

**CITY OF HENDERSON, KENTUCKY
ANNUAL COMPREHENSIVE
FINANCIAL REPORT
FOR JUNE 30, 2021**



Betty Smithhart, Photographer

CITY OF HENDERSON, KENTUCKY

**ANNUAL COMPREHENSIVE FINANCIAL
REPORT**

For the Fiscal Year Ended June 30, 2021



Prepared by:

Finance Department

CITY OF HENDERSON, KENTUCKY
ANNUAL COMPREHENSIVE FINANCIAL REPORT
For the Fiscal Year Ended June 30, 2021

TABLE OF CONTENTS

	Page
INTRODUCTORY SECTION	
Letter of Transmittal	1
GFOA Certificate of Achievement	9
Organizational Chart.....	10
List of Elected and Appointed Officials	11
FINANCIAL SECTION	
Independent Auditor's Report.....	12
Management's Discussion and Analysis	15
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position	34
Statement of Activities.....	35
Fund Financial Statements:	
Balance Sheet – Governmental Funds	36
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	37
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	38
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	39
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund.....	40
Statement of Net Position – Proprietary Funds.....	41
Statement of Revenues, Expenses, and Changes in Net Position – Proprietary Funds.....	42
Statement of Cash Flows – Proprietary Funds.....	43
Statement of Fiduciary Net Position – Fiduciary Funds	44
Statement of Changes in Fiduciary Net Position – Fiduciary Funds	45
Notes to the Financial Statements.....	46
Required Supplementary Information:	
Schedule of the City's Proportionate Share of the CERS Liabilities.....	105
Schedule of Changes in the Net Pension Liability and Related Ratios	107
Schedule of Contributions.....	109
Notes to Required Supplementary Information	113
Nonmajor Governmental Funds:	
Nonmajor Governmental Funds – Fund Descriptions	117
Combining Balance Sheet – Special Revenue Funds	118

Continued

	Page
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Special Revenue Funds	119
Schedules of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual:	
Cemetery Fund.....	120
Public Way Improvement Fund	121
Henderson Area Rapid Transit Fund	122
Emergency Communications Fund.....	123
Tourist Commission Fund.....	124
Community Development Block Grant Fund	125
Police Investigation Fund	126
Debt Service Fund.....	127
Capital Projects Fund.....	128
STATISTICAL SECTION	
Statistical Section Contents.....	129
General Information.....	130
Financial Trends:	
Net Position by Component	134
Changes in Net Position.....	135
Fund Balances of Governmental Funds	138
Changes in Fund Balances of Governmental Funds	139
Revenue Capacity:	
General Governmental Tax Revenue by Source.....	140
Assessed Value and Actual Value of Taxable Property	141
Detail of Assessed Value and Estimated Actual Value of Taxable Property	142
Property Tax Rates - Direct and Overlapping Governments	143
Ad Valorem Tax Rates – Direct and Overlapping Governments	144
Top Ten Taxpayers	145
Property Tax Levies and Collections	146
Natural Gas Volume by Customer Type.....	147
Natural Gas Sold by Customer Type	148
Natural Gas Rates – Residential Customers	149
Debt Capacity:	
Direct and Overlapping Governmental Activities Debt.....	150
Pledged-Revenue Coverage – Water & Sewer and Electric Commissions ...	151
Ratios of Outstanding Debt by Type	152
General Bonded Debt Outstanding and Legal Debt Margin.....	153
Demographic and Economic Information:	
Demographic Statistics	154
Operating Information:	
Full-time Equivalent City Government Employees by Function / Program..	155
Capital Asset Statistics by Function / Program.....	156
Operating Indicators by Function / Program	158

INTRODUCTORY SECTION

Steve Austin, Mayor

Commissioners:

Robert N. Pruitt

Bradley S. Staton

Rodney Thomas

Austin P. Vowels



The City of Henderson

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

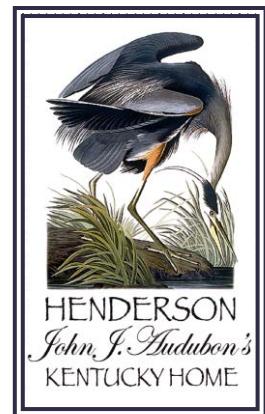
William L. "Buzzy" Newman, Jr., City Manager

Dawn S. Kelsey, City Attorney

Maree Collins, City Clerk

Donna Stinnett, Public Information Officer/Community Relations Manager

Robert Gunter, Finance Director



February 15, 2022

Honorable Mayor,
Members of the Board of Commissioners,
Citizens of the City of Henderson, Kentucky:

We present to you the Annual Comprehensive Financial Report of the City of Henderson, Kentucky for the fiscal year ended June 30, 2021. 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, 2021. The independent auditor's 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 27,981 and is 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. 61, *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 164th largest MSA in the United States. Based on 2019 estimates, Henderson is the 13th 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 median household income for the City of Henderson for the past 12 months was estimated to be \$39,887 which was \$10,702 or 21.2% lower than the Kentucky family medium income of \$50,589. The estimated medium price of a single-family home in the city was \$120,700. 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 2021 general obligation bonds.

Over the past ten years, the City has experienced modest economic growth and investment. The real estate assessments have increased 15.8% 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% annual increase. Bank deposits have increased 41.4% or \$225,008 from \$543,287 to \$768,584 over the same ten-year period.

Long-term financial planning and major initiatives

General Fund reserves increased to approximately \$13.6 million on June 30, 2021 which is an increase of \$2.5 million from the prior year. The reserves consisted of cash, investments, and receivables. The increase in General Fund reserves was primarily the result of improved tax collections and receipt of a CARES Act grant in the amount of \$1.3 million. The tax collections increased a robust 8.8% or \$1.9 million with growth in payroll, net profits, and insurance premium taxes. Despite an increase of \$146,582, personnel expenses were still \$1,087,000 under budget and transfers finished \$573,754 under budget. The General Fund will have a cash and investment balance, net of cash due to component units, entering the fiscal year of \$16.1 million. This is equal to 6 months operating expense and transfers to other funds.

The Gas Fund's cash and investment balance of \$5.7 million will be equal to 4.3 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.

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, \$828,416 was returned to Henderson which is an increase of \$257,585 from the \$570,831 that was returned in fiscal 2019.

As in the past, staff continues to monitor rates to determine if “cost of living adjustments” are needed to avoid large and excessive increases in the future. Effective January 1, 2020, there were modest increases approved for sanitation rates, 911 fees, and occupational taxes (payroll and net profits). Most of the improvements seen in fiscal 2021 can be attributed to these incremental increases. Stagnant revenues with increasing costs of providing services is something that can be avoided (or at least mostly offset) by smaller, modest increases that do not have significant effects on taxpayers’ abilities to keep up.

One of the largest single expenses for the City is employee health insurance. For fiscal 2021, the total health care cost was \$8,174,715 which is an increase of \$2,438,415 from the \$5,736,300 spent in fiscal 2015. This equates to an annualized increase of 6.1% or an increase of 42.5% since fiscal 2015. Several changes have been made to the health insurance plan and comparisons are made to determine if those changes were successful.

The health insurance plan requires a premium in the amount \$51.15 per month for employee only coverage, \$102.30 per month for employee plus one dependent, or \$153.45 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 \$1,000 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 an HRA credit in the amount of \$500. At the end of a plan year, any unused benefits in an HRA Plan account are carried forward for use in the subsequent year.

From a capital projects aspect, fiscal 2021 was an active year. Some projects and improvements of note include:

Sports Complex

The largest single purchase for fiscal 2021 was the \$859,257 spent on the 58-acre property for a new sports complex. The City had assigned \$700,000 from a previous fiscal year to be used in the purchase. The City issued general obligation bonds in December 2020 for the development of the property that will include six 200-foot baseball fields, two 225-foot baseball fields, three multi-purpose fields, two concession stands, an outdoor pavilion and four large parking lots.

Road and Bridge Improvements:

In fiscal 2021, the City spent over \$93,000 for road and bridge improvements for Green River Rd., Wathen Ln., and Borax Drive. All three road are multi-year projects that will improve the driving, biking, and pedestrian traffic.

Public Safety Vehicles and Equipment:

The City spent over \$469,000 on 13 police vehicles with nine of those marked and striped for pursuit. With funds provided by a federal grant, the Fire Department replaced 42 self-contained breathing apparatus (SCBA). The final payment in the amount of \$291,681 on the new 911 system was issued in 2021. This now completes the upgrade that was started in fiscal 2015.

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. For fiscal 2021, \$480,152 was spent on flood prevention projects which will complete the state grant funding.

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 at a cost of \$7.00 per 400 pounds 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 2021, the County contribution was \$114,264. 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 continue to improve the funding options for the emergency dispatch operations in the 911 center. Due to more residents using cellphones over landlines, the revenue has decreased 32% from \$401,000 in fiscal 2014 to only \$272,500 in fiscal 2019. Effective January 1, 2020 the fee moved from the residents' phone bill to the water bills. Plus, the monthly rate increased from \$2.50 to \$3.25. The increase in revenue generated by this change was \$366,155 or 134% higher than fiscal 2019.

The City of Henderson, Henderson County, and Deaconess Methodist Hospital formed a committee to address the Emergency Medical Services (EMS) needs of the community. The hospital covers the cost of the service with the City of Henderson and Henderson County contributing \$80,000 each to Deaconess for operations. The focus of this committee is to review and discuss improvements to the ambulance service that is provided by Methodist Hospital.

The entities worked to fund and replace the computer-aided dispatch (CAD) system for the emergency dispatch center. The project was completed in fiscal 2020 and the cost of the project exceeded \$1.2 million. The project included infrastructure upgrades, workstations, and renovations at a backup site.

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 \$3.6 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. During fiscal 2021, \$291,681 was paid to Motorola for the final work completed on the replacement project.

Economic Development:

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.

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 \$151,000 in additional funds in fiscal 2022 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 2022 budget includes \$5.8 million in capital projects which includes \$672,800 in rolling stock replacement.

During the last fiscal year, HMP&L spent \$2,776,717 in capital improvements and replacements in the existing system. HWU added \$6,220,622 in capital projects during fiscal 2021.

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 the 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, three of these policies were particularly relevant. The City of Henderson has a policy that requires the adoption of a balanced annual operating budget where operating expenses may not exceed anticipated revenues plus available unassigned fund balance. The amended fiscal 2021 budget was adopted using \$2,860,000 of unassigned fund balance. However, due to the CARES Act grant, improved tax revenues, and limited expenditures only \$336,487 of the unassigned fund balance was needed.

A reserve policy was approved in June 2020 that designates that 10% of the insurance premium tax be set aside for future capital projects and debt payments. For fiscal 2021, the City committed another \$604,000 of the tax and spent \$87,358 on debt service. At fiscal year-end, there was approximately \$1,068,600 committed for capital projects and debt payments.

The final 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 amended fiscal 2022 budget was adopted with approximately \$35.3 million in expenses and transfers out. With an ending reserve of approximately \$13.6 million on June 30, 2021, the General Fund has 4.6 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 annual comprehensive financial report (ACFR) for the fiscal year ended June 30, 2020. This was the twenty-second consecutive year that the government has achieved this prestigious award.

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.

A Certificate of Achievement for Excellence in Financial Reporting is valid for a period of one year only. However, we believe that our current ACFR 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, 2021 and ending June 30, 2022. This was the thirteenth 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 fourth consecutive year, the City of Henderson received the Popular Annual Financial Reporting Award for its June 30, 2020 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 four 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,



William L. Newman, Jr.

City Manager



Robert Gunter

Finance Director



Government Finance Officers Association

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

Presented to

**City of Henderson
Kentucky**

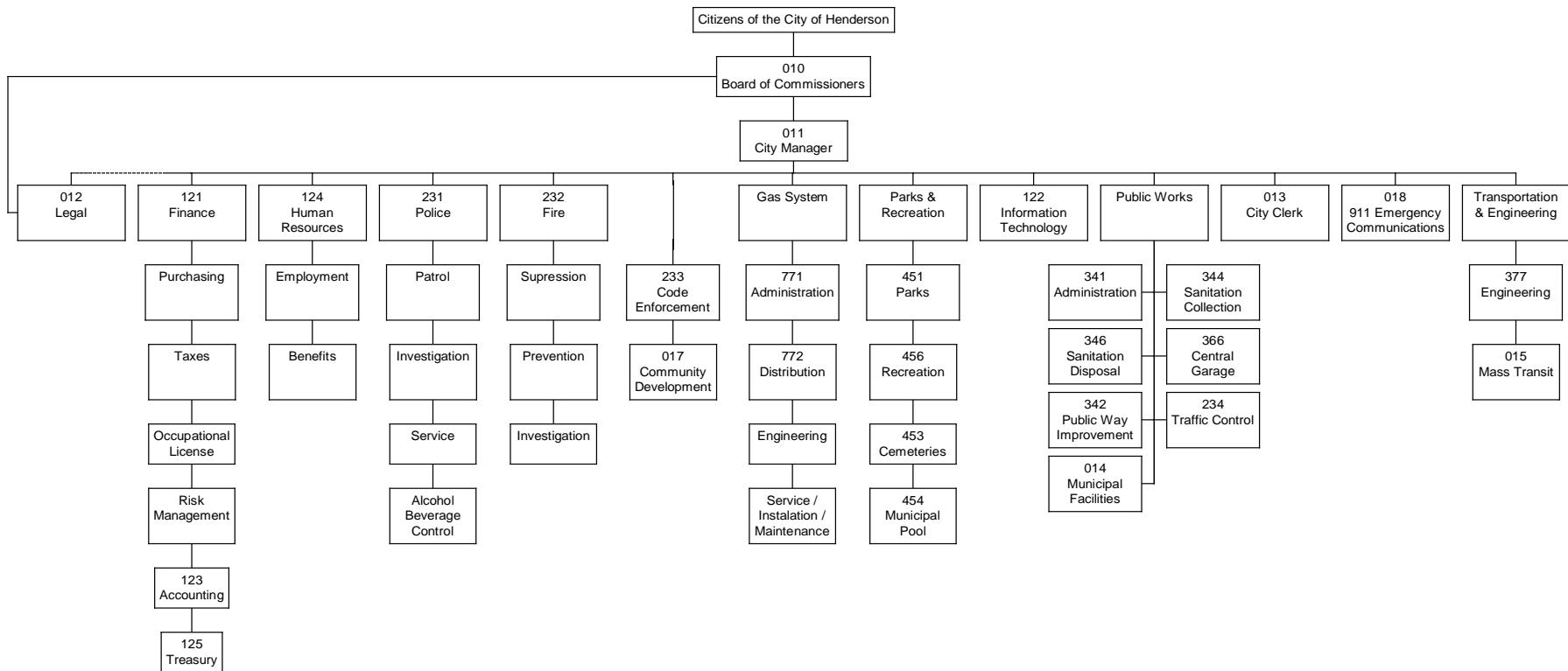
For its Comprehensive Annual
Financial Report
For the Fiscal Year Ended

June 30, 2020

Christopher P. Monell

Executive Director/CEO

City of Henderson, Kentucky



CITY OF HENDERSON, KENTUCKY
LIST OF ELECTED AND APPOINTED OFFICIALS

Elected Officials

Mayor	Steve Austin
Commissioner	Robert Pruitt
Commissioner	Bradley S. Staton
Commissioner	Rodney Thomas
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
Emergency 911 Director	Jordan Webb
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, 2021 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*, issued by the Comptroller General of the United States. 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, and based on the opinion of other auditors, 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, 2021, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and pension and OPEB schedules on pages 15 through 33 and 105 through 116 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 and other auditors 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, schedules 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 by us and other auditors, in accordance with auditing standards generally accepted in the United States of America. In our opinion, based on our audit, the procedures described above and the report of other auditors, the combining and individual non-major fund financial statements and schedules 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 February 18, 2022, 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 an 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

February 18, 2022

**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, 2021. It should be read in conjunction with the transmittal letter and the financial statements provided in this document.

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 \$52.0 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 2021.
- The City's General Fund ended the year with a fund balance of \$13,625,231, an increase of \$2,546,790 or 23% 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% from \$10.9 million in 2017 to \$13.6 million in 2021.

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 resources 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 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 fund financial statements 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 46-104 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 105-116 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 117-128 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 and deferred inflows exceeded assets and deferred outflows by \$24,932,560 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, 2021.

