

**CITY OF HENDERSON, KENTUCKY
COMPREHENSIVE ANNUAL
FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
JUNE 30, 2018**



CITY OF HENDERSON, KENTUCKY

COMPREHENSIVE ANNUAL FINANCIAL

REPORT

For the Fiscal Year Ended June 30, 2018



Prepared by:

Finance Department

CITY OF HENDERSON, KENTUCKY
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Fiscal Year Ended June 30, 2018

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INTRODUCTORY SECTION

Steve Austin, Mayor

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

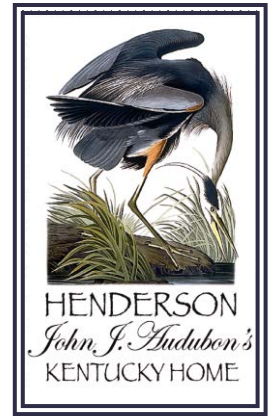


The City of Henderson

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

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

Robert Gunter, Finance Director



December 21, 2018

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, 2018. Kentucky Revised Statute 91A.040 requires that the City of Henderson publish, before February 1 immediately following the fiscal year, a complete set of audited financial statements. This report is published to fulfill that requirement.

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

Alexander Thompson Arnold PLLC has issued an unmodified ("clean") opinion on the City of Henderson's financial statements for the fiscal year ended June 30, 2018. 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 29,108 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 159th largest MSA in the United States. Based on 2017 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 \$34,793 which was \$10,018 or 22.4% lower than the Kentucky family medium income of \$44,811. The estimated medium price of a single family home in the city was \$105,100. Due to its strong fiscal management, stable financial position, strong reserves, healthy liquidity, and stable tax base, the City of Henderson received a credit rating of Aa3 from Moody's Investor Service on its 2017 general obligation bonds.

Over the past ten years, the City has experienced modest economic growth and investment. The real estate assessments have increased 17.8% or \$179.2 million from \$1,007.4 million at the start of fiscal 2009 to \$1,186.6 million at the end of fiscal 2018. This equates to a 1.7% annual increase. Bank deposits have increased 36.5% or \$174,790 from \$479,065 to \$653,855 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 two adjoining counties in the area. Kyndle markets not only the City of Henderson but also the three-county region encompassing some 73,000 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 approximately \$10.2 million at June 30, 2018 which is a decrease of \$702,409 from the prior year. The reserves consisted of cash, investments, and receivables. The decrease in General Fund reserves was primarily the result of purchasing and equipping an aerial fire truck with a cost of just over \$1.1 million. Transfers to other funds decreased by \$469,623 or 10.3%. Tax collections increased \$742,698 or 3.2% with growth in payroll and insurance premium taxes and a slight decrease in delinquent taxes. Despite an increase of \$662,007, personnel expenses were still \$467,154 under budget and transfers finished \$1,128,000 under budget. The General Fund will have a cash and investment balance, net of cash due to component units, entering the fiscal year equal to 4.7 months operating expense and transfers to other funds.

The Gas Fund's cash and investment balance will be equal to 4 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.

Effective January 1, 2018, the Henderson Board of Commissioners increased the rate per 1,000 cubic feet of natural gas from \$2.45 to \$2.60. 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, \$296,775 was returned to Henderson which is a decrease of \$699,466 from the \$996,241 that was returned in fiscal 2017. Approximately \$566,000 of the decrease was due to the "end of project" of a British Petroleum deal initiated 11 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 2018, the total health care cost was \$7,268,512 which is an increase of \$1,642,244 from the \$5,626,268 spent in fiscal 2013. This equates to an annualized increase of 5.3% or an increase of 29.2% since fiscal 2013. Several changes were made to the health insurance plan in fiscal 2012 and comparisons are made against that year to determine if those changes were successful.

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

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

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

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

From a capital projects aspect, fiscal 2018 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 includes 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 provided 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 2018, the City completed phase V of the Long Range Enhancement Projects. This included new sidewalks on Arlington Street and Sand Lane. A total of \$90,000 was spent on these projects in fiscal 2018. Work to replace a bridge on Wathen Lane was started with expected completion in fiscal 2019.

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 2018, \$83,518 was spent on flood prevention projects and another \$673,000 included in fiscal 2019.

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 2018, the County contribution was \$106,116. 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. The wireless revenue increased by \$45,266 or 19.3% from fiscal 2017 of \$234,905 to fiscal 2018 total of \$280,171.

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

The entities worked to fund and replace the computer-aided dispatch (CAD) system for the emergency dispatch center. The cost of the project exceeded \$1.2 million and included infrastructure upgrades, work stations, and renovations at a backup site. Grants funds in the amount of approximately \$144,000 from the Delta Regional Authority have already been awarded and received with another \$175,000 coming from the Kentucky Commercial Mobile Radio Service Board.

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 \$153,000 in additional funds in fiscal 2019 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 2019 budget includes \$3.2 million in capital projects which includes \$542,570 in rolling stock replacement.

During the last fiscal year, HMP&L spent \$1,608,454 in capital improvements and replacements in the existing system and \$321,056 in capital improvements and replacements at Station Two. HWU added \$4 million in capital projects during fiscal 2018.

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

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

Relevant financial policies

The City of Henderson uses a comprehensive set of financial policies. During the current year, two of these policies were particularly relevant. The City of Henderson has a policy that requires the adoption of a balanced annual operating budget where operating expenses may not exceed anticipated revenues plus available unassigned fund balance. The fiscal 2018 budget was adopted using \$2,790,000 of unassigned fund balance. However, only a small portion of these funds were used and \$2,087,591 or 74.8% was not needed.

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

The reserve policy also designates that 40% of annual surpluses be set aside for long-term payments on major building projects or improvements. At the end of the fiscal year end there

was over \$250,000 set aside for future payments. The General Fund's general obligation bonds payments for fiscal 2019 are estimated to be \$1.3 million. The fund has 18.7% 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 2018, the unassigned fund balance was \$5.4 million which is an increase of \$146,365 over last year.

The second financial policy involves the reserve policy, where the goal of maintaining a minimum General Fund reserve of at least one-quarter (three months) of the General Fund's operating budget, was exceeded. The fiscal 2019 budget was adopted with approximately \$31.3 million in expenses and transfers out. With an ending reserve of \$10.2 million at June 30, 2018, the General Fund has 3.9 months worth of reserve.

Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Henderson for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2017. This was the nineteenth 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, 2018 and ending June 30, 2019. This was the tenth consecutive year that the government has achieved this prestigious award. To qualify for the Distinguished Budget Presentation Award, the government's budget document had to be judged proficient as a policy document, a financial plan, an operations guide, and a communications device. The preparation of this report would not have been possible without the skill, effort, and dedication of the entire staff including those of the Finance and Administration Departments.

And for the first time, the City of Henderson received the Popular Annual Financial Reporting Award for its June 30, 2017 presentation. The program is to assist state and local governments to extract information from their comprehensive annual financial report to produce high quality

popular financial reports specifically designed to be readily accessible and easily understandable to the general public and other interested parties that do not have a background in public finance.

Henderson is one of only three cities in Kentucky to be awarded all three awards for the most recent year.

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

Respectfully submitted,

/s/

William L. Newman, Jr.
City Manager

/s/

Robert Gunter
Finance Director



Government Finance Officers Association

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

Presented to

**City of Henderson
Kentucky**

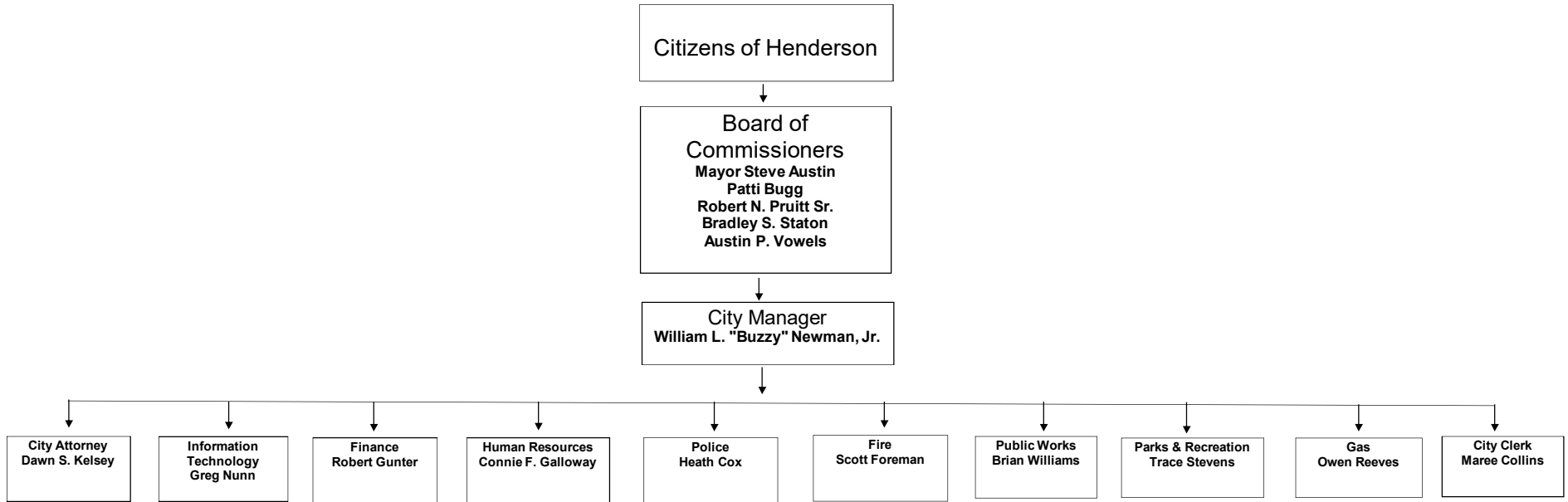
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2017

Christopher P. Morrill

Executive Director/CEO

CITY OF HENDERSON, KENTUCKY
Organizational Chart



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

Elected Officials

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

Appointed Officials

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

FINANCIAL SECTION



Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Henderson, Kentucky as of and for the year ended June 30, 2018 and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the City of Henderson, Kentucky Water and Sewer Commission. Those financial statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as they relate to the amounts included for the City of Henderson, Kentucky Water and Sewer Commission, are based solely on the report of the other auditor. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the Standards applicable to financial audits contained in *Government Auditing Standards*. 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, 2018, 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.

Change in Accounting Principle

As discussed in Note 1 to the financial statements, during the fiscal year ended June 30, 2018, the City adopted new accounting guidance GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* and GASB Statement No. 82, *Pensions Issues*. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and pension and OPEB schedules on pages 16 through 33 and 95 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 18, 2018, on our consideration of the City of Henderson, Kentucky's internal control over financial reporting and on our tests of compliance with laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and results of that testing and not to provide a legal opinion on the effectiveness of the City of Henderson Kentucky's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Henderson, Kentucky's internal control over financial reporting and compliance.

Alexander Thompson Arnold PLLC

Henderson, Kentucky
December 18, 2018

**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, 2018. It should be read in conjunction with the transmittal letter and the financial statements provided in this document.

Financial Highlights

- Primary Government liabilities exceeded assets by \$10.6 million at the close of fiscal 2018. Due to pension and other post employment 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% 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% from \$9.5 million in 2013 to \$10.2 million in 2018.

Overview of Financial Statements

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

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

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

The *statement of activities* presents information showing how the City of Henderson's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported for some items that will only result in cash flows in future fiscal periods (e.g., taxes, grants, and earned but unused vacation leave).

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

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

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

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

Governmental Funds. Governmental funds are used to account for essentially the same function reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in assessing a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City of Henderson maintains 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, Debt Service Fund, and Capital Projects 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 36-40 of this report.

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

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

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

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

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

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

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

Notes to the Financial Statements. The notes provide additional information that is necessary to acquire a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 46-94 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 95-102 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 liabilities exceeded assets by \$10,625,676 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, 2018.

City of Henderson's – Net Position

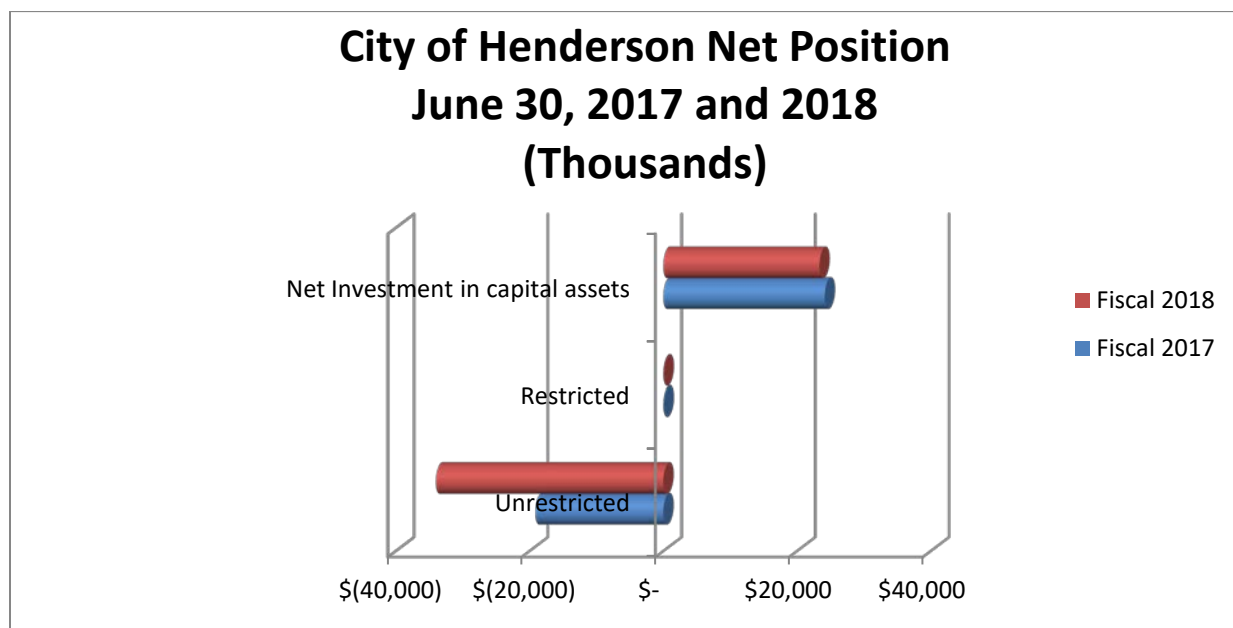
	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Current and other assets	\$ 52,208,051	\$ 55,915,094	\$10,971,199	\$10,951,884	\$ 63,179,250	\$ 66,866,978
Capital assets	36,078,502	37,825,286	2,700,550	2,561,895	38,779,052	40,387,181
Total assets	\$ 88,286,553	\$ 93,740,380	\$13,671,749	\$13,513,779	\$ 101,958,302	\$107,254,159
Deferred outflows	\$ 20,916,049	\$ 8,180,485	\$ -	\$ -	\$ 20,916,049	\$ 8,180,485
Total assets and deferred outflows	<u>\$ 109,202,602</u>	<u>\$101,920,865</u>	<u>\$13,671,749</u>	<u>\$13,513,779</u>	<u>\$ 122,874,351</u>	<u>\$115,434,644</u>
Long-term liabilities	\$ 116,931,859	\$ 97,643,708	\$ 4,187,000	\$ 4,168,000	\$ 121,118,859	\$101,811,708
Other liabilities	6,060,011	6,140,281	1,701,033	1,609,926	7,761,044	7,750,207
Total liabilities	<u>\$ 122,991,870</u>	<u>\$103,783,989</u>	<u>\$ 5,888,033</u>	<u>\$ 5,777,926</u>	<u>\$ 128,879,903</u>	<u>\$109,561,915</u>
Deferred inflows	\$ 4,620,124	\$ 831,298	\$ -	\$ -	\$ 4,620,124	\$ 831,298
Net position:						
Net investment in capital assets	\$ 20,637,291	\$ 21,576,830	\$ 2,700,550	\$ 2,561,895	\$ 23,337,841	\$ 24,138,725
Restricted for:						
Debt Service	871	988	-	-	871	988
Law enforcement	41,906	44,950	-	-	41,906	44,950
Unrestricted	(39,089,460)	(24,317,190)	5,083,166	5,173,958	(34,006,294)	(19,143,232)
Total net position	<u>\$ (18,409,392)</u>	<u>\$ (2,694,422)</u>	<u>\$ 7,783,716</u>	<u>\$ 7,735,853</u>	<u>\$ (10,625,676)</u>	<u>\$ 5,041,431</u>

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

An additional portion of the City of Henderson's net position or \$45,938 represents resources that are subject to external restrictions on how they may be used. The remaining balance of (\$34,006,294) is unrestricted. Any positive balances would be used to meet the government's ongoing obligations to its citizens and creditors. However, the negative number reflected is due to a governmental accounting standard concerning pension and other post employment obligations that will be paid over several years.

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 standards mentioned above, the unrestricted net position reported a negative net position in the governmental activities.



The City of Henderson's overall net position decreased \$15,667,107 from the prior fiscal year. The reasons for this overall decrease are discussed in the following sections for governmental activities and business-type activities.

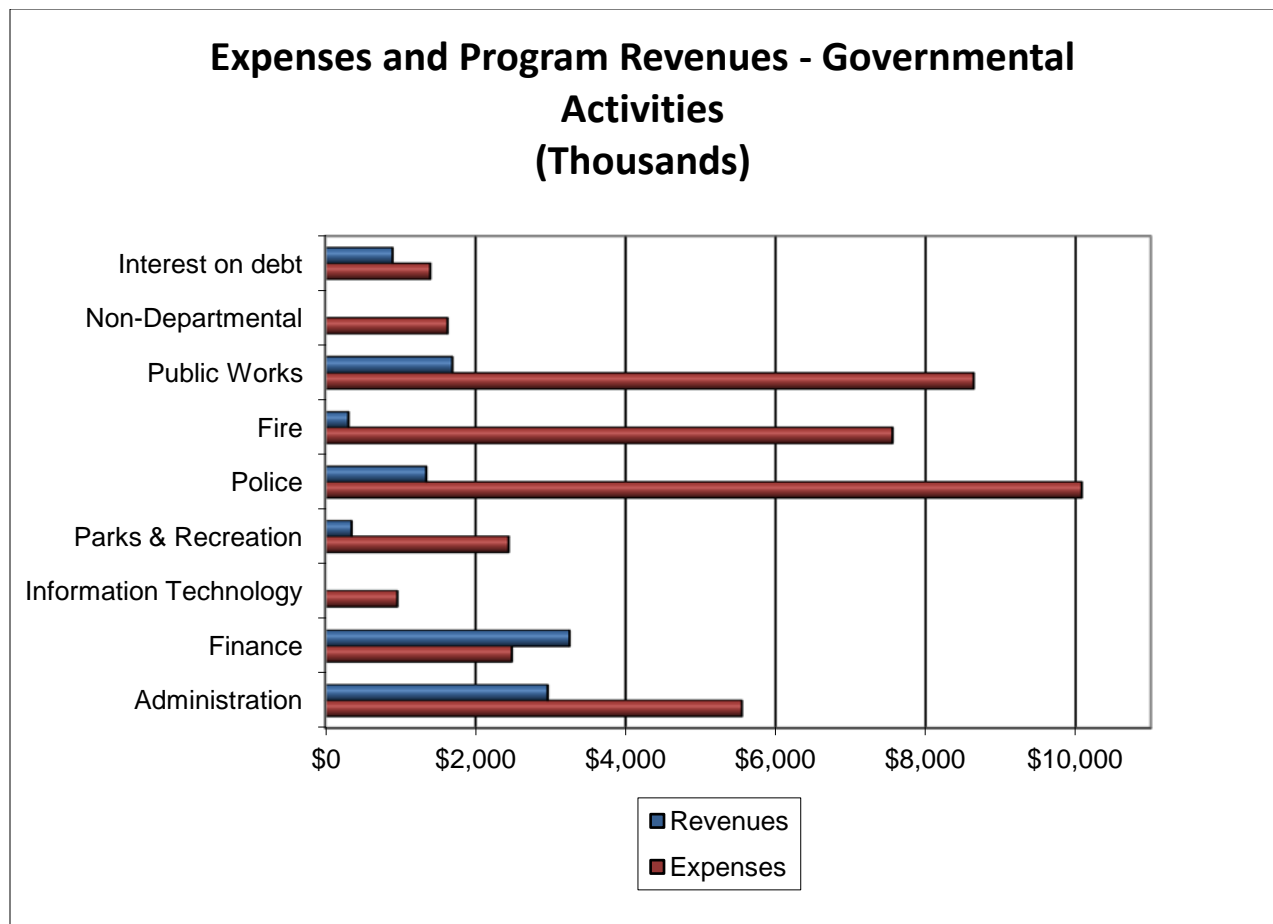
Governmental Activities. During the current fiscal year, net position for governmental activities decreased \$15,714,970 from the prior year for an ending balance of (\$18,409,392). There were two primary reasons. The first was the change in accounting principle as it relates to the City's postemployment benefits other than pensions. GASB 75 required the City to record a liability of \$10,141,509. This liability will be paid with future tax revenues that are not reflected in the financial statements. The second is that governmental activities net of charges for services, operating grants/contributions, and capital grants/contributions were \$29,943,396. Taxes, distributions from component units, investment income and transfers only generated \$24,369,935. Combined, there was a (\$5,573,461) change in net position. Total general revenues and transfers increased \$876,639 or 3.7% from the prior year while general activities expenses increased by \$856,584 or 2.2%.

