400,000)</u>	<u>-</u>	<u>(1,400,000)</u>	<u>-</u>
 Change in net position	(86,671)	(11,630)	(98,301)	(837,817)
 Net position, beginning of year	<u>8,018,862</u>	<u>(235,146)</u>	<u>7,783,716</u>	<u>(61,841)</u>
 Net position, end of year	<u>\$ 7,932,191</u>	<u>\$ (246,776)</u>	<u>\$ 7,685,415</u>	<u>\$ (899,658)</u>

The accompanying notes are an integral part of the financial statements.

City of Henderson, Kentucky
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2019

	Business-type Activities Enterprise Funds			Governmental Activities- Internal Service Fund
	Gas Fund	Sanitation Fund	Total Enterprise Funds	Health Insurance Fund
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers and users	\$ 14,940,063	\$ 3,403,707	\$ 18,343,770	\$ 7,331,412
Payments for goods and services	(11,860,094)	(2,109,174)	(13,969,268)	(676,492)
Payments for employees	(1,739,915)	(1,148,866)	(2,888,781)	-
Payments for HRA Fund contributions	-	-	-	(383,900)
Payments for health insurance claims	-	-	-	(6,343,985)
Net cash provided (used) by operating activities	<u>1,340,054</u>	<u>145,667</u>	<u>1,485,721</u>	<u>(72,965)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers to Debt Service Fund	(181,057)	(98,485)	(279,542)	-
Transfers to General Fund	(1,400,000)	-	(1,400,000)	-
Net cash provided (used) by noncapital financing activities	<u>(1,581,057)</u>	<u>(98,485)</u>	<u>(1,679,542)</u>	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Purchases of capital assets	(251,135)	-	(251,135)	-
Net cash provided (used) by capital and related financing activities	<u>(251,135)</u>	<u>-</u>	<u>(251,135)</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received	52,958	4,358	57,316	9,223
Net cash provided (used) by investing activities	<u>52,958</u>	<u>4,358</u>	<u>57,316</u>	<u>9,223</u>
Net increase (decrease) in cash	(439,180)	51,540	(387,640)	(63,742)
Cash, beginning of year	<u>2,559,398</u>	<u>98,789</u>	<u>2,658,187</u>	<u>460,068</u>
Cash, end of year	<u>\$ 2,120,218</u>	<u>\$ 150,329</u>	<u>\$ 2,270,547</u>	<u>\$ 396,326</u>
Reconciliation of income from operations to net cash provided (used) by operating activities				
Income (loss) from operations	\$ 1,320,717	\$ (22,951)	\$ 1,297,766	\$ (847,040)
Reconciling items:				
Depreciation expense	203,912	145,131	349,043	-
Landfill closure cost	-	37,032	37,032	-
Receivables (increase) decrease	(489,563)	(28,712)	(518,275)	(126,176)
Due from other funds (increase) decrease	485,502	(10,521)	474,981	-
Prepaid Expenditures (increase) decrease	(3,242)	(6,412)	(9,654)	-
Inventories (increase) decrease	910	-	910	-
Accounts and deposits payable increase (decrease)	(123,282)	15,799	(107,483)	900,251
Accrued wages increase (decrease)	4,727	(4)	4,723	-
Due to other funds increase (decrease)	4,623	16,305	20,928	-
Gas storage liability increase (decrease)	(64,250)	-	(64,250)	-
Net cash provided (used) by operating activities	<u>\$ 1,340,054</u>	<u>\$ 145,667</u>	<u>\$ 1,485,721</u>	<u>\$ (72,965)</u>
Noncash investing activities:				
(Increase) decrease in fair value of investments	<u>\$ (60,921)</u>	<u>\$ (55,111)</u>	<u>\$ (116,032)</u>	<u>\$ -</u>

The accompanying notes are an integral part of the financial statements.

City of Henderson, Kentucky
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2019

	Pension Trust Funds
ASSETS	
Cash	<u>\$ 8,007</u>
Total assets	<u>8,007</u>
LIABILITIES	
Accounts payable	<u>5,886</u>
Total liabilities	<u>5,886</u>
NET POSITION	
Net position restricted for pensions	<u><u>\$ 2,121</u></u>

The accompanying notes are an integral part of the financial statements.

City of Henderson, Kentucky
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Fiscal Year Ended June 30, 2019

	Pension Trust Funds
	<hr/>
ADDITIONS	
Contributions:	
Employer	\$ 809,581
Employee	2,680
Total contributions	<hr/> 812,261
 Interest income	 <hr/> 1,556
 Total additions	 <hr/> 813,817
 DEDUCTIONS	
Benefits paid	<hr/> 916,950
 Total deductions	 <hr/> 916,950
 Net increase in net position	 (103,133)
 Net position, beginning of year	 <hr/> 105,254
 Net position, end of year	 <hr/> <hr/> \$ 2,121

The accompanying notes are an integral part of the financial statements.

CITY OF HENDERSON, KENTUCKY

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The City of Henderson, Kentucky (City) is a municipal corporation governed by a five-member board of commissioners and operates under a city manager form of government. The accompanying financial statements present the City and its component units, entities for which the City is considered to be financially accountable. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the City.

The discretely presented component units consist of Henderson Municipal Power & Light (HMPL) that provides electric utility services and Henderson Water Utility (HWU) that provides water and sewer services. Both HMPL and HWU have separate governing commissions the members of which are appointed by the Mayor and approved by the Board of Commissioners of the City. The Board of Commissioners must approve all rates and bond issues of HMPL and HWU. The City is contingently liable for the debt of the component units. HMPL has a fiscal year end of May 31st, and HWU has a fiscal year end of June 30th. The City's financial statements include certain financial information obtained from the audited financial statements of the component units. Complete audited financial statements may be obtained from HMPL and HWU.

Henderson Municipal Power & Light
100 Fifth Street
Henderson, Kentucky 42420

Henderson Water Utility
111 Fifth Street
Henderson, Kentucky 42420

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

CITY OF HENDERSON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. 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 or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. 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, as are the proprietary funds and fiduciary funds financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental funds 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 available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

CITY OF HENDERSON, KENTUCKY

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Certain receipts from government agencies, utility service charges, 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. All other revenue items are considered to be measurable and available only when the government receives cash.

D. Fund Accounting

The City uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. There are three categories of funds: 1) Governmental, 2) Proprietary, and 3) Fiduciary.

1) Governmental Funds

Governmental funds are those through which most governmental functions are typically financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the City's major governmental funds.

General Fund

The General Fund is the general operating fund of the City. It is used to account for all general tax revenues and other revenues not allocated by law, ordinance, or other agreement to another fund. From this fund are paid the general operating expenditures, the fixed charges, and the capital improvement costs, not paid by other funds.

Debt Service Fund

The Debt Service Fund accounts for the resources accumulated and payments made for principal and interest on long-term debt of governmental funds.

CITY OF HENDERSON, KENTUCKY

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Capital Projects Fund

The Capital Projects Fund accounts for the acquisition and construction of major capital facilities and other capital projects of the City.

In addition, the City has eight other governmental funds that collectively are called nonmajor governmental funds because, individually, these eight funds are not financially significant enough to be classified as major governmental funds. The nonmajor governmental funds are collectively included together in one column of the financial statements of the governmental funds. Detailed financial information about each of these nonmajor governmental funds can be found in a separate section of this report.

2) Proprietary Funds

Proprietary fund reporting focuses on the changes in net position, financial position, and cash flows. Proprietary funds are classified as either enterprise or internal service.

Enterprise Funds

Enterprise funds are used to account for the operations that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that costs (expenses, including depreciation) of providing goods and or services to the general public on a continuing basis be financed or recovered primarily through user charges; or where the governing body has decided that periodic determinations of revenues earned, expenses incurred, and net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The major enterprise funds of the City of Henderson are as follows:

- **Gas Fund**

The Gas Fund is used to account for gas department utility operations.

CITY OF HENDERSON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

2) Proprietary Funds, continued

- **Sanitation Fund**

This fund is used to account for the City's sanitation collection and disposal operations, and for the operation of the City's commercial demolition and debris landfill.

Internal Service Fund

The Health Insurance Fund accounts for the financing of services of the self-insured accident and health care plan maintained for the benefit of City employees and others, on a cost reimbursement basis.

3) Fiduciary Funds

Fiduciary fund reporting focuses on net position and changes in net position. The City's fiduciary funds consist of two pension trust funds and one health care benefits trust fund. These funds are as follows:

Civil Service Pension Fund

The City of Henderson Civil Service Pension Fund (a contributory defined benefit plan) was created by ordinance. It covers City employees, other than those in the police and fire departments, who elected not to transfer into the County Employees Retirement System (CERS) plan.

Police and Fire Pension Fund

The City of Henderson Police and Fire Pension Fund (a contributory defined benefit plan) was created by state statute. It covers all of the employees of the police and fire departments who elected not to transfer to the CERS plan.

Health Reimbursement Arrangement (HRA) Plan Fund

The City of Henderson HRA Plan Fund was created by ordinance. It covers all employees enrolled in the City's health insurance plan. The HRA Fund reimburses participants for health insurance plan deductible and co-insurance expenses up to the amount in an individual participant's account balance.

CITY OF HENDERSON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

E. Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles. All annual appropriations lapse at fiscal year end.

The appropriated budget is prepared by fund, department, and division. Transfers of appropriations between departments require the approval of the Board of Commissioners. The legal level of budgetary control is the department level.

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year-end are allowed to lapse and do not constitute expenditures or liabilities because the commitments will be reappropriated and honored during the subsequent year.

F. Deposits and Investments

Cash consists of demand deposit accounts with commercial banks. Cash and cash equivalents are considered by the City to be all highly liquid accounts with a maturity of less than 90 days.

City ordinance requires that all City bank deposit accounts be secured by bonds or other securities of the United States Government or its agencies, or by other certificates of indebtedness of cities or corporations, which shall have a fair value equal to or greater than the amount on deposit.

Investments are reflected at fair value based on quoted market prices in all funds. The market quotations are obtained from national security exchanges or other published sources.

Kentucky Revised Statutes Chapter 66.480 permits the City to invest in U. S. Treasury obligations, U. S. Agency obligations, certain federal instruments, repurchase agreements, commercial banks' certificates of deposit, and savings and loan deposits, shares of mutual funds, individual equity securities, among other investments.

G. Restricted Assets

Restricted assets consist of cash of the Debt Service Fund, which is restricted to the uses mandated by bond indentures; a receivable of the Capital Projects Fund, which funds came from the issuance of general obligation bonds of the City, which were loaned to Henderson Water Utility for capital projects; cash held in the General Fund for Utility overpayments, and cash of a nonmajor governmental fund subject to legal restrictions.

CITY OF HENDERSON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

H. Short-term Interfund Balances

On the fund financial statements, short-term interfund advances are classified as “due to/from other funds” on the balance sheet. These amounts are eliminated in the governmental and business-type activities columns of the statement of net position. The outstanding balances between funds result mainly from the time lag between the dates that 1) interfund goods and services are provided or reimbursable expenditures occur, 2) transactions are recorded in the accounting system, and 3) payments between funds are made.

I. Interfund Activity

Transfers between governmental and business-type activities on the government-wide financial statements are reported in the same manner as general revenues. Exchange transactions between funds are reported as revenues in the seller’s funds and as expenditures/expenses in the purchaser funds, and are not eliminated in the process of consolidation. Flows of goods from one fund to the other without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in the proprietary funds.

J. Inventories

Inventories in the Gas Fund are valued at cost, using the average cost method. Inventories in the Governmental Funds are valued at cost, using the first-in/first-out (FIFO) method. Inventories of Governmental Funds are recorded as expenditures when consumed rather than when purchased.

K. Capital Assets

All capital assets are capitalized at cost, or estimated historical cost, and updated for additions and retirements during the year. Donated capital assets are recorded at their acquisition values as of the date received. The City maintains a capitalization threshold of \$5,000. The City’s infrastructure consists of bridges, roads, culverts, curbs, sidewalks, and streets. Improvements are capitalized; the cost of normal maintenance and repairs that do not add value to the asset, or materially extend the useful life of the asset, are not. Interest costs incurred during the construction of capital assets of business-type activities are also capitalized.

CITY OF HENDERSON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

All reported capital assets are depreciated, with the exception of land and artwork. Depreciation is computed using the straight-line method over the following useful lives:

<u>Item</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Improvements	20 years	20 years
Machinery and equipment	5-10 years	5-10 years
Buildings	25-50 years	25-50 years
Gas system	N/A	33 years
Vehicles	5 years	5 years
Infrastructure	40 years	N/A

L. Compensated Absences

Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. Amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable available financial resources are recorded as long-term debt and an expense in the government-wide financial statements. In the fund financial statements, the governmental funds report the liability for compensated absences only if it has matured, for example, as a result of employee resignations and retirements. Proprietary funds report the liability as incurred since it is immaterial. In accordance with accounting standards, no liability is recorded for non-vesting accumulating rights to receive sick pay benefits. However, a liability is recognized for that portion of accumulating sick leave benefits that it is estimated will be taken as terminal leave upon retirement.

M. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities, and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements. In general, governmental fund payables and accrued liabilities, once incurred, are paid in a timely manner and in full from current financial obligations of the funds. However, claims and judgments, and compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Capital leases and long-term debt are recognized as a liability in the fund financial statements when due.

CITY OF HENDERSON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

N. Deferred Outflows/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 statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

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, *deferred inflows of resources*, 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.

O. Net Position

Net position represents the difference between assets, deferred outflows, deferred inflows, and liabilities. Net investment in capital assets consist of capital assets, net of accumulated depreciation, reduced by the balance of any borrowings related to the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

P. Fund Balance Flow Assumptions

Sometimes the City will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied.

It is the City's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

CITY OF HENDERSON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Q. Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The government itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposed determined by a formal action of the City's highest level of decision making authority. The City Commission is the highest level of decision-making authority for the City that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as committed. The City Commission has authorized the City Manager or his designate to assign fund balance. The City Commission may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget.

Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

The General Fund is the only fund that reports a positive unassigned fund balance amount. In governmental funds other than the General Fund, if expenditures incurred for a specific purposes exceed the amounts that are restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance in that fund.

CITY OF HENDERSON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

R. Property Taxes

Property taxes are levied as of the beginning of the fiscal year on property values assessed as of the preceding January 1st. Property tax bills are mailed in the Fall of the year. The property tax bills are considered past due at the end of the first business day following the New Year, at which time the applicable property is subject to lien, and penalties and interest are assessed.

S. Operating Revenues and Expenses

Operating revenues and expenses for proprietary funds are those that result from providing services and producing and delivering goods and services. It also includes all revenue and expenses not related to capital and related financing, non-capital financing, or investing activities. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

T. Pensions and Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the net pension and OPEB liability, deferred outflows of resources and deferred inflows of resources related to pensions and OPEB, and pension and OPEB expense, information about fiduciary net position, and additions to/deductions from fiduciary net position have been determined on the same basis as they are reported by the various pension plans of the City. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments, if any, are reported at fair value.

U. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

V. Impact of Recently Issued Accounting Pronouncements

In March 2018, the GASB issued Statement No. 88: Certain Disclosures related to Debt Direct Borrowings and Direct Placements, which was effective for the period ended after June 15, 2018. The primary objective of this standard is to improve

CITY OF HENDERSON, KENTUCKY

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

the information disclosed in the notes of the financial statements related to debt, including direct and indirect placements. It also clarifies which liabilities governments should include when providing information related to debt. Management has implemented this standard in the current financial statements.

2. INVESTMENTS

As of June 30, 2019, the City had the following investments:

Investments by Funds	Fair Value	Investment Maturities (in Years)		
		Less Than 1	1-5	6-10
General Fund	\$ 7,961,469	\$ 3,546,997	\$ 3,797,058	\$ 617,414
Gas Fund	3,031,306	1,155,725	1,718,822	156,759
Sanitation Fund	3,167,654	1,782,331	1,385,323	-
Total	<u>\$ 14,160,429</u>	<u>\$ 6,485,053</u>	<u>\$ 6,901,203</u>	<u>\$ 774,173</u>

Investment Type	
U.S. Government Agencies	\$ 2,655,279
U.S. Government Money Market	2,664,006
Bank Certificates of Deposit	8,841,144
Total per Statement of Net Position	<u>\$ 14,160,429</u>

Interest rate risk. The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit risk. State law limits the types of investments in which the City may invest its funds. The City believes it is in compliance with the law in this matter and has no investment policy that would further limit its investment choices. The City's investments in the bonds of U.S. Government Agencies are all rated Aaa by Moody's.

Concentration of credit risk. The City places no limit on the amount it may invest in any one investment. The City has invested 6.8% of its total investments in FHLB bonds.

Custodial credit risk. Custodial credit risk is the risk that in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. All investments of the City, with the exception of certificates of deposit, consist of unregistered and uninsured securities held by the City's fiscal agent in their trust department, not in the name of the City.

CITY OF HENDERSON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS

3. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

As of June 30, 2019, interfund receivables and payables and the composition of internal balances shown on the statement of net position consist of the following:

	Due From Other Funds	Due To Other Funds	Internal Balances
<u>Governmental Activities:</u>			
General Fund	\$ 49,174	\$ (237,079)	\$ (187,905)
Capital Projects Fund	50,000	-	50,000
Nonmajor Funds	-	(62,487)	(62,487)
Total Governmental Activities	<u>\$ 99,174</u>	<u>\$ (299,566)</u>	<u>\$ (200,392)</u>
<u>Business-type Activities:</u>			
Gas Fund	\$ 156,993	\$ (10,664)	\$ 146,329
Sanitation Fund	80,086	(26,023)	54,063
Total Business-type Activities	<u>\$ 237,079</u>	<u>\$ (36,687)</u>	<u>\$ 200,392</u>
 Total all funds	 <u>\$ 336,253</u>	 <u>\$ (336,253)</u>	

Interfund balances are due to either payables for services or financing of operations.

As of June 30, 2019, interfund transfers consist of the following:

	Transfers In Totals	Transfers Out		
		General Fund	Capital Projects Fund	Enterprise Funds
General Fund	\$ 1,415,682	\$ -	\$ (15,682)	\$ (1,400,000)
Debt Service Fund	3,906,839	(1,321,000)	(2,306,297)	(279,542)
Capital Projects Fund	1,156,493	(1,156,493)	-	-
Nonmajor Funds	2,407,000	(2,407,000)	-	-
Total all funds	<u>\$ 8,886,014</u>	<u>\$ (4,884,493)</u>	<u>\$ (2,321,979)</u>	<u>\$ (1,679,542)</u>

All transfers are to subsidize the operations of the recipient funds.

CITY OF HENDERSON, KENTUCKY

NOTES TO FINANCIAL STATEMENTS

4. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2019 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Primary Government				
Governmental Activities:				
<u>Capital assets not being depreciated:</u>				
Land	\$ 3,961,483	\$ 436,000	\$ -	\$ 4,397,483
Artwork	196,500	-	-	196,500
Total	4,157,983	436,000	-	4,593,983
<u>Capital assets being depreciated:</u>				
Buildings	21,084,904	518,786	-	21,603,690
Improvements	8,618,757	384,348	-	9,003,105
Vehicles, machinery, and equipment	17,443,941	1,139,412	(922,812)	17,660,541
Infrastructure	67,879,010	244,139	-	68,123,149
Total	115,026,612	2,286,685	(922,812)	116,390,485
<u>Less accumulated depreciation for:</u>				
Buildings	(4,737,059)	(431,873)	-	(5,168,932)
Improvements	(4,481,218)	(335,936)	-	(4,817,154)
Vehicles, machinery, and equipment	(12,289,532)	(1,623,136)	922,812	(12,989,856)
Infrastructure	(61,598,284)	(1,700,027)	-	(63,298,311)
Total	(83,106,093)	(4,090,972)	922,812	(86,274,253)
Total governmental activities, net	\$ 36,078,502	\$ (1,368,287)	\$ -	\$ 34,710,215
Business-type Activities:				
<u>Capital assets not being depreciated:</u>				
Land	\$ 114,815	\$ -	\$ -	\$ 114,815
<u>Capital assets being depreciated:</u>				
Buildings	677,177	-	-	677,177
Vehicles, machinery, and equipment	2,030,643	183,428	(165,148)	2,048,923
Gas system, vehicles, and equipment	9,126,332	67,707	-	9,194,039
Total	11,834,152	251,135	(165,148)	11,920,139
<u>Less accumulated depreciation for:</u>				
Buildings	(521,568)	(26,751)	-	(548,319)
Vehicles, machinery, and equipment	(1,603,035)	(190,340)	165,148	(1,628,227)
Gas system, vehicles, and equipment	(7,123,814)	(131,952)	-	(7,255,766)
Total	(9,248,417)	(349,043)	165,148	(9,432,312)
Total business-type activities, net	\$ 2,700,550	\$ (97,908)	\$ -	\$ 2,602,642

CITY OF HENDERSON, KENTUCKY

NOTES TO FINANCIAL STATEMENTS

4. CAPITAL ASSETS, Continued

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
Administration	\$ 11,220
Finance	77,097
Information technology	122,249
Parks and recreation	408,581
Police	906,669
Fire	451,002
Public works	2,114,154
Total depreciation expense, governmental activities	<u>\$ 4,090,972</u>
Business-type activities	
Gas	\$ 203,912
Sanitation	145,131
Total depreciation expense, business-type activities	<u>\$ 349,043</u>

Component units' capital asset activity was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<u>Henderson Municipal Power & Light</u>				
Utility plant and equipment	\$ 233,297,406	\$ 2,202,901	\$ (186,556,537)	\$ 48,943,770
Less accumulated depreciation	(179,611,610)	(5,124,074)	148,047,643	(36,688,041)
Capital assets, net	<u>\$ 53,685,796</u>	<u>\$ (2,921,173)</u>	<u>\$ (38,508,894)</u>	<u>\$ 12,255,729</u>
<u>Henderson Water Utility</u>				
Utility plant and equipment	\$ 142,810,513	\$ 8,831,452	\$ (4,619,263)	\$ 147,022,702
Less accumulated depreciation	(59,918,712)	(3,630,299)	106,074	(63,442,937)
Capital assets, net	<u>\$ 82,891,801</u>	<u>\$ 5,201,153</u>	<u>\$ (4,513,189)</u>	<u>\$ 83,579,765</u>

CITY OF HENDERSON, KENTUCKY

NOTES TO FINANCIAL STATEMENTS

5. LONG-TERM DEBT

The following is a summary of long-term debt activity for the City for the fiscal year ended June 30, 2019:

	Balance June 30, 2018	Additions	Reductions	Balance June 30, 2019	Amounts Due in One Year
<u>Governmental Activities:</u>					
G. O. Bonds Series 2010B	\$ 1,555,000	\$ -	\$ (315,000)	\$ 1,240,000	\$ 320,000
G. O. Bonds Series 2011A	1,570,000	-	(90,000)	1,480,000	95,000
G. O. Bonds Series 2012A	7,445,000	-	(450,000)	6,995,000	460,000
G. O. Bonds Series 2013A	7,655,000	-	(440,000)	7,215,000	445,000
G. O. Bonds Series 2014	7,025,000	-	(340,000)	6,685,000	345,000
G. O. Bonds Series 2015A	7,165,000	-	(320,000)	6,845,000	330,000
G. O. Bonds Series 2015B	1,400,000	-	(155,000)	1,245,000	160,000
G. O. Bonds Series 2015C	1,485,000	-	(110,000)	1,375,000	110,000
G. O. Bonds Series 2016A	1,575,000	-	(75,000)	1,500,000	75,000
G. O. Bonds Series 2016B	7,040,000	-	(480,000)	6,560,000	490,000
G. O. Bonds Series 2017A	3,040,000	-	(120,000)	2,920,000	125,000
G. O. Bonds Series 2017B	2,190,000	-	(210,000)	1,980,000	220,000
G. O. Bonds Series 2017C	2,220,000	-	(340,000)	1,880,000	355,000
Total bonds payable	51,365,000	-	(3,445,000)	47,920,000	3,530,000
Net CERS Pension Liability	42,137,935	3,327,057	-	45,464,992	-
Net CSP Plan Liability	1,402,940	-	(517,070)	885,870	-
Net PFP Plan Liability	4,538,078	-	(184,943)	4,353,135	-
Net CERS OPEB Liability	15,120,931	-	(1,777,776)	13,343,155	-
Compensated Absences	1,399,600	1,341,700	(1,311,700)	1,429,600	1,325,000
HRA Fund Unfunded Obligation	652,000	46,000	-	698,000	-
Body Cameras Contract	315,375	-	(74,856)	240,519	77,454
Total governmental activities	<u>\$ 116,931,859</u>	<u>\$ 4,714,757</u>	<u>\$ (7,311,345)</u>	<u>\$ 114,335,271</u>	<u>\$ 4,932,454</u>

The following is an aggregate summary of debt service requirements for the City of Henderson as of June 30, 2019:

June 30th:	Governmental Activities Bonds		Notes from Direct Borrowings		Business Type Activities Bonds		Total		Total
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	
2020	\$ 3,530,000	\$ 1,240,456	\$ 77,454	\$ 8,346	\$ -	\$ -	\$ 3,607,454	\$ 1,248,802	\$ 4,770,456
2021	3,605,000	1,160,181	80,142	5,658	-	-	3,685,142	1,165,839	4,765,181
2022	3,345,000	1,078,344	82,923	2,877	-	-	3,427,923	1,081,221	4,423,344
2023	3,425,000	1,000,622	-	-	-	-	3,425,000	1,000,622	4,425,622
2024	3,510,000	919,016	-	-	-	-	3,510,000	919,016	4,429,016
2025 to 2029	16,330,000	3,322,624	-	-	-	-	16,330,000	3,322,624	19,652,624
2030 to 2034	11,840,000	1,212,631	-	-	-	-	11,840,000	1,212,631	13,052,631
2035 to 2037	2,335,000	94,650	-	-	-	-	2,335,000	94,650	2,429,650
Totals	<u>\$ 47,920,000</u>	<u>\$ 10,028,524</u>	<u>\$ 240,519</u>	<u>\$ 16,881</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 48,160,519</u>	<u>\$ 10,045,405</u>	<u>\$ 57,948,524</u>

CITY OF HENDERSON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS

5. LONG-TERM DEBT, Continued,

As of June 30, 2019 governmental long-term debt of the City consisted of the following:

A. General Obligation Bonds – Series 2010B

During the year ended June 30, 2011, the City issued \$3,605,000 to currently refund and redeem the outstanding City of Ewing, Kentucky, Kentucky Area Development Districts Financing Trust, Lease Acquisition Program Revenue Bonds, Fixed Rate Series 2000H (funding for the City of Henderson, Kentucky), dated July 20, 2000 (the “2000H Obligations”), being bonds maturing on December 1, 2011 – 2016 and term bonds maturing on December 1, 2022, in the total principal amount of \$1,310,000, by providing for the City’s prepayment of its lease rental payments pursuant to two lease agreements between the Kentucky Area Development Districts Financing Trust and the City securing the 2000H Obligations, in order to derive debt service savings. This debt was recorded in the records of the City as KADD-Riverfront lease payable and KADD-Police Station lease payable.

