

**CITY OF HENDERSON, KENTUCKY
COMPREHENSIVE ANNUAL
FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
JUNE 30, 2017**

CITY OF HENDERSON, KENTUCKY

**COMPREHENSIVE ANNUAL FINANCIAL
REPORT**

For the Fiscal Year Ended June 30, 2017



Prepared by:

Finance Department

CITY OF HENDERSON, KENTUCKY
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Fiscal Year Ended June 30, 2017

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INTRODUCTORY SECTION



Steve Austin, Mayor

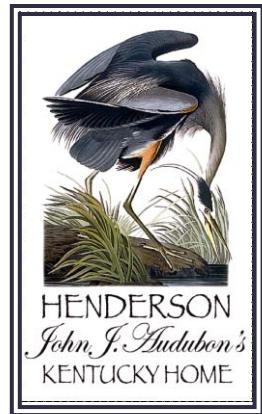
Commissioners:

Patti Bugg
Robert N. Pruitt Sr.
Bradley S. Staton
Austin P. Vowels

The City of Henderson

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

Russell R. Sights, City Manager
Dawn S. Kelsey, City Attorney
Maree Collins, City Clerk
Donna Stinnett, Public Information Officer



December 15, 2017

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, 2017. 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.

Myriad Certified Public Accountants Group has issued an unmodified ("clean") opinion on the City of Henderson's financial statements for the fiscal year ended June 30, 2017. 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 28,841 and is located 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 158th largest MSA in the United States. Based on 2015 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 family medium income for the City of Henderson for the past 12 months was \$34,879 which was \$8,861 or 20.3% lower than the Kentucky family medium income of \$43,740. The estimated medium price of a single family home in the city was \$98,900. 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 steady economic growth and investment. The real estate assessments have increased 26.4% or \$240.7 million from \$912.7 million at the start of fiscal 2008 to \$1,153.5 million at the end of fiscal 2017. This equates to a 2.4% annual increase. Bank deposits have increased 39.8% or \$0.185 million from \$0.465 million to \$0.650 million 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 County and three adjoining counties in the area. Kyndle markets not only the City of Henderson but also the four-county region encompassing some 90,000 people. 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 slightly to a total of approximately \$10.9 million at June 30, 2017 with a decrease of \$621,958 from the prior year. The reserves consisted of cash, investments, and receivables. The decrease in General Fund reserves was primarily the result of higher personnel expenses and transfers to other funds. Personnel expenses increased by \$790,327 or 4.6%. Transfers to other funds increased by \$568,623 or 14.3%. Tax collections increased \$266,819 or 1.3% with growth in property and insurance premium taxes and a slight decrease in occupational license taxes. Despite the increase, personnel expenses were still \$732,362 under budget and transfers finished \$1,097,377 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 5.0 months operating expense and transfers to other funds.

The Gas Fund's cash and investment balance will be equal to 3.5 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.

On November 26, 2013, the Henderson Board of Commissioners increased the monthly base rates from \$12.00 to \$12.50 and the rate per 1,000 cubic feet of natural gas from \$2.25 to \$2.30. The ordinance also allowed an increase of \$0.05 per 1,000 cubic feet for fiscal 2015, 2016, and 2017. The current rate per 1,000 cubic feet of natural gas is \$2.45. This action has helped improve the net position of the Gas Fund.

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, \$996,241 was returned to Henderson which is an increase of \$677,013 from the \$319,228 that was returned in fiscal 2016. Approximately \$566,000 of the increase was due to the "end of project" of a British Petroleum deal initiated 10 years ago.

As in the past, staff will monitor rates to determine if "cost of living adjustments" are needed to avoid large and excessive increases in the future. Stagnant revenues with increasing costs of providing services is a recipe for disaster 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 expenses for the City is employee health insurance. For fiscal 2016, the total health care cost was \$6,474,442 which is an increase of only \$46,919 from the \$6,427,523 spent in fiscal 2012. This equates to an annualized increase of 0.15% or an increase of 0.73% since fiscal 2012. 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 2017 was a very busy year. Some projects and improvements of note include:

New Municipal Service Center:

A new facility was purchased during the 2015 fiscal year at a cost of \$1.92 million. Architectural designs were drawn for the facility that will include natural gas, sanitation, and city garage operations. The project called for the renovation of the interior and exterior of the buildings to be used for offices, training space, work areas, and storage space for the various divisions. It will provide renovations to the parking areas and the construction of new structures and site improvements in the complex. Also included in the renovation work was space for a backup emergency dispatch center. Total cost for the project was approximately \$7.2 million.

Streets and Sidewalk Improvements:

In fiscal 2017, the City completed phase IV of the Long Range Enhancement Projects. This included new sidewalks on Second and Water streets. Work to replace a bridge on Wathen Lane was started with expected completion in fiscal 2018. A total of \$90,463 was spent on these projects in fiscal 2017.

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. The Board is also engaged in a "modeling" project that will allow future ideas to be tested using advanced software to see what potential benefit these ideas might generate. For fiscal 2017, \$97,142 was spent on flood prevention projects and another \$882,000 included in fiscal 2018.

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 free of charge 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 2017, the County contribution was \$103,536. 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 are looking to improve the funding options for the emergency dispatch operations in the 911 center. 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. For fiscal 2018, the committee is seeking an increase in the state fee for cellular service that is collected by the State and then remitted back to the local 911 center.

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.

The entities are working to fund and replace the computer-aided dispatch (CAD) system for the emergency dispatch center. The cost of the project is expected to exceed \$1.2 million and will include infrastructure upgrades, work stations, and renovations at a backup site. Grants funds in the amount of approximately \$144,000 have already been awarded and received with another \$175,000 from the Kentucky Commercial Mobile Radio Service Board awarded in fiscal 2018.

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.

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 \$324,000 in additional funds in fiscal 2018 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 2018 budget includes \$7.5 million in capital projects which includes \$1.7 million in rolling stock replacement.

During the last fiscal year, HMP&L spent \$756,077 in capital improvements and replacements in the existing system and \$1,248,855 in capital improvements and replacements at Station Two. HWU added \$4.3 million in capital projects during fiscal 2017.

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, and US Highway 41 redevelopment, 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 2017 budget

was adopted using \$5,103,000 of unassigned fund balance. However, only a fraction of these funds were used and \$4,481,042 or 87.8% was not needed.

The reserve policy designates that 20% of annual surpluses be set aside for short-term payments on large vehicles and equipment. At the end of the fiscal year there was nearly \$370,000 set aside. The City will use the \$370,000 on the purchase a new aerial fire truck in fiscal 2018 with a cost that will exceed \$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 the fiscal year end there was over \$1.2 million set aside. The General Fund's general obligation bonds payments for fiscal 2018 are estimated to be \$1.3 million. The fund has 92.3% 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 2017, the unassigned fund balance was \$5.3 million.

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.

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, 2016. This was the eighteenth 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, 2016 and ending June 30, 2017. 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.

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,



Russell R. Sights
City Manager



Robert Gunter
Finance Director



Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

**City of Henderson
Kentucky**

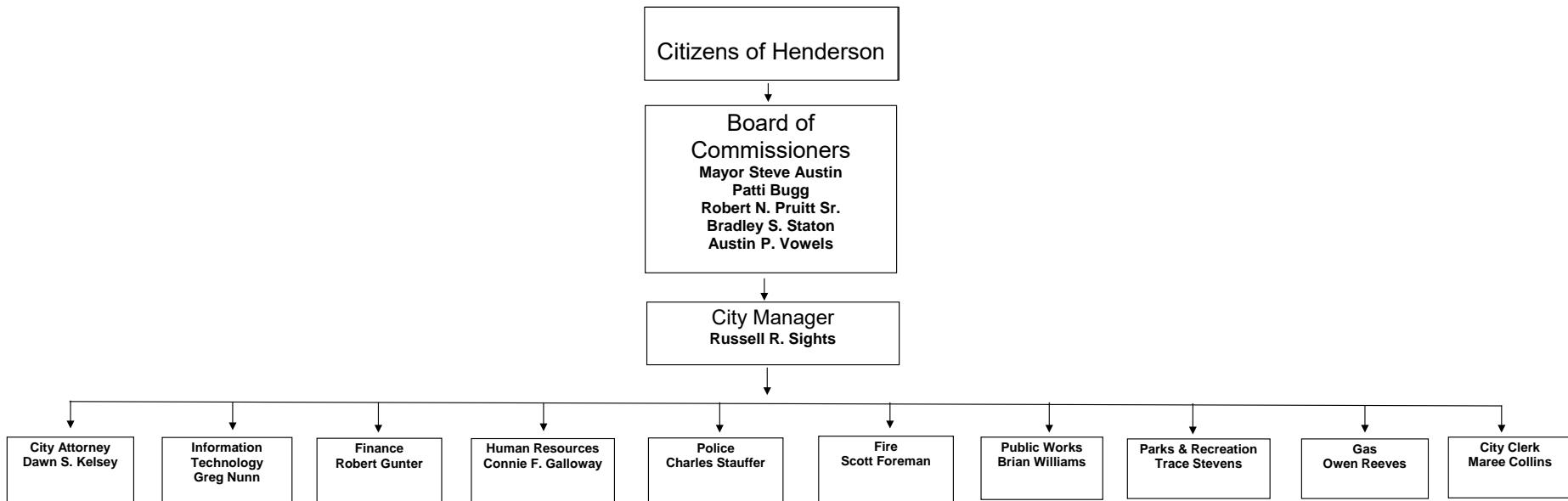
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2016

A handwritten signature in black ink that reads "Jeffrey F. Eman". The signature is fluid and cursive, with "Jeffrey" on the top line and "F. Eman" on the bottom line.

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	Robert N. Pruitt Sr.
Commissioner	Bradley S. Staton
Commissioner	Austin P. Vowels

Appointed Officials

City Manager	Russell R. Sights
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	Charles Stauffer
Public Works Director	Brian Williams

FINANCIAL SECTION



MYRIAD CPA
GROUP
Audit ■ Tax ■ Advisory



Knowledge you trust. People you know. Strength...in Numbers.

Independent Auditors' Report

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

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, 2017 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.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the Standards applicable to financial audits contained in *Government Auditing Standards*. 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, 2017, 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 schedules on pages 16 through 34 and 97 through 102 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 December 14, 2017, 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 to describe the scope of our testing of internal control over financial reporting and compliance and results of that testing and not to provide a legal opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in

accordance with *Government Auditing Standards* in considering the City of Henderson, Kentucky's internal control over financial reporting and compliance.

Myriad Cos Group, LLC

Henderson, Kentucky
December 14, 2017

**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, 2017. It should be read in conjunction with the transmittal letter and the financial statements provided in this document.

Financial Highlights

- Primary Government assets exceeded liabilities by \$5.0 million at the close of fiscal 2017. Due to pension obligations, the unrestricted net position is a negative \$19.1 million.
- City governmental funds reported combined ending fund balances of \$49.7 million. Of this total, \$5.1 million is unassigned.
- In the City's business-type activities, income from operations increased from \$1,266,863 in fiscal 2016 to \$2,286,843 in fiscal 2017.
- The City's General Fund ended the year with a fund balance of \$10,905,145, a decrease of \$621,958 or 5.4% from fiscal year 2016's balance of \$11,527,103.
- In the past five years, the General Fund's fund balance has increased 43.4% from \$7.6 million in 2012 to \$10.9 million in 2017.

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 35-36 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 ten (10) 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, Bond Fund, and Construction Fund, which are considered to be major funds. Information from the other seven (7) 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 37-41 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 42-44 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 45-46 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 47-96 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 97-102 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 103-114 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 General Fund, assets exceeded liabilities by \$10,905,145 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, 2017.

City of Henderson's – Net Position

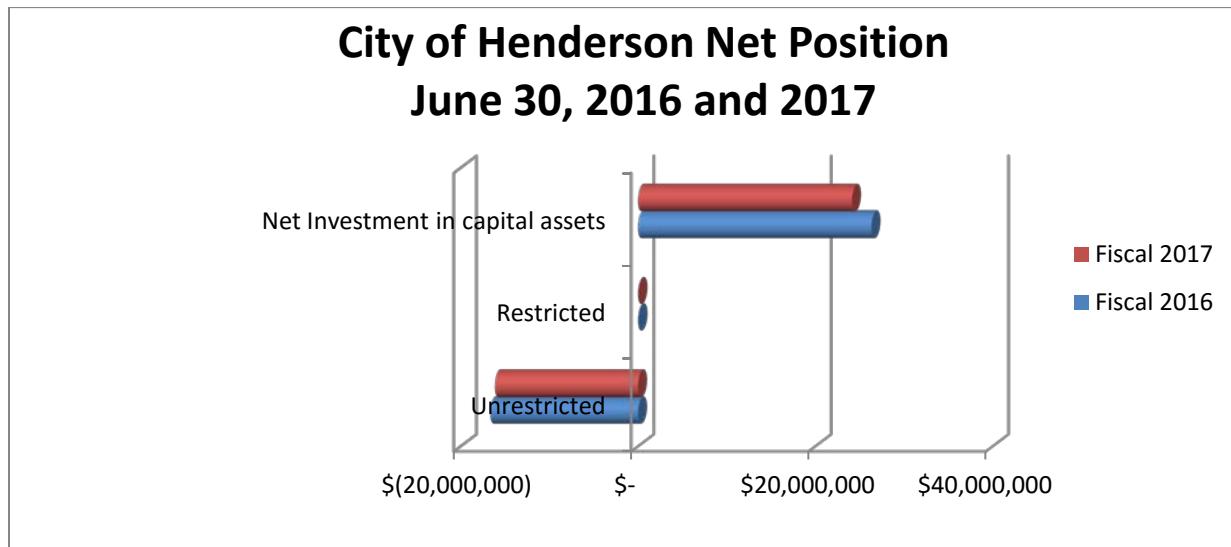
	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Current and other assets	\$ 55,915,094	\$ 59,432,442	\$ 10,951,884	\$ 9,738,185	\$ 66,866,978	\$ 69,170,627
Capital assets	37,825,286	33,361,605	2,561,895	2,745,162	40,387,181	36,106,767
Total assets	\$ 93,740,380	\$ 92,794,047	\$13,513,779	\$12,483,347	\$107,254,159	\$105,277,394
Deferred outflows	\$ 8,180,485	\$ 7,367,759	\$ -	\$ -	\$ 8,180,485	\$ 7,367,759
Total assets and deferred outflows	<u>\$ 101,920,865</u>	<u>\$100,161,806</u>	<u>\$13,513,779</u>	<u>\$12,483,347</u>	<u>\$ 115,434,644</u>	<u>\$112,645,153</u>
Long-term liabilities	\$ 97,643,708	\$ 90,074,325	\$ -	\$ 4,170,000	\$ 97,643,708	\$ 94,244,325
Other liabilities	6,140,281	6,806,158	-	1,274,937	6,140,281	8,081,095
Total liabilities	<u>\$ 103,783,989</u>	<u>\$ 96,880,483</u>	<u>\$ -</u>	<u>\$ 5,444,937</u>	<u>\$ 103,783,989</u>	<u>\$102,325,420</u>
Deferred inflows	\$ 831,298	\$ 604,357	\$ -	\$ -	\$ 831,298	\$ 604,357
Net position:						
Net investment in capital assets	\$ 21,576,830	\$ 23,579,158	\$ 2,561,895	\$ 2,745,162	\$ 24,138,725	\$ 26,324,320
Restricted for:						
Debt Service	988	472	-	-	988	472
Law enforcement	44,950	52,650	-	-	44,950	52,650
Unrestricted	<u>(24,317,190)</u>	<u>(20,955,314)</u>	<u>5,173,958</u>	<u>4,293,248</u>	<u>(19,143,232)</u>	<u>(16,662,066)</u>
Total net position	<u>\$ (2,694,422)</u>	<u>\$ 2,676,966</u>	<u>\$ 7,735,853</u>	<u>\$ 7,038,410</u>	<u>\$ 5,041,431</u>	<u>\$ 9,715,376</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 (0.92%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of (\$19,143,232) 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 obligations that will be paid over several years.

At the end of the current fiscal year, the City of Henderson is able to report positive balances in net investment in the capital assets and the restricted categories of net position, both for the government as a whole, 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 standard mentioned above, the unrestricted net position reported a negative net position in the governmental activities.



The City of Henderson's overall net position decreased \$4,673,945 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 \$5,371,388 from the prior year for an ending balance of (\$2,694,422). There were two primary reasons. Public safety expenses increased by \$3,312,680 with \$338,000 of the

public safety expenses related to a new computer aided dispatch system and another \$660,156 related to a new radio system. Total general revenues and transfers increased \$183,894 or 0.8% from the prior year. However, that increase was outpaced by the general activities expenses which increased by \$4,039,405 or 11.3%.

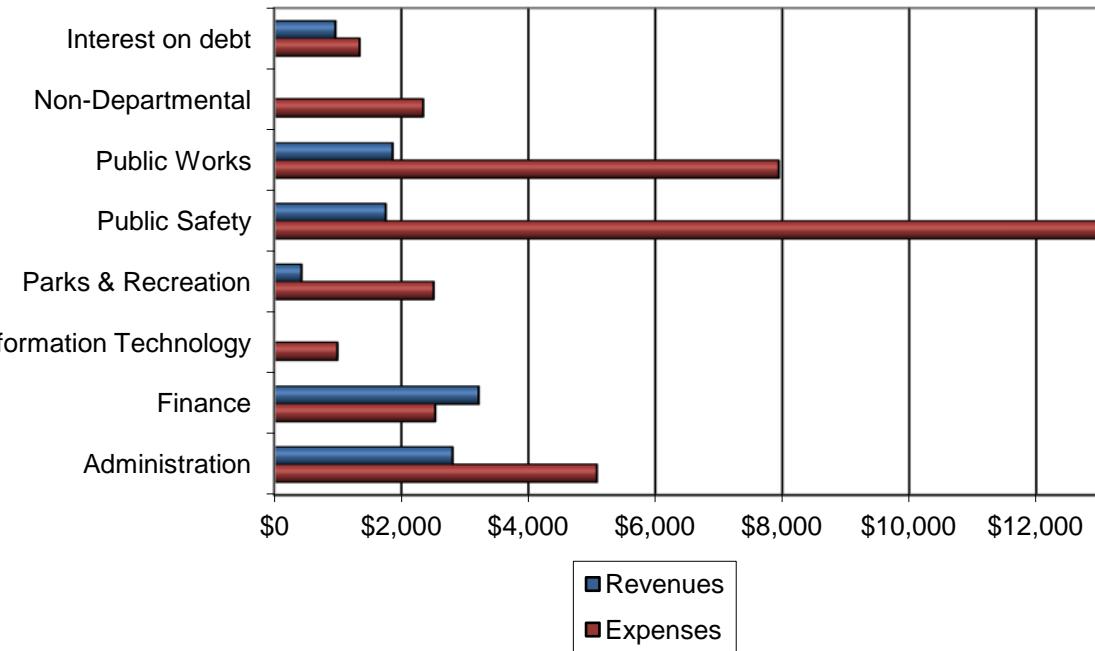
The governmental funds had a decrease in fund balance of \$3,037,717 with the General Fund decreasing \$621,958. Most of the decrease was due to restricted assets applicable to cash from bonds issued for the construction of a new municipal service center. Of the \$11,059,954 spent or used in the Construction Fund, \$4,340,767 or 39.2% was related to the transfers to the Bond Fund for payment on outstanding bonds. Over \$6.6 million was spent on capital items that included \$5.2 million for renovations to a new building, nearly \$672,000 for office equipment for the 911 Center, \$629,025 for land and buildings for a new fire station, and nearly \$95,000 spent on riverfront improvements.

The General Fund depleted its reserves in the amount of \$621,958. Since fiscal 2012, the fund's balance has increased 43.5%. Based on the fiscal 2018 budgeted expenditures of \$30.94 million, the General Fund has approximately 4.2 months worth of reserves. The City has assigned \$3.94 million of the fiscal 2017 fund balance with \$2.79 million of that amount to fill the fiscal 2018 budget deficit leaving \$5.3 million unassigned.

