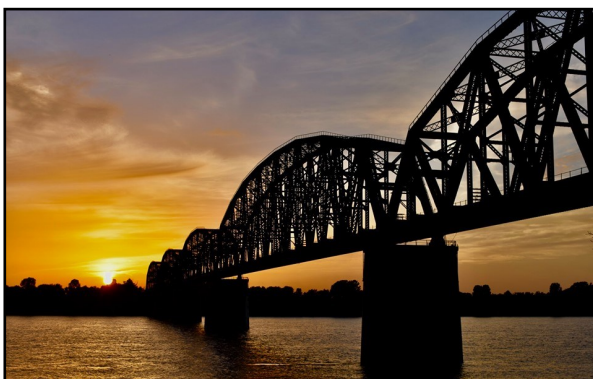




POPULAR ANNUAL FINANCIAL REPORT

Fiscal Year ended June 30, 2019



Service is our nature.

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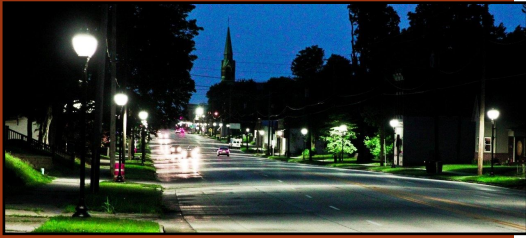
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From the City Manager ...

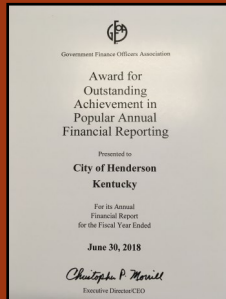
Dec. 31, 2019

Dear City Residents,

We are pleased to present the City of Henderson's third *Popular Annual Financial Report (PAFR)* for the 2019 Fiscal Year.

This report is intended to present a condensed overview of the City's financial position, financial practices and details outlining how City revenues were generated and spent. Financial information in this report is derived from the independently audited financial statements that are a part of the City of Henderson's *Comprehensive Annual Financial Report (CAFR)* for the year ended June 30, 2019.

We are proud to report that the City has been awarded a Certificate of Achievement for Excellence in Financial Reporting by the Government Finance Officers Association the past 20 years. The City was also presented with an Award for Outstanding Achievement for its second Popular Annual Financial Report we produced for Fiscal Year 2018. That report has been available in the lobby of our Municipal Center, on our web site, at the Henderson County Public Library, at Kyndle (Economic Development/Chamber office) and was distributed at the annual State of the City Address by Mayor Steve Austin.



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

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

Respectfully,

William L "Buzzy" Newman

City Manager

CityManager@CityOfHendersonKy.org



On the Ohio, but never in it

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

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

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

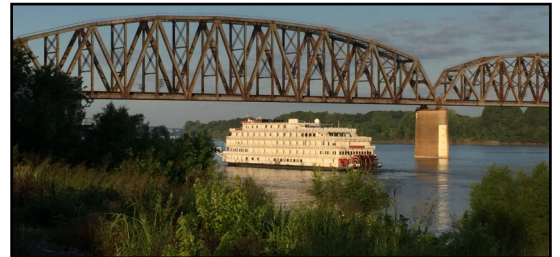
Henderson ranks as Kentucky's 12th largest city in terms of population. Friendly people and southern hospitality are part of our nature.

Henderson is located 10 miles south of Evansville, Indiana, and is 140 miles north of Nashville, Tennessee, 128 miles southwest of Louisville, Kentucky, and 196 miles southeast of St. Louis, Missouri.

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

We have:

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



ON THE COVER: (Top) Our Gateway, Second Street, in the evening; (middle) the award-winning W.C. Handy Blues & Barbecue Festival; (bottom) an iconic sight: the CSX Railroad Bridge. **ABOVE:** The American Queen riverboat makes its way toward the Henderson Riverfront to dock.