Proceeds were also used to advance refund and redeem the outstanding City of Ewing, Kentucky, Kentucky Area Development Districts Financing Trust, Lease Acquisition Program Revenue Bonds, Fixed Rate Series 2000Y (funding for the City of Henderson, Kentucky), dated July 20, 2000 (the “2000Y Obligations”), being bonds maturing on December 1, 2015 and term bonds maturing on December 1, 2012, 2014, 2017, 2019, and 2023, in the principal amount of \$1,470,000, by providing for the City’s prepayment of its lease rental payments pursuant to a lease agreement dated December 31, 2003, between the Kentucky Area Development Districts Financing Trust and the City securing the 2000Y Obligations, in order to derive debt service savings. This debt was recorded in the records of Henderson Water Utility as KADD 2002-Canoe Creek lease payable.

Proceeds in the amount of \$650,000 were also used to reimburse the City for its payment on December 15, 2010, of the City’s General Obligation Bond Anticipation Note Series 2008C (the “2008C Note”), which was outstanding in the principal amount of \$1,583,737 and which matured on December 15, 2010 and to pay other allowable expenditures including issuance costs.

This obligation matures in November 2023. Interest rates range from 2.00 % to 3.50%. Interest is due in semi-annual installments. The obligation is secured by property taxes. The following is a summary of scheduled payments as of June 30, 2019:

CITY OF HENDERSON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS

5. LONG-TERM DEBT, Continued,

A. General Obligation Bonds – Series 2010B, Continued

June 30th:	Principal	Interest	Total	Interest Rates
2020	\$ 320,000	\$ 34,231	\$ 354,231	2.75%
2021	330,000	24,881	354,881	3.00%
2022	190,000	16,844	206,844	3.25%
2023	195,000	10,466	205,466	3.35%
2024	205,000	3,588	208,588	3.50%
Totals	<u>\$ 1,240,000</u>	<u>\$ 90,010</u>	<u>\$ 1,330,010</u>	

B. General Obligation Bonds – Series 2011A

During the year ended June 30, 2012, the City issued \$2,085,000 non-taxable bonds to pay costs of the acquisition, construction and equipping of a new municipal fire station within the City, including the costs of the land upon which the fire station is to be located, architectural fees, and other allowable expenditures.

This obligation matures in December 2031. Interest rates range from 0.70% to 4.00%. Interest is due in semi-annual installments. The obligation is secured by the full taxing authority of the City of Henderson. The following is a summary of scheduled payments as of June 30, 2019:

June 30th:	Principal	Interest	Total	Interest Rates
2020	95,000	51,454	\$ 146,454	2.50%
2021	95,000	48,841	143,841	3.00%
2022	100,000	45,916	145,916	3.00%
2023	100,000	42,916	142,916	3.00%
2024	105,000	39,776	144,776	3.13%
2025 to 2029	580,000	139,528	719,528	3.13% to 4.00%
2030 to 2032	405,000	24,700	429,700	4.00%
Totals	<u>\$ 1,480,000</u>	<u>\$ 393,131</u>	<u>\$ 1,873,131</u>	

C. General Obligation Bonds – Series 2012A

During the year ended June 30, 2012, the City issued \$9,995,000 non-taxable bonds to pay a portion of the costs of the acquisition, construction and installation of additions and improvements to the City's combined and consolidated municipal water, sanitary sewer, and storm sewer system, including (1) the renovation and

CITY OF HENDERSON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS

5. LONG-TERM DEBT, Continued,

General Obligation Bonds – Series 2012A, Continued

upgrading of the City's North Wastewater Treatment Plant and (2) the construction of a new 12 MGD North Fork Pump Station and approximately 2,400 feet of related 42" gravity sewer lines.

This obligation matures in November 2031. Interest rates range from 1.00% to 3.30%. Interest is due in semi-annual installments. The obligation is secured by the full taxing authority of the City of Henderson. The following is a summary of scheduled payments as of June 30, 2019:

June 30th:	Principal	Interest	Total	Interest Rates
2020	\$ 460,000	\$ 189,508	\$ 649,508	2.00%
2021	470,000	180,207	650,207	2.00%
2022	480,000	170,407	650,407	2.13%
2023	490,000	159,489	649,489	2.35%
2024	500,000	147,420	647,420	2.50%
2025 to 2029	2,735,000	514,120	3,249,120	2.50% to 3.00%
2030 to 2032	1,860,000	92,625	1,952,625	3.13% to 3.30%
Totals	<u>\$ 6,995,000</u>	<u>\$ 1,453,776</u>	<u>\$ 8,448,776</u>	

D. General Obligation Bonds – Series 2013A

During the year ended June 30, 2013, the City issued \$9,730,000 non-taxable bonds to pay a portion of the costs of the acquisition, construction, and installation of additions and improvements to the City's combined and consolidated municipal water, sanitary sewer and storm sewer system, including (1) the renovation and upgrading of a new headworks structure, a third final clarifier, waste and return activated sludge pumping, ultraviolet disinfection, and internal plant piping at the City's North Wastewater Treatment Plant, such additions and improvements to increase the capacity of the Plant from 15 million to 25.5 million gallons per day.

This obligation matures in November 2032. Interest rates range from .30% to 2.75%. Interest is due in semi-annual installments. The obligation is secured by the full taxing authority of the City of Henderson. The following is a summary of scheduled payments as of June 30, 2019:

CITY OF HENDERSON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS

5. LONG-TERM DEBT, Continued,

D. General Obligation Bonds – Series 2013A, Continued

June 30th:	Principal	Interest	Total	Interest Rates
2020	\$ 445,000	\$ 163,775	\$ 608,775	2.00%
2021	455,000	154,775	609,775	2.00%
2022	465,000	145,575	610,575	2.00%
2023	475,000	136,175	611,175	2.00%
2024	485,000	126,575	611,575	2.00%
2025 to 2029	2,580,000	472,719	3,052,719	2.00% to 2.50%
2030 to 2033	2,310,000	129,112	2,439,112	2.50% to 2.75%
Totals	<u>\$ 7,215,000</u>	<u>\$ 1,328,706</u>	<u>\$ 8,543,706</u>	

E. General Obligation Bonds – Series 2014

During the year ended June 30, 2014, the City issued \$8,000,000 non-taxable bonds to pay a portion of the costs of the acquisition, construction, installation, and equipping of new municipal water, sanitary sewer, and storm sewer improvements and additions to the City's combined and consolidated municipal water, sanitary sewer, and storm sewer system.

This obligation matures in November 2034. Interest rates range from 2.00% to 3.50%. Interest is due in semi-annual installments. The obligation is secured by the full taxing authority of the City of Henderson. The following is a summary of scheduled payments as of June 30, 2019:

June 30th:	Principal	Interest	Total	Interest Rates
2020	\$ 345,000	\$ 186,175	\$ 531,175	2.00%
2021	350,000	179,225	529,225	2.00%
2022	360,000	172,125	532,125	2.00%
2023	365,000	164,875	529,875	2.00%
2024	375,000	157,006	532,006	2.25%
2025 to 2029	2,015,000	633,950	2,648,950	2.25% to 3.00%
2030 to 2034	2,355,000	297,469	2,652,469	3.00% to 3.50%
2035	520,000	9,100	529,100	3.50%
Totals	<u>\$ 6,685,000</u>	<u>\$ 1,799,925</u>	<u>\$ 8,484,925</u>	

CITY OF HENDERSON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS

5. LONG-TERM DEBT, Continued,

F. General Obligation Bonds – Series 2015A

During the year ended June 30, 2016, the City issued \$7,790,000 non-taxable bonds to pay costs of issuance, to pay a portion of the costs of the acquisition; construction, renovation, and equipping of new municipal service center and a new 911 computer assisted dispatch (CAD) and radio tower system.

This obligation matures in September 2035. Interest rates range from 2.00% to 3.75%. Interest is due in semi-annual installments. The obligation is secured by the full taxing authority of the City of Henderson. The following is a summary of scheduled payments as of June 30, 2019:

June 30th:	Principal	Interest	Total	Interest Rates
2020	\$ 330,000	\$ 191,382	\$ 521,382	2.00%
2021	335,000	184,733	519,733	2.00%
2022	340,000	177,982	517,982	2.00%
2023	350,000	171,083	521,083	2.00%
2024	355,000	164,032	519,032	2.00%
2025 to 2029	1,910,000	692,618	2,602,618	2.00% to 3.00%
2030 to 2034	2,225,000	382,006	2,607,006	3.00% to 3.50%
2035 to 2036	1,000,000	37,875	1,037,875	3.50% to 3.75%
Totals	<u>\$ 6,845,000</u>	<u>\$ 2,001,711</u>	<u>\$ 8,846,711</u>	

G. General Obligation Bonds – Series 2015B

During the year ended June 30, 2016, the City issued \$1,870,000 non-taxable bonds to pay costs of issuance and for the purpose of currently refunding an outstanding assistance agreement dated as of May 1, 1996 between the Kentucky Infrastructure Authority and the City, the proceeds of which were used to finance the costs of the acquisition, construction, installation, and equipping of certain improvements to the City's municipal water, sanitary sewer, and storm sewer system.

This obligation matures in November 2026. Interest rates range from 1.0% to 2.5%. Interest is due in semi-annual installments. The obligation is secured by the full taxing authority of the City of Henderson. The following is a summary of scheduled payments as of June 30, 2019:

CITY OF HENDERSON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS

5. LONG-TERM DEBT, Continued,

G. General Obligation Bonds – Series 2015B, Continued

June 30th:	Principal	Interest	Total	Interest Rates
2020	\$ 160,000	\$ 23,369	\$ 183,369	1.25%
2021	160,000	21,169	181,169	1.50%
2022	165,000	18,319	183,319	2.00%
2023	165,000	15,019	180,019	2.00%
2024	170,000	11,668	181,668	2.13%
2025 to 2027	425,000	12,984	437,984	2.13% to 2.50%
Totals	<u>\$ 1,245,000</u>	<u>\$ 102,528</u>	<u>\$ 1,347,528</u>	

H. General Obligation Bonds – Series 2015C

During the year ended June 30, 2016, the City issued \$1,700,000 non-taxable bonds to pay costs of issuance and for the purpose of currently refunding an outstanding Lease Agreement dated as of May 30, 2005 between the Kentucky Area Development District and the City, the proceeds of which were used to finance certain improvements to the City's municipal water, sanitary sewer, and storm sewer system.

This obligation matures in November 2029. Interest rates range from 2.0% to 2.75%. Interest is due in semi-annual installments. The obligation is secured by the full taxing authority of the City of Henderson. The following is a summary of scheduled payments as of June 30, 2019:

June 30th:	Principal	Interest	Total	Interest Rates
2020	\$ 110,000	\$ 30,375	\$ 140,375	2.00%
2021	115,000	28,125	143,125	2.00%
2022	115,000	25,825	140,825	2.00%
2023	120,000	23,475	143,475	2.00%
2024	125,000	21,025	146,025	2.00%
2025 to 2029	665,000	60,556	725,556	2.00% to 2.75%
2030	125,000	1,719	126,719	2.75%
Totals	<u>\$ 1,375,000</u>	<u>\$ 191,100</u>	<u>\$ 1,566,100</u>	

CITY OF HENDERSON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS

5. LONG-TERM DEBT, Continued,

I. General Obligation Bonds – Series 2016A

During the year ended June 30, 2016, the City issued \$1,725,000 non-taxable bonds to pay costs of issuance, to pay a portion of the costs of the acquisition; construction, renovation, and equipping of new municipal service center.

This obligation matures in March 2036. Interest rates range from 1.0% to 3.5%. Interest is due in semi-annual installments. The obligation is secured by the full taxing authority of the City of Henderson. The following is a summary of scheduled payments as of June 30, 2019:

June 30th:	Principal	Interest	Total	Interest Rates
2020	\$ 75,000	\$ 39,287	\$ 114,287	1.25%
2021	75,000	38,350	113,350	1.50%
2022	75,000	37,225	112,225	2.00%
2023	80,000	35,725	115,725	2.00%
2024	80,000	34,125	114,125	2.00%
2025 to 2029	420,000	143,850	563,850	2.00% to 2.50%
2030 to 2034	480,000	84,075	564,075	2.50% to 3.50%
2035 to 2036	215,000	11,375	226,375	3.50%
Totals	<u>\$ 1,500,000</u>	<u>\$ 424,012</u>	<u>\$ 1,924,012</u>	

J. General Obligation Bonds – Series 2016B

During the year ended June 30, 2016, the City issued \$8,015,000 non-taxable bonds to pay costs of issuance and for the purpose of currently refunding the City's outstanding General Obligation Bonds, Taxable Series 2010A (Build America Bonds-Direct Payment to Issuer), the proceeds of which were used to finance the costs of the acquisition, construction and installation of additions and improvements to the City's combined and consolidated municipal water, sanitary sewer and storm sewer system, including the installation of new water and sanitary sewer lines and the conversion of existing sanitary sewer lines to storm sewer lines in the downtown area.

This obligation matures in November 2030. Interest rates range from 2.0% to 2.5%. Interest is due in semi-annual installments. The obligation is secured by the full taxing authority of the City of Henderson. The following is a summary of scheduled payments as of June 30, 2019:

CITY OF HENDERSON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS

5. LONG-TERM DEBT, Continued,

J. General Obligation Bonds – Series 2016B, Continued

June 30th:	Principal	Interest	Total	Interest Rates
2020	\$ 490,000	\$ 130,800	\$ 620,800	2.00%
2021	505,000	120,850	625,850	2.00%
2022	510,000	110,700	620,700	2.00%
2023	520,000	100,400	620,400	2.00%
2024	530,000	89,900	619,900	2.00%
2025 to 2029	2,810,000	284,800	3,094,800	2.00% to 2.00%
2030 to 2031	1,195,000	29,325	1,224,325	2.00% to 2.50%
Totals	<u>\$ 6,560,000</u>	<u>\$ 866,775</u>	<u>\$ 7,426,775</u>	

K. General Obligation Bonds – Series 2017A

During the year ended June 30, 2017, the City issued \$3,155,000 non-taxable bonds to pay costs of issuance, to pay a portion of the costs of the acquisition; construction, renovation, and equipping of new municipal service center.

This obligation matures in March 2037. Interest rates range from 2.0% to 3.5%. Interest is due in semi-annual installments. The obligation is secured by the full taxing authority of the City of Henderson. The following is a summary of scheduled payments as of June 30, 2019:

June 30th:	Principal	Interest	Total	Interest Rates
2020	\$ 125,000	\$ 87,600	\$ 212,600	3.00%
2021	130,000	83,850	213,850	3.00%
2022	130,000	79,950	209,950	3.00%
2023	135,000	76,050	211,050	3.00%
2024	140,000	72,000	212,000	3.00%
2025 to 2029	775,000	294,000	1,069,000	3.00% to 3.00%
2030 to 2034	885,000	171,600	1,056,600	3.00% to 3.00%
2035 to 2037	600,000	36,300	636,300	3.00%
Totals	<u>\$ 2,920,000</u>	<u>\$ 901,350</u>	<u>\$ 3,821,350</u>	

CITY OF HENDERSON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS

5. LONG-TERM DEBT, Continued,

L. General Obligation Bonds – Series 2017B

During the year ended June 30, 2017, the City issued \$2,390,000 non-taxable bonds to pay costs of issuance and for the purpose of currently refunding the outstanding Henderson Water Utility revenue bonds, Series 2006, the proceeds of which were used to finance the costs of the acquisition, construction and installation of additions and improvements to the City's combined and consolidated municipal water, sanitary sewer and storm sewer system.

This obligation matures in November 2026. The interest rate was 3.0%. Interest is due in semi-annual installments. The obligation is secured by the full taxing authority of the City of Henderson. The following is a summary of scheduled payments as of June 30, 2019:

June 30th:	Principal	Interest	Total	Interest Rates
2020	\$ 220,000	\$ 56,100	\$ 276,100	3.00%
2021	225,000	49,425	274,425	3.00%
2022	235,000	42,525	277,525	3.00%
2023	240,000	35,400	275,400	3.00%
2024	250,000	28,050	278,050	3.00%
2025 to 2027	810,000	37,050	847,050	3.00%
Totals	<u>\$ 1,980,000</u>	<u>\$ 248,550</u>	<u>\$ 2,228,550</u>	

M. General Obligation Bonds – Series 2017C

During the year ended June 30, 2017, the City issued \$2,250,000 non-taxable bonds to pay costs of issuance and for the purpose of partially refunding the City's General Obligation Bonds, Series 2007, the proceeds of which were used to advance refund the outstanding KADD loan dated March 9, 2000, to pay costs of construction of a new fire station, acquisition and development of additional riverfront property near downtown, and other allowable expenditures.

This obligation matures in April 2027. The interest rate was 3.0%. Interest is due in semi-annual installments. The obligation is secured by the full taxing authority of the City of Henderson. The following is a summary of scheduled payments as of June 30, 2019:

CITY OF HENDERSON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS

5. LONG-TERM DEBT, Continued,

M. General Obligation Bonds – Series 2017C, Continued

June 30th:	Principal	Interest	Total	Interest Rates
2020	\$ 355,000	\$ 56,400	\$ 411,400	3.00%
2021	360,000	45,750	405,750	3.00%
2022	180,000	34,950	214,950	3.00%
2023	190,000	29,550	219,550	3.00%
2024	190,000	23,850	213,850	3.00%
2025 to 2027	605,000	36,450	641,450	3.00%
Totals	<u>\$ 1,880,000</u>	<u>\$ 226,950</u>	<u>\$ 2,106,950</u>	

N. General Obligation Contract – Body Cameras – Direct Borrowing

During the year ended June 30, 2018, the City financed body cameras for the Police Department by a government obligation contract in the principal amount of \$389,690 at an interest rate of 5.05%. The obligation matures in May 2022 and is payable in annual installments. The following is a summary of scheduled payments as of June 30, 2019:

June 30th:	Principal	Interest	Total	Interest Rates
2020	\$ 77,454	\$ 8,346	\$ 85,800	5.05%
2021	80,142	5,658	85,800	5.05%
2022	82,923	2,877	85,800	5.05%
Totals	<u>\$ 240,519</u>	<u>\$ 16,881</u>	<u>\$ 257,400</u>	

Henderson Municipal Power & Light (HMPL)

The City is contingently liable for the long-term debt of its component unit, Henderson Municipal Power & Light. The long-term debt of Henderson Municipal Power & Light consists of the following for its fiscal year ended May 31, 2019:

	Balance May 31, 2018	Additions	Reductions	Balance May 31, 2019	Amounts due in One Year
Revenue Bonds Series 2011A	\$ 8,655,000	\$ -	\$ (490,000)	\$ 8,165,000	\$ 505,000
Revenue Bonds Series 2011B	2,755,000	-	(160,000)	2,595,000	165,000
Total bonds payable	<u>\$ 11,410,000</u>	<u>\$ -</u>	<u>\$ (650,000)</u>	<u>\$ 10,760,000</u>	<u>\$ 670,000</u>

CITY OF HENDERSON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS

5. LONG-TERM DEBT, Continued,

Henderson Municipal Power & Light (HMPL), Continued

During HMPL's fiscal year ended May 31, 2012, the City on behalf of HMPL issued revenue bonds for the purpose of financing electric system capital improvements. The revenue bonds were Electric System Revenue Bonds Series 2011A in the amount of \$11,350,000 and Electric System Revenue Bonds Series 2011B in the amount of \$3,670,000. Both bond series have a final maturity date of December 1, 2031, with interest rates ranging from 2.5% to 4.5%, and secured by a pledge of electric system revenues and a non-foreclosable statutory mortgage lien on the electric system.

The following is a summary of the debt service requirements for Henderson Municipal Power & Light for its fiscal year ended May 31, 2019:

May 31st:	Series 2011A		Series 2011B		Totals
	Principal	Interest	Principal	Interest	
2020	\$ 505,000	\$ 325,232	\$ 165,000	\$ 92,098	\$ 1,087,330
2021	520,000	310,081	165,000	88,138	1,083,219
2022	535,000	293,181	175,000	83,634	1,086,815
2023	555,000	274,991	180,000	78,603	1,088,594
2024	570,000	255,566	185,000	72,915	1,083,481
2025 to 2029	3,210,000	920,891	1,020,000	262,841	5,413,732
2030 to 2032	2,270,000	206,319	705,000	58,405	3,239,724
Totals	<u>\$ 8,165,000</u>	<u>\$ 2,586,261</u>	<u>\$ 2,595,000</u>	<u>\$ 736,634</u>	<u>\$ 14,082,895</u>

Henderson Water Utility (HWU)

The City is contingently liable for the long-term debt of its component unit, Henderson Water Utility. The long-term debt of Henderson Water Utility consists of the following as of June 30, 2019

CITY OF HENDERSON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS

5. LONG-TERM DEBT, Continued,

Henderson Water Utility (HWU), Continued:

	Balance June 30, 2018	Additions	Reductions	Balance June 30, 2019	Amounts due in One Year
Due to City of Henderson-2010B	792,480	-	(121,297)	671,183	124,090
Due to City of Henderson-2012A	7,445,000	-	(450,000)	6,995,000	460,000
Due to City of Henderson-2013A	7,655,000	-	(440,000)	7,215,000	445,000
Due to City of Henderson-2014	7,025,000	-	(340,000)	6,685,000	345,000
Due to City of Henderson-2015B	1,400,000	-	(155,000)	1,245,000	160,000
Due to City of Henderson-2015C	1,485,000	-	(110,000)	1,375,000	110,000
Due to City of Henderson-2016B	7,040,000	-	(480,000)	6,560,000	490,000
Due to City of Henderson-2017B	2,190,000	-	(210,000)	1,980,000	220,000
Note Payable	-	305,150	(23,332)	281,818	57,484
Total	<u>\$ 35,032,480</u>	<u>\$ 305,150</u>	<u>\$ (2,329,629)</u>	<u>\$ 33,008,001</u>	<u>\$ 2,411,574</u>

Principal and interest requirements to retire Henderson Water Utility's long-term obligations as of June 30, 2019 were as follows:

Fiscal year ended June 30th:	Principal	Interest	Total
2020	\$ 2,411,574	\$ 809,250	\$ 3,220,824
2021	2,471,318	757,080	3,228,398
2022	2,526,094	702,380	3,228,474
2023	2,576,038	644,917	3,220,955
2024	2,617,977	584,648	3,202,625
2025 to 2029	12,040,000	2,016,179	14,056,179
2030 to 2034	7,845,000	550,250	8,395,250
2035	520,000	9,100	529,100
Totals	<u>\$ 33,008,001</u>	<u>\$ 6,073,804</u>	<u>\$ 39,081,805</u>

Other information on Henderson Water Utility's long-term indebtedness is summarized below:

CITY OF HENDERSON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS

5. LONG-TERM DEBT, Continued,

Henderson Water Utility (HWU), Continued:

	Interest Rate	Maturity	Balance	Security
Due to City of Henderson-2010B	2.00% - 3.50%	11/1/2023	\$ 671,183	Unsecured
Due to City of Henderson-2012A	1.00% - 3.30%	11/1/2031	\$ 6,995,000	Unsecured
Due to City of Henderson-2013A	2.00% - 2.75%	11/1/2032	\$ 7,215,000	Unsecured
Due to City of Henderson-2014	2.00% - 2.50%	11/1/2034	\$ 6,685,000	Unsecured
Due to City of Henderson-2015B	1.00% - 2.50%	11/1/2026	\$ 1,245,000	Unsecured
Due to City of Henderson-2015C	2.00% - 2.75%	11/1/2029	\$ 1,375,000	Unsecured
Due to City of Henderson-2016B	2.00% - 2.50%	11/1/2030	\$ 6,560,000	Unsecured
Due to City of Henderson-2017B	3.00%	11/1/2026	\$ 1,980,000	Unsecured
Note Payable	3.70%	1/1/2024	\$ 281,818	Unsecured
			<u>\$ 33,008,001</u>	

Restricted Assets Applicable To HWU

In the Capital Projects Fund of the City are restricted assets applicable to HWU.