The governmental funds had a decrease in fund balance of \$3,457,396 with the General Fund decreasing \$702,409. Most of the decrease was due to restricted assets applicable to cash from bonds issued for the construction of a municipal service center. Of the \$2,675,993 spent or used in the Construction Fund, \$2,253,613 or 84.2% was related to the transfers to the Bond Fund for payment on outstanding bonds. Over \$406,800 was spent on capital items that included \$225,500 for buildings, over \$90,000 for office equipment for the 911 Center, and \$89,600 on streets.

The General Fund depleted its reserves in the amount of \$702,409. Since fiscal 2012, the fund's balance has increased 7.4%. Based on the amended fiscal 2019 budgeted expenditures of \$32.4 million, the General Fund has approximately 3.8 months worth of reserves. The City has assigned \$4.48 million of the fiscal 2018 fund balance with \$3.36 million of that amount to fill the fiscal 2019 budget deficit leaving \$5.4 million unassigned.

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

	Governmental Activities		Business-Type Activities		Total	
<u>Revenues:</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Program revenues:						
Charges for services	\$ 7,124,287	\$ 7,142,736	\$18,405,083	\$18,056,153	\$ 25,529,370	\$25,198,889
Operating grants	3,647,558	2,765,809	-	-	3,647,558	2,765,809
Capital grants	30,680	1,115,868	106,116	103,536	136,796	1,219,404
General revenues:						
Taxes	20,939,144	20,194,582	-	-	20,939,144	20,194,582
Investment income	102,067	50,222	39,067	14,608	141,134	64,830
Distributions from component units	1,644,724	1,644,724	-	-	1,644,724	1,644,724
Total revenues	<u>33,488,460</u>	<u>32,913,941</u>	<u>18,550,266</u>	<u>18,174,297</u>	<u>52,038,726</u>	<u>51,088,238</u>
<u>Expenses:</u>						
Administration	5,550,719	5,079,404	-	-	5,550,719	5,079,404
Finance	2,484,760	2,532,294	-	-	2,484,760	2,532,294
Information technology	959,900	992,304	-	-	959,900	992,304
Parks & recreation	2,442,957	2,508,094	-	-	2,442,957	2,508,094
Police	10,081,379	9,485,562	-	-	10,081,379	9,485,562
Fire	7,559,249	7,660,031	-	-	7,559,249	7,660,031
Public works	8,641,172	7,946,176	-	-	8,641,172	7,946,176
Nondepartmental	1,628,251	2,344,322	-	-	1,628,251	2,344,322
Interest on long-term debt	1,397,534	1,341,150	-	-	1,397,534	1,341,150
Gas	-	-	13,490,485	12,716,926	13,490,485	12,716,926
Sanitation	-	-	3,327,918	3,155,920	3,327,918	3,155,920
Total expenses	<u>40,745,921</u>	<u>39,889,337</u>	<u>16,818,403</u>	<u>15,872,846</u>	<u>57,564,324</u>	<u>55,762,183</u>
Increase/(Decrease) before transfers	(7,257,461)	(6,975,396)	1,731,863	2,301,451	(5,525,598)	(4,673,945)
Cumulative effect of change in accounting principle-pensions	(10,141,509)	-	-	-	(10,141,509)	-
Transfers	<u>1,684,000</u>	<u>1,604,008</u>	<u>(1,684,000)</u>	<u>(1,604,008)</u>	<u>-</u>	<u>-</u>
Increase (Decrease) in net position	(15,714,970)	(5,371,388)	47,863	697,443	(15,667,107)	(4,673,945)
Net position, beginning	<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>
Net position, ending	<u>\$ (18,409,392)</u>	<u>\$ (2,694,422)</u>	<u>\$ 7,783,716</u>	<u>\$ 7,735,853</u>	<u>\$ (10,625,676)</u>	<u>\$ 5,041,431</u>



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 \$7,783,716. The total increase in net position for business-type activities (natural gas and sanitation) was \$47,863 or up 0.6% from the prior fiscal year. The increase is attributable to an increase in the natural gas rates that were approved effective January 1, 2018. The rate per 1,000 cubic feet increased from \$2.45 to \$2.60. The \$195,411 surplus in the Gas Fund offset the \$147,549 loss in the Sanitation Fund. Due to new construction, demolition, and debris disposal costs, landfill expenses increased \$137,603.

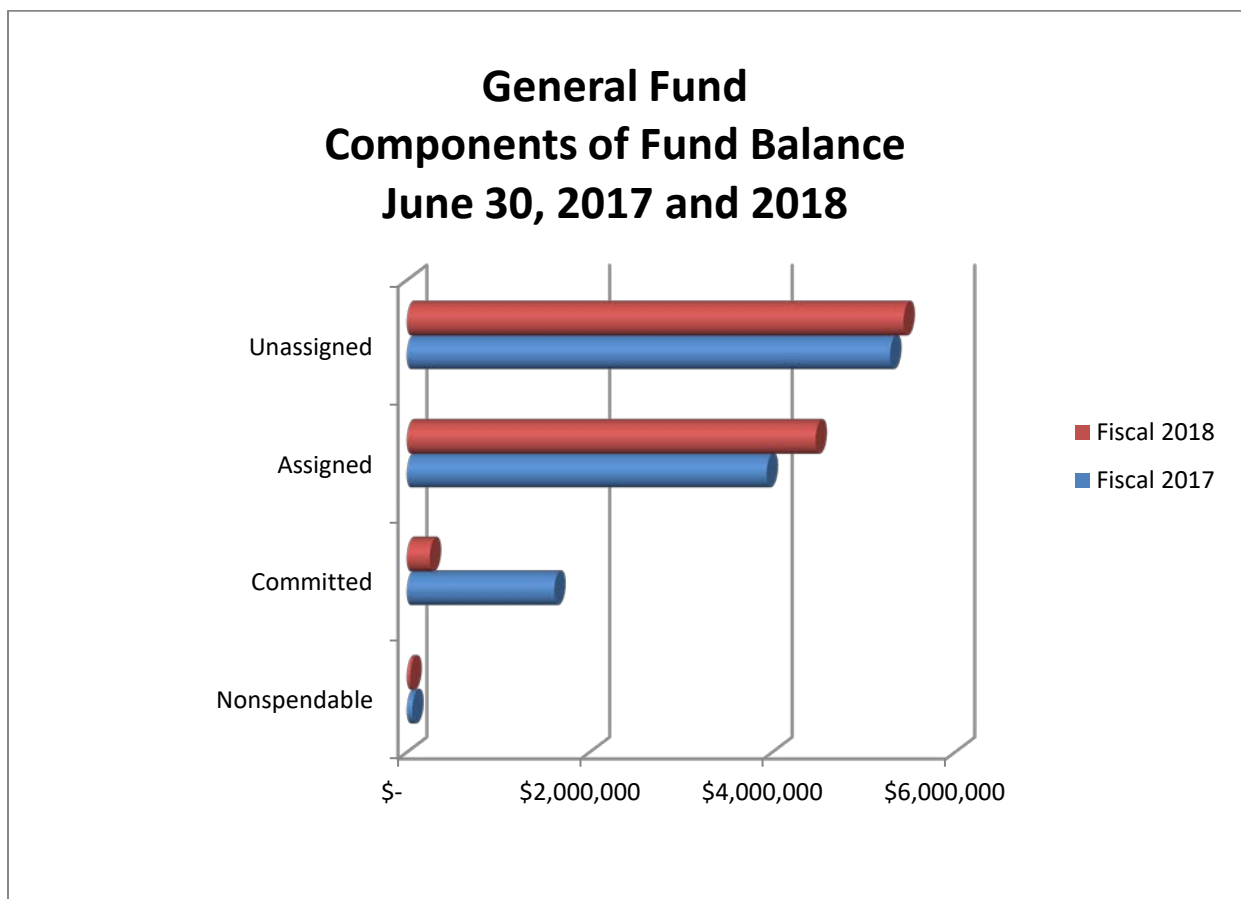
Financial Analysis of Governmental Funds

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

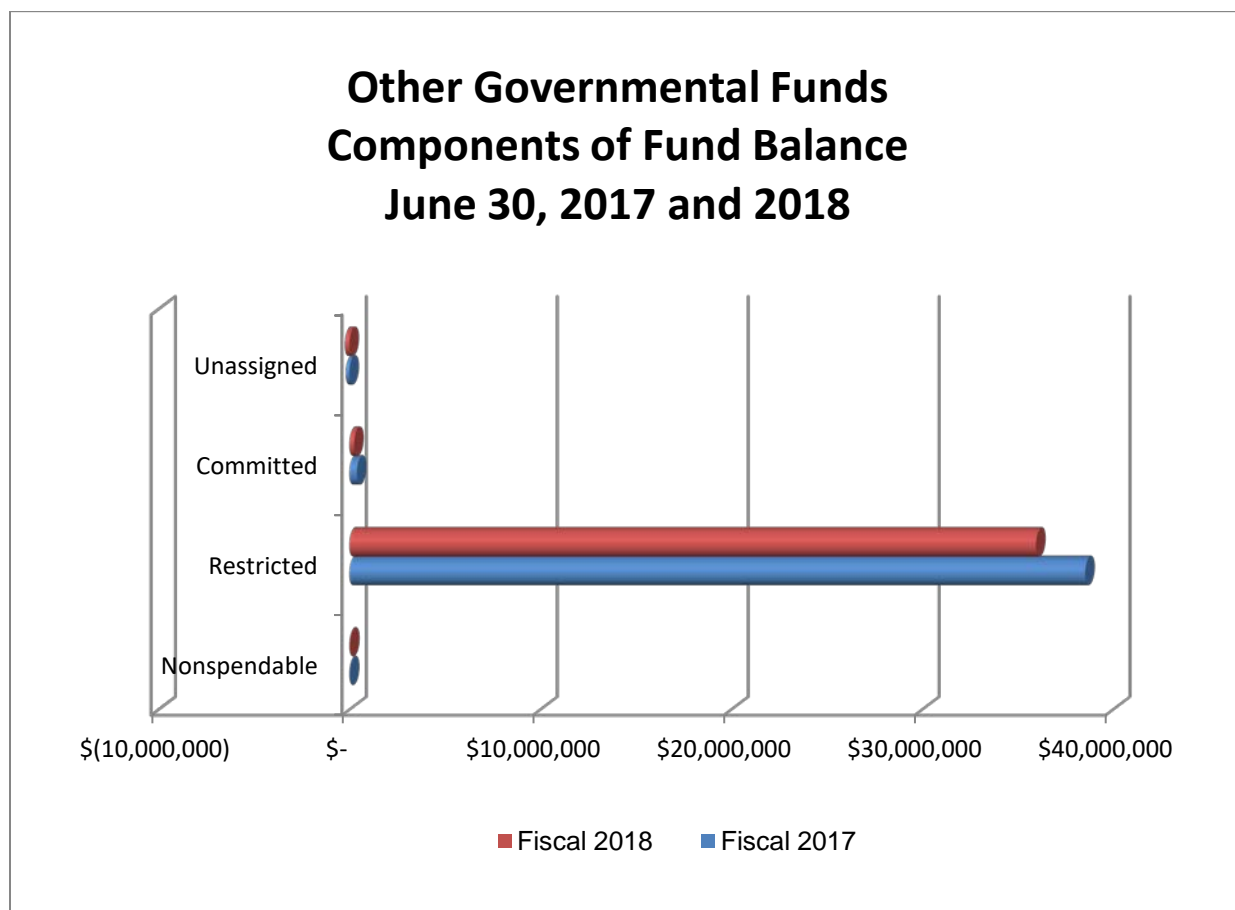
been limited to use for a particular purpose by either an external party, the City of Henderson itself, or a group or individual that has been delegated authority to assign resources for use for particular purposes by the City of Henderson's Board of Commissioners.

At June 30, 2018, the City of Henderson's governmental funds reported a combined fund balance of \$46,209,881, a decrease of \$3,457,396 in comparison with the prior fiscal year. Approximately 11.3% of this amount or \$5,196,175 constitutes unassigned fund balance, which is available for spending at the government's discretion. Nearly 77.9% or \$36 million of the fund balance was restricted for debt, capital projects and other special purposes. There was also \$70,787 that was classified as "nonspendable" because it is for inventories. A total of \$250,597 was committed for long-term debt payments and \$250,016 was for other purposes. Another \$4,475,740 was assigned to fill the fiscal 2019 budget deficit of \$3,360,000, \$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 \$215,740 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 \$5,437,612 which is an increase of \$146,365 or 2.8% from the prior year. Total fund balance decreased to \$10,202,736. 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 16.8 percent of the total amended 2019 fiscal year general fund expenditures, while total fund balance represents approximately 31.5 percent of that same amount.



During the fiscal year, the fund balance for the City of Henderson’s general fund decreased by \$702,409. Two factors contributing to this decrease:

- Personnel services were up \$662,008 or 3.6%.
- Capital expenses were up \$736,790 with \$1,119,521 spent to purchase and outfit a new aerial fire truck.

The Construction Fund ended the fiscal year with a fund balance of \$35,848,420 which is a deterioration of \$2,462,667 from the prior year. Fiscal 2018 was the first year since 2014 that the City of Henderson did not issue additional debt.

The City received federal funding on the riverfront project in the amount of \$30,680 during the fiscal year which included the reimbursement of capital expenditures. The Construction Fund transferred \$2,253,613 to the Bond Fund to retire debt.

The Bond Fund, the remaining major governmental fund, had a decrease in fund balance during the current year of \$117 to bring the year end fund balance to \$871. The decrease is essentially the difference between bank interest and transfers from the various funds and the payments of bond principal and interest.

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

Unrestricted net position of the Natural Gas Fund at the end of the year was \$6,016,344 and for the Sanitation Fund was (\$933,178). The change in net position for both funds was \$195,411 and \$(147,548), respectively.

As noted earlier in the discussion of business-type activities, the increase for the Natural Gas Fund was attributable to an increase in rates. Gross margins for natural gas increased \$651,077 or 15.5%. The Gas Fund's income from operations decreased \$106,167 or 5.7% from the prior fiscal year. After investment income and transfers to the general fund, the change in net position was \$195,411. Since 2010, the cumulative change in the net position for the Gas Fund has been an increase of \$463,491 or 6.1%. Based on the 2019 fiscal year's budgeted expenditures and net of invested in capital assets, the Gas Fund has approximately 4.5 months worth of reserves. This is an increase from the 3.9 months of the prior year. The Gas fund invested \$41,702 in fixed assets for the fiscal year compared to \$74,058 in the prior year. Another \$29,320 in labor costs were capitalized during fiscal 2018 compared to \$44,950 in fiscal 2017.

The engineer's estimate related to closing and monitoring the landfill increased by \$19,000. Due to lower activity, landfill and transfer station fees were down a combined \$337,178 from last year. This contributed to the deterioration 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 \$4.19 million. Of this total, approximately \$2.83 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 \$3.06 million in a trust account that will be used for the landfill closure. It is also estimated that approximately \$1.36 million will be needed for post closure costs that will involve monitoring, inspecting, and maintaining the landfill and its protective systems for at least 30 years. This includes extensive groundwater monitoring, inspection, and repair of the cap and other protective systems. The City will be able to fund the monitoring costs on an annual basis through the normal revenue flow.

General Fund Budgetary Highlights

Original budget compared to final budget. As with most years, there was a need for budget amendments. Fiscal 2018 had two amendments. The original budget was adopted with expenditures set at \$30,940,000.

After a mid-year budget review, the first amendment increased the general fund budget to \$32,025,000. Using reserve funds in the amount of \$1,012,000 and a total of \$73,000 in donations and insurance proceeds, the City increased appropriations in the amount of \$258,000

for repairs to Commonwealth Drive; \$460,000 for vehicles ordered in the prior year; \$93,000 for various supplies and repairs in the Fire Department; \$60,000 for park improvements, and \$214,000 for various buildings and improvements throughout the City.

The second amendment was done in June 2018 and increased the total general fund appropriation to \$32,141,000. Using reserve funds, the City increase the appropriation for fire medical and clothing supplies by \$30,000 for mass casualty response and another \$86,000 for the first payment on police body worn cameras.

The amended fiscal 2018 budget was approved with anticipated expenses exceeding anticipated revenue by \$3,907,000. The difference was to come from reserves. The General Fund's actual revenue and transfers in were \$28,653,040 or 101.5% of the approved budget of \$28,234,000 or a difference of \$419,040. The General Fund's actual expenses and transfers out were \$29,355,449 or 91.3% of approved budget of \$32,141,000 or a difference of \$2,785,552.

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

<u>Revenue source</u>	<u>Estimated Revenues</u>	<u>Actual Revenues</u>	<u>Difference</u>
Current Property Tax	\$6,700,400	\$6,777,741	\$ 77,341
Franchise Tax	\$ 665,000	\$ 824,062	\$ 159,062
Insurance Premium Tax	\$4,925,000	\$5,216,046	\$ 291,046
Net Profits Tax	\$ 915,000	\$1,140,196	\$ 225,196
Payroll Tax	\$6,225,000	\$6,036,632	\$(188,368)

As a general practice, the budgets for tax revenue are conservative. Even though prior year numbers are reviewed and trends are analyzed, the budget committee has adopted this approach to avoid budget shortfalls. Using this approach and despite the miss on payroll taxes, the actual tax revenue total exceeded budget by \$570,449 or 2.4%.

<u>Expense</u>	<u>Estimated Expense</u>	<u>Actual Expense</u>	<u>Difference</u>
Salaries	\$11,472,090	\$11,335,076	\$ 137,014
Health Insurance	\$ 3,768,000	\$ 3,511,128	\$ 256,871
Fuel	\$ 305,990	\$ 186,029	\$ 119,961
Ambulance Service	\$ 189,840	\$ 23,255	\$ 166,585
Special Projects	\$ 368,000	\$ 177,886	\$ 190,114
Professional Services	\$ 252,100	\$ 139,899	\$ 112,201
Motor Vehicles	\$ 1,819,380	\$ 1,660,303	\$ 159,077
Transfers	\$ 5,200,000	\$ 4,072,000	\$1,128,000

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 \$137,014 below budget or 98.8% of anticipated expenses. Vacant positions also have an impact on health insurance expenses which were 93.2% of budget.

Due to a depressed energy market, fuel costs came in nearly \$120,000 below estimates. The ambulance service purchased a new \$143,000 vehicle that was not delivered until the current fiscal year. The special projects included local matching on several grants or projects that were either delayed or not approved.

The police department ordered four pursuit vehicles in the amount of \$130,000 that were not delivered until fiscal year 2019. Transfers to the Public Way Improvement (PWI) Fund were \$338,000 under budget. Some asphalt overlay projects were not started until after the end of the fiscal year. Due to an extended implementation schedule for some data processing equipment, the transfers to the 911 Fund were \$291,000 less than budgeted. The municipal service building costs were below estimates which enabled the transfers to the Construction Fund to come in \$274,000 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, 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 decrease in capital assets for the current fiscal year was approximately 4.0%.

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

	Governmental Activities		Business-Type Activities		Total	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Land	\$ 3,961,483	\$ 3,961,483	\$ 114,815	\$ 114,815	\$ 4,076,298	\$ 4,076,298
Artwork	196,500	196,500	-	-	196,500	196,500
Buildings	16,347,845	16,659,345	155,609	120,860	16,503,454	16,780,205
Improvements	4,137,539	4,416,902	-	-	4,137,539	4,416,902
Vehicles	2,124,520	1,059,499	254,178	225,286	2,378,698	1,284,785
Natural Gas System	-	-	1,892,177	1,980,677	1,892,177	1,980,677
Equipment	3,029,889	3,644,981	283,771	120,257	3,313,660	3,765,238
Infrastructure	6,280,726	7,886,576	-	-	6,280,726	7,886,576
Total	<u>\$ 36,078,502</u>	<u>\$ 37,825,286</u>	<u>\$ 2,700,550</u>	<u>\$ 2,561,895</u>	<u>\$ 38,779,052</u>	<u>\$ 40,387,181</u>

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

- \$1.03 million for a new aerial fire truck.
- Over \$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 was spent on new sidewalks.