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

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Revenues:						
Program revenues:						
Charges for services	\$ 7,142,736	\$ 6,853,617	\$18,056,153	\$16,639,426	\$25,198,889	\$23,493,043
Operating grants	2,765,809	3,068,003	-	-	2,765,809	3,068,003
Capital grants	1,115,868	1,468,973	103,536	101,016	1,219,404	1,569,989
General revenues:						
Taxes	20,194,582	19,927,763	-	-	20,194,582	19,927,763
Investment income	50,222	337,155	14,608	132,733	64,830	469,888
Distributions from component units	1,644,724	1,644,724	-	-	1,644,724	1,644,724
Total revenues	<u>32,913,941</u>	<u>33,300,235</u>	<u>18,174,297</u>	<u>16,873,175</u>	<u>51,088,238</u>	<u>50,173,410</u>
Expenses:						
Administration	5,079,404	5,284,527	-	-	5,079,404	5,284,527
Finance	2,532,294	2,282,224	-	-	2,532,294	2,282,224
Information technology	992,304	770,940	-	-	992,304	770,940
Parks & recreation	2,508,094	2,368,382	-	-	2,508,094	2,368,382
Public safety	17,145,593	13,832,913	-	-	17,145,593	13,832,913
Public works	7,946,176	7,308,765	-	-	7,946,176	7,308,765
Nondepartmental	2,344,322	2,758,245	-	-	2,344,322	2,758,245
Interest on long-term debt	1,341,150	1,243,936	-	-	1,341,150	1,243,936
Gas	-	-	12,716,926	11,943,349	12,716,926	11,943,349
Sanitation	-	-	3,155,920	3,530,230	3,155,920	3,530,230
Total expenses	<u>39,889,337</u>	<u>35,849,932</u>	<u>15,872,846</u>	<u>15,473,579</u>	<u>55,762,183</u>	<u>51,323,511</u>
Increase/(Decrease) before transfers	(6,975,396)	(2,549,697)	2,301,451	1,399,596	(4,673,945)	(1,150,101)
Transfers	<u>1,604,008</u>	<u>1,400,000</u>	<u>(1,604,008)</u>	<u>(1,400,000)</u>	<u>-</u>	<u>-</u>
Increase (Decrease) in net position	(5,371,388)	(1,149,697)	697,443	(404)	(4,673,945)	(1,150,101)
Net position, beginning	<u>2,676,966</u>	<u>3,826,663</u>	<u>7,038,410</u>	<u>7,038,814</u>	<u>9,715,376</u>	<u>10,865,477</u>
Net position, ending	<u><u>\$ (2,694,422)</u></u>	<u><u>\$ 2,676,966</u></u>	<u><u>\$ 7,735,853</u></u>	<u><u>\$ 7,038,410</u></u>	<u><u>\$ 5,041,431</u></u>	<u><u>\$ 9,715,376</u></u>

Expenses and Program Revenues - Governmental Activities (Thousands)



Business-type Activities. For the City of Henderson's business-type activities, the results for the current fiscal year were positive in that overall net position increased to reach an ending balance of \$7,735,853. The total increase in net position for business-type activities (natural gas and sanitation) was \$697,443 or up 9.9% from the prior fiscal year. The increase is attributable to a one-time payment from PEAK due to the expiration of a B.P. natural gas deal and a decrease in the landfill closure costs. The gas fund had an increase in net position of \$335,204. Due to a warmer winter there was a reduction in sales which caused the gross profits to decreased \$147,242 or 3.4%. The sanitation fund had an increase in net position of \$362,239. Services fees increased \$105,912 or 3.1%. The cost of vehicle repairs was down \$46,536 or 48.5% and landfill closure and post-closure monitoring cost estimates decreased by \$2,000.

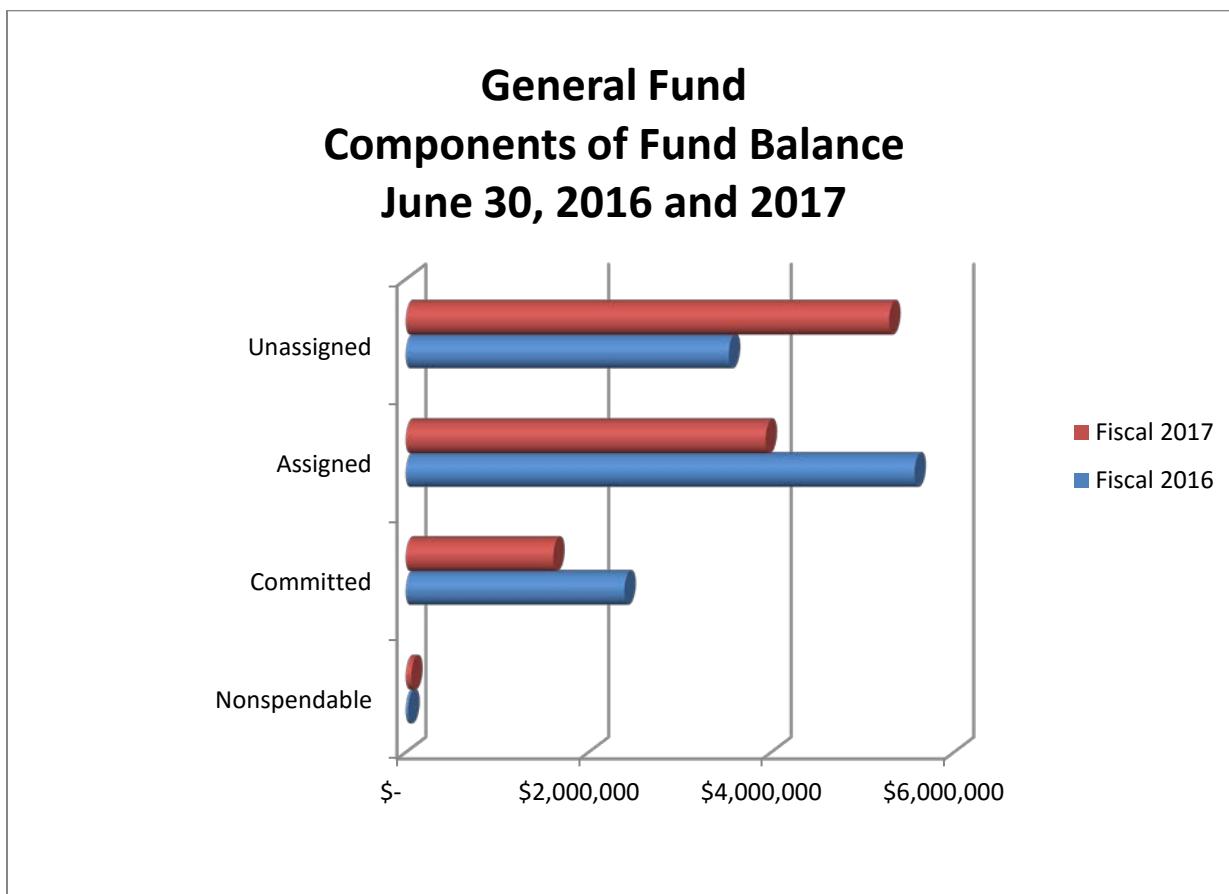
Financial Analysis of Governmental Funds

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

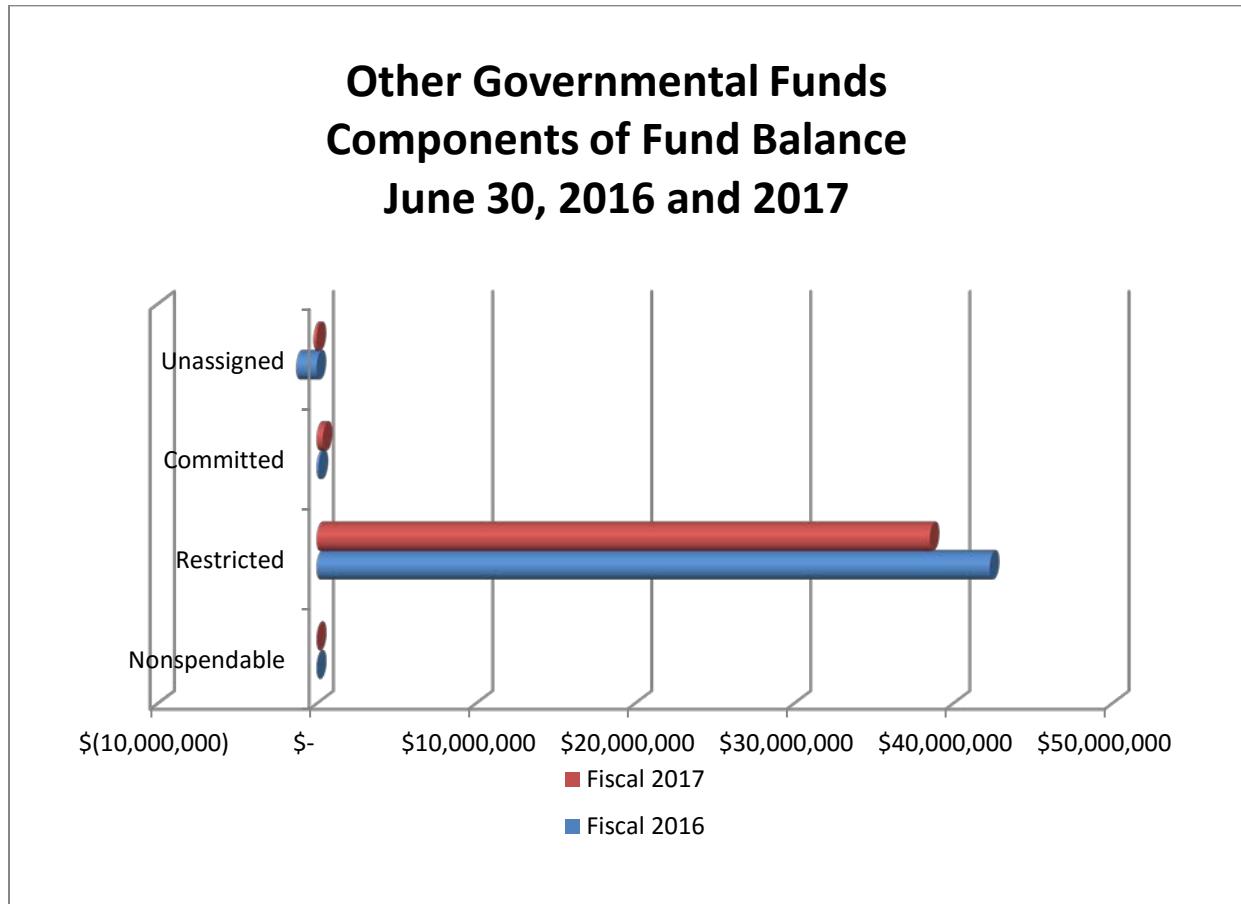
Governmental Funds. The focus of the City of Henderson's *governmental funds* is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City of Henderson's financing requirements. In particular,

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, 2017, the City of Henderson's governmental funds reported a combined fund balance of \$49,667,277, a decrease of \$3,037,717 in comparison with the prior fiscal year. Approximately 10.3% of this amount or \$5,100,515 constitutes unassigned fund balance, which is available for spending at the government's discretion. Nearly 77.6% or \$38.5 million of the fund balance was restricted for debt, capital projects and other special purposes. There was also \$77,112 that was classified as "nonspendable" because it is for inventories. A total of \$1,613,986 was committed for long-term debt payments and \$393,182 was for other purposes. Another \$3,940,000 was assigned to fill the fiscal 2018 budget deficit of \$2,790,000, \$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 \$250,000 assigned to be used for drainage in the Countryview subdivision.



The General Fund was the primary operating fund of the City of Henderson. At the end of the current fiscal year, the General Fund unassigned fund balance was \$5,291,247, while total fund balance decreased to \$10,905,145. 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 17.1 percent of total 2018 fiscal year general fund expenditures, while total fund balance represents approximately 35.3 percent of that same amount.



During the fiscal year, the fund balance for the City of Henderson's general fund decreased by \$621,958. Factors contributing to this decrease include:

- Taxes collections were up only \$266,819
- Personnel services were up \$790,327 or 4.6%
- Transfers to the PWI Fund were up \$383,000 or 45.0%
- Transfers to the HART Fund were up \$278,000 or 82.0%

The Construction Fund ended the fiscal year with a fund balance of \$38,311,087 which is a deterioration of \$2,959,608 from the prior year. During fiscal 2017, the City of Henderson issued \$7.8 million in three different general obligation bonds. With two of the bond issues, the

proceeds were used in the refinancing prior debt. The third issue was used on the new municipal service center and the construction of the new radio system.

The City received federal funding on the riverfront project in the amount of \$79,489 during the fiscal year which included the reimbursement of capital expenditures. The Construction Fund transferred \$4,340,767 to the Bond Fund to retire debt.

The Bond Fund, the remaining major governmental fund, had an increase in fund balance during the current year of \$516 to bring the year end fund balance to \$988. The increase essentially resulted from interest earned on bank funds before being transferred to the paying agent.

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 \$5,680,605 and for the Sanitation Fund was (\$506,647). The total increase in net position for both funds was \$335,204 and \$362,239, respectively.

As noted earlier in the discussion of business-type activities, the increase for the Natural Gas Fund was attributable to a one-time payment from PEAK due to the expiration of a B.P. natural gas deal; however, this was reduced slightly by a warmer than normal winter where gross margins for national gas decreased \$147,242 or 3.4%. The Gas Fund's income from operations increased \$614,853 or 50.8% from the prior fiscal year. After investment income and transfers to the general fund, the change in net position was \$335,204. Since 2010, the cumulative change in the net position for the Gas Fund has been an increase of \$268,080 or a 3.6%. Based on the 2018 fiscal year's budgeted expenditures and net of invested in capital assets, the Gas Fund has approximately 3.9 months worth of reserves. This is an increase from the 3.8 months of the prior year. The Gas fund invested \$119,008 in fixed assets for the fiscal year compared to \$128,647 in the prior year. Another \$44,949 in labor costs were capitalized during fiscal 2017 compared to \$35,978 in fiscal 2016.

The engineer's estimate related to closing and monitoring the landfill decreased by \$2,000. Landfill and transfer station fees were up a combined \$109,296 over last year. This contributed to the improvement in the unrestricted net position for the Sanitation Fund. The Sanitation Fund's statement of net position reflects the landfill closure and post closure costs of \$4,168,000. Of this total, approximately \$2.82 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 \$3.13 million in a trust account that will be used for the landfill closure. It is also estimated that approximately \$1.35 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. Due to several pay adjustments, fiscal 2017 had seven amendments. The original budget was adopted with expenditures set at \$31,930,000.

The first amendment increased the general fund budget to \$32,401,000. Using reserve funds, the City increased appropriations in the amount of \$18,000 for supplies in the Fire Department; \$227,000 for supplies, furnishing, equipment, phone system and other items for the new Municipal Service Center; \$20,000 for signage throughout the City; \$67,000 for paving of 3rd and Martin Luther King streets; \$68,000 for sidewalks on Green River Rd.; and \$71,000 for furniture for the 911 main and backup dispatch centers.

The second amendment was done in November 2016 and increased the total general fund appropriation to \$32,650,000. Using reserve funds, the City increased the appropriation for salaries by \$20,000; and another \$6,000 for protective netting at the girls' softball fields. There were also two increases in transfers. The first was to the Construction Fund in the amount of \$13,000 for work on Braxton Drive and the second was to the 911 Fund in the amount of \$280,000 for a new phone system.

The third amendment was done in December in the amount of \$106,000 to increase the pay and benefits of hazardous-pay positions in the Police Department. The fourth was in the amount of \$77,000 to increase the pay and benefits of hazardous-pay positions in the Fire Department. The fifth budget amendment was in the amount of \$96,000 and was used to increase the appropriation of the fire aerial truck. After this amendment, the total General Fund budget had increased to \$32,929,000.

After a mid-year budget review, \$54,000 was added to the Fire Department for dive & rescue equipment; \$9,000 was added to the Central Garage for soil testing and an A-frame jack; and \$87,000 was added to the ambulance service to replace a damaged vehicle. The seventh and final budget amendment was done in June and made the final General Fund budget \$33,217,000. The final amendment included \$45,000 for repairs to Fire Station #4; \$50,000 for additional vehicle repairs in the Fire Department; \$10,000 for additional mowing in the Parks Department; and \$33,000 for the replacement of the roof on the old Fire Station #3.

The amended fiscal 2017 budget was approved with anticipated expenses exceeding anticipated revenue by \$5,103,000. The difference was to come from reserves. The General Fund's actual revenue and transfers in were \$27,995,152 or 99.6% of the approved budget of \$28,114,000 or a difference of \$118,848. The General Fund's actual expenses and transfers out were \$28,617,110 or 86.2% of approved budget of \$33,217,000 or a difference of \$4,599,890.

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>
Delinquent Property Tax	\$ 66,400	\$ 79,572	\$ 13,172
Insurance Premium Tax	\$4,891,400	\$4,961,940	\$ 70,540
Payroll Tax Rebates	\$ (30,000)	\$ (100,447)	\$ (70,447)
Investment Income	\$ 122,060	\$ 24,297	\$ (97,763)
Governmental Service Chg.	\$2,718,000	\$2,636,007	\$ (81,993)

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. The actual revenues for the delinquent property tax came in at 119.8% while the insurance premium tax came in at 101.5%.

One of the goals for fiscal 2017 was to put more emphasis on the collection of delinquent property taxes. The City filed a mass-foreclosure lawsuit against some of the largest delinquent property owners. Due to a decrease in market values for bonds, the City recognized a loss of \$179,078. This was offset by interest income of \$203,376. Governmental service charges came in \$81,993 because the City delayed the implementation of new utility software and moved the project to the next year. The nearly \$82,000 is included in fiscal 2018.

<u>Expense</u>	<u>Estimated Expense</u>	<u>Actual Expense</u>	<u>Difference</u>
Salaries	\$11,232,530	\$10,971,086	\$ 261,444
Fuel	\$ 289,900	\$ 158,881	\$ 131,019
Special Projects	\$ 729,000	\$ 129,716	\$ 479,707
Motor Vehicles	\$ 1,446,800	\$ 105,784	\$1,341,122
Data Processing Equip.	\$ 320,990	\$ 121,241	\$ 199,749
Transfers	\$ 5,639,000	\$ 4,541,623	\$1,097,377

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 \$261,444 below budget or 97.7% of anticipated expenses.

Due to a depressed energy market, fuel costs came in over \$131,000 below estimates. The special projects account included \$250,000 Countryview drainage special project was delayed; however, the funds were set aside to be done in the future.

A \$1.1 million fire aerial truck was ordered in fiscal 2017 but will not be delivered until January 2018. The radio equipment, data processing equipment, and municipal center improvements were all started in fiscal 2016 but construction was not completed until fiscal 2018. With the extended implementation schedule for the data processing equipment, the transfers to the 911 Fund were \$481,000 less than budgeted. Transfers to the Construction Fund were \$434,000 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, 2017, amounts to \$40,387,181 (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 increase in capital assets for the current fiscal year was approximately 11.9%.

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

	Governmental Activities		Business-Type Activities		Total	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Land	\$ 3,961,483	\$ 3,761,483	\$ 114,815	\$ 114,815	\$ 4,076,298	\$ 3,876,298
Artwork	196,500	196,500	-	-	196,500	196,500
Buildings	16,659,345	11,406,522	120,860	112,938	16,780,205	11,519,460
Improvements	4,416,902	4,403,890	-	-	4,416,902	4,403,890
Vehicles	1,059,499	1,248,682	225,286	292,623	1,284,785	1,541,305
Natural Gas System	-	-	1,980,677	2,020,475	1,980,677	2,020,475
Equipment	3,644,981	2,854,821	120,257	204,311	3,765,238	3,059,132
Infrastructure	7,886,576	9,489,707	-	-	7,886,576	9,489,707
Total	<u>\$ 37,825,286</u>	<u>\$ 33,361,605</u>	<u>\$ 2,561,895</u>	<u>\$ 2,745,162</u>	<u>\$ 40,387,181</u>	<u>\$ 36,106,767</u>

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

- Nearly \$5.1 million in renovations to the new municipal service center.
- \$137,704 in new playground equipment for Newman and Central Parks.
- Over \$90,463 was spent on new sidewalks.
- Another \$660,156 on new radio equipment.
- \$338,000 for a new CAD system in the 911 dispatch center.
- Property for a new fire station in the amount of \$629,025.

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 60-61 of this report.

Long-Term Debt. At the end of the current fiscal year, the City of Henderson had total bonded debt outstanding of \$54,745,000. All of the \$54,745,000 is backed by the full faith and credit of the City.

City of Henderson's Outstanding Debt

	Governmental Activities		Business-Type Activities		Total	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
General Obligation Bonds	\$ 54,745,000	\$ 52,230,000	\$ -	\$ -	\$ 54,745,000	\$ 52,230,000

Debt Description

Series 2007: Fire Station and Riverfront Property – During fiscal 2007, the City issued \$5,230,000 in general obligation bonds for the construction of a new fire station and for the purchase of riverfront property that will be used for park development. Approximately \$1,950,000 of bond proceeds were used for the advance refunding of a capital lease used in 2000 for the purchase of an office building that houses the Police Department, Code Enforcement Division, Planning Commission, and the Emergency Management Agency. These bonds were partially refunded in fiscal 2017.

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, 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 increased by \$2,515,000 or 4.8%. The reason for the increase was that the City of Henderson issued debt for a new municipal service center and additional general obligation debt on behalf of Henderson Municipal Water Utility.

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 \$115,339,000, which is significantly in excess of the current outstanding general obligation debt of \$54,745,000.

Additional information on the City of Henderson's long-term debt may be found in Note 5 on pages 62-75 of this report.

