



Service is our nature.

POPULAR ANNUAL FINANCIAL REPORT

Fiscal Year ended June 30, 2021



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'On the river, but never in it'

From the City Manager ...

Dec. 31, 2021

Dear City Residents,

We are pleased to present the City of Henderson's fifth *Popular Annual Financial Report (PAFR)* for the 2021 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 *Annual Comprehensive Financial Report (ACFR)* for the year ended June 30, 2021. (See Page 3 for more information about the ACFR and how to review the full document.)

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 22 years. The City was also presented with an Award for Outstanding Achievement for its fourth Popular Annual Financial Report we produced for Fiscal Year 2020. That report has been available in the lobby of our Municipal Center, on our web site, at the Henderson County Public Library, at Henderson Chamber of Commerce, at Henderson Economic Development and was distributed at the annual State of the City Address by Mayor Steve Austin. We will again include a social media campaign and email distribution for the 2021 PAFR as a general news release to local media.

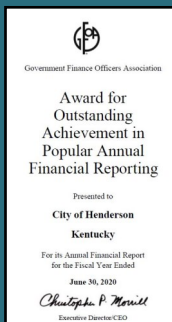
I am grateful to those employees in the City's Finance Department whose hard work and professionalism made those distinctions possible.

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, 270-831-1200



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 with 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 13th 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. In 2022 we will add a paper mill and cardboard box corrugator that uses 100 percent recycled paper.

We have:

- A public school system with 8 elementary schools, 2 middle schools, 1 high school, and 1 early learning (preschool) center; Henderson County High School with a Career & Technical Education (CTE) Unit and School of Fine Arts (SoFA); 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 downtown riverfront, a beacon for community activity; (middle) Sandy Lee Watkins Songwriters Festival, featuring 30 Nashville songwriters each summer for music and storytelling; (bottom left) W.C. Blues & Barbecue Festival and (right) Low Country Boil in one of our several riverfront parks. **ABOVE:** Visits by riverboats bringing tourists to town are a common sight spring through fall. In 2022, we will enjoy 26 such visits.

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-

Left to right: 2021 Board of Commissioners — Commissioner Rodney Thomas (one term), Commissioner Brad Staton (three terms), Mayor Steve Austin (three terms), Commissioner Robert Pruitt (one term, and others previously) and Commissioner Austin Vowels (three terms).



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.

Awards and Acknowledgements

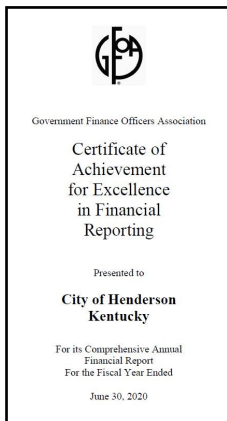
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a **Certificate of Achievement for Excellence in Financial Reporting** to the City of Henderson for its annual comprehensive financial report (ACFR) for the fiscal year ended June 30, 2020. This was the 22nd consecutive 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 ACFR 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, 2021, and ending June 30, 2022. This was the 13th 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 fourth year, the City of Henderson received the **Popular Annual Financial Reporting Award** for its June 30, 2020, presentation. Henderson is one of only four cities in Kentucky to be awarded all three awards for the most recent year.



ACFR

More financial detail is available in our Annual Comprehensive Financial Report.

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 2021 Annual Comprehensive Financial Report (ACFR). The ACFR conforms to the generally accepted accounting principles (GAAP) and includes an 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 ACFR and PAFR, visit the City's website at www.CityOfHendersonKY.org.**

Notable in Community

—Pratt Industries announced that it will construct a \$500 million 321-employee corrugated box recycling and manufacturing complex on the Kentucky 425 ByPass using 100 percent recycled paper. Ground was broken in December.

—Audubon School Apartments, a new affordable housing complex for seniors, opened in the East End on the site of the former Audubon School.

—The Boys & Girls Club of Henderson launched a capital campaign to transform the former Henderson National Guard Armory into a center for their programming as well as a community gathering place. The capital campaign also seeks to establish an endowment.