- \$119,300 was spent on the new municipal service center to add air conditioning in the garage area.
- The Sanitation Fund added a new rear-end loader in the amount of \$116,709 and \$252,700 for a material handler for the landfill.

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

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

City of Henderson's Outstanding Debt

	Governmental Activities		Business-Type Activities		Total	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
General Obligation Bonds	\$ 51,365,000	\$ 54,745,000	\$ -	\$ -	\$ 51,365,000	\$ 54,745,000

Debt Description

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

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

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

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

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

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

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

Series 2015A: Municipal Service Center and 911 System

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

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

Series 2015B: Refunding of Prior Debt

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

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

Series 2015C: Refunding of Prior Debt

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

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

Series 2016A: Municipal Service Center

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

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

Series 2016B: Refunding of Prior Debt

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

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

Series 2017A: Municipal Service Center

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

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

Series 2017B: Refunding of Prior Debt

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

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

Series 2017C: Refunding of Prior Debt

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

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

During the fiscal year, the City of Henderson's total debt decreased by \$3,380,000 or 6.2%. The reason for the decrease was scheduled principal payments for all outstanding bonds. The last scheduled payment on the City's outstanding debt is March 1, 2037.

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

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

The current debt limit for the City of Henderson is approximately \$118,293,000, which is significantly in excess of the current outstanding general obligation debt of \$51,365,000.

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

Economic Factors and Next Year's Budget and Rates

The City of Henderson was able to fund the fiscal 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 increases 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 3 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% which was slightly higher than the national rate of 4.0% and the Kentucky rate of 4.2%.

The 24-months from July 1, 2016 to June 30, 2018 were 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 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, 2018

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	Henderson Municipal Power & Light	Henderson Water Utility
ASSETS					
Cash	\$ 7,878,178	\$ 2,658,187	\$ 10,536,365	\$ 10,886,004	\$ 6,457,276
Investments	7,928,325	5,973,274	13,901,599	11,802,770	46,067
Receivables	940,951	1,422,271	2,363,222	9,774,827	3,505,749
Internal balances	(696,301)	696,301	-	-	-
Inventories	70,787	221,166	291,953	9,021,192	810,537
Prepaid expenses	-	-	-	70,355	78,139
Restricted assets:					
Cash	1,053,631	-	1,053,631	-	-
Investments	-	-	-	2,358,385	-
Receivable from HWU:					
Due in one year	2,306,297	-	2,306,297	-	-
Due after one year	32,726,183	-	32,726,183	-	-
Land and other nondepreciable capital assets	4,157,983	114,815	4,272,798	1,288,551	1,466,482
Capital assets, net of accumulated depreciation	31,920,519	2,585,735	34,506,254	52,397,245	81,425,319
Other assets	-	-	-	547,445	234,168
Total assets	88,286,553	13,671,749	101,958,302	98,146,774	94,023,737
DEFERRED OUTFLOWS OF RESOURCES					
Deferred outflows of resources	20,916,049	-	20,916,049	2,329,422	4,313,442
Total assets and deferred outflows of resources	\$ 109,202,602	\$ 13,671,749	\$ 122,874,351	\$ 100,476,196	\$ 98,337,179
LIABILITIES					
Accounts payable and accrued liabilities	\$ 2,880,064	\$ 1,036,516	\$ 3,916,580	\$ 7,027,415	\$ 2,371,059
Deposits payable	-	285,267	285,267	679,103	113,295
Due to component units	3,179,947	-	3,179,947	-	-
Gas storage liability	-	379,250	379,250	-	-
Noncurrent liabilities:					
Due in one year	4,819,857	-	4,819,857	650,000	2,695,537
Due after one year	112,112,002	4,187,000	116,299,002	21,039,242	46,261,557
Total liabilities	122,991,870	5,888,033	128,879,903	29,395,760	51,441,448
DEFERRED INFLOWS OF RESOURCES					
Deferred inflows of resources	4,620,124	-	4,620,124	665,557	1,070,316
NET POSITION					
Net investment in capital assets	20,637,291	2,700,550	23,337,841	42,275,796	47,419,518
Restricted for:					
Debt service	871	-	871	2,358,385	-
Law enforcement	41,906	-	41,906	-	-
Unrestricted	(39,089,460)	5,083,166	(34,006,294)	25,780,698	(1,594,103)
Total net position	(18,409,392)	7,783,716	(10,625,676)	70,414,879	45,825,415
Total liabilities, deferred inflows, and net position	\$ 109,202,602	\$ 13,671,749	\$ 122,874,351	\$ 100,476,196	\$ 98,337,179

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, 2018

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position				
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Units	
					Governmental Activities	Business-type Activities	Total	Henderson Municipal Power & Light	Henderson Water Utility
Primary government									
Governmental activities:									
Administration	\$ 5,550,719	\$ 2,432,930	\$ 529,524	\$ -	\$ (2,588,265)	\$ -	\$ (2,588,265)		
Finance	2,484,760	3,253,519	-	-	768,759	-	768,759		
Information technology	959,900	-	-	-	(959,900)	-	(959,900)		
Parks and recreation	2,442,957	348,970	-	-	(2,093,987)	-	(2,093,987)		
Police	10,081,379	851,850	491,678	-	(8,737,851)	-	(8,737,851)		
Fire	7,559,249	-	306,673	-	(7,252,576)	-	(7,252,576)		
Public works	8,641,172	237,018	1,424,766	30,680	(6,948,708)	-	(6,948,708)		
Nondepartmental	1,628,251	-	-	-	(1,628,251)	-	(1,628,251)		
Interest on long-term debt	1,397,534	-	894,917	-	(502,617)	-	(502,617)		
Total governmental activities	40,745,921	7,124,287	3,647,558	30,680	(29,943,396)	-	(29,943,396)		
Business-type activities:									
Gas	13,490,485	15,234,733	-	-	-	1,744,248	1,744,248		
Sanitation	3,327,918	3,170,350	106,116	-	-	(51,452)	(51,452)		
Total business-type activities	16,818,403	18,405,083	106,116	-	-	1,692,796	1,692,796		
Total primary government	\$ 57,564,324	\$ 25,529,370	\$ 3,753,674	\$ 30,680	(29,943,396)	1,692,796	(28,250,600)		
Component units									
Henderson Municipal Power & Light	\$ 63,285,950	\$ 70,114,334	\$ -	\$ -				\$ 6,828,384	\$ -
Henderson Water Utility	20,362,401	20,817,737	111,715	-				-	567,051
Total component units	\$ 83,648,351	\$ 90,932,071	\$ 111,715	\$ -				6,828,384	567,051
General revenues:									
Taxes:									
Property					7,528,554	-	7,528,554	-	-
Payroll and net profits					7,209,671	-	7,209,671	-	-
Insurance					5,216,046	-	5,216,046	-	-
Franchise					824,062	-	824,062	-	-
Bank deposits					160,811	-	160,811	-	-
Distributions from component units					1,644,724	-	1,644,724	-	-
Investment income					102,067	39,067	141,134	196,266	97,205
Transfers					1,684,000	(1,684,000)	-	-	-
Total general revenues and transfers					24,369,935	(1,644,933)	22,725,002	196,266	97,205
Change in net position					(5,573,461)	47,863	(5,525,598)	7,024,650	664,256
Cumulative effect of change in accounting principle-OPEB					(10,141,509)	-	(10,141,509)	(1,600,373)	(2,406,714)
Prior period adjustment					-	-	-	(261,069)	1,475,686
Net position, beginning of year					(2,694,422)	7,735,853	5,041,431	65,251,671	46,092,187
Net position, end of year					<u>\$ (18,409,392)</u>	<u>\$ 7,783,716</u>	<u>\$ (10,625,676)</u>	<u>\$ 70,414,879</u>	<u>\$ 45,825,415</u>

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

City of Henderson, Kentucky
Balance Sheet
Governmental Funds
June 30, 2018

	General Fund	Debt Service Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS					
Cash	\$ 7,405,143	\$ -	\$ 2,207	\$ 10,760	\$ 7,418,110
Investments	7,928,325	-	-	-	7,928,325
Receivables	387,804	-	-	476,716	864,520
Due from other funds	29,503	-	-	-	29,503
Inventories	38,787	-	-	32,000	70,787
Restricted assets:					
Cash	-	871	891,309	161,451	1,053,631
Receivable from HWU:					
Due in one year	-	-	2,306,297	-	2,306,297
Due after one year	-	-	32,726,183	-	32,726,183
Total assets	\$ 15,789,562	\$ 871	\$ 35,925,996	\$ 680,927	\$ 52,397,356
LIABILITIES					
Accounts payable	\$ 1,102,395	\$ -	\$ 77,576	\$ 419,763	\$ 1,599,734
Accrued wages	592,424	-	-	89,566	681,990
Due to other funds	712,060	-	-	13,744	725,804
Due to component units	3,179,947	-	-	-	3,179,947
Total liabilities	5,586,826	-	77,576	523,073	6,187,475
FUND BALANCES					
Nonspendable	38,787	-	-	32,000	70,787
Restricted	-	871	35,923,789	41,906	35,966,566
Committed	250,597	-	-	250,016	500,613
Assigned	4,475,740	-	-	-	4,475,740
Unassigned	5,437,612	-	(75,369)	(166,068)	5,196,175
Total fund balances	10,202,736	871	35,848,420	157,854	46,209,881
Total liabilities and fund balances	\$ 15,789,562	\$ 871	\$ 35,925,996	\$ 680,927	\$ 52,397,356

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, 2018

Total fund balances of governmental funds per balance sheet	\$ 46,209,881
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Amounts reported for governmental activities in the statement of net position are different because:

Capital assets, net of accumulated depreciation, used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds.	36,078,502
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Deferred outflows and inflows of resources shown in governmental activities apply to future periods and, therefore, are not reported in the governmental funds.	
Deferred outflows of resources-Pensions & OPEB	20,916,049
Deferred inflows of resources-Pensions & OPEB	(4,620,124)

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.	(61,841)
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Long-term debt and other liabilities were not currently due and payable in the fiscal year ended June 30, 2018, and, therefore, were not reported in the governmental funds.	
Long-term debt payable	\$ (51,365,000)
Net Pension & OPEB liability	(63,199,884)
Accrued compensated absences	(1,399,600)
HRA Fund unfunded obligation	(652,000)
Body cameras contract	(315,375)
	(116,931,859)

Total net position of governmental activities per statement of net position	\$ (18,409,392)
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The accompanying notes are an integral part of the financial statements.

City of Henderson, Kentucky
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2018

	General Fund	Debt Service Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES					
Taxes:					
Property	\$ 7,528,554	\$ -	\$ -	\$ -	\$ 7,528,554
Payroll and net profits	7,209,671	-	-	-	7,209,671
Insurance	5,216,046	-	-	-	5,216,046
Franchise	824,062	-	-	-	824,062
Bank deposits	160,811	-	-	-	160,811
Intergovernmental	3,641,750	894,917	30,680	1,937,081	6,504,428
Distributions from component units	1,644,724	-	-	-	1,644,724
Service charges and fees	517,759	-	-	984,896	1,502,655
Rents, concessions, and other services	118,545	-	-	-	118,545
Fines, finance charges, and penalties	68,912	-	-	-	68,912
Licenses and permits	60,556	-	-	-	60,556
Investment income	70,641	1,859	15,646	5,508	93,654
Miscellaneous	175,461	28	-	13,590	189,079
Total revenues	<u>27,237,492</u>	<u>896,804</u>	<u>46,326</u>	<u>2,941,075</u>	<u>31,121,697</u>
EXPENDITURES					
Current:					
Administration	2,370,589	-	-	372,474	2,743,063
Finance	2,242,609	-	-	-	2,242,609
Information technology	854,707	-	-	-	854,707
Parks and recreation	1,527,241	-	-	399,333	1,926,574
Police	6,752,859	-	-	1,180,868	7,933,727
Fire	6,217,793	-	-	-	6,217,793
Public works	2,451,983	-	107,232	3,252,290	5,811,505
Nondepartmental	1,628,251	-	-	-	1,628,251
Debt service:					
Principal	-	3,380,000	-	-	3,380,000
Interest	-	1,397,534	-	-	1,397,534
Capital outlays	1,727,417	-	299,600	100,313	2,127,330
Total expenditures	<u>25,773,449</u>	<u>4,777,534</u>	<u>406,832</u>	<u>5,305,278</u>	<u>36,263,093</u>
Excess (deficiency) of revenues over expenditures	<u>1,464,043</u>	<u>(3,880,730)</u>	<u>(360,506)</u>	<u>(2,364,203)</u>	<u>(5,141,396)</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	1,415,548	3,880,613	167,000	2,072,000	7,535,161
Transfers out	(3,582,000)	-	(2,269,161)	-	(5,851,161)
Total other financing sources (uses)	<u>(2,166,452)</u>	<u>3,880,613</u>	<u>(2,102,161)</u>	<u>2,072,000</u>	<u>1,684,000</u>
Net change in fund balances	(702,409)	(117)	(2,462,667)	(292,203)	(3,457,396)
Fund balances, beginning of year	<u>10,905,145</u>	<u>988</u>	<u>38,311,087</u>	<u>450,057</u>	<u>49,667,277</u>
Fund balances, end of year	<u>\$ 10,202,736</u>	<u>\$ 871</u>	<u>\$ 35,848,420</u>	<u>\$ 157,854</u>	<u>\$ 46,209,881</u>

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

City of Henderson, Kentucky
Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balances of Governmental Funds
To the Statement of Activities
For the Fiscal Year Ended June 30, 2018

Net change in fund balances of governmental funds	\$ (3,457,396)
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives and reported as depreciation expense.	
Capital outlays	2,127,330
Depreciation expense	(3,874,114)
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	3,380,000
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.	
Pension & OPEB expense adjustment	(3,363,829)
Decrease in accrued compensated absences	69,300
Decrease in HRA Fund unfunded obligation	30,000
Increase in body cameras contract	(315,375)
The Health Insurance Fund, an internal service fund, is used to charge health insurance costs to individual funds and other entities. The statement of activities includes the net loss of this fund.	
Net loss of Health Insurance Fund	<u>(169,377)</u>
Change in net position of governmental activities	<u><u>\$ (5,573,461)</u></u>

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

City of Henderson, Kentucky
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
General Fund
For the Fiscal Year Ended June 30, 2018

	<u>Budget</u>			
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
REVENUES				
Taxes:				
Property	\$ 7,465,300	\$ 7,465,300	\$ 7,528,554	\$ 63,254
Payroll and net profits	7,150,000	7,150,000	7,209,671	59,671
Insurance	4,925,000	4,925,000	5,216,046	291,046
Franchise	665,000	665,000	824,062	159,062
Bank deposits	163,000	163,000	160,811	(2,189)
Intergovernmental	3,661,750	3,661,750	3,641,750	(20,000)
Distributions from component units	1,644,700	1,644,700	1,644,724	24
Service charges and fees	577,900	577,900	517,759	(60,141)
Rents, concessions, and other services	134,500	134,500	118,545	(15,955)
Licenses and permits	91,500	91,500	60,556	(30,944)
Fines, finance charges, and penalties	70,000	70,000	68,912	(1,088)
Investment income	99,850	99,850	70,641	(29,209)
Miscellaneous	101,500	185,500	175,461	(10,039)
Total revenues	<u>26,750,000</u>	<u>26,834,000</u>	<u>27,237,492</u>	<u>403,492</u>
EXPENDITURES				
Current:				
Administration	2,547,290	2,547,290	2,370,589	176,701
Finance	2,373,850	2,373,850	2,242,609	131,241
Information Technology	808,410	808,410	854,707	(46,297)
Parks and recreation	1,607,460	1,618,460	1,527,241	91,219
Police	6,846,320	6,932,320	6,752,859	179,461
Fire	6,018,880	6,086,880	6,217,793	(130,913)
Public works	2,566,910	2,627,910	2,451,983	175,927
Nondepartmental	2,139,250	2,196,250	1,628,251	567,999
Capital outlays	1,736,630	2,300,630	1,727,417	573,213
Total expenditures	<u>26,645,000</u>	<u>27,492,000</u>	<u>25,773,449</u>	<u>1,718,551</u>
Excess (deficiency) of revenues over expenditures	<u>105,000</u>	<u>(658,000)</u>	<u>1,464,043</u>	<u>2,122,043</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	1,400,000	1,400,000	1,415,548	15,548
Transfers out	(4,295,000)	(4,649,000)	(3,582,000)	1,067,000
Total other financing sources (uses)	<u>(2,895,000)</u>	<u>(3,249,000)</u>	<u>(2,166,452)</u>	<u>1,082,548</u>
Net change in fund balance	(2,790,000)	(3,907,000)	(702,409)	3,204,591
Fund balance, beginning of year	<u>10,905,145</u>	<u>10,905,145</u>	<u>10,905,145</u>	<u>-</u>
Fund balance, end of year	<u>\$ 8,115,145</u>	<u>\$ 6,998,145</u>	<u>\$ 10,202,736</u>	<u>\$ 3,204,591</u>

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

City of Henderson, Kentucky
Statement of Net Position
Proprietary Funds
June 30, 2018

	Business-type Activities Enterprise Funds			Governmental Activities- Internal Service Fund
	Gas Fund	Sanitation Fund	Total Enterprise Funds	Health Insurance Fund
ASSETS				
Current assets:				
Cash	\$ 2,559,398	\$ 98,789	\$ 2,658,187	\$ 460,068
Investments	2,912,943	-	2,912,943	-
Receivables	1,232,955	189,316	1,422,271	76,431
Due from other funds	642,495	69,565	712,060	-
Inventories	221,166	-	221,166	-
Total current assets	<u>7,568,957</u>	<u>357,670</u>	<u>7,926,627</u>	<u>536,499</u>
Noncurrent assets:				
Investments, designated for landfill closure costs	-	3,060,331	3,060,331	-
Land	-	114,815	114,815	-
Capital assets, net of accumulated depreciation	<u>2,002,518</u>	<u>583,217</u>	<u>2,585,735</u>	<u>-</u>
Total noncurrent assets	<u>2,002,518</u>	<u>3,758,363</u>	<u>5,760,881</u>	<u>-</u>
Total assets	<u>\$ 9,571,475</u>	<u>\$ 4,116,033</u>	<u>\$ 13,687,508</u>	<u>\$ 536,499</u>
LIABILITIES				
Current liabilities:				
Accounts payable	\$ 831,383	\$ 121,423	\$ 952,806	\$ 598,340
Deposits payable	283,715	1,552	285,267	-
Accrued wages	52,224	31,486	83,710	-
Due to other funds	6,041	9,718	15,759	-
Gas storage liability	<u>379,250</u>	<u>-</u>	<u>379,250</u>	<u>-</u>
Total current liabilities	<u>1,552,613</u>	<u>164,179</u>	<u>1,716,792</u>	<u>598,340</u>
Noncurrent liabilities:				
Estimated landfill closure costs	-	4,187,000	4,187,000	-
Total noncurrent liabilities	<u>-</u>	<u>4,187,000</u>	<u>4,187,000</u>	<u>-</u>
Total liabilities	<u>1,552,613</u>	<u>4,351,179</u>	<u>5,903,792</u>	<u>598,340</u>
NET POSITION				
Net investment in capital assets	2,002,518	698,032	2,700,550	-
Unrestricted	<u>6,016,344</u>	<u>(933,178)</u>	<u>5,083,166</u>	<u>(61,841)</u>
Total net position	<u>8,018,862</u>	<u>(235,146)</u>	<u>7,783,716</u>	<u>(61,841)</u>
Total liabilities and net position	<u>\$ 9,571,475</u>	<u>\$ 4,116,033</u>	<u>\$ 13,687,508</u>	<u>\$ 536,499</u>

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

City of Henderson, Kentucky
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Fiscal Year Ended June 30, 2018