Economic Factors and Next Year's Budget and Rates

The City of Henderson was able to fund the fiscal 2018 Budget with existing resources and the use of reserves from the General, Gas, and Sanitation Funds. Modest growth in occupational tax receipts and holding increases in operating expenses to a minimum will enable the City to continue to meet its needs.

Effective July 1, 2017, the Board of Commissioner reduced the property tax rate from \$0.611 per \$100 of fair market assessment to \$0.490. To compensate, the payroll tax component of the occupational license tax was increased from 1.0% to 1.29%. It is anticipated that the changes will generate the same total revenue.

For fiscal 2017, there were 238 construction permits issued with a total value of \$24,928,733. There were 11 single family units, and 1 multi-family (4 units) for a total of 15 units approved. The total value for new housing was \$2,996,447.

There were 10 new commercial developments with a total value of \$14,176,060. There were 16 permits issued for demolition of substandard residential structures.

The unemployment rate for the City of Henderson in June 2017 was approximately 4.9% which was slightly higher than the national rate of 4.4% but lower than the Kentucky rate of 5.1%.

Renovations to the new municipal service center were completed in August 2017. This facility includes natural gas, sanitation, and city garage operations.

The 24-months from July 1, 2016 to June 30, 2018 will be one of the most dynamic periods for the City of Henderson. During that span, the City will dedicate the opening of the new Municipal Service Center, finish the upgrades to the public safety communication system, see the delivery of a new fire aerial ladder truck, implement a new 911 CAD system, change the landfill operations, and many other exciting projects.

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, 2017

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	Henderson Municipal Power & Light	Henderson Water Utility
ASSETS					
Cash	\$ 7,461,946	\$ 2,617,459	\$ 10,079,405	\$ 2,348,311	\$ 6,787,165
Investments	9,478,590	6,027,974	15,506,564	12,921,612	55,741
Receivables	1,107,422	1,232,193	2,339,615	8,930,927	1,446,130
Internal balances	(872,046)	872,046	-	-	-
Inventories	77,112	202,212	279,324	6,747,640	937,974
Prepaid expenses	-	-	-	82,571	64,146
Restricted assets:					
Cash	1,375,977	-	1,375,977	-	-
Investments	-	-	-	2,322,123	-
Receivable from HWU:					
Due in one year	2,253,613	-	2,253,613	-	-
Due after one year	35,032,480	-	35,032,480	-	-
Land and other nondepreciable capital assets	4,157,983	114,815	4,272,798	1,235,451	1,466,482
Capital assets, net of accumulated depreciation	33,667,303	2,447,080	36,114,383	55,427,677	80,877,708
Total assets	93,740,380	13,513,779	107,254,159	90,016,312	91,635,346
DEFERRED OUTFLOWS OF RESOURCES					
Deferred outflows of resources-pensions	8,180,485	-	8,180,485	1,322,051	2,052,846
Total assets and deferred outflows of resources	\$ 101,920,865	\$ 13,513,779	\$ 115,434,644	\$ 91,338,363	\$ 93,688,192
LIABILITIES					
Accounts payable and accrued liabilities	\$ 2,797,052	\$ 1,083,835	\$ 3,880,887	\$ 7,309,542	\$ 1,422,112
Deposits payable	-	281,341	281,341	652,901	86,998
Due to component units	3,343,229	-	3,343,229	-	-
Gas storage liability	-	244,750	244,750	-	-
Noncurrent liabilities:					
Due in one year	4,680,000	-	4,680,000	630,000	2,660,339
Due after one year	92,963,708	4,168,000	97,131,708	17,404,076	43,426,556
Total liabilities	103,783,989	5,777,926	109,561,915	25,996,519	47,596,005
DEFERRED INFLOWS OF RESOURCES					
Deferred inflows of resources-pensions	831,298	-	831,298	90,173	-
NET POSITION					
Net investment in capital assets	21,576,830	2,561,895	24,138,725	44,623,128	45,084,740
Restricted for:					
Debt service	988	-	988	2,322,123	-
Law enforcement	44,950	-	44,950	-	-
Unrestricted	(24,317,190)	5,173,958	(19,143,232)	18,306,420	1,007,447
Total net position	(2,694,422)	7,735,853	5,041,431	65,251,671	46,092,187
Total liabilities, deferred inflows, and net position	\$ 101,920,865	\$ 13,513,779	\$ 115,434,644	\$ 91,338,363	\$ 93,688,192

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, 2017

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position				
					Primary Government			Component Units	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	Henderson Municipal Power & Light	Henderson Water Utility
Primary government									
Governmental activities:									
Administration	\$ 5,079,404	\$ 2,360,009	\$ 331,881	\$ 113,664	\$ (2,273,850)	\$ -	\$ (2,273,850)		
Finance	2,532,294	3,217,470	-	-	685,176	-	685,176		
Information technology	992,304	-	-	-	(992,304)	-	(992,304)		
Parks and recreation	2,508,094	384,802	-	40,350	(2,082,942)	-	(2,082,942)		
Police	9,485,562	850,219	550,078	-	(8,085,265)	-	(8,085,265)		
Fire	7,660,031	10,161	342,797	-	(7,307,073)	-	(7,307,073)		
Public works	7,946,176	320,075	1,541,053	-	(6,085,048)	-	(6,085,048)		
Nondepartmental	2,344,322	-	-	-	(2,344,322)	-	(2,344,322)		
Interest on long-term debt	1,341,150	-	-	961,854	(379,296)	-	(379,296)		
Total governmental activities	<u>39,889,337</u>	<u>7,142,736</u>	<u>2,765,809</u>	<u>1,115,868</u>	<u>(28,864,924)</u>	<u>-</u>	<u>(28,864,924)</u>		
Business-type activities:									
Gas	12,716,926	14,567,341	-	-	-	1,850,415	1,850,415		
Sanitation	3,155,920	3,488,812	103,536	-	-	436,428	436,428		
Total business-type activities	<u>15,872,846</u>	<u>18,056,153</u>	<u>103,536</u>	<u>-</u>	<u>-</u>	<u>2,286,843</u>	<u>2,286,843</u>		
Total primary government	<u>\$ 55,762,183</u>	<u>\$ 25,198,889</u>	<u>\$ 2,869,345</u>	<u>\$ 1,115,868</u>	<u>(28,864,924)</u>	<u>2,286,843</u>	<u>(26,578,081)</u>		
Component units									
Henderson Municipal Power & Light	\$ 67,543,696	\$ 67,120,019	\$ -	\$ -		\$ (423,677)	\$ -		
Henderson Water Utility	19,343,914	19,093,671	-	1,536,856		-	-	1,286,613	
Total component units	<u>\$ 86,887,610</u>	<u>\$ 86,213,690</u>	<u>\$ -</u>	<u>\$ 1,536,856</u>		<u>(423,677)</u>	<u>1,286,613</u>		
General revenues:									
Taxes:									
Property			8,756,457	-	8,756,457	-	-		
Payroll and net profits			5,703,639	-	5,703,639	-	-		
Insurance			4,961,940	-	4,961,940	-	-		
Franchise			613,404	-	613,404	-	-		
Bank deposits			159,142	-	159,142	-	-		
Distributions from component units			1,644,724	-	1,644,724	-	-		
Investment income			50,222	14,608	64,830	107,893	82,612		
Transfers			1,604,008	(1,604,008)	-	-	-		
Total general revenues and transfers			<u>23,493,536</u>	<u>(1,589,400)</u>	<u>21,904,136</u>	<u>107,893</u>	<u>82,612</u>		
Change in net position			(5,371,388)	697,443	(4,673,945)	(315,784)	1,369,225		
Net position, beginning of year			<u>2,676,966</u>	<u>7,038,410</u>	<u>9,715,376</u>	<u>65,567,455</u>	<u>44,722,962</u>		
Net position, end of year			<u>\$ (2,694,422)</u>	<u>\$ 7,735,853</u>	<u>\$ 5,041,431</u>	<u>\$ 65,251,671</u>	<u>\$ 46,092,187</u>		

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

City of Henderson, Kentucky
Balance Sheet
Governmental Funds
June 30, 2017

	General Fund	Debt Service Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS					
Cash	\$ 6,673,579	\$ -	\$ 1,872	\$ 50,177	\$ 6,725,628
Investments	9,478,590	-	-	-	9,478,590
Receivables	483,935	-	-	623,187	1,107,122
Due from other funds	105,377	-	-	-	105,377
Inventories	59,912	-	-	17,200	77,112
Restricted assets:					
Cash	-	988	1,210,451	164,538	1,375,977
Receivable from HWU:					
Due in one year	-	-	2,253,613	-	2,253,613
Due after one year	-	-	35,032,480	-	35,032,480
Total assets	\$ 16,801,393	\$ 988	\$ 38,498,416	\$ 855,102	\$ 56,155,899
LIABILITIES					
Accounts payable	\$ 1,199,466	\$ -	\$ 81,952	\$ 337,118	\$ 1,618,536
Accrued wages	481,507	-	-	67,927	549,434
Due to other funds	872,046	-	105,377	-	977,423
Due to component units	3,343,229	-	-	-	3,343,229
Total liabilities	5,896,248	-	187,329	405,045	6,488,622
FUND BALANCES					
Nonspendable	59,912	-	-	17,200	77,112
Restricted	-	988	38,496,544	44,950	38,542,482
Committed	1,613,986	-	-	393,182	2,007,168
Assigned	3,940,000	-	-	-	3,940,000
Unassigned	5,291,247	-	(185,457)	(5,275)	5,100,515
Total fund balances	10,905,145	988	38,311,087	450,057	49,667,277
Total liabilities and fund balances	\$ 16,801,393	\$ 988	\$ 38,498,416	\$ 855,102	\$ 56,155,899

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, 2017

Total fund balances of governmental funds per balance sheet \$ 49,667,277

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. 37,825,286

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	8,180,485
Deferred inflows of resources-pensions	(831,298)

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. 107,536

Long-term debt and other liabilities were not currently due and payable in the fiscal year ended June 30, 2017, and, therefore, were not reported in the governmental funds.

Long-term debt payable	\$ (54,745,000)
Accrued compensated absences	(1,468,900)
HRA Fund unfunded obligation	(682,000)
Net pension liability	<u>(40,747,808)</u>
	<u>(97,643,708)</u>

Total net position of governmental activities per statement of net position \$ (2,694,422)

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, 2017

	General Fund	Debt Service Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES					
Taxes:					
Property	\$ 8,756,457	\$ -	\$ -	\$ -	\$ 8,756,457
Payroll and net profits	5,703,639	-	-	-	5,703,639
Insurance	4,961,940	-	-	-	4,961,940
Franchise	613,404	-	-	-	613,404
Bank deposits	159,142	-	-	-	159,142
Intergovernmental	3,649,614	880,920	79,489	2,001,999	6,612,022
Distributions from component units	1,644,724	-	-	-	1,644,724
Service charges and fees	539,990	-	-	1,053,676	1,593,666
Rents, concessions, and other services	125,966	-	-	-	125,966
Licenses and permits	77,553	-	-	-	77,553
Fines, finance charges, and penalties	73,029	-	-	-	73,029
Investment income	24,297	727	18,727	2,284	46,035
Miscellaneous	121,746	244	-	4,525	126,515
Total revenues	26,451,501	881,891	98,216	3,062,484	30,494,092
EXPENDITURES					
Current:					
Administration	2,369,229	-	-	239,687	2,608,916
Finance	2,234,619	-	-	-	2,234,619
Information technology	867,454	-	-	-	867,454
Parks and recreation	1,597,851	-	-	375,412	1,973,263
Police	6,708,820	-	-	1,062,353	7,771,173
Fire	6,093,779	-	-	-	6,093,779
Public works	2,412,230	-	15,757	2,960,287	5,388,274
Nondepartmental	2,014,177	-	-	-	2,014,177
Debt service:					
Principal	-	3,010,000	-	-	3,010,000
Interest	-	1,341,150	-	-	1,341,150
Bond issuance costs	-	-	59,573	-	59,573
Capital outlays	319,328	-	6,623,740	651,268	7,594,336
Total expenditures	24,617,487	4,351,150	6,699,070	5,289,007	40,956,714
Excess (deficiency) of revenues over expenditures	1,834,014	(3,469,259)	(6,600,854)	(2,226,523)	(10,462,622)
OTHER FINANCING SOURCES (USES)					
Transfers in	1,420,117	5,739,775	66,623	2,738,000	9,964,515
Transfers out	(3,999,623)	-	(4,360,884)	-	(8,360,507)
Insurance recovery	123,534	-	-	31,856	155,390
Bond premium	-	-	140,507	-	140,507
Bond issuance	-	-	7,795,000	-	7,795,000
Bond redemption	-	(2,270,000)	-	-	(2,270,000)
Total other financing sources (uses)	(2,455,972)	3,469,775	3,641,246	2,769,856	7,424,905
Net change in fund balances	(621,958)	516	(2,959,608)	543,333	(3,037,717)
Fund balances, beginning of year	11,527,103	472	41,270,695	(93,276)	52,704,994
Fund balances, end of year	\$ 10,905,145	\$ 988	\$ 38,311,087	\$ 450,057	\$ 49,667,277

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, 2017

Net change in fund balances of governmental funds	\$ (3,037,717)
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	7,594,336
Depreciation expense	(3,130,655)
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	3,010,000
Governmental funds report the issuance and redemption of long-term debt as other financing sources (uses), while the statement of activities does not report such issuance or redemption as revenues or expenses.	
Bond issuance	(7,795,000)
Bond redemption	2,270,000
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.	
Decrease in accrued compensated absences	34,200
Increase in HRA Fund unfunded obligation	(20,000)
Pension expense	(4,482,798)
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 income of this fund.	
Net income of Health Insurance Fund	<u>186,246</u>
Change in net position of governmental activities	<u>\$ (5,371,388)</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, 2017

	Budget			Variance with Final Budget
	Original	Final	Actual	
REVENUES				
Taxes:				
Property	\$ 8,725,100	\$ 8,725,100	\$ 8,756,457	\$ 31,357
Payroll and net profits	5,765,000	5,765,000	5,703,639	(61,361)
Insurance	4,891,400	4,891,400	4,961,940	70,540
Franchise	689,000	689,000	613,404	(75,596)
Bank deposits	157,200	157,200	159,142	1,942
Intergovernmental	3,725,940	3,763,940	3,649,614	(114,326)
Distributions from component units	1,644,700	1,644,700	1,644,724	24
Service charges and fees	530,700	530,700	539,990	9,290
Rents, concessions, and other services	133,500	133,500	125,966	(7,534)
Licenses and permits	87,900	87,900	77,553	(10,347)
Fines, finance charges, and penalties	66,500	66,500	73,029	6,529
Investment income	122,060	122,060	24,297	(97,763)
Miscellaneous	21,000	21,000	121,746	100,746
Total revenues	26,560,000	26,598,000	26,451,501	(146,499)
EXPENDITURES				
Current:				
Administration	2,672,330	2,678,330	2,369,229	309,101
Finance	2,329,410	2,329,410	2,234,619	94,791
Information Technology	778,520	778,520	867,454	(88,934)
Parks and recreation	1,658,470	1,684,470	1,597,851	86,619
Police	6,449,780	6,559,780	6,708,820	(149,040)
Fire	5,770,090	6,014,090	6,093,779	(79,689)
Public works	2,372,760	2,470,560	2,412,230	58,330
Nondepartmental	2,749,550	2,856,550	2,014,177	842,373
Capital outlays	2,522,090	2,789,290	319,328	2,469,962
Total expenditures	27,303,000	28,161,000	24,617,487	3,543,513
Excess (deficiency) of revenues over expenditures	(743,000)	(1,563,000)	1,834,014	3,397,014
OTHER FINANCING SOURCES (USES)				
Transfers in	1,400,000	1,400,000	1,420,117	20,117
Transfers out	(4,627,000)	(5,056,000)	(3,999,623)	1,056,377
Insurance recovery	20,000	116,000	123,534	7,534
Total other financing sources (uses)	(3,207,000)	(3,540,000)	(2,455,972)	1,084,028
Net change in fund balance	(3,950,000)	(5,103,000)	(621,958)	4,481,042
Fund balance, beginning of year	11,527,103	11,527,103	11,527,103	-
Fund balance, end of year	\$ 7,577,103	\$ 6,424,103	\$ 10,905,145	\$ 4,481,042

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

City of Henderson, Kentucky
Statement of Net Position
Proprietary Funds
June 30, 2017

	Business-type Activities Enterprise Funds			Governmental Activities- Internal Service Fund
	Gas Fund	Sanitation Fund	Total Enterprise Funds	
ASSETS				
Current assets:				
Cash	\$ 2,152,263	\$ 465,196	\$ 2,617,459	\$ 736,318
Investments	2,915,124	-	2,915,124	-
Receivables	1,095,418	136,775	1,232,193	300
Due from other funds	768,196	103,850	872,046	-
Inventories	202,212	-	202,212	-
Total current assets	7,133,213	705,821	7,839,034	736,618
Noncurrent assets:				
Investments, designated for landfill closure costs	-	3,112,850	3,112,850	-
Land	-	114,815	114,815	-
Capital assets, net of accumulated depreciation	2,142,846	304,234	2,447,080	-
Total noncurrent assets	2,142,846	3,531,899	5,674,745	-
Total assets	\$ 9,276,059	\$ 4,237,720	\$ 13,513,779	\$ 736,618
LIABILITIES				
Current liabilities:				
Accounts payable	\$ 882,091	\$ 129,362	\$ 1,011,453	\$ 629,082
Deposits payable	280,541	800	281,341	-
Accrued wages	45,226	27,156	72,382	-
Gas storage liability	244,750	-	244,750	-
Total current liabilities	1,452,608	157,318	1,609,926	629,082
Noncurrent liabilities:				
Estimated landfill closure costs	-	4,168,000	4,168,000	-
Total noncurrent liabilities	-	4,168,000	4,168,000	-
Total liabilities	1,452,608	4,325,318	5,777,926	629,082
NET POSITION				
Net investment in capital assets	2,142,846	419,049	2,561,895	-
Unrestricted	5,680,605	(506,647)	5,173,958	107,536
Total net position	7,823,451	(87,598)	7,735,853	107,536
Total liabilities and net position	\$ 9,276,059	\$ 4,237,720	\$ 13,513,779	\$ 736,618

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, 2017

	Business-type Activities Enterprise Funds			Governmental Activities- Internal Service Fund
	Gas Fund	Sanitation Fund	Total Enterprise Funds	Health Insurance Fund
OPERATING REVENUES				
Gas sales	\$ 14,454,579	\$ -	\$ 14,454,579	\$ -
Sanitation fees	- 3,565,511	3,565,511	3,565,511	-
Other income	112,762	26,837	139,599	-
Health insurance premiums:				
City of Henderson	-	-	-	4,477,402
Henderson Municipal Power & Light	-	-	-	553,155
Henderson Water Utility	-	-	-	1,315,656
Other	-	-	-	310,288
Total operating revenues	14,567,341	3,592,348	18,159,689	6,656,501
OPERATING EXPENSES				
Gas administration	1,613,436	-	1,613,436	-
Gas distribution	10,883,187	-	10,883,187	-
Sanitation expenses	-	3,016,863	3,016,863	-
Landfill closure cost	-	(2,000)	(2,000)	-
Depreciation	220,303	141,057	361,360	-
HRA Fund contributions	-	-	-	452,000
Health insurance administration	-	-	-	659,128
Health insurance claims	-	-	-	5,363,314
Total operating expenses	12,716,926	3,155,920	15,872,846	6,474,442
Income from operations	1,850,415	436,428	2,286,843	182,059
NONOPERATING REVENUES				
Investment income	16,923	(2,315)	14,608	4,187
Income before transfers	1,867,338	434,113	2,301,451	186,246
Transfers out to Debt Service Fund	(132,134)	(71,874)	(204,008)	-
Transfers out to General Fund	(1,400,000)	-	(1,400,000)	-
Change in net position	335,204	362,239	697,443	186,246
Net position, beginning of year	<u>7,488,247</u>	<u>(449,837)</u>	<u>7,038,410</u>	<u>(78,710)</u>
Net position, end of year	<u>\$ 7,823,451</u>	<u>\$ (87,598)</u>	<u>\$ 7,735,853</u>	<u>\$ 107,536</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, 2017