The City issued certain General Obligation Bonds and loaned the proceeds to HWU for various purposes as previously described. HWU will repay the loans from the City by paying the City the underlying G.O. Bonds debt service payments until the bonds are retired.

The following is a summary of restricted assets applicable to HWU for the fiscal year ended June 30, 2019, as recorded in the Capital Projects Fund:

<u>G.O. Bonds Series</u>	<u>Due In One Year</u>	<u>Due After One Year</u>	<u>Total Receivable from HWU</u>
2010B	\$ 124,090	\$ 547,093	\$ 671,183
2012A	460,000	6,535,000	6,995,000
2013A	445,000	6,770,000	7,215,000
2014	345,000	6,340,000	6,685,000
2015B	160,000	1,085,000	1,245,000
2015C	110,000	1,265,000	1,375,000
2016B	490,000	6,070,000	6,560,000
2017B	220,000	1,760,000	1,980,000
Total	<u>\$ 2,354,090</u>	<u>\$ 30,372,093</u>	<u>\$ 32,726,183</u>

CITY OF HENDERSON, KENTUCKY

NOTES TO FINANCIAL STATEMENTS

6. CONDUIT DEBT

From time to time the City has issued Industrial Revenue Bonds to provide financial assistance to private-sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The Bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Neither the City of Henderson, nor any of its political subdivisions are obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of June 30, 2019, there were two series of Industrial Revenue Bonds outstanding, with an aggregate principal amount payable of \$104,500,000.

7. COMPENSATED ABSENCES

Vacation Leave

City employees, other than police department employees and fire department shift employees, generally earn vacation leave at the rate of 10/12 of a working day per month for the first four years of employment.

Police department employees get 15 working days per year vacation after one year's service. Fire department shift employees get 5 24-hour shifts of vacation after one year's service.

At the end of four years an additional working day per year is accumulated up to a maximum vacation leave of 40 working days; fire department shift employees accumulate an additional half shift per year up to a maximum vacation leave of 10 24-hour shifts. One hundred percent of unused vacation leave is paid at retirement, formal resignation, or death.

Sick Leave

City employees accumulate sick leave at the rate of one day per month up to a maximum of two hundred forty days. Unused sick leave is forfeited upon termination. At retirement, individuals are paid one day's pay for each four days of unused sick leave.

Accumulated unpaid vacation pay and sick pay are not accrued in the proprietary funds (accrual basis) since they are not significant at year-end.

CITY OF HENDERSON, KENTUCKY NOTES TO FINANCIAL STATEMENTS

7. COMPENSATED ABSENCES, Continued

Such compensated absences are not accrued in governmental funds (unless they have matured), which use the modified accrual basis of accounting, but instead are recorded in the (accrual basis) government-wide Statement of Net Position. At June 30, 2019 these governmental activities liabilities included \$1,429,600 of vacation and sick pay, and are included in the Statement of Net Position as noncurrent liabilities. Compensated absences are liquidated primarily by the General Fund.

8. PUBLIC ENERGY AUTHORITY OF KENTUCKY (PEAK)

PEAK is a Natural Gas Acquisition Authority created under the laws of the Commonwealth of Kentucky. It was created for the purpose of providing natural gas acquisition, delivery, and other related services for its members, which includes the City. PEAK is not a component unit of the City because 1) it is a separate legal entity, 2) PEAK is fiscally independent from the City, and 3) the board of directors of PEAK is structured in a manner that the City cannot exercise majority control over the organization.

PEAK has issued gas revenue bonds to finance the cost of acquisition by PEAK of prepaid supplies of natural gas. PEAK is solely responsible for repayment of the gas revenue bonds.

The City has entered into long term natural gas supply contracts with PEAK whereby the City is obligated to purchase specified quantities of natural gas from PEAK. The City purchases all of its natural gas supplies from PEAK. The City received refunds from PEAK of \$321,496 in fiscal year 2019.

PEAK issues audited financial statements, which are available through its administrative offices at the following address:

Public Energy Authority of Kentucky
516 Highland Avenue
Carrollton, Kentucky 41008

Summarized totals for PEAK for its fiscal year ended June 30, 2018, from its last audited financial statements made available to the City are:

Assets	\$ 960,635,935
Liabilities	\$ 956,185,142
Net position	\$ 4,450,793

CITY OF HENDERSON, KENTUCKY

NOTES TO FINANCIAL STATEMENTS

9. GAS STORAGE LIABILITY

The City has the right to withdraw 270,000 MMBtu's of natural gas from the gas storage reserves belonging to the City's gas transmission pipeline company. Any gas so withdrawn by the City must be replaced by November 1st, the beginning of the operating year of the Gas Fund. As of June 30, 2019, the estimated amount of this gas storage liability was \$315,000.

10. CONCENTRATION OF SALES

Henderson Municipal Gas

For the fiscal year ended June 30, 2019, five industrial customers accounted for \$6,116,383 in gas sales, which represents 41.3% of the operating revenues of the Gas Fund.

Henderson Municipal Power and Light

Three customers of the Existing System accounted for sales in the amount of \$12.1 million (28% of Existing System sales) for the fiscal year ended May 31, 2019.

Henderson Water Utility

For the fiscal year ended June 30, 2019, three customers accounted for \$9,302,560 in sales and surcharges for approximately 42% of HWU's total operating revenues.

11. LANDFILL CLOSURE AND POST CLOSURE COSTS

On July 1, 1998, the City Commission transferred the primary responsibility for operations of the City's solid waste landfill from the General Fund to the Sanitation Fund, and the related liability for landfill closure and post closure costs. As of June 30, 2019, the Sanitation Fund was in a deficit position because its assets were inadequate to cover estimated landfill closure costs. The deficit will be recovered from future revenues.

The City temporarily terminated its landfill operations on June 30, 1995 due to the increased costs mandated by federal regulations. However, during the year ended June 30, 1997, the City was awarded a permit to accept commercial construction debris only. The City will continue to accept construction debris until the space allotted for this operation is used up in its entirety.

CITY OF HENDERSON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS

11. LANDFILL CLOSURE AND POST CLOSURE COSTS, Continued

State and federal laws and regulations require that the City of Henderson place a final cover on its landfill site and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Post closure care costs will be incurred from the point in time that the landfill ceases to accept any further waste.

The liability reported in the statement of net position of the Sanitation Fund of \$4,224,032 at June 30, 2019, consists of \$2,864,869 in closure costs and \$1,359,163 for post closure costs. The amounts are based on engineering estimates and actual costs may be higher due to inflation and technological changes, or changes in state and federal regulations. The cost of landfill closure and postclosure care is allocated based on landfill capacity used to date. The percentage of the landfill's total capacity that has been used to date is 79.7%. The estimated remaining life of the landfill is 5.3 years. No costs were incurred towards the related liability; however, a revision was needed for the closure costs estimate as determined by the City's consulting engineers.

The estimated liability consists of the following at June 30, 2019:

	Estimated Closure Liability	Estimated Post-Closure Liability	Total
June 30, 2018	\$ 2,831,000	\$ 1,356,000	\$ 4,187,000
Costs applied	-	-	-
Revision to estimate	33,869	3,163	37,032
June 30, 2019	<u>\$ 2,864,869</u>	<u>\$ 1,359,163</u>	<u>\$ 4,224,032</u>

12. CONTINGENCIES

The City is a defendant or plaintiff in lawsuits, which have arisen in the normal course of operations. While certain lawsuits involve substantial amounts, it is the opinion of management, based on the advice of legal counsel, that the ultimate resolution of such litigation will not have a material adverse effect on the financial position of the City.

Under the terms of certain Federal and State grants, periodic audits are required and certain costs may be questioned as not being appropriate expenditures under terms of the grants. Such audits may lead to reimbursement of the grant monies to the respective grantor agency. Management of the City believes that any disallowance would be immaterial.

CITY OF HENDERSON, KENTUCKY

NOTES TO FINANCIAL STATEMENTS

13. RISK MANAGEMENT

The City of Henderson is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City carries commercial insurance for these types of risks of loss, including workers' compensation. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

14. RELATED PARTY TRANSACTIONS

The following are related party transactions by the City with its two discretely presented component units, HMPL and HWU, which are not disclosed elsewhere in the notes to the financial statements.

The City provides utility billing and cash collection services for HMPL and HWU. All utility cash collections are remitted to HMPL and HWU on a weekly basis. In addition, the City provides HWU accounts payable, payroll, and general accounting services and administers the Human Resources function. Included in General Fund intergovernmental revenues are \$664,000 and \$620,000, respectively, from HMPL and HWU for such services for the fiscal year ended June 30, 2019.

The City, as sole owner of both utilities, received distributions of \$1,244,724 and \$400,000, respectively, from HMPL and HWU for the fiscal year ended June 30, 2019.

The City owns certain real estate used by HMPL.

15. HEALTH INSURANCE PLAN

Effective July 1, 1986, the City began its own health insurance plan which covers all employees of the City. HMPL and HWU also participate in the City's health plan. Under the terms of this Plan, maximum amounts of coverage vary depending on the type of claim. The City has a stop loss insurance policy that limits the amount of loss the City may incur. The City remits payments to the administrator on a weekly basis. A management fee is paid on a monthly basis.

All departments or other entities, which have employees participating in this Plan, bear a portion of the cost of the Plan based on the number of employees in that department or entity.

CITY OF HENDERSON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS

15. HEALTH INSURANCE PLAN, Continued

Amounts payable for claims are based on estimates as calculated by the City's third-party administrator. The Plan established liabilities based on the estimates of the ultimate cost of claims that have been reported but not settled, and of claims that have been incurred but not reported, based on historical experience. The following represents a summary of changes in the liability for the last ten fiscal years including the year ended June 30, 2019:

	Beginning of Fiscal Year Liability	Current Year Claims & Changes In Estimates	Claim Payments	End of Fiscal Year Liability
2009-2010	\$ 846,180	\$ 6,403,384	\$ (6,175,740)	\$ 1,073,824
2010-2011	\$ 1,073,824	\$ 6,176,637	\$ (6,310,101)	\$ 940,360
2011-2012	\$ 940,360	\$ 5,678,476	\$ (5,842,696)	\$ 776,140
2012-2013	\$ 776,140	\$ 4,582,787	\$ (4,721,111)	\$ 637,816
2013-2014	\$ 637,816	\$ 5,015,586	\$ (5,144,380)	\$ 509,022
2014-2015	\$ 509,022	\$ 4,554,711	\$ (4,529,985)	\$ 533,748
2015-2016	\$ 533,748	\$ 5,714,522	\$ (5,669,435)	\$ 578,835
2016-2017	\$ 578,835	\$ 5,363,649	\$ (5,318,143)	\$ 624,341
2017-2018	\$ 624,341	\$ 6,143,177	\$ (6,169,178)	\$ 598,340
2018-2019	\$ 598,340	\$ 7,244,236	\$ (6,343,985)	\$ 1,498,591

The financial transactions of the Plan are recorded in the Health Insurance Fund, which is an internal service fund of the City. As of June 30, 2019, the Health Insurance Fund was in a deficit position due to user charges being inadequate to cover estimated liabilities for claims. The City intends to recover these amounts via increased charges to users in future fiscal periods.

16. HEALTH REIMBURSEMENT ARRANGEMENT (HRA) PLAN

In order to control increasing health care costs the City made changes to its health insurance plan, which resulted in employees paying an increased share of their health care expenses. In order to help their employees pay for these increased health care expenses, the City established a Health Reimbursement Arrangement (HRA) Plan and Trust, effective January 1, 2006, that reimburses employees for health insurance plan expenses up to the amount in an individual participant's account balance. Every year, the HRA Plan credits each employee in the amount of \$500 for a single participant and \$1,000 for a family coverage participant in the health insurance plan. At the end of a plan year, any unused benefits in an HRA Plan account will be carried forward for use in the subsequent year. As of June 30, 2019, the HRA Plan has an unfunded obligation of \$1,041,000, of which \$698,000 pertains to the City, and which will be funded in future fiscal periods.

CITY OF HENDERSON, KENTUCKY

NOTES TO FINANCIAL STATEMENTS

17. CITY FUNDED RETIREMENT PLANS

The City of Henderson maintains two pension plans which are funded and administered by the City: the Civil Service Pension Plan (CSPP) and the Police and Fire Pension Plan (PFPP). The City also participates in the state-wide County Employees' Retirement System (CERS).

Plan Descriptions:

Civil Service Pension Plan (CSPP)

CSPP is a single-employer, defined benefit plan covering all City employees, other than police and fire employees, who elected to forego participation in CERS. This plan is authorized by City Ordinance. As of June 30, 1987, the plan was closed to new entrants. Management of CSPP is vested in the Board of Trustees, which consists of seven members – the mayor, two commissioners, three classified city employees, and one retired member of the pension plan. The city clerk and city finance director serve as ex-officio members of the Board of Trustees, in their respective capacities. CSPP does not provide separately issued financial statements; however, financial information is provided at the end of this note.

Police and Fire Pension Plan (PFPP)

PFPP is a single-employer, defined benefit plan covering all City employees of the police and fire departments who elected to forego participation in CERS. This plan is authorized by State statute. As of June 30, 1987, the plan was closed to new entrants. Management of PFPP is vested in the Board of Trustees, which consists of four members – the mayor, the city finance director, one retired member of the police department, and one retired member of the fire department. PFPP does not provide separately issued financial statements; however, financial information is provided at the end of this note.

Benefits Provided:

CSPP provides retirement, disability, and death benefits to plan members. Post-retirement benefit increases must be approved by the Board of Trustees. Plan members receive a benefit of 50% of 7-year average pay. Retirement age is 62 with a minimum of 20 years of service. As of June 30, 2019, the plan had four members, one of whom is an active City employee, with the other three being inactive participants receiving benefits.

PFPP provides retirement, disability, and death benefits to plan members. Retirement benefits may be extended to beneficiaries of plan members under certain

CITY OF HENDERSON, KENTUCKY

NOTES TO FINANCIAL STATEMENTS

17. CITY FUNDED RETIREMENT PLANS, Continued

circumstances. Post-retirement benefit increases must be approved by the Board of Trustees. Plan members receive a benefit of 50% of final monthly salary for completion of 20 years of service with increases for service greater than 20 years. Retirement is allowed upon completion of 20 years of service. As of June 30, 2019, the plan had fourteen members, all of whom are inactive participants receiving benefits.

Contributions:

CSPP contributions by the City are based on the cost calculated by an independent actuary. Such actuarially determined cost is the estimated amount necessary to finance the costs of benefits earned by participants during the year with an additional amount to finance any unfunded accrued liability. The one active employee contributes 5% of his covered payroll, which the City matches. City contributions to CSPP were \$73,680 for the fiscal year ended June 30, 2019.

PFPP contributions by the City are based on the cost calculated by an independent actuary. Such actuarially determined cost is the estimated amount necessary to finance the costs of benefits earned by the participants during the year with an additional amount to finance any unfunded accrued liability. The plan has no active employees. City contributions to PFPP were \$352,000 for the fiscal year ended June 30, 2019.

NET PENSION LIABILITY

The CSPP had a net pension liability of \$885,870 as of June 30, 2019, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of June 30, 2019.

The PFPP had a net pension liability was \$4,353,135 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 June 30, 2019.

Actuarial Assumptions:

The total pension liabilities were determined by actuarial valuations performed as of June 30, 2019, using the following actuarial assumptions for both plans, applied to all periods included in the measurement:

Inflation rate	None
Cost of Living (COLA)	2.00%
Mortality	RP-2014 Base Mortality Table
with MP-2018 improvement rate	

CITY OF HENDERSON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS

17. CITY FUNDED RETIREMENT PLANS, Continued

Discount Rate:

The discount rate used to measure the total pension liability was 5.00% for CSPP. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that City contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the plan's fiduciary net position 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 was applied to all periods of projected benefit payments to determine the total pension liability.

The discount rate used to measure the total pension liability was 4.00% for the PFPP. The projection of cash flows used to determine the discount rate assumed that City contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all projected future benefit payments of all plan members. Therefore, long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Net Pension Liability:

	CSPP	PFPP
Total Pension Liability		
Service cost	\$ 7,059	\$ -
Interest	49,315	175,064
Changes in benefit terms	-	-
Difference between expected and actual experience	(119,656)	(26,054)
Changes in assumptions	-	-
Benefit payments	(77,363)	(352,211)
Net change in total pension liability (asset)	(140,645)	(203,201)
Total Pension Liability - Beginning	1,024,983	4,552,709
Total Pension Liability - Ending (a)	<u>\$ 884,338</u>	<u>\$ 4,349,508</u>
Plan Fiduciary Net Pension		
Contributions - employer	\$ 73,680	\$ 352,000
Contributions - employee	2,680	-
Net investment income	-	-
Benefit payments	(77,363)	(352,211)
Administrative expense	-	-
Other	2,022	16
Net change in plan fiduciary net position	1,019	(195)
Plan Fiduciary Net Position - Beginning	(2,552)	(3,432)
Plan Fiduciary Net Position - Ending (b)	<u>\$ (1,533)</u>	<u>\$ (3,627)</u>
Net Pension Liability (Asset) (a) - (b)	<u>\$ 885,871</u>	<u>\$ 4,353,135</u>

CITY OF HENDERSON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS

17. CITY FUNDED RETIREMENT PLANS, Continued

Sensitivity of the Net Pension Liability to Changes in the Discount Rate:

Sensitivity of the net pension liability was calculated using 5.00% for the CSPP, and 4.00% for the PFRPP. The following represents the net pension liability of the plans using the discount rates as well as what the City's position would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

	1% Decrease (4.00%)	Current Discount Rate (5.00%)	1% Increase (6.00%)
City of Henderson Civil Service Pension Plan net pension liability as of June 30, 2019	<u>\$ 981,301</u>	<u>\$ 885,870</u>	<u>\$ 805,809</u>
	1% Decrease (3.00%)	Current Discount Rate (4.00%)	1% Increase (5.00%)
City of Henderson Police and Fire Pension Plan net pension liability as of June 30, 2019	<u>\$4,864,737</u>	<u>\$4,353,135</u>	<u>\$3,930,780</u>

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions:

For the year ended June 30, 2019, the City recognized pension expense of \$274,161, which consisted of \$50,526 for CSPP and \$223,635 for PFRF. At June 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience		
CSPP	\$ 106,361	\$ 89,217
PFRF	52,253	501,223
Total	<u>\$ 158,614</u>	<u>\$ 590,440</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

CITY OF HENDERSON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS

17. CITY FUNDED RETIREMENT PLANS, Continued

Year Ending June 30:	CSP	PFPP
2020	\$ (1,211)	\$ (48,571)
2021	(1,211)	(48,571)
2022	(1,211)	(48,571)
2023	(1,211)	(48,571)
2024	(1,211)	(48,571)
Thereafter	23,199	(206,115)

Financial information for the City of Henderson's two pension trust funds and the HRA trust fund is reported below for the fiscal year ended June 30, 2019.

Combining Statement of Fiduciary Net Position - Pension Trust Funds
For the Fiscal Year Ended June 30, 2019

	Civil Service Pension Fund	Police & Fire Pension Fund	HRA Fund	Total
ASSETS				
Cash	\$ 27	\$ 699	\$ 7,281	\$ 8,007
Total assets	27	699	7,281	8,007
LIABILITIES				
Accounts payable	1,560	4,326	-	5,886
Total liabilities	1,560	4,326	-	5,886
NET POSITION				
Net position restricted for pensions	\$ (1,533)	\$ (3,627)	\$ 7,281	\$ 2,121

CITY OF HENDERSON, KENTUCKY

NOTES TO FINANCIAL STATEMENTS

17. CITY FUNDED RETIREMENT PLANS, Continued

Combining Statement of Changes in Fiduciary Net Position - Pension Trust Funds
For the Fiscal Year Ended June 30, 2019

	Civil Service Pension Fund	Police & Fire Pension Fund	HRA Fund	Total
ADDITIONS				
Contributions:				
Employer	\$ 73,681	\$ 352,000	\$ 383,900	\$ 809,581
Employee	2,680	-	-	2,680
Total contributions	76,361	352,000	383,900	812,261
Interest income	21	16	1,519	1,556
Miscellaneous	-	-	-	-
Total additions	76,382	352,016	385,419	813,817
DEDUCTIONS				
Benefits paid	77,363	352,211	487,376	916,950
Total deductions	77,363	352,211	487,376	916,950
Net increase (decrease) in net position	(981)	(195)	(101,957)	(103,133)
Net position, begin. of year	(552)	(3,432)	109,238	105,254
Net position, end of year	\$ (1,533)	\$ (3,627)	\$ 7,281	\$ 2,121

18. CERS RETIREMENT PLANS

General Information about the Pension Plans

Plan description: Substantially all of the City's full-time employees, as well as employees of Henderson Municipal Power & Light and Henderson Water Utility, participate in the County Employees' Retirement System (CERS), a cost sharing, multiple-employer defined benefit plan administered by the Board of Trustees of Kentucky Retirement Systems. CERS consists of two plans – Non-Hazardous and Hazardous. Kentucky Retirement Systems issues a publicly available financial report that includes financial statements and supplementary information for CERS. That report can be obtained at <https://kyret.ky.gov>.

Benefits provided: CERS provides retirement, disability, and death benefits to plan members. Retirement benefits may be extended to beneficiaries of plan members under certain circumstances. Kentucky Revised Statute 61.645 assigns the authority to establish and amend benefit provisions to the Kentucky Retirement Systems Board of Trustees.

CITY OF HENDERSON, KENTUCKY

NOTES TO FINANCIAL STATEMENTS

18. CERS RETIREMENT PLANS, Continued

Cost of Living Adjustment (COLA): Prior to July 1, 2009, COLAs were provided annually equal to the percentage increase in the annual average of the consumer price index for all urban consumers for the most recent calendar year, not to exceed 5% in any plan year. After July 1, 2009, the COLAs were limited to 1.50%. No COLA has been granted since July 1, 2011.

Contributions: Tier 1 plan members, who began participating prior to September 1, 2008, are required to contribute 5% (non-hazardous) and 8% (hazardous) of their annual creditable compensation. Interest is paid each June 30 on members' accounts at a rate of 2.5%. If a member terminates employment and applies to take a refund, the member is entitled to a full refund of contributions and interest.

Tier 2 plan members, who began participating on, or after, September 1, 2008, and before January 1, 2014, are required to contribute 6% (non-hazardous) and 9% (hazardous) of their annual creditable compensation, while 1% of these contributions are deposited to an account created for the payment of health insurance benefits under 25 USC Section 401(h) in the Pension Fund. Interest is paid each June 30 on members' accounts at a rate of 2.5%. If a member terminates employment and applies to take a refund, the member is entitled to a full refund of contributions and interest; however, the 1% contribution to the 401(h) account is non-refundable and is forfeited. Tier 3 plan members, who began participating on, or after, January 1, 2014, are required to contribute to the Cash Balance Plan. The Cash Balance Plan is known as a hybrid plan because it has characteristics of both a defined benefit plan and a defined contribution plan. Members in the plan contribute a set percentage of their salary each month to their own account. Members contribute 5% (non-hazardous) and 8% (hazardous) of their annual creditable compensation, and an additional 1% to the health insurance fund (401(h) account) which is not credited to the member's account and is not refundable. The employer contribution rate is set annually by the Kentucky Retirement System Board of Trustees based on an actuarial valuation. The employer contributes a set percentage of the member's salary. Each month, when employer contributions are received, an employer pay credit is deposited to the member's account. A member's account is credited with a 4% (non-hazardous) and 7.5% (hazardous) employer pay credit. The employer pay credit represents a portion of the employer contribution.

