



POPULAR ANNUAL FINANCIAL REPORT

Fiscal Year ended June 30, 2018



Service is our nature.

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On the river, but never in it

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Henderson By The Numbers



On the Ohio, but never in it

Henderson, originally known as “Red Banks” in reference to the soil along the banks of the Ohio River, was first settled in 1797.

For those seeking the comforts and connections of a small town, **Henderson** is a classic river town on the Ohio River where life is framed by nature’s resources so you feel inspired for new ideas.

Henderson is the county seat of Henderson County, Kentucky, and lies on the southern banks of the Ohio River in the western Kentucky coal field region. The City sits on a river bluff more than 70 feet above the Ohio River’s low water mark. Since the 1937 flood when **Henderson** was the only City on the Ohio River that did not flood, the local slogan has been “On the Ohio, but never in it.” The City of **Henderson** is nearly 18 square miles and is 400 feet above sea level.

Henderson ranks as Kentucky’s 12th largest city in terms of population. Friendly people and southern hospitality are part of our nature.

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.

The area is home to 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.

We have:

- A public school system with 8 elementary schools, 2 middle schools, 1 high school and 1 early learning (preschool) center. A parochial school for grades preschool-8 that feeds into parochial high schools in both Owensboro, Kentucky, and Evansville, Indiana.
- Henderson Community College (a part of the Kentucky Community and Technical College System) and regional campuses of Murray State University and Lindsey Wilson College.
- John James Audubon Museum with an extensive world-class collection of the artist/naturalist’s art and artifacts.
- More than 60 churches representing many denominations.



From the City Manager ...

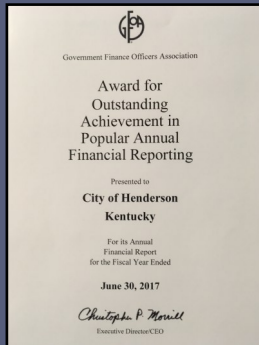
Dec. 31, 2018

Dear City Residents,

We are pleased to present the City of Henderson’s second *Popular Annual Financial Report (PAFR)* for the 2018 Fiscal Year.

This report is intended to present a condensed overview of the City’s financial position, financial practices and details outlining how City revenues were generated and spent. Financial information in this report is derived from the independently audited financial statements that are a part of the City of Henderson’s *Comprehensive Annual Financial Report (CAFR)* for the year ended June 30, 2018.

We are proud to report that the City has been awarded a Certificate of Achievement for Excellence in Financial Reporting by the Government Finance Officers Association the past 19 years. The City was also presented with an Award for Outstanding Achievement for the first Popular Annual Financial Report we produced for Fiscal Year 2017. That report has been available in the lobby of our Municipal Center, on our web site, at the Henderson County Public Library, at Kyn-dle (Economic Development/Chamber office) and was distributed at the annual State of the City Address by Mayor Steve Austin.



I am grateful to those employees in the City’s Finance Department whose hard work and professionalism made those distinctions possible.

As you review this *Popular Annual Financial Report*, please feel free to share any questions, concerns or recommendations that you may have with us.

Respectfully,

William L. “Buzzy” Newman
City Manager


**City of
Henderson**
KENTUCKY

Our location in Kentucky



ON THE COVER: Henderson Riverfront (top) with the American Queen in port; (middle) the 1904 Henderson County Public Library; (bottom) the award-winning W.C. Handy Blues & Barbecue Festival. **ABOVE:** Fisherman on the Ohio River.

Board of Commissioners

The City, incorporated as a town in 1810 and as a City in 1867, has operated under the City Manager form of government since 1966. 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.



Clockwise from lower left: 2018 Board — Commissioner Brad Staton, Commissioner Robert Pruitt, Commissioner Patti Bugg, Commissioners Austin Vowels, and Mayor Steve Austin.



Introduction to the Popular Annual Financial Report

The Popular Annual Financial Report (PAFR) is intended to brief the residents of the City of Henderson on the financial standing of their City Government. The information in this report is drawn from the 2018 Comprehensive Annual Financial Report (CAFR). The CAFR conforms to the generally accepted accounting principles (GAAP) and includes audited financial statement. The financial information presented in the PAFR primarily comes from the Governmental Funds and does not include all component units. For more detailed information and copies of the CAFR and PAFR, visit the City's website at www.CityOfHendersonKY.org.

Community awards

—Mayor Steve Austin named Elected Official of the Year by Kentucky League of Cities.

—The Perch, a new “pocket park” in downtown honored by Kentucky Recreation and Parks Society for community collaboration.

—Ty Rideout named Volunteer of the Year by Green River Area Development District.