Board of Commissioners

The City, incorporated as a town in 1810 and as a City in 1867, has operated under the City Manager form of government since 1966. The Henderson Board of Commissioners consists of a mayor and four commissioners elected by the citizens on a non-partisan ballot. The mayor is

elected for a term of four years, while the commissioners are elected for a term of two years. The mayor and commissioners have equal voting power.

The Commission sets policies that govern the City. It appoints advisory groups that assist in the decision making process. The city manager is appointed by the Commission and is responsible for the day-to-day operations of the City. The department managers responsible for their various departments report to the city manager.



Clockwise from lower left: 2019 Board of Commissioners — Commissioner Brad Staton (two terms), Commissioner Patti Bugg (two terms), Commissioner XR Royster (one term), Commissioner Austin Vowels (two terms), and Mayor Steve Austin (three terms).

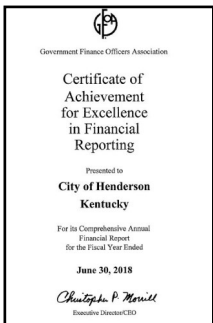
Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a **Certificate of Achievement for Excellence in Financial Reporting** to the City of Henderson for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2018. This

was the 20th consecutive year that the government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, the government had to publish an easily readable and efficiently organized CAFR that satisfied both generally accepted accounting principles and applicable program requirements.

The City of Henderson also received the GFOA's **Distinguished Budget Presentation Award** for its annual budget document beginning July 1, 2019, and ending June 30, 2020. This was the 11th 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. For the second year, the City of Henderson received the **Popular Annual Financial Reporting Award** for its June 30, 2018, presentation. Henderson is one of only three cities in Kentucky to be awarded all three awards for the most recent year.



CAFR

Find our reports at
www.cityofhendersonky.org/165/Audit-Financial-Reports



Introduction to the Popular Annual Financial Report

The Popular Annual Financial Report (PAFR) is intended to brief the residents of the City of Henderson on the financial standing of their City Government. The information in this report is drawn from the 2019 Comprehensive Annual Financial Report (CAFR). The CAFR conforms to the generally accepted accounting principles (GAAP) and includes audited financial statement. The financial information presented in the PAFR primarily comes from the Governmental Funds and does not include all component units. For more detailed information and copies of the CAFR and PAFR, visit the City's website at www.CityOfHendersonKY.org.

Community awards

—The Perch, a new “pocket park” in downtown, is honored by the Kentucky Chapter of American Public Works Association in 2019. Also in 2019 it wins Excellence in Commercial Design at Downtown Henderson Partnership's 25th-annual Award Breakfast. It was honored by Kentucky Recreation and Parks Society for community collaboration in 2018.

—Housing Authority of Henderson is named an Envision Center by the U.S. Housing and Urban Development.

—W.C. Handy Blues & Barbecue Festival named Kentucky's “Best Festival” by Kentucky Living Magazine for fourth consecutive year. The community received 9 other awards in the “Best of Kentucky” poll.

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

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

—Ty Rideout named 2018 Volunteer of the Year by Green River Area Development District.

—Mayor Steve Austin named 2018 Elected Official of the Year by Kentucky League of Cities.

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



The Budget Process

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



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

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

Capital Expenditures, Major Projects

Major projects in the next fiscal year will be the completion of the riverfront improvements, Wathen Lane Road and Wathen Lane Bridge. A number of other capital projects and initiatives are also included in this year's General Fund operating budget which will serve to enhance the City's ability to operate effectively, as well as, serve the citizens responsibly.

Some highlights of things to come:

Public Safety

- New Fire Department pumper truck
- Three pursuit vehicle for Police Department.

Technology

- Nineteen personal computers are proposed for replacement. Included in the nineteen are three laptops and two rugged computers. This will continue the program of replacing older, slower computers with newer computers.
- Replacement of the email service to stay in compliance with KRS 61.931.