City of Henderson's – Net Position

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Current and other assets	\$ 58,348,578	\$ 49,298,891	\$12,418,989	\$11,273,727	\$ 70,767,567	\$ 60,572,618
Capital assets	32,390,421	32,639,380	2,719,510	2,282,023	35,109,931	34,921,403
Total assets	90,738,999	81,938,271	15,138,499	13,555,750	105,877,498	95,494,021
Deferred outflows	13,401,201	14,598,261	1,558,375	1,532,896	14,959,576	16,131,157
Total assets and deferred outflows	<u>\$104,140,200</u>	<u>\$ 96,536,532</u>	<u>\$16,696,874</u>	<u>\$15,088,646</u>	<u>\$120,837,074</u>	<u>\$111,625,178</u>
Long-term liabilities	\$117,150,779	\$106,157,462	\$ 6,181,474	\$ 5,612,601	\$123,332,253	\$111,770,063
Current liabilities	11,249,718	11,057,189	1,772,097	1,540,881	13,021,815	12,598,070
Other liabilities	656,020	698,710	4,259,464	4,242,525	4,915,484	4,941,235
Total liabilities	<u>\$129,056,517</u>	<u>\$117,913,361</u>	<u>\$12,213,035</u>	<u>\$11,396,007</u>	<u>\$141,269,552</u>	<u>\$129,309,368</u>
Deferred inflows	\$ 3,887,742	\$ 4,573,766	\$ 612,340	\$ 657,660	\$ 4,500,082	\$ 5,231,426
Net position:						
Net investment in capital assets	19,780,166	19,124,042	2,719,510	2,282,023	22,499,676	21,406,065
Restricted for:						
Debt Service	982	1,000	-	-	982	1,000
Tourism	2	1	-	-	2	1
Law enforcement	80,577	94,360	-	-	80,577	94,360
Unrestricted	<u>(48,665,786)</u>	<u>(45,169,998)</u>	<u>1,151,989</u>	<u>752,956</u>	<u>(47,513,797)</u>	<u>(44,417,042)</u>
Total net position	<u>\$ (28,804,059)</u>	<u>\$ (25,950,595)</u>	<u>\$ 3,871,499</u>	<u>\$ 3,034,979</u>	<u>\$ (24,932,560)</u>	<u>\$ (22,915,616)</u>

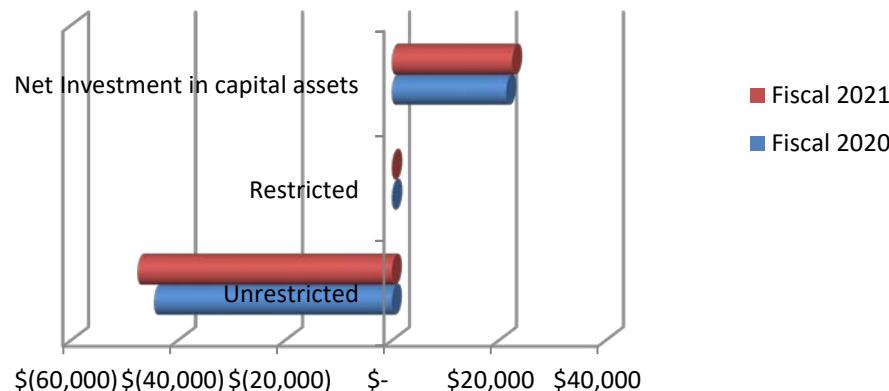
By far, the largest portion of the City of Henderson's net position reflects its investment in capital assets (e.g., land, buildings, machinery, equipment, vehicles, and infrastructure), less any related outstanding debt that was used to acquire those assets. The City of Henderson uses these capital 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 \$81,561 represents resources that are subject to external restrictions on how they may be used. The remaining balance of (\$47,513,797) 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. Deferred outflows of resources related to pensions and other post-employment benefits (OPEB) decreased by \$1,171,581 or 7.3% to \$14,959,576. This included pension contributions subsequent to the measurement date of \$3,460,764 and OPEB contributions of \$991,585. These contributions will be included as a reduction of the collective net pension liability in the year ended June 30, 2022. Deferred inflows of resources related to pensions and OPEB were \$4,500,082 which is down \$731,344 from the prior year.

At the end of the current fiscal year, the City of Henderson can report positive balances in net investment in the capital assets and the restricted categories of net position, both for the government, 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.

City of Henderson Net Position June 30, 2020 and 2021 (Thousands)



The City of Henderson's overall net position decreased \$2,016,944 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 \$2,853,464 from the prior year for an ending balance of (\$28,804,059).

Governmental activities net of charges for services, operating grants/contributions, and capital grants/contributions were (\$29,774,132). Taxes, distributions from component units, investment income and transfers generated \$26,920,668. This resulted in the (\$2,853,464) change in net position. Total general revenues and transfers increased \$1,643,456 or 6.5% from the prior year while general activities expenses increased by only \$760,334 or 1.8%.

Pension expenses for the County Employees Pension System (CERS) were \$8,507,138. This includes \$5,046,374 that will be paid with future tax revenues. Other post-employment expenses for the County Employees Pension System (CERS) were \$2,275,926. This includes \$773,867 that will be paid with future tax revenues.

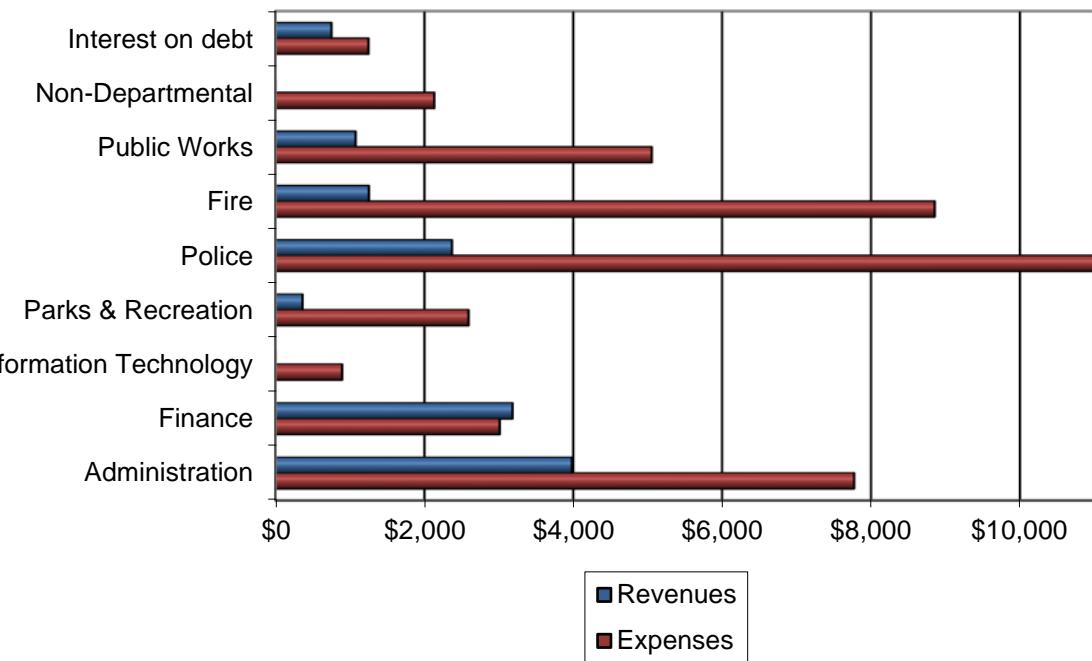
The governmental funds had an increase in fund balance of \$9,624,353 with the General Fund increasing \$2,546,790. The Construction Fund had a net change of \$7,385,589 with the increase due to the nearly \$10 million bond issuance and bond premium. There was also \$2.4 million in transfers to the Bond Fund for payment on outstanding bonds. The governmental funds spent over \$2.4 million on capital items during the fiscal year. This included \$540,214 for vehicles with \$469,195 of that total used for police vehicles. Over \$330,000 was spent on fire equipment and \$291,681 for computer equipment for the 911 Center. The governmental funds also spent nearly \$960,000 on real property. The balance of the capital was for various smaller projects that included a \$120,000 for renovations to various buildings and \$93,333 on roads and bridges.

The General Fund increased its reserves in the amount of \$2,546,790. Since fiscal 2015, the fund's balance has increased 26.4%. Based on the amended fiscal 2022 budgeted expenditures of \$35.3 million, the General Fund has approximately 4.6 months' worth of reserves. The City has assigned \$4.8 million of the fiscal 2021 fund balance with \$1.8 million of that amount to fill the fiscal 2022 budget deficit leaving \$7.4 million unassigned.

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

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
<u>Revenues:</u>						
Program revenues:						
Charges for services	\$ 7,781,182	\$ 7,745,464	\$ 18,106,561	\$ 15,504,971	\$ 25,887,743	\$ 23,250,435
Operating grants	4,873,687	5,006,398	114,264	111,480	4,987,951	5,117,878
Capital grants	320,227	482,700	-	-	320,227	482,700
General revenues:						
Taxes	23,342,064	21,456,204	-	-	23,342,064	21,456,204
Investment income	150,410	445,642	103,149	298,386	253,559	744,028
Distributions from component units	1,744,724	1,694,724	-	-	1,744,724	1,694,724
Total revenues	<u>38,212,294</u>	<u>36,831,132</u>	<u>18,323,974</u>	<u>15,914,837</u>	<u>56,536,268</u>	<u>52,745,969</u>
<u>Expenses:</u>						
Administration	7,774,147	5,704,804	-	-	7,774,147	5,704,804
Finance	3,010,975	2,982,288	-	-	3,010,975	2,982,288
Information technology	893,873	820,300	-	-	893,873	820,300
Parks & recreation	2,592,187	2,462,984	-	-	2,592,187	2,462,984
Police	11,187,805	11,373,574	-	-	11,187,805	11,373,574
Fire	8,855,597	9,129,066	-	-	8,855,597	9,129,066
Public works	5,054,649	6,388,445	-	-	5,054,649	6,388,445
Nondepartmental	2,132,456	1,886,977	-	-	2,132,456	1,886,977
Interest on long-term debt	1,247,539	1,240,456	-	-	1,247,539	1,240,456
Gas	-	-	12,009,925	11,007,525	12,009,925	11,007,525
Sanitation	-	-	3,799,059	3,777,655	3,799,059	3,777,655
Total expenses	<u>42,749,228</u>	<u>41,988,894</u>	<u>15,808,984</u>	<u>14,785,180</u>	<u>58,558,212</u>	<u>56,774,074</u>
Increase/(Decrease) before transfers	(4,536,934)	(5,157,762)	2,514,990	1,129,657	(2,021,944)	(4,028,105)
Gain on sale of capital assets	-	-	5,000	48,650	5,000	48,650
Transfers	<u>1,683,470</u>	<u>1,680,642</u>	<u>(1,683,470)</u>	<u>(1,680,642)</u>	<u>-</u>	<u>-</u>
Change in net position	(2,853,464)	(3,477,120)	836,520	(502,335)	(2,016,944)	(3,979,455)
Prior period adjustment	-	4,148,101	-	(4,148,101)	-	-
Net position, beginning	<u>(25,950,595)</u>	<u>(26,621,576)</u>	<u>3,034,979</u>	<u>7,685,415</u>	<u>(22,915,616)</u>	<u>(18,936,161)</u>
Net position, ending	<u>\$ (28,804,059)</u>	<u>\$ (25,950,595)</u>	<u>\$ 3,871,499</u>	<u>\$ 3,034,979</u>	<u>\$ (24,932,560)</u>	<u>\$ (22,915,616)</u>

Expenses and Program Revenues - Governmental Activities (Thousands)



Business-type Activities. For the City of Henderson's business-type activities, the results for the current fiscal year were positive in that overall net position increased to an ending balance of \$3,871,499. The total increase in net position for business-type activities (natural gas and sanitation) was \$836,520 from the prior fiscal year. The enterprise funds had income from operations of \$2,411,841 but after nonoperating revenues and transfers ended the year with a gain of \$836,520. Some of the increase is attributable to a colder winter that generated more sales for the Gas Fund and increase commercial traffic at Sanitation's transfer station. These revenues increased by \$496,101 in the Gas Fund and \$421,500 in the Sanitation Fund. There was a \$583,579 gain in the Gas Fund and a \$252,941 gain in the Sanitation Fund.

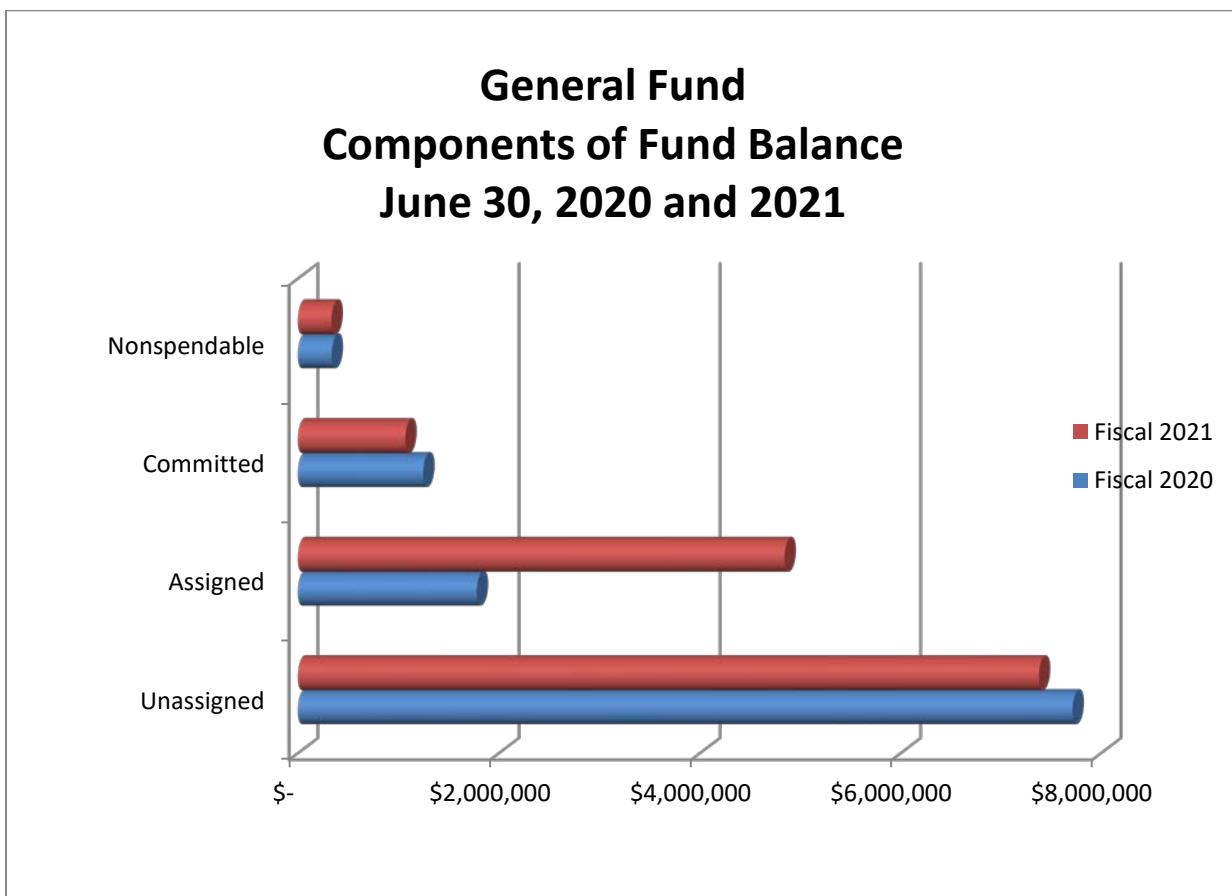
Financial Analysis of Governmental Funds

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.

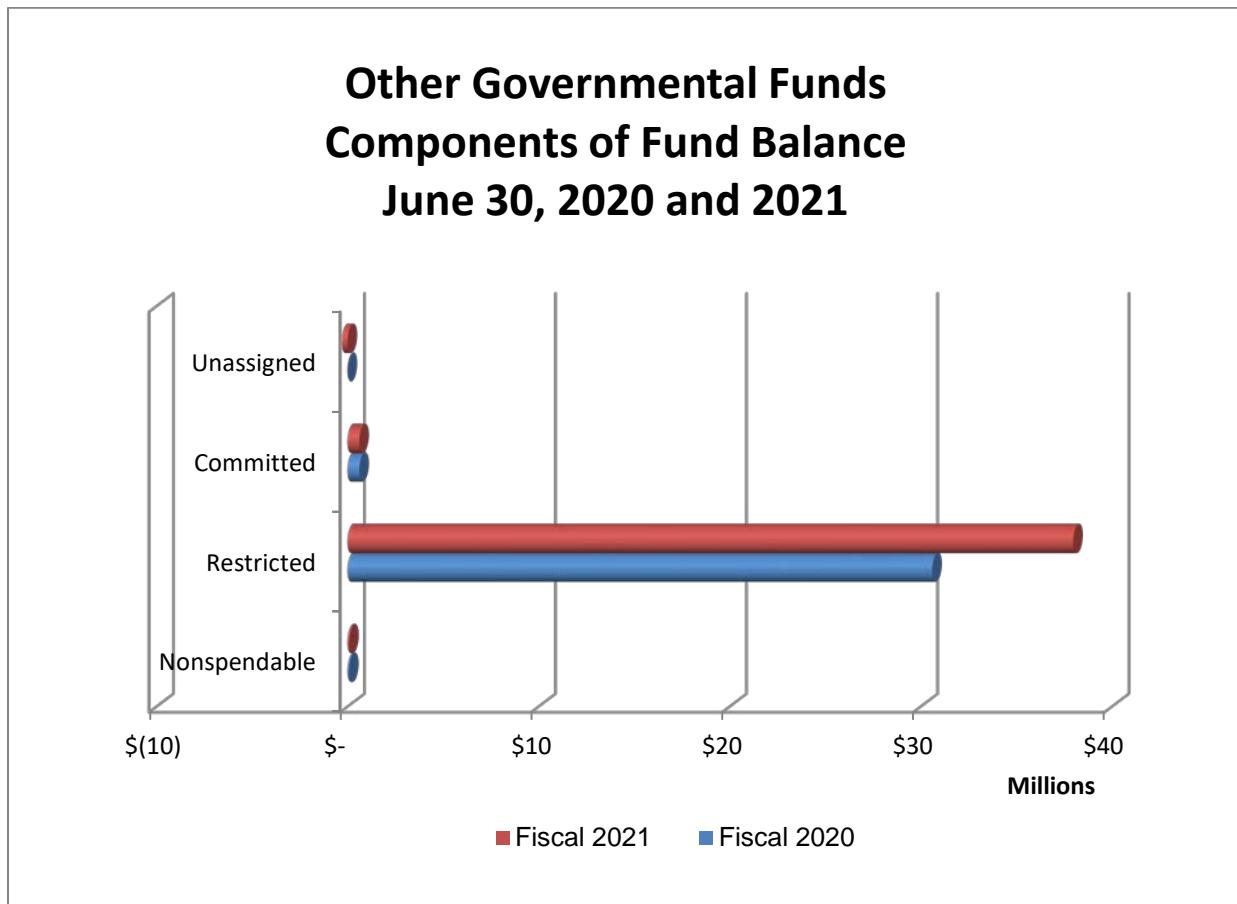
Unassigned fund balance may serve as a useful measure of a government's net resources available for discretionary use as they represent the portion of fund balance which has not yet been limited to use for a particular purpose. The limitation can be set by either an external party, the City of Henderson 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.