—Henderson Housing Authority Executive Director Bobbie Jarrett received Lifetime Achievement Award from Kentucky Housing Association.

—W.C. Handy Blues & Barbecue Festival named Kentucky's “Best Festival” by Kentucky Living Magazine for third consecutive year. The community received 8 other awards in the “Best of Kentucky” poll.

—Our three major music festival listed on Southeast Tourism Society's Top 20 Events.

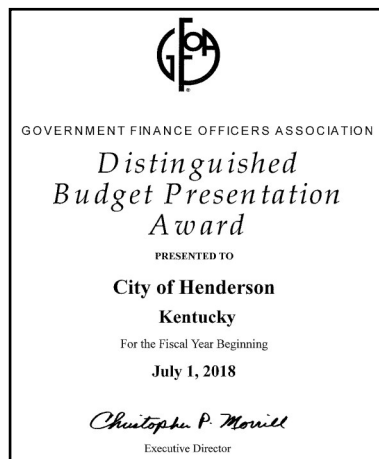
—Tourist Commission staff win four Traverse Awards at Kentucky Travel Industry Association annual conference.

—City of Henderson named 2017 Community of the Year by Green River Area Development District (GRADD.)

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, 2017. This was the 19th 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.

The City of Henderson also received the GFOA's **Distinguished Budget Presentation Award** for its annual budget document beginning July 1, 2018, and ending June 30, 2019. 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.





Capital Expenditures, Major Projects

Major projects in the next fiscal year will be the completion of the riverfront improvements, the radio tower system and a wash bay for the Municipal Service Center. A number of other capital projects and initiatives are also included in this year's General Fund operating budget which will serve to enhance the City's ability to operate effectively, as well as, serve the citizens responsibly.

Some highlights:

Public Safety

- Complete the replacement of the CAD software for 911 Emergency Communications.
- Complete the installation of new communication towers and radios.

Technology

- Nineteen personal computers are proposed for replacement. Included in the nineteen are three laptops and two rugged computers. This will continue the program of replacing older, slower computers with newer computers.
- Upgrade the phone system at the Municipal Building to a voice over internet protocol (VoIP).

Public Works

- Repave 31 different sections of streets.
- Repair the gutter system in the Municipal Service Center (MSC).
- Add a new wash bay at the MSC.

In addition to the above capital items and initiatives, a total of 16 vehicles and pieces of heavy equipment are scheduled to be purchased, including:

One small pickup for Accounting/meter reading; One fire service pickup; Small utility cart for

Golf ; Five marked Police vehicles and one unmarked vehicle; Service truck for Traffic Control; One pickup for Gas Distribution; Trencher for Gas Distribution ; One bus and one cutaway van for Henderson Area Rapid Transit (HART); Two pickups for HART .



The Municipal Service Center housing the Public Works Department, Henderson Municipal Gas utility and Special Projects Office was in the works for many years and finally opened in 2017. A new gutter system and wash bay are the next planned improvements.

The Budget Process

As required by Kentucky Revised Statutes 91A.030 and 83A.150, the City Manager submits a proposed operating budget on or before June 1 to the Mayor and Board of Commissioners for the fiscal year commencing July 1. The budget includes appropriations for expenditures and means of financing them.

Public input is welcomed, and all commission meetings concerning the budget are scheduled and announced in advance. The meetings are held at the Municipal Building and are open to the public. A city cannot expend any funds from any governmental or proprietary fund without a legally enacted budget passed by the Board of Commissioners.

Budgeted revenues and expenditures represent the formal operating budget adopted by the Board of Commissioners, as amended by the Board during the year. Budgetary control is maintained at the departmental level. Budgeted amounts not spent by year-end lapse. Individual amendments are typically not of significant dollar value in comparison to the original appropriations. Department heads have the authority to submit a budget adjustment request to the City Manager for approval. The City Manager may choose to take any request to the Board if it is one that may be unusual or highly visible. All budget amendments are documented by ordinance and tracked in the City's computerized financial system.

General Financial Information

- Primary Government liabilities exceeded assets by \$10.6 million at the close of fiscal 2018. Due to pension obligations, the unrestricted net position is a negative \$34 million.
- City governmental funds reported combined ending fund balances of \$46.2 million. Of this total, \$5.2 million is unassigned.
- In the City's business-type activities, income from operations decreased from \$2,286,843 in fiscal 2017 to \$1,692,796 in fiscal 2018.
- The City's General Fund ended the year with a fund balance of \$10,202,736, a decrease of \$702,409 or 6.5 percent from fiscal year 2017's balance of \$10,905,145.
- In the past five years, the General Fund's fund balance has increased 7.4 percent from \$9.5 million in 2013 to \$10.2 million in 2018.