	Business-type Activities Enterprise Funds			Governmental Activities- Internal Service Fund
	Gas Fund	Sanitation Fund	Total Enterprise Funds	
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers and users	\$ 14,057,122	\$ 3,644,070	\$ 17,701,192	\$ 6,656,201
Payments for goods and services	(10,493,504)	(2,005,219)	(12,498,723)	(655,093)
Payments for employees	(1,647,718)	(1,045,950)	(2,693,668)	-
Payments for HRA Fund contributions	-	-	-	(452,000)
Payments for health insurance claims	-	-	-	(5,318,143)
Net cash provided (used) by operating activities	<u>1,915,900</u>	<u>592,901</u>	<u>2,508,801</u>	<u>230,965</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers to Debt Service Fund	(132,134)	(71,874)	(204,008)	-
Transfers to General Fund	(1,400,000)	-	(1,400,000)	-
Net cash provided (used) by noncapital financing activities	<u>(1,532,134)</u>	<u>(71,874)</u>	<u>(1,604,008)</u>	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Purchases of capital assets	(119,008)	(59,085)	(178,093)	-
Net cash provided (used) by capital and related financing activities	<u>(119,008)</u>	<u>(59,085)</u>	<u>(178,093)</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchases of investments	-	(305,000)	(305,000)	-
Interest received	15,699	2,999	18,698	4,187
Net cash provided (used) by investing activities	<u>15,699</u>	<u>(302,001)</u>	<u>(286,302)</u>	<u>4,187</u>
Net increase (decrease) in cash	280,457	159,941	440,398	235,152
Cash, beginning of year	<u>1,871,806</u>	<u>305,255</u>	<u>2,177,061</u>	<u>501,166</u>
Cash, end of year	<u><u>\$ 2,152,263</u></u>	<u><u>\$ 465,196</u></u>	<u><u>\$ 2,617,459</u></u>	<u><u>\$ 736,318</u></u>
Reconciliation of income from operations to net cash provided (used) by operating activities				
Income (loss) from operations	\$ 1,850,415	\$ 436,428	\$ 2,286,843	\$ 182,059
Reconciling items:				
Depreciation expense	220,303	141,057	361,360	-
Landfill closure cost	-	(2,000)	(2,000)	-
Receivables (increase) decrease	(358,741)	114,086	(244,655)	(300)
Due from other funds (increase) decrease	(153,933)	(63,164)	(217,097)	-
Inventories (increase) decrease	(10,639)	-	(10,639)	-
Accounts and deposits payable increase (decrease)	301,096	(37,944)	263,152	49,206
Accrued wages increase (decrease)	4,849	4,438	9,287	-
Gas storage liability increase (decrease)	62,550	-	62,550	-
Net cash provided (used) by operating activities	<u><u>\$ 1,915,900</u></u>	<u><u>\$ 592,901</u></u>	<u><u>\$ 2,508,801</u></u>	<u><u>\$ 230,965</u></u>
Noncash investing activities:				
(Increase) decrease in fair value of investments	<u><u>\$ 40,725</u></u>	<u><u>\$ 44,935</u></u>	<u><u>\$ 85,660</u></u>	<u><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, 2017

	Pension Trust Funds
ASSETS	
Cash	<u>\$ 75,300</u>
Total assets	<u>75,300</u>
LIABILITIES	
Accounts payable	<u>15,938</u>
Total liabilities	<u>15,938</u>
NET POSITION	
Total net position	<u>\$ 59,362</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, 2017

	Pension Trust Funds
ADDITIONS	
Contributions:	
Employer	\$ 996,399
Employee	2,399
Total contributions	<u>998,798</u>
Interest income	942
Miscellaneous	<u>625</u>
Total additions	<u>1,000,365</u>
DEDUCTIONS	
Benefits paid	1,040,841
Professional services	<u>7,068</u>
Total deductions	<u>1,047,909</u>
Net decrease in net position	(47,544)
Net position, beginning of year	<u>106,906</u>
Net position, end of year	<u>\$ 59,362</u>

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

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

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

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 seven other governmental funds that collectively are called nonmajor governmental funds because, individually, these seven 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:

CITY OF HENDERSON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS

- **Gas Fund**

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

- **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.

CITY OF HENDERSON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS

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.

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.

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, among other investments.

CITY OF HENDERSON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS

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; and cash of a nonmajor governmental fund subject to legal restrictions.

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.

CITY OF HENDERSON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS

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.

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.

CITY OF HENDERSON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS

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.

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.

CITY OF HENDERSON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS

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.

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 purposes 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 or resolution prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance or resolution 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.

CITY OF HENDERSON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS

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.

T. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension 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.

CITY OF HENDERSON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS

2. INVESTMENTS

As of June 30, 2017, the City had the following investments:

Investments by Funds	Fair Value	Investment Maturities (in Years)		
		Less Than 1	1-5	6-10
General Fund	\$ 9,478,590	\$ 2,362,492	\$ 5,428,930	\$ 1,687,168
Gas Fund	2,915,124	820,266	2,094,858	-
Sanitation Fund	3,112,850	835,874	2,152,362	124,614
Total	\$ 15,506,564	\$ 4,018,632	\$ 9,676,150	\$ 1,811,782

Investment Type
U.S. Government Agencies
U.S. Government Money Market
Bank Certificates of Deposit
Total per Statement of Net Position

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 7.26% of its total investments in FNMA 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, 2017, interfund receivables and payables and the composition of internal balances shown on the statement of net position consist of the following:

<u>Governmental Activities:</u>	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>	<u>Internal Balances</u>
General Fund	\$ 105,377	\$ (872,046)	\$ (766,669)
Capital Projects Fund	-	(105,377)	(105,377)
Total Governmental Activities	\$ 105,377	\$ (977,423)	\$ (872,046)
 <u>Business-type Activities:</u>			
Gas Fund	\$ 768,196	\$ -	\$ 768,196
Sanitation Fund	103,850	-	103,850
Total Business-type Activities	\$ 872,046	\$ -	\$ 872,046
 Total all funds	\$ 977,423	\$ (977,423)	

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

As of June 30, 2017, interfund transfers consist of the following:

	Transfers In	Transfers Out		
	Totals	General Fund	Capital Projects Fund	Enterprise Funds
General Fund	\$ 1,420,117	\$ -	\$ (20,117)	\$ (1,400,000)
Debt Service Fund	5,739,775	(1,195,000)	(4,340,767)	(204,008)
Capital Projects Fund	66,623	(66,623)	-	-
Nonmajor Governmental Funds	2,738,000	(2,738,000)	-	-
 Totals	\$ 9,964,515	\$ (3,999,623)	\$ (4,360,884)	\$ (1,604,008)

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, 2017 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Primary Government				
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 3,761,483	\$ 200,000	\$ -	\$ 3,961,483
Artwork	196,500	-	-	196,500
Total	3,957,983	200,000	-	4,157,983
Capital assets being depreciated:				
Buildings	15,468,892	5,496,712	-	20,965,604
Improvements	8,241,805	329,952	-	8,571,757
Vehicles, machinery, and equipment	14,708,507	1,477,209	(309,130)	15,876,586
Infrastructure	67,698,547	90,463	-	67,789,010
Total	106,117,751	7,394,336	(309,130)	113,202,957
Less accumulated depreciation for:				
Buildings	(4,062,370)	(243,889)	-	(4,306,259)
Improvements	(3,837,915)	(316,940)	-	(4,154,855)
Vehicles, machinery, and equipment	(10,605,004)	(876,232)	309,130	(11,172,106)
Infrastructure	(58,208,840)	(1,693,594)	-	(59,902,434)
Total	(76,714,129)	(3,130,655)	309,130	(79,535,654)
Total governmental activities, net	\$ 33,361,605	\$ 4,463,681	\$ -	\$ 37,825,286
Business-type Activities:				
Capital assets not being depreciated:				
Land	\$ 114,815	\$ -	\$ -	\$ 114,815
Capital assets being depreciated:				
Buildings	586,277	30,900	-	617,177
Vehicles, machinery, and equipment	1,649,462	28,185	(16,413)	1,661,234
Gas system, vehicles, and equipment	8,974,621	119,008	(38,319)	9,055,310
Total	11,210,360	178,093	(54,732)	11,333,721
Less accumulated depreciation for:				
Buildings	(473,339)	(22,978)	-	(496,317)
Vehicles, machinery, and equipment	(1,376,194)	(118,079)	16,413	(1,477,860)
Gas system, vehicles, and equipment	(6,730,480)	(220,303)	38,319	(6,912,464)
Total	(8,580,013)	(361,360)	54,732	(8,886,641)
Total business-type activities, net	\$ 2,745,162	\$ (183,267)	\$ -	\$ 2,561,895

CITY OF HENDERSON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS

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

Governmental activities:

Administration	\$ 11,670
Finance	29,275
Information technology	45,950
Parks and recreation	392,238
Police	337,088
Fire	285,060
Public works	2,029,374
Total depreciation expense, governmental activities	\$ 3,130,655

Business-type activities

Gas	\$ 220,303
Sanitation	141,057
Total depreciation expense, business-type activities	\$ 361,360

Component units' capital asset activity was as follows:

	Beginning			
	Balance	Increases	Decreases	Ending Balance
Henderson Municipal Power & Light				
Utility plant and equipment	\$ 229,589,958	\$ 2,004,932	\$ (51,186)	\$ 231,543,704
Less accumulated depreciation	(169,939,535)	(4,992,227)	51,186	(174,880,576)
Capital assets, net	\$ 59,650,423	\$ (2,987,295)	\$ -	\$ 56,663,128
Henderson Water Utility				
Utility plant and equipment	\$ 134,752,646	\$ 4,290,345	\$ (280,242)	\$ 138,762,749
Less accumulated depreciation	(53,065,674)	(3,633,127)	280,242	(56,418,559)
Capital assets, net	\$ 81,686,972	\$ 657,218	\$ -	\$ 82,344,190

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, 2017:

Governmental Activities:	Balance June			Balance June 30, 2017	Amounts Due in One Year
	30, 2016	Additions	Reductions		
G. O. Bonds Series 2007	\$ 2,905,000	\$ -	\$ (2,580,000)	\$ 325,000	\$ 325,000
G. O. Bonds Series 2010B	2,170,000	-	(300,000)	1,870,000	315,000
G. O. Bonds Series 2011A	1,745,000	-	(85,000)	1,660,000	90,000
G. O. Bonds Series 2012A	8,320,000	-	(435,000)	7,885,000	440,000
G. O. Bonds Series 2013A	8,505,000	-	(420,000)	8,085,000	430,000
G. O. Bonds Series 2014	7,680,000	-	(325,000)	7,355,000	330,000
G. O. Bonds Series 2015A	7,790,000	-	(310,000)	7,480,000	315,000
G. O. Bonds Series 2015B	1,710,000	-	(155,000)	1,555,000	155,000
G. O. Bonds Series 2015C	1,700,000	-	(110,000)	1,590,000	105,000
G. O. Bonds Series 2016A	1,725,000	-	(75,000)	1,650,000	75,000
G. O. Bonds Series 2016B	7,980,000	-	(465,000)	7,515,000	475,000
G. O. Bonds Series 2017A	-	3,155,000	-	3,155,000	115,000
G. O. Bonds Series 2017B	-	2,390,000	-	2,390,000	200,000
G. O. Bonds Series 2017C	-	2,250,000	(20,000)	2,230,000	10,000
Total bonds payable	52,230,000	7,795,000	(5,280,000)	54,745,000	3,380,000
Compensated Absences	1,503,100	1,213,600	(1,247,800)	1,468,900	1,300,000
HRA Fund Unfunded Obligation	662,000	20,000	-	682,000	-
Net Pension Liability	35,679,225	5,068,583	-	40,747,808	-
Total governmental activities	\$ 90,074,325	\$ 14,097,183	\$ (6,527,800)	\$ 97,643,708	\$ 4,680,000

The following is an aggregate summary of debt service requirements for the City of Henderson as of June 30, 2017:

June 30th:	Principal	Interest	Total
2018	\$ 3,380,000	\$ 1,397,536	\$ 4,777,536
2019	3,445,000	1,317,604	4,762,604
2020	3,530,000	1,240,458	4,770,458
2021	3,605,000	1,160,180	4,765,180
2022	3,345,000	1,078,343	4,423,343
2023 to 2027	17,240,000	4,173,709	21,413,709
2028 to 2032	14,765,000	2,015,547	16,780,547
2033 to 2036	5,435,000	360,287	5,795,287
Totals	\$ 54,745,000	\$ 12,743,664	\$ 67,488,664

CITY OF HENDERSON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS

As of June 30, 2017 governmental long-term debt of the City consisted of the following:

A. General Obligation Bonds – Series 2007

During the year ended June 30, 2007, the City issued \$5,230,000 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. During the year ended June 30, 2017, the City partially refunded this issue with General Obligation Bonds Series 2017C issue. The revised maturity date is April 2018. Interest rates range from 3.75 % to 3.80%. 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, 2017:

June 30th:	Principal	Interest	Total	Interest Rates
2018	<u>325,000</u>	<u>12,350</u>	<u>337,350</u>	3.80%
Totals	\$ 325,000	\$ 12,350	\$ 337,350	

B. 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

CITY OF HENDERSON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS

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, 2017:

June 30th:	Principal	Interest	Total	Interest Rates
2018	\$ 315,000	\$ 50,759	\$ 365,759	2.20%
2019	315,000	42,963	357,963	2.75%
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 to 2024	400,000	14,053	414,053	3.38% to 3.5%
Totals	\$ 1,870,000	\$ 183,731	\$ 2,053,731	

C. 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, 2017:

CITY OF HENDERSON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS

June 30th:	Principal	Interest	Total	Interest Rates
2018	\$ 90,000	\$ 55,521	\$ 145,521	2.00%
2019	90,000	53,631	143,631	2.20%
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 to 2027	540,000	179,920	719,920	3.00% to 4.00%
2028 to 2032	<u>650,000</u>	<u>67,000</u>	<u>717,000</u>	4.00%
Totals	<u>\$ 1,660,000</u>	<u>\$ 502,283</u>	<u>\$ 2,162,283</u>	

D. 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 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, 2017:

June 30th:	Principal	Interest	Total	Interest Rates
2018	\$ 440,000	\$ 207,508	\$ 647,508	2.00%
2019	450,000	198,607	648,607	2.00%
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 to 2027	2,580,000	664,426	3,244,426	2.38% to 3.00%
2028 to 2032	<u>3,005,000</u>	<u>249,228</u>	<u>3,254,228</u>	3.00% to 3.30%
Totals	<u>\$ 7,885,000</u>	<u>\$ 1,859,891</u>	<u>\$ 9,744,891</u>	

CITY OF HENDERSON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS

E. 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, 2017:

June 30th:	Principal	Interest	Total	Interest Rates
2018	\$ 430,000	\$ 181,325	\$ 611,325	2.00%
2019	440,000	172,625	612,625	2.00%
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 to 2027	2,475,000	581,606	3,056,606	2.00% to 2.13%
2028 to 2032	2,775,000	274,725	3,049,725	2.50% to 2.75%
2033	600,000	8,250	608,250	2.75%
Totals	\$ 8,085,000	\$ 1,682,656	\$ 9,767,656	

F. 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, 2017:

CITY OF HENDERSON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS

June 30th:	Principal	Interest	Total	Interest Rates
2018	\$ 330,000	\$ 199,725	\$ 529,725	2.00%
2019	340,000	193,025	533,025	2.00%
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 to 2027	1,915,000	736,056	2,651,056	2.00% to 2.75%
2028 to 2032	2,205,000	445,844	2,650,844	3.00% to 3.25%
2033 to 2035	1,510,000	80,500	1,590,500	3.50% to 3.50%
Totals	\$ 7,355,000	\$ 2,192,675	\$ 9,547,675	

G. 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 2.0% to 3.75%. Interest is due in semi-annual installments. The obligation is secured by the full taxing authority of the City of Henderson. The following is a summary of scheduled payments as of June 30, 2017:

June 30th:	Principal	Interest	Total	Interest Rates
2018	\$ 315,000	\$ 204,233	\$ 519,233	2.00%
2019	320,000	197,882	517,882	2.00%
2020	330,000	191,383	521,383	2.00%
2021	335,000	184,732	519,732	2.00%
2022	340,000	177,983	517,983	2.00%
2023 to 2027	1,820,000	781,432	2,601,432	2.00% to 2.75%
2028 to 2032	2,085,000	520,319	2,605,319	3.00% to 3.25%
2033 to 2036	1,935,000	145,862	2,080,862	3.50% to 3.75%
Totals	\$ 7,480,000	\$ 2,403,826	\$ 9,883,826	

CITY OF HENDERSON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS

H. 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, 2017:

June 30th:	Principal	Interest	Total	Interest Rates
2018	\$ 155,000	\$ 26,849	\$ 181,849	1.00%
2019	155,000	25,221	180,221	1.10%
2020	160,000	23,369	183,369	1.25%
2021	160,000	21,169	181,169	1.50%
2022	165,000	18,318	183,318	2.00%
2023 to 2027	<u>760,000</u>	<u>39,672</u>	<u>799,672</u>	<u>2.00% to 2.50%</u>
Totals	<u>\$ 1,555,000</u>	<u>\$ 154,598</u>	<u>\$ 1,709,598</u>	

I. 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, 2017:

CITY OF HENDERSON, KENTUCKY
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June 30th:	Principal	Interest	Total	Interest Rates
2018	\$ 105,000	\$ 34,725	\$ 139,725	2.00%
2019	110,000	32,575	142,575	2.00%
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 to 2027	635,000	90,719	725,719	2.00% to 2.50%
2028 to 2030	400,000	16,056	416,056	2.50% to 2.75%
Totals	\$ 1,590,000	\$ 258,400	\$ 1,848,400	

J. 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, 2017:

June 30th:	Principal	Interest	Total	Interest Rates
2018	\$ 75,000	\$ 40,975	\$ 115,975	1.00%
2019	75,000	40,225	115,225	1.25%
2020	75,000	39,288	114,288	1.25%
2021	75,000	38,350	113,350	1.50%
2022	75,000	37,225	112,225	2.00%
2023 to 2027	405,000	162,225	567,225	2.00% to 2.50%
2028 to 2032	455,000	110,500	565,500	2.50% to 3.00%
2033 to 2036	415,000	36,425	451,425	3.00% to 3.50%
Totals	\$ 1,650,000	\$ 505,213	\$ 2,155,213	

CITY OF HENDERSON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS

K. 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, 2017:

June 30th:	Principal	Interest	Total	Interest Rates
2018	\$ 475,000	\$ 150,050	\$ 625,050	2.00%
2019	480,000	140,500	620,500	2.00%
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 to 2027	2,700,000	395,000	3,095,000	2.00% to 2.00%
2028 to 2031	2,355,000	109,425	2,464,425	2.00% to 2.50%
Totals	\$ 7,515,000	\$ 1,157,325	\$ 8,672,325	

L. 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, 2017:

CITY OF HENDERSON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS

June 30th:	Principal	Interest	Total	Interest Rates
2018	\$ 115,000	\$ 97,916	\$ 212,916	1.00%
2019	120,000	91,200	211,200	1.25%
2020	125,000	87,600	212,600	1.25%
2021	130,000	83,850	213,850	1.50%
2022	130,000	79,950	209,950	2.00%
2023 to 2027	725,000	338,250	1,063,250	2.00% to 2.50%
2028 to 2032	835,000	222,450	1,057,450	2.50% to 3.00%
2033 to 2036	975,000	89,250	1,064,250	3.00% to 3.50%
Totals	\$ 3,155,000	\$ 1,090,466	\$ 4,245,466	

M. 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, 2017:

June 30th:	Principal	Interest	Total	Interest Rates
2018	\$ 200,000	\$ 68,700	\$ 268,700	3.00%
2019	210,000	62,550	272,550	3.00%
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 to 2027	1,300,000	100,500	1,400,500	3.00%
Totals	\$ 2,390,000	\$ 379,800	\$ 2,769,800	

CITY OF HENDERSON, KENTUCKY
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N. 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, 2017:

June 30th:	Principal	Interest	Total	Interest Rates
2018	\$ 10,000	\$ 66,900	\$ 76,900	3.00%
2019	340,000	66,600	406,600	3.00%
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 to 2027	<u>985,000</u>	<u>89,850</u>	<u>1,074,850</u>	3.00%
Totals	<u>\$ 2,230,000</u>	<u>\$ 360,450</u>	<u>\$ 2,590,450</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, 2017:

	Balance May 31, 2016	Additions	Reductions	Balance May 31, 2017	Amounts due in One Year
Revenue Bonds Series 2011A	\$ 9,595,000	\$ -	\$ (465,000)	\$ 9,130,000	\$ 475,000
Revenue Bonds Series 2011B	3,065,000	-	(155,000)	2,910,000	155,000
Total bonds payable	<u>\$ 12,660,000</u>	<u>\$ -</u>	<u>\$ (620,000)</u>	<u>\$ 12,040,000</u>	<u>\$ 630,000</u>

CITY OF HENDERSON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS

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, 2017:

May 31st:	Series 2011A		Series 2011B		Totals
	Principal	Interest	Principal	Interest	
2018	\$ 475,000	\$ 351,806	\$ 155,000	\$ 98,718	\$ 1,080,524
2019	490,000	339,932	160,000	95,618	1,085,550
2020	505,000	325,232	165,000	92,098	1,087,330
2021	520,000	310,082	170,000	88,138	1,088,220
2022	2,870,000	1,268,324	920,000	362,116	5,420,440
2023 to 2027	3,480,000	647,082	1,095,000	184,238	5,406,320
2028 to 2032	790,000	35,550	245,000	10,044	1,080,594
Totals	\$ 9,130,000	\$ 3,278,008	\$ 2,910,000	\$ 930,970	\$ 16,248,978

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, 2017:

	Balance June 30,			Balance June 30, 2017	Amounts due in One Year
	2016	Additions	Reductions		
Series 2006A Water and Sewer	\$ 3,110,000	\$ -	\$ (3,110,000)	\$ -	\$ -
Due to City of Henderson-2010B	1,027,239	-	(116,146)	911,093	118,613
Due to City of Henderson-2012A	8,320,000	-	(435,000)	7,885,000	440,000
Due to City of Henderson-2013A	8,505,000	-	(420,000)	8,085,000	430,000
Due to City of Henderson-2014	7,680,000	-	(325,000)	7,355,000	330,000
Due to City of Henderson-2015B	1,710,000	-	(155,000)	1,555,000	155,000
Due to City of Henderson-2015C	1,700,000	-	(110,000)	1,590,000	105,000
Due to City of Henderson-2016B	7,980,000	-	(465,000)	7,515,000	475,000
Due to City of Henderson-2017B	-	2,390,000	-	2,390,000	200,000
Total	\$ 40,032,239	\$ 2,390,000	\$ (5,136,146)	\$ 37,286,093	\$ 2,253,613

CITY OF HENDERSON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS

Principal and interest requirements to retire Henderson Water Utility's long-term obligations as of June 30, 2017 were as follows:

Fiscal year ended June 30th:	Principal	Interest	Total
2018	\$ 2,253,613	\$ 894,918	\$ 3,148,531
2019	2,306,297	848,167	3,154,464
2020	2,354,090	799,791	3,153,881
2021	2,411,671	749,785	3,161,456
2022	2,464,202	697,329	3,161,531
2023 to 2027	12,646,220	2,617,870	15,264,090
2028 to 2032	10,740,000	1,095,277	11,835,277
2033 to 2035	2,110,000	88,750	2,198,750
Totals	\$ 37,286,093	\$ 7,791,887	\$ 45,077,980

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

	Interest Rate	Maturity	Balance	Security
Due to City of Henderson-2010B	2.00% - 3.50%	11/1/2023	\$ 911,093	Unsecured
Due to City of Henderson-2012A	1.00% - 3.30%	11/1/2031	\$ 7,885,000	Unsecured
Due to City of Henderson-2013A	2.00% - 2.75%	11/1/2032	\$ 8,085,000	Unsecured
Due to City of Henderson-2014	2.00% - 2.50%	11/1/2034	\$ 7,355,000	Unsecured
Due to City of Henderson-2015B	1.00% - 2.50%	11/1/2026	\$ 1,555,000	Unsecured
Due to City of Henderson-2015C	2.00% - 2.75%	11/1/2029	\$ 1,590,000	Unsecured
Due to City of Henderson-2016B	2.00% - 2.50%	11/1/2030	\$ 7,515,000	Unsecured
Due to City of Henderson-2017B	3.00%	11/1/2026	\$ 2,390,000	Unsecured
			\$ 37,286,093	

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.