On June 30, 2021, the City of Henderson's governmental funds reported a combined fund balance of \$52,000,212, an increase of \$9,624,353 in comparison with the prior fiscal year. Approximately 13.6% of this amount or \$7,077,227 constitutes unassigned fund balance, which is available for spending at the government's discretion. Over 73% or nearly \$38 million of the fund balance was restricted for debt, capital projects and other special purposes. There was also \$420,142 that was classified as "nonspendable" because it is for inventories and prepaid expenditures. A total of \$1,684,087 or 3.2% was committed for other purposes. Another \$4.8 million was assigned to fill the fiscal 2022 budget deficit of \$1.8 million, \$2.7 million to cover possible property/casualty insurance and pension losses, \$200,000 set aside for the future construction of a Newman Park shelter, and \$148,536 assigned to be used for drainage in the Countryview subdivision.



The General Fund is the primary operating fund of the City of Henderson. At the end of the current fiscal year, the General Fund unassigned fund balance was \$7,379,750 which is a slight decrease of \$336,487 or 4.4% from the prior year. Total fund balance increased to \$13,625,231.

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 20.9 percent of the total amended 2022 fiscal year budgeted general fund expenditures of \$35,322,000, while total fund balance represents approximately 38.6 percent of that same budget amount.



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:

- Increase in occupational taxes in the amount of \$1,062,237.
- The insurance premium tax was up \$517,841 or 9.4%.
- 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 0.8% compared to the prior year and finished \$1,087,000 under the 2021 budget.
- Property and Casualty Insurance expense decreased by \$216,779 due to a change in carriers.

The Construction Fund ended the fiscal year with a fund balance of \$37,894,659 which is an increase of \$7,385,589 from the prior year. During fiscal 2021, the City issue additional debt in the amount of \$9,625,000.

The City received \$271,541 in federal funding on various grants including \$74,869 from the Department of Transportation for the bridge and roadway improvements on Wathen Lane and \$172,896 from the Delta Regional Authority for a clean water project. These grants include the reimbursement of capital expenditures with a small local match. The Construction Fund transferred \$2,411,671 to the Bond Fund to retire debt.

The Debt Service Fund, the remaining major governmental fund, had a small decrease in fund balance during the current year of \$18 to bring the year end fund balance to \$982. The decrease is essentially the difference between bank interest and transfers from the various funds and the payments of bond principal and interest.

The Nonmajor funds had a net change in fund balance of \$308,008 from fiscal 2020 to fiscal 2021 which included a decrease of \$311,568 in the Public Way Improvement (PWI) Fund. Since the General Fund will cover the loses for the nonmajor funds, any changes in fund balance will be minimal. A nonmajor fund with a negative fund balance is the result of the timing difference between the accrual of a liability and the receipt of a General Fund transfer to cover the payment.

Proprietary Funds. The City of Henderson's proprietary funds provide the same type of 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 \$2,951,381 and for the Sanitation Fund it was (\$1,799,392). The change in net position for both funds was \$583,579 and \$252,941, respectively.

As noted earlier in the discussion of business-type activities, some of the increase for the Natural Gas Fund was attributable to a colder winter that generated more sales. Gross margins for national gas increased \$496,101 or 9.9% which was due to an increase in PEAK returns of \$257,585. Net of the PEAK returns, gross margins increased \$238,516 or 4.8%. The Gas Fund's income from operations increased \$1,279,923 or 158% from the prior fiscal year. After investment income and transfers to the general fund, the change in net position was \$583,579. Based on the 2022 fiscal year's amended budgeted expenditures and net of investments in capital assets, the Gas Fund has approximately 1.5 months' worth of reserves. The Gas fund invested \$447,163 in capital assets for the fiscal year compared to \$109,940 in the prior year. Another \$42,708 in labor costs were capitalized during fiscal 2021 compared to \$32,968 in fiscal 2020.

The engineer's estimate related to closing and monitoring the landfill increased by \$16,939. After increases in commercial traffic at the transfer station, operating revenues increased by \$300,647 from the prior year. Contractual services increased by \$201,122 or 42.9% and now include the \$14,800 monthly cost for Daviess County to operate the landfill and scale house. Disposal costs increased \$171,877 or 13.3% and are related to the commercial traffic at the transfer station. Income from operations was a gain of \$321,889.

The Sanitation Fund's statement of net position reflects the landfill closure and post closure costs of \$4.26 million. Of this total, approximately \$2.90 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 \$3.55 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 2021 had three amendments. The original budget was adopted with expenditures and transfers out set at \$29,951,000. The final budget had expenditures and transfers of \$33,033,000.

The largest amendment included \$860,000 in appropriations for property purchase for the sports complex. There was also an appropriation of \$254,000 for police pursuit vehicles, \$650,000 for a fire apparatus, and \$301,000 for self-contained breathing apparatus equipment for the fire department.

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>
Payroll tax	\$6,144,000	\$6,949,568	\$ 805,568
Net profits tax	\$1,160,500	\$1,418,172	\$ 257,672
Insurance Premium Tax	\$5,618,000	\$6,038,724	\$ 420,724
Federal grant	\$ 958,000	\$1,575,382	\$ 617,382
Investment income	\$ 26,450	\$ 125,082	\$ 98,632

As a general practice and especially due to COVID-19, 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. In most years, actual revenues would easily exceed estimated revenues. In January 2020, the Board approved an increase in the payroll tax from 1.29% to 1.49% and net profits tax from 1.0% to 1.49%. Estimated numbers were based on the rate increases; however, fiscal 2021's revenues estimates were very conservative due to the uncertainty surrounding the COVID-19 pandemic. The local economy seems to have performed better than expected. Combined, these two tax revenues exceeded the prior year actual by \$1,062,240.

Insurance premium taxes were also estimated based on the COVID-19 uncertainty and exceeded the budget by \$420,724. Fiscal 2021 also included a full year of the new rate of 11% compared to the 10% rate in the prior year.

Federal grants include \$1,290,707 that the City received from the State through the CARES Act that covered the salaries for police and fire personnel. As for the difference in the investment income, the City has several investments that benefited from the rush to quality as interest rates hit near record lows.

Actual expenditures and transfers came in \$2,985,478 below estimates. 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 \$380,623 below budget or 96.8% of anticipated expenses. Vacant positions also have an impact on health insurance expenses which were 90.1% of budget. Due to favorable loss history, the City received a dividend on the workers compensation policy.

<u>Expenditure</u>	<u>Estimated Exp.</u>	<u>Actual Exp.</u>	<u>Difference</u>
Salaries	\$11,776,280	\$11,395,657	\$ 380,623
Health Insurance	\$ 3,997,650	\$ 3,603,174	\$ 394,476
Workers Compensation	\$ 272,720	\$ 142,796	\$ 129,924
Fuel	\$ 291,850	\$ 168,416	\$ 123,434
Insurance	\$ 560,470	\$ 321,961	\$ 238,509
Motor Vehicles	\$ 1,109,000	\$ 449,895	\$ 659,105
Transfers	\$ 4,652,000	\$ 4,126,246	\$ 525,754

Due to a depressed energy market caused by the pandemic, fuel costs came in more than \$123,000 below estimates. Property and casualty insurance finished \$238,509 below estimates due to the City changing insurance carriers that provided a more favorable rate. The motor vehicles were \$659,105 below the estimated expenditure because a fire truck and police pursuit vehicles were on back-order.

Transfers to the Public Way Improvement Fund were \$379,000 under budget. Several of the paving invoices were not processed until fiscal 2022 so the fund did not need the transfers. With the enactment of a higher 911 rate and placement of the fee on the water utility bills, the 911 Emergency Communications Fund required less funding from the General Fund. Transfers to the 911 Emergency Communications Fund were \$297,000 under the estimates. The Cemetery Fund's transfer was \$129,000 under budget estimates due to higher income for cemetery plots and grave openings/closings.

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, 2021, amounts to \$35,109,931 (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 net increase in capital assets for the current fiscal year was approximately 0.5%.

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

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Land	\$ 5,339,240	\$ 4,379,983	\$ 114,815	\$ 114,815	\$ 5,454,055	\$ 4,494,798
Artwork	196,500	196,500	-	-	196,500	196,500
Buildings	15,862,958	16,187,208	95,343	102,109	15,958,301	16,289,317
Improvements	3,643,042	3,990,301	-	-	3,643,042	3,990,301
Vehicles/Equipment	4,176,473	4,695,554	231,660	195,762	4,408,133	4,891,316
Natural Gas System	-	-	2,277,692	1,869,337	2,277,692	1,869,337
Infrastructure	3,172,208	3,189,834	-	-	3,172,208	3,189,834
Total	\$ 32,390,421	\$ 32,639,380	\$ 2,719,510	\$ 2,282,023	\$ 35,109,931	\$ 34,921,403

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

- \$540,214 for various vehicles including eleven police vehicles.
- Over \$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.

Additional information on the City of Henderson's capital assets may be found in Note 4 in the notes to the financial statements on pages 60-61 of this report.

Long-Term Debt. At the end of the current fiscal year, the City of Henderson had total bonded debt outstanding of \$50,410,000 and a general obligation contract of \$82,923. All \$50,492,923 is backed by the full faith and credit of the City.

City of Henderson's Outstanding Debt

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
General Obligation Bonds and contracts	\$ 50,847,949	\$ 44,553,065	\$ -	\$ -	\$ 50,847,949	\$ 44,553,065

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.

Series 2020A Raw Water Intake, New Fire Station, and Sports Complex

During the year ended June 30, 2021, the City issued \$9,625,000 non-taxable bonds to pay costs of issuance and for the purpose of (a) the acquisition, construction, installation, and equipping of new municipal water, sanitary sewer and storm sewer improvements and additions comprising a new raw water intake, (b) the acquisition, construction, installation, and equipping of a new fire station and related facilities and equipment, (c) the acquisition, construction, installation, and equipping of a new 58-acre sports complex.

This obligation matures in December 2040. The interest rate was 2.0%. Interest is due in semi-annual installments. The obligation is secured by the full taxing authority of the City of Henderson.

During the fiscal year, the City of Henderson's total debt increased by \$5,939,858 or 13.3%. The reason for the increase was the issuances of the new 2020A debt minus the scheduled principal payments for all outstanding bonds. The last scheduled payment on the City's outstanding debt is December 1, 2040.

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 \$124,961,000, which is significantly in excess of the current outstanding general obligation debt of \$50,765,026.

Additional information on the City of Henderson's long-term debt may be found in Note 5 on pages 62-76 of this report.

Economic Factors and Next Year's Budget and Rates

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 substandard residential structures. The unemployment rate for the City of Henderson in June 2020 was approximately 5.3% which was lower than the national rate of 5.9% and higher than the Kentucky rate of 4.4%.

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 associate 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.

The dedication and commitment of the City's staff was on full display. Management would like to thank the Board of Commissioners for providing the needed resources to meet this challenge and for making the difficult decisions as far as staffing, revenue, and operations. Despite the challenges presented by COVID-19, the resiliency of the local economy has been truly impressive. The addition of Pratt Industries and the 320 jobs will be a huge boost to Henderson and the surrounding area. We are excited of what the future will hold and are poised to excel.

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, 2021

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	Henderson Municipal Power & Light	Henderson Water Utility
ASSETS					
Cash	\$ 9,144,609	\$ 2,675,950	\$ 11,820,559	\$ 7,840,664	\$ 9,213,079
Investments	9,663,951	7,315,053	16,979,004	22,747,007	54,975
Receivables	1,402,585	1,928,737	3,331,322	11,230,919	4,123,661
Internal balances	(262,372)	262,372	-	-	-
Inventories	61,455	175,174	236,629	1,398,285	822,635
Prepaid expenses	358,687	61,703	420,390	106,360	221,059
Restricted assets:					
Cash	10,019,241	-	10,019,241	-	-
Investments	-	-	-	2,305,006	-
Receivable from HWU:					
Due in one year	2,745,422	-	2,745,422	-	-
Due after one year	25,215,000	-	25,215,000	-	-
Land and other nondepreciable capital assets	5,535,740	114,815	5,650,555	1,836,019	1,601,482
Capital assets, net of accumulated depreciation	26,854,681	2,604,695	29,459,376	12,945,974	83,306,978
Other assets	-	-	-	-	141,148
Total assets	90,738,999	15,138,499	105,877,498	60,410,234	99,485,017
DEFERRED OUTFLOWS OF RESOURCES					
Deferred outflows of resources	13,401,201	1,558,375	14,959,576	7,099,582	3,640,512
Total assets and deferred outflows of resources	\$ 104,140,200	\$ 16,696,874	\$ 120,837,074	\$ 67,509,816	\$ 103,125,529
LIABILITIES					
Accounts payable and accrued liabilities	\$ 3,706,926	\$ 1,130,404	\$ 4,837,330	\$ 3,269,458	\$ 1,500,832
Deposits payable	901,184	299,593	1,200,777	740,189	198,668
Due to component units	1,718,685	-	1,718,685	-	-
Gas storage liability	-	342,100	342,100	-	-
Bonds and leases payable, current portion	3,812,923	-	3,812,923	710,000	2,807,314
Compensated absences, current portion	1,110,000	-	1,110,000	-	349,472
Noncurrent liabilities:					
Bonds and leases payable	47,035,026	-	47,035,026	8,690,000	25,527,115
Compensated absences	418,880	-	418,880	352,614	379,232
Net pension liability	54,236,191	4,708,698	58,944,889	10,636,488	11,998,895
Net other postemployment benefits liability	15,460,682	1,472,776	16,933,458	3,347,686	3,776,898
Landfill closure and post closure	-	4,259,464	4,259,464	-	-
Other	656,020	-	656,020	2,888,704	-
Total liabilities	129,056,517	12,213,035	141,269,552	30,635,139	46,538,426
DEFERRED INFLOWS OF RESOURCES					
Deferred inflows of resources	3,887,742	612,340	4,500,082	565,531	955,717
NET POSITION					
Net investment in capital assets	19,780,166	2,719,510	22,499,676	5,381,993	56,573,406
Restricted for:					
Debt service	982	-	982	1,595,006	-
Tourism	2	-	2	-	-
Law enforcement	80,577	-	80,577	-	-
Unrestricted	(48,665,786)	1,151,989	(47,513,797)	29,332,147	(942,020)
Total net position	(28,804,059)	3,871,499	(24,932,560)	36,309,146	55,631,386
Total liabilities, deferred inflows, and net position	\$ 104,140,200	\$ 16,696,874	\$ 120,837,074	\$ 67,509,816	\$ 103,125,529

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, 2021

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
Primary government								
Governmental activities:								
Administration	\$ 7,774,147	\$ 2,749,335	\$ 1,232,592	\$ -	\$ (3,792,220)	\$ -	\$ (3,792,220)	
Finance	3,010,975	3,164,847	-	18,686	172,558	-	172,558	
Information technology	893,873	-	-	-	(893,873)	-	(893,873)	
Parks and recreation	2,592,187	361,204	-	-	(2,230,983)	-	(2,230,983)	
Police	11,187,805	1,304,677	1,065,582	-	(8,817,546)	-	(8,817,546)	
Fire	8,855,597	4,399	1,249,315	-	(7,601,883)	-	(7,601,883)	
Public works	5,054,649	196,720	576,413	301,541	(3,979,975)	-	(3,979,975)	
Nondepartmental	2,132,456	-	-	-	(2,132,456)	-	(2,132,456)	
Interest on long-term debt	1,247,539	-	749,785	-	(497,754)	-	(497,754)	
Total governmental activities	<u>42,749,228</u>	<u>7,781,182</u>	<u>4,873,687</u>	<u>320,227</u>	<u>(29,774,132)</u>	<u>-</u>	<u>(29,774,132)</u>	
Business-type activities:								
Gas	12,009,925	14,099,877	-	-	-	2,089,952	2,089,952	
Sanitation	3,799,059	4,006,684	114,264	-	-	321,889	321,889	
Total business-type activities	<u>15,808,984</u>	<u>18,106,561</u>	<u>114,264</u>	<u>-</u>	<u>-</u>	<u>2,411,841</u>	<u>2,411,841</u>	
Total primary government	<u>\$ 58,558,212</u>	<u>\$ 25,887,743</u>	<u>\$ 4,987,951</u>	<u>\$ 320,227</u>	<u>(29,774,132)</u>	<u>2,411,841</u>	<u>(27,362,291)</u>	
Component units								
Henderson Municipal Power & Light	\$ 41,546,287	\$ 41,213,332	\$ -	\$ -		\$ (332,955)	\$ -	
Henderson Water Utility	21,777,139	24,942,207	172,896	15,801				3,353,765
Total component units	<u>\$ 63,323,426</u>	<u>\$ 66,155,539</u>	<u>\$ 172,896</u>	<u>\$ 15,801</u>		<u>(332,955)</u>	<u>3,353,765</u>	
General revenues:								
Taxes:								
Property			7,899,127	-	7,899,127	-	-	-
Payroll and net profits			8,367,740	-	8,367,740	-	-	-
Insurance			6,038,724	-	6,038,724	-	-	-
Franchise			694,133	-	694,133	-	-	-
Bank deposits			188,232	-	188,232	-	-	-
Transient			154,108	-	154,108	-	-	-
Distributions from component units			1,744,724	-	1,744,724	-	-	-
Gain on sale of capital assets			-	5,000	5,000	-	-	-
Investment income			150,409	103,150	253,559	13,820	55,036	
Transfers			1,683,471	(1,683,471)	-	-	-	-
Total general revenues and transfers			<u>26,920,668</u>	<u>(1,575,321)</u>	<u>25,345,347</u>	<u>13,820</u>	<u>55,036</u>	
Change in net position			(2,853,464)	836,520	(2,016,944)	(319,135)	3,408,801	
Net position, beginning of year			(25,950,595)	3,034,979	(22,915,616)	36,628,281	52,222,585	
Net position, end of year			<u>\$ (28,004,059)</u>	<u>\$ 3,871,499</u>	<u>\$ (24,932,560)</u>	<u>\$ 36,309,146</u>	<u>\$ 55,631,386</u>	