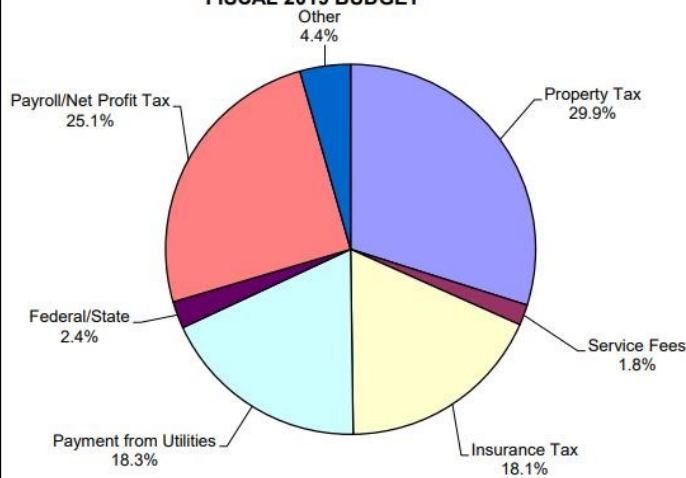
***EDITOR'S NOTE:** Information in this report is drawn from the Comprehensive Annual Financial Report (CAFR) and conforms to generally accepted account principles (GAAP).



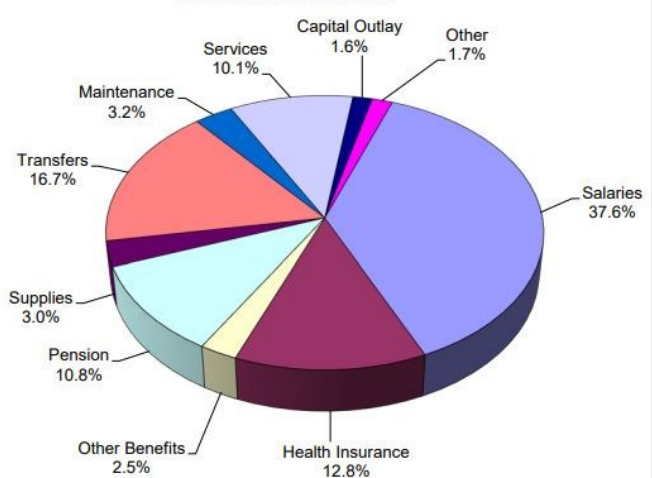
Quick Fact

Henderson has been the home of four Kentucky governors and two lieutenant governors, the artist/naturalist John James Audubon and "Father of the Blues" W.C. Handy.

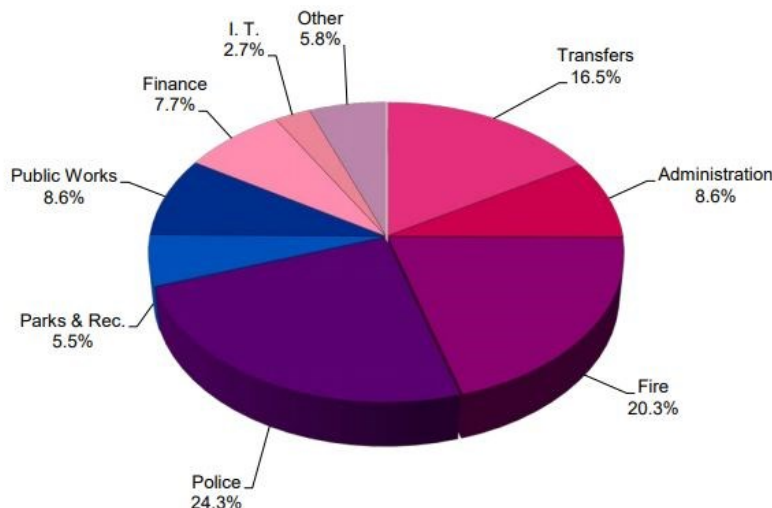
CITY OF HENDERSON GENERAL FUND REVENUE FISCAL 2019 BUDGET



CITY OF HENDERSON GENERAL FUND EXPENDITURES FISCAL 2019 BUDGET



CITY OF HENDERSON GENERAL FUND EXPENDITURES FISCAL 2019 BUDGET



Quick Fact

Henderson County Public Library, built in 1904 with assistance from philanthropist Andrew Carnegie, will undergo an expansion that is scheduled to be completed in 2020. The expansion will add new space for the library's collections of various media and will include new community meeting spaces.