CITY OF HENDERSON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS

The following is a summary of restricted assets applicable to HWU for the fiscal year ended June 30, 2017, 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	\$ 118,613	\$ 792,480	\$ 911,093
2012A	440,000	7,445,000	7,885,000
2013A	430,000	7,655,000	8,085,000
2014	330,000	7,025,000	7,355,000
2015B	155,000	1,400,000	1,555,000
2015C	105,000	1,485,000	1,590,000
2016B	475,000	7,040,000	7,515,000
2017B	200,000	2,190,000	2,390,000
 Total	 <u>\$ 2,253,613</u>	 <u>\$ 35,032,480</u>	 <u>\$ 37,286,093</u>

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, 2017, 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

CITY OF HENDERSON, KENTUCKY
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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 or death. 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.

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, 2017 these governmental activities liabilities included \$1,468,900 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 \$996,240 in fiscal year 2017.

CITY OF HENDERSON, KENTUCKY
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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, 2016, from its last audited financial statements made available to the City are:

Assets	\$ 106,524,470
Liabilities	\$ 101,906,584
Net position	\$ 4,617,886

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, 2017, the estimated amount of this gas storage liability was \$244,750.

10. CONCENTRATION OF SALES

Henderson Municipal Gas

For the fiscal year ended June 30, 2017, five industrial customers accounted for \$6,371,202 in gas sales, which represents 44% of the operating revenues of the Gas Fund.

Henderson Municipal Power and Light

Three industrial customers of the Existing System accounted for sales in the amount of \$12.6 million (30% of Existing System sales) for the fiscal year ended May 31, 2017.

Henderson Water Utility

For the fiscal year ended June 30, 2017, three customers accounted for \$8,230,004 in sales and surcharges for approximately 43% of HWU's total operating revenues.

CITY OF HENDERSON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS

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, 2017, 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.

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 \$4,168,000 at June 30, 2017, consists of \$2,815,000 in closure costs and \$1,353,000 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 78.2%. 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.

CITY OF HENDERSON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS

The estimated liability consists of the following at June 30, 2017:

	Estimated Closure Liability	Estimated Post-Closure Liability	Total
June 30, 2016	\$ 2,820,000	\$ 1,350,000	\$ 4,170,000
Costs applied	-	-	-
Revision to estimate	(5,000)	3,000	(2,000)
June 30, 2017	<u>\$ 2,815,000</u>	<u>\$ 1,353,000</u>	<u>\$ 4,168,000</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.

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.

CITY OF HENDERSON, KENTUCKY
NOTES TO 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 \$660,001 and \$618,000, respectively, from HMPL and HWU for such services for the fiscal year ended June 30, 2017.

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, 2017.

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.

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, 2017:

CITY OF HENDERSON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS

	Beginning of Fiscal Year Liability	Current Year Claims & Changes In Estimates	Claim Payments	End of Fiscal Year Liability
2007-2008	\$ 612,644	\$ 4,617,270	\$ (4,411,052)	\$ 818,862
2008-2009	\$ 818,862	\$ 4,285,935	\$ (4,258,617)	\$ 846,180
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

The financial transactions of the Plan are recorded in the Health Insurance Fund, which is an internal service fund of the City.

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, 2017, the HRA Plan has an unfunded obligation of \$1,036,000, of which \$682,000 pertains to the City, and which will be funded in future fiscal periods.

CITY OF HENDERSON, KENTUCKY

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17. PENSIONS

General Information about the Pension Plans

The City significantly participates in three pension plans: The County Employees' Retirement System (**CERS**), the Civil Service Pension Plan (**CSPP**), and the Police and Fire Pension Plan (**PFPP**).

Plan descriptions

Substantially all City employees participate in CERS, a multi-employer, cost sharing, defined benefit pension plan administered by the board of Trustees of the Kentucky Retirement Systems (KRS), which 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>.

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.

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

CERS provides retirement, disability, and death benefits to plan members. Retirement benefits may be extended to beneficiaries of plan members under certain circumstances. Cost-of-living adjustments (COLA) are provided at the discretion of the State legislature. State statute assigns the authority to establish and amend benefit provisions to the Kentucky Retirement Systems Board of Trustees.

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, 2017, the plan had six members, one of whom is an active City employee, with the other five 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 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, 2017, the plan had ten members, all of whom are inactive participants receiving benefits.

CITY OF HENDERSON, KENTUCKY
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Contributions

CERS plan members hired prior to September 1, 2008 contribute 5% of their annual creditable compensation, those hired on or after September 1, 2008 contribute 6%, and the City contributes 13.95% of annual covered payroll for fiscal year 2017. Employees classified as hazardous hired prior to September 1, 2008 contribute 8% of their annual creditable compensation, those hired on or after September 1, 2008 contribute 9%, and the City contributes 21.71% of annual covered payroll for fiscal 2017. The contribution requirements of plan members and the City are established and may be amended by the Kentucky Retirement Systems Board of Trustees. City contributions to CERS were \$1,026,467 for nonhazardous employees, \$1,388,647 for hazardous employees, for total contributions of \$2,415,114 for the fiscal year ended June 30, 2017.

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 the 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 \$157,399 for the fiscal year ended June 30, 2017.

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 \$387,000 for the fiscal year ended June 30, 2017.

CITY OF HENDERSON, KENTUCKY
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Pension Liabilities

CERS

At June 30, 2017, the City reported a liability of \$34,806,790 for its proportionate share of the net pension liability, with \$15,115,467 for nonhazardous pensions and \$19,691,323 for hazardous pensions. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015. The City's proportion of the net pension liability was based on a projection of the City's long term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined.

At June 30, 2016, the City's proportion was .29481% for nonhazardous pensions and 1.10195% for hazardous pensions.

CSPP

CSPP net pension liability was \$1,402,940 at June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016.

PFPP

PFPP net pension liability was \$4,538,078 at June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016.

The following is a summary of net pension liability shown on the Statement of Net Position, included in noncurrent liabilities, due after one year. The City's net pension liability is shown under Governmental Activities on the Statement of Net Position because pension liabilities of Business-type Activities are immaterial.

	Net Pension Liability
City of Henderson:	
CERS:	
Nonhazardous	\$ 15,115,467
Hazardous	<u>19,691,323</u>
	<u>34,806,790</u>
CSPP	1,402,940
PFPP	<u>4,538,078</u>
	<u><u>\$ 40,747,808</u></u>
Total City of Henderson	<u><u>\$ 40,747,808</u></u>

Component Units:

HMPL	<u><u>\$ 5,994,076</u></u>
HWU	<u><u>\$ 8,132,373</u></u>

CITY OF HENDERSON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS

Actuarial Assumptions

CERS

The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.25%
Salary increases	4.00%, average, including inflation
Investment rate of return	7.50%, net of pension plan expense, including inflation

Further information regarding the mortality tables used by CERS can be found in the CERS actuarial reports on the KRS website.

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2008 to June 30, 2013.

CSPP and PFPP

The total pension liability was determined by an actuarial valuation as of June 30, 2016, using the following primary assumptions:

Inflation	None
Salary increases	2% cost of living
Investment rate of return	None, no pension plan investments

The rates of mortality for the period after service retirement are according to the RP-2015 Mortality Table projected to the valuation date. Disability lives are based upon the mortality table in IRS Revenue Ruling 96-7.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2015 to June 30, 2016.

CITY OF HENDERSON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS

Investments Long-Term Rate of Return

CSPP and PFPP have no pension plan investments, and thus no long-term expected rate of return. For CERS, the long-term expected rate of return on pension plan investments is reviewed as part of the regular experience studies prepared every five years for Kentucky Retirement Systems. The most recent analysis, performed for the period covering fiscal years 2008 through 2013, is outlined in a report dated April 30, 2014. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense, and inflation) were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

The above statements related to CERS and the following table were provided by the Kentucky Retirement Systems.

CITY OF HENDERSON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Combined Equity	44%	5.40%
Combined Fixed Income	19%	1.50%
Real Return (Diversified Inflation Strategies)	10%	3.50%
Real Estate	5%	4.50%
Absolute Return (Diversified Hedge Funds)	10%	4.25%
Private Equity	10%	8.50%
Cash Equivalent	2%	-0.25%
Total	<u><u>100%</u></u>	

CITY OF HENDERSON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS

Discount Rate

The discount rate used to measure the total pension liability was 7.50% for CERS, 5% for CSPP, and 4% for PFPP. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers were at the required contribution rates, actuarially determined. Based on those assumptions, the pension plans' fiduciary net position were 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.

Sensitivity of the net pension liability (NPL) to changes in the discount rate

The following presents the City's net pension liability for its pension plans, calculated using the current discount rate, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower or 1 percentage-point higher than the current rate.

	1% Decrease	Current Discount Rate	1% Increase
<u>CERS Nonhazardous</u>			
Discount Rate	6.50%	7.50%	8.50%
Proportionate Share NPL	<u>\$ 18,836,320</u>	<u>\$ 15,115,467</u>	<u>\$ 11,925,956</u>
<u>CERS Hazardous</u>			
Discount Rate	6.50%	7.50%	8.50%
Proportionate Share NPL	<u>\$ 24,738,045</u>	<u>\$ 19,691,323</u>	<u>\$ 15,528,651</u>
<u>CSPP</u>			
Discount Rate	4%	5%	6%
NPL	<u>\$ 1,527,577</u>	<u>\$ 1,402,940</u>	<u>\$ 1,304,920</u>
<u>PFPP</u>			
Discount Rate	3%	4%	5%
NPL	<u>\$ 5,020,096</u>	<u>\$ 4,538,078</u>	<u>\$ 4,108,330</u>

Pension Plan Fiduciary Net Position

Detailed information about the pension plans' fiduciary net position, for CERS is available in the separately issued Kentucky Retirement Systems' financial report, for CSPP and PFPP is available on the next page.

CITY OF HENDERSON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS

Changes in the Net Pension Liability
Single-Employer Plans

	CSPP	PFPP
Total Pension Liability		
Service cost	\$ 4,596	\$ (3,658)
Interest	69,926	183,171
Changes of benefit terms	-	-
Differences between expected and actual experience	15,113	(38,869)
Changes of assumptions	-	-
Benefit Payments	<u>(175,554)</u>	<u>(382,823)</u>
Net change in total pension liability	(85,919)	(242,179)
 Total pension liability--beginning, 6-30-2015	 1,486,307	 4,770,687
Total pension liability--ending, 6-30-2016 (a)	<u>\$ 1,400,388</u>	<u>\$ 4,528,508</u>
 Plan Fiduciary Net Position		
Contributions---Employer	\$ 175,316	\$ 386,000
Contributions---Employee	2,316	-
Net investment income	3	2
Miscellaneous income	111	188
Benefit Payments	<u>(175,554)</u>	<u>(382,823)</u>
Administration expenses	<u>(3,410)</u>	<u>(3,658)</u>
Net change in plan fiduciary net position	(1,218)	(291)
 Plan fiduciary net position--beginning, 6-30-2015	 <u>(1,334)</u>	 <u>(9,279)</u>
Plan fiduciary net position--ending, 6-30-2016 (b)	<u>\$ (2,552)</u>	<u>\$ (9,570)</u>
 Net Pension Liability (a) - (b)	 <u>\$ 1,402,940</u>	 <u>\$ 4,538,078</u>

CITY OF HENDERSON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS

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

For the fiscal year ended June 30, 2017, the City recognized total pension expense of **\$4,482,798**, which consists of \$1,908,028 CERS Nonhazardous, \$2,244,625 CERS Hazardous, \$92,439 CSPP, and \$237,706 PFPP. The City's Component Units recognized CERS Nonhazardous pension expense of \$819,214 for HMPL and \$1,252,834 for HWU, for their respective fiscal years.

At June 30, 2017, the City reported deferred outflows of resourced and deferred inflows of resources related to pensions from the following sources:

	Deferred <u>Outflows of Resources</u>	Deferred <u>Inflows of Resources</u>
Differences between expected and actual experience		
CERS Nonhazardous	\$ 63,370	\$ -
CERS Hazardous	272,715	-
CSPP	116,215	16,519
PFPP	37,511	587,838
	<u>489,811</u>	<u>604,357</u>
Net difference between projected and actual earnings on pension plan investments		
CERS Nonhazardous	1,364,597	-
CERS Hazardous	1,595,124	-
	<u>2,959,721</u>	<u>-</u>
Change of assumptions		
CERS Nonhazardous	768,949	-
CERS Hazardous	1,085,064	-
	<u>1,854,013</u>	<u>-</u>
Difference between employer contributions and proportional share of contributions		
CERS Nonhazardous	19,944	117,716
CERS Hazardous	441,882	109,225
	<u>461,826</u>	<u>226,941</u>
City contributions subsequent to the measurement date		
CERS Nonhazardous	1,026,467	-
CERS Hazardous	1,388,647	-
	<u>2,415,114</u>	<u>-</u>
Total	<u>\$ 8,180,485</u>	<u>\$ 831,298</u>

CITY OF HENDERSON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS

\$2,415,114 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2018	\$ 1,596,982
2019	1,345,085
2020	1,652,649
2021	654,200
2022	(33,947)
Thereafter	<u>(280,896)</u>
	<u>\$ 4,934,073</u>

CITY OF HENDERSON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS

Postemployment Healthcare Benefits

Plan description: In addition to the pension benefits described above, KRS provides postemployment healthcare benefits through the Kentucky Retirement Systems Insurance Fund (Insurance Fund). 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). 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, 2015 (the date of the latest available information), insurance premiums withheld from benefit payments for these benefits from CERS were \$22.6 million and \$1.7 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. As of June 30, 2015, the Insurance Fund had 108,952 retirees and beneficiaries for whom benefits were available.

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%

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 based on the retiree COLA, which is updated annually due to changes in the Consumer Price Index for all urban consumers. 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.

CITY OF HENDERSON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS

Funding policy: In prior years, the employer's required medical insurance contribution rate was being increased annually by a percentage that would result in advance-funding the medical liability on an actuarially determined basis using the entry age normal method within a 20 year period measured from 1987. In November 1992, the Board adopted a fixed percentage rate and suspended future increases under the current medical premium funding policy until the next experience study could be performed. In May 1996, the Board adopted a policy to increase the insurance contribution rate by the amount needed to achieve the target rate for full entry age normal funding within 20 years.

The City is required to contribute at an actuarially determined rate. As of June 30, 2017, The City's required contribution rate was 4.73% for nonhazardous, and 9.35% for 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 the Insurance Fund from the City were \$347,652 for nonhazardous, and \$597,972 for hazardous, for the fiscal year ended June 30, 2017.

On August 6, 2012, the Board voted to cease self-funding of healthcare benefits for most medicare eligible retirees. The Board elected to contract with Humana Insurance Company to provide healthcare benefits to retirees through a fully insured Medicare Advantage Plan. The Humana Medicare Advantage Plan became effective January 1, 2013.

CITY OF HENDERSON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS

Financial Information-Pension Trust Funds

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, 2017.

Combining Statement of Fiduciary Net Position - Pension Trust Funds
 June 30, 2017

	Civil Service Pension Fund	Police & Fire Pension Fund	HRA Fund	Total
ASSETS				
Cash	\$ 988	\$ 961	\$ 73,351	\$ 75,300
Total assets	<u>988</u>	<u>961</u>	<u>73,351</u>	<u>75,300</u>
LIABILITIES				
Accounts payable	<u>3,836</u>	<u>8,388</u>	<u>3,714</u>	<u>15,938</u>
Total liabilities	<u>3,836</u>	<u>8,388</u>	<u>3,714</u>	<u>15,938</u>
NET POSITION				
Total net position	<u>\$ (2,848)</u>	<u>\$ (7,427)</u>	<u>\$ 69,637</u>	<u>\$ 59,362</u>

Combining Statement of Changes in Fiduciary Net Position-Pension Trust Funds
 For the Fiscal Year Ended June 30, 2017

	Civil Service Pension Fund	Police & Fire Pension Fund	HRA Fund	Total
ADDITIONS				
Contributions:				
Employer	\$ 157,399	\$ 387,000	\$ 452,000	\$ 996,399
Employee	<u>2,399</u>	<u>-</u>	<u>-</u>	<u>2,399</u>
Total contributions	<u>159,798</u>	<u>387,000</u>	<u>452,000</u>	<u>998,798</u>
Interest income	9	5	928	942
Miscellaneous	<u>197</u>	<u>428</u>	<u>-</u>	<u>625</u>
Total additions	<u>160,004</u>	<u>387,433</u>	<u>452,928</u>	<u>1,000,365</u>
DEDUCTIONS				
Benefits paid	156,890	381,632	502,319	1,040,841
Professional services	<u>3,410</u>	<u>3,658</u>	<u>-</u>	<u>7,068</u>
Total deductions	<u>160,300</u>	<u>385,290</u>	<u>502,319</u>	<u>1,047,909</u>
Net increase (decrease) in net position	<u>(296)</u>	<u>2,143</u>	<u>(49,391)</u>	<u>(47,544)</u>
Net position, beginning of year	<u>(2,552)</u>	<u>(9,570)</u>	<u>119,028</u>	<u>106,906</u>
Net position, end of year	<u>\$ (2,848)</u>	<u>\$ (7,427)</u>	<u>\$ 69,637</u>	<u>\$ 59,362</u>

CITY OF HENDERSON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS

18. 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.

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 or resolutions 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 or resolution.

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

CITY OF HENDERSON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS

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.