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

City of Henderson, Kentucky
Balance Sheet
Governmental Funds
June 30, 2021

	General Fund	Debt Service Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS					
Cash	\$ 8,152,559	\$ -	\$ 372	\$ 1,943	\$ 8,154,874
Investments	9,663,951	-	-	-	9,663,951
Receivables	326,264	-	107,386	870,813	1,304,463
Prepaid Expenditures	299,797	-	-	58,890	358,687
Due from other funds	93,818	-	-	7,279	101,097
Inventories	34,545	-	-	26,910	61,455
Restricted assets:					
Cash	-	982	9,839,324	178,935	10,019,241
Receivable from HWU:					
Due in one year	-	-	2,745,422	-	2,745,422
Due after one year	-	-	25,215,000	-	25,215,000
Total assets	\$ 18,570,934	\$ 982	\$ 37,907,504	\$ 1,144,770	\$ 57,624,190
LIABILITIES					
Accounts payable	\$ 1,847,072	\$ -	\$ 12,845	\$ 559,483	\$ 2,419,400
Deposits payable	900,935	-	-	249	901,184
Accrued wages	194,797	-	-	26,443	221,240
Due to other funds	284,214	-	-	79,255	363,469
Due to component units	1,718,685	-	-	-	1,718,685
Total liabilities	4,945,703	-	12,845	665,430	5,623,978
FUND BALANCES					
Nonspendable	334,342	-	-	85,800	420,142
Restricted	-	982	37,894,659	80,579	37,976,220
Committed	1,068,603	-	-	615,484	1,684,087
Assigned	4,842,536	-	-	-	4,842,536
Unassigned	7,379,750	-	-	(302,523)	7,077,227
Total fund balances	13,625,231	982	37,894,659	479,340	52,000,212
Total liabilities and fund balances	\$ 18,570,934	\$ 982	\$ 37,907,504	\$ 1,144,770	\$ 57,624,190

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, 2021

Total fund balances of governmental funds per balance sheet \$ 52,000,212

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. 32,390,421

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	13,401,201
Deferred inflows of resources	(3,887,742)

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. 21,571

Long-term debt and other liabilities were not currently due and payable in the fiscal year ended June 30, 2021, and, therefore, were not reported in the governmental funds.

Long-term debt payable	\$ (50,410,000)
Unamortized premium on bonds	\$ (355,026)
Net Pension & OPEB liability	(69,696,873)
Accrued compensated absences	(1,528,880)
HRA Fund unfunded obligation	(656,020)
Body cameras contract	<u>(82,923)</u>
	<u>(122,729,722)</u>

Total net position of governmental activities per statement of net position \$ (28,804,059)

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, 2021

	General Fund	Debt Service Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES					
Taxes:					
Property	\$ 7,899,127	\$ -	\$ -	\$ -	\$ 7,899,127
Payroll and net profits	8,367,740	-	-	-	8,367,740
Insurance	6,038,724	-	-	-	6,038,724
Franchise	694,133	-	-	-	694,133
Bank deposits	188,232	-	-	-	188,232
Transient	-	-	-	154,108	154,108
Intergovernmental	5,317,785	749,785	286,541	1,801,847	8,155,958
Distributions from component units	1,744,724	-	-	-	1,744,724
Service charges and fees	364,028	-	-	1,400,076	1,764,104
Rents, concessions, and other services	95,688	-	-	-	95,688
Fines, finance charges, and penalties	62,283	-	-	-	62,283
Licenses and permits	70,041	-	-	-	70,041
Investment income	125,082	488	20,466	1,737	147,773
Miscellaneous	209,535	14,106	15,000	39,425	278,066
Total revenues	31,177,122	764,379	322,007	3,397,193	35,660,701
EXPENDITURES					
Current:					
Administration	2,388,838	-	1,314	1,623,797	4,013,949
Finance	2,290,261	-	-	-	2,290,261
Information technology	864,685	-	29,188	-	893,873
Parks and recreation	1,500,931	-	-	461,101	1,962,032
Police	7,037,797	-	-	1,279,522	8,317,319
Fire	6,602,897	-	-	-	6,602,897
Public works	2,293,796	-	26,323	1,751,008	4,071,127
Nondepartmental	2,064,821	-	67,635	-	2,132,456
Debt service:					
Principal	-	3,605,000	-	-	3,605,000
Interest	-	1,247,539	-	-	1,247,539
Bond issuance costs	-	-	162,767	-	162,767
Capital outlays	877,250	-	1,464,042	78,019	2,419,311
Total expenditures	25,921,276	4,852,539	1,751,269	5,193,447	37,718,531
Excess (deficiency) of revenues over expenditures	5,255,846	(4,088,160)	(1,429,262)	(1,796,254)	(2,057,830)
OTHER FINANCING SOURCES (USES)					
Transfers in	1,417,190	4,088,142	1,245,000	1,488,246	8,238,578
Transfers out	(4,126,246)	-	(2,428,861)	-	(6,555,107)
Bond premium	-	-	373,712	-	373,712
Bond issuance	-	-	9,625,000	-	9,625,000
Total other financing sources (uses)	(2,709,056)	4,088,142	8,814,851	1,488,246	11,682,183
Net change in fund balances	2,546,790	(18)	7,385,589	(308,008)	9,624,353
Fund balances, beginning of year	11,078,441	1,000	30,509,070	787,348	42,375,859
Fund balances, end of year	\$ 13,625,231	\$ 982	\$ 37,894,659	\$ 479,340	\$ 52,000,212

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, 2021

Net change in fund balances of governmental funds \$ 9,624,353

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	2,419,311
Depreciation expense	(2,668,271)

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	3,605,000
Payment on body cameras contract	80,142

Governmental funds report the issuance of long-term debt as other financing sources, while the statement of activities does not report such issuance as revenues:

Bond issuance	(9,625,000)
Premium on bonds	(373,712)

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:

CERS Pension expense adjustment	(4,657,159)
CERS OPEB expense adjustment	(1,175,482)
Decrease in CSPP and PFPP pension expense adjustment	564,572
Increase in accrued compensated absences	(33,180)
Decrease in HRA Fund unfunded obligation	42,690
Amortization of bond premium	18,686

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>(675,414)</u>
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Change in net position of governmental activities \$ (2,853,464)

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, 2021

	Budget			Variance with Final Budget
	Original	Final	Actual	
REVENUES				
Taxes:				
Property	\$ 7,834,300	\$ 7,834,300	\$ 7,899,127	\$ 64,827
Payroll and net profits	7,304,500	7,304,500	8,367,740	1,063,240
Insurance	5,618,000	5,618,000	6,038,724	420,724
Franchise	675,000	675,000	694,133	19,133
Bank deposits	163,000	163,000	188,232	25,232
Intergovernmental	3,456,750	4,409,750	5,317,785	908,035
Distributions from component units	1,744,700	1,744,700	1,744,724	24
Service charges and fees	453,300	453,300	364,028	(89,272)
Rents, concessions, and other services	103,000	103,000	95,688	(7,312)
Licenses and permits	80,000	80,000	70,041	(9,959)
Fines, finance charges, and penalties	55,500	55,500	62,283	6,783
Investment income	26,450	26,450	125,082	98,632
Miscellaneous	240,500	240,500	209,535	(30,965)
Total revenues	27,755,000	28,708,000	31,177,122	2,469,122
EXPENDITURES				
Current:				
Administration	2,745,630	2,760,380	2,388,838	371,542
Finance	2,419,990	2,430,250	2,290,261	139,989
Information Technology	844,520	852,570	864,685	(12,115)
Parks and recreation	1,467,420	1,635,380	1,500,931	134,449
Police	7,493,370	7,672,040	7,037,797	634,243
Fire	6,582,240	6,614,150	6,602,897	11,253
Public works	2,412,850	2,498,250	2,293,796	204,454
Nondepartmental	2,022,980	2,370,980	2,064,821	306,159
Capital outlays	205,000	1,547,000	877,250	669,750
Total expenditures	26,194,000	28,381,000	25,921,276	2,459,724
Excess (deficiency) of revenues over expenditures	1,561,000	327,000	5,255,846	4,928,846
OTHER FINANCING SOURCES (USES)				
Transfers in	1,400,000	1,400,000	1,417,190	17,190
Transfers out	(3,757,000)	(4,652,000)	(4,126,246)	525,754
Sale of land	-	-	-	-
Insurance recovery	65,000	65,000	-	(65,000)
Total other financing sources (uses)	(2,292,000)	(3,187,000)	(2,709,056)	477,944
Net change in fund balance	(731,000)	(2,860,000)	2,546,790	5,406,790
Fund balance, beginning of year	11,078,441	11,078,441	11,078,441	-
Fund balance, end of year	\$10,347,441	\$ 8,218,441	\$13,625,231	\$ 5,406,790

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

City of Henderson, Kentucky
Statement of Net Position
Proprietary Funds
June 30, 2021

	Business-type Activities Enterprise Funds			Governmental Activities- Internal Service Fund
	Gas Fund	Sanitation Fund	Total Enterprise Funds	Health Insurance Fund
ASSETS				
Current assets:				
Cash	\$ 1,913,651	\$ 762,299	\$ 2,675,950	\$ 989,735
Investments	3,766,887	-	3,766,887	-
Receivables	1,699,877	228,860	1,928,737	98,122
Due from other funds	238,260	38,675	276,935	-
Prepaid Expenditures	37,523	24,180	61,703	-
Inventories	175,174	-	175,174	-
Total current assets	7,831,372	1,054,014	8,885,386	1,087,857
Noncurrent assets:				
Investments, designated for landfill closure costs	-	3,548,166	3,548,166	-
Land	-	114,815	114,815	-
Capital assets, net of accumulated depreciation	2,277,694	327,001	2,604,695	-
Total noncurrent assets	2,277,694	3,989,982	6,267,676	-
Deferred outflows of resources:				
Deferred outflows of resources-pension obligation	1,021,218	537,157	1,558,375	-
Total Deferred outflows of resources	1,021,218	537,157	1,558,375	-
Total assets and deferred outflows of resources	\$ 11,130,284	\$ 5,581,153	\$ 16,711,437	\$ 1,087,857
LIABILITIES				
Current liabilities:				
Accounts payable	\$ 765,171	\$ 337,755	\$ 1,102,926	\$ 1,066,286
Deposits payable	295,927	3,666	299,593	-
Accrued wages	18,601	8,877	27,478	-
Due to other funds	4,090	10,473	14,563	-
Gas storage liability	342,100	-	342,100	-
Total current liabilities	1,425,889	360,771	1,786,660	1,066,286
Noncurrent liabilities:				
Net pension liability	3,093,474	1,615,224	4,708,698	-
Accrued OPEB liability	981,898	490,878	1,472,776	-
Estimated landfill closure costs	-	4,259,464	4,259,464	-
Total noncurrent liabilities	4,075,372	6,365,566	10,440,938	-
Total liabilities	5,501,261	6,726,337	12,227,598	1,066,286
Deferred inflows of resources:				
Deferred inflows of resources-pension obligation	399,948	212,392	612,340	-
Total Deferred inflows of resources	399,948	212,392	612,340	-
NET POSITION				
Net investment in capital assets	2,277,694	441,816	2,719,510	-
Unrestricted	2,951,381	(1,799,392)	1,151,989	21,571
Total net position	5,229,075	(1,357,576)	3,871,499	21,571
Total liabilities, deferred inflows of resources, and net position-	\$ 11,130,284	\$ 5,581,153	\$ 16,711,437	\$ 1,087,857

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, 2021

	Business-type Activities Enterprise Funds			Governmental Activities- Internal Service Fund
	Gas Fund	Sanitation Fund	Total Enterprise Funds	
OPERATING REVENUES				
Gas sales	\$ 13,426,035	\$ -	\$ 13,426,035	\$ -
Sanitation fees	- -	4,110,278	4,110,278	- -
Other income	673,842	10,670	684,512	- -
Health insurance premiums:				
City of Henderson	- -	- -	- -	4,966,396
Henderson Municipal Power & Light	- -	- -	- -	753,067
Henderson Water Utility	- -	- -	- -	1,380,700
Other	- -	- -	- -	396,501
Total operating revenues	14,099,877	4,120,948	18,220,825	7,496,664
OPERATING EXPENSES				
Gas administration	1,628,829	- -	1,628,829	- -
Gas distribution	10,181,960	- -	10,181,960	- -
Sanitation expenses	- -	3,729,567	3,729,567	- -
Landfill closure cost	- -	16,939	16,939	- -
Depreciation	199,136	52,553	251,689	- -
HRA Fund contributions	- -	- -	- -	330,000
Health insurance administration	- -	- -	- -	959,596
Health insurance claims	- -	- -	- -	6,885,119
Total operating expenses	12,009,925	3,799,059	15,808,984	8,174,715
Income (loss) from operations	2,089,952	321,889	2,411,841	(678,051)
NONOPERATING REVENUES				
Gain on sale of capital assets	- -	5,000	5,000	- -
Investment income	72,879	30,271	103,150	2,637
Total nonoperating revenues	72,879	35,271	108,150	2,637
Income before transfers	2,162,831	357,160	2,519,991	(675,414)
Transfers out to Debt Service Fund	(179,252)	(104,219)	(283,471)	- -
Transfers out to General Fund	<u>(1,400,000)</u>	- -	<u>(1,400,000)</u>	- -
Change in net position	583,579	252,941	836,520	(675,414)
Net position, beginning of year	4,645,496	(1,610,517)	3,034,979	696,985
Net position, end of year	<u>\$ 5,229,075</u>	<u>\$ (1,357,576)</u>	<u>\$ 3,871,499</u>	<u>\$ 21,571</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, 2021

	Business-type Activities Enterprise Funds			Governmental Activities- Internal Service Fund
	Gas Fund	Sanitation Fund	Total Enterprise Funds	
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers and users	\$ 13,476,527	\$ 4,257,358	\$ 17,733,885	\$ 7,601,562
Payments for goods and services	(9,154,370)	(2,761,854)	(11,916,224)	(959,596)
Payments for employees	(1,932,035)	(960,982)	(2,893,017)	-
Payments for HRA Fund contributions	-	-	-	(330,000)
Payments for health insurance claims	-	-	-	(6,559,368)
Net cash provided (used) by operating activities	<u>2,390,122</u>	<u>534,522</u>	<u>2,924,644</u>	<u>(247,402)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers to Debt Service Fund	(179,252)	(104,219)	(283,471)	-
Transfers to General Fund	(1,400,000)	-	(1,400,000)	-
Net cash provided (used) by noncapital financing activities	<u>(1,579,252)</u>	<u>(104,219)</u>	<u>(1,683,471)</u>	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Purchases of capital assets	(489,871)	(199,305)	(689,176)	-
Proceeds from sale of asset	-	5,000	5,000	-
Net cash provided (used) by capital and related financing activities	<u>(489,871)</u>	<u>(194,305)</u>	<u>(684,176)</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchases of investments	-	(250,000)	(250,000)	-
Interest received	5,718	2,184	7,902	2,637
Net increase (decrease) in cash	<u>326,717</u>	<u>(11,818)</u>	<u>314,899</u>	<u>(244,765)</u>
Cash, beginning of year	<u>1,586,933</u>	<u>774,117</u>	<u>2,361,050</u>	<u>1,234,500</u>
Cash, end of year	<u>\$ 1,913,650</u>	<u>\$ 762,299</u>	<u>\$ 2,675,949</u>	<u>\$ 989,735</u>
Reconciliation of income from operations to net cash provided (used) by operating activities				
Income (loss) from operations	\$ 2,089,952	\$ 321,889	\$ 2,411,841	\$ (678,051)
Reconciling items:				
Depreciation expense	199,136	52,553	251,689	-
Landfill closure cost	-	16,939	16,939	-
Receivables (increase) decrease	(640,138)	147,748	(492,390)	104,898
Due from other funds (increase) decrease	16,788	(12,249)	4,539	-
Prepaid Expenditures (increase) decrease	(1,043)	900	(143)	-
Inventories (increase) decrease	3,612	-	3,612	-
Accounts and deposits payable increase (decrease)	298,403	(141,130)	157,273	325,751
Accrued wages increase (decrease)	7,215	3,228	10,443	-
Deferred outflows increase (decrease)	(18,055)	(7,424)	(25,479)	-
Deferred inflows increase (decrease)	(32,117)	(13,203)	(45,320)	-
Accrued pension liability(decrease)	119,897	49,292	169,189	-
Accrued OPEB liability(decrease)	283,237	116,447	399,684	-
Due to other funds increase (decrease)	(265)	(468)	(733)	-
Gas storage liability increase (decrease)	63,500	-	63,500	-
Net cash provided (used) by operating activities	<u>\$ 2,390,122</u>	<u>\$ 534,522</u>	<u>\$ 2,924,644</u>	<u>\$ (247,402)</u>
Noncash investing activities:				
(Increase) decrease in fair value of investments	<u>\$ (12,876)</u>	<u>\$ 6,647</u>	<u>\$ (6,229)</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, 2021

	Pension Trust Funds
ASSETS	
Cash	<u>\$ 20,488</u>
Total assets	<u>20,488</u>
LIABILITIES	
Accounts payable	<u>5,291</u>
Total liabilities	<u>5,291</u>
NET POSITION	
Net position restricted for pensions	<u>\$ 15,197</u>

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

City of Henderson, Kentucky
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Fiscal Year Ended June 30, 2021

	Pension Trust Funds
ADDITIONS	
Contributions:	
Employer	\$ 742,823
Employee	2,394
Total contributions	<u>745,217</u>
Interest income	<u>157</u>
Total additions	<u>745,374</u>
DEDUCTIONS	
Benefits paid	<u>746,445</u>
Total deductions	<u>746,445</u>
Net increase in net position	(1,071)
Net position, beginning of year	<u>16,268</u>
Net position, end of year	<u>\$ 15,197</u>

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

CITY OF HENDERSON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The City of Henderson, Kentucky (City) is a municipal corporation governed by a five-member board of commissioners and operates under a city manager form of government. The accompanying financial statements represent the City and its component units, entities for which the City is 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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

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:

• Gas Fund

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

CITY OF HENDERSON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

2) Proprietary Funds, Continued

• 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.