—Local donors matched a \$100,000 contribution by former Gleaner publisher and citizen Walt Dear in support of Friends of Audubon State Park projects, including an expansion of the Wetlands boardwalk trail system.

—Henderson Christian Community Outreach broke ground for the construction of a new home on Seventh Street.

—13 local attractions, restaurants and events in Henderson County won awards in the 12th-annual Best in Kentucky Awards presented by Kentucky Living magazine.

—Green River National Wildlife Refuge, announced in 2019, added acreage toward its goal of 24,000 acres.



Capital Expenditures, Major Projects

The fiscal 2022 budget includes a few capital projects. A few projects will have federal, state and local assistance; however, nearly \$4.2 million in capital will come from the 2020A bond proceeds to be used for the sports complex, fire station and a new shelter at Newman Park. Major projects in the next fiscal year will be the completion of the riverfront improvements, Wathen Lane improvement, sports complex facility and a new fire station No. 1.

Some highlights of things to come:

Public Safety

- New fire apparatus to replace a 1999 pumper.

Technology

- Eighteen (18) personal computers and three laptop/Toughbook computers are proposed for replacement. This will continue the program of replacing older, slower computers with newer computers.
- Install a fire suppression system in the City's service room.

Public Works

- Repave eight different sections of streets.
- Green River Road sidewalks.
- Widening of Wathen Lane road improvements.
- Paving at the two cemeteries and various parks.

Gas System

- Increase the number of annual installations of electronic receiver transmitter meters from 1,000 to 2,500. This project will eventually eliminate the need for human meter readers.

In addition to the capital items and initiatives, one vehicle is included:

- Purchase of a crew cab 4WD pickup for Henderson Area Rapid Transit.

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

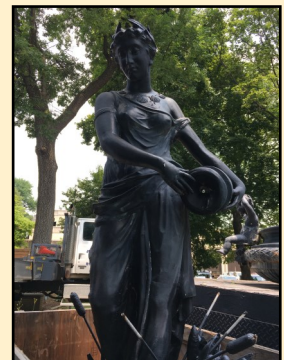
expend any funds from any governmental or proprietary fund without a legally enacted budget passed by the Board of Commissioners.

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.



Quick Fact

"Rebecca," the fountain in Central Park that's a replica of a historic predecessor that existed at the turn of the 20th century, was refurbished in the summer and fall of 2021.