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, 2017:

<u>Fund Balances</u>	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Nonspendable					
Inventories	\$ 59,912	\$ -	\$ -	\$ 17,200	\$ 77,112
	<u>59,912</u>	<u>-</u>	<u>-</u>	<u>17,200</u>	<u>77,112</u>
Restricted					
Debt service	-	988	-	-	988
Capital projects	-	-	38,496,544	-	38,496,544
Law enforcement	-	-	-	44,950	44,950
	<u>-</u>	<u>988</u>	<u>38,496,544</u>	<u>44,950</u>	<u>38,542,482</u>
Committed					
Major building projects	1,244,242	-	-	-	1,244,242
Major equipment buys	369,744	-	-	-	369,744
Public works	-	-	-	246,662	246,662
Law enforcement	-	-	-	146,520	146,520
	<u>1,613,986</u>	<u>-</u>	<u>-</u>	<u>393,182</u>	<u>2,007,168</u>
Assigned					
2018 Budget deficit	2,790,000	-	-	-	2,790,000
Newman park shelter	200,000	-	-	-	200,000
Recreation/Sports facility	700,000	-	-	-	700,000
Countryview drainage	250,000	-	-	-	250,000
	<u>3,940,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,940,000</u>
Unassigned					
	<u>5,291,247</u>	<u>-</u>	<u>(185,457)</u>	<u>(5,275)</u>	<u>5,100,515</u>
Total fund balances	\$ 10,905,145	\$ 988	\$ 38,311,087	\$ 450,057	\$ 49,667,277

**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,

	2017	2016	2015
Nonhazardous			
City's proportion of the net pension liability	0.29481%	0.29407%	0.30166%
City's proportionate share of the net pension liability	\$ 15,115,467	\$ 12,643,513	\$ 9,786,816
City's covered payroll	\$ 7,423,512	\$ 7,306,385	\$ 7,236,290
City's proportionate share of the net pension liability as a percentage of its covered payroll	203.62%	173.05%	135.25%
Plan fiduciary net position as a percentage of the total pension liability	55.50%	59.97%	66.80%
Hazardous			
City's proportion of the net pension liability	1.10195%	1.11358%	1.05686%
City's proportionate share of the net pension liability	\$ 19,691,323	\$ 17,094,694	\$ 12,701,630
City's covered payroll	\$ 6,309,740	\$ 5,984,273	\$ 5,854,676
City's proportionate share of the net pension liability as a percentage of its covered payroll	312.08%	285.66%	216.95%
Plan fiduciary net position as a percentage of the total pension liability	53.95%	57.52%	63.46%

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

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,

	2016	2015	2014*	2013
Total Pension Liability				
Service cost	\$ 4,596	\$ 5,423	\$ 5,277	\$ 4,030
Interest	69,926	69,155	62,596	71,715
Changes of benefit terms	-	-	-	-
Differences between expected and actual experience	15,113	116,277	22,478	(60,254)
Changes of assumptions*	-	-	227,405	-
Benefit Payments	(175,554)	(175,297)	(187,307)	(210,938)
Net change in total pension liability	(85,919)	15,558	130,449	(195,447)
Total pension liability--beginning	1,486,307	1,470,749	1,340,300	1,535,747
Total pension liability--ending (a)	<u>\$ 1,400,388</u>	<u>\$ 1,486,307</u>	<u>\$ 1,470,749</u>	<u>\$ 1,340,300</u>
Plan Fiduciary Net Position				
Contributions---Employer	\$ 175,316	\$ 170,363	\$ 194,227	\$ 214,154
Contributions---Employee	2,316	2,363	2,227	2,154
Net investment income	3	3	4	10
Miscellaneous income	111	191	258	193
Benefit Payments	(175,554)	(175,297)	(181,852)	(218,006)
Administration expenses	(3,410)	(3,410)	(2,441)	(2,472)
Net change in plan fiduciary net position	(1,218)	(5,787)	12,423	(3,967)
Plan fiduciary net position--beginning	(1,334)	4,453	(7,970)	(4,003)
Plan fiduciary net position--ending (b)	<u>\$ (2,552)</u>	<u>\$ (1,334)</u>	<u>\$ 4,453</u>	<u>\$ (7,970)</u>
Net Pension Liability (a) - (b)	<u>\$ 1,402,940</u>	<u>\$ 1,487,641</u>	<u>\$ 1,466,296</u>	<u>\$ 1,348,270</u>
Plan fiduciary net position as a percentage of the total pension liability	-0.182%	-0.090%	0.303%	-0.595%
Covered employee payroll	\$ 46,415	\$ 47,357	\$ 44,550	\$ 43,171
Net Pension Liability as a percentage of covered employee payroll	3022.60%	3141.33%	3291.35%	3123.09%

* 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 plans.

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,

	2016	2015	2014*	2013
Total Pension Liability				
Service cost	\$ (3,658)	\$ (3,720)	\$ -	\$ -
Interest	183,171	187,904	168,112	170,310
Changes of benefit terms	-	-	-	-
Differences between expected and actual experience	(38,869)	85,141	(138,211)	186,286
Changes of assumptions*	-	-	866,643	-
Benefit Payments	(382,823)	(392,484)	(411,006)	(412,077)
Net change in total pension liability	(242,179)	(123,159)	485,538	(55,481)
Total pension liability--beginning	4,770,687	4,893,846	4,408,308	4,463,789
Total pension liability--ending (a)	<u>\$ 4,528,508</u>	<u>\$ 4,770,687</u>	<u>\$ 4,893,846</u>	<u>\$ 4,408,308</u>
Plan Fiduciary Net Position				
Contributions---Employer	\$ 386,000	\$ 399,000	\$ 412,000	\$ 418,000
Contributions---Employee	-	-	-	-
Net investment income	2	2	5	7
Miscellaneous income	188	370	360	431
Benefit Payments	(382,823)	(392,484)	(416,461)	(415,608)
Administration expenses	(3,658)	(3,720)	(2,782)	(2,782)
Net change in plan fiduciary net position	(291)	3,168	(6,878)	48
Plan fiduciary net position--beginning	(9,279)	(12,447)	(5,569)	(5,617)
Plan fiduciary net position--ending (b)	<u>\$ (9,570)</u>	<u>\$ (9,279)</u>	<u>\$ (12,447)</u>	<u>\$ (5,569)</u>
Net Pension Liability (a) - (b)	<u>\$ 4,538,078</u>	<u>\$ 4,779,966</u>	<u>\$ 4,906,293</u>	<u>\$ 4,413,877</u>
Plan fiduciary net position as a percentage of the total pension liability	-0.211%	-0.195%	-0.254%	-0.126%
Covered employee payroll	\$ -	\$ -	\$ -	\$ -
Net Pension Liability as a percentage of covered employee payroll	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 plans.

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

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Contractually required contributions	\$ 3,360,738	\$ 3,169,447	\$ 3,252,080	\$ 3,242,764	\$ 3,323,148	\$ 3,262,925	\$ 3,062,824	\$ 2,794,258	\$ 2,599,760	\$ 2,747,501
Contributions in relation to the contractually required contributions	3,360,738	3,169,447	3,252,080	3,242,764	3,323,148	3,262,925	3,062,824	2,794,258	2,599,760	2,747,501
Contributions deficiency (excess)	<u>\$ -</u>									
Covered payroll	\$ 13,733,252	\$ 13,290,658	\$ 13,090,966	\$ 12,797,289	\$ 12,477,036	\$ 12,782,620	\$ 12,862,645	\$ 12,455,253	\$ 12,700,622	\$ 11,754,626
Contributions as a percentage of covered payroll	24.47%	23.85%	24.84%	25.34%	26.63%	25.53%	23.81%	22.43%	20.47%	23.37%

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

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

	2016	2015	2014*	2013	2012	2011	2010	2009	2008	2007
Actuarially determined contributions	\$ 105,328	\$ 107,411	\$ 111,630	\$ 127,470	\$ 116,436	\$ 112,188	\$ 99,171	\$ 111,784	\$ 116,421	\$ 122,033
Contributions in relation to the actuarially determined contributions	175,316	170,363	196,454	216,307	221,287	152,624	12,586	271,333	238,636	136,257
Contributions deficiency (excess)	<u>\$ (69,988)</u>	<u>\$ (62,952)</u>	<u>\$ (84,824)</u>	<u>\$ (88,837)</u>	<u>\$ (104,851)</u>	<u>\$ (40,436)</u>	<u>\$ 86,585</u>	<u>\$ (159,549)</u>	<u>\$ (122,215)</u>	<u>\$ (14,224)</u>
Covered payroll	\$ 46,415	\$ 47,357	\$ 44,550	\$ 43,171	\$ 42,867	\$ 36,899	\$ 36,005	\$ 35,277	\$ 41,424	\$ 29,702
Contributions as a percentage of covered payroll	377.71%	359.74%	440.97%	501.05%	516.22%	413.63%	34.96%	769.15%	576.08%	458.75%

* 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 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,

	2016	2015	2014*	2013	2012	2011	2010	2009	2008	2007
Actuarially determined contributions	\$ 355,293	\$ 362,840	\$ 396,671	\$ 401,983	\$ 384,553	\$ 405,070	\$ 385,099	\$ 370,618	\$ 375,317	\$ 363,343
Contributions in relation to the actuarially determined contributions	386,000	399,000	412,000	418,000	418,000	424,775	16,083	291,013	424,749	392,639
Contributions deficiency (excess)	<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>	<u>\$ 79,605</u>	<u>\$ (49,432)</u>	<u>\$ (29,296)</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 plans.

Nonmajor Governmental Funds

Nonmajor Governmental Funds

The nonmajor governmental funds of the City consist of seven 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.

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, 2017

	Cemetery	PWI	HART	911	CDBG	HOME	Police Investigation	Totals
ASSETS								
Cash	\$ 128	\$ 1,306	\$ 1,607	\$ 414	\$ 46,722	\$ -	\$ -	\$ 50,177
Receivables	7,146	152,362	273,204	190,475	-	-	-	623,187
Inventories	-	-	17,200	-	-	-	-	17,200
Restricted assets:								
Cash	-	-	-	-	-	-	164,538	164,538
Total assets	\$ 7,274	\$ 153,668	\$ 292,011	\$ 190,889	\$ 46,722	\$ -	\$ 164,538	\$ 855,102
LIABILITIES								
Accounts payable	\$ 5,862	\$ 126,721	\$ 16,633	\$ 21,592	\$ 46,722	\$ -	\$ 119,588	\$ 337,118
Accrued wages	6,687	15,726	22,737	22,777	-	-	-	67,927
Total liabilities	12,549	142,447	39,370	44,369	46,722	-	119,588	405,045
FUND BALANCES								
Nonspendable	-	-	17,200	-	-	-	-	17,200
Restricted	-	-	-	-	-	-	44,950	44,950
Committed	-	11,221	235,441	146,520	-	-	-	393,182
Unassigned	(5,275)	-	-	-	-	-	-	(5,275)
Total fund balances	(5,275)	11,221	252,641	146,520	-	-	44,950	450,057
Total liabilities and fund balances	\$ 7,274	\$ 153,668	\$ 292,011	\$ 190,889	\$ 46,722	\$ -	\$ 164,538	\$ 855,102

City of Henderson, Kentucky
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Special Revenue Funds
For the Fiscal Year Ended June 30, 2017

	Cemetery	PWI	HART	911	CDBG	HOME	Police Investigation	Totals
REVENUES								
Intergovernmental	\$ -	\$ 592,194	\$ 923,586	\$ 240,025	\$ 239,687	\$ -	\$ 6,507	\$ 2,001,999
Service charges and fees	262,276	182,930	34,391	574,079	-	-	-	1,053,676
Investment income	51	240	451	178	-	-	1,364	2,284
Miscellaneous	436	-	4,089	-	-	-	-	4,525
Total revenues	262,763	775,364	962,517	814,282	239,687	-	7,871	3,062,484
EXPENDITURES								
Administration	-	-	-	-	239,687	-	-	239,687
Parks and recreation	375,412	-	-	-	-	-	-	375,412
Police	-	-	-	1,046,782	-	-	15,571	1,062,353
Public works	-	1,723,011	1,237,276	-	-	-	-	2,960,287
Capital outlays	-	-	219,268	432,000	-	-	-	651,268
Total expenditures	375,412	1,723,011	1,456,544	1,478,782	239,687	-	15,571	5,289,007
Excess (deficiency) of revenues over expenditures	(112,649)	(947,647)	(494,027)	(664,500)	-	-	(7,700)	(2,226,523)
OTHER FINANCING SOURCES								
Transfers in from General Fund	120,000	1,234,000	617,000	767,000	-	-	-	2,738,000
Insurance recovery	-	-	31,856	-	-	-	-	31,856
Total other financing sources	120,000	1,234,000	648,856	767,000	-	-	-	2,769,856
Net change in fund balances	7,351	286,353	154,829	102,500	-	-	(7,700)	543,333
Fund balances, beginning of year	(12,626)	(275,132)	97,812	44,020	-	-	52,650	(93,276)
Fund balances, end of year	\$ (5,275)	\$ 11,221	\$ 252,641	\$ 146,520	\$ -	\$ -	\$ 44,950	\$ 450,057

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, 2017

	Budget			Variance with Final Budget
	Original	Final	Actual	
REVENUES				
Intergovernmental	\$ -	\$ -	\$ -	\$ -
Service charges and fees	201,000	201,000	262,276	61,276
Investment income	-	-	51	51
Miscellaneous	-	-	436	436
Total revenues	201,000	201,000	262,763	61,763
EXPENDITURES				
Administration	-	-	-	-
Parks and recreation	405,000	405,000	375,412	29,588
Police	-	-	-	-
Public works	-	-	-	-
Capital outlays	-	-	-	-
Total expenditures	405,000	405,000	375,412	29,588
Excess (deficiency) of revenues over expenditures	(204,000)	(204,000)	(112,649)	91,351
OTHER FINANCING SOURCES				
Transfers in from General Fund	204,000	204,000	120,000	(84,000)
Total other financing sources	204,000	204,000	120,000	(84,000)
Net change in fund balance	-	-	7,351	7,351
Fund balance, beginning of year	(12,626)	(12,626)	(12,626)	-
Fund balance, end of year	\$ (12,626)	\$ (12,626)	\$ (5,275)	\$ 7,351

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, 2017

	Budget			Variance with Final Budget
	Original	Final	Actual	
REVENUES				
Intergovernmental	\$ 565,000	\$ 565,000	\$ 592,194	\$ 27,194
Service charges and fees	91,000	91,000	182,930	91,930
Investment income	-	-	240	240
Miscellaneous	-	-	-	-
Total revenues	656,000	656,000	775,364	119,364
EXPENDITURES				
Administration	-	-	-	-
Parks and recreation	-	-	-	-
Police	-	-	-	-
Public works	1,765,000	1,832,000	1,723,011	108,989
Capital outlays	-	-	-	-
Total expenditures	1,765,000	1,832,000	1,723,011	108,989
Excess (deficiency) of revenues over expenditures	(1,109,000)	(1,176,000)	(947,647)	228,353
OTHER FINANCING SOURCES				
Transfers in from General Fund	1,109,000	1,176,000	1,234,000	58,000
Total other financing sources	1,109,000	1,176,000	1,234,000	58,000
Net change in fund balance	-	-	286,353	286,353
Fund balance, beginning of year	(275,132)	(275,132)	(275,132)	-
Fund balance, end of year	\$ (275,132)	\$ (275,132)	\$ 11,221	\$ 286,353

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, 2017

	Budget			Variance with Final Budget
	Original	Final	Actual	
REVENUES				
Intergovernmental	\$ 925,000	\$ 925,000	\$ 923,586	\$ (1,414)
Service charges and fees	40,000	40,000	34,391	(5,609)
Investment income	-	-	451	451
Miscellaneous	-	-	4,089	4,089
Total revenues	965,000	965,000	962,517	(2,483)
EXPENDITURES				
Administration	-	-	-	-
Parks and recreation	-	-	-	-
Police	-	-	-	-
Public works	1,424,000	1,424,000	1,237,276	186,724
Capital outlays	225,000	225,000	219,268	5,732
Total expenditures	1,649,000	1,649,000	1,456,544	192,456
Excess (deficiency) of revenues over expenditures	(684,000)	(684,000)	(494,027)	189,973
OTHER FINANCING SOURCES				
Transfers in from General Fund	684,000	684,000	617,000	(67,000)
Insurance recovery	-	-	31,856	31,856
Total other financing sources	684,000	684,000	648,856	(35,144)
Net change in fund balance	-	-	154,829	154,829
Fund balance, beginning of year	97,812	97,812	97,812	-
Fund balance, end of year	\$ 97,812	\$ 97,812	\$ 252,641	\$ 154,829

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, 2017

	Budget			Variance with Final Budget
	Original	Final	Actual	
REVENUES				
Intergovernmental	\$ 322,000	\$ 415,000	\$ 240,025	\$ (174,975)
Service charges and fees	550,000	550,000	574,079	24,079
Investment income	-	-	178	178
Miscellaneous	-	-	-	-
Total revenues	872,000	965,000	814,282	(150,718)
EXPENDITURES				
Administration	-	-	-	-
Parks and recreation	-	-	-	-
Police	1,259,000	1,259,000	1,046,782	212,218
Public works	-	-	-	-
Capital outlays	580,000	954,000	432,000	522,000
Total expenditures	1,839,000	2,213,000	1,478,782	734,218
Excess (deficiency) of revenues over expenditures	(967,000)	(1,248,000)	(664,500)	583,500
OTHER FINANCING SOURCES				
Transfers in from General Fund	967,000	1,248,000	767,000	(481,000)
Total other financing sources	967,000	1,248,000	767,000	(481,000)
Net change in fund balance	-	-	102,500	102,500
Fund balance, beginning of year	44,020	44,020	44,020	-
Fund balance, end of year	\$ 44,020	\$ 44,020	\$ 146,520	\$ 102,500

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, 2017

	Budget			Variance with Final Budget
	Original	Final	Actual	
REVENUES				
Intergovernmental	\$ 510,000	\$ 510,000	\$ 239,687	\$ (270,313)
Service charges and fees	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
Total revenues	510,000	510,000	239,687	(270,313)
EXPENDITURES				
Administration	510,000	510,000	239,687	270,313
Parks and recreation	-	-	-	-
Police	-	-	-	-
Public works	-	-	-	-
Capital outlays	-	-	-	-
Total expenditures	510,000	510,000	239,687	270,313
Excess (deficiency) of revenues over expenditures	-	-	-	-
OTHER FINANCING SOURCES				
Transfers in from General Fund	-	-	-	-
Total other financing sources	-	-	-	-
Net change in fund balance	-	-	-	-
Fund balance, beginning of year	-	-	-	-
Fund balance, end of year	\$ -	\$ -	\$ -	\$ -

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, 2017

	Budget			Variance with Final Budget
	Original	Final	Actual	
REVENUES				
Intergovernmental	\$ -	\$ 84,000	\$ -	\$ (84,000)
Service charges and fees	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
Total revenues	<u>-</u>	<u>84,000</u>	<u>-</u>	<u>(84,000)</u>
EXPENDITURES				
Administration	-	84,000	-	84,000
Parks and recreation	-	-	-	-
Police	-	-	-	-
Public works	-	-	-	-
Capital outlays	-	-	-	-
Total expenditures	<u>-</u>	<u>84,000</u>	<u>-</u>	<u>84,000</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, 2017

	Budget			Variance with Final Budget
	Original	Final	Actual	
REVENUES				
Intergovernmental	\$ -	\$ -	\$ 6,507	\$ 6,507
Service charges and fees	-	-	-	-
Investment income	-	-	1,364	1,364
Miscellaneous	-	-	-	-
Total revenues	-	-	7,871	7,871
EXPENDITURES				
Administration	-	-	-	-
Parks and recreation	-	-	-	-
Police	20,000	20,000	15,571	4,429
Public works	-	-	-	-
Capital outlays	-	-	-	-
Total expenditures	20,000	20,000	15,571	4,429
Excess (deficiency) of revenues over expenditures	(20,000)	(20,000)	(7,700)	12,300
OTHER FINANCING SOURCES				
Transfers in from General Fund	-	-	-	-
Total other financing sources	-	-	-	-
Net change in fund balance	(20,000)	(20,000)	(7,700)	12,300
Fund balance, beginning of year	52,650	52,650	52,650	-
Fund balance, end of year	\$ 32,650	\$ 32,650	\$ 44,950	\$ 12,300

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, 2017

	Budget			Variance with Final Budget
	Original	Final	Actual	
REVENUES				
Intergovernmental	\$ 866,000	\$ 866,000	\$ 880,920	\$ 14,920
Investment income	-	-	727	727
Miscellaneous	-	-	244	244
Total revenues	866,000	866,000	881,891	15,891
EXPENDITURES				
Debt service:				
Principal	2,990,000	2,990,000	3,010,000	(20,000)
Interest	1,318,000	1,318,000	1,341,150	(23,150)
Total expenditures	4,308,000	4,308,000	4,351,150	(43,150)
Excess (deficiency) of revenues over expenditures	(3,442,000)	(3,442,000)	(3,469,259)	(27,259)
OTHER FINANCING SOURCES				
Transfers in	3,442,000	3,442,000	5,739,775	2,297,775
Bond redemption	-	-	(2,270,000)	(2,270,000)
Total other financing sources	3,442,000	3,442,000	3,469,775	27,775
Net change in fund balance	-	-	516	516
Fund balance, beginning of year	472	472	472	-
Fund balance, end of year	\$ 472	\$ 472	\$ 988	\$ 516

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, 2017

	Budget			Variance with Final Budget
	Original	Final	Actual	
REVENUES				
Intergovernmental	\$ 870,000	\$ 870,000	\$ 79,489	\$ (790,511)
Investment income	-	-	18,727	18,727
Total revenues	870,000	870,000	98,216	(771,784)
EXPENDITURES				
Public works	-	-	15,757	(15,757)
Bond issuance costs	75,000	75,000	59,573	15,427
Capital outlays	9,049,000	9,755,000	6,623,740	3,131,260
Total expenditures	9,124,000	9,830,000	6,699,070	3,130,930
Excess (deficiency) of revenues over expenditures	(8,254,000)	(8,960,000)	(6,600,854)	2,359,146
OTHER FINANCING SOURCES (USES)				
Transfers in	420,000	501,000	66,623	(434,377)
Transfers out	-	-	(4,360,884)	(4,360,884)
Bond premium	-	-	140,507	140,507
Bond issuance	2,000,000	2,000,000	7,795,000	5,795,000
Total other financing sources (uses)	2,420,000	2,501,000	3,641,246	1,140,246
Net change in fund balance	(5,834,000)	(6,459,000)	(2,959,608)	3,499,392
Fund balance, beginning of year	41,270,695	41,270,695	41,270,695	-
Fund balance, end of year	\$35,436,695	\$34,811,695	\$38,311,087	\$ 3,499,392

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.	119
Revenue Capacity These schedules contain information to help the reader assess the City's most significant local revenue sources	125
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.	135
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.	139
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.	140
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 1800’s 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 twelfth 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 and Schools

Henderson has over 60 churches representing many major religious denominations.