	Business-type Activities Enterprise Funds			Governmental Activities- Internal Service Fund
	Gas Fund	Sanitation Fund	Total Enterprise Funds	Health Insurance Fund
OPERATING REVENUES				
Gas sales	\$ 15,125,750	\$ -	\$ 15,125,750	\$ -
Sanitation fees	-	3,265,068	3,265,068	-
Other income	108,983	11,398	120,381	-
Health insurance premiums:				
City of Henderson	-	-	-	4,732,372
Henderson Municipal Power & Light	-	-	-	611,737
Henderson Water Utility	-	-	-	1,341,541
Other	-	-	-	405,072
Total operating revenues	<u>15,234,733</u>	<u>3,276,466</u>	<u>18,511,199</u>	<u>7,090,722</u>
 OPERATING EXPENSES				
Gas administration	1,601,537	-	1,601,537	-
Gas distribution	11,677,598	-	11,677,598	-
Sanitation expenses	-	3,158,492	3,158,492	-
Landfill closure cost	-	19,000	19,000	-
Depreciation	211,350	150,426	361,776	-
HRA Fund contributions	-	-	-	520,000
Health insurance administration	-	-	-	610,076
Health insurance claims	-	-	-	6,138,436
Total operating expenses	<u>13,490,485</u>	<u>3,327,918</u>	<u>16,818,403</u>	<u>7,268,512</u>
 Income from operations	1,744,248	(51,452)	1,692,796	(177,790)
 NONOPERATING REVENUES				
Investment income	<u>31,163</u>	<u>7,904</u>	<u>39,067</u>	<u>8,413</u>
 Income before transfers	1,775,411	(43,548)	1,731,863	(169,377)
 Transfers out to Debt Service Fund	(180,000)	(104,000)	(284,000)	-
Transfers out to General Fund	<u>(1,400,000)</u>	<u>-</u>	<u>(1,400,000)</u>	<u>-</u>
 Change in net position	195,411	(147,548)	47,863	(169,377)
 Net position, beginning of year	<u>7,823,451</u>	<u>(87,598)</u>	<u>7,735,853</u>	<u>107,536</u>
 Net position, end of year	<u>\$ 8,018,862</u>	<u>\$ (235,146)</u>	<u>\$ 7,783,716</u>	<u>\$ (61,841)</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, 2018

	Business-type Activities Enterprise Funds			Governmental Activities- Internal Service Fund
	Gas Fund	Sanitation Fund	Total Enterprise Funds	Health Insurance Fund
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers and users	\$ 15,279,527	\$ 3,261,785	\$ 18,541,312	\$ 7,014,591
Payments for goods and services	(11,579,334)	(2,002,950)	(13,582,284)	(610,076)
Payments for employees	(1,675,297)	(1,149,433)	(2,824,730)	-
Payments for HRA Fund contributions	-	-	-	(520,000)
Payments for health insurance claims	-	-	-	(6,169,178)
Net cash provided (used) by operating activities	<u>2,024,896</u>	<u>109,402</u>	<u>2,134,298</u>	<u>(284,663)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers to Debt Service Fund	(180,000)	(104,000)	(284,000)	-
Transfers to General Fund	(1,400,000)	-	(1,400,000)	-
Net cash provided (used) by noncapital financing activities	<u>(1,580,000)</u>	<u>(104,000)</u>	<u>(1,684,000)</u>	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Purchases of capital assets	(71,022)	(429,409)	(500,431)	-
Net cash provided (used) by capital and related financing activities	<u>(71,022)</u>	<u>(429,409)</u>	<u>(500,431)</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchases of investments	-	(75,000)	(75,000)	-
Sales of investments	-	130,000	130,000	-
Interest received	33,261	2,600	35,861	8,413
Net cash provided (used) by investing activities	<u>33,261</u>	<u>57,600</u>	<u>90,861</u>	<u>8,413</u>
Net increase (decrease) in cash	407,135	(366,407)	40,728	(276,250)
Cash, beginning of year	<u>2,152,263</u>	<u>465,196</u>	<u>2,617,459</u>	<u>736,318</u>
Cash, end of year	<u>\$ 2,559,398</u>	<u>\$ 98,789</u>	<u>\$ 2,658,187</u>	<u>\$ 460,068</u>
Reconciliation of income from operations to net cash provided (used) by operating activities				
Income (loss) from operations	\$ 1,744,248	\$ (51,452)	\$ 1,692,796	\$ (177,790)
Reconciling items:				
Depreciation expense	211,350	150,426	361,776	-
Landfill closure cost	-	19,000	19,000	-
Receivables (increase) decrease	(137,454)	(49,718)	(187,172)	(76,131)
Due from other funds (increase) decrease	125,701	34,285	159,986	-
Inventories (increase) decrease	(18,954)	-	(18,954)	-
Accounts and deposits payable increase (decrease)	(47,534)	(7,187)	(54,721)	(30,742)
Accrued wages increase (decrease)	6,998	4,330	11,328	-
Due to other funds increase (decrease)	6,041	9,718	15,759	-
Gas storage liability increase (decrease)	134,500	-	134,500	-
Net cash provided (used) by operating activities	<u>\$ 2,024,896</u>	<u>\$ 109,402</u>	<u>\$ 2,134,298</u>	<u>\$ (284,663)</u>
Noncash investing activities:				
(Increase) decrease in fair value of investments	<u>\$ 50,745</u>	<u>\$ 43,015</u>	<u>\$ 93,760</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, 2018

	Pension Trust Funds
	<hr/>
ASSETS	
Cash	\$ 110,205
	<hr/>
Total assets	110,205
	<hr/>
LIABILITIES	
Accounts payable	4,951
	<hr/>
Total liabilities	4,951
	<hr/>
NET POSITION	
Net position restricted for pensions	\$ 105,254
	<hr/> <hr/>

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, 2018

	Pension Trust Funds
	<hr/>
ADDITIONS	
Contributions:	
Employer	\$ 1,012,551
Employee	2,552
Total contributions	<hr/> 1,015,103
Interest income	1,511
Miscellaneous	<hr/> 55
Total additions	<hr/> 1,016,669
 DEDUCTIONS	
Benefits paid	<hr/> 970,777
Total deductions	<hr/> 970,777
 Net increase in net position	45,892
Net position, beginning of year	<hr/> 59,362
Net position, end of year	<hr/> <hr/> \$ 105,254

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

CITY OF HENDERSON, KENTUCKY

NOTES TO FINANCIAL STATEMENTS

as terminal leave upon retirement.

M. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities, and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements.

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

N. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

O. Net Position

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

P. Fund Balance Flow Assumptions

Sometimes the City will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Q. Fund Balance Policies

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

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

Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as committed. The City Commission has authorized the City Manager or his designate to assign fund balance. The City Commission may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

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 and Postemployment Benefits Other Than Pensions (OPEB)

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

U. Use of Estimates

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

CITY OF HENDERSON, KENTUCKY

NOTES TO FINANCIAL STATEMENTS

2. INVESTMENTS

As of June 30, 2018, the City had the following investments:

Investments by Funds	Fair Value	Investment Maturities (in Years)		
		Less Than 1	1-5	6-10
General Fund	\$ 7,928,325	\$ 3,014,064	\$ 4,108,016	\$ 806,245
Gas Fund	2,912,943	776,579	1,988,829	147,535
Sanitation Fund	3,060,331	351,463	2,660,323	48,545
Total	<u>\$ 13,901,599</u>	<u>\$ 4,142,106</u>	<u>\$ 8,757,168</u>	<u>\$ 1,002,325</u>

Investment Type	
U.S. Government Agencies	\$ 1,918,530
U.S. Government Money Market	1,307,174
Bank Certificates of Deposit	10,675,895
Total per Statement of Net Position	<u>\$ 13,901,599</u>

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

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

Concentration of credit risk. The City places no limit on the amount it may invest in any one investment. The City has invested 6.80% of its total investments in FHLB bonds.

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

CITY OF HENDERSON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS

3. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

As of June 30, 2018, interfund receivables and payables and the composition of internal balances shown on the statement of net position consist of the following:

	Due From Other Funds	Due To Other Funds	Internal Balances
<u>Governmental Activities:</u>			
General Fund	\$ 29,503	\$ (712,060)	\$ (682,557)
Nonmajor Funds	-	(13,744)	(13,744)
Total Governmental Activities	<u>\$ 29,503</u>	<u>\$ (725,804)</u>	<u>\$ (696,301)</u>
<u>Business-type Activities:</u>			
Gas Fund	\$ 642,495	\$ (6,041)	\$ 636,454
Sanitation Fund	69,565	(9,718)	59,847
Total Business-type Activities	<u>\$ 712,060</u>	<u>\$ (15,759)</u>	<u>\$ 696,301</u>
 Total all funds	 <u>\$ 741,563</u>	 <u>\$ (741,563)</u>	

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

As of June 30, 2018, interfund transfers consist of the following:

	Transfers In Totals	Transfers Out		
		General Fund	Capital Projects Fund	Enterprise Funds
General Fund	\$ 1,415,548	\$ -	\$ (15,548)	\$ (1,400,000)
Debt Service Fund	3,880,613	(1,343,000)	(2,253,613)	(284,000)
Capital Projects Fund	167,000	(167,000)	-	-
Nonmajor Funds	2,072,000	(2,072,000)	-	-
Totals	<u>\$ 7,535,161</u>	<u>\$ (3,582,000)</u>	<u>\$ (2,269,161)</u>	<u>\$ (1,684,000)</u>

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

CITY OF HENDERSON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS

4. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2018 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Primary Government				
Governmental Activities:				
<u>Capital assets not being depreciated:</u>				
Land	\$ 3,961,483	\$ -	\$ -	\$ 3,961,483
Artwork	196,500	-	-	196,500
Total	<u>4,157,983</u>	<u>-</u>	<u>-</u>	<u>4,157,983</u>
<u>Capital assets being depreciated:</u>				
Buildings	20,965,604	119,300	-	21,084,904
Improvements	8,571,757	47,000	-	8,618,757
Vehicles, machinery, and equipment	15,876,586	1,871,030	(303,675)	17,443,941
Infrastructure	67,789,010	90,000	-	67,879,010
Total	<u>113,202,957</u>	<u>2,127,330</u>	<u>(303,675)</u>	<u>115,026,612</u>
<u>Less accumulated depreciation for:</u>				
Buildings	(4,306,259)	(430,800)	-	(4,737,059)
Improvements	(4,154,855)	(326,363)	-	(4,481,218)
Vehicles, machinery, and equipment	(11,172,106)	(1,421,101)	303,675	(12,289,532)
Infrastructure	(59,902,434)	(1,695,850)	-	(61,598,284)
Total	<u>(79,535,654)</u>	<u>(3,874,114)</u>	<u>303,675</u>	<u>(83,106,093)</u>
Total governmental activities, net	<u>\$ 37,825,286</u>	<u>\$ (1,746,784)</u>	<u>\$ -</u>	<u>\$ 36,078,502</u>
Business-type Activities:				
<u>Capital assets not being depreciated:</u>				
Land	\$ 114,815	\$ -	\$ -	\$ 114,815
<u>Capital assets being depreciated:</u>				
Buildings	617,177	60,000	-	677,177
Vehicles, machinery, and equipment	1,661,234	369,409	-	2,030,643
Gas system, vehicles, and equipment	9,055,310	71,022	-	9,126,332
Total	<u>11,333,721</u>	<u>500,431</u>	<u>-</u>	<u>11,834,152</u>
<u>Less accumulated depreciation for:</u>				
Buildings	(496,317)	(25,251)	-	(521,568)
Vehicles, machinery, and equipment	(1,477,860)	(125,175)	-	(1,603,035)
Gas system, vehicles, and equipment	(6,912,464)	(211,350)	-	(7,123,814)
Total	<u>(8,886,641)</u>	<u>(361,776)</u>	<u>-</u>	<u>(9,248,417)</u>
Total business-type activities, net	<u>\$ 2,561,895</u>	<u>\$ 138,655</u>	<u>\$ -</u>	<u>\$ 2,700,550</u>

CITY OF HENDERSON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS

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

Governmental activities:	
Administration	\$ 12,095
Finance	30,845
Information technology	45,950
Parks and recreation	392,078
Police	698,726
Fire	334,605
Public works	2,359,815
Total depreciation expense, governmental activities	\$ 3,874,114
 Business-type activities	
Gas	\$ 211,350
Sanitation	150,426
Total depreciation expense, business-type activities	\$ 361,776

Component units' capital asset activity was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Henderson Municipal Power & Light				
Utility plant and equipment	\$ 231,543,704	\$ 1,929,510	\$ (175,808)	\$ 233,297,406
Less accumulated depreciation	(174,880,576)	(5,050,104)	319,070	(179,611,610)
Capital assets, net	<u>\$ 56,663,128</u>	<u>\$ (3,120,594)</u>	<u>\$ 143,262</u>	<u>\$ 53,685,796</u>
 Henderson Water Utility				
Utility plant and equipment	\$ 138,762,746	\$ 4,230,956	\$ (183,189)	\$ 142,810,513
Less accumulated depreciation	(56,418,558)	(3,678,036)	177,882	(59,918,712)
Capital assets, net	<u>\$ 82,344,188</u>	<u>\$ 552,920</u>	<u>\$ (5,307)</u>	<u>\$ 82,891,801</u>

CITY OF HENDERSON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS

5. LONG-TERM DEBT

The following is a summary of long-term debt activity for the City for the fiscal year ended June 30, 2018:

<u>Governmental Activities:</u>	Balance June 30, 2017	Additions	Reductions	Balance June 30, 2018	Amounts Due in One Year
G. O. Bonds Series 2007	\$ 325,000	\$ -	\$ (325,000)	\$ -	\$ -
G. O. Bonds Series 2010B	1,870,000	-	(315,000)	1,555,000	315,000
G. O. Bonds Series 2011A	1,660,000	-	(90,000)	1,570,000	90,000
G. O. Bonds Series 2012A	7,885,000	-	(440,000)	7,445,000	450,000
G. O. Bonds Series 2013A	8,085,000	-	(430,000)	7,655,000	440,000
G. O. Bonds Series 2014	7,355,000	-	(330,000)	7,025,000	340,000
G. O. Bonds Series 2015A	7,480,000	-	(315,000)	7,165,000	320,000
G. O. Bonds Series 2015B	1,555,000	-	(155,000)	1,400,000	155,000
G. O. Bonds Series 2015C	1,590,000	-	(105,000)	1,485,000	110,000
G. O. Bonds Series 2016A	1,650,000	-	(75,000)	1,575,000	75,000
G. O. Bonds Series 2016B	7,515,000	-	(475,000)	7,040,000	480,000
G. O. Bonds Series 2017A	3,155,000	-	(115,000)	3,040,000	120,000
G. O. Bonds Series 2017B	2,390,000	-	(200,000)	2,190,000	210,000
G. O. Bonds Series 2017C	2,230,000	-	(10,000)	2,220,000	340,000
Total bonds payable	54,745,000	-	(3,380,000)	51,365,000	3,445,000
Net Pension & OPEB Liability	40,747,808	22,452,076	-	63,199,884	-
Compensated Absences	1,468,900	1,294,800	(1,364,100)	1,399,600	1,300,000
HRA Fund Unfunded Obligation	682,000	-	(30,000)	652,000	-
Body Cameras Contract	-	389,690	(74,315)	315,375	74,856
Total governmental activities	\$ 97,643,708	\$ 24,136,566	\$ (4,848,415)	\$ 116,931,859	\$ 4,819,856

The following is an aggregate summary of debt service requirements for the City of Henderson as of June 30, 2018:

<u>June 30th:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 3,445,000	\$ 1,317,606	\$ 4,762,606
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	3,425,000	1,000,623	4,425,623
2024 to 2028	16,785,000	3,748,571	20,533,571
2029 to 2033	13,625,000	1,598,125	15,223,125
2034 to 2037	3,605,000	202,224	3,807,224
Totals	\$ 51,365,000	\$ 11,346,130	\$ 62,711,130

CITY OF HENDERSON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS

As of June 30, 2018 governmental long-term debt of the City consisted of the following:

A. General Obligation Bonds – Series 2010B

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

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

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

This obligation matures in November 2023. Interest rates range from 2.00 % to 3.50%. Interest is due in semi-annual installments. The obligation is secured by property taxes. The following is a summary of scheduled payments as of June 30, 2018:

CITY OF HENDERSON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS

<u>June 30th:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Interest Rates</u>
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	195,000	10,466	205,466	3.38%
2024	205,000	3,587	208,587	3.50%
Totals	\$ 1,555,000	\$ 132,972	\$ 1,687,972	

B. General Obligation Bonds – Series 2011A

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

This obligation matures in December 2031. Interest rates range from 0.70% to 4.00%. Interest is due in semi-annual installments. The obligation is secured by the full taxing authority of the City of Henderson. The following is a summary of scheduled payments as of June 30, 2018:

<u>June 30th:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Interest Rates</u>
2019	\$ 90,000	\$ 53,632	\$ 143,632	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	100,000	42,916	142,916	3.00%
2024 to 2028	560,000	160,603	720,603	3.13% to 4.00%
2029 to 2032	530,000	43,400	573,400	4.00% to 4.00%
Totals	\$ 1,570,000	\$ 446,762	\$ 2,016,762	

C. General Obligation Bonds – Series 2012A

During the year ended June 30, 2012, the City issued \$9,995,000 non-taxable bonds to pay a portion of the costs of the acquisition, construction and installation of additions and improvements to the City's combined and consolidated municipal water, sanitary sewer, and storm sewer system, including (1) the renovation and upgrading of the City's North Wastewater Treatment Plant and (2) the construction

CITY OF HENDERSON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS

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, 2018:

<u>June 30th:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Interest Rates</u>
2019	\$ 450,000	\$ 198,608	\$ 648,608	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	490,000	159,489	649,489	2.38%
2024 to 2028	2,655,000	592,008	3,247,008	2.50% to 3.00%
2029 to 2032	2,440,000	162,157	2,602,157	3.13% to 3.30%
Totals	\$ 7,445,000	\$ 1,652,384	\$ 9,097,384	

D. General Obligation Bonds – Series 2013A

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

This obligation matures in November 2032. Interest rates range from .30% to 2.75%. Interest is due in semi-annual installments. The obligation is secured by the full taxing authority of the City of Henderson. The following is a summary of scheduled payments as of June 30, 2018:

CITY OF HENDERSON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS

<u>June 30th:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Interest Rates</u>
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	475,000	136,175	611,175	2.00%
2024 to 2028	2,525,000	529,019	3,054,019	2.00% to 2.50%
2029 to 2033	2,850,000	199,387	3,049,387	2.50% to 2.75%
Totals	\$ 7,655,000	\$ 1,501,331	\$ 9,156,331	

E. General Obligation Bonds – Series 2014

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

This obligation matures in November 2034. Interest rates range from 2.00% to 3.50%. Interest is due in semi-annual installments. The obligation is secured by the full taxing authority of the City of Henderson. The following is a summary of scheduled payments as of June 30, 2018:

<u>June 30th:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Interest Rates</u>
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	365,000	164,875	529,875	2.00%
2024 to 2028	1,965,000	687,369	2,652,369	2.25% to 3.00%
2029 to 2033	2,275,000	374,019	2,649,019	3.00% to 3.50%
2034 to 2035	1,025,000	36,137	1,061,137	3.50% to 3.50%
Totals	\$ 7,025,000	\$ 1,992,950	\$ 9,017,950	

F. General Obligation Bonds – Series 2015A

During the year ended June 30, 2016, the City issued \$7,790,000 non-taxable bonds to pay costs of issuance, to pay a portion of the costs of the acquisition;

CITY OF HENDERSON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS

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, 2018:

<u>June 30th:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Interest Rates</u>
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	350,000	171,083	521,083	2.00%
2024 to 2028	1,860,000	739,463	2,599,463	2.00% to 3.00%
2029 to 2033	2,155,000	453,381	2,608,381	3.00% to 3.50%
2034 to 2036	1,475,000	83,687	1,558,687	3.50% to 3.75%
Totals	\$ 7,165,000	\$ 2,199,594	\$ 9,364,594	

G. General Obligation Bonds – Series 2015B

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

This obligation matures in November 2026. Interest rates range from 1.0% to 2.5%. Interest is due in semi-annual installments. The obligation is secured by the full taxing authority of the City of Henderson. The following is a summary of scheduled payments as of June 30, 2018:

CITY OF HENDERSON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS

<u>June 30th:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Interest Rates</u>
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	165,000	15,019	180,019	2.00%
2024 to 2027	595,000	24,653	619,653	2.13% to 2.50%
Totals	\$ 1,400,000	\$ 127,749	\$ 1,527,749	

H. General Obligation Bonds – Series 2015C

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

This obligation matures in November 2029. Interest rates range from 2.0% to 2.75%. Interest is due in semi-annual installments. The obligation is secured by the full taxing authority of the City of Henderson. The following is a summary of scheduled payments as of June 30, 2018:

<u>June 30th:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Interest Rates</u>
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	120,000	23,475	143,475	2.00%
2024 to 2028	650,000	76,219	726,219	2.00% to 2.50%
2029 to 2030	265,000	7,081	272,081	2.75% to 2.75%
Totals	\$ 1,485,000	\$ 223,675	\$ 1,708,675	