Financial Highlights

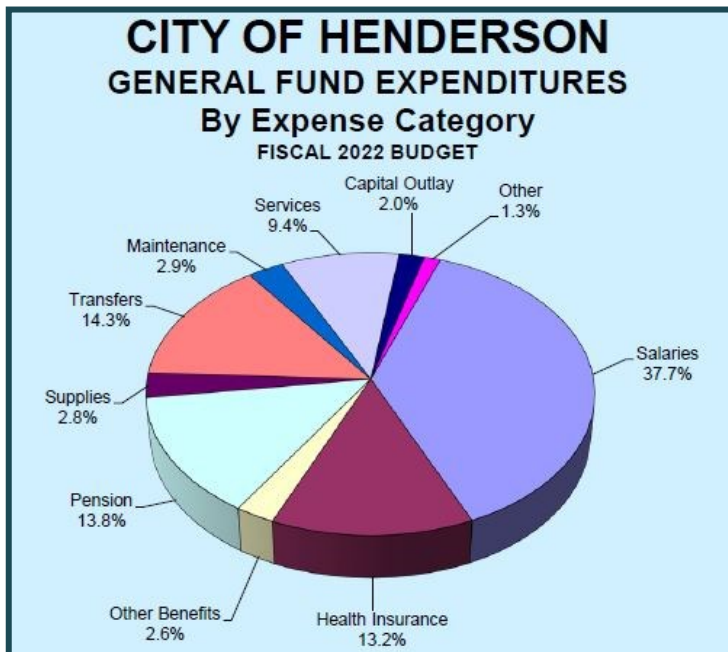
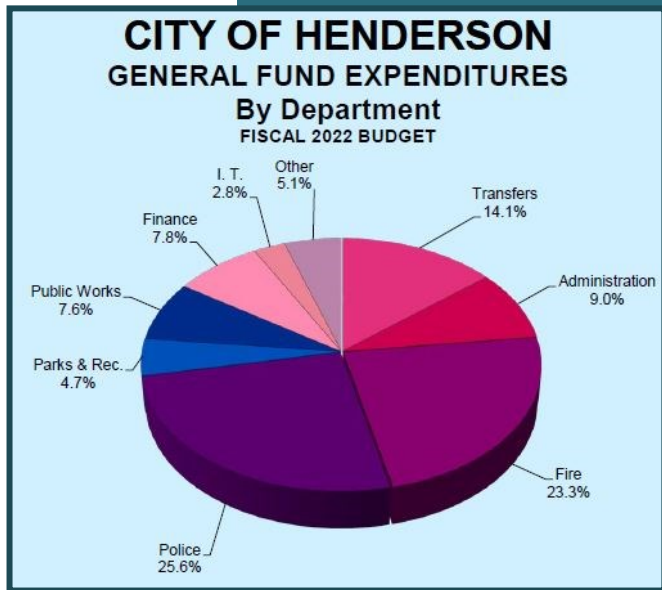
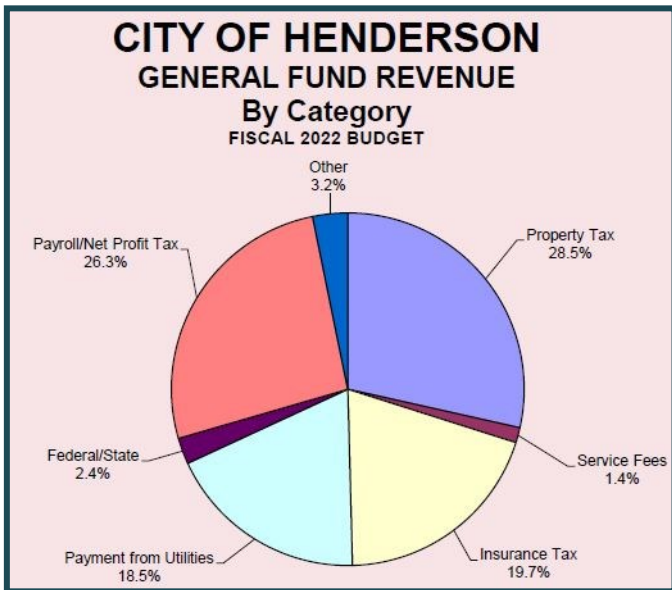
- Primary Government liabilities and deferred inflows exceeded assets and deferred outflows by \$24.9 million at the close of fiscal 2021. Due to pension and other post-employment obligations, the unrestricted net position is a negative \$47.5 million.
- City governmental funds reported combined ending fund balances of \$52 million. Of this total, \$7.1 million is unassigned.
- In the City's business-type activities, income from operations increased from \$831,271 in fiscal 2020 to \$2,411,841 in fiscal 2022.
- The City's General Fund ended the year with a fund balance of \$13,625,231, an increase of \$2,546,790, or 23 percent, from fiscal year 2020's balance of \$11,078,441.
- In the past four years, the General Fund's fund balance has increased 24.9 percent from \$10.9 million in 2017 to \$13.6 million in 2021.

***EDITOR'S NOTE:** Information in this report is drawn from the Annual Comprehensive Financial Report (ACFR) and conforms to generally accepted accounting 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, Admiral Husband Kimmel of Pearl Harbor fame, the first woman in America to receive a medical degree (Elizabeth Blackwell) 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, added an 18,000-square-foot, \$8.4 million expansion that opened in 2021 after having been slowed by the pandemic. The expansion added new space for the library's collections of various media, computer labs, dedicated areas for children and teens and new, much-needed community meeting spaces.

General Fund Components

Unassigned Fund Balance

The unassigned fund balance classification can be considered as available surplus for the General Fund that can be spent for any purpose.