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.

CITY OF HENDERSON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

3) Fiduciary Funds, Continued,

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. Cash and cash equivalents are considered by the City to be all highly liquid accounts with a maturity of less than 90 days.

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, shares of mutual funds, individual equity securities, among other investments.

CITY OF HENDERSON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

G. Restricted Assets

Restricted assets consist of cash of the Debt Service and Capital Projects funds, 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; cash held in the General Fund for Utility overpayments, 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. Activity between like funds is eliminated for the governmental-wide statements but are not eliminated in the process of consolidation.

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.

K. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both Government-wide and fund financial statements.

CITY OF HENDERSON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

L. 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

M. Compensated Absences

Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. Amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable available financial resources are recorded as long-term debt and an expense in the government-wide financial statements. In the fund financial statements, the governmental funds report the liability for compensated absences only if it has matured, for example, as a result of employee resignations and retirements. Proprietary funds report the liability as incurred since it is immaterial. In accordance with accounting standards, no liability is recorded for non-vesting accumulating rights to receive sick pay benefits. However, a liability is recognized for that portion of accumulating sick leave benefits that it is estimated will be taken as terminal leave upon retirement.

CITY OF HENDERSON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

N. 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.

O. 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.

P. Net Position

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

CITY OF HENDERSON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Q 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.

R. 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 purpose 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.

CITY OF HENDERSON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

R. Fund Balance Policies, Continued

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.

The General Fund is the only fund that reports a positive unassigned fund balance amount. In governmental funds other than the General Fund, if expenditures incurred for specific purposes exceed the amounts that are restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance in that fund.

S. 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.

T. 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. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. The governmental and proprietary funds do not offer discounts and do not utilize accounts receivable allowances.

U. Pensions and Post-employment 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.

CITY OF HENDERSON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

V. 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.

2. INVESTMENTS

As of June 30, 2021, the City had the following investments:

Investments by Funds	Fair Value	Investment Maturities (in Years)		
		Less Than 1	1-5	6-10
General Fund	\$ 9,663,951	\$ 5,031,139	\$ 4,522,543	\$ 110,269
Gas Fund	3,766,887	1,572,406	1,803,857	390,624
Sanitation Fund	3,548,166	1,578,476	1,969,690	-
Total	<u>\$ 16,979,004</u>	<u>\$ 8,182,021</u>	<u>\$ 8,296,090</u>	<u>\$ 500,893</u>

Investment Type	
U.S. Government Agencies	\$ 10,815,246
U.S. Government Money Market	306,076
Corporate Equity Funds	1,811,878
Corporate Bond Funds	928,137
Bank Certificates of Deposit	3,117,667
Total per Statement of Net Position	<u>\$ 16,979,004</u>

The City categorizes its fair value measurements within the fair value hierarchy by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The inputs or methodology for valuing securities are not an indication of risk associated with those securities.

CITY OF HENDERSON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS

2. INVESTMENTS, Continued

The City has the following recurring fair value measurements as of June 30, 2021:

<u>Debt Securities</u>	<u>June 30, 2021</u>	Quoted Prices in Active Markets for Identical Assets (Level 1)		<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
		<u>\$</u>	<u>\$</u>		
Short-term US Treasuries	\$ 3,210,408	\$ 3,210,408		\$ -	\$ -
US Agency Securities	7,910,914	7,910,914		-	-
Corporate Equity Funds	1,811,878	1,811,878		-	-
Corporate Bond Funds	928,137	928,137		-	-
Certificates of Deposits	3,117,667	-		3,117,667	-
Total	<u>\$ 16,979,004</u>	<u>\$ 13,861,337</u>		<u>\$ 3,117,667</u>	<u>\$ -</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 a limit of 20% of total local government investments on uncollateralized certificate of deposits by any Kentucky bank, bankers' acceptances, commercial paper, equity securities, or high-quality corporate bonds. Of the type of limited investments listed above, the City has 10.7% in corporate equity and 5.5% in corporate bonds. The corporate equity and corporate bonds are managed by a professional investment manager. The City has placed 18.4% of its total investments in certificate of deposits, and 26.4% 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, 2021, 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	\$ 93,818	\$ (284,214)	\$ (190,396)
Nonmajor Funds	7,279	(79,255)	(71,976)
Total Governmental Activities	<u>\$ 101,097</u>	<u>\$ (363,469)</u>	<u>\$ (262,372)</u>
<u>Business-type Activities:</u>			
Gas Fund	\$ 238,260	\$ (4,090)	\$ 234,170
Sanitation Fund	38,675	(10,473)	28,202
Total Business-type Activities	<u>\$ 276,935</u>	<u>\$ (14,563)</u>	<u>\$ 262,372</u>

These internal balances are for vehicle repairs, fuel, supplies, utility collections, and various other minor items.

As of June 30, 2021, interfund transfers consist of the following:

	Transfers In	Transfers Out		
		General Fund	Capital Projects Fund	Enterprise Funds
General Fund	<u>Totals</u> \$ 1,417,190	\$ -	\$ (17,190)	\$ (1,400,000)
Debt Service Fund	4,088,142	(1,393,000)	(2,411,671)	(283,471)
Capital Projects Fund	1,245,000	(1,245,000)	-	-
Nonmajor Funds	<u>1,488,246</u>	<u>(1,488,246)</u>	-	-
Total all funds	\$ 8,238,578	\$ (4,126,246)	\$ (2,428,861)	\$ (1,683,471)
Eliminated	<u>\$ (6,555,107)</u>	<u>\$ 4,126,246</u>	<u>\$ 2,428,861</u>	<u> </u>
Net interfund transfers	<u>\$ 1,683,471</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,683,471)</u>

The City's share of debt service comes from the General Fund's tax receipts. Since the Capital Projects Fund does not have a dedicated revenue source, the City will use the General's Fund tax receipts to provide funding. To keep service charges and fee increases to a minimum, the City will use General Fund tax receipts to cover the deficits in the nonmajor governmental funds.

CITY OF HENDERSON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS

4. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2021 was as follows:

Primary Government	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
<u>Capital assets not being depreciated:</u>				
Land	\$ 4,379,983	\$ 959,257	\$ -	\$ 5,339,240
Artwork	196,500	-	-	196,500
Total	<u>4,576,483</u>	<u>959,257</u>	<u>-</u>	<u>5,535,740</u>
<u>Capital assets being depreciated:</u>				
Buildings	21,776,529	119,771	-	21,896,300
Improvements	9,131,133	-	-	9,131,133
Vehicles, machinery, and equipment	18,581,552	1,246,950	(1,468,621)	18,359,881
Infrastructure	68,206,319	93,333	-	68,299,652
Total	<u>117,695,533</u>	<u>1,460,054</u>	<u>(1,468,621)</u>	<u>117,686,966</u>
<u>Less accumulated depreciation for:</u>				
Buildings	(5,589,320)	(444,022)	-	(6,033,342)
Improvements	(5,140,832)	(347,259)	-	(5,488,091)
Vehicles, machinery, and equipment	(13,885,998)	(1,766,031)	1,468,621	(14,183,408)
Infrastructure	(65,016,485)	(110,959)	-	(65,127,444)
Total	<u>(89,632,635)</u>	<u>(2,668,271)</u>	<u>1,468,621</u>	<u>(90,832,285)</u>
Total governmental activities, net	<u>\$ 32,639,381</u>	<u>\$ (248,960)</u>	<u>\$ -</u>	<u>\$ 32,390,421</u>
Business-type Activities:				
<u>Capital assets not being depreciated:</u>				
Land	\$ 114,815	\$ -	\$ -	\$ 114,815
<u>Capital assets being depreciated:</u>				
Buildings	677,177	-	-	677,177
Vehicles, machinery, and equipment	1,684,108	199,305	-	1,883,413
Gas system, vehicles, and equipment	9,433,242	489,871	-	9,923,113
Total	<u>11,794,527</u>	<u>689,176</u>	<u>-</u>	<u>12,483,703</u>
<u>Less accumulated depreciation for:</u>				
Buildings	(575,068)	(6,766)	-	(581,834)
Vehicles, machinery, and equipment	(1,605,966)	(45,787)	-	(1,651,753)
Gas system, vehicles, and equipment	(7,446,285)	(199,136)	-	(7,645,421)
Total	<u>(9,627,319)</u>	<u>(251,689)</u>	<u>-</u>	<u>(9,879,008)</u>
Total business-type activities, net	<u>\$ 2,282,023</u>	<u>\$ 437,487</u>	<u>\$ -</u>	<u>\$ 2,719,510</u>

CITY OF HENDERSON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS

4. CAPITAL ASSETS, Continued

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

Governmental activities:

Administration	\$ 163,574
Finance	40,794
Parks and recreation	387,864
Police	1,090,172
Fire	475,307
Public works	510,560
Total depreciation expense, governmental activities	<u>\$ 2,668,271</u>

Business-type activities

Gas	\$ 199,136
Sanitation	52,553
Total depreciation expense, business-type activities	<u>\$ 251,689</u>

Component units' capital asset activity was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
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Henderson Municipal Power & Light

Utility plant and equipment	\$ 50,797,417	\$ 2,776,717	\$ (1,697,200)	\$ 51,876,934
Less accumulated depreciation	(37,550,842)	(1,241,299)	1,697,200	(37,094,941)
Capital assets, net	<u>\$ 13,246,575</u>	<u>\$ 1,535,418</u>	<u>\$ -</u>	<u>\$ 14,781,993</u>

Henderson Water Utility

Utility plant and equipment	\$ 149,588,846	\$ 10,054,213	\$ (3,908,165)	\$ 155,734,894
Less accumulated depreciation	(67,052,691)	(3,833,591)	59,848	(70,826,434)
Capital assets, net	<u>\$ 82,536,155</u>	<u>\$ 6,220,622</u>	<u>\$ (3,848,317)</u>	<u>\$ 84,908,460</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, 2021:

Governmental Activities:	Balance June 30,			Balance June 30, 2021	Amounts Due in One Year
	2020	Additions	Reductions		
G. O. Bonds Series 2010B	\$ 920,000	\$ -	\$ (330,000)	\$ 590,000	\$ 190,000
G. O. Bonds Series 2011A	1,385,000	-	(95,000)	1,290,000	100,000
G. O. Bonds Series 2012A	6,535,000	-	(470,000)	6,065,000	480,000
G. O. Bonds Series 2013A	6,770,000	-	(455,000)	6,315,000	465,000
G. O. Bonds Series 2014	6,340,000	-	(350,000)	5,990,000	360,000
G. O. Bonds Series 2015A	6,515,000	-	(335,000)	6,180,000	340,000
G. O. Bonds Series 2015B	1,085,000	-	(160,000)	925,000	165,000
G. O. Bonds Series 2015C	1,265,000	-	(115,000)	1,150,000	115,000
G. O. Bonds Series 2016A	1,425,000	-	(75,000)	1,350,000	75,000
G. O. Bonds Series 2016B	6,070,000	-	(505,000)	5,565,000	510,000
G. O. Bonds Series 2017A	2,795,000	-	(130,000)	2,665,000	130,000
G. O. Bonds Series 2017B	1,760,000	-	(225,000)	1,535,000	235,000
G. O. Bonds Series 2017C	1,525,000	-	(360,000)	1,165,000	180,000
G. O. Bonds Series 2020A	-	9,625,000	-	9,625,000	385,000
Total bonds payable	44,390,000	9,625,000	(3,605,000)	50,410,000	3,730,000
Deferred amounts: premiums	-	373,712	(18,686)	355,026	-
	<u>\$ 44,390,000</u>	<u>\$ 9,998,712</u>	<u>\$ (3,623,686)</u>	<u>\$ 50,765,026</u>	<u>\$ 3,730,000</u>
Body Cameras Lease - direct borrowing	\$ 163,065	\$ -	\$ (80,142)	\$ 82,923	\$ 82,923
Compensated Absences	\$ 1,495,700	\$ 1,142,506	\$ (1,109,326)	\$ 1,528,880	\$ 1,110,000
Total governmental activities	<u>\$ 46,048,765</u>	<u>\$ 11,141,218</u>	<u>\$ (4,813,154)</u>	<u>\$ 52,376,829</u>	<u>\$ 4,922,923</u>

The following is an aggregate summary of debt service requirements for the City of Henderson as of June 30, 2021:

June 30th:	Notes from Direct					
	Governmental Activities Bonds		Borrowings		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2022	\$ 3,730,000	\$ 1,262,019	\$ 82,923	\$ 2,877	\$ 3,812,923	\$ 1,264,896
2023	3,820,000	1,172,598	-	-	3,820,000	1,172,598
2024	3,915,000	1,078,990	-	-	3,915,000	1,078,990
2025	3,815,000	984,301	-	-	3,815,000	984,301
2026	3,895,000	887,829	-	-	3,895,000	887,829
2027 to 2031	18,015,000	2,941,015	-	-	18,015,000	2,941,015
2032 to 2036	10,305,000	894,598	-	-	10,305,000	894,598
2037 to 2041	2,915,000	127,148	-	-	2,915,000	127,148
Totals	<u>\$ 50,410,000</u>	<u>\$ 9,348,498</u>	<u>\$ 82,923</u>	<u>\$ 2,877</u>	<u>\$ 50,492,923</u>	<u>\$ 9,351,375</u>
						<u>\$ 59,758,498</u>

CITY OF HENDERSON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS

5. LONG-TERM DEBT, Continued,

As of June 30, 2021, 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. On September 21, 2021, these bonds were redeemed. The following is a summary of scheduled payments as of June 30, 2021:

CITY OF HENDERSON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS

5. LONG-TERM DEBT, Continued,

A. General Obligation Bonds – Series 2010B, Continued

June 30th:	Principal	Interest	Total	Interest Rates
2022	\$ 190,000	\$ 16,844	\$ 206,844	3.00%
2023	195,000	10,466	205,466	3.35%
2024	205,000	3,587	208,587	3.50%
Totals	<u>\$ 590,000</u>	<u>\$ 30,897</u>	<u>\$ 620,897</u>	

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, 2021:

June 30th:	Principal	Interest	Total	Interest Rates
2022	\$ 100,000	\$ 45,916	\$ 145,916	3.00%
2023	100,000	42,916	142,916	3.00%
2024	105,000	39,776	144,776	3.13%
2025	110,000	36,348	146,348	3.25%
2026	110,000	32,580	142,580	3.60%
2027 to 2031	625,000	92,500	717,500	3.60% to 4.00%
2032	<u>140,000</u>	<u>2,800</u>	<u>142,800</u>	4.00%
Totals	<u>\$ 1,290,000</u>	<u>\$ 292,836</u>	<u>\$ 1,582,836</u>	

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

5. LONG-TERM DEBT, Continued,

C. General Obligation Bonds – Series 2012A, Continued,

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, 2021:

June 30th:	Principal	Interest	Total	Interest Rates
2022	\$ 480,000	\$ 170,408	\$ 650,408	2.13%
2023	490,000	159,489	649,489	2.38%
2024	500,000	147,420	647,420	2.50%
2025	515,000	134,217	649,217	2.70%
2026	530,000	119,580	649,580	2.90%
2027 to 2031	2,910,000	342,387	3,252,387	3.00% to 3.25%
2032	640,000	10,560	650,560	3.30%
Totals	<u>\$ 6,065,000</u>	<u>\$ 1,084,061</u>	<u>\$ 7,149,061</u>	

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, 2021:

CITY OF HENDERSON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS

5. LONG-TERM DEBT, Continued,

D. General Obligation Bonds – Series 2013A, Continued,

June 30th:	Principal	Interest	Total	Interest Rates
2022	\$ 465,000	\$ 145,575	\$ 610,575	2.00%
2023	475,000	136,175	611,175	2.00%
2024	485,000	126,575	611,575	2.00%
2025	495,000	116,775	611,775	2.00%
2026	505,000	106,459	611,459	2.13%
2027 to 2031	2,705,000	345,803	3,050,803	2.13% to 2.75%
2032	1,185,000	32,794	1,217,794	2.75%
Totals	\$ 6,315,000	\$ 1,010,156	\$ 7,325,156	

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, 2021:

June 30th:	Principal	Interest	Total	Interest Rates
2022	\$ 360,000	\$ 172,125	\$ 532,125	2.00%
2023	365,000	164,875	529,875	2.00%
2024	375,000	157,006	532,006	2.25%
2025	385,000	147,975	532,975	2.50%
2026	390,000	138,288	528,288	2.50%
2027 to 2031	2,135,000	513,269	2,648,269	2.75% to 3.25%
2032 to 2035	1,980,000	140,987	2,120,987	3.25% to 3.50%
Totals	\$ 5,990,000	\$ 1,434,525	\$ 7,424,525	