The county and parochial school systems provide elementary, middle, and secondary school students with a quality education. 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 educational programs as well as providing support to area businesses and industry through special educational workshops tailored to meet the respective businesses' needs. 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 Hospital that is staffed by 172 physicians (65 active staff and 107 courtesy staff), 40 Advance Nursing (ARNP, CRNA, etc) and over 1,336 employees. The facility includes a Level II Neonatal Intensive Care (NICU), birthing center, ICU, 24-hour physician covered ER, and a comprehensive rehabilitation center. Four nursing homes are located in the City as well as a state maintained county health department. Serving the medical needs of Henderson citizens are approximately 75 physicians and 15 dentists.

Recreation and 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. A trail of bronze statues based on Audubon prints can be found downtown.



Municipal parks provide for picnicking, golfing, tennis, soccer, swimming, softball, and baseball. For fishermen, several lakes in the area are available, and other water sports may be enjoyed on the Ohio River. The Henderson's Park & Recreation Department won the 2016 Outstanding Department Award in its class from the Kentucky Recreation & Parks Society.

Community activities include music, theatre, and art. Cultural activities play a major role in the lives of Hendersonians. The 1,000 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 and 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 and it is in Henderson where he honed his musical skills. 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.

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. The recently expanded 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 1900's by a grant provided by Andrew Carnegie. Ellis Park offers live horse racing in the summer and simulcasting nearly year round.

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.

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

	2008	2009	2010	2011	2012	2013	2014	2015 (a)	2016	2017
Governmental activities										
Net investment in capital assets	\$ 26,382,562	\$ 25,443,524	\$ 22,333,017	\$ 21,669,525	\$ 22,194,236	\$ 23,527,075	\$ 21,513,291	\$ 25,398,204	\$ 23,579,158	\$ 21,576,830
Restricted	5,381	778,755	311,144	228,354	148,196	149,429	113,477	79,117	53,122	45,938
Unrestricted	3,819,538	2,489,572	4,659,177	4,643,359	5,163,109	7,635,905	9,193,896	(21,650,658)	(20,955,314)	(24,317,190)
Total governmental activities net position	\$ 30,207,481	\$ 28,711,851	\$ 27,303,338	\$ 26,541,238	\$ 27,505,541	\$ 31,312,409	\$ 30,820,664	\$ 3,826,663	\$ 2,676,966	\$ (2,694,422)
Business-type activities										
Net investment in capital assets	\$ 2,971,746	\$ 3,068,422	\$ 3,097,074	\$ 3,045,705	\$ 2,911,634	\$ 2,911,911	\$ 3,020,759	\$ 2,869,943	\$ 2,745,162	\$ 2,561,895
Unrestricted	3,892,579	3,654,328	3,785,614	3,671,994	3,077,639	3,123,673	3,334,198	4,168,871	4,293,248	5,173,958
Total business-type activities net position	\$ 6,864,325	\$ 6,722,750	\$ 6,882,688	\$ 6,717,699	\$ 5,989,273	\$ 6,035,584	\$ 6,354,957	\$ 7,038,814	\$ 7,038,410	\$ 7,735,853
Primary government										
Net investment in capital assets	\$ 29,354,308	\$ 28,511,946	\$ 25,430,091	\$ 24,715,230	\$ 25,105,870	\$ 26,438,986	\$ 24,534,050	\$ 28,268,147	\$ 26,324,320	\$ 24,138,725
Restricted	5,381	778,755	311,144	228,354	148,196	149,429	113,477	79,117	53,122	45,938
Unrestricted	7,712,117	6,143,900	8,444,791	8,315,353	8,240,748	10,759,578	12,528,094	(17,481,787)	(16,662,066)	(19,143,232)
Total primary government net position	\$ 37,071,806	\$ 35,434,601	\$ 34,186,026	\$ 33,258,937	\$ 33,494,814	\$ 37,347,993	\$ 37,175,621	\$ 10,865,477	\$ 9,715,376	\$ 5,041,431

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

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

	2008	2009	2010	2011	2012	2013	2014	2015 (a)	2016	2017
Expenses										
Governmental activities:										
Administration	\$ 4,007,520	\$ 3,645,774	\$ 5,605,945	\$ 4,481,821	\$ 5,800,427	\$ 4,571,652	\$ 4,919,330	\$ 4,274,319	\$ 5,284,527	\$ 5,079,404
Finance (b)	2,417,412	2,407,749	2,452,338	2,663,586	2,715,668	2,522,369	2,599,737	2,576,906	2,282,224	2,532,294
Information technology (b)	-	-	-	-	-	-	-	-	770,940	992,304
Parks and recreation	1,733,640	1,752,936	1,830,649	1,827,515	1,931,317	1,968,902	2,320,197	2,200,256	2,368,382	2,508,094
Public safety	11,179,873	11,097,829	11,631,711	12,171,884	12,380,137	11,755,095	12,110,492	11,752,325	13,832,913	17,145,593
Public works (b)	6,111,389	6,340,169	6,466,143	6,715,692	6,739,456	6,660,603	7,055,802	6,967,925	7,308,765	7,946,176
Nondepartmental	1,392,650	1,923,248	1,881,343	2,024,182	2,128,359	2,311,163	2,295,114	2,759,390	2,758,245	2,344,322
Interest on long-term debt	281,184	297,764	306,503	439,480	750,582	925,391	1,102,740	1,205,808	1,243,936	1,341,150
Total governmental activities expenses	27,123,668	27,465,469	30,174,632	30,324,160	32,445,946	30,715,175	32,403,412	31,736,929	35,849,932	39,889,337
Business-type activities:										
Gas	30,026,696	24,380,948	19,015,757	18,002,896	14,531,170	15,508,629	18,635,805	15,896,878	11,943,349	12,716,926
Sanitation	2,361,380	2,568,844	2,607,748	2,816,642	2,962,683	2,911,519	3,450,869	3,256,659	3,530,230	3,155,920
Total business-type activities expenses	32,388,076	26,949,792	21,623,505	20,819,538	17,493,853	18,420,148	22,086,674	19,153,537	15,473,579	15,872,846
Total primary government expenses	\$ 59,511,744	\$ 54,415,261	\$ 51,798,137	\$ 51,143,698	\$ 49,939,799	\$ 49,135,323	\$ 54,490,086	\$ 50,890,466	\$ 51,323,511	\$ 55,762,183
Program Revenues										
Governmental activities:										
Charges for services										
Administration	\$ 1,663,236	\$ 1,780,138	\$ 2,269,632	\$ 2,193,280	\$ 2,378,914	\$ 2,129,121	\$ 2,258,509	\$ 3,683,009	\$ 2,481,476	\$ 2,360,009
Finance (b)	2,324,014	2,368,766	2,406,292	2,667,698	2,792,566	2,788,812	2,929,809	2,929,770	3,010,323	3,217,470
Parks and recreation	310,938	312,951	331,928	362,825	280,165	291,143	235,609	307,188	337,411	384,802
Public safety	761,937	919,361	953,804	1,167,236	912,513	862,244	881,418	1,348,379	846,035	860,380
Public works (b)	141,463	147,449	217,809	219,181	140,684	146,817	155,534	689,626	178,372	320,075
Operating grants and contributions	2,616,045	2,366,703	2,617,657	3,081,379	3,685,996	3,427,690	3,248,760	2,426,635	3,068,003	2,765,809
Capital grants and contributions	244,931	161,409	795,477	734,901	2,973,862	3,647,262	630,540	969,748	1,468,973	1,115,868
Total governmental activities program revenues	8,062,564	8,056,777	9,592,599	10,426,500	13,164,700	13,293,089	10,340,179	12,354,355	11,390,593	11,024,413

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

	2008	2009	2010	2011	2012	2013	2014	2015 (a)	2016	2017
Business-type activities:										
Charges for services										
Gas	\$ 29,926,210	\$ 24,699,179	\$ 20,437,945	\$ 19,092,445	\$ 15,287,287	\$ 16,817,749	\$ 20,374,653	\$ 17,832,083	\$ 13,178,911	\$ 14,567,341
Sanitation	2,107,769	2,393,856	2,429,609	2,665,082	2,793,255	2,940,533	3,269,514	3,235,220	3,460,515	3,488,812
Operating grants and contributions	-	-	-	-	-	93,820	96,160	98,560	101,016	103,536
Total business-type activities	32,033,979	27,093,035	22,867,554	21,757,527	18,080,542	19,852,102	23,740,327	21,165,863	16,740,442	18,159,689
Total primary government program revenues	\$ 40,096,543	\$ 35,149,812	\$ 32,460,153	\$ 32,184,027	\$ 31,245,242	\$ 33,145,191	\$ 34,080,506	\$ 33,520,218	\$ 28,131,035	\$ 29,184,102
Net (Expense)Revenue										
Governmental activities	\$ (19,061,104)	\$ (19,408,692)	\$ (20,582,033)	\$ (19,897,660)	\$ (19,281,246)	\$ (17,422,086)	\$ (22,063,233)	\$ (19,382,574)	\$ (24,459,339)	\$ (28,864,924)
Business-type activities	(354,097)	143,243	1,244,049	937,989	586,689	1,431,954	1,653,653	2,012,326	1,266,863	2,286,843
Total primary government net expense	\$ (19,415,201)	\$ (19,265,449)	\$ (19,337,984)	\$ (18,959,671)	\$ (18,694,557)	\$ (15,990,132)	\$ (20,409,580)	\$ (17,370,248)	\$ (23,192,476)	\$ (26,578,081)
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes:										
Payroll and net profits	\$ 4,915,111	\$ 4,792,685	\$ 4,717,128	\$ 4,703,133	\$ 4,942,815	\$ 5,154,559	\$ 5,159,531	\$ 5,345,370	\$ 5,714,865	\$ 5,703,639
Property	5,250,283	5,593,273	6,571,652	6,664,192	7,177,659	7,654,195	7,838,056	8,137,120	8,469,519	8,756,457
Insurance	4,091,311	4,291,149	4,301,984	4,136,526	4,203,745	4,519,282	4,580,176	4,741,126	4,932,647	4,961,940
Other	746,004	672,452	656,896	694,413	810,567	824,073	821,493	828,934	810,732	772,546
Distributions from component units	1,444,724	1,644,734	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	253,890	73,489	88,136	86,572	66,039	32,121	127,507	200,201	337,155	50,222
Extraordinary item	-	(554,720)	-	-	-	-	-	-	-	-
Transfers	1,400,000	1,400,000	1,193,000	1,206,000	1,400,000	1,400,000	1,400,000	1,400,000	1,400,000	1,604,008
Total governmental activities	18,101,323	17,913,062	19,173,520	19,135,560	20,245,549	21,228,954	21,571,487	22,297,475	23,309,642	23,493,536

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

	2008	2009	2010	2011	2012	2013	2014	2015 (a)	2016	2017
Business-type activities:										
Investment earnings	\$ 486,714	\$ 160,214	\$ 108,889	\$ 103,022	\$ 84,885	\$ 14,357	\$ 65,720	\$ 71,531	\$ 132,733	\$ 14,608
Extraordinary item	-	954,968	-	-	-	-	-	-	-	-
Transfers	(1,400,000)	(1,400,000)	(1,193,000)	(1,206,000)	(1,400,000)	(1,400,000)	(1,400,000)	(1,400,000)	(1,400,000)	(1,604,008)
Total business-type activities	(913,286)	(284,818)	(1,084,111)	(1,102,978)	(1,315,115)	(1,385,643)	(1,334,280)	(1,328,469)	(1,267,267)	(1,589,400)
Total primary government	\$ 17,188,037	\$ 17,628,244	\$ 18,089,409	\$ 18,032,582	\$ 18,930,434	\$ 19,843,311	\$ 20,237,207	\$ 20,969,006	\$ 22,042,375	\$ 21,904,136
Change in Net Position										
Governmental activities:										
Business-type activities:	\$ (959,781)	\$ (1,495,630)	\$ (1,408,513)	\$ (762,100)	\$ 964,303	\$ 3,806,868	\$ (491,746)	\$ 2,914,901	\$ (1,149,697)	\$ (5,371,388)
Total primary government	(1,267,383)	(141,575)	159,938	(164,989)	(728,426)	46,311	319,373	683,857	(404)	697,443
	\$ (2,227,164)	\$ (1,637,205)	\$ (1,248,575)	\$ (927,089)	\$ 235,877	\$ 3,853,179	\$ (172,373)	\$ 3,598,758	\$ (1,150,101)	\$ (4,673,945)

(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.

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

	2008	2009	2010	2011 (a)	2012	2013	2014	2015 (b)	2016	2017
General Fund										
Reserved	\$ 590,000	\$ 590,000	\$ 1,095,872							
Unreserved	4,019,711	4,692,077	5,932,799							
Nonspendable				\$ 1,217,335	\$ 39,087	\$ 32,760	\$ 30,340	\$ 22,694	\$ 26,845	\$ 59,912
Restricted				-	-	-	-	-	-	-
Committed				955,573	1,130,781	2,095,480	2,767,296	2,199,379	2,393,464	1,613,986
Assigned				988,500	837,000	1,296,300	2,760,400	4,000,000	5,570,000	3,940,000
Unassigned				3,836,690	5,592,998	6,038,346	5,268,321	4,559,662	3,536,794	5,291,247
Total general fund	\$ 4,609,711	\$ 5,282,077	\$ 7,028,671	\$ 6,998,098	\$ 7,599,866	\$ 9,462,886	\$ 10,826,357	\$ 10,781,735	\$ 11,527,103	\$ 10,905,145
All Other Governmental Funds										
Reserved, reported in:										
Permanent funds	\$ 602,345	\$ -	\$ -							
Capital projects fund	-	-	-							
Debt service fund	189,964	139,515	706							
Special revenue funds	-	639,240	333,266							
Unreserved, reported in:										
Capital projects fund	(786,928)	(1,956,097)	(1,729,492)							
Special revenue funds	659,060	435,242	474,272							
Nonspendable				\$ 23,120	\$ 24,852	\$ 26,408	\$ 26,023	\$ 21,851	\$ 16,500	\$ 17,200
Special revenue funds										
Restricted				924	69,424	69,605	68,456	66,045	472	988
Debt service fund				11,702,613	21,172,367	29,958,480	28,596,200	35,230,730	42,266,354	38,496,544
Capital projects fund				227,430	78,772	79,824	45,021	13,072	52,650	44,950
Special revenue funds										
Committed				566,741	300,912	181,774	166,710	119,669	125,332	393,182
Special revenue funds										
Assigned				-	-	-	-	-	-	-
Unassigned										
Capital projects fund				(380,048)	(652,605)	(265,956)	(44,023)	(2,252,592)	(995,659)	(185,457)
Special revenue funds				(1,800)	(78,470)	(41,509)	(13,884)	(5,977)	(287,758)	(5,275)
Total all other governmental funds	\$ 664,441	\$ (742,100)	\$ (921,248)	\$ 12,138,980	\$ 20,915,252	\$ 30,008,626	\$ 28,844,503	\$ 33,192,798	\$ 41,177,891	\$ 38,762,132

(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.

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

	2008	2009	2010	2011	2012	2013	2014	2015 (a)	2016	2017
Revenues										
Taxes	\$ 15,002,709	\$ 15,349,559	\$ 16,247,660	\$ 16,198,264	\$ 17,134,786	\$ 18,152,109	\$ 18,399,256	\$ 19,052,550	\$ 19,927,763	\$ 20,194,582
Charges for services	1,242,500	1,349,938	1,460,316	1,435,183	1,388,763	1,379,948	1,336,912	1,328,720	1,369,544	1,593,666
Investment income	241,715	69,672	86,892	85,107	64,712	30,176	126,233	198,706	335,075	46,035
Licenses and permits	86,230	73,827	88,624	102,046	77,643	81,091	84,349	79,519	102,971	77,553
Intergovernmental revenue	4,913,514	4,867,253	5,825,278	6,385,784	9,204,912	9,529,693	6,454,880	8,591,517	7,211,517	6,612,022
Distributions from component units	1,444,724	1,644,734	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	317,790	262,959	506,111	252,000	275,645	320,790	453,188	277,774	345,365	325,510
Total revenues	23,249,182	23,617,942	25,859,605	26,103,108	29,791,185	31,138,531	28,499,542	31,173,510	30,936,959	30,494,092
Expenditures										
Administration	2,072,530	2,277,438	2,517,239	2,627,053	2,561,360	2,592,453	2,437,863	2,510,126	2,723,211	2,608,916
Finance (b)	2,274,800	2,326,392	2,426,737	2,610,767	2,620,612	2,503,295	2,582,338	2,663,640	2,240,291	2,234,619
Information technology (b)	-	-	-	-	-	-	-	-	741,710	867,454
Public safety	10,630,489	10,626,785	11,192,621	11,865,141	12,124,460	11,348,620	11,679,053	12,279,748	13,057,540	13,864,552
Public works (b)	4,098,047	4,350,052	4,400,905	4,711,359	4,771,875	4,671,583	5,083,360	5,185,281	5,082,225	5,388,274
Parks & recreation	1,526,873	1,555,361	1,607,810	1,616,671	1,730,432	1,620,578	1,833,413	1,847,588	1,982,046	1,973,263
Non-departmental	1,392,650	1,923,248	1,881,343	2,024,182	2,128,359	2,311,163	2,295,114	2,428,486	2,428,100	2,014,177
Capital outlay	2,044,193	1,282,849	793,698	1,562,152	4,703,361	3,614,507	781,413	6,239,160	5,510,013	7,594,336
Capital contributions to HWU	-	-	-	-	1,363,929	264,547	-	-	-	-
Debt service:	-	-	-	-	-	-	-	-	-	-
Principal	652,137	557,508	358,303	360,000	955,000	1,460,000	1,895,000	1,910,000	2,465,000	3,010,000
Interest	281,184	297,764	306,503	439,480	750,582	925,391	1,102,740	1,205,808	1,243,936	1,341,150
Other charges	-	-	-	27,648	72,175	-	-	-	82,156	59,573
Total expenditures	24,972,903	25,197,397	25,485,159	27,844,453	33,782,145	31,312,137	29,690,294	36,269,837	37,556,228	40,956,314
Excess of revenues over (under) expenditures	(1,723,721)	(1,579,455)	374,446	(1,741,345)	(3,990,960)	(173,606)	(1,190,752)	(5,096,327)	(6,619,269)	(10,462,222)
Other Financing Sources (Uses)										
Transfers in	2,802,811	2,797,000	2,974,500	5,686,761	4,103,218	4,792,872	5,850,667	6,179,785	6,733,286	9,964,515
Transfers out	(1,402,811)	(1,397,000)	(1,781,500)	(4,480,761)	(2,703,218)	(3,392,872)	(4,450,667)	(4,779,785)	(5,333,286)	(8,360,507)
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)	1,400,000	1,400,000	1,193,000	14,771,000	13,369,000	11,130,000	1,400,000	9,400,000	15,349,730	7,424,905
Extraordinary item	-	(554,720)	-	-	-	-	-	-	-	-
Net change in fund balances	\$ (323,721)	\$ (734,175)	\$ 1,567,446	\$ 13,029,655	\$ 9,378,040	\$ 10,956,394	\$ 209,248	\$ 4,303,673	\$ 8,730,461	\$ (3,037,317)
Debt service as a percentage of noncapital expenditures	4.1%	3.6%	2.7%	3.0%	5.9%	8.6%	10.4%	10.4%	11.6%	13.0%

(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.