Assigned Fund Balance

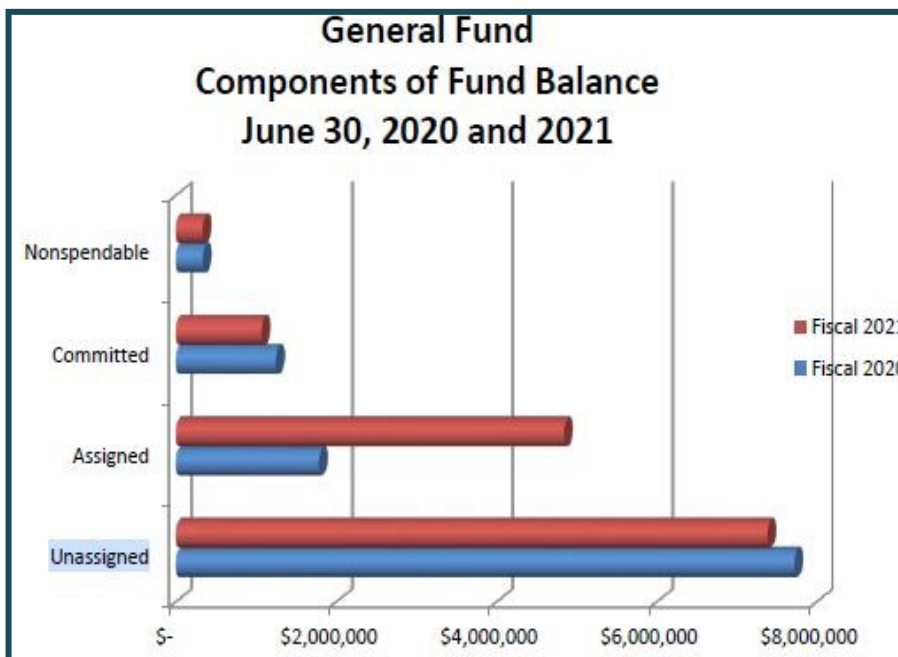
The assigned fund balance classification includes amounts to be used for specific purposes. The intent for the specific purpose was set by either the Board of Commissioners or the city manager.

Committed Fund Balance

The committed fund balance classification includes amounts that can only be used for specific purposes and 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) legal-ly or contractually required to be maintained intact.



2021 factors

During the fiscal year, the fund balance for the City of Henderson's general fund increased by \$2,546,790. The factors contributing to this increase:

- **Occupational taxes** increase in the amount of \$1,062,237.
- The **insurance premium tax** was up \$517,841 or 9.4 percent.
- **Federal grants** in the amount of \$1,575,000 with nearly \$1.3 million from the CARES Act.
- Total **personnel costs** were up only \$146,582 or 9.8 percent compared to the prior year and finished \$1,087,00 under the 2021 budget.
- **Property and Casualty Insurance expense** decreased by \$216,779 due to a change in carriers.



Long-Term Debt

At the end of the current fiscal year, the City of Henderson had total bonded debt outstanding of \$50,410,000 and general obligation contract of \$82,923. All of the \$50,492,923 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 has maintained a credit rating of Aa3 from Moody's Investors Service on its general obligation bonds.

Growth in the City

Real estate assessments have increased 15.8 percent or \$170.5 million from \$1,079.1 million at the start of fiscal 2012 to \$1,249.6 million at the end of fiscal 2021. This equates to a 1.5 percent annual increase.

Bank Deposits

Over the same 10-year period, bank deposits have increased 41.4 percent, or \$225,008.



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, 2021, amounts to \$35,109,930 (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 0.5 percent.

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

- \$540,214 for various vehicles including 11 police vehicles.
- More than \$324,500 for self-contained breathing apparatus and other emergency equipment for the fire department.
- Another \$291,681 on new radio equipment.
- Sanitation rear-loading truck in the amount of \$149,717.
- Real property in the amount of \$959,257 that includes \$859,257 for a sports complex and \$100,000 down payment on property for an industrial customer.
- \$93,333 on new roads and bridges.

The City of Henderson was able to fund the fiscal 2022 Budget by using reserves from the General, Gas and Sanitation Funds. Modest growth in property and occupational tax receipts and holding increases in operating expenses to a minimum will enable the City to continue to meet its needs.