CITY OF HENDERSON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS

5. LONG-TERM DEBT, Continued,

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; 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, 2021:

June 30th:	Principal	Interest	Total	Interest Rates
2022	\$ 340,000	\$ 177,982	\$ 517,982	2.00%
2023	350,000	171,083	521,083	2.00%
2024	355,000	164,032	519,032	2.00%
2025	365,000	156,833	521,833	2.00%
2026	370,000	149,297	519,297	2.10%
2027 to 2031	2,020,000	583,050	2,603,050	2.75% to 3.25%
2032 to 2036	2,380,000	223,319	2,603,319	3.25% to 3.75%
Totals	<u>\$ 6,180,000</u>	<u>\$ 1,625,596</u>	<u>\$ 7,805,596</u>	

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, 2021:

CITY OF HENDERSON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS

5. LONG-TERM DEBT, Continued,

G. General Obligation Bonds – Series 2015B, Continued,

June 30th:	Principal	Interest	Total	Interest Rates
2022	\$ 165,000	\$ 18,319	\$ 183,319	1.50%
2023	165,000	15,019	180,019	2.00%
2024	170,000	11,669	181,669	2.00%
2025	175,000	8,109	183,109	2.00%
2026	180,000	4,000	184,000	2.00%
2027	70,000	875	70,875	2.13%
Totals	\$ 925,000	\$ 57,991	\$ 982,991	

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, 2021:

June 30th:	Principal	Interest	Total	Interest Rates
2022	\$ 115,000	\$ 25,825	\$ 140,825	2.00%
2023	120,000	23,475	143,475	2.00%
2024	125,000	21,025	146,025	2.00%
2025	125,000	18,369	143,369	2.25%
2026	130,000	15,500	145,500	2.25%
2027 to 2030	535,000	28,406	563,406	2.50% to 2.75%
Totals	\$ 1,150,000	\$ 132,600	\$ 1,282,600	

CITY OF HENDERSON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS

5. LONG-TERM DEBT, Continued,

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, 2021:

June 30th:	Principal	Interest	Total	Interest Rates
2022	\$ 75,000	\$ 37,225	\$ 112,225	2.00%
2023	80,000	35,725	115,725	2.00%
2024	80,000	34,125	114,125	2.00%
2025	80,000	32,525	112,525	2.00%
2026	80,000	30,925	110,925	2.50%
2027 to 2031	445,000	122,550	567,550	2.50% to 3.00%
2032 to 2036	510,000	53,300	563,300	3.00% to 3.50%
Totals	\$ 1,350,000	\$ 346,375	\$ 1,696,375	

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, 2021:

CITY OF HENDERSON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS

5. LONG-TERM DEBT, Continued,

J. General Obligation Bonds – Series 2016B, Continued,

June 30th:	Principal	Interest	Total	Interest Rates
2022	\$ 510,000	\$ 110,700	\$ 620,700	2.00%
2023	520,000	100,400	620,400	2.00%
2024	530,000	89,900	619,900	2.00%
2025	540,000	79,200	619,200	2.00%
2026	550,000	68,300	618,300	2.00%
2027 to 2031	<u>2,915,000</u>	<u>166,625</u>	<u>3,081,625</u>	2.00% to 2.50%
Totals	<u>\$ 5,565,000</u>	<u>\$ 615,125</u>	<u>\$ 6,180,125</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, 2021:

June 30th:	Principal	Interest	Total	Interest Rates
2022	\$ 130,000	\$ 79,950	\$ 209,950	3.00%
2023	135,000	76,050	211,050	3.00%
2024	140,000	72,000	212,000	3.00%
2025	145,000	67,800	212,800	3.00%
2026	150,000	63,450	213,450	3.00%
2027 to 2031	<u>815,000</u>	<u>246,900</u>	<u>1,061,900</u>	3.00% to 3.00%
2032 to 2036	<u>945,000</u>	<u>117,600</u>	<u>1,062,600</u>	3.00% to 3.00%
2037	<u>205,000</u>	<u>6,150</u>	<u>211,150</u>	3.00%
Totals	<u>\$ 2,665,000</u>	<u>\$ 729,900</u>	<u>\$ 3,394,900</u>	

CITY OF HENDERSON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS

5. LONG-TERM DEBT, Continued,

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, 2021:

June 30th:	Principal	Interest	Total	Interest Rates
2022	\$ 235,000	\$ 42,525	\$ 277,525	3.00%
2023	240,000	35,400	275,400	3.00%
2024	250,000	28,050	278,050	3.00%
2025	260,000	20,400	280,400	3.00%
2026	270,000	12,450	282,450	3.00%
2027	280,000	4,200	284,200	3.00%
Totals	<u>\$ 1,535,000</u>	<u>\$ 143,025</u>	<u>\$ 1,678,025</u>	

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, 2021:

CITY OF HENDERSON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS

5. LONG-TERM DEBT, Continued,

M. General Obligation Bonds – Series 2017C

June 30th:	Principal	Interest	Total	Interest Rates
2022	\$ 180,000	\$ 34,950	\$ 214,950	3.00%
2023	190,000	29,550	219,550	3.00%
2024	190,000	23,850	213,850	3.00%
2025	200,000	18,150	218,150	3.00%
2026	200,000	12,150	212,150	3.00%
2027	205,000	6,150	211,150	3.00%
Totals	\$ 1,165,000	\$ 124,800	\$ 1,289,800	

N. General Obligation Bonds – Series 2020A

During the year ended June 30, 2021, the City issued \$9,625,000 non-taxable bonds to pay costs of issuance and for the purpose of acquisition, construction, equipping, and installation of (1) new municipal water, sanitary water, and storm sewer improvements and additions, (2) a new municipal fire station and related facilities and equipment, (3) a new approximately 58-acre sports complex, and (4) a stormwater system in Countryview subdivision.

This obligation matures in December 2040. Interest rates range from 2.0% to 5.0%. 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, 2021:

June 30th:	Principal	Interest	Total	Interest Rates
2022	\$ 385,000	\$ 183,675	\$ 568,675	5.00%
2023	395,000	171,975	566,975	5.00%
2024	405,000	159,975	564,975	5.00%
2025	420,000	147,600	567,600	5.00%
2026	430,000	134,850	564,850	5.00%
2027 to 2031	2,355,000	488,300	2,843,300	2.00% to 5.00%
2032 to 2036	2,525,000	313,238	2,838,238	2.00% to 2.00%
2037 to 2041	2,710,000	120,998	2,830,998	2.00% to 2.00%
Totals	\$ 9,625,000	\$ 1,720,611	\$ 11,345,611	

CITY OF HENDERSON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS

5. LONG-TERM DEBT, Continued,

O. General Obligation Contract – Body Cameras – Direct Borrowing

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. There were no assets pledged as collateral for this debt. In the event of default, the only recourse for the obligee would be to confiscate the equipment. There are no subjective acceleration clauses or finance-related consequences due to termination events. The following is a summary of scheduled payments as of June 30, 2021:

June 30th:	Principal	Interest	Total	Interest Rates
2022	\$ 82,923	\$ 2,877	\$ 85,800	5.05%
Totals	\$ 82,923	\$ 2,877	\$ 85,800	

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, 2021:

	Balance May 31, 2020	Additions	Reductions	Balance May 31, 2021	Amounts due in One Year
Revenue Bonds Series 2011A	\$ 7,660,000	\$ -	\$ (520,000)	\$ 7,140,000	\$ 535,000
Revenue Bonds Series 2011B	2,430,000	-	(170,000)	2,260,000	175,000
Total bonds payable	<u>\$ 10,090,000</u>	<u>\$ -</u>	<u>\$ (690,000)</u>	<u>\$ 9,400,000</u>	<u>\$ 710,000</u>

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.

CITY OF HENDERSON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS

5. LONG-TERM DEBT, Continued,

Henderson Municipal Power & Light (HMPL), Continued

The following is a summary of the debt service requirements for Henderson Municipal Power & Light for its fiscal year ended May 31, 2021:

May 31st:	Series 2011A		Series 2011B		Totals
	Principal	Interest	Principal	Interest	
2022	\$ 535,000	\$ 293,180	\$ 175,000	\$ 83,634	\$ 1,086,814
2023	555,000	274,991	175,000	78,602	1,083,593
2024	570,000	255,566	185,000	72,914	1,083,480
2025	595,000	234,191	190,000	66,903	1,086,094
2026	615,000	210,391	195,000	60,063	1,080,454
2027 to 2031	3,480,000	647,077	1,095,000	184,237	5,406,314
2032	<u>790,000</u>	<u>35,550</u>	<u>245,000</u>	<u>10,045</u>	<u>1,080,595</u>
Totals	<u><u>\$ 7,140,000</u></u>	<u><u>\$ 1,950,946</u></u>	<u><u>\$ 2,260,000</u></u>	<u><u>\$ 556,398</u></u>	<u><u>\$ 11,907,344</u></u>

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, 2021:

	Balance June 30, 2020	Additions	Reductions	Balance June 30, 2021	Amounts due in One Year
Due to City of Henderson-2010B	\$ 547,093	\$ -	\$ (131,671)	\$ 415,422	\$ 415,422
Due to City of Henderson-2012A	6,535,000	-	(470,000)	6,065,000	480,000
Due to City of Henderson-2013A	6,770,000	-	(455,000)	6,315,000	465,000
Due to City of Henderson-2014	6,340,000	-	(350,000)	5,990,000	360,000
Due to City of Henderson-2015B	1,085,000	-	(160,000)	925,000	165,000
Due to City of Henderson-2015C	1,265,000	-	(115,000)	1,150,000	115,000
Due to City of Henderson-2016B	6,070,000	-	(505,000)	5,565,000	510,000
Due to City of Henderson-2017B	1,760,000	-	(225,000)	1,535,000	235,000
Note Payable	<u>224,334</u>	<u>-</u>	<u>(59,647)</u>	<u>164,687</u>	<u>61,892</u>
Add unamortized debt premium	<u>250,821</u>	<u>-</u>	<u>(41,501)</u>	<u>209,320</u>	
Total	<u><u>\$ 30,596,427</u></u>	<u><u>\$ -</u></u>	<u><u>\$ (2,471,318)</u></u>	<u><u>\$ 28,334,429</u></u>	<u><u>\$ 2,807,314</u></u>

CITY OF HENDERSON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS

5. LONG-TERM DEBT, Continued,

Henderson Water Utility (HWU), Continued:

Principal and interest requirements to retire Henderson Water Utility's long-term obligations as of June 30, 2021 were as follows:

Fiscal year ended June 30th:	Principal	Interest	Total
2022	\$ 2,807,314	\$ 702,380	\$ 3,509,694
2023	2,439,221	644,917	3,084,138
2024	2,473,574	584,648	3,058,222
2025	2,495,000	525,046	3,020,046
2026	2,555,000	464,577	3,019,577
2027 to 2031	11,550,000	1,401,566	12,951,566
2032 to 2035	3,805,000	184,341	3,989,341
Unamortized debt premium	209,320	-	209,320
Totals	\$ 28,334,429	\$ 4,507,475	\$ 32,841,904

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

	Interest Rate	Final Maturity	Principal Balance	Security
Due to City of Henderson-2010B	2.00% - 3.50%	11/1/2023	\$ 415,422	Unsecured
Due to City of Henderson-2012A	1.00% - 3.30%	11/1/2031	6,065,000	Unsecured
Due to City of Henderson-2013A	2.00% - 2.75%	11/1/2032	6,315,000	Unsecured
Due to City of Henderson-2014	2.00% - 2.50%	11/1/2034	5,990,000	Unsecured
Due to City of Henderson-2015B	1.00% - 2.50%	11/1/2026	925,000	Unsecured
Due to City of Henderson-2015C	2.00% - 2.75%	11/1/2029	1,150,000	Unsecured
Due to City of Henderson-2016B	2.00% - 2.50%	11/1/2030	5,565,000	Unsecured
Due to City of Henderson-2017B	3.00%	11/1/2026	1,535,000	Unsecured
Note Payable	3.70%	1/1/2024	<u>164,687</u>	Unsecured
			<u>\$ 28,125,109</u>	

Restricted Assets Applicable To HWU

In the Capital Projects Fund of the City are restricted assets applicable to HWU. The City issued certain General Obligation Bonds and loaned the proceeds to HWU for various purposes as previously described. HWU will repay the loans from the City by paying the City the underlying G.O. Bonds debt service payments until the bonds are retired.

CITY OF HENDERSON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS

5. LONG-TERM DEBT, Continued,

Henderson Water Utility (HWU), Continued:

The following is a summary of restricted assets applicable to HWU for the fiscal year ended June 30, 2021, as recorded in the Capital Projects Fund:

<u>G.O. Bonds Series</u>	<u>Due In One Year</u>	<u>Due After One Year</u>	<u>Total Receivable from HWU</u>
2010B	\$ 415,422	\$ -	\$ 415,422
2012A	480,000	5,585,000	6,065,000
2013A	465,000	5,850,000	6,315,000
2014	360,000	5,630,000	5,990,000
2015B	165,000	760,000	925,000
2015C	115,000	1,035,000	1,150,000
2016B	510,000	5,055,000	5,565,000
2017B	235,000	1,300,000	1,535,000
Total	<u>\$ 2,745,422</u>	<u>\$ 25,215,000</u>	<u>\$ 27,960,422</u>

6. CONDUIT DEBT

From time to time the City has issued Industrial Revenue Bonds to provide financial assistance to private-sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The Bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Neither the City of Henderson, nor any of its political subdivisions are obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of June 30, 2021, there were no Industrial Revenue Bonds outstanding.

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.

CITY OF HENDERSON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS

7. COMPENSATED ABSENCES, Continued,

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 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. 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, 2021 these governmental activities liabilities included \$1,528,880 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.

CITY OF HENDERSON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS

8. PUBLIC ENERGY AUTHORITY OF KENTUCKY (PEAK), Continued,

The City entered 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 its natural gas supplies from PEAK. The City received refunds from PEAK of \$808,893 in fiscal year 2021.

PEAK issues audited financial statements, which are available through its administrative offices at the following address:

Public Energy Authority of Kentucky
516 Highland Avenue
Carrollton, Kentucky 41008

Summarized totals for PEAK for its fiscal year ended June 30, 2020, from its last audited financial statements made available to the City are:

Assets	\$ 5,923,786,265
Liabilities	\$ 5,918,917,269
Net position	\$ 4,868,996

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, 2021, the estimated amount of this gas storage liability was \$342,100.

10. CONCENTRATION OF SALES

Henderson Municipal Gas

For the fiscal year ended June 30, 2021, five industrial customers accounted for \$5,366,027 in gas sales, which represents 38.1% 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 \$9.4 million (26% of Existing System sales) for the fiscal year ended May 31, 2021.

CITY OF HENDERSON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS

10. CONCENTRATION OF SALES, Continued,

Henderson Water Utility

For the fiscal year ended June 30, 2021, three customers accounted for \$11,015,376 in sales and surcharges for approximately 44.2% of HWU's total operating revenues.

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, 2021, 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. During the year ended June 30, 1997, the City was awarded a permit to accept commercial construction debris only. In January 2018, the City contracted with Daviess County, Kentucky to accept its construction and demolition debris; however, the City can accept construction debris in its own landfill 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 \$4,259,464 at June 30, 2021, consists of \$2,898,786 in closure costs and \$1,360,678 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

11. LANDFILL CLOSURE AND POST CLOSURE COSTS, Continued

The estimated liability consists of the following at June 30, 2021:

	Estimated Closure Liability	Estimated Post-Closure Liability	Total
June 30, 2020	\$ 2,881,847	\$ 1,360,678	\$ 4,242,525
Costs applied	-	-	-
Revision to estimate	<u>16,939</u>	<u>-</u>	<u>16,939</u>
June 30, 2021	<u>\$ 2,898,786</u>	<u>\$ 1,360,678</u>	<u>\$ 4,259,464</u>

12. CONTINGENCIES

The City is a defendant or plaintiff in lawsuits, which have arisen in the normal course of operations. While certain lawsuits involve substantial amounts, it is the opinion of management, based on the advice of legal counsel, that the ultimate resolution of such litigation will not have a material adverse effect on the financial position of the City.

Under the terms of certain Federal and State grants, periodic audits are required and certain costs may be questioned as not being appropriate expenditures under terms of the grants. Such audits may lead to reimbursement of the grant monies to the respective grantor agency. Management of the City believes that any disallowance would be immaterial.

13. RISK MANAGEMENT

The City of Henderson is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City carries commercial insurance for these types of risks of loss, including workers' compensation. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

14. RELATED PARTY TRANSACTIONS

The following are related party transactions by the City with its two discretely presented component units, HMPL and HWU, which are not disclosed elsewhere in the notes to the financial statements.

CITY OF HENDERSON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS

14. RELATED PARTY TRANSACTIONS, Continued

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 \$682,000 and \$680,000, respectively, from HMPL and HWU for such services for the fiscal year ended June 30, 2021. The City, as sole owner of both utilities, received distributions of \$1,244,724 and \$500,000, respectively, from HMPL and HWU for the fiscal year ended June 30, 2021.

The City owns certain real estate used by HMPL. At no cost, HMPL provided at an estimated value \$615,485 in power and \$168,120 in communications services to the City.

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.