Public Works

- Repaving 27 different sections of streets.
- Constructing Green River Road sidewalks.
- Widening of Wathen Lane road improvements.
- Replacing Wathen Lane bridge.
- Updating the Gathering Place bathrooms.

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

One sanitation rear compacting truck; one pickup truck for Henderson Municipal Gas; one bus for Henderson Area Rapid Transit; and one pickup truck for Henderson Area Rapid Transit.

Quick Fact

The City of Henderson has 119 miles of streets and 110 miles of sidewalks to maintain.



A new engine truck was purchased for the Henderson Fire Department after the truck that was serving in this capacity was declared a complete loss in a traffic accident that occurred while it was responding to an emergency call.

General Financial Information

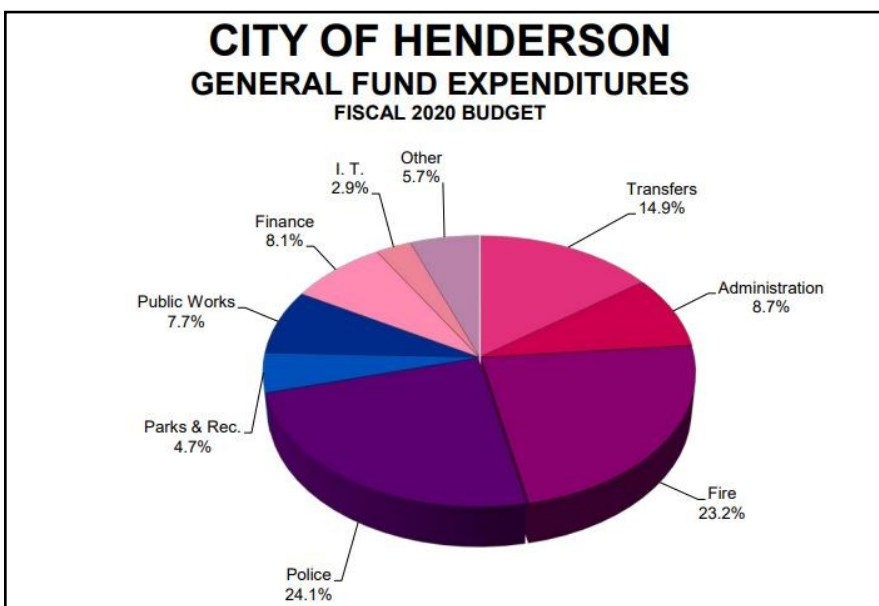
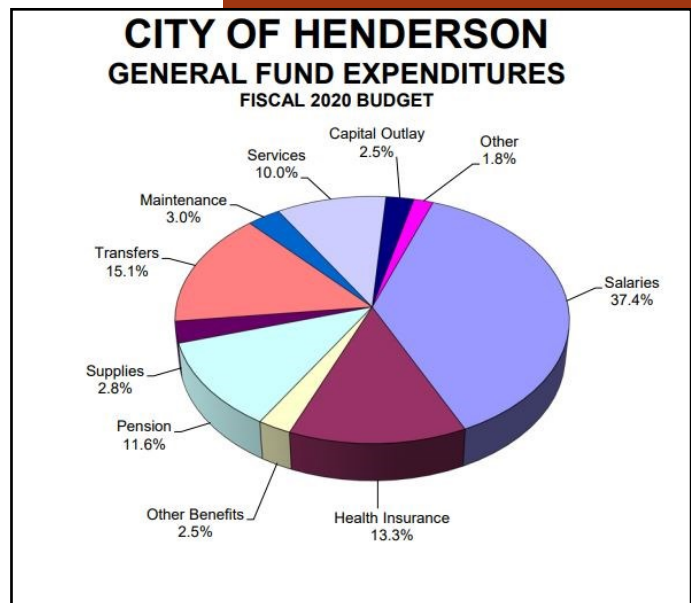
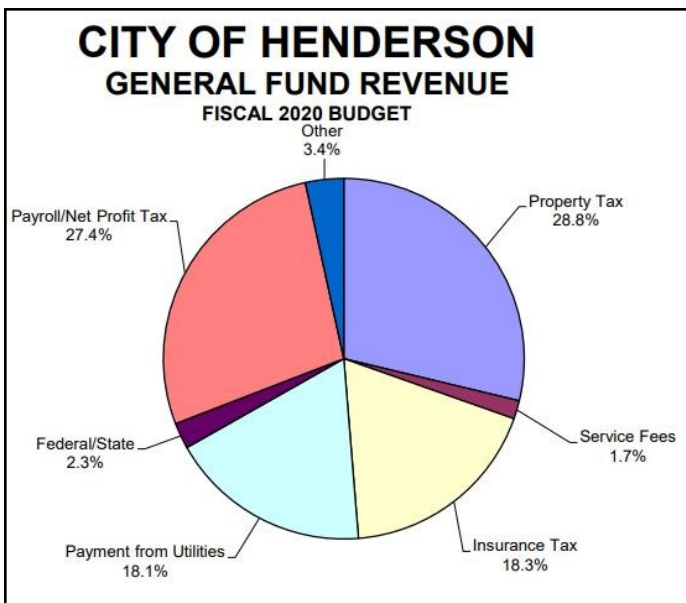
- Primary Government liabilities exceeded assets by \$18.9 million at the close of fiscal 2019. Due to pension and other post-employment obligations, the unrestricted net position is a negative \$41.6 million.
- City governmental funds reported combined ending fund balances of \$42.2 million. Of this total, \$6.8 million is unassigned.
- In the City's business-type activities, income from operations decreased from \$1,692,796 in fiscal 2018 to \$1,297,766 in fiscal 2019.
- The City's General Fund ended the year with a fund balance of \$8,975,382, a decrease of \$1,227,354, or 12 percent, from fiscal year 2018's balance of \$10,202,736.
- In the past seven years, the General Fund's fund balance has increased 18.4 percent from \$7.6 million in 2012 to \$9 million in 2019.