CITY OF HENDERSON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS

I. General Obligation Bonds – Series 2016A

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

This obligation matures in March 2036. Interest rates range from 1.0% to 3.5%. Interest is due in semi-annual installments. The obligation is secured by the full taxing authority of the City of Henderson. The following is a summary of scheduled payments as of June 30, 2018:

<u>June 30th:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Interest Rates</u>
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	80,000	35,725	115,725	2.00%
2024 to 2028	410,000	153,300	563,300	2.00% to 2.50%
2029 to 2033	470,000	97,725	567,725	2.50% to 3.00%
2034 to 2036	315,000	22,400	337,400	3.50% to 3.50%
Totals	\$ 1,575,000	\$ 464,238	\$ 2,039,238	

CITY OF HENDERSON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS

J. General Obligation Bonds – Series 2016B

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

This obligation matures in November 2030. Interest rates range from 2.0% to 2.5%. Interest is due in semi-annual installments. The obligation is secured by the full taxing authority of the City of Henderson. The following is a summary of scheduled payments as of June 30, 2018:

<u>June 30th:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Interest Rates</u>
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	520,000	100,400	620,400	2.00%
2024 to 2028	2,755,000	340,450	3,095,450	2.00% to 2.00%
2029 to 2031	<u>1,780,000</u>	<u>63,575</u>	<u>1,843,575</u>	2.00% to 2.50%
Totals	<u>\$ 7,040,000</u>	<u>\$ 1,007,275</u>	<u>\$ 8,047,275</u>	

K. General Obligation Bonds – Series 2017A

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

This obligation matures in March 2037. Interest rates range from 2.0% to 3.5%. Interest is due in semi-annual installments. The obligation is secured by the full taxing authority of the City of Henderson. The following is a summary of scheduled payments as of June 30, 2018:

CITY OF HENDERSON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS

<u>June 30th:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Interest Rates</u>
2019	\$ 120,000	\$ 91,200	\$ 211,200	3.00%
2020	125,000	87,600	212,600	3.00%
2021	130,000	83,850	213,850	3.00%
2022	130,000	79,950	209,950	3.00%
2023	135,000	76,050	211,050	3.00%
2024 to 2028	750,000	316,500	1,066,500	3.00% to 3.00%
2029 to 2033	860,000	197,400	1,057,400	3.00% to 3.00%
2034 to 2036	790,000	60,000	850,000	3.00% to 3.00%
Totals	\$ 3,040,000	\$ 992,550	\$ 4,032,550	

L. General Obligation Bonds – Series 2017B

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

This obligation matures in November 2026. The interest rate was 3.0%. Interest is due in semi-annual installments. The obligation is secured by the full taxing authority of the City of Henderson. The following is a summary of scheduled payments as of June 30, 2018:

<u>June 30th:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Interest Rates</u>
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	240,000	35,400	275,400	3.00%
2024 to 2027	1,060,000	65,100	1,125,100	3.00% to 3.00%
Totals	\$ 2,190,000	\$ 311,100	\$ 2,501,100	

CITY OF HENDERSON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS

M. General Obligation Bonds – Series 2017C

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

This obligation matures in April 2027. The interest rate was 3.0%. Interest is due in semi-annual installments. The obligation is secured by the full taxing authority of the City of Henderson. The following is a summary of scheduled payments as of June 30, 2018:

<u>June 30th:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Interest Rates</u>
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	190,000	29,550	219,550	3.00%
2024 to 2027	795,000	60,300	855,300	3.00% to 3.00%
Totals	<u>\$ 2,220,000</u>	<u>\$ 293,550</u>	<u>\$ 2,513,550</u>	

N. General Obligation Contract – Body Cameras

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

The following is a summary of scheduled payments as of June 30, 2018:

CITY OF HENDERSON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS

<u>June 30th:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Interest Rates</u>
2019	\$ 74,856	\$ 10,944	\$ 85,800	5.05%
2020	77,454	8,346	85,800	5.05%
2021	80,142	5,658	85,800	5.05%
2022	82,923	2,877	85,800	5.05%
Totals	\$ 315,375	\$ 27,825	\$ 343,200	

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, 2018:

	<u>Balance May 31, 2017</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance May 31, 2018</u>	<u>Amounts due in One Year</u>
Revenue Bonds Series 2011A	\$ 9,130,000	\$ -	\$ (475,000)	\$ 8,655,000	\$ 490,000
Revenue Bonds Series 2011B	2,910,000	-	(155,000)	2,755,000	160,000
Total bonds payable	\$ 12,040,000	\$ -	\$ (630,000)	\$ 11,410,000	\$ 650,000

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, 2018:

CITY OF HENDERSON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS

May 31st:	Series 2011A		Series 2011B		Totals
	Principal	Interest	Principal	Interest	
2019	\$ 490,000	\$ 339,932	\$ 160,000	\$ 95,648	\$ 1,085,580
2020	505,000	325,230	165,000	92,098	1,087,328
2021	520,000	310,081	165,000	88,138	1,083,219
2022	535,000	293,181	175,000	83,634	1,086,815
2023	555,000	274,991	180,000	78,603	1,088,594
2024 to 2028	3,085,000	1,045,327	985,000	298,278	5,413,605
2029 to 2032	2,965,000	337,446	925,000	95,885	4,323,331
Totals	\$ 8,655,000	\$ 2,926,188	\$ 2,755,000	\$ 832,284	\$ 15,168,472

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, 2018:

	Balance June 30, 2017	Additions	Reductions	Balance June 30, 2018	Amounts due in One Year
Due to City of Henderson-2010B	911,093	-	(118,613)	792,480	121,297
Due to City of Henderson-2012A	7,885,000	-	(440,000)	7,445,000	450,000
Due to City of Henderson-2013A	8,085,000	-	(430,000)	7,655,000	440,000
Due to City of Henderson-2014	7,355,000	-	(330,000)	7,025,000	340,000
Due to City of Henderson-2015B	1,555,000	-	(155,000)	1,400,000	155,000
Due to City of Henderson-2015C	1,590,000	-	(105,000)	1,485,000	110,000
Due to City of Henderson-2016B	7,515,000	-	(475,000)	7,040,000	480,000
Due to City of Henderson-2017B	2,390,000	-	(200,000)	2,190,000	210,000
Total	\$ 37,286,093	\$ -	\$ (2,253,613)	\$ 35,032,480	\$ 2,306,297

Principal and interest requirements to retire Henderson Water Utility's long-term obligations as of June 30, 2018 were as follows:

CITY OF HENDERSON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS

Fiscal year ended June 30th:	Principal	Interest	Total
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	2,511,817	642,195	3,154,012
2024 to 2028	12,349,403	2,317,344	14,666,747
2029 to 2033	9,610,000	806,220	10,416,220
2034 to 2035	1,025,000	36,137	1,061,137
Totals	\$ 35,032,480	\$ 6,896,968	\$ 41,929,448

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	\$ 792,480	Unsecured
Due to City of Henderson-2012A	1.00% - 3.30%	11/1/2031	\$ 7,445,000	Unsecured
Due to City of Henderson-2013A	2.00% - 2.75%	11/1/2032	\$ 7,655,000	Unsecured
Due to City of Henderson-2014	2.00% - 2.50%	11/1/2034	\$ 7,025,000	Unsecured
Due to City of Henderson-2015B	1.00% - 2.50%	11/1/2026	\$ 1,400,000	Unsecured
Due to City of Henderson-2015C	2.00% - 2.75%	11/1/2029	\$ 1,485,000	Unsecured
Due to City of Henderson-2016B	2.00% - 2.50%	11/1/2030	\$ 7,040,000	Unsecured
Due to City of Henderson-2017B	3.00%	11/1/2026	\$ 2,190,000	Unsecured
			\$ 35,032,480	

Restricted Assets Applicable To HWU

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

The City issued certain General Obligation Bonds and loaned the proceeds to HWU for various purposes as previously described.

HWU will repay the loans from the City by paying the City the underlying G.O. Bonds debt service payments until the bonds are retired.

The following is a summary of restricted assets applicable to HWU for the fiscal year ended June 30, 2018, as recorded in the Capital Projects Fund:

CITY OF HENDERSON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS

<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	\$ 121,297	\$ 671,183	\$ 792,480
2012A	450,000	6,995,000	7,445,000
2013A	440,000	7,215,000	7,655,000
2014	340,000	6,685,000	7,025,000
2015B	155,000	1,245,000	1,400,000
2015C	110,000	1,375,000	1,485,000
2016B	480,000	6,560,000	7,040,000
2017B	210,000	1,980,000	2,190,000
Total	\$ 2,306,297	\$ 32,726,183	\$ 35,032,480

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, 2018, there were two series of Industrial Revenue Bonds outstanding, with an aggregate principal amount payable of \$104,500,000.

7. COMPENSATED ABSENCES

Vacation Leave

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

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

At the end of four years an additional working day per year is accumulated up to a maximum vacation leave of 40 working days; fire department shift employees

CITY OF HENDERSON, KENTUCKY

NOTES TO FINANCIAL STATEMENTS

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, 2018 these governmental activities liabilities included \$1,399,600 of vacation and sick pay, and are included in the Statement of Net Position as noncurrent liabilities. Compensated absences are liquidated primarily by the General Fund.

8. PUBLIC ENERGY AUTHORITY OF KENTUCKY (PEAK)

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

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

The City has entered into long term natural gas supply contracts with PEAK whereby the City is obligated to purchase specified quantities of natural gas from PEAK. The City purchases all of its natural gas supplies from PEAK. The City received refunds from PEAK of \$296,775 in fiscal year 2018.

PEAK issues audited financial statements, which are available through its

CITY OF HENDERSON, KENTUCKY

NOTES TO FINANCIAL STATEMENTS

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, 2017, from its last audited financial statements made available to the City are:

Assets	\$ 15,319,341
Liabilities	\$ 10,777,646
Net position	\$ 4,541,695

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, 2018, the estimated amount of this gas storage liability was \$379,250.

10. CONCENTRATION OF SALES

Henderson Municipal Gas

For the fiscal year ended June 30, 2018, five industrial customers accounted for \$6,303,545 in gas sales, which represents 42% of the operating revenues of the Gas Fund.

Henderson Municipal Power and Light

Three customers of the Existing System accounted for sales in the amount of \$15.4 million (36% of Existing System sales) for the fiscal year ended May 31, 2018.

Henderson Water Utility

For the fiscal year ended June 30, 2018, three customers accounted for \$8,680,537 in sales and surcharges for approximately 42% 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, 2018, 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 \$4,187,000 at June 30, 2018, consists of \$2,831,000 in closure costs and \$1,356,000 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 79.7%. The estimated remaining life of the landfill is 5.3 years.

No costs were incurred towards the related liability; however, a revision was needed for the closure costs estimate as determined by the City's consulting engineers.

CITY OF HENDERSON, KENTUCKY

NOTES TO FINANCIAL STATEMENTS

The estimated liability consists of the following at June 30, 2018:

	Estimated Closure Liability	Estimated Post-Closure Liability	Total
June 30, 2017	\$ 2,815,000	\$ 1,353,000	\$ 4,168,000
Costs applied	-	-	-
Revision to estimate	<u>16,000</u>	<u>3,000</u>	<u>19,000</u>
June 30, 2018	<u>\$ 2,831,000</u>	<u>\$ 1,356,000</u>	<u>\$ 4,187,000</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

CITY OF HENDERSON, KENTUCKY

NOTES TO FINANCIAL STATEMENTS

the financial statements.

The City provides utility billing and cash collection services for HMPL and HWU. All utility cash collections are remitted to HMPL and HWU on a weekly basis. In addition, the City provides HWU accounts payable, payroll, and general accounting services and administers the Human Resources function. Included in General Fund intergovernmental revenues are \$684,000 and \$640,000, respectively, from HMPL and HWU for such services for the fiscal year ended June 30, 2018.

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, 2018.

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, 2018:

CITY OF HENDERSON, KENTUCKY
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	Beginning of Fiscal Year Liability	Current Year Claims & Changes In Estimates	Claim Payments	End of Fiscal Year Liability
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
2017-2018	\$ 624,341	\$ 6,143,177	\$ (6,169,178)	\$ 598,340

The financial transactions of the Plan are recorded in the Health Insurance Fund, which is an internal service fund of the City. As of June 30, 2018, the Health Insurance Fund was in a deficit position due to user charges being inadequate to cover estimated liabilities for claims. The City intends to recover these amounts via increased charges to users in future fiscal periods.

16. HEALTH REIMBURSEMENT ARRANGEMENT (HRA) PLAN

In order to control increasing health care costs the City made changes to its health insurance plan, which resulted in employees paying an increased share of their health care expenses. In order to help their employees pay for these increased health care expenses, the City established a Health Reimbursement Arrangement (HRA) Plan and Trust, effective January 1, 2006, that reimburses employees for health insurance plan expenses up to the amount in an individual participant's account balance. Every year, the HRA Plan credits each employee in the amount of \$500 for a single participant and \$1,000 for a family coverage participant in the health insurance plan. At the end of a plan year, any unused benefits in an HRA Plan account will be carried forward for use in the subsequent year. As of June 30, 2018, the HRA Plan has an unfunded obligation of \$968,000, of which \$652,000 pertains to the City, and which will be funded in future fiscal periods.

17. PENSIONS and OTHER POSTEMPLOYMENT BENEFITS (OPEB)

General Information about the Pension Plans and OPEB

The City significantly participates in three plans: The County Employees' Retirement System (CERS) for pension and OPEB, 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 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 through its Pension Fund, as well as OPEB for hospital and medical insurance through its Insurance Fund. 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, 2018, the plan had four members, one of whom is an active City employee, with the other three being inactive participants receiving benefits.

PFPP provides retirement, disability, and death benefits to plan members. Retirement benefits may be extended to beneficiaries of plan members under certain 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, 2018, the plan had ten members, all of whom are inactive participants receiving benefits.

CITY OF HENDERSON, KENTUCKY

NOTES TO FINANCIAL STATEMENTS

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 14.48% of annual covered payroll for fiscal year 2018. 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 22.20% of annual covered payroll for fiscal 2018. 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 \$1,128,865 for nonhazardous employees, \$1,450,552 for hazardous employees, for total contributions of \$2,579,417 for the fiscal year ended June 30, 2018.

For OPEB, the City is required to contribute at an actuarially determined rate. As of June 30, 2018, The City's required contribution rate was 4.70% 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 \$366,413 for nonhazardous, and \$610,931 for hazardous, for total contributions of \$977,344 for the fiscal year ended June 30, 2018.

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 \$109,552 for the fiscal year ended June 30, 2018.

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 \$383,000 for the fiscal year ended June 30, 2018.

Actuarial Assumptions

CERS

The total pension and OPEB liabilities in the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.30%
Salary increases	2.00%, average, including inflation
Investment rate of return	6.25%, net of investment expenses, 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, 2016 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.

Investments Rate of Return

CSPP and PFPP have no pension plan investments, and thus no investments return. For CERS, detailed investments information can be found on the KRS website.

CITY OF HENDERSON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS

Pension and OPEB Liabilities

CERS

At June 30, 2018, the City reported a liability of \$42,137,935 for its proportionate share of the net pension liability, with \$17,238,927 for nonhazardous pensions and \$24,899,008 for hazardous pensions. The net OPEB liability was \$15,120,931, with \$5,920,779 for nonhazardous and \$9,200,152 for hazardous. The net pension and OPEB liability was measured as of June 30, 2017, and the total liability used to calculate the net pension and OPEB liability was determined by an actuarial valuation as of June 30, 2016. The City's proportion of the net liability was based on a projection of the City's long term share of contributions to the pension and OPEB plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2017, the City's pension and OPEB proportion was .294516% for nonhazardous and 1.112915 for hazardous, which was a decrease of (.000296%) and an increase of .010968, respectively, from its proportion measured as of June 30, 2016.

CSPP

CSPP net pension liability was \$1,402,940 at June 30, 2018, 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, 2018, 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 and OPEB liability shown on the Statement of Net Position, included in noncurrent liabilities, due after one year. The City's net pension and OPEB liability is shown under Governmental Activities on the Statement of Net Position because pension and OPEB liabilities of Business-type Activities are immaterial. Net pension and OPEB liabilities are liquidated primarily by the General Fund.

	Net Pension Liability	Net OPEB Liability	Total Liability
CERS:			
Nonhazardous	\$ 17,238,927	\$ 5,920,779	\$ 23,159,706
Hazardous	<u>24,899,008</u>	<u>9,200,152</u>	<u>34,099,160</u>
	42,137,935	15,120,931	\$ 57,258,866
CSPP	1,402,940	-	1,402,940
PFPP	<u>4,538,078</u>	-	<u>4,538,078</u>
Total City of Henderson	<u>\$ 48,078,953</u>	<u>\$ 15,120,931</u>	<u>\$ 63,199,884</u>

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

For the fiscal year ended June 30, 2018, the City recognized total pension and OPEB expense of \$9,412,163, which consists of \$2,869,020 CERS Nonhazardous pension, \$4,137,672 CERS Hazardous pension, \$674,694 CERS Nonhazardous OPEB, \$1,400,632 CERS Hazardous OPEB, \$92,439 CSPP, and \$237,706 PFPP.

At June 30, 2018, the City reported deferred outflows of resourced and deferred inflows of resources related to pensions and OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience		
CERS Nonhazardous-pensions	\$ 21,382	\$ 437,598
CERS Hazardous-pensions	913,267	-
CERS Nonhazardous-OPEB	-	16,445
CERS Hazardous-OPEB	-	21,439
CSPP	116,215	16,519
PFPP	37,511	587,838
	<u>1,088,375</u>	<u>1,079,839</u>
Change of assumptions		
CERS Nonhazardous-pensions	3,181,049	-
CERS Hazardous-pensions	4,966,784	-
CERS Nonhazardous-OPEB	1,288,324	-
CERS Hazardous-OPEB	3,393,550	-
	<u>12,829,707</u>	<u>-</u>
Net difference between projected and actual earnings on pension plan investments		
CERS Nonhazardous-pensions	1,365,302	1,152,077
CERS Hazardous-pensions	1,633,172	1,415,590
CERS Nonhazardous-pensions-OPEB	-	279,813
CERS Hazardous-pensions-OPEB	-	577,234
	<u>2,998,474</u>	<u>3,424,714</u>
Difference between employer contributions and proportional share of contributions		
CERS Nonhazardous-pensions	15,660	39,758
CERS Hazardous-pensions	427,072	60,245
CERS Nonhazardous-OPEB	-	13,738
CERS Hazardous-OPEB	-	1,830
	<u>442,732</u>	<u>115,571</u>
City contributions subsequent to the measurement date		
CERS Nonhazardous-pensions	1,128,865	-
CERS Hazardous-pensions	1,450,552	-
CERS Nonhazardous-OPEB	366,413	-
CERS Hazardous-OPEB	610,931	-
	<u>3,556,761</u>	<u>-</u>
Total	<u>\$ 20,916,049</u>	<u>\$ 4,620,124</u>

CITY OF HENDERSON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS

\$3,556,761 reported as deferred outflows of resources related to pensions and OPEB resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension and OPEB liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions and OPEB will be recognized in pension and OPEB expense as follows, using a CERS measurement date of June 30, 2017:

Year ended June 30:

2018	\$ 4,919,796
2019	5,231,511
2020	2,586,549
2021	11,147
2022	204,338
Thereafter	<u>(214,177)</u>
	<u>\$ 12,739,164</u>

Cumulative Effect of Change in Accounting Principle

The City implemented Governmental Accounting Standards Board (GASB) Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, (OPEB). The implementation of this GASB Statement resulted in a cumulative effect of change in accounting principle, which reduced the City's net position by \$10,141,509.

CITY OF HENDERSON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS

Discount Rate

The discount rate used to measure the total pension and OPEB liabilities are as shown in the current discount rate column below. 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 and OPEB 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 plan investments was applied to all periods of projected benefit payments to determine the total pension and OPEB liability.

Sensitivity of the net pension and OPEB liability to changes in the discount rate

The following presents the City's net pension and OPEB liabilities for its plans, calculated using the current discount rate, as well as what the City's net pension and OPEB liabilities 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.

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
<u>CERS Nonhazardous-pension</u>			
Discount Rate	5.25%	6.25%	7.25%
Proportionate Share NPL	<u>\$ 21,742,013</u>	<u>\$ 17,238,927</u>	<u>\$ 13,472,129</u>
<u>CERS Hazardous-pension</u>			
Discount Rate	5.25%	6.25%	7.25%
Proportionate Share NPL	<u>\$ 31,305,992</u>	<u>\$ 24,899,008</u>	<u>\$ 19,607,776</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>
<u>CERS Nonhazardous-OPEB</u>			
Discount Rate	4.84%	5.84%	6.84%
Proportionate Share OPEB	<u>\$ 7,533,863</u>	<u>\$ 5,920,779</u>	<u>\$ 4,578,440</u>
<u>CERS Hazardous-OPEB</u>			
Discount Rate	4.96%	5.96%	6.96%
Proportionate Share OPEB	<u>\$ 12,329,464</u>	<u>\$ 9,200,152</u>	<u>\$ 6,639,860</u>

CITY OF HENDERSON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS

Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the City's proportionate share of the net OPEB liability, as well as what the City's proportionate share of the net OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower or one percentage point higher than the current rate.