Interest is paid into the Tier 3 member's account. The account currently earns 4% interest credit on the member's account balance as of June 30 of the previous year. The member's account may be credited with additional interest if the system's five-year Geometric Average Net Investment Return (GANIR) exceeded 4%. If the member was

CITY OF HENDERSON, KENTUCKY

NOTES TO FINANCIAL STATEMENTS

18. CERS RETIREMENT PLANS, Continued

actively employed and participating in the fiscal year, and if the system's GANIR for the previous five years exceeds 4%, then the member's account will be credited with 75% of the amount of the returns over 4% on the account balance as of June 30 of the previous year (Upside Sharing Interest). The Upside Sharing Interest is credited to both the member contribution balance and Employer Pay Credit Balance.

The City is required to contribute at an actuarially determined rate. As of June 30, 2019, the City's required contribution rate was 16.22% (non-hazardous) and 24.87% (hazardous) of annual covered payroll. The contribution requirements of plan members and the City are established and may be amended by the Kentucky Retirement Systems Board of Trustees. Contributions to CERS from the City were \$1,276,614 for non-hazardous employees and \$1,610,259 for hazardous employees, for total contributions of \$2,886,873 for the year ended June 30, 2019.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2019, the City reported a liability of \$45,464,992 for its proportionate share of the collective net pension liabilities, with \$18,373,292 for non-hazardous pensions and \$27,091,700 for hazardous pensions. The collective net pension liabilities were measured as of June 30, 2018, and the total pension liabilities used to calculate the collective net pension liabilities were determined by actuarial valuations as of June 30, 2017 and rolled-forward using generally accepted actuarial principles. The City's proportion of the collective net pension liabilities was based on projections of the City's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2018, the City's proportion was 0.301681% for non-hazardous pensions, an increase of 0.007165% from its proportion measured as of June 30, 2017, and 1.120206% for hazardous pensions, an increase of 0.007291% from its proportion measured as of June 30, 2017.

CITY OF HENDERSON, KENTUCKY

NOTES TO FINANCIAL STATEMENTS

18. CERS RETIREMENT PLANS, Continued

The following is a summary of the City's CERS collective net pension liability:

	<u>Net Pension Liability</u>
City of Henderson:	
Non-Hazardous	\$ 18,373,292
Hazardous	27,091,700
Total City of Henderson	<u>\$ 45,464,992</u>
Component Units:	
Henderson Municipal Power & Light	<u>\$ 7,242,530</u>
Henderson Water Utility	<u>\$ 9,938,647</u>

For the year ended June 30, 2019, the City recognized pension expense of \$8,168,911, which consists of \$3,057,236 for non-hazardous pensions and \$5,111,675 for hazardous pensions.

The net pension expense in aggregate for all plans was \$8,443,072 for the year ended June 30, 2019.

At June 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 2,755,327	\$ 268,946
Changes of assumptions	4,679,424	-
Net difference between projected and actual investment earnings on pension plan investments	-	525,888
Changes in proportion and differences between City contributions and proportional share of contributions	527,331	11,265
City contributions subsequent to the measurement date	<u>2,886,873</u>	<u>-</u>
Total	<u>\$ 10,848,955</u>	<u>\$ 806,099</u>

Of the total amount reported as deferred outflows of resources related to pensions, \$2,886,973 resulting from City contributions subsequent to the measurement date and before the end of the fiscal year will be included as a reduction of the collective net pension liability in the year ended June 30, 2020. Other amounts reported as deferred

CITY OF HENDERSON, KENTUCKY

NOTES TO FINANCIAL STATEMENTS

18. CERS RETIREMENT PLANS, Continued

outflows of resources and deferred inflows of resources related to pensions will be recognized in the City's pension expense as follows:

<u>Year Ending June 30:</u>		
2020	\$	5,160,421
2021		2,486,274
2022		(269,758)
2023		(220,954)
2024		-
Thereafter		-

Actuarial assumptions: The total pension liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.30%
Salary Increases	3.05%
Investment Rate of Return	6.25%

The mortality table used for active members is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females). For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set back one year for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back four years for males) is used for the period after disability retirement.

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period July 1, 2008 - June 30, 2013.

The long-term expected rate of return was determined by using a building-block method in which best-estimate ranges of expected future real rates of returns are developed for each asset class. The ranges are combined by weighting the expected future real rate of return by the target asset allocation percentage. The target allocation and best estimates of arithmetic real rate of return for each major asset class are summarized in the table below.

CITY OF HENDERSON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS

18. CERS RETIREMENT PLANS, Continued

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. Equity	17.50%	
U.S. Large Cap	5.00%	4.50%
U.S. Mid Cap	6.00%	4.50%
U.S. Small Cap	6.50%	5.50%
Non-U.S. Equity	17.50%	
International Developed	12.50%	6.50%
Emerging Markets	5.00%	7.25%
Global Bonds	4.00%	3.00%
Credit Fixed	24.00%	
Global IG Credit	2.00%	3.75%
High Yield	7.00%	5.50%
EMD	5.00%	6.00%
Illiquid Private	10.00%	8.50%
Private Equity	10.00%	6.50%
Real Estate	5.00%	9.00%
Absolute Return	10.00%	5.00%
Real Return	10.00%	7.00%
Cash	2.00%	1.50%
Total	100.00%	6.09%

Discount rate: The projection of cash flows used to determine the discount rate of 6.25% assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 25-year (closed) amortization period of the unfunded actuarial accrued liabilities. The discount rate determination does not use a municipal bond rate.

Sensitivity of the City's proportionate share of the collective net pension liabilities to changes in the discount rate: The following presents the City's proportionate share of the collective net pension liabilities calculated using the discount rate of 6.25%, as well as what the City's proportionate share of the collective net pension liabilities would be if they were calculated using a discount rate that is one percentage point lower (5.25%) or one percentage point higher (7.25%) than the current rate:

	1% Decrease (5.25%)	Current Discount Rate (6.25%)	1% Increase (7.25%)
City's proportionate share of the collective net pension liability as of June 30, 2018			
Non-Hazardous	<u>\$ 23,130,072</u>	<u>\$ 18,373,292</u>	<u>\$ 14,387,944</u>
Hazardous	<u>\$ 33,944,127</u>	<u>\$ 27,091,700</u>	<u>\$ 21,426,886</u>

CITY OF HENDERSON, KENTUCKY

NOTES TO FINANCIAL STATEMENTS

18. CERS RETIREMENT PLANS, Continued

Pension plan fiduciary net position: Detailed information about the pension plans' fiduciary net position is available in the separately issued Kentucky Retirement Systems financial report.

General Information about the Other Postemployment Benefits (OPEB) Plan

Plan description: In addition to the pension benefits described above, Kentucky Retirement Systems provides postemployment healthcare benefits through the Kentucky Retirement Systems Insurance Fund (Insurance Fund), a cost sharing, multiple-employer defined benefit plan administered by the Board of Trustees of Kentucky Retirement Systems. The Insurance Fund was established to provide hospital and medical insurance for those receiving benefits from the Kentucky Employees' Retirement System (KERS), the County Employees' Retirement System (CERS), and the State Police Retirement System (SPRS). Eligible non-Medicare retirees are covered by the Department of Employee Insurance (DEI) plans. Kentucky Retirement Systems submits the premium payments to DEI. The Board contracts with Humana to provide health care benefits to eligible Medicare retirees through a Medicare Advantage Plan.

Benefits Provided: The Insurance Fund pays a prescribed contribution for whole or partial payment of required premiums to purchase hospital and medical insurance. For the fiscal year ended June 30, 2018 (the date of the latest available information), insurance premiums withheld from benefit payments for members of CERS were \$23.8 million and \$2.8 million for non-hazardous and hazardous employees, respectively. For the fiscal year ended June 30, 2017, insurance premiums withheld from benefit payments for members of CERS were \$22.9 million and \$2.7 million for non-hazardous and hazardous employees, respectively. The Insurance Fund pays the same proportion of hospital and medical insurance premiums for the spouse and dependents of retired hazardous employees killed in the line of duty.

The amount of contributions paid by the Insurance Fund is based on years of service. For employees participating prior to July 1, 2003, years of service and respective percentages of the maximum contribution are shown below:

<u>Years of Service</u>	<u>% Paid by Insurance Fund</u>
20 or more	100%
15 - 19	75%
10 - 14	50%
4 - 9	25%
Less than 4	0%

CITY OF HENDERSON, KENTUCKY

NOTES TO FINANCIAL STATEMENTS

18. CERS RETIREMENT PLANS, Continued

As a result of House Bill 290 (2004 Kentucky General Assembly), medical insurance benefits are calculated differently for those who began participating on or after July 1, 2003. Once employees reach a minimum vesting period of ten years, non-hazardous employees whose participation began on or after July 1, 2003 earn \$10 per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. Hazardous employees whose participation began on or after July 1, 2003 earn \$15 per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. Upon death of a hazardous employee, the employee's spouse receives \$10 per month for insurance benefits for each year of the deceased employee's earned hazardous service. This dollar amount is subject to adjustment annually, which is currently 1.5%, based upon Kentucky Revised Statutes. This benefit is not protected under the inviolable contract provisions of Kentucky Revised Statute 16.652, 61.692, and 78.852. The Kentucky General Assembly reserves the right to suspend or reduce this benefit if, in its judgment, the welfare of the Commonwealth so demands.

Contributions: The City is required to contribute at an actuarially determined rate. As of June 30, 2019, the City's required contribution rate was 5.26% and 10.47% of annual covered payroll for non-hazardous and hazardous employees, respectively. The contribution requirements of plan members and the City are established and may be amended by the Kentucky Retirement Systems Board of Trustees. Contributions to the Insurance Fund from the City were \$413,996 (not including implicit subsidies reported in the amount of \$86,405) for non-hazardous employees and \$678,821 (not including implicit subsidies reported in the amount of \$(31,802)) for hazardous employees, for total contributions of \$1,092,817 (not including implicit subsidies reported in the amount of \$54,603) for the year ended June 30, 2019. As described in above, Tier 2 and Tier 3 employees contribute 1% of their annual creditable compensation to the Insurance Fund; Tier 1 employees are not required to contribute.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At June 30, 2019, the City reported a liability of \$13,343,155 for its proportionate share of the collective net OPEB liabilities, with \$5,356,091 for non-hazardous OPEB and \$7,987,064 for hazardous OPEB. The collective net OPEB liabilities were measured as of June 30, 2018, and the total OPEB liabilities used to calculate the collective net OPEB liabilities was determined by an actuarial valuation as of June 30, 2017 and rolled-forward using generally accepted actuarial principles. The City's proportion of the collective net OPEB liabilities was based on projections of the City's long-term

CITY OF HENDERSON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS

18. CERS RETIREMENT PLANS, Continued

share of contributions to the OPEB plans relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2018, the City's proportion was 0.301670% for non-hazardous pensions, an increase of 0.007154% from its proportion measured as of June 30, 2017, and 1.120269% for hazardous pensions, an increase of 0.007354% from its proportion measured as of June 30, 2017.

The following is a summary of the City's CERS net OPEB liability:

	<u>Net OPEB Liability</u>
City of Henderson:	
Non-Hazardous	\$ 5,356,091
Hazardous	<u>7,987,064</u>
Total City of Henderson	<u><u>\$ 13,343,155</u></u>
Component Units:	
Henderson Municipal Power & Light	<u>\$ 2,111,330</u>
Henderson Water Utility	<u><u>\$ 2,897,354</u></u>

For the year ended June 30, 2019, the City recognized OPEB expense of \$2,008,469, which consists of \$560,490 for non-hazardous OPEB and \$1,447,979 for hazardous OPEB. At June 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 1,516,760
Changes of assumptions	3,520,700	34,223
Net difference between projected and actual investment earnings on pension plan investments	-	1,128,243
Changes in proportion and differences between City contributions and proportional share of contributions	80,099	13,692
City contributions subsequent to the measurement date	<u>1,147,420</u>	<u>-</u>
Total	<u><u>\$ 4,748,219</u></u>	<u><u>\$ 2,692,918</u></u>

Of the total amount reported as deferred outflows of resources related to OPEB, \$1,147,420 resulting from City contributions subsequent to the measurement date and before the end of the fiscal year will be included as a reduction of the collective net OPEB liabilities in the year ended June 30, 2020. Other amounts reported as deferred

CITY OF HENDERSON, KENTUCKY

NOTES TO FINANCIAL STATEMENTS

18. CERS RETIREMENT PLANS, Continued

outflows of resources and deferred inflows of resources related to OPEB will be recognized in the City's OPEB expense as follows:

<u>Year Ending June 30:</u>		
2020	\$	510,208
2021		510,208
2022		69,367
2023		(117,121)
2024		(34,058)
Thereafter		(30,723)

Actuarial assumptions: The total pension liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.30%
Payroll Growth Rate	2.00%
Salary Increases	3.05, average
Investment Rate of Return	6.25%
Healthcare Trend Rates	
Pre-65	Initial trend starting at 7.00% at January 1, 2020, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 12 years.
Post-65	Initial trend starting at 5.00% at January 1, 2020, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 10 years.

The mortality table used for active members is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females). For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set back one year for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back four years for males) is used for the period after disability retirement.

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period July 1, 2008 - June 30, 2013.

The long-term expected rate of return was determined by using a building-block method in which best-estimate ranges of expected future real rate of returns are developed for each asset class. The ranges are combined by weighting the expected future real rate of return by the target asset allocation percentage.

CITY OF HENDERSON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS

18. CERS RETIREMENT PLANS, Continued

The target allocation and best estimates or arithmetic real rate of return for each major asset class are summarized in the table below.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. Equity	17.50%	
U.S. Large Cap	5.00%	4.50%
U.S. Mid Cap	6.00%	4.50%
U.S. Small Cap	6.50%	5.50%
Non-U.S. Equity	17.50%	
International Developed	12.50%	6.50%
Emerging Markets	5.00%	7.25%
Global Bonds	4.00%	3.00%
Credit Fixed	24.00%	
Global IG Credit	2.00%	3.75%
High Yield	7.00%	5.50%
EMD	5.00%	6.00%
Illiquid Private	10.00%	8.50%
Private Equity	10.00%	6.50%
Real Estate	5.00%	9.00%
Absolute Return	10.00%	5.00%
Real Return	10.00%	7.00%
Cash	2.00%	1.50%
Total	100%	6.09%

The fully-insured premiums Kentucky Retirement Systems pays for the CERS Health Insurance Plans are blended rates based on the combined experience of active and retired members. Because the average cost of providing health care benefits to retirees under age 65 is higher than the average cost of providing health care benefits to active employees, there is an implicit employer subsidy for the non-Medicare eligible retirees. GASB 75 requires that the liability associated with this implicit subsidy be included in the calculation of the total OPEB liability.

Discount rate: The projection of cash flows used to determine the discount rates of 5.85% for non-hazardous and 5.97% for hazardous assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 25 year (closed) amortization period of the unfunded actuarial accrued liabilities. The discount rate determination used an expected rate of return of 6.25%, and a municipal bond rate of 3.62%, as reported in Fidelity Index's "20-Year Municipal GO AA Index" as of June 30, 2018. Current assets, future contributions, and investment earnings are projected to be sufficient to pay the projected benefit payments from the retirement system. However, the cost associated with the implicit employer subsidy was not included in the calculation of the system's actuarially determined

CITY OF HENDERSON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS

18. CERS RETIREMENT PLANS, Continued

contributions, and any cost associated with the implicit subsidy will not be paid out of the system's trusts. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy.

Sensitivity of the City's proportionate share of the collective net OPEB liabilities to changes in the discount rate: The following presents the City's proportionate share of the collective net OPEB liabilities calculated using discount rates of 5.85% (non-hazardous) and 5.97% (hazardous), as well as what the City's proportionate share of the collective net OPEB liabilities would be if they were calculated using discount rates that are one percentage point lower (4.85% and 4.97%, respectively) or one percentage point higher (6.85% and 6.97%, respectively) than the current rates:

<u>City's proportionate share of the collective net pension liability as of June 30, 2018</u>	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
Non-Hazardous	<u>\$ 6,956,703</u>	<u>\$ 5,356,091</u>	<u>\$ 3,992,662</u>
Hazardous	<u>\$ 11,102,411</u>	<u>\$ 7,987,064</u>	<u>\$ 5,493,146</u>

Sensitivity of the City's proportionate share of the collective net OPEB liabilities to changes in the healthcare cost trend rates: The following presents the City's proportionate share of the collective net OPEB liabilities, as well as what the City's proportionate share of the collective net OPEB liabilities would be if they were calculated using healthcare cost trend rates that are one percentage point lower or one percentage point higher than the current healthcare cost trend rates:

<u>City's proportionate share of the collective net OPED liability as of June 30, 2018</u>	<u>1% Decrease</u>	<u>Current Healthcare Cost Trend Rate</u>	<u>1% Increase</u>
Non-Hazardous	<u>\$ 3,987,663</u>	<u>\$ 5,356,091</u>	<u>\$ 6,969,074</u>
Hazardous	<u>\$ 5,439,576</u>	<u>\$ 7,987,064</u>	<u>\$ 11,142,233</u>

OPEB plan fiduciary net position: Detailed information about the OPEB plans' fiduciary net position is available in the separately issued Kentucky Retirement Systems financial report.

CITY OF HENDERSON, KENTUCKY

NOTES TO FINANCIAL STATEMENTS

19. FUND BALANCE

For governmental funds, fund balance is classified in five categories that comprise a hierarchy based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. The five categories are as follows:

Nonspendable Fund Balance

The nonspendable fund balance classification includes amounts that cannot be spent because they are either 1) not in spendable form, or 2) legally or contractually required to be maintained intact. The nonspendable fund balance of the City consists of amounts not in spendable form such as inventories and prepaids.

Restricted Fund Balance

The restricted fund balance classification is used when constraints placed on the use of resources are externally imposed by creditors (such as debt covenants), grantors, contributors, laws or regulations of other governments, constitutional provisions, or enabling legislation.

Committed Fund Balance

The committed fund balance classification includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the City's highest level of decision making authority, which would be ordinances passed by the Board of Commissioners of the City. Those committed amounts cannot be used for any other purpose unless the Board of Commissioners changes the commitments by ordinance.

Assigned Fund Balance

The assigned fund balance classification includes amounts constrained by the City's intent to be used for specific purposes but are neither restricted nor committed. Intent is expressed by either the Board of Commissioners or the City Manager or any other body or official which they have delegated the authority to assign amounts to be used for a specific purpose.

Unassigned Fund Balance

The unassigned fund balance classification is the residual classification for the General Fund. This classification represents spendable fund balance that has not been restricted, committed, or assigned to specific purposes within the General Fund. The General Fund is the only governmental fund that reports a positive unassigned fund balance.

CITY OF HENDERSON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS

19. FUND BALANCE, Continued

For expenditure purposes, restricted fund balances are considered to be spent first, followed in order by committed, assigned, and unassigned fund balances, respectively.

Governmental fund balances consist of the following classifications as of June 30, 2019:

Fund Balances	General Fund	Debt Service Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable					
Inventories	\$ 45,768	\$ -	\$ -	\$ 17,660	\$ 63,428
Prepaid Expenditures	43,006	-	-	8,733	51,739
	<u>88,774</u>	<u>-</u>	<u>-</u>	<u>26,393</u>	<u>115,167</u>
Restricted					
Debt service	-	467	-	-	467
Capital projects	-	-	33,323,153	-	33,323,153
Tourism	-	-	-	6,888	6,888
Law enforcement	-	-	-	67,903	67,903
	<u>-</u>	<u>467</u>	<u>33,323,153</u>	<u>74,791</u>	<u>33,398,411</u>
Committed					
Major building projects	-	-	-	-	-
Major equipment buys	-	-	-	-	-
Cemetery	-	-	-	-	-
Public works	-	-	-	141,211	141,211
Law enforcement	-	-	-	75,840	75,840
	<u>-</u>	<u>-</u>	<u>-</u>	<u>217,051</u>	<u>217,051</u>
Assigned					
2019 Budget deficit	840,000	-	-	-	840,000
Newman park shelter	200,000	-	-	-	200,000
Recreation/Sports facility	700,000	-	-	-	700,000
Countryview drainage	48,536	-	-	-	48,536
	<u>1,788,536</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,788,536</u>
Unassigned	<u>7,098,072</u>	<u>-</u>	<u>-</u>	<u>(380,430)</u>	<u>6,717,642</u>
Total fund balances	<u>\$ 8,975,382</u>	<u>\$ 467</u>	<u>\$ 33,323,153</u>	<u>\$ (62,195)</u>	<u>\$ 42,236,807</u>

CITY OF HENDERSON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS

20. DEFICIT NET POSITION/FUND BALANCE

The Cemetery and Public Ways Improvement (PWI) Funds had deficit net positions of \$(10,776) and \$(365,664), respectively. These deficits are a result of the timing of reimbursements from the General Fund. The deficit was eliminated during the first month of fiscal year 2020.

21. SUBSEQUENT EVENTS

The City signed a Tax and Revenue Anticipation Note, which will function as a revolving line of credit loan with a local bank on June 25, 2019, for a principal amount of \$2,000,000, at a fixed interest rate of 5.5%, such note to mature on June 6, 2020. To date, the City has not borrowed any funds against this note.

Effective January 1, 2020, the City increased the occupational tax rate for the payroll tax from 1.29% to 1.49% and the net profits tax from 1.0% to 1.49%. The City also enacted a \$3.25 per active water fee for the 911 Fund that is also effective January 1, 2020. The City also increased the sanitation rates from \$17.00 per month to \$19.50, increased commercial sanitation rates by \$5.00 per dumpster per month and increase the gate rate for both the CD&D landfill and transfer station.

**Required Supplementary Information
(other than Management's Discussion and Analysis)**

City of Henderson, Kentucky
Schedule of Required Supplementary Information
County Employees' Retirement System (CERS)
Schedule of the City's Proportionate Share of the Net Pension Liability
For the Fiscal Year Ended June 30, 2019

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Nonhazardous				
City's proportion of the net pension liability	.301681%	0.294516%	0.29481%	0.29407%
City's proportionate share of the net pension liability	\$ 18,373,292	\$ 17,238,927	\$ 15,115,467	\$ 12,643,513
City's covered payroll	\$ 7,870,617	\$ 7,809,738	\$ 7,423,512	\$ 7,306,385
City's proportionate share of the net pension liability as a percentage of its covered payroll	233.44%	220.74%	203.62%	173.05%
Plan fiduciary net position as a percentage of the total pension liability	53.54%	53.30%	55.50%	59.97%
Hazardous				
City's proportion of the net pension liability	1.120206%	1.112915%	1.10195%	1.11358%
City's proportionate share of the net pension liability	\$ 27,091,700	\$ 24,899,008	\$ 19,691,323	\$ 17,094,694
City's covered payroll	\$ 6,477,309	\$ 6,617,453	\$ 6,309,740	\$ 5,984,273
City's proportionate share of the net pension liability as a percentage of its covered payroll	418.26%	376.26%	312.08%	285.66%
Plan fiduciary net position as a percentage of the total pension liability	49.26%	49.80%	53.95%	57.52%

Please read note 17 in notes to financial statements regarding detail information on the City's pension and OPEB plans.

This table will present ten years of information as it becomes available.

City of Henderson, Kentucky
Schedule of Required Supplementary Information
County Employees' Retirement System (CERS)
Schedule of the City's Proportionate Share of the Net OPEB Liability
For the Fiscal Year Ended June 30, 2019

	<u>2019</u>	<u>2018</u>
Nonhazardous		
City's proportion of the net OPEB liability	.301670%	0.294516%
City's proportionate share of the net OPEB liability	\$ 5,356,091	\$ 5,920,779
City's covered payroll	\$ 7,870,617	\$ 7,809,738
City's proportionate share of the net OPEB liability as a percentage of its covered payroll	68.05%	75.81%
Plan fiduciary net position as a percentage of the total OPEB liability	57.62%	52.40%
Hazardous		
City's proportion of the net OPEB liability	1.120269%	1.112915%
City's proportionate share of the net OPEB liability	\$ 7,987,064	\$ 9,200,152
City's covered payroll	\$ 6,477,309	\$ 6,617,453
City's proportionate share of the net OPEB liability as a percentage of its covered payroll	123.31%	139.03%
Plan fiduciary net position as a percentage of the total OPEB liability	64.24%	59.00%

Please read note 17 in notes to financial statements regarding detail information on the City's pension and OPEB plans.

This table will present ten years of information as it becomes available.