CITY OF HENDERSON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS

15. HEALTH INSURANCE PLAN, Continued

The following represents a summary of changes in the liability for the last ten fiscal years including the year ended June 30, 2021:

	Beginning of Fiscal Year Liability	Current Year		
		Claims & Changes In Estimates	Claim Payments	End of Fiscal Year Liability
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
2018 - 2019	598,340	7,244,236	(6,343,985)	1,498,591
2019 - 2020	1,498,591	5,470,830	(6,228,886)	740,535
2020 - 2021	740,535	6,885,119	(6,559,368)	1,066,286

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

16. HEALTH REIMBURSEMENT ARRANGEMENT (HRA) PLAN

In order to control increasing health care costs the City made changes to its health insurance plan, which resulted in employees paying an increased share of their health care expenses. In order to help their employees pay for these increased health care expenses, the City established a Health Reimbursement Arrangement (HRA) Plan and Trust, effective January 1, 2006, that reimburses employees for health insurance plan expenses up to the amount in an individual participant's account balance. In fiscal 2021, the HRA Plan credited each employee \$500. 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, 2021, the HRA Plan has an unfunded obligation of \$954,211, of which \$656,020 pertains to the City, and which will be funded in future fiscal periods.

17. CITY FUNDED RETIREMENT PLANS

The City of Henderson maintains two pension plans which are funded and administered by the City: the Civil Service Pension Plan (CSPP) and the Police and Fire Pension Plan (PFPP). The City also participates in the state-wide County Employees' Retirement System (CERS).

CITY OF HENDERSON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS

17. CITY FUNDED RETIREMENT PLANS, Continued

Plan Descriptions:

Civil Service Pension Plan (CSPP)

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.

Police and Fire Pension Plan (PFPP)

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:

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, 2021, 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, 2021, the plan had twelve members, all of whom are inactive participants receiving benefits.

CITY OF HENDERSON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS

17. CITY FUNDED RETIREMENT PLANS, Continued

Contributions:

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 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 \$80,394 for the fiscal year ended June 30, 2021.

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 \$332,000 for the fiscal year ended June 30, 2021.

The CSPP had a net pension liability of \$711,485 as of June 30, 2021, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of June 30, 2019.

The PFPP had a net pension liability was \$3,573,914 as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2019.

Actuarial Assumptions:

The total pension liabilities were determined by actuarial valuations performed as of June 30, 2019, using the following actuarial assumptions for both plans, applied to all periods included in the measurement:

Inflation rate	None
Cost of Living (COLA)	2.00%
Mortality	RP-2014 Base Mortality Table with MP-2018 improvement rate

Discount Rate:

The discount rate used to measure the total pension liability was 5.00% for CSPP. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that City contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate.

CITY OF HENDERSON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS

17. CITY FUNDED RETIREMENT PLANS, Continued

Based on those assumptions, the plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The discount rate used to measure the total pension liability was 4.00% for the PFPP. The projection of cash flows used to determine the discount rate assumed that City contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all projected future benefit payments of all plan members. Therefore, long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Net Pension Liability:

	CSPP	PFPP
Total Pension Liability		
Service cost	\$ -	\$ -
Interest	- -	- -
Changes in benefit terms	- -	- -
Difference between expected and actual experience	(1,211)	(48,571)
Changes in assumptions	- -	- -
Benefit payments	(71,259)	(333,413)
Net change in total pension liability (asset)	<u>(72,470)</u>	<u>(381,984)</u>
Total Pension Liability - Beginning	794,825	3,951,132
Total Pension Liability - Ending (a)	<u>\$ 722,355</u>	<u>\$ 3,569,148</u>
Plan Fiduciary Net Pension		
Contributions - employer	\$ 80,394	\$ 332,000
Contributions - employee	2,394	- -
Net investment income	- -	- -
Benefit payments	(71,259)	(333,413)
Administrative expense	- -	- -
Other	90	347
Net change in plan fiduciary net position	<u>11,619</u>	<u>(1,066)</u>
Plan Fiduciary Net Position - Beginning	(749)	(3,700)
Plan Fiduciary Net Position - Ending (b)	<u>\$ 10,870</u>	<u>\$ (4,766)</u>
Net Pension Liability (Asset) (a) - (b)	<u>\$ 711,485</u>	<u>\$ 3,573,914</u>

CITY OF HENDERSON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS

17. CITY FUNDED RETIREMENT PLANS, Continued

Sensitivity of the Net Pension Liability to Changes in the Discount Rate:

Sensitivity of the net pension liability was calculated using 5.00% for the CSPP, and 4.00% for the PFRPP. The following represents the net pension liability of the plans using the discount rates as well as what the City's position would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

	1% Decrease (4.00%)	Current Discount Rate (5.00%)	1% Increase (6.00%)
City of Henderson Civil Service Pension Plan net pension liability as of June 30, 2021	<u>\$ 811,619</u>	<u>\$ 711,485</u>	<u>\$ 636,127</u>
	1% Decrease (3.00%)	Current Discount Rate (4.00%)	1% Increase (5.00%)
City of Henderson Police and Fire Pension Plan net pension liability as of June 30, 2021	<u>\$ 4,189,985</u>	<u>\$ 3,573,914</u>	<u>\$ 3,256,028</u>

Negative Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions:

For the year ended June 30, 2021, the City recognized negative pension expense of \$(49,790), which consisted of \$(1,215) for CSPP and \$(48,575) for PFRF. At June 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience		
CSPP	\$ 79,771	\$ 60,205
PFPP	42,459	394,287
Total	<u>\$ 122,230</u>	<u>\$ 454,492</u>

CITY OF HENDERSON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS

17. CITY FUNDED RETIREMENT PLANS, Continued

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30:	CSPP	PFPP
2022	\$ (1,211)	\$ (48,571)
2023	(1,211)	(48,571)
2024	(1,211)	(48,571)
2025	(869)	(48,571)
2026	12,036	(48,571)
Thereafter	12,032	(108,973)

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, 2021.

Combining Statement of Fiduciary Net Position - Pension Trust Funds
For the Fiscal Year Ended June 30, 2021

	Civil Service Pension Fund	Police & Fire Pension Fund	HRA Fund	Total
ASSETS				
Cash	\$ 870	\$ 525	\$ 19,093	\$ 20,488
Total assets	870	525	19,093	20,488
LIABILITIES				
Accounts payable	-	5,291	-	5,291
Total liabilities	-	5,291	-	5,291
NET POSITION				
Net position restricted for pensions	\$ 870	\$ (4,766)	\$ 19,093	\$ 15,197

CITY OF HENDERSON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS

17. CITY FUNDED RETIREMENT PLANS, Continued

Combining Statement of Changes in Fiduciary Net Position - Pension Trust Funds
 For the Fiscal Year Ended June 30, 2021

	Civil Service Pension Fund	Police & Fire Pension Fund	HRA Fund	Total
ADDITIONS				
Contributions:				
Employer	\$ 80,480	\$ 332,343	\$ 330,000	\$ 742,823
Employee	2,394	-	-	2,394
Total contributions	<u>82,874</u>	<u>332,343</u>	<u>330,000</u>	<u>745,217</u>
Interest income	<u>4</u>	<u>3</u>	<u>150</u>	<u>157</u>
Total additions	<u>82,878</u>	<u>332,346</u>	<u>330,150</u>	<u>745,374</u>
DEDUCTIONS				
Benefits paid	<u>81,259</u>	<u>333,412</u>	<u>331,774</u>	<u>746,445</u>
Total deductions	<u>81,259</u>	<u>333,412</u>	<u>331,774</u>	<u>746,445</u>
Net increase (decrease) in net position	1,619	(1,066)	(1,624)	(1,071)
Net position, begin. of year	<u>(749)</u>	<u>(3,700)</u>	<u>20,717</u>	<u>16,268</u>
Net position, end of year	<u>\$ 870</u>	<u>\$ (4,766)</u>	<u>\$ 19,093</u>	<u>\$ 15,197</u>

18. CERS RETIREMENT PLANS

General Information about the Pension Plans

Plan description: Substantially all of the City's full-time employees, as well as employees of Henderson Municipal Power & Light and Henderson Water Utility, participate in the County Employees' Retirement System (CERS), a cost sharing, multiple-employer defined benefit plan administered by the Board of Trustees of Kentucky Retirement Systems. CERS consists of two plans – Non-Hazardous and Hazardous. Kentucky Retirement Systems 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>.

Benefits provided: CERS provides retirement, disability, and death benefits to plan members. Retirement benefits may be extended to beneficiaries of plan members under certain circumstances. Kentucky Revised Statute 61.645 assigns the authority to establish and amend benefit provisions to the Kentucky Retirement Systems Board of Trustees.

CITY OF HENDERSON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS

18. CERS RETIREMENT PLANS, Continued

General Information about the Pension Plans, Continued

Cost of Living Adjustment (COLA): Prior to July 1, 2009, COLAs were provided annually equal to the percentage increase in the annual average of the consumer price index for all urban consumers for the most recent calendar year, not to exceed 5% in any plan year. After July 1, 2009, the COLAs were limited to 1.50%. No COLA has been granted since July 1, 2011

Contributions: Tier 1 plan members, who began participating prior to September 1, 2008, are required to contribute 5% (non-hazardous) and 8% (hazardous) of their annual creditable compensation. Interest is paid each June 30 on members' accounts at a rate of 2.5%. If a member terminates employment and applies to take a refund, the member is entitled to a full refund of contributions and interest.

Tier 2 plan members, who began participating on, or after, September 1, 2008, and before January 1, 2014, are required to contribute 6% (non-hazardous) and 9% (hazardous) of their annual creditable compensation, while 1% of these contributions are deposited to an account created for the payment of health insurance benefits under 25 USC Section 401(h) in the Pension Fund. Interest is paid each June 30 on members' accounts at a rate of 2.5%. If a member terminates employment and applies to take a refund, the member is entitled to a full refund of contributions and interest; however, the 1% contribution to the 401(h) account is non-refundable and is forfeited.

Tier 3 plan members, who began participating on, or after, January 1, 2014, are required to contribute to the Cash Balance Plan. The Cash Balance Plan is known as a hybrid plan because it has characteristics of both a defined benefit plan and a defined contribution plan. Members in the plan contribute a set percentage of their salary each month to their own account. Members contribute 5% (non-hazardous) and 8% (hazardous) of their annual creditable compensation, and an additional 1% to the health insurance fund (401(h) account) which is not credited to the member's account and is not refundable. The employer contribution rate is set annually by the Kentucky Retirement System Board of Trustees based on an actuarial valuation. The employer contributes a set percentage of the member's salary. Each month, when employer contributions are received, an employer pay credit is deposited to the member's account. A member's account is credited with a 4% (non-hazardous) and 7.5% (hazardous) employer pay credit. The employer pay credit represents a portion of the employer contribution.

CITY OF HENDERSON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS

18. CERS RETIREMENT PLANS, Continued

Interest is paid into the Tier 3 member's account. The account currently earns 4% interest credit on the member's account balance as of June 30 of the previous year. The member's account may be credited with additional interest if the system's five-year Geometric Average Net Investment Return (GANIR) exceeded 4%.

If the member was actively employed and participating in the fiscal year, and if the system's GANIR for the previous five years exceeds 4%, then the member's account will be credited with 75% of the amount of the returns over 4% on the account balance as of June 30 of the previous year (Upside Sharing Interest). The Upside Sharing Interest is credited to both the member contribution balance and Employer Pay Credit Balance.

The City is required to contribute at an actuarially determined rate. As of June 30, 2021, the City's required contribution rate was 24.06% (non-hazardous) and 39.58% (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 CERS from the City were \$1,490,558 for non-hazardous employees and \$1,970,206 for hazardous employees, for total contributions of \$3,460,764 for the year ended June 30, 2021.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2021, the City reported a liability of \$54,659,490 for its proportionate share of the collective net pension liabilities, with \$22,118,891 for non-hazardous pensions and \$32,540,599 for hazardous pensions. The collective net pension liabilities were measured as of June 30, 2020, and the total pension liabilities used to calculate the collective net pension liabilities were determined by actuarial valuations as of June 30, 2019 and rolled-forward using generally accepted actuarial principles. The City's proportion of the collective net pension liabilities was based on projections of the City's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2020, the City's proportion was 0.288385% for non-hazardous pensions, a decrease of 0.014917% from its proportion measured as of June 30, 2019, and 1.079280% for hazardous pensions, a decrease of 0.043487% from its proportion measured as of June 30, 2019.

CITY OF HENDERSON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS

18. CERS RETIREMENT PLANS, Continued

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions, Continued

The following is a summary of the City's CERS collective net pension liability:

	<u>Net Pension Liability</u>
City of Henderson:	
Non-Hazardous	\$ 22,118,891
Hazardous	<u>32,540,599</u>
Total City of Henderson	<u>\$ 54,659,490</u>
Component Units:	
Henderson Municipal Power & Light	<u>\$ 10,636,488</u>
Henderson Water Utility	<u>\$ 11,998,895</u>

For the year ended June 30, 2021, the City recognized pension expense of \$8,507,138, which consists of \$3,302,244 for non-hazardous pensions and \$5,204,894 for hazardous pensions. The net pension expense in aggregate for all plans was \$8,457,348 for the year ended June 30, 2021. At June 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,560,786	\$ -
Changes of assumptions	2,097,828	-
Net difference between projected and actual investment earnings on pension plan investments	1,286,561	-
Changes in proportion and differences between City contributions and proportional share of contributions	149,908	1,353,126
City contributions subsequent to the measurement date	<u>3,460,764</u>	-
Total	<u>\$ 8,555,847</u>	<u>\$ 1,353,126</u>

Of the total amount reported as deferred outflows of resources related to pensions, City contributions subsequent to the measurement date and before the end of the fiscal year will be included as a reduction of the collective net pension liability in the year ended June 30, 2022.

CITY OF HENDERSON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS

18. CERS RETIREMENT PLANS, Continued

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions, Continued

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in the City's pension expense as follows:

<u>Year Ending June 30:</u>	
2022	\$ 1,861,324
2023	883,484
2024	502,725
2025	494,424
2026	-
Thereafter	-

Actuarial assumptions: The Kentucky Retirement Systems Board of Trustees adopted new actuarial assumptions since June 30, 2018. These assumptions are documented in the report titled "Kentucky Retirement Systems 2018 Actuarial Experience Study for the Period Ending June 30, 2018". The total pension liability as of June 30, 2020, was determined using the following updated assumptions:

Inflation	2.30%
Payroll Growth Rate	2.00%
Salary Increases	3.30% to 10.30%, varies by service for non-hazardous
	3.55% to 19.05%, varies by service for hazardous
Investment Rate of	6.25%
Return	

The mortality table used for active members was a PUB-2010 General Mortality table, for the Non-Hazardous System, and PUB-2010 Public Safety Mortality table for the Hazardous System, projected with the ultimate rates from the MP-2014 improvement scale using a base year of 2010. The mortality table used for healthy retired members was a system-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2019. The mortality table used for the disabled members was PUB-2010 Disable Mortality table, with a 4-year set-forward for both male and female rates, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010.

CITY OF HENDERSON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS

18. CERS RETIREMENT PLANS, Continued

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions, Continued

The long-term expected rate of return was determined by using a building-block method in which best-estimate ranges of expected future real rates of returns are developed for each asset class. The ranges are combined by weighting the expected future real rate of return by the target asset allocation percentage. The target allocation and best estimates of arithmetic real rate of return for each major asset class are summarized in the table below. The current long-term inflation assumption is 2.30% per annum.

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Growth	62.50%	
U.S. Equity	18.75%	4.50%
Non-U.S. Equity	18.75%	5.25%
Private Equity	10.00%	6.65%
Specialty Credit/High Yield	15.00%	3.90%
Liquidity	14.50%	
Core Bonds	13.50%	(0.25)%
Cash	1.00%	(0.75)%
Diversifying Strategies	23.00%	
Real Estate	5.00%	5.30%
Opportunistic	3.00%	2.25%
Real Return	15.00%	3.95%
Total	100.00%	3.96%

Discount rate: The projection of cash flows used to determine the discount rate of 6.25% assumes that the funds receive the required employer contributions each future year, as determined by the current funding policy established in statute as last amended by House Bill 362 (passed in 2018). The discount rate determination does not use a municipal bond rate.

CITY OF HENDERSON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS

18. CERS RETIREMENT PLANS, Continued

Sensitivity of the City's proportionate share of the collective net pension liabilities to changes in the discount rate: The following presents the City's proportionate share of the collective net pension liabilities calculated using the discount rate of 6.25%, as well as what the City's proportionate share of the collective net pension liabilities would be if they were calculated using a discount rate that is one percentage point lower (5.25%) or one percentage point higher (7.25%) than the current rate:

	1% Decrease (5.25%)	Current Discount Rate (6.25%)	1% Increase (7.25%)
City's proportionate share of the collective net pension liability as of June 30, 2019			
Non-Hazardous	<u>\$ 27,277,405</u>	<u>\$ 22,118,891</u>	<u>\$ 17,847,445</u>
Hazardous	<u>\$ 40,215,546</u>	<u>\$ 32,540,599</u>	<u>\$ 26,275,813</u>

Pension plan fiduciary net position: Detailed information about the pension plans' fiduciary net position is available in the separately issued Kentucky Retirement Systems financial report.

General Information about the Other Postemployment Benefits (OPEB) Plan

Plan description: In addition to the pension benefits described above, Kentucky Retirement Systems provides postemployment healthcare benefits through the Kentucky Retirement Systems Insurance Fund (Insurance Fund), a cost sharing, multiple-employer defined benefit plan administered by the Board of Trustees of Kentucky Retirement Systems. The Insurance Fund was established to provide hospital and medical insurance for those receiving benefits from the Kentucky Employees' Retirement System (KERS), the County Employees' Retirement System (CERS), and the State Police Retirement System (SPRS). Eligible non-Medicare retirees are covered by the Department of Employee Insurance (DEI) plans.