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



Quick Fact

Henderson has been the home of four Kentucky governors and two lieutenant governors, the artist/naturalist John James Audubon, "Father of the Blues" W.C. Handy and an originator of Mother's Day, Mary Towles Sasseen Wilson.



Quick Fact

Henderson County Public Library, built in 1904 with assistance from philanthropist Andrew Carnegie, is undergoing an 18,000-square-foot, \$8.4 million expansion that is scheduled to be completed in 2020. The expansion will add new space for the library's collections of various media and will include new community meeting spaces.

General Fund Components

Unassigned Fund Balance

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

Assigned Fund Balance

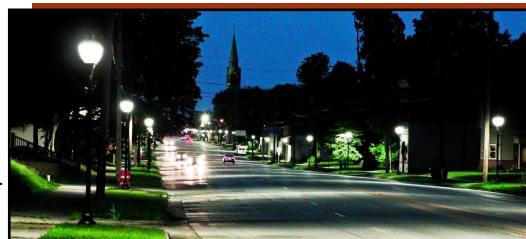
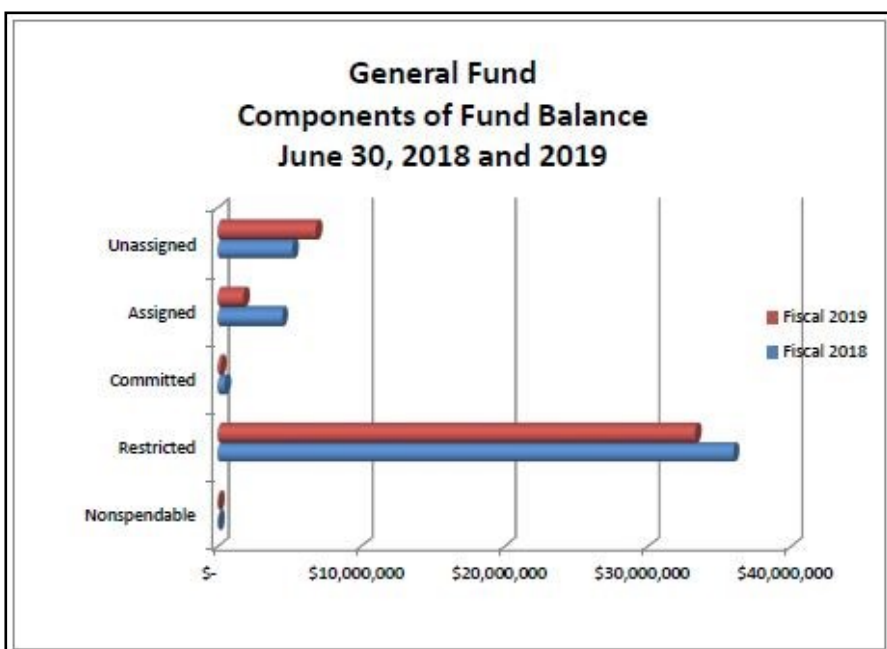
The assigned fund balance classification includes amounts constrained by the City's **intent** to be used for specific purposes, but are neither restricted nor committed. Intent is expressed by either the Board of Commissioners or the City Manager or any other body or official which they have delegated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

Committed Fund Balance

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

Non-spendable Fund Balance

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



Long-Term Debt

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

Bond Rating

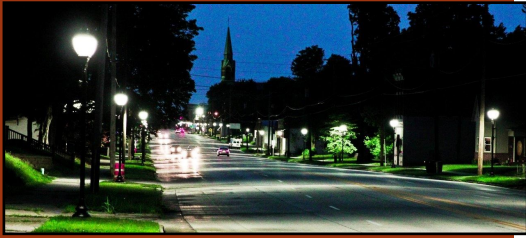
Due to strong fiscal management, stable financial position, strong reserves, healthy liquidity and stable tax base, the City of Henderson received a credit rating of Aa3 from Moody's Investor Service on its 2017 general obligation bonds.

Growth in the City

Real estate assessments have increased 14.8 percent or \$155.6 million from \$1,051.7 million at the start of fiscal 2010 to \$1,207.3 million at the end of fiscal 2019. This equates to a 1.4 percent annual increase.