—For fiscal 2021, there were **226 construction permits** issued with a total value of \$17,419,209. There were 26 single family units, 1 duplex (2 units), and 3 multi-family (19 units) for a total of 47 units approved. The total value for new housing was \$6,817,800. There were 2 new commercial developments with a total value of \$5,763,000.

—There were 21 permits issued for **demolition of sub-standard residential structures**.

—The **unemployment rate** for the City of Henderson in June 2020 was approximately 5.3 percent which was lower than the national rate of 5.9 percent and higher than the Kentucky rate of 4.4 percent.

—On July 29, 2021, Pratt Industries announced a **\$400 million corrugated box recycling and manufacturing complex** that within five years is expected to employ 321 people at wages averaging nearly \$30 per hour. The complex will cover 1 million square feet and sit on a 200-acre site in Henderson. Pratt would become the City's largest water and natural gas customer. The City has another 100 acres that could be developed for other industrial customers that could support Pratt or associatory companies.

—Due to the continue **threats of COVID-19 pandemic**, fiscal 2021 was another challenging year not only for the City of Henderson but for the whole world. The health and safety of the citizens and visitors were of the utmost importance and required a detailed action plan like no other. The impact that the pandemic will have on the local, state, and national economies will linger for years. It is during times like these that local governments are expected to provide services and protection.

Quick Fact

The City is developing 124 acres at the end of Borax Drive to be used for economic development. With the purchase of the tract for Pratt Industries, an additional 100 acres will be available for development.

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

(in thousands of dollars)

Fiscal Year	Real Estate (a)	Personal Property (a)	Bank Deposits (b)	Total	Increase over prior year
2011	\$ 1,079,090	\$ 125,452	\$ 543,287	\$ 1,747,829	\$ 21,476
2012	1,095,301	131,246	544,520	1,771,067	23,238
2013	1,101,286	133,508	598,793	1,833,587	62,520
2014	1,107,275	135,468	601,357	1,844,100	10,513
2015	1,121,833	132,314	611,284	1,865,431	21,331
2016	1,139,538	135,349	631,816	1,906,703	41,272
2017	1,153,388	130,693	649,559	1,933,640	26,937
2018	1,182,932	132,218	653,855	1,969,005	35,365
2019	1,207,190	127,823	639,804	1,974,817	5,812
2020	1,225,620	133,562	663,664	2,022,845	53,840
2021	1,249,608	129,423	768,295	2,147,325	172,508

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



Teamwork:

City-County Joint Ventures

- Preparations and infrastructure for the location of Pratt Industries' \$400 million corrugated box recycling and manufacturing complex announced in July 2021.
- Preparations and infrastructure for construction of the approaches and extension of I-69 starting in 2022.
- Planning for the future of the U.S. 41-North corridor following the completion of I-69 in Henderson and Henderson County.
- Flood Mitigation Board oversees funds dedicated to addressing flooding problems in the community.
- A 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 with a goal of improving funding options.
- A combined City-County Tourism Commission.
- A reorganized and combined Human Rights Commission.

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

28,757

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)

\$39,887

Family Medium Income

5,556

Central Park Memorial Day cross display started with
34 tributes in 1947. In 2021 there were 5,556.

10,200

Weekly Residential
Sanitation Pickups



5

Public murals that have grown from a catalyst project in
2018 that fulfilled an item on
community's Vision Plan and
Downtown Master Plan.

Red Banks

What Henderson,
settled in 1797,
was first called.

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	1,336
Henderson County Schools	1,095
Deaconess Henderson	900
Gibbs Die Casting	763
Century Aluminum	515
City of Henderson (including HWU)	470
Pittsburg Tank & Tower Co.	342
Big Rivers	338
Audubon Metals	332
Brenntag Mid-South	275
Dana	251
Henderson Co. Government	209
Accuride Corp.	159
Sitex Corp.	122

56,268

Total ridership on Henderson
Area Rapid Transit in FY2021
(Ridership impacted by COVID-19 pandemic.)

1

Gravel street
(Van Wyck Road)

60,586

Calls in Fiscal Year 2020 to the
911 Emergency Communication
Center, a majority on cellular
phones.

1,185

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