City of Henderson, Kentucky
Schedule of Required Supplementary Information
Civil Service Pension Fund
Schedule of Changes in the Net Pension Liability and Related Ratios
For the Fiscal Years Ended June 30, 2019

	2019	2018	2017	2016	2015	2014*
Total Pension Liability						
Service cost	\$ 7,059	n/a	n/a	\$ 4,596	\$ 5,423	\$ 5,277
Interest	49,315	n/a	n/a	69,926	69,155	62,596
Changes of benefit terms	-	n/a	n/a	-	-	-
Differences between expected and actual experience	(119,656)	n/a	n/a	15,113	116,277	22,478
Changes of assumptions*	-	n/a	n/a	-	-	227,405
Benefit Payments	(77,363)	n/a	n/a	(175,554)	(175,297)	(187,307)
Net change in total pension liability	(140,645)	n/a	n/a	(85,919)	15,558	130,449
Total pension liability--beginning	1,024,983	n/a	n/a	1,486,307	1,470,749	1,340,300
Total pension liability--ending (a)	\$ 884,338	n/a	n/a	\$ 1,400,388	\$ 1,486,307	\$ 1,470,749
Plan Fiduciary Net Position						
Contributions---Employer	\$ 73,680	n/a	n/a	\$ 175,316	\$ 170,363	\$ 194,227
Contributions---Employee	2,680	n/a	n/a	2,316	2,363	2,227
Net investment income	-	n/a	n/a	3	3	4
Miscellaneous income	2,022	n/a	n/a	111	191	258
Benefit Payments	(77,363)	n/a	n/a	(175,554)	(175,297)	(181,852)
Administration expenses	-	n/a	n/a	(3,410)	(3,410)	(2,441)
Net change in plan fiduciary net position	1,019	n/a	n/a	(1,218)	(5,787)	12,423
Plan fiduciary net position--beginning	(2,552)	n/a	n/a	(1,334)	4,453	(7,970)
Plan fiduciary net position--ending (b)	\$ (1,533)	n/a	n/a	\$ (2,552)	\$ (1,334)	\$ 4,453
Net Pension Liability (a) - (b)	\$ 885,871	n/a	n/a	\$ 1,402,940	\$ 1,487,641	\$ 1,466,296
Plan fiduciary net position as a percentage of the total pension liability	-0.173%	n/a	n/a	-0.182%	-0.090%	0.303%
Covered employee payroll	\$ 46,259	n/a	n/a	\$ 46,415	\$ 47,357	\$ 44,550
Net Pension Liability as a percentage of covered employee payroll	1915.02%	n/a	n/a	3022.60%	3141.33%	3291.35%

* Mortality assumption updated in 2014 and a 2% COLA was assumed.

Please read note 17 in notes to financial statements regarding detail information on the City's pension and OPEB plans.

This table will present ten years of information as it becomes available.

City of Henderson, Kentucky
Schedule of Required Supplementary Information
Police and Fire Pension Fund
Schedule of Changes in the Net Pension Liability and Related Ratios
For the Fiscal Years Ended June 30, 2019

	2019	2018	2017	2016	2015	2014*
Total Pension Liability						
Service cost	\$ -	n/a	n/a	\$ (3,658)	\$ (3,720)	\$ -
Interest	175,064	n/a	n/a	183,171	187,904	168,112
Changes of benefit terms	-	n/a	n/a	-	-	-
Differences between expected and actual experience	(26,054)	n/a	n/a	(38,869)	85,141	(138,211)
Changes of assumptions*	-	n/a	n/a	-	-	866,643
Benefit Payments	(352,211)	n/a	n/a	(382,823)	(392,484)	(411,006)
Net change in total pension liability	(203,201)	n/a	n/a	(242,179)	(123,159)	485,538
Total pension liability--beginning	4,552,709	n/a	n/a	4,770,687	4,893,846	4,408,308
Total pension liability--ending (a)	\$ 4,349,508	n/a	n/a	\$ 4,528,508	\$ 4,770,687	\$ 4,893,846
Plan Fiduciary Net Position						
Contributions---Employer	\$ 352,000	n/a	n/a	\$ 386,000	\$ 399,000	\$ 412,000
Contributions---Employee	-	n/a	n/a	-	-	-
Net investment income	-	n/a	n/a	2	2	5
Miscellaneous income	16	n/a	n/a	188	370	360
Benefit Payments	(352,211)	n/a	n/a	(382,823)	(392,484)	(416,461)
Administration expenses	-	n/a	n/a	(3,658)	(3,720)	(2,782)
Net change in plan fiduciary net position	(195)	n/a	n/a	(291)	3,168	(6,878)
Plan fiduciary net position--beginning	(3,432)	n/a	n/a	(9,279)	(12,447)	(5,569)
Plan fiduciary net position--ending (b)	\$ (3,627)	n/a	n/a	\$ (9,570)	\$ (9,279)	\$ (12,447)
Net Pension Liability (a) - (b)	\$ 4,353,135	n/a	n/a	\$ 4,538,078	\$ 4,779,966	\$ 4,906,293
Plan fiduciary net position as a percentage of the total pension liability	-0.083%	n/a	n/a	-0.211%	-0.195%	-0.254%
Covered employee payroll	\$ -	n/a	n/a	\$ -	\$ -	\$ -
Net Pension Liability as a percentage of covered employee payroll	n/a	n/a	n/a	n/a	n/a	n/a

* Mortality assumption updated in 2014 and a 2% COLA was assumed

Please read note 17 in notes to financial statements regarding detail information on the City's pension and OPEB plans.

This table will present ten years of information as it becomes available.

City of Henderson, Kentucky
Schedule of Required Supplementary Information
County Employees' Retirement System (CERS)
Schedule of Contributions
For the Fiscal Years Ended June 30, 2019

	<u>2019</u>	<u>(A) 2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Contractually required contributions	\$ 2,886,873	\$ 2,579,417	\$ 3,360,738	\$ 3,169,447	\$ 3,252,080	\$ 3,242,764	\$ 3,323,148	\$ 3,262,925	\$ 3,062,824	\$ 2,794,258
Contributions in relation to the contractually required contributions	2,886,873	2,579,417	3,360,738	3,169,447	3,252,080	3,242,764	3,323,148	3,262,925	3,062,824	2,794,258
Contributions deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 14,347,926	\$ 14,427,191	\$ 13,733,252	\$ 13,290,658	\$ 13,090,966	\$ 12,797,289	\$ 12,477,036	\$ 12,782,620	\$ 12,862,645	\$ 12,455,253
Contributions as a percentage of covered payroll	20.12%	17.88%	24.47%	23.85%	24.84%	25.34%	26.63%	25.53%	23.81%	22.43%

Please read note 17 in notes to financial statements regarding detail information on the City's pension and OPEB plans.

(A) 2018 fiscal year begins only pension information.

City of Henderson, Kentucky
Schedule of Required Supplementary Information
County Employees' Retirement System (CERS) OPEB
Schedule of Contributions
For the Fiscal Years Ended June 30, 2019

	<u>2019</u>	<u>2018</u>
Contractually required contributions	\$ 1,092,817	\$ 977,344
Contributions in relation to the contractually required contributions	1,092,817	977,344
Contributions deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 14,347,926	\$ 14,427,191
Contributions as a percentage of covered payroll	7.62%	6.77%

Please read note 17 in notes to financial statements regarding detail information on the City's pension and OPEB plans.

This table will present ten years of information as it becomes available.

City of Henderson, Kentucky
Schedule of Required Supplementary Information
Civil Service Pension Fund
Schedule of Contributions
For the Fiscal Years Ended June 30, 2019

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014*</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Actuarially determined contributions	\$ 76,464	\$ -	\$ -	\$ 105,328	\$ 107,411	\$ 111,630	\$ 127,470	\$ 116,436	\$ 112,188	\$ 99,171
Contributions in relation to the actuarially determined contributions	76,360	-	-	175,316	170,363	194,227	216,307	221,287	152,624	12,586
Contributions deficiency (excess)	<u>\$ 104</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (69,988)</u>	<u>\$ (62,952)</u>	<u>\$ (82,597)</u>	<u>\$ (88,837)</u>	<u>\$ (104,851)</u>	<u>\$ (40,436)</u>	<u>\$ 86,585</u>
Covered payroll	\$ 46,259	\$ -	\$ -	\$ 46,415	\$ 47,357	\$ 44,550	\$ 43,171	\$ 42,867	\$ 36,899	\$ 36,005
Contributions as a percentage of covered payroll	165.07%	n/a	n/a	377.71%	359.74%	435.98%	501.05%	516.22%	413.63%	34.96%

* Mortality assumption updated in 2014 and a 2% COLA was assumed

Please read note 17 in notes to financial statements regarding detail information on the City's pension and OPEB plans.

City of Henderson, Kentucky
Schedule of Required Supplementary Information
Police and Fire Pension Fund
Schedule of Contributions
For the Fiscal Years Ended June 30, 2019

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014*</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Actuarially determined contributions	\$ 337,473	\$ -	\$ -	\$ 355,293	\$ 362,840	\$ 396,671	\$ 401,983	\$ 384,553	\$ 405,070	\$ 385,099
Contributions in relation to the actuarially determined contributions	352,000	-	-	386,000	399,000	412,000	418,000	418,000	424,775	16,083
Contributions deficiency (excess)	<u>\$ (14,527)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (30,707)</u>	<u>\$ (36,160)</u>	<u>\$ (15,329)</u>	<u>\$ (16,017)</u>	<u>\$ (33,447)</u>	<u>\$ (19,705)</u>	<u>\$ 369,016</u>
Covered payroll	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions as a percentage of covered payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

* Mortality assumption updated in 2014 and a 2% COLA was assumed

Please read note 17 in notes to financial statements regarding detail information on the City's pension and OPEB plans.

CITY OF HENDERSON, KENTUCKY

NOTES TO FINANCIAL STATEMENTS

Notes to Required Supplementary Information (RSI) on Pension and OPEB Schedules

County Employees' Retirement System (CERS) Pension Plan and Other Postemployment Benefits (OPEB) Plan

Pension Plan

Changes of benefit terms: The following changes were made by the General Assembly and reflected in the valuation performed as of June 30, 2014:

A cash balance plan was introduced for members whose participation date is on or after January 1, 2014.

Changes of assumptions: There have been no changes in actuarial assumptions since June 30, 2017. In the June 30, 2017 and 2015 actuarial valuations, the following changes in actuarial assumptions were made:

	<u>June 30, 2017</u>	<u>June 30, 2015</u>	<u>Prior Periods</u>
Inflation	2.30%	3.25%	3.50%
Salary Increases	3.05%	4.00%	4.50%
Investment Rate of Return	6.25%	7.50%	7.75%

In the June 30, 2015 actuarial valuation, the mortality table used for active members is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females). For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set back one year for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back four years for males) is used for the period after disability retirement.

For periods prior to the June 30, 2015 actuarial valuation, the rates of mortality for the period after service retirement are according to the 1983 Group Annuity Mortality Table for all retired members and beneficiaries as of June 30, 2006 and

CITY OF HENDERSON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS

Notes to Required Supplementary Information (RSI) on Pension and OPEB Schedules - continued

County Employees' Retirement System (CERS) Pension Plan and Other Postemployment Benefits (OPEB) Plan – continued

the 1994 Group Annuity Mortality Table for all other members. The Group Annuity Mortality Table set forward five years was used for the period after disability retirement.

Other Postemployment Benefits Plan

Changes in benefit terms: None.

Changes in Assumptions: In the June 30, 2018 and 2017 actuarial valuations, the following changes in actuarial assumptions were made:

	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>Prior Periods</u>
Inflation	2.30%	2.35%	3.25%
Payroll Growth	2.00%	2.00%	4.00%
Investment Rate of Return	6.25%	6.25%	7.70%
Single Discount Rate	5.85%	5.84%	6.89%

Civil Service Pension Fund (CSPP) and Police and Fire Pension Fund (PFPP)

1. The total pension liabilities are based on full actuarial valuation reports of GASB updates as of the end of each fiscal year. Full actuarial valuation reports and GASB updates have been prepared every third year.
2. Information as of the latest actuarial valuations:

	<u>CSPP</u>	<u>PFPP</u>
Valuation Date	June 30, 2019	June 30, 2019
Actuarial cost method	Entry age	Entry age
Amortization method	Level dollar	Level dollar
Remaining amortization period	20 years	20 Years

CITY OF HENDERSON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS

Notes to Required Supplementary Information (RSI) on Pension and OPEB Schedules - continued

County Employees' Retirement System (CERS) Pension Plan and Other Postemployment Benefits (OPEB) Plan – continued

2. Information as of the latest actuarial valuations - continued:

	<u>CSPP</u>	<u>PFPP</u>
Asset valuation method	Market value	Market value
Actuarial assumptions:		
Investment rate of return	5.0%	4.0%
Inflation rate	None	None
Projected salary increases	2.0%	N/A
Cost of living adjustment	2.0%	N/A

3. Changes of assumptions:

CSPP – none

PFPP – none

4. Components of change in total pension liabilities:

- a. CSPP: service cost is \$7,059 for June 30, 2019. PFPP: service cost is zero since there are no active plan members accruing benefits.
- b. Interest component of change in total pension liability reflects interest rate used in developing total pension liability as of beginning of the fiscal year.
- c. Changes in benefit terms reflects impact of cost-of-living increases from the previous year benefit amounts.
- d. Changes in assumptions reflects impact of changes in valuation interest and/or mortality assumptions from the prior year.

Nonmajor Governmental Funds

Nonmajor Governmental Funds

The nonmajor governmental funds of the City consist of eight special revenue funds as described below. This subsection contains combining financial statements whereby the special revenue funds are combined to present total amounts for the nonmajor governmental funds. Also presented are budget and actual schedules for the special revenue funds.

Special Revenue Funds

Special revenue funds are used to account for specific revenues that are restricted to expenditure for particular purposes.

Cemetery	The Cemetery Fund accounts for the funds used to operate the City's two cemeteries, Fernwood and Fairmont.
PWI	The Public Way Improvement Fund accounts for funds that finance public works projects.
HART	The Henderson Area Rapid Transit Fund accounts for funds that operate the City bus system.
911	The Emergency Communications Fund accounts for funds that operate the 911 emergency communications system.
Tourist Commission	The Tourist Commission Fund accounts for the transient hotel and motel tax that is collected by the City and then sent to the Tourist Commission.
CDBG	The Community Development Block Grant Fund accounts for federal grant money used to rehabilitate low income housing and public facilities.
HOME	The HOME Fund accounts for grants used similar to the CDBG Fund except that the funds are provided through an agency of the Commonwealth of Kentucky.
Police Investigation	The Police Investigation Fund accounts for funds from property sold seized from criminal activities and expended on law enforcement activities.

Also included at the end of this section are budget and actual schedules for the Debt Service Fund and the Capital Projects Fund.

City of Henderson, Kentucky
Combining Balance Sheet
Special Revenue Funds
June 30, 2019

	Cemetery	PWI	HART	911	Tourist Commission	CDBG	HOME	Police Investigation	Totals
ASSETS									
Cash	\$ 4,370	\$ 619	\$ 856	\$ 1,212	\$ 6,888	\$ -	\$ -	\$ -	\$ 13,945
Receivables	661	95,671	225,395	110,685	-	139,688	-	-	572,100
Prepaid Expenditures	783	3,207	4,576	167	-	-	-	-	8,733
Inventories	-	-	17,660	-	-	-	-	-	17,660
Restricted assets:									
Cash	-	-	-	-	-	-	-	210,006	210,006
Total assets	\$ 5,814	\$ 99,497	\$ 248,487	\$ 112,064	\$ 6,888	\$ 139,688	\$ -	\$ 210,006	\$ 822,444
LIABILITIES									
Accounts payable	\$ 8,101	\$ 434,703	\$ 34,261	\$ 6,112	\$ -	\$ 89,688	\$ -	\$ 142,103	\$ 714,968
Accrued wages	7,290	19,170	29,758	30,112	-	-	-	-	86,330
Due to other funds	1,199	11,288	20,854	-	-	50,000	-	-	83,341
Total liabilities	16,590	465,161	84,873	36,224	-	139,688	-	142,103	884,639
FUND BALANCES									
Nonspendable	783	3,207	22,236	167	-	-	-	-	26,393
Restricted	-	-	-	-	6,888	-	-	67,903	74,791
Committed	-	-	141,378	75,673	-	-	-	-	217,051
Unassigned	(11,559)	(368,871)	-	-	-	-	-	-	(380,430)
Total fund balances	(10,776)	(365,664)	163,614	75,840	6,888	-	-	67,903	(62,195)
Total liabilities and fund balances	\$ 5,814	\$ 99,497	\$ 248,487	\$ 112,064	\$ 6,888	\$ 139,688	\$ -	\$ 210,006	\$ 822,444

City of Henderson, Kentucky
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Special Revenue Funds
For the Fiscal Year Ended June 30, 2019

	Cemetery	PWI	HART	911	Tourist Commission	CDBG	HOME	Police Investigation	Totals
REVENUES									
Taxes	\$ -	\$ -	\$ -	\$ -	\$ 143,765	\$ -	\$ -	\$ -	\$ 143,765
Intergovernmental	-	605,662	786,002	368,015	-	199,981	18,370	68,577	2,046,607
Service charges and fees	213,319	99,031	30,921	551,038	-	-	-	-	894,309
Investment income	134	751	1,228	605	42	-	-	4,700	7,460
Miscellaneous	95	-	18,673	-	-	-	-	-	18,768
Total revenues	213,548	705,444	836,824	919,658	143,807	199,981	18,370	73,277	3,110,909
EXPENDITURES									
Administration	-	-	-	-	136,919	199,981	18,370	-	355,270
Parks and recreation	425,747	-	-	-	-	-	-	-	425,747
Police	-	-	-	1,325,718	-	-	-	47,280	1,372,998
Public works	-	1,744,040	1,310,876	-	-	-	-	-	3,054,916
Capital outlays	-	-	326,043	202,984	-	-	-	-	529,027
Total expenditures	425,747	1,744,040	1,636,919	1,528,702	136,919	199,981	18,370	47,280	5,737,958
Excess (deficiency) of revenues over expenditures	(212,199)	(1,038,596)	(800,095)	(609,044)	6,888	-	-	25,997	(2,627,049)
OTHER FINANCING SOURCES									
Transfers in from General Fund	200,000	839,000	752,000	616,000	-	-	-	-	2,407,000
Total other financing sources	200,000	839,000	752,000	616,000	-	-	-	-	2,407,000
Net change in fund balances	(12,199)	(199,596)	(48,095)	6,956	6,888	-	-	25,997	(220,049)
Fund balances, beginning of year	1,423	(166,068)	211,709	68,884	-	-	-	41,906	157,854
Fund balances, end of year	\$ (10,776)	\$ (365,664)	\$ 163,614	\$ 75,840	\$ 6,888	\$ -	\$ -	\$ 67,903	\$ (62,195)

City of Henderson, Kentucky
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Cemetery Fund
For the Fiscal Year Ended June 30, 2019

	<u>Budget</u>			<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Final Budget</u>
REVENUES				
Intergovernmental	\$ -	\$ -	\$ -	\$ -
Service charges and fees	247,000	247,000	213,319	(33,681)
Investment income	-	-	134	134
Miscellaneous	-	-	95	95
Total revenues	<u>247,000</u>	<u>247,000</u>	<u>213,548</u>	<u>(33,452)</u>
EXPENDITURES				
Administration	-	-	-	-
Parks and recreation	416,000	416,000	425,747	(9,747)
Police	-	-	-	-
Public works	-	-	-	-
Capital outlays	-	-	-	-
Total expenditures	<u>416,000</u>	<u>416,000</u>	<u>425,747</u>	<u>(9,747)</u>
Excess (deficiency) of revenues over expenditures	<u>(169,000)</u>	<u>(169,000)</u>	<u>(212,199)</u>	<u>(43,199)</u>
OTHER FINANCING SOURCES				
Transfers in from General Fund	169,000	169,000	200,000	31,000
Total other financing sources	<u>169,000</u>	<u>169,000</u>	<u>200,000</u>	<u>31,000</u>
Net change in fund balance	-	-	(12,199)	(12,199)
Fund balance, beginning of year	<u>1,423</u>	<u>1,423</u>	<u>1,423</u>	<u>-</u>
Fund balance, end of year	<u>\$ 1,423</u>	<u>\$ 1,423</u>	<u>\$ (10,776)</u>	<u>\$ (12,199)</u>

City of Henderson, Kentucky
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Public Way Improvement (PWI) Fund
For the Fiscal Year Ended June 30, 2019

	<u>Budget</u>			<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Final Budget</u>
REVENUES				
Intergovernmental	\$ 588,000	\$ 588,000	\$ 605,662	\$ 17,662
Service charges and fees	96,000	96,000	99,031	3,031
Investment income	-	-	751	751
Miscellaneous	-	-	-	-
Total revenues	<u>684,000</u>	<u>684,000</u>	<u>705,444</u>	<u>21,444</u>
EXPENDITURES				
Administration	-	-	-	-
Parks and recreation	-	-	-	-
Police	-	-	-	-
Public works	1,909,000	1,909,000	1,744,040	164,960
Capital outlays	-	-	-	-
Total expenditures	<u>1,909,000</u>	<u>1,909,000</u>	<u>1,744,040</u>	<u>164,960</u>
Excess (deficiency) of revenues over expenditures	<u>(1,225,000)</u>	<u>(1,225,000)</u>	<u>(1,038,596)</u>	<u>186,404</u>
OTHER FINANCING SOURCES				
Transfers in from General Fund	<u>1,225,000</u>	<u>1,225,000</u>	<u>839,000</u>	<u>(386,000)</u>
Total other financing sources	<u>1,225,000</u>	<u>1,225,000</u>	<u>839,000</u>	<u>(386,000)</u>
Net change in fund balance	-	-	(199,596)	(199,596)
Fund balance, beginning of year	<u>(166,068)</u>	<u>(166,068)</u>	<u>(166,068)</u>	<u>-</u>
Fund balance, end of year	<u>\$ (166,068)</u>	<u>\$ (166,068)</u>	<u>\$ (365,664)</u>	<u>\$ (199,596)</u>

City of Henderson, Kentucky
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Henderson Area Rapid Transit (HART) Fund
For the Fiscal Year Ended June 30, 2019

	<u>Budget</u>			<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Final Budget</u>
REVENUES				
Intergovernmental	\$ 1,260,000	\$ 1,260,000	\$ 786,002	\$ (473,998)
Service charges and fees	30,000	30,000	30,921	921
Investment income	-	-	1,228	1,228
Miscellaneous	-	-	18,673	18,673
Total revenues	<u>1,290,000</u>	<u>1,290,000</u>	<u>836,824</u>	<u>(453,176)</u>
EXPENDITURES				
Administration	-	-	-	-
Parks and recreation	-	-	-	-
Police	-	-	-	-
Public works	1,459,500	1,459,500	1,310,876	148,624
Capital outlays	306,500	446,500	326,043	120,457
Total expenditures	<u>1,766,000</u>	<u>1,906,000</u>	<u>1,636,919</u>	<u>269,081</u>
Excess (deficiency) of revenues over expenditures	<u>(476,000)</u>	<u>(616,000)</u>	<u>(800,095)</u>	<u>(184,095)</u>
OTHER FINANCING SOURCES				
Transfers in from General Fund	476,000	616,000	752,000	136,000
Total other financing sources	<u>476,000</u>	<u>616,000</u>	<u>752,000</u>	<u>136,000</u>
Net change in fund balance	-	-	(48,095)	(48,095)
Fund balance, beginning of year	<u>211,709</u>	<u>211,709</u>	<u>211,709</u>	<u>-</u>
Fund balance, end of year	<u>\$ 211,709</u>	<u>\$ 211,709</u>	<u>\$ 163,614</u>	<u>\$ (48,095)</u>

City of Henderson, Kentucky
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Emergency Communications (911) Fund
For the Fiscal Year Ended June 30, 2019

	<u>Budget</u>			<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Final Budget</u>
REVENUES				
Intergovernmental	\$ 201,000	\$ 368,500	\$ 368,015	\$ (485)
Service charges and fees	580,000	580,000	551,038	(28,962)
Investment income	-	-	605	605
Miscellaneous	-	-	-	-
Total revenues	781,000	948,500	919,658	(28,842)
EXPENDITURES				
Administration	-	-	-	-
Parks and recreation	-	-	-	-
Police	1,360,000	1,360,000	1,325,718	34,282
Public works	-	-	-	-
Capital outlays	26,000	201,000	202,984	(1,984)
Total expenditures	1,386,000	1,561,000	1,528,702	32,298
Excess (deficiency) of revenues over expenditures	(605,000)	(612,500)	(609,044)	3,456
OTHER FINANCING SOURCES				
Transfers in from General Fund	605,000	612,500	616,000	3,500
Total other financing sources	605,000	612,500	616,000	3,500
Net change in fund balance	-	-	6,956	6,956
Fund balance, beginning of year	68,884	68,884	68,884	-
Fund balance, end of year	\$ 68,884	\$ 68,884	\$ 75,840	\$ 6,956

City of Henderson, Kentucky
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Tourist Commission Fund
For the Fiscal Year Ended June 30, 2019

	<u>Budget</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes	\$ 155,000	\$ 155,000	\$ 143,765	\$ (11,235)
Intergovernmental	-	-	-	-
Service charges and fees	-	-	-	-
Investment income	-	-	42	42
Miscellaneous	-	-	-	-
Total revenues	<u>155,000</u>	<u>155,000</u>	<u>143,807</u>	<u>(11,193)</u>
EXPENDITURES				
Administration	155,000	155,000	136,919	18,081
Parks and recreation	-	-	-	-
Police	-	-	-	-
Public works	-	-	-	-
Capital outlays	-	-	-	-
Total expenditures	<u>155,000</u>	<u>155,000</u>	<u>136,919</u>	<u>18,081</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>-</u>	<u>6,888</u>	<u>6,888</u>
OTHER FINANCING SOURCES				
Transfers in from General Fund	-	-	-	-
Total other financing sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	-	-	6,888	6,888
Fund balance, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,888</u>	<u>\$ 6,888</u>