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	Bank Deposits
2008	\$ 15,002,709	\$ 5,250,283	\$ 4,091,311	a) \$ 4,192,856	\$ 722,255	b) \$ 628,633	\$ 117,371
2009	15,349,559	5,593,273	4,291,149	4,017,229	775,456	555,857	116,595
2010	16,247,660	6,571,652 c)	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 b)	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

a) The City of Henderson had several requests for large refunds of insurance premium taxes.

b) The City of Henderson had several requests for large refunds of net profit taxes.

c) Starting in fiscal 2010, the City of Henderson allocated 100% of property tax revenue to the General Fund.

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

(in thousands of dollars)

Fiscal Year	Real Estate (a)	Personal Property (a)	Bank Deposits (b)	Total	Increase over prior year
2008	\$ 1,007,360	\$ 113,282	\$ 479,065	\$ 1,599,707	\$ 113,346
2009	1,051,673	120,011	475,900	1,647,584	47,877
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	26,937

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	Direct Real Estate Tax Rate Per \$100	Estimated Actual Tax Value
	\$ 725,651,226	\$ 2,618,945	\$ 338,492,540	\$ 8,937,734	\$ 68,340,708				
2008	\$ 725,651,226	\$ 2,618,945	\$ 338,492,540	\$ 8,937,734	\$ 68,340,708	-	\$ 1,007,359,737	\$ 0.440	\$ 4,432,383
2009	752,841,974	2,729,830	356,084,864	8,930,363	68,914,133	-	1,051,672,898	0.460	4,837,695
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

Personal

Fiscal Year	Furniture/ Fixtures	Merchant's Inventory	Manufacturer's Finished Goods	Goods Stored in Warehouse	Work In Progress	Other	Total Taxable Personal Property	Direct Personal Tax Rate Per \$100	Estimated Actual Tax Value
	\$ 51,130,945	\$ 46,560,846	\$ 12,511,973	\$ 1,125	\$ -				
2008	\$ 51,130,945	\$ 46,560,846	\$ 12,511,973	\$ 1,125	\$ -	\$ 3,076,904	\$ 113,281,793	\$ 0.668	\$ 756,722
2009	59,221,937	40,850,867	16,689,747	106,095	-	3,142,261	120,010,907	0.688	825,675
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

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.

Source: Henderson County Property Valuation Administrator

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

Real property:						Overlapping						Total City Resident
Year	Police and Firemen's Pension	Civil Service Pension	Debt	General Fund Operations	City	County Schools	State	County	Library	Health	Extension	
2008	0.0325	0.0185	0.0384	0.3506	0.440	0.464	0.124	0.115	0.055	0.026	0.02100	1.24500
2009	0.0210	0.0210	0.0290	0.3890	0.460	0.470	0.122	0.118	0.059	0.026	0.02200	1.27700
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

Personal property:						Overlapping						Total City Resident
Year	Police and Firemen's Pension	Civil Service Pension	Debt	General Fund Operations	City	County Schools	State	County	Library	Health	Extension	
2008	0.0325	0.0185	0.0384	0.5786	0.668	0.466	0.45	0.175	0.0897	0.026	0.035700	1.910400
2009	0.0210	0.0210	0.0290	0.6170	0.688	0.470	0.45	0.175	0.0910	0.026	0.035400	1.935400
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

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**

Year	City	Overlapping						Total City Resident
		County Schools	State	County	Library	Health	Extension	
2008	0.440	0.464	0.124	0.115	0.055	0.026	0.02100	1.24500
2009	0.460	0.470	0.122	0.118	0.059	0.026	0.02200	1.27700
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
Personal property:								
2008	0.668	0.466	0.45	0.175	0.0897	0.026	0.035700	1.910400
2009	0.688	0.470	0.45	0.175	0.0910	0.026	0.035400	1.935400
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

Source: Kentucky Department of Revenue

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

Company	Type of Tax	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Kentucky Farm Bureau Insurance	Insurance premium tax	\$ 410,043	\$ 425,793	\$ 456,374	\$ 486,160	\$ 521,020	\$ 549,560	\$ 547,449	\$ 541,415	\$ 564,029	\$ 578,131
State Farm Mutual Automobile Insurance	Insurance premium tax	161,049	175,243	176,025	192,829	225,066	256,612	290,678	326,137	350,240	391,711
Commonwealth of Kentucky - Telecom	Franchise tax	316,101	315,991	316,068	316,044	311,957	307,895	307,879	307,851	307,845	307,824
State Farm Fire & Casualty Company	Insurance premium tax	114,810	116,277	127,469	144,505	163,885	211,115	248,677	270,705	276,513	268,028
Insight Communications	911 tax/Franchise fees	225,568	192,960	214,889	237,779	232,997	198,050	252,574	234,094	235,406	254,027
Anthem Insurance Companies	Insurance premium tax	-	-	-	-	-	-	-	-	214,939	253,376
United Healthcare	Insurance premium tax	197,205	224,861	188,973	177,349	163,636	147,451	179,892	176,361	194,822	209,333
Big Rivers Electric Corporation	Franchise tax	-	-	-	-	172,549	179,717	183,662	193,319	188,673	186,308
Wal-Mart Stores, Inc.	Property tax/Occupational tax	123,274	147,759	128,593	146,391	149,148	175,768	161,124	174,231	168,380	158,295
Cincinnati Insurance Company	Insurance premium tax	-	115,878	127,925	136,640	138,131	156,094	156,791	163,533	-	152,252
Bellsouth Telecommunications / AT&T	911 tax/Franchise fees	280,409	283,255	277,972	285,083	281,144	274,277	226,985	196,631	155,924	151,634
Progressive Casualty Insurance Company	Insurance premium tax	152,869	150,993	148,370	123,904	-	-	-	-	-	-
West American Insurance Company	Insurance premium tax	120,170	-	-	-	-	-	-	-	-	-
Total		\$ 2,101,498	\$ 2,149,010	\$ 2,162,657	\$ 2,246,684	\$ 2,359,533	\$ 2,456,538	\$ 2,555,712	\$ 2,584,277	\$ 2,656,771	\$ 2,910,919

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	
2008	\$ 5,136,367	\$ 5,064,159	98.6%	\$ 55,974	\$ 5,120,133	99.7%	\$ 16,234
2009	5,595,902	5,491,093	98.1%	77,486	5,568,579	99.5%	27,322
2010	5,784,943	5,692,217	98.4%	75,348	5,767,565	99.7%	17,378
2011	6,063,855	5,959,466	98.3%	82,693	6,042,159	99.6%	21,696
2012	6,533,449	6,446,468	98.7%	69,370	6,515,838	99.7%	17,612
2013	6,884,889	6,827,928	99.2%	36,433	6,864,361	99.7%	20,528
2014	7,138,132	7,071,501	99.1%	40,458	7,111,959	99.6%	26,173
2015	7,455,035	7,375,464	98.9%	44,638	7,420,102	99.5%	34,932
2016	7,762,995	7,676,994	98.9%	37,921	7,714,915	99.4%	48,080
2017	8,032,689	7,915,893	98.5%	7,336	7,923,229	98.6%	109,460

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

(b) Collections as of August 23, 2017

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

Type of Customer	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Residential	558,863	622,342	566,728	589,839	519,927	455,233	613,973	623,158	540,243	498,785
Commercial	331,896	371,493	342,366	366,061	341,617	294,765	356,860	391,486	341,309	327,448
Industrial	1,881,901	2,147,867	b)	1,967,828	2,165,540	2,202,345	2,160,308	2,296,739	2,339,150	2,273,942
Municipal	6,428	7,875		6,882	7,543	7,614	5,564	7,806	8,051	6,548
Total Sold	2,779,088	3,149,577		2,883,804	3,128,983	3,071,503	2,915,870	3,275,378	3,361,845	3,162,042
Delivered only	331,305	-	b)	-	-	-	-	-	-	-
Pipeline distribution use (net of losses)	3,647	a)	1,733	4,628	c)	2,796	3,201	2,125	2,133	3,687
Total Disposition	3,114,040		3,151,310	2,888,432		3,131,779	3,074,704	2,917,995	3,277,511	3,365,532
									3,164,339	3,053,965

- a) The department reported a loss from leaks, migration, damage and/or accidents of 2,634.
- b) A transport customer is now a sales service customer and now reflected in industrial.
- c) 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)

Type of Customer	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Residential	\$ 6,594	\$ 7,715	\$ 5,925	\$ 6,142	\$ 5,286	\$ 4,356	\$ 4,413	\$ 6,246	\$ 4,800	\$ 4,400
Commercial	3,671	4,542	2,967	3,196	2,774	2,105	2,457	3,298	2,340	2,186
Industrial	15,147	22,049	10,524	11,460	10,907	8,294	10,121	12,132	8,499	7,424
Total Sold	\$ 25,413	\$ 34,306	a) \$ 19,416	b) \$ 20,798	\$ 18,967	\$ 14,755	\$ 16,991	\$ 21,676	\$ 15,640	\$ 14,010

a) During 2008, the energy market experienced unusually high prices.
b) 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
2008		\$ 4.50	\$ 1.85
2009	a)	12.00	2.25
2010		12.00	2.25
2011		12.00	2.25
2012		12.00	2.25
2013		12.00	2.25
2014	b)	12.50	2.30
2015		12.50	2.35
2016		12.50	2.40
2017		12.50	2.45

Source: Gas department

- a) On May 12, 2009 the City increased the monthly base rate and the rate per 1,000 cubic feet.
- b) 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.

CITY OF HENDERSON
DIRECT and OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
As of JUNE 30, 2017

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable (a)	Estimated Share of Overlapping Debt
Debt repaid with property taxes			
Henderson County Schools (c)	\$ 37,200,027	59.94% (b)	\$ 22,297,696
Henderson County (d)			
Henderson County Public Properties Corp.	10,105,912	59.94% (b)	6,057,484
Subtotal, overlapping debt			\$ 28,355,180
City direct debt			54,745,000
Total direct and overlapping debt			\$ 83,100,180

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 2017.
- 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					
2008	\$ 14,723	\$ 10,416	\$ 4,307	\$ 700	\$ 500	\$ 1,200	3.59	\$ 56,938	\$ 52,500	\$ 4,438	\$ -	\$ -	\$ -	\$ -	N/A				
2009	14,688	10,604	4,084	739	651	1,390	2.94	56,575	50,788	5,787	-	-	-	-	-	N/A			
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	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	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	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	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	471	1,081	6.63				
2017	19,058	14,330	4,728	2,254	895	3,149	1.50	67,120	60,189	6,931	620	458	458	1,078	6.43				

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		Percentage of Actual Taxable			Other Governmental Activities Debt			Business-Type Activities				
	General Obligation Bonds	Actual Taxable Value of Property	Value of Property	Population	Per Capita	Bond Anticipation Note	Capital Leases	Capital Leases	Total Primary Government ^{b)}	Per Capita	Per Capita Income	Percentage of Personal Income	
2008	\$ 5,005,000	\$ 1,599,707,000	0.31%	27,768	\$ 180		\$ 1,850,811	-	\$ 6,855,811	\$ 247	\$ 28,259	0.87%	
2009	4,775,000	1,647,584,000	0.29%	27,933	171	\$ 1,583,737 ^{a)}	1,523,303	-	7,882,040	282	29,434	0.96%	
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	1,865,430,988	2.80%	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%	

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.

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

Company	2008	2009	2010	2011	2012	2013	Fiscal Year			
							2014	2015	2016	2017
General Bonded										
General bonded debt outstanding	\$ 5,005	\$ 4,775	\$ 4,535	\$ 18,000	\$ 29,125	\$ 37,395	\$ 35,500	\$ 41,590	\$ 52,230	\$ 54,745
Other bonded debt	-	1,584	1,584	-	-	-	-	-	-	-
Total bonded debt	5,005	6,359	6,119	18,000	29,125	37,395	35,500	41,590	52,230	54,745
Debt not bonded	\$ 1,851	\$ 1,523	\$ 1,405	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Debt	\$ 6,856	\$ 7,882	\$ 7,524	\$ 18,000	\$ 29,125	\$ 37,395	\$ 35,500	\$ 41,590	\$ 52,230	\$ 54,745
Estimated actual property value	\$ 1,599,707	\$ 1,647,584	\$ 1,726,353	\$ 1,747,829	\$ 1,771,067	\$ 1,833,587	\$ 1,844,100	\$ 1,865,431	\$ 1,906,703	\$ 1,933,640
Percentage of estimated actual property value	0.43%	0.48%	0.44%	1.03%	1.64%	2.04%	1.93%	2.23%	2.74%	2.83%
Population	27,768	27,933	27,952	28,757	28,853	28,911	28,832	28,900	28,890	28,841
Per capita	\$ 180	\$ 228	\$ 219	\$ 626	\$ 1,009	\$ 1,293	\$ 1,231	\$ 1,439	\$ 1,808	\$ 1,898
Less: Amounts set aside to repay general debt	-	269	1,018	918	1,131	1,725	2,124	1,979	2,024	1,244
Total net debt applicable to debt limit	\$ 6,856	\$ 7,613	\$ 6,506	\$ 17,082	\$ 27,994	\$ 35,670	\$ 33,376	\$ 39,611	\$ 50,206	\$ 53,501
Legal Debt Limit (a)	\$ 100,736	\$ 105,167	\$ 107,144	\$ 107,909	\$ 109,530	\$ 110,129	\$ 110,727	\$ 112,183	\$ 113,954	\$ 115,339
Remaining debt limit	\$ 93,880	\$ 97,554	\$ 100,638	\$ 90,827	\$ 81,536	\$ 74,459	\$ 77,351	\$ 72,572	\$ 63,748	\$ 61,838
Percentage of remaining net debt limit	93.2%	92.8%	93.9%	84.2%	74.4%	67.6%	69.9%	64.7%	55.9%	53.6%
Percentage of net debt exhausted	6.8%	7.2%	6.1%	15.8%	25.6%	32.4%	30.1%	35.3%	44.1%	46.4%

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
2008	27,768	\$ 784,696	\$ 28,259	37.0	6,893	5.3%
2009	27,933	822,180	29,434	36.5	6,876	11.0%
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%

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									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General Government										
Administration	22.00	a	22.00	22.50	b	22.50	23.25	24.00	23.00	22.00
Finance	32.00		32.00	33.50	b	33.50	32.75	33.00	33.00	32.00
Information Technology									28.00	d
									6.00	d
									6.00	6.00
Police										
Officers	57.80		57.55	60.75	c	60.75	60.75	60.75	61.75	61.75
Civilians	8.00		8.00	8.00		8.00	8.00	8.00	8.00	8.00
9-1-1 Communications	15.20		15.45	15.25		15.25	15.25	15.25	15.25	16.25
Fire										
Firefighters	58.00		58.00	58.00		58.00	58.00	60.00	60.00	60.00
Civilians	2.00	a	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	13.00	14.00	14.00	14.00
Mass Transit	13.00		14.00	14.00		14.00	14.00	14.00	13.00	13.00
Gas System	28.00		28.00	28.00		28.00	27.00	26.00	26.00	26.00
Sanitation	18.50		18.50	18.50		18.50	18.50	18.50	18.50	18.50
Cemetery	4.00		4.00	4.00		4.00	4.00	4.00	4.00	4.00
Public Way Improvement	35.50	a	35.50	35.50		35.50	35.50	35.50	36.50	36.50
TOTAL	307.00		308.00	313.00		313.00	313.00	315.00	313.00	317.00

Source: Applicable Departments

a) The City moved Codes, Community Development, and Engineering to Administration and added an Assistant City Manager with Administrative Secretary.

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

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

d) The City removed the Information Technology division from Finance

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

Function / Program	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Public Way Improvement (in miles)										
Asphalt streets	113	113	113	120	120	120	120	120	120	99.20 c)
Concrete streets	-	-	-	-	-	-	-	-	-	19.94 c)
City sidewalks	73	73	73	73	73	73	73	73	73	92.32 c)
State sidewalks	-	-	-	-	-	-	-	-	-	12.82 c)
Private sidewalks	-	-	-	-	-	-	-	-	-	5.98 c)
Walking trails	-	-	-	-	-	-	-	-	-	2.02 c)
Bike path	-	-	-	-	-	-	-	-	-	0.74 c)
Cart path	-	-	-	-	-	-	-	-	-	0.71 c)
Landfill Operations (in tons)										
CDD - Commercial	-	-	-	-	-	-	-	-	-	7,262.28
CDD - City Residents	-	-	-	-	-	-	-	-	-	1,909.52
CDD - City Government	-	-	-	-	-	-	-	-	-	2,112.29
CDD - County Residents	-	-	-	-	-	-	-	-	-	1,881.90
CDD - County Government	-	-	-	-	-	-	-	-	-	276.55
CDD - Other	-	-	-	-	-	-	-	-	-	645.70
CDD - Total	15,328	21,800	15,549	20,261	17,371	20,376	18,135	19,294	13,535	14,088.24
Transfer Station Operations (in tons)										
Solid Waste - Commercial	-	-	-	-	-	-	-	-	-	21,339.64
Solid Waste - City Residents	-	-	-	-	-	-	-	-	-	1,302.26
Solid Waste - City Government	-	-	-	-	-	-	-	-	-	11,343.67
Solid Waste - County Residents	-	-	-	-	-	-	-	-	-	1,239.65
Solid Waste - County Government	-	-	-	-	-	-	-	-	-	102.46
Solid Waste - Other	-	-	-	-	-	-	-	-	-	519.62
Solid Waste - Total	17,219	18,073	21,395	23,617	23,553	24,897	30,823	27,925	35,667	35,847.30
Wastewater System										
Miles of sanitary sewers	205	203	205	200	201	201	205	206	202	203
Miles of storm sewers	136	136	136	136	136	51	54	54	55	56
Number of service connections	10,793	10,782	10,846	10,884	10,884	10,893	10,862	10,848	10,909	10,856
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	19,000	19,000
Water System										
Miles of water mains	222	224	225	225	225	225	225	225	225	225
Number of service connections	10,793	10,782	10,846	10,844	10,844	10,893	10,862	10,862	10,921	10,931
Number of fire hydrants	1,007	1,020	1,030	1,084	1,095	1,112	1,119	1,130	1,134	1,140
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	208	208	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	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Gas System										
Miles of mains	244	245	247	249	251	253	254	255	255	255
Miles of service lines	129	129	129	129	138	139	140	139	139	139
Number of meters	10,000	9,652	9,532	9,470	9,422	9,421	9,391	9,392	9,367	9,371
Parks and Recreation										
Park acreage	231.7	231.7	231.7	231.7	231.7	231.7	231.7	231.7	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	10	10	11	12	15
Tennis courts (a)	14	14	14	14	14	14	14	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	1	1	2
Walking trails	2	2	2	2	2	2	2	3	3	3
Basketball courts	4	4	4	4	4	4	4	4	4	4
Skate parks (a)	1	1	1	1	1	1	1	2	2	2
Dog runs	-	-	-	-	-	-	-	1	1	1
Disc golf holes (b)	-	9	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	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Police										
Physical arrests	3,793	3,519	3,183	2,615	2,776	2,951	3,054	4,138	3,537	2,542
Traffic violations	2,073	1,458	2,315	2,854	2,455	3,505	2,889	3,596	3,203	1,629
Parking violations	4,492	4,387	2,425	4,075	4,088	4,137	4,307	4,565	2,517	4,551
Calls for service	22,335	17,658	18,582	17,633	17,827	17,454	17,519	17,928	18,080	21,540
Fire										
Fire	176	155	124	152	150	140	137	131	128	114
Overpressure Rupture, Explosion, Overheat	13	12	10	9	10	8	13	14	16	19
Rescue & Emergency Medical Service	1,182	1,246	1,297	1,216	1,513	1,757	1,736	1,769	1,741	1,950
Hazardous Condition (No Fire)	165	288	134	153	138	147	171	163	167	187
Service Call	57	74	73	76	66	64	73	57	79	94
Good Intent Call	153	167	144	169	158	140	166	173	176	158
False Alarm & False Call	191	188	204	246	207	198	292	269	273	272
Severe Weather & Natural Disaster	1	12	1	3	1	1	2	4	1	2
Special Incident Type	2	4	-	7	7	5	7	5	8	2
Number of inspections performed	1,210	781	733	772	788	749	712	602	738	632
Mass Transit										
Number of routes	5	5	5	5	5	5	5	5	5	5
Fixed Route Passengers	108,817	121,058	114,154	138,603	139,321	137,359	134,966	130,530	123,865	121,455
Para transit Passengers	17,529	17,298	15,736	18,161	16,357	15,339	14,020	12,804	12,302	11,439
Wheelchair Usage	4,900	4,758	4,729	6,411	7,915	6,601	6,837	6,524	6,109	9,022
Miles of Service	216,852	222,297	227,937	242,024	222,262	221,955	219,964	214,648	210,012	212,126
Wastewater System										
Average daily treatment in 1,000 gallons	9,970	9,648	9,506	8,979	8,672	8,993	11,390	8,153	9,494	6,024
Water System										
Average daily consumption in 1,000 gallons	8,316	8,034	7,847	7,669	9,030	9,151	9,260	8,893	9,046	8,979

Source: Applicable Departments