	<u>1% Decrease</u>	<u>Healthcare Cost Trend Rate</u>	<u>1% Increase</u>
CERS Nonhazardous-OPEB	<u>\$ 4,541,542</u>	<u>\$ 5,920,779</u>	<u>\$ 7,713,706</u>
CERS Hazardous-OPEB	<u>\$ 6,512,646</u>	<u>\$ 9,200,152</u>	<u>\$ 12,526,348</u>

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 at the end of this note.

CITY OF HENDERSON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS

Changes in the Net Pension Liability
Single-Employer Plans

	CSP	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	(175,554)	(382,823)
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)	\$ 1,400,388	\$ 4,528,508
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	(175,554)	(382,823)
Administration expenses	(3,410)	(3,658)
Net change in plan fiduciary net position	(1,218)	(291)
Plan fiduciary net position--beginning, 6-30-2015	(1,334)	(9,279)
Plan fiduciary net position--ending, 6-30-2016 (b)	\$ (2,552)	\$ (9,570)
Net Pension Liability (a) - (b)	\$ 1,402,940	\$ 4,538,078

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, 2018.

Combining Statement of Fiduciary Net Position - Pension Trust Funds June 30, 2018

	Civil Service Pension Fund	Police & Fire Pension Fund	HRA Fund	Total
ASSETS				
Cash	\$ 179	\$ 788	\$ 109,238	\$ 110,205
Total assets	179	788	109,238	110,205
LIABILITIES				
Accounts payable	731	4,220	-	4,951
Total liabilities	731	4,220	-	4,951
NET POSITION				
Net position restricted for pensions	\$ (552)	\$ (3,432)	\$ 109,238	\$ 105,254

Combining Statement of Changes in Fiduciary Net Position-Pension Trust Funds For the Fiscal Year Ended June 30, 2018

	Civil Service Pension Fund	Police & Fire Pension Fund	HRA Fund	Total
ADDITIONS				
Contributions:				
Employer	\$ 109,551	\$ 383,000	\$ 520,000	\$ 1,012,551
Employee	2,552	-	-	2,552
Total contributions	112,103	383,000	520,000	1,015,103
Interest income	12	9	1,490	1,511
Miscellaneous	20	35	-	55
Total additions	112,135	383,044	521,490	1,016,669
DEDUCTIONS				
Benefits paid	109,839	379,049	481,889	970,777
Total deductions	109,839	379,049	481,889	970,777
Net increase in net position	2,296	3,995	39,601	45,892
Net position, beginning of year	(2,848)	(7,427)	69,637	59,362
Net position, end of year	\$ (552)	\$ (3,432)	\$ 109,238	\$ 105,254

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 passed by the Board of Commissioners of the City. Those committed amounts cannot be used for any other purpose unless the Board of Commissioners changes the commitments by ordinance .

Assigned Fund Balance

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

Unassigned Fund Balance

The unassigned fund balance classification is the residual classification for the General Fund. This classification represents spendable fund balance that has not been

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, 2018:

Fund Balances	General Fund	Debt Service Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable					
Inventories	\$ 38,787	\$ -	\$ -	\$ 32,000	\$ 70,787
	<u>38,787</u>	<u>-</u>	<u>-</u>	<u>32,000</u>	<u>70,787</u>
Restricted					
Debt service	-	871	-	-	871
Capital projects	-	-	35,923,789	-	35,923,789
Law enforcement	-	-	-	41,906	41,906
	<u>-</u>	<u>871</u>	<u>35,923,789</u>	<u>41,906</u>	<u>35,966,566</u>
Committed					
Major building projects	250,597	-	-	-	250,597
Major equipment buys	-	-	-	-	-
Cemetery	-	-	-	1,423	1,423
Public works	-	-	-	179,709	179,709
Law enforcement	-	-	-	68,884	68,884
	<u>250,597</u>	<u>-</u>	<u>-</u>	<u>250,016</u>	<u>500,613</u>
Assigned					
2019 Budget deficit	3,360,000	-	-	-	3,360,000
Newman park shelter	200,000	-	-	-	200,000
Recreation/Sports facility	700,000	-	-	-	700,000
Countryview drainage	215,740	-	-	-	215,740
	<u>4,475,740</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,475,740</u>
Unassigned	<u>5,437,612</u>	<u>-</u>	<u>(75,369)</u>	<u>(166,068)</u>	<u>5,196,175</u>
Total fund balances	<u>\$ 10,202,736</u>	<u>\$ 871</u>	<u>\$ 35,848,420</u>	<u>\$ 157,854</u>	<u>\$ 46,209,881</u>

CITY OF HENDERSON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS

19. SUBSEQUENT EVENT

The City entered into a Tax and Revenue Anticipation Note, which will function as a revolving line of credit loan with a local bank on November 1, 2018, for a principal amount of \$2,000,000, at a fixed interest rate of 5.5%, such note to mature on October 31, 2021. To date, the City has not borrowed any funds against this note.

**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,

	2018	2017	2016	2015
Nonhazardous				
City's proportion of the net pension liability	0.294516%	0.29481%	0.29407%	0.30166%
City's proportionate share of the net pension liability	\$ 17,238,927	\$ 15,115,467	\$ 12,643,513	\$ 9,786,816
City's covered payroll	\$ 7,809,738	\$ 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	220.74%	203.62%	173.05%	135.25%
Plan fiduciary net position as a percentage of the total pension liability	53.30%	55.50%	59.97%	66.80%
Hazardous				
City's proportion of the net pension liability	1.112915%	1.10195%	1.11358%	1.05686%
City's proportionate share of the net pension liability	\$ 24,899,008	\$ 19,691,323	\$ 17,094,694	\$ 12,701,630
City's covered payroll	\$ 6,617,453	\$ 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	376.26%	312.08%	285.66%	216.95%
Plan fiduciary net position as a percentage of the total pension liability	49.80%	53.95%	57.52%	63.46%

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

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

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

	2018
Nonhazardous	
City's proportion of the net OPEB liability	0.294516%
City's proportionate share of the net OPEB liability	\$ 5,920,779
City's covered payroll	\$ 7,809,738
City's proportionate share of the net OPEB liability as a percentage of its covered payroll	75.81%
Plan fiduciary net position as a percentage of the total OPEB liability	52.40%
Hazardous	
City's proportion of the net OPEB liability	1.112915%
City's proportionate share of the net OPEB liability	\$ 9,200,152
City's covered payroll	\$ 6,617,453
City's proportionate share of the net OPEB liability as a percentage of its covered payroll	139.03%
Plan fiduciary net position as a percentage of the total OPEB liability	59.00%

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

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

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

	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	<u>(85,919)</u>	<u>15,558</u>	<u>130,449</u>	<u>(195,447)</u>
Total pension liability--beginning	<u>1,486,307</u>	<u>1,470,749</u>	<u>1,340,300</u>	<u>1,535,747</u>
Total pension liability--ending (a)	<u><u>\$ 1,400,388</u></u>	<u><u>\$ 1,486,307</u></u>	<u><u>\$ 1,470,749</u></u>	<u><u>\$ 1,340,300</u></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	<u>(1,218)</u>	<u>(5,787)</u>	<u>12,423</u>	<u>(3,967)</u>
Plan fiduciary net position--beginning	<u>(1,334)</u>	<u>4,453</u>	<u>(7,970)</u>	<u>(4,003)</u>
Plan fiduciary net position--ending (b)	<u><u>\$ (2,552)</u></u>	<u><u>\$ (1,334)</u></u>	<u><u>\$ 4,453</u></u>	<u><u>\$ (7,970)</u></u>
Net Pension Liability (a) - (b)	<u><u>\$ 1,402,940</u></u>	<u><u>\$ 1,487,641</u></u>	<u><u>\$ 1,466,296</u></u>	<u><u>\$ 1,348,270</u></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 and OPEB plans.

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

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

	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	<u>(242,179)</u>	<u>(123,159)</u>	<u>485,538</u>	<u>(55,481)</u>
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	<u>(291)</u>	<u>3,168</u>	<u>(6,878)</u>	<u>48</u>
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 and OPEB plans.

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

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

	(A) 2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Contractually required contributions	\$ 2,579,417	\$ 3,360,738	\$ 3,169,447	\$ 3,252,080	\$ 3,242,764	\$ 3,323,148	\$ 3,262,925	\$ 3,062,824	\$ 2,794,258	\$ 2,599,760
Contributions in relation to the contractually required contributions	2,579,417	3,360,738	3,169,447	3,252,080	3,242,764	3,323,148	3,262,925	3,062,824	2,794,258	2,599,760
Contributions deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 14,427,191	\$ 13,733,252	\$ 13,290,658	\$ 13,090,966	\$ 12,797,289	\$ 12,477,036	\$ 12,782,620	\$ 12,862,645	\$ 12,455,253	\$ 12,700,622
Contributions as a percentage of covered payroll	17.88%	24.47%	23.85%	24.84%	25.34%	26.63%	25.53%	23.81%	22.43%	20.47%

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

(A) 2018 fiscal year begins only pension information.

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

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

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

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

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

	<u>2016</u>	<u>2015</u>	<u>2014*</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
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 and OPEB plans.

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

	<u>2016</u>	<u>2015</u>	<u>2014*</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
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 and OPEB 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, 2018

	Cemetery	PWI	HART	911	CDBG	HOME	Police Investigation	Totals
ASSETS								
Cash	\$ 8,895	\$ 219	\$ 800	\$ 846	\$ -	\$ -	\$ -	\$ 10,760
Receivables	6,886	93,223	221,831	108,185	46,591	-	-	476,716
Inventories	-	-	32,000	-	-	-	-	32,000
Restricted assets:								
Cash	-	-	-	-	-	-	161,451	161,451
Total assets	\$ 15,781	\$ 93,442	\$ 254,631	\$ 109,031	\$ 46,591	\$ -	\$ 161,451	\$ 680,927
LIABILITIES								
Accounts payable	\$ 4,607	\$ 230,966	\$ 14,588	\$ 3,466	\$ 46,591	\$ -	\$ 119,545	\$ 419,763
Accrued wages	9,053	15,498	28,334	36,681	-	-	-	89,566
Due to other funds	698	13,046	-	-	-	-	-	13,744
Total liabilities	14,358	259,510	42,922	40,147	46,591	-	119,545	523,073
FUND BALANCES								
Nonspendable	-	-	32,000	-	-	-	-	32,000
Restricted	-	-	-	-	-	-	41,906	41,906
Committed	1,423	-	179,709	68,884	-	-	-	250,016
Unassigned	-	(166,068)	-	-	-	-	-	(166,068)
Total fund balances	1,423	(166,068)	211,709	68,884	-	-	41,906	157,854
Total liabilities and fund balances	\$ 15,781	\$ 93,442	\$ 254,631	\$ 109,031	\$ 46,591	\$ -	\$ 161,451	\$ 680,927

City of Henderson, Kentucky
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Special Revenue Funds
For the Fiscal Year Ended June 30, 2018

	Cemetery	PWI	HART	911	CDBG	HOME	Police Investigation	Totals
REVENUES								
Intergovernmental	\$ -	\$ 593,620	\$ 798,875	\$ 160,503	\$ 306,843	\$ 65,631	\$ 11,609	\$ 1,937,081
Service charges and fees	246,146	125,590	29,232	583,928	-	-	-	984,896
Investment income	105	858	1,297	625	-	-	2,623	5,508
Miscellaneous	2,380	-	11,210	-	-	-	-	13,590
Total revenues	248,631	720,068	840,614	745,056	306,843	65,631	14,232	2,941,075
EXPENDITURES								
Administration	-	-	-	-	306,843	65,631	-	372,474
Parks and recreation	399,333	-	-	-	-	-	-	399,333
Police	-	-	-	1,163,592	-	-	17,276	1,180,868
Public works	-	2,016,357	1,235,933	-	-	-	-	3,252,290
Capital outlays	14,600	-	62,613	23,100	-	-	-	100,313
Total expenditures	413,933	2,016,357	1,298,546	1,186,692	306,843	65,631	17,276	5,305,278
Excess (deficiency) of revenues over expenditures	(165,302)	(1,296,289)	(457,932)	(441,636)	-	-	(3,044)	(2,364,203)
OTHER FINANCING SOURCES								
Transfers in from General Fund	172,000	1,119,000	417,000	364,000	-	-	-	2,072,000
Total other financing sources	172,000	1,119,000	417,000	364,000	-	-	-	2,072,000
Net change in fund balances	6,698	(177,289)	(40,932)	(77,636)	-	-	(3,044)	(292,203)
Fund balances, beginning of year	(5,275)	11,221	252,641	146,520	-	-	44,950	450,057
Fund balances, end of year	\$ 1,423	\$ (166,068)	\$ 211,709	\$ 68,884	\$ -	\$ -	\$ 41,906	\$ 157,854

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, 2018

	<u>Budget</u>			<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Final Budget</u>
REVENUES				
Intergovernmental	\$ -	\$ -	\$ -	\$ -
Service charges and fees	228,000	228,000	246,146	18,146
Investment income	-	-	105	105
Miscellaneous	-	-	2,380	2,380
Total revenues	<u>228,000</u>	<u>228,000</u>	<u>248,631</u>	<u>20,631</u>
EXPENDITURES				
Administration	-	-	-	-
Parks and recreation	416,000	416,000	399,333	16,667
Police	-	-	-	-
Public works	-	-	-	-
Capital outlays	16,000	16,000	14,600	1,400
Total expenditures	<u>432,000</u>	<u>432,000</u>	<u>413,933</u>	<u>18,067</u>
Excess (deficiency) of revenues over expenditures	<u>(204,000)</u>	<u>(204,000)</u>	<u>(165,302)</u>	<u>38,698</u>
OTHER FINANCING SOURCES				
Transfers in from General Fund	204,000	204,000	172,000	(32,000)
Total other financing sources	<u>204,000</u>	<u>204,000</u>	<u>172,000</u>	<u>(32,000)</u>
Net change in fund balance	-	-	6,698	6,698
Fund balance, beginning of year	<u>(5,275)</u>	<u>(5,275)</u>	<u>(5,275)</u>	<u>-</u>
Fund balance, end of year	<u>\$ (5,275)</u>	<u>\$ (5,275)</u>	<u>\$ 1,423</u>	<u>\$ 6,698</u>

City of Henderson, Kentucky
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Public Way Improvement (PWI) Fund
For the Fiscal Year Ended June 30, 2018

	<u>Budget</u>			<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Final Budget</u>
REVENUES				
Intergovernmental	\$ 585,000	\$ 585,000	\$ 593,620	\$ 8,620
Service charges and fees	96,000	96,000	125,590	29,590
Investment income	-	-	858	858
Miscellaneous	-	-	-	-
Total revenues	<u>681,000</u>	<u>681,000</u>	<u>720,068</u>	<u>39,068</u>
EXPENDITURES				
Administration	-	-	-	-
Parks and recreation	-	-	-	-
Police	-	-	-	-
Public works	1,856,000	2,187,000	2,016,357	170,643
Capital outlays	-	-	-	-
Total expenditures	<u>1,856,000</u>	<u>2,187,000</u>	<u>2,016,357</u>	<u>170,643</u>
Excess (deficiency) of revenues over expenditures	<u>(1,175,000)</u>	<u>(1,506,000)</u>	<u>(1,296,289)</u>	<u>209,711</u>
OTHER FINANCING SOURCES				
Transfers in from General Fund	<u>1,175,000</u>	<u>1,506,000</u>	<u>1,119,000</u>	<u>(387,000)</u>
Total other financing sources	<u>1,175,000</u>	<u>1,506,000</u>	<u>1,119,000</u>	<u>(387,000)</u>
Net change in fund balance	-	-	(177,289)	(177,289)
Fund balance, beginning of year	<u>11,221</u>	<u>11,221</u>	<u>11,221</u>	<u>-</u>
Fund balance, end of year	<u>\$ 11,221</u>	<u>\$ 11,221</u>	<u>\$ (166,068)</u>	<u>\$ (177,289)</u>

City of Henderson, Kentucky
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Henderson Area Rapid Transit (HART) Fund
For the Fiscal Year Ended June 30, 2018

	<u>Budget</u>			<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Final Budget</u>
REVENUES				
Intergovernmental	\$ 996,000	\$ 996,000	\$ 798,875	\$ (197,125)
Service charges and fees	36,000	36,000	29,232	(6,768)
Investment income	-	-	1,297	1,297
Miscellaneous	-	-	11,210	11,210
Total revenues	<u>1,032,000</u>	<u>1,032,000</u>	<u>840,614</u>	<u>(191,386)</u>
EXPENDITURES				
Administration	-	-	-	-
Parks and recreation	-	-	-	-
Police	-	-	-	-
Public works	1,443,380	1,443,380	1,235,933	207,447
Capital outlays	62,620	62,620	62,613	7
Total expenditures	<u>1,506,000</u>	<u>1,506,000</u>	<u>1,298,546</u>	<u>207,454</u>
Excess (deficiency) of revenues over expenditures	<u>(474,000)</u>	<u>(474,000)</u>	<u>(457,932)</u>	<u>16,068</u>
OTHER FINANCING SOURCES				
Transfers in from General Fund	474,000	474,000	417,000	(57,000)
Total other financing sources	<u>474,000</u>	<u>474,000</u>	<u>417,000</u>	<u>(57,000)</u>
Net change in fund balance	-	-	(40,932)	(40,932)
Fund balance, beginning of year	<u>252,641</u>	<u>252,641</u>	<u>252,641</u>	<u>-</u>
Fund balance, end of year	<u>\$ 252,641</u>	<u>\$ 252,641</u>	<u>\$ 211,709</u>	<u>\$ (40,932)</u>

City of Henderson, Kentucky
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Emergency Communications (911) Fund
For the Fiscal Year Ended June 30, 2018

	<u>Budget</u>			<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Final Budget</u>
REVENUES				
Intergovernmental	\$ 393,000	\$ 393,000	\$ 160,503	\$ (232,497)
Service charges and fees	580,000	580,000	583,928	3,928
Investment income	-	-	625	625
Miscellaneous	-	-	-	-
Total revenues	<u>973,000</u>	<u>973,000</u>	<u>745,056</u>	<u>(227,944)</u>
EXPENDITURES				
Administration	-	-	-	-
Parks and recreation	-	-	-	-
Police	1,299,000	1,299,000	1,163,592	135,408
Public works	-	-	-	-
Capital outlays	329,000	329,000	23,100	305,900
Total expenditures	<u>1,628,000</u>	<u>1,628,000</u>	<u>1,186,692</u>	<u>441,308</u>
Excess (deficiency) of revenues over expenditures	<u>(655,000)</u>	<u>(655,000)</u>	<u>(441,636)</u>	<u>213,364</u>
OTHER FINANCING SOURCES				
Transfers in from General Fund	655,000	655,000	364,000	(291,000)
Total other financing sources	<u>655,000</u>	<u>655,000</u>	<u>364,000</u>	<u>(291,000)</u>
Net change in fund balance	-	-	(77,636)	(77,636)
Fund balance, beginning of year	<u>146,520</u>	<u>146,520</u>	<u>146,520</u>	<u>-</u>
Fund balance, end of year	<u>\$ 146,520</u>	<u>\$ 146,520</u>	<u>\$ 68,884</u>	<u>\$ (77,636)</u>

City of Henderson, Kentucky
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Community Development Block Grant (CDBG) Fund
For the Fiscal Year Ended June 30, 2018

	<u>Budget</u>			<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Final Budget</u>
REVENUES				
Intergovernmental	\$ 411,000	\$ 411,000	\$ 306,843	\$ (104,157)
Service charges and fees	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
Total revenues	<u>411,000</u>	<u>411,000</u>	<u>306,843</u>	<u>(104,157)</u>
EXPENDITURES				
Administration	411,000	411,000	306,843	104,157
Parks and recreation	-	-	-	-
Police	-	-	-	-
Public works	-	-	-	-
Capital outlays	-	-	-	-
Total expenditures	<u>411,000</u>	<u>411,000</u>	<u>306,843</u>	<u>104,157</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
OTHER FINANCING SOURCES				
Transfers in from General Fund	-	-	-	-
Total other financing sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	-	-	-	-
Fund balance, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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, 2018