City of Henderson, Kentucky
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Community Development Block Grant (CDBG) Fund
For the Fiscal Year Ended June 30, 2019

	<u>Budget</u>			<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Final Budget</u>
REVENUES				
Intergovernmental	\$ 365,000	\$ 365,000	\$ 199,981	\$ (165,019)
Service charges and fees	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
Total revenues	<u>365,000</u>	<u>365,000</u>	<u>199,981</u>	<u>(165,019)</u>
EXPENDITURES				
Administration	365,000	365,000	199,981	165,019
Parks and recreation	-	-	-	-
Police	-	-	-	-
Public works	-	-	-	-
Capital outlays	-	-	-	-
Total expenditures	<u>365,000</u>	<u>365,000</u>	<u>199,981</u>	<u>165,019</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
OTHER FINANCING SOURCES				
Transfers in from General Fund	-	-	-	-
Total other financing sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	-	-	-	-
Fund balance, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, end of year	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

City of Henderson, Kentucky
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
HOME Fund
For the Fiscal Year Ended June 30, 2019

	<u>Budget</u>			<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Final Budget</u>
REVENUES				
Intergovernmental	\$ 24,000	\$ 24,000	\$ 18,370	\$ (5,630)
Service charges and fees	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
Total revenues	<u>24,000</u>	<u>24,000</u>	<u>18,370</u>	<u>(5,630)</u>
EXPENDITURES				
Administration	24,000	24,000	18,370	5,630
Parks and recreation	-	-	-	-
Police	-	-	-	-
Public works	-	-	-	-
Capital outlays	-	-	-	-
Total expenditures	<u>24,000</u>	<u>24,000</u>	<u>18,370</u>	<u>5,630</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
OTHER FINANCING SOURCES				
Transfers in from General Fund	-	-	-	-
Total other financing sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

City of Henderson, Kentucky
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Police Investigation Fund
For the Fiscal Year Ended June 30, 2019

	<u>Budget</u>			<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Final Budget</u>
REVENUES				
Intergovernmental	\$ 5,800	\$ 5,800	\$ 68,577	\$ 62,777
Service charges and fees	-	-	-	-
Investment income	1,200	1,200	4,700	3,500
Miscellaneous	-	-	-	-
Total revenues	<u>7,000</u>	<u>7,000</u>	<u>73,277</u>	<u>66,277</u>
EXPENDITURES				
Administration	-	-	-	-
Parks and recreation	-	-	-	-
Police	53,000	53,000	47,280	5,720
Public works	-	-	-	-
Capital outlays	-	-	-	-
Total expenditures	<u>53,000</u>	<u>53,000</u>	<u>47,280</u>	<u>5,720</u>
Excess (deficiency) of revenues over expenditures	<u>(46,000)</u>	<u>(46,000)</u>	<u>25,997</u>	<u>71,997</u>
OTHER FINANCING SOURCES				
Transfers in from General Fund	-	-	-	-
Total other financing sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	(46,000)	(46,000)	25,997	71,997
Fund balance, beginning of year	<u>41,906</u>	<u>41,906</u>	<u>41,906</u>	<u>-</u>
Fund balance, end of year	<u><u>\$ (4,094)</u></u>	<u><u>\$ (4,094)</u></u>	<u><u>\$ 67,903</u></u>	<u><u>\$ 71,997</u></u>

City of Henderson, Kentucky
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Debt Service Fund
For the Fiscal Year Ended June 30, 2019

	<u>Budget</u>			<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Final Budget</u>
REVENUES				
Intergovernmental	\$ 849,000	\$ 849,000	\$ 848,167	\$ (833)
Investment income	-	-	7,194	7,194
Miscellaneous	-	-	-	-
Total revenues	<u>849,000</u>	<u>849,000</u>	<u>855,361</u>	<u>6,361</u>
EXPENDITURES				
Debt service:				
Principal	3,445,000	3,445,000	3,445,000	-
Interest	1,319,000	1,319,000	1,317,605	1,395
Total expenditures	<u>4,764,000</u>	<u>4,764,000</u>	<u>4,762,605</u>	<u>1,395</u>
Excess (deficiency) of revenues over expenditures	<u>(3,915,000)</u>	<u>(3,915,000)</u>	<u>(3,907,244)</u>	<u>7,756</u>
OTHER FINANCING SOURCES				
Transfers in	3,915,000	3,915,000	3,906,840	(8,160)
Total other financing sources	<u>3,915,000</u>	<u>3,915,000</u>	<u>3,906,840</u>	<u>(8,160)</u>
Net change in fund balance	-	-	(404)	(404)
Fund balance, beginning of year	<u>871</u>	<u>871</u>	<u>871</u>	<u>-</u>
Fund balance, end of year	<u>\$ 871</u>	<u>\$ 871</u>	<u>\$ 467</u>	<u>\$ (404)</u>

City of Henderson, Kentucky
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Capital Projects Fund
For the Fiscal Year Ended June 30, 2019

	<u>Budget</u>			<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Final Budget</u>
REVENUES				
Intergovernmental	\$ 821,000	\$ 1,256,000	\$ 1,142,623	\$ (113,377)
Investment income	-	-	16,708	(16,708)
Miscellaneous	-	500,000	437,423	(62,577)
Total revenues	<u>821,000</u>	<u>1,756,000</u>	<u>1,596,754</u>	<u>(192,662)</u>
EXPENDITURES				
Public works	-	450,000	95,730	354,270
Distribution to component unit	-	-	953,451	953,451
Capital outlays	2,553,000	3,808,000	1,907,354	1,900,646
Total expenditures	<u>2,553,000</u>	<u>4,258,000</u>	<u>2,956,535</u>	<u>3,208,367</u>
Excess (deficiency) of revenues over expenditures	<u>(1,732,000)</u>	<u>(2,502,000)</u>	<u>(1,359,781)</u>	<u>3,015,705</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	911,000	1,611,000	1,156,493	(454,507)
Transfers out	-	-	(2,321,979)	(2,321,979)
Total other financing sources (uses)	<u>911,000</u>	<u>1,611,000</u>	<u>(1,165,486)</u>	<u>(2,776,486)</u>
Net change in fund balance	(821,000)	(891,000)	(2,525,267)	239,219
Fund balance, beginning of year	<u>35,848,420</u>	<u>35,848,420</u>	<u>35,848,420</u>	<u>-</u>
Fund balance, end of year	<u><u>\$35,027,420</u></u>	<u><u>\$34,957,420</u></u>	<u><u>\$33,323,153</u></u>	<u><u>\$ 239,219</u></u>

STATISTICAL SECTION

Statistical Section

This part of the City of Henderson's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health.

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Financial Trends These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	130
Revenue Capacity These schedules contain information to help the reader assess the City's most significant local revenue sources	136
Debt Capacity These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	146
Demographic and Economic Information These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.	150
Operating Information These schedules contain service and infrastructures data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.	151
Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.	

City of Henderson, Kentucky

General Information

The City

Henderson, originally known as “Red Banks” in reference to the soil along the banks of the Ohio River, was first settled in 1797. By the early 1800s the City had grown to 1,000 inhabitants. The City was incorporated as a town in 1810 and as a City in 1867. In 1922 a commission form of government was adopted, and in 1966 it was replaced by a city manager form of government.

The Henderson area has grown steadily and is known for its friendly people and southern hospitality. Henderson ranks as Kentucky’s 12th largest city in terms of population. Henderson was also the home of four governors and two lieutenant governors.

Location



Henderson is the county seat of Henderson County, Kentucky, and lies on the southern banks of the Ohio River, one of the nation’s major waterways, in the western Kentucky coal field region. Henderson is located 10 miles south of Evansville, Indiana, and is 140 miles north of Nashville, Tennessee, 128 miles southwest of Louisville, Kentucky and 196 miles southeast of St. Louis, Missouri. Henderson sits on a bluff; more than 70 feet above the Ohio River’s low water mark, overlooking the river. For years the local slogan has been “On the Ohio, but never in it”. Henderson nearly 18 square miles and is 400 feet above sea level.

Industry

The Henderson area is home to several diverse industries, attracting major manufacturing and processors in aluminum, coal mining, steel, plastics, and agriculture. Locally produced commodities include aluminum ingot, automotive parts, truck axles and wheels, and poultry products.

Churches

Henderson has more than 60 churches representing many major religious denominations. The county and parochial school systems provide elementary, middle, and secondary school students with a quality education.

Schools

The school systems also have an excellent student-teacher ratio of approximately 14:1. The school system has eight elementary schools, two middle schools, one high school, one alternative school and one early learning (preschool) center.

Henderson Community College, a part of the Kentucky Community and Technical College System, offers two-year Associate of Arts and Science degrees. The College also offers many adult continuing education programs as well as providing support to area businesses and industry through special educational workshops tailored to meet the respective businesses' needs. One such program of note is the Kyndle FAME program, which allows participating students to earn an industry-recognized degree while gaining valuable work experience in a manufacturing company. Murray State University and Lindsey Wilson College have regional campuses located on the Henderson Community College campus.

Medical Facilities

Henderson is fortunate to have an excellent, 192-bed Methodist Health that remains one of Henderson County's largest employers at 1,100 at the Henderson County and Union County campuses. It is a Deaconess Network Affiliate. As part of its commitment to healthcare, Methodist Health manages the city and county ambulance services, services a three-county area with a population of more than 75,000, trains promising doctors through the residency program and offers CT and ultrasounds 24 hours a day. The facility offers general care, surgical procedures, inpatient and outpatients services. Methodist Health also manages the Methodist Physician Group, a team of more than 50 medical professionals. In 2017, Owensboro Health opened a facility on Barret Boulevard that also offers several types of services and specialties. One nursing home as well as a growing number of assisted- and independent-living centers are offered as well as a state-maintained county health department. Serving the medical needs of Henderson citizens are approximately 75 physicians and 15 dentists.

Culture

Available to area citizens are a wide range of recreational and cultural activities. The Henderson area is home to some of the finest duck and goose hunting in the United States, as well as many other outdoor activities.

Audubon State Park is home to the John James Audubon Museum. John James Audubon, the world-renowned wildlife artist, lived in Henderson and operated a business. The museum holds an extensive collection of Audubon's works. The facility hosts visitors from all over the world who come to view Audubon's works and study his life. Lodging and camping accommodations can also be found at the park. The park offers several miles of trails, including a pet-friendly trail. A bridge over a finger of Wilderness Lake was rebuilt in 2019 by volunteers with Pittsburgh Tank & Tower Co. in honor of their centennial year in business. A trail of bronze sculptures based on Audubon bird paintings can be found downtown. In November 2019, the Green River National Wildlife Refuge was efficiently established in Henderson County as only the second National Wildlife Refuge in Kentucky.

Recreation



Municipal parks provide for picnicking, golf, tennis, soccer, swimming, disc golf, sand volleyball, softball and baseball. The Parks system also has a canine park. In late 2016, a loop nature trail was added to a much smaller existing trail at Newman Park to accommodate walkers, hikers and mountain bicycles. For fishermen, several lakes in the area are available, and other water sports may be enjoyed on the Ohio River. The Henderson Parks & Recreation Department won an award in 2017 from the Kentucky Recreation & Parks Society for a collaborative event with community partners that created a Halloween Trick-or-Treat Trail in the East End neighborhood. In 2018 the Parks Department nominated and won a Special Citation Award from KRPS for the creation of the City's first "pocket park" in downtown Henderson known as The Perch. In 2019, The Perch also won an award from the Kentucky Chapter of the American Public Works Association.

Community activities include music, theatre, and visual arts. Cultural activities play a major role in the lives of Hendersonians. The 965-seat Henderson Fine Arts Center located at the Henderson Community College provides quality entertainment with many of the top acts in the United States performing on a regular basis.



The summer is highlighted with the W.C. Handy Blues & Barbecue Festival. The Festival is held to honor the life of W.C. Handy who is known as the "Father of the Blues." Handy lived in Henderson for a period in his life and it was here that he honed his musical skills and received his inspiration to annotate the blues musical form. Many of the top names in jazz and blues perform at the event. The event is ranked as a Top 100 Event in North America and is billed as one of the largest free blues festivals in the United States. The City also hosts two other major summer music festivals: The Sandy Lee Watkins Songwriters Festival and the Bluegrass in the Park Folklife Festival.

Henderson County High School participates in all major team sports offered by the Kentucky High School Athletic Association. The school is continually in contention for state titles in several sports. In the past two years, Henderson County High School has risen to excellence in academic competitions, bringing both the top and runner-up award in the Governor's Cup competition. The Henderson Public Library is one of the finest libraries in the area with well in excess of 112,000 volumes. The library was built in the early 1900s by a grant provided by Andrew Carnegie. The library broke ground on a \$6 million expansion in April 2019 that is currently under construction. It is expected to be completed in 2020. Ellis Park offers live horse racing in the summer and simulcasting nearly year round. New Ellis Park ownership has announced plans for a \$55 million renovation and a 72,000-square-foot expansion that will quadruple the size of the existing historical horse racing gaming area. They also plan to install lights at the track to allow night racing.

Government



Henderson operates under a city manager form of government. The Henderson Board of Commissioners consists of a mayor and four commissioners elected by the citizens on a non-partisan ballot. The mayor is elected for a term of four years, while the commissioners are elected for a term of two years. The mayor and commissioners have equal voting power.

The Commission sets policies that govern the City. It appoints advisory groups that assist in the decision-making process. The city manager is appointed by the Commission and is responsible for the day-to-day operations of the City. The department managers responsible for their various departments report to the city manager. The City of Henderson won the 2017 Community of the Year Award from the Green River Area Development District for work on its Vision Plan. In 2018, third-term Mayor Steve Austin was named Elected Official of the Year by Kentucky League of Cities.

Demographics

Estimated population as of July 1, 2018 28,432

Percent Male 47.9%

Percent Female 52.1%

Race 83.5% White, 10.5% Black or African American, Other 6.0%

Owner-occupied housing unit 49.2%

Median value of owner-occupied housing unit \$120,100

Households 13,283

Population per square mile 1,879.4

High school graduate or higher 84.8%

Bachelor's degree or higher 17.3%

Percentage in civilian labor force 54.8%

Total retail sales (\$1,000s) \$665,230

Per Capita income \$38,069

Source: U.S. Census Bureau

CITY OF HENDERSON
NET POSITION BY COMPONENT
LAST TEN FISCAL YEARS
(accrual basis of accounting)

	2010	2011	2012	2013	2014	2015 (a)	2016	2017	2018 (b)	2019
Governmental activities										
Net investment in capital assets	\$ 22,333,017	\$ 21,669,525	\$ 22,194,236	\$ 23,527,075	\$ 21,513,291	\$ 25,398,204	\$ 23,579,158	\$ 21,576,830	\$ 20,637,291	\$ 20,019,886
Restricted	311,144	228,354	148,196	149,429	113,477	79,117	53,122	45,938	42,777	75,258
Unrestricted	4,659,177	4,643,359	5,163,109	7,635,905	9,193,896	(21,650,658)	(20,955,314)	(24,317,190)	(39,089,460)	(46,716,720)
Total governmental activities net position	<u>\$ 27,303,338</u>	<u>\$ 26,541,238</u>	<u>\$ 27,505,541</u>	<u>\$ 31,312,409</u>	<u>\$ 30,820,664</u>	<u>\$ 3,826,663</u>	<u>\$ 2,676,966</u>	<u>\$ (2,694,422)</u>	<u>\$ (18,409,392)</u>	<u>\$ (26,621,576)</u>
Business-type activities										
Net investment in capital assets	\$ 3,097,074	\$ 3,045,705	\$ 2,911,634	\$ 2,911,911	\$ 3,020,759	\$ 2,869,943	\$ 2,745,162	\$ 2,561,895	\$ 2,700,550	\$ 2,602,642
Unrestricted	3,785,614	3,671,994	3,077,639	3,123,673	3,334,198	4,168,871	4,293,248	5,173,958	5,083,166	5,082,773
Total business-type activities net position	<u>\$ 6,882,688</u>	<u>\$ 6,717,699</u>	<u>\$ 5,989,273</u>	<u>\$ 6,035,584</u>	<u>\$ 6,354,957</u>	<u>\$ 7,038,814</u>	<u>\$ 7,038,410</u>	<u>\$ 7,735,853</u>	<u>\$ 7,783,716</u>	<u>\$ 7,685,415</u>
Primary government										
Net investment in capital assets	\$ 25,430,091	\$ 24,715,230	\$ 25,105,870	\$ 26,438,986	\$ 24,534,050	\$ 28,268,147	\$ 26,324,320	\$ 24,138,725	\$ 23,337,841	\$ 22,622,528
Restricted	311,144	228,354	148,196	149,429	113,477	79,117	53,122	45,938	42,777	75,258
Unrestricted	8,444,791	8,315,353	8,240,748	10,759,578	12,528,094	(17,481,787)	(16,662,066)	(19,143,232)	(34,006,294)	(41,633,947)
Total primary government net position	<u>\$ 34,186,026</u>	<u>\$ 33,258,937</u>	<u>\$ 33,494,814</u>	<u>\$ 37,347,993</u>	<u>\$ 37,175,621</u>	<u>\$ 10,865,477</u>	<u>\$ 9,715,376</u>	<u>\$ 5,041,431</u>	<u>\$ (10,625,676)</u>	<u>\$ (18,936,161)</u>

(a) In fiscal year 2015, the City of Henderson fully implemented GASB 68.

(b) In fiscal year 2018, the City of Henderson fully implemented GASB 75.

CITY OF HENDERSON
CHANGES IN NET POSITION
LAST TEN FISCAL YEARS
(accrual basis of accounting)

	2010	2011	2012	2013	2014	2015 (a)	2016 (b)	2017	2018 (c)	2019
Expenses										
Governmental activities:										
Administration	\$ 5,605,945	\$ 4,481,821	\$ 5,800,427	\$ 4,571,652	\$ 4,919,330	\$ 4,274,319	\$ 5,284,527	\$ 5,079,404	\$ 5,550,719	\$ 6,297,817
Finance (b)	2,452,338	2,663,586	2,715,668	2,522,369	2,599,737	2,576,906	2,282,224	2,532,294	2,484,760	2,797,659
Information technology (b)	-	-	-	-	-	-	770,940	992,304	959,900	1,069,526
Parks and recreation	1,830,649	1,827,515	1,931,317	1,968,902	2,320,197	2,200,256	2,368,382	2,508,094	2,442,957	2,626,211
Police	6,619,669	6,896,751	6,967,663	6,332,611	6,675,677	6,341,357	7,712,111	9,485,562	10,081,379	10,901,246
Fire	5,012,042	5,275,133	5,412,474	5,422,484	5,434,815	5,410,968	6,120,802	7,660,031	7,559,249	8,623,727
Public works (b)	6,466,143	6,715,692	6,739,456	6,660,603	7,055,802	6,967,925	7,308,765	7,946,176	8,641,172	9,110,923
Nondepartmental	1,881,343	2,024,182	2,128,359	2,311,163	2,295,114	2,759,390	2,758,245	2,344,322	1,628,251	2,742,999
Interest on long-term debt	306,503	439,480	750,582	925,391	1,102,740	1,205,808	1,243,936	1,341,150	1,397,534	1,317,605
Total governmental activities expenses	\$ 30,174,632	\$ 30,324,160	\$ 32,445,946	\$ 30,715,175	\$ 32,403,412	\$ 31,736,929	\$ 35,849,932	\$ 39,889,337	\$ 40,745,921	\$ 45,487,713
Business-type activities:										
Gas	\$ 19,015,757	\$ 18,002,896	\$ 14,531,170	\$ 15,508,629	\$ 18,635,805	\$ 15,896,878	\$ 11,943,349	\$ 12,716,926	\$ 13,490,485	\$ 13,705,628
Sanitation	2,607,748	2,816,642	2,962,683	2,911,519	3,450,869	3,256,659	3,530,230	3,155,920	3,327,918	3,472,855
Total business-type activities expenses	\$ 21,623,505	\$ 20,819,538	\$ 17,493,853	\$ 18,420,148	\$ 22,086,674	\$ 19,153,537	\$ 15,473,579	\$ 15,872,846	\$ 16,818,403	\$ 17,178,483
Total primary government expenses	\$ 51,798,137	\$ 51,143,698	\$ 49,939,799	\$ 49,135,323	\$ 54,490,086	\$ 50,890,466	\$ 51,323,511	\$ 55,762,183	\$ 57,564,324	\$ 62,666,196
Program Revenues										
Governmental activities:										
Charges for services										
Administration	\$ 2,269,632	\$ 2,193,280	\$ 2,378,914	\$ 2,129,121	\$ 2,258,509	\$ 3,683,009	\$ 2,481,476	\$ 2,360,009	\$ 2,432,930	\$ 3,006,231
Finance (b)	2,406,292	2,667,698	2,792,566	2,788,812	2,929,809	2,929,770	3,010,323	3,217,470	3,253,519	3,059,589
Parks and recreation	331,928	362,825	280,165	291,143	235,609	307,188	337,411	384,802	348,970	293,799
Public safety	953,804	1,167,236	912,513	862,244	881,418	1,348,379	846,035	860,380	851,850	724,944
Public works (b)	217,809	219,181	140,684	146,817	155,534	689,626	178,372	320,075	237,018	234,674
Operating grants and contributions	2,617,657	3,081,379	3,685,996	3,427,690	3,248,760	2,426,635	3,068,003	2,765,809	3,647,558	3,666,007
Capital grants and contributions	795,477	734,901	2,973,862	3,647,262	630,540	969,748	1,468,973	1,115,868	30,680	1,168,087
Total governmental activities program revenues	\$ 9,592,599	\$ 10,426,500	\$ 13,164,700	\$ 13,293,089	\$ 10,340,179	\$ 12,354,355	\$ 11,390,593	\$ 11,024,413	\$ 10,802,525	\$ 12,153,331

CITY OF HENDERSON
CHANGES IN NET POSITION
LAST TEN FISCAL YEARS
(accrual basis of accounting)

	2010	2011	2012	2013	2014	2015 (a)	2016 (b)	2017	2018 (c)	2019
Business-type activities:										
Charges for services										
Gas	\$ 20,437,945	\$ 19,092,445	\$ 15,287,287	\$ 16,817,749	\$ 20,374,653	\$ 17,832,083	\$ 13,178,911	\$ 14,567,341	\$ 15,234,733	\$ 15,026,345
Sanitation	2,429,609	2,665,082	2,793,255	2,940,533	3,269,514	3,235,220	3,460,515	3,488,812	3,170,350	3,291,264
Operating grants and contributions	-	-	-	93,820	96,160	98,560	101,016	103,536	106,116	158,640
Total business-type activities										
program revenues	\$ 22,867,554	\$ 21,757,527	\$ 18,080,542	\$ 19,852,102	\$ 23,740,327	\$ 21,165,863	\$ 16,740,442	\$ 18,159,689	\$ 18,511,199	\$ 18,476,249
Total primary government										
program revenues	\$ 32,460,153	\$ 32,184,027	\$ 31,245,242	\$ 33,145,191	\$ 34,080,506	\$ 33,520,218	\$ 28,131,035	\$ 29,184,102	\$ 29,313,724	\$ 30,629,580
Net (Expense)Revenue										
Governmental activities	\$ (20,582,033)	\$ (19,897,660)	\$ (19,281,246)	\$ (17,422,086)	\$ (22,063,233)	\$ (19,382,574)	\$ (24,459,339)	\$ (28,864,924)	\$ (29,943,396)	\$ (33,334,382)
Business-type activities	1,244,049	937,989	586,689	1,431,954	1,653,653	2,012,326	1,266,863	2,286,843	1,692,796	1,297,766
Total primary government net expense	\$ (19,337,984)	\$ (18,959,671)	\$ (18,694,557)	\$ (15,990,132)	\$ (20,409,580)	\$ (17,370,248)	\$ (23,192,476)	\$ (26,578,081)	\$ (28,250,600)	\$ (32,036,616)
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes:										
Property	\$ 6,571,652	\$ 6,664,192	\$ 7,177,659	\$ 7,654,195	\$ 7,838,056	\$ 8,137,120	\$ 8,469,519	\$ 8,756,457	\$ 7,528,554	\$ 7,283,786
Payroll and net profits	4,717,128	4,703,133	4,942,815	5,154,559	5,159,531	5,345,370	5,714,865	5,703,639	7,209,671	7,701,986
Insurance	4,301,984	4,136,526	4,203,745	4,519,282	4,580,176	4,741,126	4,932,647	4,961,940	5,216,046	5,383,164
Other	656,896	694,413	810,567	824,073	821,493	828,934	810,732	772,546	984,873	965,270
Distributions from component units	1,644,724	1,644,724	1,644,724	1,644,724	1,644,724	1,644,724	1,644,724	1,644,724	1,644,724	1,644,724
Investment earnings	88,136	86,572	66,039	32,121	127,507	200,201	337,155	50,222	102,067	463,726
Transfers	1,193,000	1,206,000	1,400,000	1,400,000	1,400,000	1,400,000	1,400,000	1,604,008	1,684,000	1,679,542
Total governmental activities	\$ 19,173,520	\$ 19,135,560	\$ 20,245,549	\$ 21,228,954	\$ 21,571,487	\$ 22,297,475	\$ 23,309,642	\$ 23,493,536	\$ 24,369,935	\$ 25,122,198

CITY OF HENDERSON
CHANGES IN NET POSITION
LAST TEN FISCAL YEARS
(accrual basis of accounting)

	2010	2011	2012	2013	2014	2015 (a)	2016 (b)	2017	2018 (c)	2019
Business-type activities:										
Investment earnings	\$ 108,889	\$ 103,022	\$ 84,885	\$ 14,357	\$ 65,720	\$ 71,531	\$ 132,733	\$ 14,608	\$ 39,067	\$ 283,475
Transfers	(1,193,000)	(1,206,000)	(1,400,000)	(1,400,000)	(1,400,000)	(1,400,000)	(1,400,000)	(1,604,008)	(1,684,000)	(1,679,542)
Total business-type activities	\$ (1,084,111)	\$ (1,102,978)	\$ (1,315,115)	\$ (1,385,643)	\$ (1,334,280)	\$ (1,328,469)	\$ (1,267,267)	\$ (1,589,400)	\$ (1,644,933)	\$ (1,396,067)
Total primary government	\$ 18,089,409	\$ 18,032,582	\$ 18,930,434	\$ 19,843,311	\$ 20,237,207	\$ 20,969,006	\$ 22,042,375	\$ 21,904,136	\$ 22,725,002	\$ 23,726,131
Change in Net Position										
Governmental activities:	\$ (1,408,513)	\$ (762,100)	\$ 964,303	\$ 3,806,868	\$ (491,746)	\$ 2,914,901	\$ (1,149,697)	\$ (5,371,388)	\$ (5,573,461)	\$ (8,212,184)
Business-type activities:	159,938	(164,989)	(728,426)	46,311	319,373	683,857	(404)	697,443	47,863	(98,301)
Total primary government	\$ (1,248,575)	\$ (927,089)	\$ 235,877	\$ 3,853,179	\$ (172,373)	\$ 3,598,758	\$ (1,150,101)	\$ (4,673,945)	\$ (5,525,598)	\$ (8,310,485)

(a) In fiscal year 2015, the City of Henderson fully implemented GASB 68.