General Fund Components

Unassigned Fund Balance

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

Assigned Fund Balance

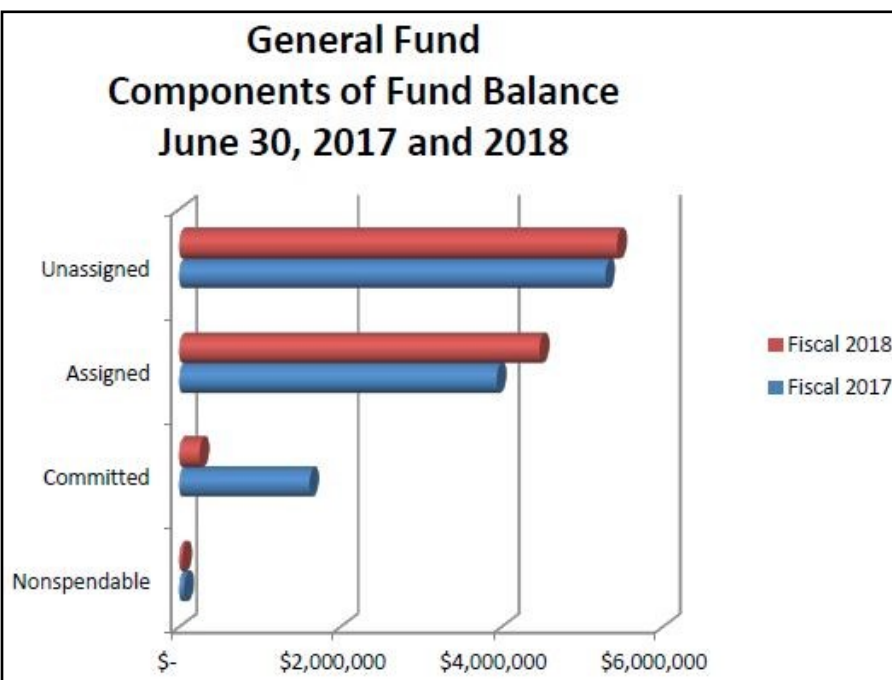
The assigned fund balance classification includes amounts constrained by the City's **intent** to be used for specific purposes, but are neither restricted nor committed. Intent is expressed by either the Board of Commissioners or the City Manager or any other body or official which they have delegated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

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.

Non-spendable Fund Balance

The non-spendable 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 non-spendable fund balance of the City consists of amounts not in spendable form such as inventories.



Long-Term Debt

At the end of the current fiscal year, the City of Henderson had total bonded debt outstanding of \$51,365,000. All of the \$51,365,000 is backed by the full faith and credit of the City.

Bond Rating

Due to 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.

Growth in the City

Real estate assessments have increased 17.8 percent or \$179.2 million from \$1,008.4 million at the start of fiscal 2009 to \$1,186.6 million at the end of fiscal 2018. This equates to a 1.7 percent annual increase.

Bank Deposits

Over the same 10-year period, bank deposits have increased 36.5 percent, or \$174,790.



Economic Factors, Trends, & Next Year's Budget

Capital Assets

The City of Henderson's investment in capital assets for its governmental and business-type activities as of June 30, 2018, amounts to \$38,779,052 (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 4 percent.

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

- \$1.03 million for a new aerial fire truck.
- More than \$583,000 on vehicles including police pursuit cruisers, and \$210,000 for a street sweeper.
- \$166,275 in machinery and equipment including a new severe weather siren and greens mower.
- Another \$90,300 on new radio equipment.
- \$47,000 for a new parklet in the Central Business District.
- \$90,000 on new sidewalks.
- \$119,300 to add air conditioning to the garage area at the MSC.
- \$116,709 for rear-end loader and \$252,700 for material handler at the landfill.

The City of Henderson was able to fund the fiscal 2019 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%. The net difference resulted in an increase of \$115,320 in 2018 and it is anticipated that the changes will generate increase in total tax revenue in future years.

— For fiscal 2018, there were 190 construction permits issued with a total value of \$7,067,007.

— There were 13 single family units, and 1 multi-family (2 units) for a total of 15 units approved. The total value for new housing was \$1,647,850.

— There were three new commercial developments with a total value of \$846,000. There were 27 permits issued for demolition of substandard residential structures.