	<u>Budget</u>			<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Final Budget</u>
REVENUES				
Intergovernmental	\$ 84,000	\$ 84,000	\$ 65,631	\$ (18,369)
Service charges and fees	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
Total revenues	<u>84,000</u>	<u>84,000</u>	<u>65,631</u>	<u>(18,369)</u>
EXPENDITURES				
Administration	84,000	84,000	65,631	18,369
Parks and recreation	-	-	-	-
Police	-	-	-	-
Public works	-	-	-	-
Capital outlays	-	-	-	-
Total expenditures	<u>84,000</u>	<u>84,000</u>	<u>65,631</u>	<u>18,369</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
OTHER FINANCING SOURCES				
Transfers in from General Fund	-	-	-	-
Total other financing sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	-	-	-	-
Fund balance, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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, 2018

	<u>Budget</u>			
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
REVENUES				
Intergovernmental	\$ 4,800	\$ 4,800	\$ 11,609	\$ 6,809
Service charges and fees	-	-	-	-
Investment income	200	200	2,623	2,423
Miscellaneous	-	-	-	-
Total revenues	<u>5,000</u>	<u>5,000</u>	<u>14,232</u>	<u>9,232</u>
EXPENDITURES				
Administration	-	-	-	-
Parks and recreation	-	-	-	-
Police	25,000	25,000	17,276	7,724
Public works	-	-	-	-
Capital outlays	-	-	-	-
Total expenditures	<u>25,000</u>	<u>25,000</u>	<u>17,276</u>	<u>7,724</u>
Excess (deficiency) of revenues over expenditures	<u>(20,000)</u>	<u>(20,000)</u>	<u>(3,044)</u>	<u>16,956</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	(20,000)	(20,000)	(3,044)	16,956
Fund balance, beginning of year	<u>44,950</u>	<u>44,950</u>	<u>44,950</u>	<u>-</u>
Fund balance, end of year	<u>\$ 24,950</u>	<u>\$ 24,950</u>	<u>\$ 41,906</u>	<u>\$ 16,956</u>

City of Henderson, Kentucky
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Debt Service Fund
For the Fiscal Year Ended June 30, 2018

	<u>Budget</u>			<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Final Budget</u>
REVENUES				
Intergovernmental	\$ 895,000	\$ 895,000	\$ 894,917	\$ (83)
Investment income	-	-	1,859	1,859
Miscellaneous	-	-	28	28
Total revenues	<u>895,000</u>	<u>895,000</u>	<u>896,804</u>	<u>1,804</u>
EXPENDITURES				
Debt service:				
Principal	3,380,000	3,380,000	3,380,000	-
Interest	1,399,000	1,399,000	1,397,534	1,466
Total expenditures	<u>4,779,000</u>	<u>4,779,000</u>	<u>4,777,534</u>	<u>1,466</u>
Excess (deficiency) of revenues				
 over expenditures	<u>(3,884,000)</u>	<u>(3,884,000)</u>	<u>(3,880,730)</u>	<u>3,270</u>
OTHER FINANCING SOURCES				
Transfers in	3,884,000	3,884,000	3,880,613	(3,387)
Total other financing sources	<u>3,884,000</u>	<u>3,884,000</u>	<u>3,880,613</u>	<u>(3,387)</u>
Net change in fund balance	-	-	(117)	(117)
Fund balance, beginning of year	<u>988</u>	<u>988</u>	<u>988</u>	<u>-</u>
Fund balance, end of year	<u>\$ 988</u>	<u>\$ 988</u>	<u>\$ 871</u>	<u>\$ (117)</u>

City of Henderson, Kentucky
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Capital Projects Fund
For the Fiscal Year Ended June 30, 2018

	<u>Budget</u>			<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Final Budget</u>
REVENUES				
Intergovernmental	\$ 1,421,000	\$ 1,421,000	\$ 30,680	\$ (1,390,320)
Investment income	-	-	15,646	15,646
Total revenues	<u>1,421,000</u>	<u>1,421,000</u>	<u>46,326</u>	<u>(1,374,674)</u>
EXPENDITURES				
Public works	-	-	107,232	(107,232)
Capital outlays	4,697,000	4,769,000	299,600	4,469,400
Total expenditures	<u>4,697,000</u>	<u>4,769,000</u>	<u>406,832</u>	<u>4,362,168</u>
Excess (deficiency) of revenues over expenditures	<u>(3,276,000)</u>	<u>(3,348,000)</u>	<u>(360,506)</u>	<u>2,987,494</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	441,000	513,000	167,000	(346,000)
Transfers out	-	-	(2,269,161)	(2,269,161)
Total other financing sources (uses)	<u>441,000</u>	<u>513,000</u>	<u>(2,102,161)</u>	<u>(2,615,161)</u>
Net change in fund balance	(2,835,000)	(2,835,000)	(2,462,667)	372,333
Fund balance, beginning of year	<u>38,311,087</u>	<u>38,311,087</u>	<u>38,311,087</u>	<u>-</u>
Fund balance, end of year	<u>\$35,476,087</u>	<u>\$35,476,087</u>	<u>\$35,848,420</u>	<u>\$ 372,333</u>

STATISTICAL SECTION

Statistical Section

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

<u>Contents</u>	<u>Page</u>
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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.	120
Revenue Capacity These schedules contain information to help the reader assess the City's most significant local revenue sources	126
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.	136
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.	140
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.	141
Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.	

City of Henderson, Kentucky

General Information

The City

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

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

Location



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

Industry

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

Churches

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

Schools

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

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

Medical Facilities

Henderson is fortunate to have an excellent, 192-bed Methodist Hospital that is staffed by 177 physicians (89 active staff and 88 courtesy staff) and remains one of Henderson County's largest employers at 1,147 at the Henderson County and Union County campuses. It is a Deaconess Network Affiliate. Methodist Hospital also includes the Advanced Wound Healing Center; hematology and oncology for cancer treatment; a walk-in Convenient Care Clinic that is open seven days a week in downtown Henderson and offers dedicated hours to City of Henderson employees; and Prevention and Wellness Services. In 2017, Owensboro Health opened a facility on Barret Boulevard that also offers several types of services and specialties. One nursing home as well as a growing number of assisted- and independent-living centers are offered as well as a state-maintained county health department. Serving the medical needs of Henderson citizens are approximately 75 physicians and 15 dentists.

Culture

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



Audubon State Park is home to the John James Audubon Museum. John James Audubon, the world-renowned wildlife artist, lived in Henderson and operated a business. The museum holds an extensive collection of Audubon's works. The facility hosts visitors from all over the world who come to view Audubon's works and study his life. Lodging and camping accommodations can also be found at the park. A trail of bronze sculptures based on Audubon bird paintings can be found downtown.

Recreation



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

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



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

Henderson County High School participates in all major team sports offered by the Kentucky High School Athletic Association. The school is continually in contention for state titles in several sports. In the past two years, Henderson County High School has risen to excellence in academic competitions, bringing both the top and runner-up award in the Governor's Cup competition. The Henderson Public Library is one of the finest libraries in the area with well in excess of 112,000 volumes. The library was built in the early 1900s by a grant provided by Andrew Carnegie, and is making plans for a \$6 million expansion in the next five years. 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. The City of Henderson won the 2017 Community of the Year Award from the Green River Area Development District for work on its Vision Plan.

Demographics

Estimated population as of July 1, 2017 29,108
Percent Male 47.6%
Percent Female 52.4%
Race 83.0% White, 11.1% Black or African American, Other 5.9%
Owner-occupied housing unit 49.2%
Median value of owner-occupied housing unit \$105,100
Households 12,352
Population per square mile 1,879.4
High school graduate or higher 85.0%
Bachelor's degree or higher 17.0%
Percentage in civilian labor force 57.8%
Total retail sales (\$1,000s) \$665,230
Median household income \$34,793

Source: U.S. Census Bureau

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

	2009	2010	2011	2012	2013	2014	2015 (a)	2016	2017	2018 (b)
Governmental activities										
Net investment in capital assets	\$ 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	\$ 20,637,291
Restricted	778,755	311,144	228,354	148,196	149,429	113,477	79,117	53,122	45,938	42,777
Unrestricted	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)	(39,089,460)
Total governmental activities net position	<u>\$ 28,711,851</u>	<u>\$ 27,303,338</u>	<u>\$ 26,541,238</u>	<u>\$ 27,505,541</u>	<u>\$ 31,312,409</u>	<u>\$ 30,820,664</u>	<u>\$ 3,826,663</u>	<u>\$ 2,676,966</u>	<u>\$ (2,694,422)</u>	<u>\$ (18,409,392)</u>
Business-type activities										
Net investment in capital assets	\$ 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	\$ 2,700,550
Unrestricted	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	5,083,166
Total business-type activities net position	<u>\$ 6,722,750</u>	<u>\$ 6,882,688</u>	<u>\$ 6,717,699</u>	<u>\$ 5,989,273</u>	<u>\$ 6,035,584</u>	<u>\$ 6,354,957</u>	<u>\$ 7,038,814</u>	<u>\$ 7,038,410</u>	<u>\$ 7,735,853</u>	<u>\$ 7,783,716</u>
Primary government										
Net investment in capital assets	\$ 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	\$ 23,337,841
Restricted	778,755	311,144	228,354	148,196	149,429	113,477	79,117	53,122	45,938	42,777
Unrestricted	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)	(34,006,294)
Total primary government net position	<u>\$ 35,434,601</u>	<u>\$ 34,186,026</u>	<u>\$ 33,258,937</u>	<u>\$ 33,494,814</u>	<u>\$ 37,347,993</u>	<u>\$ 37,175,621</u>	<u>\$ 10,865,477</u>	<u>\$ 9,715,376</u>	<u>\$ 5,041,431</u>	<u>\$ (10,625,676)</u>

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

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

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

	2009	2010	2011	2012	2013	2014	2015 (a)	2016 (b)	2017	2018 (c)
Expenses										
Governmental activities:										
Administration	\$ 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	\$ 5,550,719
Finance (b)	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	2,484,760
Information technology (b)	-	-	-	-	-	-	-	770,940	992,304	959,900
Parks and recreation	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	2,442,957
Police	6,206,797	6,619,669	6,896,751	6,967,663	6,332,611	6,675,677	6,341,357	7,712,111	9,485,562	10,081,379
Fire	4,891,032	5,012,042	5,275,133	5,412,474	5,422,484	5,434,815	5,410,968	6,120,802	7,660,031	7,559,249
Public works (b)	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	8,641,172
Nondepartmental	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	1,628,251
Interest on long-term debt	297,764	306,503	439,480	750,582	925,391	1,102,740	1,205,808	1,243,936	1,341,150	1,397,534
Total governmental activities expenses	\$ 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	\$ 40,745,921
Business-type activities:										
Gas	\$ 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	\$ 13,490,485
Sanitation	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	3,327,918
Total business-type activities expenses	\$ 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	\$ 16,818,403
Total primary government expenses	\$ 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	\$ 57,564,324
Program Revenues										
Governmental activities:										
Charges for services										
Administration	\$ 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	\$ 2,432,930
Finance (b)	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	3,253,519
Parks and recreation	312,951	331,928	362,825	280,165	291,143	235,609	307,188	337,411	384,802	348,970
Public safety	919,361	953,804	1,167,236	912,513	862,244	881,418	1,348,379	846,035	860,380	851,850
Public works (b)	147,449	217,809	219,181	140,684	146,817	155,534	689,626	178,372	320,075	237,018
Operating grants and contributions	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	3,647,558
Capital grants and contributions	161,409	795,477	734,901	2,973,862	3,647,262	630,540	969,748	1,468,973	1,115,868	30,680
Total governmental activities program revenues	\$ 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	\$ 10,802,525

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

	2009	2010	2011	2012	2013	2014	2015 (a)	2016 (b)	2017	2018 (c)
Business-type activities:										
Charges for services										
Gas	\$ 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	\$ 15,234,733
Sanitation	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	3,170,350
Operating grants and contributions	-	-	-	-	93,820	96,160	98,560	101,016	103,536	106,116
Total business-type activities										
program revenues	\$ 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	\$ 18,511,199
Total primary government										
program revenues	\$ 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	\$ 29,313,724
Net (Expense)Revenue										
Governmental activities	\$ (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)	\$ (29,943,396)
Business-type activities	143,243	1,244,049	937,989	586,689	1,431,954	1,653,653	2,012,326	1,266,863	2,286,843	1,692,796
Total primary government net expense	\$ (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)	\$ (28,250,600)
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes:										
Payroll and net profits	\$ 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	\$ 7,209,671
Property	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	7,528,554
Insurance	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	5,216,046
Other	672,452	656,896	694,413	810,567	824,073	821,493	828,934	810,732	772,546	984,873
Distributions from component units	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	1,644,724
Investment earnings	73,489	88,136	86,572	66,039	32,121	127,507	200,201	337,155	50,222	102,067
Extraordinary item	(554,720)	-	-	-	-	-	-	-	-	-
Transfers	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	1,684,000
Total governmental activities	\$ 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	\$ 24,369,935

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

	2009	2010	2011	2012	2013	2014	2015 (a)	2016 (b)	2017	2018 (c)
Business-type activities:										
Investment earnings	\$ 160,214	\$ 108,889	\$ 103,022	\$ 84,885	\$ 14,357	\$ 65,720	\$ 71,531	\$ 132,733	\$ 14,608	\$ 39,067
Extraordinary item	954,968	-	-	-	-	-	-	-	-	-
Transfers	(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)	(1,684,000)
Total business-type activities	\$ (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)	\$ (1,644,933)
Total primary government	\$ 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	\$ 22,725,002
Change in Net Position										
Governmental activities:	\$ (1,495,630)	\$ (1,408,513)	\$ (762,100)	\$ 964,303	\$ 3,806,868	\$ (491,746)	\$ 2,914,901	\$ (1,149,697)	\$ (5,371,388)	\$ (5,573,461)
Business-type activities:	(141,575)	159,938	(164,989)	(728,426)	46,311	319,373	683,857	(404)	697,443	47,863
Total primary government	\$ (1,637,205)	\$ (1,248,575)	\$ (927,089)	\$ 235,877	\$ 3,853,179	\$ (172,373)	\$ 3,598,758	\$ (1,150,101)	\$ (4,673,945)	\$ (5,525,598)

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

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

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

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

	2009	2010	2011 (a)	2012	2013	2014	2015 (b)	2016	2017	2018 (c)
General Fund										
Reserved	\$ 590,000	\$ 1,095,872								
Unreserved	4,692,077	5,932,799								
Nonspendable			\$ 1,217,335	\$ 39,087	\$ 32,760	\$ 30,340	\$ 22,694	\$ 26,845	\$ 59,912	\$ 38,787
Restricted			-	-	-	-	-	-	-	-
Committed			955,573	1,130,781	2,095,480	2,767,296	2,199,379	2,393,464	1,613,986	250,597
Assigned			988,500	837,000	1,296,300	2,760,400	4,000,000	5,570,000	3,940,000	4,475,740
Unassigned			3,836,690	5,592,998	6,038,346	5,268,321	4,559,662	3,536,794	5,291,247	5,437,612
Total general fund	\$ 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	\$ 10,202,736
All Other Governmental Funds										
Reserved, reported in:										
Permanent funds	\$ -	\$ -								
Capital projects fund	-	-								
Debt service fund	139,515	706								
Special revenue funds	639,240	333,266								
Unreserved, reported in:										
Capital projects fund	(1,956,097)	(1,729,492)								
Special revenue funds	435,242	474,272								
Nonspendable										
Special revenue funds			\$ 23,120	\$ 24,852	\$ 26,408	\$ 26,023	\$ 21,851	\$ 16,500	\$ 17,200	\$ 32,000
Restricted										
Debt service fund			924	69,424	69,605	68,456	66,045	472	988	871
Capital projects fund			11,702,613	21,172,367	29,958,480	28,596,200	35,230,730	42,266,354	38,496,544	35,923,789
Special revenue funds			227,430	78,772	79,824	45,021	13,072	52,650	44,950	41,906
Committed										
Special revenue funds			566,741	300,912	181,774	166,710	119,669	125,332	393,182	250,016
Assigned			-	-	-	-	-	-	-	-
Unassigned										
Capital projects fund			(380,048)	(652,605)	(265,956)	(44,023)	(2,252,592)	(995,659)	(185,457)	(75,369)
Special revenue funds			(1,800)	(78,470)	(41,509)	(13,884)	(5,977)	(287,758)	(5,275)	(166,068)
Total all other governmental funds	\$ (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	\$ 36,007,145

(a) In fiscal year 2011, the City of Henderson fully implemented GASB 54.

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

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

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

	2009	2010	2011	2012	2013	2014	2015 (a)	2016 (b)	2017	2018 (c)
Revenues										
Taxes	\$ 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	\$ 20,939,144
Charges for services	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	1,502,655
Investment income	69,672	86,892	85,107	64,712	30,176	126,233	198,706	335,075	46,035	93,654
Licenses and permits	73,827	88,624	102,046	77,643	81,091	84,349	79,519	102,971	77,553	60,556
Intergovernmental revenue	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	6,504,428
Distributions from component units	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	1,644,724
Other	262,959	506,111	252,000	275,645	320,790	453,188	277,774	345,365	325,510	376,536
Total revenues	<u>\$ 23,617,942</u>	<u>\$ 25,859,605</u>	<u>\$ 26,103,108</u>	<u>\$ 29,791,185</u>	<u>\$ 31,138,531</u>	<u>\$ 28,499,542</u>	<u>\$ 31,173,510</u>	<u>\$ 30,936,959</u>	<u>\$ 30,494,092</u>	<u>\$ 31,121,697</u>
Expenditures										
Administration	\$ 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	\$ 2,743,063
Finance (b)	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	2,242,609
Information technology (b)	-	-	-	-	-	-	-	741,710	867,454	854,707
Police	5,941,106	6,353,232	6,706,760	6,841,301	6,145,972	6,466,704	6,657,310	7,360,288	7,771,173	7,933,727
Fire	4,685,679	4,839,389	5,158,381	5,283,159	5,202,648	5,212,349	5,622,438	5,697,252	6,093,779	6,217,793
Public works (b)	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	5,811,505
Parks & recreation	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	1,926,574
Non-departmental	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	1,628,251
Capital outlay	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	2,127,330
Capital contributions to HWU	-	-	-	1,363,929	264,547	-	-	-	-	-
Debt service:										
Principal	557,508	358,303	360,000	955,000	1,460,000	1,895,000	1,910,000	2,465,000	3,010,000	3,380,000
Interest	297,764	306,503	439,480	750,582	925,391	1,102,740	1,205,808	1,243,936	1,341,150	1,397,534
Other charges	-	-	27,648	72,175	-	-	-	82,156	59,573	-
Total expenditures	<u>\$ 25,197,397</u>	<u>\$ 25,485,159</u>	<u>\$ 27,844,453</u>	<u>\$ 33,782,145</u>	<u>\$ 31,312,137</u>	<u>\$ 29,690,294</u>	<u>\$ 36,269,837</u>	<u>\$ 37,556,228</u>	<u>\$ 40,956,714</u>	<u>\$ 36,263,093</u>
Excess of revenues over (under) expenditures	\$ (1,579,455)	\$ 374,446	\$ (1,741,345)	\$ (3,990,960)	\$ (173,606)	\$ (1,190,752)	\$ (5,096,327)	\$ (6,619,269)	\$ (10,462,622)	\$ (5,141,396)
Other Financing Sources (Uses)										
Transfers in	\$ 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	\$ 7,535,161
Transfers out	(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)	(5,851,161)
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)	<u>\$ 1,400,000</u>	<u>\$ 1,193,000</u>	<u>\$ 14,771,000</u>	<u>\$ 13,369,000</u>	<u>\$ 11,130,000</u>	<u>\$ 1,400,000</u>	<u>\$ 9,400,000</u>	<u>\$ 15,349,730</u>	<u>\$ 7,424,905</u>	<u>\$ 1,684,000</u>
Extraordinary item	<u>\$ (554,720)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>\$ (734,175)</u>	<u>\$ 1,567,446</u>	<u>\$ 13,029,655</u>	<u>\$ 9,378,040</u>	<u>\$ 10,956,394</u>	<u>\$ 209,248</u>	<u>\$ 4,303,673</u>	<u>\$ 8,730,461</u>	<u>\$ (3,037,717)</u>	<u>\$ (3,457,396)</u>
Debt service as a percentage of noncapital expenditures	3.6%	2.7%	3.0%	5.9%	8.6%	10.4%	10.4%	11.6%	13.0%	14.0%

(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.