(b) In fiscal year 2016, the City of Henderson created the Information technology department by splitting it from Finance and moved the Mass transit department into Public Works.

(c) In fiscal year 2018, the City of Henderson fully implemented GASB 75.

CITY OF HENDERSON
FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(modified accrual basis of accounting)

	2010	2011 (a)	2012	2013	2014	2015 (b)	2016	2017	2018 (c)	2019
General Fund										
Reserved	\$ 1,095,872	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	5,932,799									
Nonspendable	-	1,217,335	39,087	32,760	30,340	22,694	26,845	59,912	38,787	88,774
Restricted	-	-	-	-	-	-	-	-	-	-
Committed	-	955,573	1,130,781	2,095,480	2,767,296	2,199,379	2,393,464	1,613,986	250,597	-
Assigned	-	988,500	837,000	1,296,300	2,760,400	4,000,000	5,570,000	3,940,000	4,475,740	1,788,536
Unassigned	-	3,836,690	5,592,998	6,038,346	5,268,321	4,559,662	3,536,794	5,291,247	5,437,612	7,098,072
Total general fund	\$ 7,028,671	\$ 6,998,098	\$ 1	\$ 9,462,886	\$ 10,826,357	\$ 10,781,735	\$ 11,527,103	\$ 10,905,145	\$ 10,202,736	\$ 8,975,382
All Other Governmental Funds										
Reserved, reported in:										
Permanent funds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Capital projects fund	-	-	-	-	-	-	-	-	-	-
Debt service fund	706	-	-	-	-	-	-	-	-	-
Special revenue funds	333,266	-	-	-	-	-	-	-	-	-
Unreserved, reported in:										
Capital projects fund	(1,729,492)	-	-	-	-	-	-	-	-	-
Special revenue funds	474,272	-	-	-	-	-	-	-	-	-
Nonspendable										
Special revenue funds	-	23,120	24,852	26,408	26,023	21,851	16,500	17,200	32,000	26,393
Restricted										
Debt service fund	-	924	69,424	69,605	68,456	66,045	472	988	871	467
Capital projects fund	-	11,702,613	21,172,367	29,958,480	28,596,200	35,230,730	42,266,354	38,496,544	35,923,789	33,229,671
Special revenue funds	-	227,430	78,772	79,824	45,021	13,072	52,650	44,950	41,906	74,791
Committed										
Special revenue funds	-	566,741	300,912	181,774	166,710	119,669	125,332	393,182	250,016	217,051
Assigned	-	-	-	-	-	-	-	-	-	-
Unassigned										
Capital projects fund	-	(380,048)	(652,605)	(265,956)	(44,023)	(2,252,592)	(995,659)	(185,457)	(75,369)	93,482
Special revenue funds	-	(1,800)	(78,470)	(41,509)	(13,884)	(5,977)	(287,758)	(5,275)	(166,068)	(380,430)
Total all other governmental funds	\$ (921,248)	\$ 12,138,980	\$ 20,915,252	\$ 30,008,626	\$ 28,844,503	\$ 33,192,798	\$ 41,177,891	\$ 38,762,132	\$ 36,007,145	\$ 33,261,425

- (a) In fiscal year 2011, the City of Henderson fully implemented GASB 54.
(b) In fiscal year 2015, the City of Henderson fully implemented GASB 68.
(c) In fiscal year 2018, the City of Henderson fully implemented GASB 75.

CITY OF HENDERSON
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(modified accrual basis of accounting)

	2010	2011	2012	2013	2014	2015 (a)	2016 (b)	2017	2018 (c)	2019
Revenues										
Taxes	\$ 16,247,660	\$ 16,198,264	\$ 17,134,786	\$ 18,152,109	\$ 18,399,256	\$ 19,052,550	\$ 19,927,763	\$ 20,194,582	\$ 20,939,144	\$ 21,334,206
Charges for services	1,460,316	1,435,183	1,388,763	1,379,948	1,336,912	1,328,720	1,369,544	1,593,666	1,502,655	1,337,868
Investment income	86,892	85,107	64,712	30,176	126,233	198,706	335,075	46,035	93,654	454,503
Licenses and permits	88,624	102,046	77,643	81,091	84,349	79,519	102,971	77,553	60,556	88,147
Intergovernmental revenue	5,825,278	6,385,784	9,204,912	9,529,693	6,454,880	8,591,517	7,211,517	6,612,022	6,504,428	7,504,614
Distributions from component units	1,644,724	1,644,724	1,644,724	1,644,724	1,644,724	1,644,724	1,644,724	1,644,724	1,644,724	1,644,724
Other	506,111	252,000	275,645	320,790	453,188	277,774	345,365	325,510	376,536	829,686
Total revenues	\$ 25,859,605	\$ 26,103,108	\$ 29,791,185	\$ 31,138,531	\$ 28,499,542	\$ 31,173,510	\$ 30,936,959	\$ 30,494,092	\$ 31,121,697	\$ 33,193,748
Expenditures										
Administration	\$ 2,517,239	\$ 2,627,053	\$ 2,561,360	\$ 2,592,453	\$ 2,437,863	\$ 2,510,126	\$ 2,723,211	\$ 2,608,916	\$ 2,743,063	\$ 2,737,047
Finance (b)	2,426,737	2,610,767	2,620,612	2,503,295	2,582,338	2,663,640	2,240,291	2,234,619	2,242,609	2,335,066
Information technology (b)	-	-	-	-	-	-	741,710	867,454	854,707	832,620
Police	6,353,232	6,706,760	6,841,301	6,145,972	6,466,704	6,657,310	7,360,288	7,771,173	7,933,727	8,184,134
Fire	4,839,389	5,158,381	5,283,159	5,202,648	5,212,349	5,622,438	5,697,252	6,093,779	6,217,793	6,442,754
Public works (b)	4,400,905	4,711,359	4,771,875	4,671,583	5,083,360	5,185,281	5,082,225	5,388,274	5,811,505	5,670,173
Parks & recreation	1,607,810	1,616,671	1,730,432	1,620,578	1,833,413	1,847,588	1,982,046	1,973,263	1,926,574	1,982,867
Non-departmental	1,881,343	2,024,182	2,128,359	2,311,163	2,295,114	2,428,486	2,428,100	2,014,177	1,628,251	2,742,378
Capital outlay	793,698	1,562,152	4,703,361	3,614,507	781,413	6,239,160	5,510,013	7,594,336	2,127,330	3,156,720
Capital contributions to HWU	-	-	1,363,929	264,547	-	-	-	-	-	-
Debt service:										
Principal	358,303	360,000	955,000	1,460,000	1,895,000	1,910,000	2,465,000	3,010,000	3,380,000	3,445,000
Interest	306,503	439,480	750,582	925,391	1,102,740	1,205,808	1,243,936	1,341,150	1,397,534	1,317,605
Other charges	-	27,648	72,175	-	-	-	82,156	59,573	-	-
Total expenditures	\$ 25,485,159	\$ 27,844,453	\$ 33,782,145	\$ 31,312,137	\$ 29,690,294	\$ 36,269,837	\$ 37,556,228	\$ 40,956,714	\$ 36,263,093	\$ 38,846,364
Excess of revenues over (under) expenditures	\$ 374,446	\$ (1,741,345)	\$ (3,990,960)	\$ (173,606)	\$ (1,190,752)	\$ (5,096,327)	\$ (6,619,269)	\$ (10,462,622)	\$ (5,141,396)	\$ (5,652,616)
Other Financing Sources (Uses)										
Transfers in	\$ 2,974,500	\$ 5,686,761	\$ 4,103,218	\$ 4,792,872	\$ 5,850,667	\$ 6,179,785	\$ 6,733,286	\$ 9,964,515	\$ 7,535,161	\$ 8,886,014
Transfers out	(1,781,500)	(4,480,761)	(2,703,218)	(3,392,872)	(4,450,667)	(4,779,785)	(5,333,286)	(8,360,507)	(5,851,161)	(7,206,472)
Insurance recovery	-	-	-	-	-	-	-	155,390	-	-
Bond issuance	-	13,730,000	12,080,000	9,730,000	-	8,000,000	21,100,000	7,795,000	-	-
Bond premium	-	-	-	-	-	-	144,586	140,507	-	-
Bond refundings	-	(1,310,000)	-	-	-	-	(7,995,000)	(2,270,000)	-	-
Sale of land	-	1,145,000	(111,000)	-	-	-	700,144	-	-	-
Total other financing sources (uses)	\$ 1,193,000	\$ 14,771,000	\$ 13,369,000	\$ 11,130,000	\$ 1,400,000	\$ 9,400,000	\$ 15,349,730	\$ 7,424,905	\$ 1,684,000	\$ 1,679,542
Net change in fund balances	\$ 1,567,446	\$ 13,029,655	\$ 9,378,040	\$ 10,956,394	\$ 209,248	\$ 4,303,673	\$ 8,730,461	\$ (3,037,717)	\$ (3,457,396)	\$ (3,973,074)
Debt service as a percentage of noncapital expenditures	2.7%	3.0%	5.9%	8.6%	10.4%	10.4%	11.6%	13.0%	14.0%	13.3%

(a) In fiscal year 2015, the City of Henderson fully implemented GASB 68.

(b) In fiscal year 2016, the City of Henderson created the Information technology department by splitting it from Finance and moved the Mass transit department into Public Works.

(c) In fiscal year 2018, the City of Henderson fully implemented GASB 75.

**CITY OF HENDERSON
GENERAL GOVERNMENTAL TAX REVENUE BY SOURCE
LAST TEN FISCAL YEARS**

Fiscal Year	Total	Real & Personal Property	Insurance Premiums	Payroll	Net Profits	Franchise	Transient	Bank Deposits
2010	\$ 16,247,660	\$ 6,571,652	\$ 4,301,984	\$ 3,946,880	\$ 770,248	\$ 531,854	\$ -	\$ 125,042
2011	16,198,264	6,664,192	4,136,526	4,046,269	656,864	561,308	-	133,105
2012	17,134,786	7,177,659	4,203,745	4,194,962	747,853	677,159	-	133,408
2013	18,152,109	7,654,195	4,519,282	4,265,067	889,492	677,113	-	146,960
2014	18,399,256	7,838,056	4,580,176	4,380,908	778,623	674,160	-	147,333
2015	19,052,550	8,137,120	4,741,126	4,494,725	850,645	679,169	-	149,765
2016	19,927,763	8,469,519	4,932,647	4,825,752	889,113	655,937	-	154,795
2017	20,194,582	8,756,457	4,961,940	4,759,435	944,204	613,404	-	159,142
2018	20,939,144	7,528,554 a)	5,216,046	6,069,475 a)	1,140,196	824,062	-	160,811
2019	21,334,206	7,701,986	5,383,164	6,345,856	937,930	664,753	143,765 b)	156,752

a) In fiscal 2018, the City of Henderson decreased the real estate property tax rate and increased the payroll tax rate.

b) Starting in fiscal 2019, the City of Henderson started collecting the transient tax paid by hotels and motels.

CITY OF HENDERSON
ASSESSED VALUE AND ACTUAL VALUE OF TAXABLE PROPERTY
LAST TEN FISCAL YEARS

(in thousands of dollars)

<u>Fiscal Year</u>	<u>Real Estate (a)</u>	<u>Personal Property (a)</u>	<u>Bank Deposits (b)</u>	<u>Total</u>	<u>Increase over prior year</u>
2010	\$ 1,071,441	\$ 144,539	\$ 510,373	\$ 1,726,353	\$ 78,769
2011	1,079,090	125,452	543,287	1,747,829	21,476
2012	1,095,301	131,246	544,520	1,771,067	23,238
2013	1,101,286	133,508	598,793	1,833,587	62,520
2014	1,107,275	135,468	601,357	1,844,100	10,513
2015	1,121,833	132,314	611,284	1,865,431	21,331
2016	1,139,538	135,349	631,816	1,906,703	41,272
2017	1,153,388	130,693	649,559	1,933,640	68,209
2018	1,186,612	132,218	653,855	1,972,685	107,254
2019	1,207,268	127,823	639,804	1,974,895	68,191

Note: Records of estimated actual value of taxable property are not maintained by the City of Henderson. Assessments on motor vehicles are not included as the State of Kentucky collects the taxes when vehicles are licensed. Franchise taxes are not included as the State of Kentucky collects the taxes.

- a) Source: Henderson County Property Valuation Administrator
- b) Source: Commonwealth of Kentucky, Department of Revenue, Office of Property Valuation

CITY OF HENDERSON, KENTUCKY
DETAIL OF ASSESSED VALUE and ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
LAST TEN FISCAL YEARS

Real Estate

Fiscal Year	Residential Real Estate	Farm Real Estate	Commercial Real Estate	Mobile Home Real Estate	Less: Tax Exempt Property	Other	Total Taxable Real Estate	Total Direct Real Estate Tax Rate Per \$100	Estimated Actual Tax Value
2010	\$ 771,246,458	\$ 2,901,145	\$ 364,428,870	\$ 8,842,981	\$ 75,978,542	\$ -	\$ 1,071,440,912	0.466	\$ 4,992,915
2011	777,522,794	2,901,145	367,906,368	8,668,612	77,908,839	-	1,079,090,080	0.486	5,244,378
2012	784,181,028	3,014,722	379,700,845	6,779,520	78,375,555	-	1,095,300,560	0.521	5,706,516
2013	786,359,573	3,022,322	385,853,285	6,803,920	80,752,738	-	1,101,286,362	0.542	5,968,972
2014	790,818,965	3,012,222	392,059,955	6,809,620	85,425,951	-	1,107,274,811	0.561	6,211,812
2015	798,284,496	3,459,222	399,322,010	6,942,270	86,174,620	-	1,121,833,378	0.577	6,472,979
2016	808,757,469	3,805,200	409,692,048	6,599,470	89,315,951	-	1,139,538,236	0.591	6,734,671
2017	820,224,410	3,798,700	412,467,534	6,796,070	89,898,825	-	1,153,387,889	0.611	7,047,200
2018	834,637,177	3,970,600	430,169,310	7,053,220	92,898,488	-	1,182,931,819	0.490 a)	5,796,366
2019	846,888,705	3,970,600	441,631,675	7,332,020	92,632,916	-	1,207,190,084	0.490	5,915,231

Personal

Fiscal Year	Furniture/Fixtures	Merchant's Inventory	Manufacturer's Finished Goods	Goods Stored in Warehouse	Work In Progress	Other	Total Taxable Personal Property	Total Direct Personal Tax Rate Per \$100	Estimated Actual Tax Value
2010	\$ 57,986,626	\$ 57,503,339	\$ 21,538,243	\$ 1,056,284	\$ 2,457,177	\$ 3,997,125	\$ 144,538,794	0.590	\$ 852,779
2011	56,439,817	53,952,590	11,762,126	152,327	66,739	3,078,617	125,452,216	0.714	895,729
2012	52,850,006	46,594,388	12,820,482	13,737,384	1,385,767	3,858,178	131,246,205	0.743	975,159
2013	52,091,144	53,770,713	12,519,762	8,528,020	1,484,755	5,113,377	133,507,771	0.750	1,001,308
2014	58,999,753	49,515,484	11,812,749	8,088,430	1,490,809	5,560,553	135,467,778	0.750	1,016,008
2015	53,474,994	49,051,206	10,637,920	9,193,298	5,386,945	4,569,319	132,313,682	0.800	1,058,509
2016	57,695,019	50,589,895	9,625,717	10,975,898	809,979	5,652,346	135,348,854	0.813	1,100,386
2017	55,583,102	46,812,665	7,501,029	13,477,271	440,545	6,878,565	130,693,177	0.813	1,062,536
2018	60,086,361	46,751,217	10,217,486	5,520,655	2,173,268	7,469,022	132,218,009	0.813	1,074,932
2019	61,032,122	45,928,909	10,581,107	1,581,190	1,217,750	7,481,691	127,822,769	0.813	1,039,199

Note: Records of estimated actual value of taxable property are not maintained by the City of Henderson.
Assessments on motor vehicles are not included as the State of Kentucky collects the taxes when vehicles are licensed.

a) In fiscal 2018, the Board of Commissioners voted to reduce the real property tax rate and increased the payroll tax rate from 1.0% to 1.29%.

Source: Henderson County Property Valuation Administrator

**CITY OF HENDERSON
PROPERTY TAX RATES
DIRECT AND OVERLAPPING GOVERNMENTS**

LAST TEN FISCAL YEARS

Real property: Direct			Overlapping						Total City Resident
Year	General Fund Operations	City	County Schools	State	County	Library	Health	Extension	
2010	0.4660	0.466	0.477	0.122	0.118	0.063	0.026	0.02300	1.29500
2011	0.4860	0.486	0.500	0.122	0.118	0.069	0.026	0.02500	1.34600
2012	0.5210	0.521	0.517	0.122	0.118	0.074	0.026	0.02700	1.40500
2013	0.5420	0.542	0.530	0.122	0.118	0.078	0.026	0.02700	1.44300
2014	0.5610	0.561	0.529	0.122	0.118	0.078	0.026	0.02700	1.46100
2015	0.5770	0.577	0.530	0.122	0.118	0.083	0.026	0.02700	1.48300
2016	0.5910	0.591	0.585	0.122	0.128	0.087	0.026	0.02900	1.56800
2017	0.6110	0.611	0.588	0.122	0.128	0.092	0.026	0.03102	1.59802
2018	0.4900	0.490	0.612	0.122	0.128	0.097	0.050	0.03269	1.53169
2019	0.4900	0.490	0.631	0.122	0.128	0.102	0.050	0.03269	1.55569

Personal property: Direct			Overlapping						Total City Resident
Year	General Fund Operations	City	County Schools	State	County	Library	Health	Extension	
2010	0.5900	0.590	0.477	0.45	0.175	0.0860	0.026	0.032800	1.836800
2011	0.7140	0.714	0.500	0.45	0.175	0.0993	0.026	0.037600	2.001900
2012	0.7430	0.743	0.517	0.45	0.175	0.1089	0.026	0.041500	2.061400
2013	0.7500	0.750	0.530	0.45	0.175	0.1064	0.026	0.041300	2.078700
2014	0.7500	0.750	0.529	0.45	0.175	0.1064	0.026	0.041300	2.077700
2015	0.8000	0.800	0.530	0.45	0.175	0.1161	0.026	0.041300	2.138400
2016	0.8130	0.813	0.585	0.45	0.184	0.1180	0.026	0.043000	2.219000
2017	0.8130	0.813	0.588	0.45	0.184	0.1177	0.026	0.040605	2.219305
2018	0.8130	0.813	0.612	0.45	0.184	0.1304	0.050	0.044958	2.284358
2019	0.8130	0.813	0.631	0.45	0.184	0.1409	0.050	0.044958	2.313858

Source: Kentucky Department of Revenue

Note: Excluding new property, the City of Henderson cannot increase its property tax revenue by more than 4% annually without a popular referendum. Overlapping rates are those of state, county and local governments that apply to property owners within the City of Henderson.

**CITY OF HENDERSON
AD VALOREM TAX RATES
DIRECT AND OVERLAPPING GOVERNMENTS
PER \$100 OF NET ASSESSED VALUATION
LAST TEN FISCAL YEARS**

Real property: Direct		Overlapping						Total City Resident
Year	City	County Schools	State	County	Library	Health	Extension	
2010	0.466	0.477	0.122	0.118	0.063	0.026	0.02300	1.29500
2011	0.486	0.500	0.122	0.118	0.069	0.026	0.02500	1.34600
2012	0.521	0.517	0.122	0.118	0.074	0.026	0.02700	1.40500
2013	0.542	0.530	0.122	0.118	0.078	0.026	0.02700	1.44300
2014	0.561	0.529	0.122	0.118	0.078	0.026	0.02700	1.46100
2015	0.577	0.530	0.122	0.118	0.083	0.026	0.02700	1.48300
2016	0.591	0.585	0.122	0.128	0.087	0.026	0.02900	1.56800
2017	0.611	0.588	0.122	0.128	0.092	0.026	0.03102	1.59802
2018	0.490	0.612	0.122	0.128	0.097	0.050	0.03269	1.53169
2019	0.490	0.631	0.122	0.128	0.102	0.050	0.03269	1.55569
Personal property:								
2010	0.590	0.477	0.45	0.175	0.0860	0.026	0.032800	1.836800
2011	0.714	0.500	0.45	0.175	0.0993	0.026	0.037600	2.001900
2012	0.743	0.517	0.45	0.175	0.1089	0.026	0.041500	2.061400
2013	0.750	0.530	0.45	0.175	0.1064	0.026	0.041300	2.078700
2014	0.750	0.529	0.45	0.175	0.1064	0.026	0.041300	2.077700
2015	0.800	0.530	0.45	0.175	0.1161	0.026	0.041300	2.138400
2016	0.813	0.585	0.45	0.184	0.1180	0.026	0.043000	2.219000
2017	0.813	0.588	0.45	0.184	0.1177	0.026	0.040605	2.219305
2018	0.813	0.612	0.45	0.184	0.1304	0.050	0.044958	2.284358
2019	0.813	0.631	0.45	0.184	0.1409	0.050	0.044958	2.313858

Source: Kentucky Department of Revenue

**CITY OF HENDERSON, KENTUCKY
TOP TEN TAXPAYERS
LAST TEN FISCAL YEARS**

Company	Type of Tax	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Kentucky Farm Bureau Insurance	Insurance premium tax	\$ 456,374	\$ 486,160	\$ 521,020	\$ 549,560	\$ 547,449	\$ 541,415	\$ 564,029	\$ 578,131	\$ 610,675	\$ 583,796
State Farm Mutual Automobile Insurance	Insurance premium tax	176,025	192,829	225,066	256,612	290,678	326,137	350,240	391,711	427,576	426,436
Commonwealth of Kentucky - Telecom	Franchise tax	316,068	316,044	311,957	307,895	307,879	307,851	307,845	307,824	308,055	314,980
United Healthcare	Insurance premium tax	188,973	177,349	163,636	147,451	179,892	176,361	194,822	209,333	244,231	275,274
State Farm Fire & Casualty Company	Insurance premium tax	127,469	144,505	163,885	211,115	248,677	270,705	276,513	268,028	255,287	261,456
Anthem Insurance Companies	Insurance premium tax	-	-	-	-	-	-	214,939	253,376	225,481	243,332
Spectrum Advance Services	911 tax/Franchise fees	214,889	237,779	232,997	198,050	252,574	234,094	235,406	254,027	245,061	194,596
Cincinnati Insurance Company	Insurance premium tax	127,925	136,640	138,131	156,094	156,791	163,533	-	152,252	159,494	178,322
Big Rivers Electric Corporation	Franchise tax	-	-	172,549	179,717	183,662	193,319	188,673	186,308	165,884	161,302
Progressive Casualty Insurance Company	Insurance premium tax	148,370	123,904	-	-	-	-	-	-	-	150,647
Bellsouth Telecommunications / AT&T	911 tax/Franchise fees	277,972	285,083	281,144	274,277	226,985	196,631	155,924	-	145,204	-
Wal-Mart Stores, Inc.	Property tax/Occupational tax	128,593	146,391	149,148	175,768	161,124	174,231	168,380	158,295	-	-
Total		\$ 2,162,657	\$ 2,246,684	\$ 2,359,533	\$ 2,456,538	\$ 2,555,712	\$ 2,584,277	\$ 2,656,771	\$ 2,759,285	\$ 2,786,947	\$ 2,790,141

**CITY OF HENDERSON , KENTUCKY
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS**

Fiscal Year	Total Tax Levy for Fiscal Year (a)	Collected within the Fiscal Year of the Levy		Collections in subsequent years (b)	Total Collections to Date		Outstanding Tax
		Amount	Percentage of Levy		Amount	Percentage of Levy	
2010	\$ 5,784,176	\$ 5,692,217	98.4%	\$ 75,627	\$ 5,767,844	99.7%	\$ 16,332
2011	6,063,113	5,959,466	98.3%	84,196	6,043,662	99.7%	19,451
2012	6,532,523	6,446,468	98.7%	71,223	6,517,691	99.8%	14,833
2013	6,883,409	6,827,928	99.2%	40,234	6,868,162	99.8%	15,247
2014	7,136,415	7,071,501	99.1%	44,999	7,116,500	99.7%	19,915
2015	7,453,517	7,375,464	99.0%	52,373	7,427,837	99.7%	25,681
2016	7,761,529	7,676,994	98.9%	53,176	7,730,170	99.6%	31,360
2017	8,029,300	7,915,893	98.6%	61,965	7,977,858	99.4%	51,442
2018	6,811,550	6,742,413	99.0%	6,325	6,748,738	99.1%	62,812
2019	6,885,101	6,775,793	98.4%	-	6,775,793	98.4%	109,308

(a) Net of all corrections, additions, and deletions

(b) Collections as of June 30, 2019

**CITY OF HENDERSON, KENTUCKY
NATURAL GAS VOLUME BY CUSTOMER TYPE
LAST TEN CALENDAR YEARS
(all amounts in thousand cubic feet)**

Type of Customer	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Residential	566,728	589,839	519,927	455,233	613,973	623,158	540,243	498,785	554,269	545,812
Commercial	342,366	366,061	341,617	294,765	356,860	391,486	341,309	327,448	303,556	357,183
Industrial	1,967,828	2,165,540	2,202,345	2,160,308	2,296,739	2,339,150	2,273,942	2,218,903	2,158,035	2,250,059
Municipal	6,882	7,543	7,614	5,564	7,806	8,051	6,548	6,872	7,749	10,305
Total Sold	2,883,804	3,128,983	3,071,503	2,915,870	3,275,378	3,361,845	3,162,042	3,052,008	3,023,609	3,163,359
Pipeline distribution use (net of losses)	4,628 a)	2,796	3,201	2,125	2,133	3,687	2,297	1,957	1,158	1,223
Total Disposition	2,888,432	3,131,779	3,074,704	2,917,995	3,277,511	3,365,532	3,164,339	3,053,965	3,024,767	3,164,582

a) The department reported a loss from a ice storm of 2,250.