Bank Deposits

Over the same 10-year period, bank deposits have increased 34.4 percent, or \$163,904.



Economic Factors, Trends, & Next Year's Budget

Capital Assets

The City of Henderson's investment in capital assets for its governmental and business-type activities as of June 30, 2019, amounts to \$37,312,859 (net of accumulated depreciation). This investment in capital assets includes land, buildings, machinery and equipment, gas system improvements, park facilities, vehicles, sculptures, and infrastructure. The total increase in capital assets for the current fiscal year was approximately 3.8 percent.

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

- Nearly \$1 million for the purchase of Bridges of Henderson Golf Course.
- More than \$568,000 on vehicles including four police pursuit cruisers and four buses.
- \$55,294 for two new severe weather sirens.
- Another \$564,000 on new radio equipment.
- Nearly \$159,000 for utility improvements at the Borax Drive Industrial Park.
- \$244,139 was spent on new sidewalks and bridges.
- \$59,042 was spent on a new trencher with backhoe attachment for the Gas Fund.

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

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

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

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

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

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

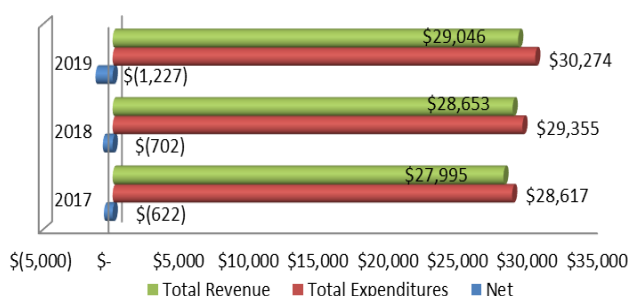
—A significant change during Fiscal 2019 was the pension liability as determined by the County Employee Retirement System (CERS). Due to revised actuarial assumptions, the liability for the City of Henderson increased by \$3,327,057 or 7.9 percent.