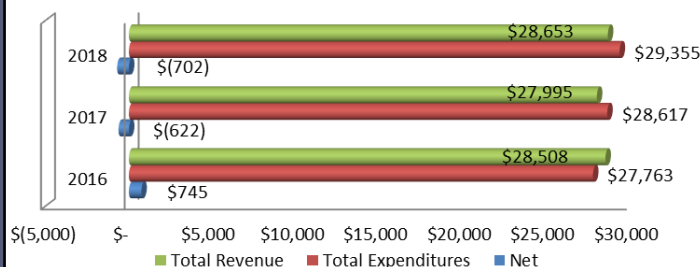
— The unemployment rate for the City of Henderson in June 2018 was approximately 4.4 percent which was slightly higher than the national rate of 4 percent and slightly higher than the Kentucky rate of 4.2 percent.

— The 24-month time period from July 1, 2016 to June 30, 2018 was one of the most dynamic periods for the City of Henderson. During that span, the City dedicated the opening of the new Municipal Service Center, finished the upgrades to the public safety communication system, saw the delivery of a new fire aerial ladder truck, implemented a new 911 CAD system, changed the landfill operations, and experienced many other exciting projects.

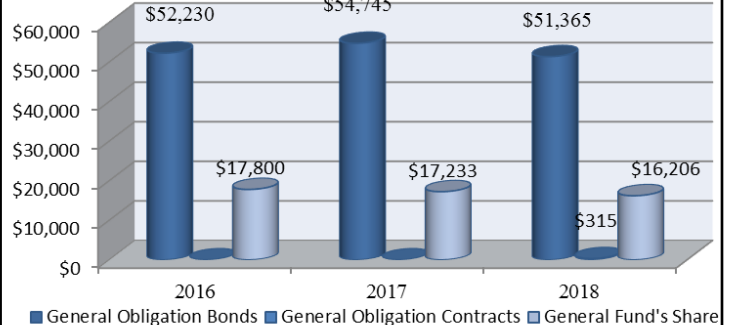
Quick Fact

During the 2015 fiscal year, the City purchased 124 acres at the end of Borax Drive with federal highway and transportation grant funds. It will be used for economic development. Infrastructure improvements have begun.

General Fund Revenue and Expenditures
(in thousands for each fiscal year)



Long-Term Outstanding Debt
(in thousands for each fiscal year)





Teamwork:

City-County Joint Ventures

- Flood Mitigation Board oversees funds dedicated to addressing flooding problems in the community.
- Solid waste disposal issues and options reviewed by City-County Cooperative Study Team.
- Emergency Dispatch Operations in the 911 Center, including replacing the CAD system.
- Emergency Medical Services (EMS) needs of the community.
- Park in Henderson's East End, which added a student-created mural in 2017 and a small shelter funded by community grants in 2018.



Request for Information

Questions or requests for additional financial information may be sent to Robert Gunter, Finance Director, City of Henderson, 222 First St., P.O. Box 716, Henderson, KY 42419-0716 or visit our website at www.CityOfHendersonKY.org.



Henderson By The Numbers

29,108

Population of Henderson

1810

Incorporated as a Town

1904

Public Library Built

25

Parks & Public Spaces

Jan. 31, 1937

River crested at 53.9 feet, 19 feet above flood stage (but the City of Henderson was high and dry)

\$34,793

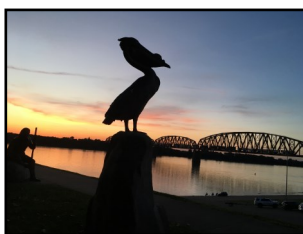
Family Medium Income

5,026

Central Park Memorial Day cross display started with 34 tributes in 1947. In 2017 there were 5,026.

10,500

Weekly Residential Sanitation Pickups



15

Sculptures based in John James Audubon paintings plus one sculpture of the artist himself. Thirteen of the sculptures have "hidden objects."

21,200

Christmas bulbs to keep maintained.

Aug. 15, 1896

First electric streetlights lit. Henderson was the first city in western Kentucky to own its own power generating plant.

15 Top Local Employers

Tyson Foods	1,416
Henderson County Schools	1,114
Methodist Hospital	986
Gibbs Die Casting	906
Century Aluminum	499
City of Henderson (including HWU)	470
Big Rivers	465
Pittsburg Tank & Tower Co.	366
Audubon Metals	332
Brenntag Mid-South	305
Dana	249
Accuride Corp.	187
Sitex Corp.	135
Azteca Milling	117
Henderson Community College	114

260

Miles of natural gas mains in our system.

1

Gravel street (Van Wyck Road)

86 percent

Of 911 calls, 33,654 (or 86 percent) came from mobile phones. Only 5,440 came from landlines.

1,152

Number of fire hydrants in the City of Henderson. Hydrant tops are painted in colors to indicate the flow capacity in gallons per minute.