Source: Gas Department

**CITY OF HENDERSON, KENTUCKY
NATURAL GAS SOLD BY CUSTOMER TYPE
LAST TEN CALENDAR YEARS
(all amounts in thousands)**

<u>Type of Customer</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Residential	\$ 5,925	\$ 6,142	\$ 5,286	\$ 4,356	\$ 4,413	\$ 6,246	\$ 4,800	\$ 4,400	\$ 5,565	\$ 4,971
Commercial	2,967	3,196	2,774	2,105	2,457	3,298	2,340	2,186	2,268	2,623
Industrial	<u>10,524</u>	<u>11,460</u>	<u>10,907</u>	<u>8,294</u>	<u>10,121</u>	<u>12,132</u>	<u>8,499</u>	<u>7,424</u>	<u>8,603</u>	<u>8,634</u>
Total Sold	\$ 19,416 a)	\$ 20,798	\$ 18,967	\$ 14,755	\$ 16,991	\$ 21,676	\$ 15,640	\$ 14,010	\$ 16,435	\$ 16,228

a) Due to the global recession, demand for natural gas decreased and energy prices followed.

Note: The City of Henderson receives its gas free of charge from the gas department.

Source: Gas Department

**CITY OF HENDERSON, KENTUCKY
NATURAL GAS RATES
RESIDENTIAL CUSTOMERS
LAST TEN FISCAL YEARS**

Fiscal Year		Monthly Base Rate	Rate per 1,000 cubic feet
2010		\$ 12.00	\$ 2.25
2011		12.00	2.25
2012		12.00	2.25
2013		12.00	2.25
2014	a)	12.50	2.30
2015		12.50	2.35
2016		12.50	2.40
2017		12.50	2.45
2018	b)	12.50	2.60
2019		12.50	2.60

Source: Gas department

a) On November 26, 2013 the City increased the monthly base rate and the rate per 1,000 cubic feet. The ordinance also allows an increase of \$0.05 per 1,000 cubic feet for fiscal 2015, 2016, and 2017.

b) On December 12, 2017 the City increased the rate per 1,000 cubic feet.

CITY OF HENDERSON

DIRECT and OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT

As of JUNE 30, 2019

Governmental Unit	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable (a)</u>	<u>Estimated Share of Overlapping Debt</u>
Debt repaid with property taxes			
Henderson County Schools (c)	\$ 34,055,027	60.00% (b)	\$ 20,433,016
Henderson County (d)			
Henderson County Public Properties Corp.	7,064,657	60.00% (b)	<u>4,238,794</u>
Subtotal, overlapping debt			\$ 24,671,810
City direct debt			<u>48,160,519</u>
Total direct and overlapping debt			<u><u>\$ 72,832,329</u></u>

Note: This exhibit excludes the debt to be retired by the City's component units through rates. Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the City of Henderson. This process recognizes that, when considering the City's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account.

- a) For debt repaid with property taxes, the percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of another governmental unit's taxable assessed value that is within Henderson's boundaries and dividing it by each unit's total taxable assessed value.
- b) Determined by the ratio of assessed valuation of property subject to taxation in the City of Henderson to the value of property in the overlapping units.
- c) Obtained from Henderson County Board of Education for fiscal year 2018.
- d) Obtained from the Henderson County Treasurer's Office, does not include Judicial Center.

**CITY OF HENDERSON , KENTUCKY
PLEDGED - REVENUE COVERAGE
WATER & SEWER and ELECTRIC COMMISSIONS
LAST TEN FISCAL YEARS
(all amounts in thousands)**

Water and Sewer Revenue Bonds and Debt Owed to the City of Henderson								Electric Revenue Bonds							
Fiscal Year	Utility Operating Revenues	Less: Operating Expenses	Net Available Revenue	Debt Service Requirements				Operating Revenues	Operating Expenses	Net Available Revenue	Debt Service Requirements				
				Principal	Interest	Total	Coverage				Principal	Interest	Total	Coverage	
2010	\$ 14,747	\$ 10,789	\$ 3,958	\$ 763	\$ 613	\$ 1,376	2.88	\$ 53,365	\$ 49,438	\$ 3,927	\$ -	\$ -	\$ -	N/A	
2011	16,108	11,740	4,368	812	696	1,508	2.90	55,426	50,472	4,954	-	-	-	N/A	
2012	15,734	11,883	3,851	1,313	886	2,199	1.75	60,033	57,245	2,788	-	452	452	6.17	
2013	17,025	11,522	5,503	2,513	957	3,470	1.59	64,041	60,662	3,379	570	510	1,080	3.13	
2014	17,732	12,152	5,580	2,250	1,149	3,399	1.64	60,791	56,043	4,748	585	497	1,082	4.39	
2015	17,605	12,094	5,511	2,299	1,214	3,513	1.57	61,128	57,322	3,806	595	486	1,081	3.52	
2016	18,197	13,551	4,646	2,253	1,172	3,425	1.36	60,240	53,075	7,165	610	471	1,081	6.63	
2017	19,058	14,330	4,728	2,746	981	3,727	1.27	67,120	60,189	6,931	620	458	1,078	6.43	
2018	20,687	15,387	5,300	2,254	897	3,151	1.68	63,864	55,792	8,072	630	443	1,073	7.52	
2019	22,090	15,543	6,547	2,330	853	3,183	2.06	51,396	44,725	6,671	650	467	1,117	5.97	

Note: Operating expenses do not include interest, depreciation, or amortization expenses.

**CITY OF HENDERSON , KENTUCKY
RATIOS of OUTSTANDING DEBT by TYPE
LAST TEN FISCAL YEARS**

Year	General Bonded Debt Outstanding	Actual Taxable Value of Property	Percentage of Actual Taxable Value of Property	Population	Per Capita	Other Governmental Activities Debt			Business- Type Activities	Total Primary Government ^{b)}	Per Capita	Per Capita Income	Percentage of Personal Income
	General Obligation Bonds					Bond Anticipation Note	Capital Leases	General Obligation Contracts	Capital Leases				
2010	\$ 4,535,000	\$ 1,726,353,000	0.26%	27,952	\$ 162	\$ 1,583,737	\$ 1,405,000	\$ -	\$ -	\$ 7,523,737	\$ 269	\$ 31,265	0.86%
2011	18,000,000	1,747,829,333	1.03%	28,757	626	-	-	-	-	18,000,000	626	31,265	2.00%
2012	29,125,000	1,771,067,333	1.64%	28,853	1,009	-	-	-	-	29,125,000	1,009	31,265	3.23%
2013	37,395,000	1,833,587,019	2.04%	28,911	1,293	-	-	-	-	37,395,000	1,293	32,311	4.00%
2014	35,500,000	1,844,099,929	1.93%	28,832	1,231	-	-	-	-	35,500,000	1,231	33,351	3.69%
2015	41,590,000	1,865,430,988	2.23%	28,900	1,439	-	-	-	-	41,590,000	1,439	34,958	4.12%
2016	52,230,000	1,906,703,477	2.74%	28,890	1,808	-	-	-	-	52,230,000	1,808	34,671	5.21%
2017	54,745,000	1,933,640,240	2.83%	28,841	1,898	-	-	-	-	54,745,000	1,898	34,879	5.44%
2018	51,365,000	1,972,685,000	2.60%	29,108	1,765	-	-	315,375 ^{c)}	-	51,680,375	1,775	36,794	4.83%
2019	47,920,000	1,974,894,874	2.43%	28,432	1,685	-	-	240,519	-	48,160,519	1,694	38,069	4.45%

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

a) In 2009, the City drew down \$1.6 million of a \$4.0 million bond anticipation note.

b) Includes general bonded debt, other governmental activities debt, and business-type activities debt.

c) In 2018, the City financed police body cameras.

CITY OF HENDERSON, KENTUCKY
GENERAL BONDED DEBT OUTSTANDING and LEGAL DEBT LIMIT
LAST TEN FISCAL YEARS
(in thousands of dollars)

Company	Fiscal Year									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
General Bonded										
General bonded debt outstanding	\$ 4,535	\$ 18,000	\$ 29,125	\$ 37,395	\$ 35,500	\$ 41,590	\$ 52,230	\$ 54,745	\$ 51,365	\$ 47,920
Other bonded debt	1,584	-	-	-	-	-	-	-	-	-
Total bonded debt	6,119	18,000	29,125	37,395	35,500	41,590	52,230	54,745	51,365	47,920
Debt not bonded	\$ 1,405	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 315	\$ 241
Total Debt	\$ 7,524	\$ 18,000	\$ 29,125	\$ 37,395	\$ 35,500	\$ 41,590	\$ 52,230	\$ 54,745	\$ 51,680	\$ 48,161
Estimated actual property value	\$ 1,726,353	\$ 1,747,829	\$ 1,771,067	\$ 1,833,587	\$ 1,844,100	\$ 1,865,431	\$ 1,906,703	\$ 1,933,640	\$ 1,972,685	\$ 1,974,895
Percentage of estimated actual property value	0.44%	1.03%	1.64%	2.04%	1.93%	2.23%	2.74%	2.83%	2.62%	2.44%
Population	27,952	28,757	28,853	28,911	28,832	28,900	28,890	28,841	29,108	28,432
Per capita	\$ 219	\$ 626	\$ 1,009	\$ 1,293	\$ 1,231	\$ 1,439	\$ 1,808	\$ 1,898	\$ 1,765	\$ 1,685
Less: Amounts set aside to repay general debt	1,018	918	1,131	1,725	2,124	1,979	2,024	1,244	251	-
Total net debt applicable to debt limit	\$ 6,506	\$ 17,082	\$ 27,994	\$ 35,670	\$ 33,376	\$ 39,611	\$ 50,206	\$ 53,501	\$ 51,429	\$ 48,161
Legal Debt Limit (a)	\$ 107,144	\$ 107,909	\$ 109,530	\$ 110,129	\$ 110,727	\$ 112,183	\$ 113,954	\$ 115,339	\$ 118,293	\$ 120,719
Remaining debt limit	\$ 100,638	\$ 90,827	\$ 81,536	\$ 74,459	\$ 77,351	\$ 72,572	\$ 63,748	\$ 61,838	\$ 66,864	\$ 72,558
Percentage of remaining net debt limit	93.9%	84.2%	74.4%	67.6%	69.9%	64.7%	55.9%	53.6%	56.5%	60.1%
Percentage of net debt exhausted	6.1%	15.8%	25.6%	32.4%	30.1%	35.3%	44.1%	46.4%	43.5%	39.9%

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

a) – Section 158 of the Kentucky Constitution states that cities, having a population of fifteen thousand or more, shall not incur indebtedness to an amount exceeding 10% on the value of the taxable property therein, to be estimated by the last assessment previous to the incurring of the indebtedness, unless in case of emergency, the public health or safety should so require.

CITY OF HENDERSON, KENTUCKY

DEMOGRAPHIC STATISTICS

LAST TEN FISCAL YEARS

Fiscal Year	(a) Population	(b) Personal Income (thousands of dollars)	(b) Per Capita Income	(c) Median Age	(d) School Enrollment	(b) Unemployment Rate
2010	27,952	\$ 873,919	\$ 31,265	38.2	6,895	10.2%
2011	28,757	899,088	31,265	38.3	6,969	8.9%
2012	28,853	902,089	31,265	38.3	7,546	7.6%
2013	28,911	934,143	32,311	38.3	7,555	8.1%
2014	28,832	961,576	33,351	38.3	7,581	6.9%
2015	28,900	1,010,286	34,958	38.3	7,570	5.0%
2016	28,890	1,001,645	34,671	39.4	7,521	5.1%
2017	28,841	1,005,945	34,879	40.1	7,550	4.9%
2018	29,108	1,071,000	36,794	39.7	7,387	4.4%
2019	28,432	1,082,378	38,069	39.8	7,426	4.4%

Sources:

- a) - Population Division, U.S. Census Bureau
- b) - Bureau of Economic Analysis, U. S. Department of Commerce
- c) - U.S. Census Bureau
- d) - Henderson County Board of Education

CITY OF HENDERSON, KENTUCKY
FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES by FUNCTION / PROGRAM
LAST TEN FISCAL YEARS

Function / Program	Fiscal Year									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
General Government										
Administration	22.50 a	22.50	23.25	24.00	23.00	22.00	23.00	23.00	21.50	21.50
Finance	33.50 a	33.50	32.75	33.00	33.00	32.00	28.00 c	28.00	27.00	27.00
Information Technology							6.00 c	6.00	6.00	6.00
Police										
Officers	60.75 b	60.75	60.75	60.75	61.75	61.75	61.75	61.75	61.75	61.75
Civilians	8.00	8.00	8.00	8.00	8.00	8.00	8.00	8.00	8.00	9.00
9-1-1 Communications	15.25	15.25	15.25	15.25	15.25	15.25	16.25	16.25	16.25	16.25
Fire										
Firefighters	58.00	58.00	58.00	58.00	60.00	60.00	60.00	60.00	60.00	60.00
Civilians	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
Parks and Recreation	13.00	13.00	13.00	13.00	14.00	14.00	14.00	14.00	14.00	14.00
Mass Transit	14.00	14.00	14.00	14.00	14.00	14.00	13.00	13.00	13.00	13.00
Gas System	28.00	28.00	28.00	27.00	26.00	26.00	26.00	26.00	26.00	25.00
Sanitation	18.50	18.50	18.50	18.50	18.50	18.50	18.50	18.50	18.50	17.50
Cemetery	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00
Public Way Improvement	35.50	35.50	35.50	35.50	35.50	35.50	36.50	36.50	37.00	37.00
TOTAL	313.00	313.00	313.00	313.00	315.00	313.00	317.00	317.00	315.00	314.00

Source: Applicable Departments

a) Two positions from Henderson Water Utility were moved to the City.

b) The City received funding from the Community Oriented Policing Service for three police officers.

c) The Information Technology division was removed from Finance and made into a Department.

CITY OF HENDERSON, KENTUCKY
CAPITAL ASSET STATISTICS by FUNCTION / PROGRAM
LAST TEN FISCAL YEARS

Function / Program	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Public Way Improvement (in miles)										
Asphalt streets	113	120	120	120	120	120	120	99.20 c)	99.20	99.20
Concrete streets	-	-	-	-	-	-	-	19.94 c)	19.94	19.94
City sidewalks	73	73	73	73	73	73	73	92.32 c)	92.32	92.32
State sidewalks	-	-	-	-	-	-	-	12.82 c)	12.82	12.82
Private sidewalks	-	-	-	-	-	-	-	5.98 c)	5.98	5.98
Walking trails	-	-	-	-	-	-	-	2.02 c)	2.02	2.02
Bike path	-	-	-	-	-	-	-	0.74 c)	0.74	0.74
Cart path	-	-	-	-	-	-	-	0.71 c)	0.71	0.71
Landfill Operations (in tons)										
CDD - Commercial	-	-	-	-	-	-	-	7,262.28	2,720.92	2,994.27
CDD - City Residents	-	-	-	-	-	-	-	1,909.52	1,826.18	1,832.60
CDD - City Government	-	-	-	-	-	-	-	2,112.29	541.37	680.42
CDD - County Residents	-	-	-	-	-	-	-	1,881.90	1,014.93	900.91
CDD - County Government	-	-	-	-	-	-	-	276.55	44.11	631.92
CDD - Other	-	-	-	-	-	-	-	645.70	103.77	319.30
CDD - Total	15,549	20,261	17,371	20,376	18,135	19,294	13,535	14,088.24	6,251.28	7,359.42
Transfer Station Operations (in tons)										
Solid Waste - Commercial	-	-	-	-	-	-	-	21,339.64	16,790.09	19,679.77
Solid Waste - City Residents	-	-	-	-	-	-	-	1,302.26	1,200.84	849.56
Solid Waste - City Government	-	-	-	-	-	-	-	11,343.67	11,300.38	11,588.96
Solid Waste - County Residents	-	-	-	-	-	-	-	1,239.65	1,278.31	1,355.75
Solid Waste - County Government	-	-	-	-	-	-	-	102.46	107.65	122.40
Solid Waste - Other	-	-	-	-	-	-	-	519.62	713.31	982.22
Solid Waste - Total	21,395	23,617	23,553	24,897	30,823	27,925	35,667	35,847.30	31,390.58	34,578.66
Wastewater System										
Miles of sanitary sewers	205	200	201	201	205	206	202	203	203	204
Miles of storm sewers	136	136	136	51	54	54	55	56	56	57
Number of service connections	10,846	10,884	10,884	10,893	10,862	10,848	10,909	10,856	10,818	11,273
Maximum daily capacity of treatment in 1,000 gallons	19,000	19,000	19,000	19,000	19,000	19,000	19,000	19,000	29,500	29,500
Water System										
Miles of water mains	225	225	225	225	225	225	225	225	221	219
Number of service connections	10,846	10,844	10,844	10,893	10,862	10,862	10,921	10,931	10,899	11,348
Number of fire hydrants	1,030	1,084	1,095	1,112	1,119	1,130	1,134	1,140	1,147	1,150
Maximum daily capacity of plant in 1,000 gallons	16,000	16,000	16,000	16,000	16,000	16,000	16,000	16,000	16,000	16,000
Electric System										
Miles of transmission and primary distribution	208	208	208	208	208	208	209	209	209	209
Number of distribution stations	7	7	7	7	7	7	7	7	7	7

CITY OF HENDERSON, KENTUCKY
CAPITAL ASSET STATISTICS by FUNCTION / PROGRAM
LAST TEN FISCAL YEARS

Function / Program	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Gas System										
Miles of mains	247	249	251	253	254	255	255	255	255	256
Miles of service lines	129	129	138	139	140	139	139	139	139	139
Number of meters	9,532	9,470	9,422	9,421	9,391	9,392	9,367	9,378	9,347	9,346
Parks and Recreation										
Park acreage	231.7	231.7	231.7	231.7	231.7	231.7	232.0	232.0	232.0	232.0
Cemetery acreage	70	70	70	70	70	70	70	70	70	70
Baseball/Softball fields	16	16	16	16	16	16	16	16	16	16
Playgrounds	10	10	10	10	10	11	12	15	15	15
Tennis courts (a)	14	14	14	14	14	12	12	12	12	12
Rental Facilities/Shelters	3	3	3	3	3	3	3	3	3	3
Gymnasiums	1	1	1	1	1	1	1	1	1	1
Sand volleyball courts	1	1	1	1	1	1	1	1	1	1
Swimming pools	1	1	1	1	1	1	1	1	1	1
Golf courses - 9 holes	1	1	1	1	1	1	1	1	1	1
Boat Ramps	3	3	3	3	3	3	3	3	3	3
Soccer fields	4	4	4	4	4	4	4	4	4	4
Interactive water features	1	1	1	1	1	1	1	2	2	2
Walking trails	2	2	2	2	2	3	3	3	3	3
Basketball courts	4	4	4	4	4	4	4	4	4	4
Skate parks (a)	1	1	1	1	1	2	2	2	2	2
Dog runs	-	-	-	-	-	1	1	1	1	1
Disc golf holes (b)	18	18	18	18	18	18	18	18	18	18

Source: Applicable Departments

- a) The City renovated 2 tennis courts into a new skate park in fiscal 2015.
- b) The City added 9 holes of disc golf in fiscal 2009 and expanded it to 18 holes in fiscal 2010.
- c) The City added a new software system that provided more detail information.

CITY OF HENDERSON, KENTUCKY
OPERATING INDICATORS by FUNCTION / PROGRAM
LAST TEN FISCAL YEARS

Function / Program	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Police										
Physical arrests	3,183	2,615	2,776	2,951	3,054	4,138	3,537	2,542	2,073	2,938
Traffic violations	2,315	2,854	2,455	3,505	2,889	3,596	3,203	1,629	1,169	1,289
Parking violations	2,425	4,075	4,088	4,137	4,307	4,565	2,517	4,551	4,426	4,454
Calls for service	18,582	17,633	17,827	17,454	17,519	17,928	18,080	21,540	26,012	31,106
Fire										
Fire	124	152	150	140	137	131	128	114	137	111
Overpressure Rupture, Explosion, Overheat	10	9	10	8	13	14	16	19	13	13
Rescue & Emergency Medical Service	1,297	1,216	1,513	1,757	1,736	1,769	1,741	1,950	1,882	2,210
Hazardous Condition (No Fire)	134	153	138	147	171	163	167	187	195	167
Service Call	73	76	66	64	73	57	79	94	88	148
Good Intent Call	144	169	158	140	166	173	176	158	185	207
False Alarm & False Call	204	246	207	198	292	269	273	272	291	261
Severe Weather & Natural Disaster	1	3	1	1	2	4	1	2	1	1
Special Incident Type	-	7	7	5	7	5	8	2	14	6
Number of inspections performed	733	772	788	749	712	602	738	632	550	330
Mass Transit										
Number of routes	5	5	5	5	5	5	5	5	5	5
Fixed Route Passengers	114,154	138,603	139,321	137,359	134,966	130,530	123,865	121,455	110,975	107,282
Para transit Passengers	15,736	18,161	16,357	15,339	14,020	12,804	12,302	11,439	11,018	11,976
Wheelchair Usage	4,729	6,411	7,915	6,601	6,837	6,524	6,109	9,022	6,733	4,184
Miles of Service	227,937	242,024	222,262	221,955	219,964	214,648	210,012	212,126	196,883	202,266
Wastewater System										
Average daily treatment in 1,000 gallons	9,506	8,979	8,672	8,993	11,390	8,153	9,494	6,024	8,556	9,821
Water System										
Average daily consumption in 1,000 gallons	7,847	7,669	9,030	9,151	9,260	8,893	9,046	8,979	8,905	8,932

Source: Applicable Departments