Quick Fact

The City is developing 124 acres at the end of Borax Drive to be used for economic development. There is \$166,000 budgeted in fiscal 2020 to complete infrastructure improvements that include roads and utilities.

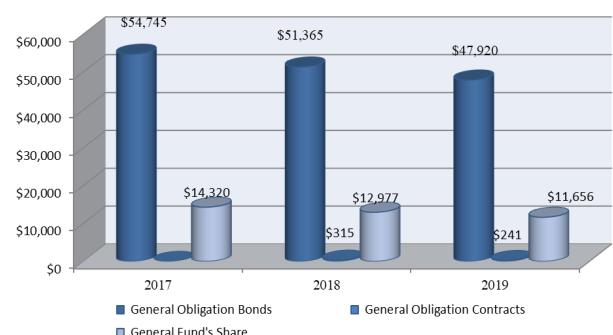
General Fund Revenue and Expenditures

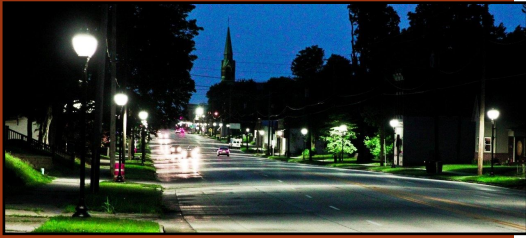
(in thousands for each fiscal year and includes "transfers in" and "transfers out")



Long-Term Outstanding Debt

(in thousands for each fiscal year)





Teamwork:

City-County Joint Ventures

- Flood Mitigation Board oversees funds dedicated to addressing flooding problems in the community.
- A new festival to honor traditions of Hispanic citizens: Dia De Los Muertos.
- Solid waste disposal issues and options reviewed by City-County Cooperative Study Team.
- Emergency Dispatch Operations in the 911 Center.
- A combined City-County Tourism Commission.
- A reorganized and combined Human Rights Commission.
- Emergency Medical Services (EMS) needs of the community.
- City park in Henderson's East End, which added a student-created mural in 2017 and a small shelter funded by community grants in 2018.



Request for Information

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

Henderson By The Numbers

28,832

Population of Henderson

1810

Incorporated as a Town

1904

Public Library Built

25

Parks & Public Spaces

Jan. 31, 1937

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

\$43,458

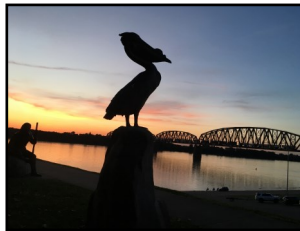
Family Medium Income

5,526

Central Park Memorial Day cross display started with 34 tributes in 1947. In 2019 there were 5,526.

10,200

Weekly Residential Sanitation Pickups



15

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

21,200

Christmas bulbs to maintain.

Aug. 15, 1896

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

15 Top Local Employers

Tyson Foods	1,500
Henderson County Schools	1,114
Methodist Hospital	986
Gibbs Die Casting	837
Century Aluminum	499
City of Henderson (including HWU)	470
Big Rivers	465
Pittsburg Tank & Tower Co.	380
Brenntag Mid-South	305
Audubon Metals	273
Dana	249
Henderson Co. Government	209
Accuride Corp.	150
Azteca Milling	122
Sitex Corp.	120

119,258

Total ridership on Henderson Area Rapid Transit in FY 2019

1

Gravel street (Van Wyck Road)

86.01 percent

Of 911 calls, 28,322 (or 86.01 percent) came from mobile phones. Only 4,605 came from landlines.

1,182

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