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

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

<u>Fiscal Year</u>	<u>Total</u>	<u>Real & Personal Property</u>	<u>Insurance Premiums</u>	<u>Payroll</u>	<u>Net Profits</u>	<u>Franchise</u>	<u>Bank Deposits</u>
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	a) 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
2018	20,939,144	7,528,554	5,216,046	6,069,475	1,140,196	824,062	160,811

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

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

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

(in thousands of dollars)

<u>Fiscal Year</u>	<u>Real Estate (a)</u>	<u>Personal Property (a)</u>	<u>Bank Deposits (b)</u>	<u>Total</u>	<u>Increase over prior year</u>
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	68,209
2018	1,186,612	132,218	653,855	1,972,685	65,982

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

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

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

Real Estate

Fiscal Year	Residential Real Estate	Farm Real Estate	Commercial Real Estate	Mobile Home Real Estate	Less: Tax Exempt Property	Other	Total Taxable Real Estate	Total Direct Real Estate Tax Rate Per \$100	Estimated Actual Tax Value
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
2018	834,637,177	3,970,600	430,169,310	7,053,220	92,898,488	-	1,182,931,819	0.490 a)	5,796,366

Personal

Fiscal Year	Furniture/Fixtures	Merchant's Inventory	Manufacturer's Finished Goods	Goods Stored in Warehouse	Work In Progress	Other	Total Taxable Personal Property	Total Direct Personal Tax Rate Per \$100	Estimated Actual Tax Value
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
2018	60,086,361	46,751,217	10,217,486	5,520,655	2,173,268	7,469,022	132,218,009	0.813	1,074,932

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

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

Source: Henderson County Property Valuation Administrator

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

Real property:						Overlapping						Total City Resident
Direct												
	Police and Firemen's Pension	Civil Service Pension	Debt	General Fund Operations	City	County Schools	State	County	Library	Health	Extension	
Year												
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
2018	-	-	-	0.4900	0.490	0.612	0.122	0.128	0.097	0.050	0.03269	1.53169

Personal property:		Direct				Overlapping						Total City Resident
	Police and Firemen's Pension	Civil Service Pension	Debt	General Fund Operations	City	County Schools	State	County	Library	Health	Extension	
Year												
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
2018	-	-	-	0.8130	0.813	0.612	0.45	0.184	0.1304	0.050	0.044958	2.284358

Source: Kentucky Department of Revenue

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

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

Real property: Direct		Overlapping						Total City Resident
Year	City	County Schools	State	County	Library	Health	Extension	
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
2018	0.490	0.612	0.122	0.128	0.097	0.050	0.03269	1.53169
Personal property:								
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
2018	0.813	0.612	0.45	0.184	0.1304	0.050	0.044958	2.284358

Source: Kentucky Department of Revenue

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

Company	Type of Tax	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Kentucky Farm Bureau Insurance	Insurance premium tax	\$ 425,793	\$ 456,374	\$ 486,160	\$ 521,020	\$ 549,560	\$ 547,449	\$ 541,415	\$ 564,029	\$ 578,131	\$ 610,675
State Farm Mutual Automobile Insurance	Insurance premium tax	175,243	176,025	192,829	225,066	256,612	290,678	326,137	350,240	391,711	427,576
Commonwealth of Kentucky - Telecom	Franchise tax	315,991	316,068	316,044	311,957	307,895	307,879	307,851	307,845	307,824	308,055
State Farm Fire & Casualty Company	Insurance premium tax	116,277	127,469	144,505	163,885	211,115	248,677	270,705	276,513	268,028	255,287
Insight Communications	911 tax/Franchise fees	192,960	214,889	237,779	232,997	198,050	252,574	234,094	235,406	254,027	245,061
United Healthcare	Insurance premium tax	224,861	188,973	177,349	163,636	147,451	179,892	176,361	194,822	209,333	244,231
Anthem Insurance Companies	Insurance premium tax	-	-	-	-	-	-	-	214,939	253,376	225,481
Big Rivers Electric Corporation	Franchise tax	-	-	-	172,549	179,717	183,662	193,319	188,673	186,308	165,884
Cincinnati Insurance Company	Insurance premium tax	115,878	127,925	136,640	138,131	156,094	156,791	163,533	-	152,252	159,494
Bellsouth Telecommunications / AT&T	911 tax/Franchise fees	283,255	277,972	285,083	281,144	274,277	226,985	196,631	155,924	-	145,204
Wal-Mart Stores, Inc.	Property tax/Occupational tax	147,759	128,593	146,391	149,148	175,768	161,124	174,231	168,380	158,295	-
Progressive Casualty Insurance Company	Insurance premium tax	150,993	148,370	123,904	-	-	-	-	-	-	-
Total		\$ 2,149,010	\$ 2,162,657	\$ 2,246,684	\$ 2,359,533	\$ 2,456,538	\$ 2,555,712	\$ 2,584,277	\$ 2,656,771	\$ 2,759,285	\$ 2,786,947

**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	
2009	\$ 5,595,679	\$ 5,491,093	98.1%	\$ 77,583	\$ 5,568,676	99.5%	\$ 27,003
2010	5,784,666	5,692,217	98.4%	75,515	5,767,732	99.7%	16,934
2011	6,063,624	5,959,466	98.3%	83,953	6,043,419	99.7%	20,205
2012	6,533,072	6,446,468	98.7%	70,714	6,517,182	99.8%	15,890
2013	6,883,980	6,827,928	99.2%	38,297	6,866,225	99.7%	17,755
2014	7,137,005	7,071,501	99.1%	43,060	7,114,561	99.7%	22,445
2015	7,454,012	7,375,464	98.9%	48,413	7,423,877	99.6%	30,136
2016	7,762,036	7,676,994	98.9%	46,677	7,723,671	99.5%	38,366
2017	8,030,520	7,915,893	98.6%	44,973	7,960,867	99.1%	69,653
2018	6,814,719	6,742,413	98.9%	-	6,742,413	98.9%	72,306

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

(b) Collections as of June 30, 2018

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

Type of Customer	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Residential	622,342	566,728	589,839	519,927	455,233	613,973	623,158	540,243	498,785	554,269
Commercial	371,493	342,366	366,061	341,617	294,765	356,860	391,486	341,309	327,448	303,556
Industrial	2,147,867	1,967,828	2,165,540	2,202,345	2,160,308	2,296,739	2,339,150	2,273,942	2,218,903	2,158,035
Municipal	7,875	6,882	7,543	7,614	5,564	7,806	8,051	6,548	6,872	7,749
Total Sold	3,149,577	2,883,804	3,128,983	3,071,503	2,915,870	3,275,378	3,361,845	3,162,042	3,052,008	3,023,609
Delivered only	-	-	-	-	-	-	-	-	-	-
Pipeline distribution use (net of losses)	1,733	4,628 a)	2,796	3,201	2,125	2,133	3,687	2,297	1,957	1,158
Total Disposition	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	3,024,767

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

Source: Gas Department

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

Type of Customer	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Residential	\$ 7,715	\$ 5,925	\$ 6,142	\$ 5,286	\$ 4,356	\$ 4,413	\$ 6,246	\$ 4,800	\$ 4,400	\$ 5,565
Commercial	4,542	2,967	3,196	2,774	2,105	2,457	3,298	2,340	2,186	2,268
Industrial	<u>22,049</u>	<u>10,524</u>	<u>11,460</u>	<u>10,907</u>	<u>8,294</u>	<u>10,121</u>	<u>12,132</u>	<u>8,499</u>	<u>7,424</u>	<u>8,603</u>
Total Sold	\$ 34,306 a)	\$ 19,416 b)	\$ 20,798	\$ 18,967	\$ 14,755	\$ 16,991	\$ 21,676	\$ 15,640	\$ 14,010	\$ 16,435

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
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
2018	c)	12.50	2.60

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.

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

CITY OF HENDERSON

DIRECT and OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT

As of JUNE 30, 2018

Governmental Unit	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable (a)</u>	<u>Estimated Share of Overlapping Debt</u>
Debt repaid with property taxes			
Henderson County Schools (c)	\$ 36,365,027	60.00% (b)	\$ 21,819,016
Henderson County (d)			
Henderson County Public Properties Corp.	9,081,853	60.00% (b)	<u>5,449,112</u>
Subtotal, overlapping debt			\$ 27,268,128
City direct debt			<u>53,878,550</u>
Total direct and overlapping debt			<u><u>\$ 81,146,678</u></u>

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

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

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

Water and Sewer Revenue Bonds and Debt Owed to the City of Henderson								Electric Revenue Bonds							
Fiscal Year	Utility Operating Revenues	Less: Operating Expenses	Net Available Revenue	Debt Service Requirements				Operating Revenues	Operating Expenses	Net Available Revenue	Debt Service Requirements				
				Principal	Interest	Total	Coverage				Principal	Interest	Total	Coverage	
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	6.17	
2013	17,025	11,522	5,503	2,513	957	3,470	1.59	64,041	60,662	3,379	570	510	1,080	3.13	
2014	17,732	12,152	5,580	2,250	1,149	3,399	1.64	60,791	56,043	4,748	585	497	1,082	4.39	
2015	17,605	12,094	5,511	2,299	1,214	3,513	1.57	61,128	57,322	3,806	595	486	1,081	3.52	
2016	18,197	13,551	4,646	2,253	1,172	3,425	1.36	60,240	53,075	7,165	610	471	1,081	6.63	
2017	19,058	14,330	4,728	2,746	981	3,727	1.27	67,120	60,189	6,931	620	458	1,078	6.43	
2018	20,687	15,387	5,300	2,254	895	3,149	1.68	63,864	55,792	8,072	630	443	1,073	7.52	

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	Actual Taxable Value of Property	Percentage of Actual Taxable Value of Property	Population	Per Capita	Other Governmental Activities Debt			Business- Type Activities	Total Primary Government ^{b)}	Per Capita	Per Capita Income	Percentage of Personal Income
	General Obligation Bonds					Bond Anticipation Note	Capital Leases	General Obligation Contracts	Capital Leases				
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	1,906,703,477	2.74%	28,890	1,808	-	-	-	-	52,230,000	1,808	34,671	5.21%
2017	54,745,000	1,933,640,240	2.83%	28,841	1,898	-	-	-	-	54,745,000	1,898	34,879	5.44%
2018	51,365,000	1,972,685,000	2.60%	29,108	1,765	-	-	2,513,550 ^{c)}	-	53,878,550	1,851	36,794	5.03%

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	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General Bonded										
General bonded debt outstanding	\$ 4,775	\$ 4,535	\$ 18,000	\$ 29,125	\$ 37,395	\$ 35,500	\$ 41,590	\$ 52,230	\$ 54,745	\$ 51,365
Other bonded debt	1,584	1,584	-	-	-	-	-	-	-	-
Total bonded debt	6,359	6,119	18,000	29,125	37,395	35,500	41,590	52,230	54,745	51,365
Debt not bonded	\$ 1,523	\$ 1,405	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,514
Total Debt	\$ 7,882	\$ 7,524	\$ 18,000	\$ 29,125	\$ 37,395	\$ 35,500	\$ 41,590	\$ 52,230	\$ 54,745	\$ 53,879
Estimated actual property value	\$ 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	\$ 1,972,685
Percentage of estimated actual property value	0.48%	0.44%	1.03%	1.64%	2.04%	1.93%	2.23%	2.74%	2.83%	2.73%
Population	27,933	27,952	28,757	28,853	28,911	28,832	28,900	28,890	28,841	29,108
Per capita	\$ 228	\$ 219	\$ 626	\$ 1,009	\$ 1,293	\$ 1,231	\$ 1,439	\$ 1,808	\$ 1,898	\$ 1,765
Less: Amounts set aside to repay general debt	269	1,018	918	1,131	1,725	2,124	1,979	2,024	1,244	251
Total net debt applicable to debt limit	\$ 7,613	\$ 6,506	\$ 17,082	\$ 27,994	\$ 35,670	\$ 33,376	\$ 39,611	\$ 50,206	\$ 53,501	\$ 53,628
Legal Debt Limit (a)	\$ 105,167	\$ 107,144	\$ 107,909	\$ 109,530	\$ 110,129	\$ 110,727	\$ 112,183	\$ 113,954	\$ 115,339	\$ 118,293
Remaining debt limit	\$ 97,554	\$ 100,638	\$ 90,827	\$ 81,536	\$ 74,459	\$ 77,351	\$ 72,572	\$ 63,748	\$ 61,838	\$ 64,666
Percentage of remaining net debt limit	92.8%	93.9%	84.2%	74.4%	67.6%	69.9%	64.7%	55.9%	53.6%	54.7%
Percentage of net debt exhausted	7.2%	6.1%	15.8%	25.6%	32.4%	30.1%	35.3%	44.1%	46.4%	45.3%

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
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%
2018	29,108	1,071,000	36,794	39.7	7,387	4.4%

Sources:

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

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

Function / Program	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General Government										
Administration	22.00	22.50 a	22.50	23.25	24.00	23.00	22.00	23.00	23.00	21.50
Finance	32.00	33.50 a	33.50	32.75	33.00	33.00	32.00	28.00 c	28.00	27.00
Information Technology								6.00 c	6.00	6.00
Police										
Officers	57.55	60.75 b	60.75	60.75	60.75	61.75	61.75	61.75	61.75	61.75
Civilians	8.00	8.00	8.00	8.00	8.00	8.00	8.00	8.00	8.00	8.00
9-1-1 Communications	15.45	15.25	15.25	15.25	15.25	15.25	15.25	16.25	16.25	16.25
Fire										
Firefighters	58.00	58.00	58.00	58.00	58.00	60.00	60.00	60.00	60.00	60.00
Civilians	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
Parks and Recreation	13.00	13.00	13.00	13.00	13.00	14.00	14.00	14.00	14.00	14.00
Mass Transit	14.00	14.00	14.00	14.00	14.00	14.00	14.00	13.00	13.00	13.00
Gas System	28.00	28.00	28.00	28.00	27.00	26.00	26.00	26.00	26.00	26.00
Sanitation	18.50	18.50	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	4.00	4.00
Public Way Improvement	35.50	35.50	35.50	35.50	35.50	35.50	35.50	36.50	36.50	37.00
TOTAL	308.00	313.00	313.00	313.00	313.00	315.00	313.00	317.00	317.00	315.00

Source: Applicable Departments

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

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

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

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

Function / Program	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Public Way Improvement (in miles)										
Asphalt streets	113	113	120	120	120	120	120	120	99.20 c)	99.20
Concrete streets	-	-	-	-	-	-	-	-	19.94 c)	19.94
City sidewalks	73	73	73	73	73	73	73	73	92.32 c)	92.32
State sidewalks	-	-	-	-	-	-	-	-	12.82 c)	12.82
Private sidewalks	-	-	-	-	-	-	-	-	5.98 c)	5.98
Walking trails	-	-	-	-	-	-	-	-	2.02 c)	2.02
Bike path	-	-	-	-	-	-	-	-	0.74 c)	0.74
Cart path	-	-	-	-	-	-	-	-	0.71 c)	0.71
Landfill Operations (in tons)										
CDD - Commercial	-	-	-	-	-	-	-	-	7,262.28	2,720.92
CDD - City Residents	-	-	-	-	-	-	-	-	1,909.52	1,826.18
CDD - City Government	-	-	-	-	-	-	-	-	2,112.29	541.37
CDD - County Residents	-	-	-	-	-	-	-	-	1,881.90	1,014.93
CDD - County Government	-	-	-	-	-	-	-	-	276.55	44.11
CDD - Other	-	-	-	-	-	-	-	-	645.70	103.77
CDD - Total	21,800	15,549	20,261	17,371	20,376	18,135	19,294	13,535	14,088.24	6,251.28
Transfer Station Operations (in tons)										
Solid Waste - Commercial	-	-	-	-	-	-	-	-	21,339.64	16,790.09
Solid Waste - City Residents	-	-	-	-	-	-	-	-	1,302.26	1,200.84
Solid Waste - City Government	-	-	-	-	-	-	-	-	11,343.67	11,300.38
Solid Waste - County Residents	-	-	-	-	-	-	-	-	1,239.65	1,278.31
Solid Waste - County Government	-	-	-	-	-	-	-	-	102.46	107.65
Solid Waste - Other	-	-	-	-	-	-	-	-	519.62	713.31
Solid Waste - Total	18,073	21,395	23,617	23,553	24,897	30,823	27,925	35,667	35,847.30	31,390.58
Wastewater System										
Miles of sanitary sewers	203	205	200	201	201	205	206	202	203	203
Miles of storm sewers	136	136	136	136	51	54	54	55	56	56
Number of service connections	10,782	10,846	10,884	10,884	10,893	10,862	10,848	10,909	10,856	10,818
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	29,500
Water System										
Miles of water mains	224	225	225	225	225	225	225	225	225	221
Number of service connections	10,782	10,846	10,844	10,844	10,893	10,862	10,862	10,921	10,931	10,899
Number of fire hydrants	1,020	1,030	1,084	1,095	1,112	1,119	1,130	1,134	1,140	1,147
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	209	209	209
Number of distribution stations	7	7	7	7	7	7	7	7	7	7

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

Function / Program	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Gas System										
Miles of mains	245	247	249	251	253	254	255	255	255	255
Miles of service lines	129	129	129	138	139	140	139	139	139	139
Number of meters	9,652	9,532	9,470	9,422	9,421	9,391	9,392	9,367	9,378	9,347
Parks and Recreation										
Park acreage	231.7	231.7	231.7	231.7	231.7	231.7	231.7	232.0	232.0	232.0
Cemetery acreage	70	70	70	70	70	70	70	70	70	70
Baseball/Softball fields	16	16	16	16	16	16	16	16	16	16
Playgrounds	10	10	10	10	10	10	11	12	15	15
Tennis courts (a)	14	14	14	14	14	14	12	12	12	12
Rental Facilities/Shelters	3	3	3	3	3	3	3	3	3	3
Gymnasiums	1	1	1	1	1	1	1	1	1	1
Sand volleyball courts	1	1	1	1	1	1	1	1	1	1
Swimming pools	1	1	1	1	1	1	1	1	1	1
Golf courses - 9 holes	1	1	1	1	1	1	1	1	1	1
Boat Ramps	3	3	3	3	3	3	3	3	3	3
Soccer fields	4	4	4	4	4	4	4	4	4	4
Interactive water features	1	1	1	1	1	1	1	1	2	2
Walking trails	2	2	2	2	2	2	3	3	3	3
Basketball courts	4	4	4	4	4	4	4	4	4	4
Skate parks (a)	1	1	1	1	1	1	2	2	2	2
Dog runs	-	-	-	-	-	-	1	1	1	1
Disc golf holes (b)	9	18	18	18	18	18	18	18	18	18

Source: Applicable Departments

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

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

Function / Program	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Police										
Physical arrests	3,519	3,183	2,615	2,776	2,951	3,054	4,138	3,537	2,542	2,073
Traffic violations	1,458	2,315	2,854	2,455	3,505	2,889	3,596	3,203	1,629	1,169
Parking violations	4,387	2,425	4,075	4,088	4,137	4,307	4,565	2,517	4,551	4,426
Calls for service	17,658	18,582	17,633	17,827	17,454	17,519	17,928	18,080	21,540	26,012
Fire										
Fire	155	124	152	150	140	137	131	128	114	137
Overpressure Rupture, Explosion, Overheat	12	10	9	10	8	13	14	16	19	13
Rescue & Emergency Medical Service	1,246	1,297	1,216	1,513	1,757	1,736	1,769	1,741	1,950	1,882
Hazardous Condition (No Fire)	288	134	153	138	147	171	163	167	187	195
Service Call	74	73	76	66	64	73	57	79	94	88
Good Intent Call	167	144	169	158	140	166	173	176	158	185
False Alarm & False Call	188	204	246	207	198	292	269	273	272	291
Severe Weather & Natural Disaster	12	1	3	1	1	2	4	1	2	1
Special Incident Type	4	-	7	7	5	7	5	8	2	14
Number of inspections performed	781	733	772	788	749	712	602	738	632	550
Mass Transit										
Number of routes	5	5	5	5	5	5	5	5	5	5
Fixed Route Passengers	121,058	114,154	138,603	139,321	137,359	134,966	130,530	123,865	121,455	110,975
Para transit Passengers	17,298	15,736	18,161	16,357	15,339	14,020	12,804	12,302	11,439	11,018
Wheelchair Usage	4,758	4,729	6,411	7,915	6,601	6,837	6,524	6,109	9,022	6,733
Miles of Service	222,297	227,937	242,024	222,262	221,955	219,964	214,648	210,012	212,126	196,883
Wastewater System										
Average daily treatment in 1,000 gallons	9,648	9,506	8,979	8,672	8,993	11,390	8,153	9,494	6,024	8,556
Water System										
Average daily consumption in 1,000 gallons	8,034	7,847	7,669	9,030	9,151	9,260	8,893	9,046	8,979	8,905

Source: Applicable Departments