Kentucky Retirement Systems submits the premium payments to DEI. The Board contracts with Humana to provide health care benefits to eligible Medicare retirees through a Medicare Advantage Plan.

CITY OF HENDERSON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS

18. CERS RETIREMENT PLANS, Continued

General Information about the Other Postemployment Benefits (OPEB) Plan, Continued

Benefits Provided: The Insurance Fund pays a prescribed contribution for whole or partial payment of required premiums to purchase hospital and medical insurance. For the fiscal year ended June 30, 2020 (the date of the latest available information), insurance premiums withheld from benefit payments for members of CERS were \$24.5 million and \$3.0 million for non-hazardous and hazardous employees, respectively. For the fiscal year ended June 30, 2019, insurance premiums withheld from benefit payments for members of CERS were \$24.3 million and \$2.8 million for non-hazardous and hazardous employees, respectively. The Insurance Fund pays the same proportion of hospital and medical insurance premiums for the spouse and dependents of retired hazardous employees killed in the line of duty.

The amount of contributions paid by the Insurance Fund is based on years of service. For employees participating prior to July 1, 2003, years of service and respective percentages of the maximum contribution are shown below:

<u>Years of Service</u>	<u>% Paid by Insurance Fund</u>
20 or more	100%
15 - 19	75%
10 - 14	50%
4 - 9	25%
Less than 4	0%

As a result of House Bill 290 (2004 Kentucky General Assembly), medical insurance benefits are calculated differently for those who began participating on or after July 1, 2003. Once employees reach a minimum vesting period of ten years, non-hazardous employees whose participation began on or after July 1, 2003 earn \$10 per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. Hazardous employees whose participation began on or after July 1, 2003 earn \$15 per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. Upon death of a hazardous employee, the employee's spouse receives \$10 per month for insurance benefits for each year of the deceased employee's earned hazardous service.

This dollar amount is subject to adjustment annually, which is currently 1.5%, based upon Kentucky Revised Statutes. This benefit is not protected under the inviolable contract provisions of Kentucky Revised Statute 16.652, 61.692, and 78.852.

CITY OF HENDERSON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS

18. CERS RETIREMENT PLANS, Continued

General Information about the Other Postemployment Benefits (OPEB) Plan, Continued

The Kentucky General Assembly reserves the right to suspend or reduce this benefit if, in its judgment, the welfare of the Commonwealth so demands.

Contributions: The City is required to contribute at an actuarially determined rate. As of June 30, 2021, the City's required contribution rate was 4.76% and 9.52% of annual covered payroll for non-hazardous and hazardous employees, respectively. 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 \$367,621 (not including implicit subsidies reported in the amount of \$170,860) for non-hazardous employees and \$623,964 (not including implicit subsidies reported in the amount of \$46,858) for hazardous employees, for total contributions of \$991,585 (not including implicit subsidies reported in the amount of \$217,718) for the year ended June 30, 2021. As described in above, Tier 2 and Tier 3 employees contribute 1% of their annual creditable compensation to the Insurance Fund; Tier 1 employees are not required to contribute.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At June 30, 2021, the City reported a liability of \$16,933,458 for its proportionate share of the collective net OPEB liabilities, with \$6,961,906 for non-hazardous OPEB and \$9,971,552 for hazardous OPEB. The collective net OPEB liabilities were measured as of June 30, 2020, and the total OPEB liabilities used to calculate the collective net OPEB liabilities was determined by an actuarial valuation as of June 30, 2019 and rolled-forward using generally accepted actuarial principles. The City's proportion of the collective net OPEB liabilities was based on projections of the City's long-term share of contributions to the OPEB plans relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2020, the City's proportion was 0.288314% for non-hazardous pensions, a decrease of 0.014993% from its proportion measured as of June 30, 2019, and 1.079049% for hazardous pensions, a decrease of 0.043496% from its proportion measured as of June 30, 2019.

CITY OF HENDERSON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS

18. CERS RETIREMENT PLANS, Continued

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB, Continued

The following is a summary of the City's CERS net OPEB liability:

	<u>Net OPEB Liability</u>
City of Henderson:	
Non-Hazardous	\$ 6,961,906
Hazardous	<u>9,971,552</u>
Total City of Henderson	<u>\$ 16,933,458</u>
Component Units:	
Henderson Municipal Power & Light	<u>\$ 3,347,686</u>
Henderson Water Utility	<u>\$ 3,776,898</u>

For the year ended June 30, 2021, the City recognized OPEB contributions of \$991,585, which consists of \$367,621 contributions for non-hazardous OPEB and \$623,964 contributions for hazardous OPEB. At June 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,505,373	\$ 2,159,866
Changes of assumptions	2,837,700	16,552
Net difference between projected and actual investment earnings on pension plan investments	674,032	-
Changes in proportion and differences between City contributions and proportional share of contributions	55,091	516,046
Implicit subsidy	217,718	N/A
City contributions subsequent to the measurement date	<u>991,585</u>	<u>N/A</u>
Total	<u>\$ 6,281,499</u>	<u>\$ 2,692,464</u>

CITY OF HENDERSON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS

18. CERS RETIREMENT PLANS, Continued

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB, Continued

Of the total amount reported as deferred outflows of resources related to OPEB, the implicit subsidy and City contributions subsequent to the measurement date and before the end of the fiscal year will be included as a reduction of the collective net OPEB liabilities in the year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in the City's OPEB expense as follows:

<u>Year Ending June 30:</u>	
2022	\$ 689,820
2023	509,673
2024	577,766
2025	527,249
2026	75,224
Thereafter	-

Actuarial assumptions: The Kentucky Retirement Systems Board of Trustees adopted new actuarial assumptions since June 30, 2018. These assumptions are documented in the report titled "Kentucky Retirement Systems 2018 Actuarial Experience Study for the Period Ending June 30, 2018". The total OPEB liability as of June 30, 2020, was determined using the following updated assumptions:

Inflation	2.30%
Payroll Growth Rate	2.00%
Salary Increases	3.30% to 10.30%, varies by service for non-hazardous 3.55% to 19.05%, varies by service for hazardous
Investment Rate of	6.25%
Return	
Healthcare Trend Rates	
Pre-65	Initial trend starting at 6.40% at January 1, 2022, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 14 years.
Post-65	Initial trend starting at 2.90% at January 1, 2022, and increasing to 6.30% in 2023, then gradually decreasing to an ultimate trend rate of 4.05% over a period of 14 years.

CITY OF HENDERSON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS

18. CERS RETIREMENT PLANS, Continued

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB, Continued

The mortality table used for active members was a PUB-2010 General Mortality table, for the Non-Hazardous System, and PUB-2010 Public Safety Mortality table for the Hazardous System, projected with the ultimate rates from the MP-2014 improvement scale using a base year of 2010. The mortality table used for healthy retired members was a system-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2019. The mortality table used for the disabled members was PUB-2010 Disable Mortality table, with a 4-year set-forward for both male and female rates, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010.

The assumed increase in future health care costs, or trend assumption, was reviewed during the June 30, 2019 valuation process and was updated to better reflect more current expectations relating to anticipated future increases in the medical costs. The anticipated savings from the repeal of the “Cadillac Tax” and “Health Insurer Fee”, which occurred in December of 2019 are reflected in the June 30, 2020 GASB 75 actuarial information. The assumed load on pre-Medicare premiums to reflect the cost of the Cadillac Tax was removed and the Medicare premiums were reduced by 11% to reflect the repeal of the Health Insurer Fee. There were no other material assumption changes.

The long-term expected rate of return was determined by using a building-block method in which best-estimate ranges of expected future real rate of returns are developed for each asset class. The ranges are combined by weighting the expected future real rate of return by the target asset allocation percentage. The target allocation and best estimates or arithmetic real rate of return for each major asset class are summarized in the table below. The current long-term inflation assumption is 2.30% per annum.

CITY OF HENDERSON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS

18. CERS RETIREMENT PLANS, Continued

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB, Continued

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Growth	62.50%	
U.S. Equity	18.75%	4.50%
Non-U.S. Equity	18.75%	5.25%
Private Equity	10.00%	6.65%
Specialty Credit/High Yield	15.00%	3.90%
Liquidity	14.50%	
Core Bonds	13.50%	(0.25)%
Cash	1.00%	(0.75)%
Diversifying Strategies	23.00%	
Real Estate	5.00%	5.30%
Opportunistic	3.00%	2.25%
Real Return	15.00%	3.95%
Total	100.00%	3.96%

The fully-insured premiums Kentucky Retirement Systems pays for the CERS Health Insurance Plans are blended rates based on the combined experience of active and retired members. Because the average cost of providing health care benefits to retirees under age 65 is higher than the average cost of providing health care benefits to active employees, there is an implicit employer subsidy for the non-Medicare eligible retirees. GASB 75 requires that the liability associated with this implicit subsidy be included in the calculation of the total OPEB liability.

Discount rate: Single discount rates of 5.34% for non-hazardous and 5.30% for hazardous were used to measure the total OPEB liabilities as of June 30, 2020. The discount rate determination used an expected rate of return of 6.25%, and a municipal bond rate of 2.45%, as reported in Fidelity Index's "20-Year Municipal GO AA Index" as of June 28, 2020. Based on the stated assumptions and the projection of cash flows as of each fiscal year ending, the plan's fiduciary net position and future contributions were projected to be sufficient to finance the future benefit payments of current plan members.

CITY OF HENDERSON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS

18. CERS RETIREMENT PLANS, Continued

However, the cost associated with the implicit employer subsidy was not included in the calculation of the system's actuarially determined contributions, and any cost associated with the implicit subsidy will not be paid out of the system's trusts. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy.

Sensitivity of the City's proportionate share of the collective net OPEB liabilities to changes in the discount rate: The following presents the City's proportionate share of the collective net OPEB liabilities calculated using discount rates of 5.34% (non-hazardous) and 5.30% (hazardous), as well as what the City's proportionate share of the collective net OPEB liabilities would be if they were calculated using discount rates that are one percentage point lower (4.34% and 4.30%, respectively) or one percentage point higher (6.34% and 6.30%, respectively) than the current rates:

City's proportionate share of the collective net OPEB liability as of June 30, 2020	1%	Current	1%
	Decrease	Discount Rate	Increase
Non-Hazardous	\$ 8,944,006	\$ 6,961,906	\$ 5,333,942
Hazardous	\$ 13,536,121	\$ 9,971,552	\$ 7,099,232

Sensitivity of the City's proportionate share of the collective net OPEB liabilities to changes in the healthcare cost trend rates: The following presents the City's proportionate share of the collective net OPEB liabilities, as well as what the City's proportionate share of the collective net OPEB liabilities would be if they were calculated using healthcare cost trend rates that are one percentage point lower or one percentage point higher than the current healthcare cost trend rates:

City's proportionate share of the collective net OPEB liability as of June 30, 2020	1%	Current	1%
	Decrease	Healthcare Cost Trend Rate	Increase
Non-Hazardous	\$ 5,390,256	\$ 6,961,906	\$ 8,869,142
Hazardous	\$ 7,125,964	\$ 9,971,552	\$ 13,469,958

OPEB plan fiduciary net position: Detailed information about the OPEB plans' fiduciary net position is available in the separately issued Kentucky Retirement Systems financial report.

CITY OF HENDERSON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS

19. 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 and prepaids.

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 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.

CITY OF HENDERSON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS

19. FUND BALANCE, Continued

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, 2021:

<u>Fund Balances</u>	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Nonspendable					
Inventories	\$ 34,545	\$ -	\$ -	\$ 26,910	\$ 61,455
Prepaid Expenditures	299,797	-	-	58,890	358,687
	<u>334,342</u>	<u>-</u>	<u>-</u>	<u>85,800</u>	<u>420,142</u>
Restricted					
Debt service	-	982	-	-	982
Capital projects	-	-	37,894,659	-	37,894,659
Tourism	-	-	-	2	2
Law enforcement	-	-	-	80,577	80,577
	<u>-</u>	<u>982</u>	<u>37,894,659</u>	<u>80,579</u>	<u>37,976,220</u>
Committed					
Major capital projects	1,068,603	-	-	-	1,068,603
Administration	-	-	-	587,379	587,379
Public safety	-	-	-	28,105	28,105
	<u>1,068,603</u>	<u>-</u>	<u>-</u>	<u>615,484</u>	<u>1,684,087</u>
Assigned					
2022 Budget deficit	1,800,000	-	-	-	1,800,000
Casualty Insurance	2,000,000	-	-	-	2,000,000
Newman Park shelter	200,000	-	-	-	200,000
Pension reserve	694,000	-	-	-	694,000
Countryview drainage	148,536	-	-	-	148,536
	<u>4,842,536</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,842,536</u>
Unassigned	7,379,750	-	-	(302,523)	7,077,227
Total fund balances	\$ 13,625,231	\$ 982	\$ 37,894,659	\$ 479,340	\$ 52,000,212

CITY OF HENDERSON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS

20. RECONCILATION OF NET INVESTMENT IN CAPITAL ASSETS

Net Capital assets	\$ 32,390,421
Debt related to capital assets	(50,410,000)
Debt to be paid by HWU	27,960,422
Capital Projects Restricted Cash	9,839,323
	<hr/>
	\$ 19,780,166

21. SUBSEQUENT EVENTS

In September 2021, the City sold \$5,235,000 in General Obligation Bonds, Series 2021A with the proceeds used to redeem the General Obligation Bonds, Series 2012A. In November 2021, The City sold \$17,265,000 in General Obligation Bonds, Series 2021B. Further information on the bond issuances may be obtained from the applicable Official Statements.

In September 2021, the City redeemed the outstanding balance of the General Obligation Bonds Series 2010B in the amount of \$400,000. In December 2021, the City redeemed the outstanding balance of the General Obligation Bonds Series 2011 in the amount of \$1,190,000.

In September 2021, the City passed a resolution to declare the City's intent reimburse itself for the cost of capital expenditures from the future proceeds of tax-exempt obligations.

22. DEFICIT NET POSITION/FUND BALANCE

The Cemetery and Public Ways Improvement (PWI) Funds had deficit net positions of \$(8,333) and \$(272,740), respectively. These deficits are a result of the timing of reimbursements from the General Fund. The deficit was eliminated during the first month of fiscal year 2022.

23. COVID-19 Crisis

On March 11, 2020, the World Health Organization declared the novel strain of coronavirus (COVID-19) a global pandemic and recommended containment and mitigation measures worldwide. Management cannot reasonably estimate the length or severity of this pandemic, or the extent to which the disruption may materially impact the City's financial position in fiscal 2021-2022. In July 2021, the City received over \$1,345,000 from the American Rescue Plan Act (ARPA) to cover the lost revenue caused by the pandemic.

**Required Supplementary Information
(other than Management's Discussion and Analysis)**

CITY OF HENDERSON, KENTUCKY
SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE COLLECTIVE NET PENSION LIABILITY
County Employees' Retirement System Pension Plan
As of the Measurement Date for the Last Ten Years*

	Non-Hazardous Employees						
	2020	2019	2018	2017	2016	2015	2014
City's proportion of the collective net pension liability	0.288385%	0.303302%	0.301681%	0.294516%	0.294810%	0.294070%	0.301655%
City's proportionate share of the collective net pension liability	\$ 22,118,891	\$ 21,331,365	\$ 18,373,292	\$ 17,238,927	\$ 15,115,467	\$ 12,643,513	\$ 9,786,816
City's covered payroll	\$ 7,618,352	\$ 7,870,617	\$ 7,809,738	\$ 7,423,512	\$ 7,306,385	\$ 7,236,290	\$ 7,038,509
City's proportionate share of the collective net pension liability as a percentage of its covered payroll	290.34%	271.03%	235.26%	232.22%	203.62%	173.05%	135.25%
Plan fiduciary net position as a percentage of the total pension liability	47.81%	50.45%	53.54%	53.32%	55.50%	59.97%	66.80%
Hazardous Employees							
	2020	2019	2018	2017	2016	2015	2014
City's proportion of the collective net pension liability	1.079280%	1.122767%	1.120206%	1.112915%	1.101950%	1.113580%	1.056860%
City's proportionate share of the collective net pension liability	\$ 32,540,599	\$ 31,014,141	\$ 27,091,700	\$ 24,899,008	\$ 19,691,323	\$ 17,094,694	\$ 12,701,630
City's covered payroll	\$ 6,447,033	\$ 6,477,309	\$ 6,617,453	\$ 6,309,740	\$ 5,984,273	\$ 5,854,676	\$ 5,758,780
City's proportionate share of the collective net pension liability as a percentage of its covered payroll	504.74%	478.81%	409.40%	394.61%	312.08%	285.66%	216.95%
Plan fiduciary net position as a percentage of the total pension liability	44.11%	46.63%	49.26%	49.78%	53.95%	57.52%	63.46%

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

CITY OF HENDERSON, KENTUCKY

SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE COLLECTIVE NET OPEB LIABILITY

County Employees' Retirement System OPEB Plan

As of the Measurement Date for the Last Ten Years*

Non-Hazardous Employees

	2020	2019	2018	2017
City's proportion of the collective net OPEB liability	0.288314%	0.303307%	0.301670%	0.294516%
City's proportionate share of the collective net OPEB liability	\$ 6,961,906	\$ 5,101,487	\$ 5,356,091	\$ 5,920,779
City's covered payroll	\$ 7,618,352	\$ 7,870,617	\$ 7,809,738	\$ 7,423,512
City's proportionate share of the collective net OPEB liability as a percentage of its covered payroll	91.38%	64.82%	68.58%	79.76%
Plan fiduciary net position as a percentage of the total OPEB liability	51.67%	60.44%	57.62%	52.39%

Hazardous Employees

	2020	2019	2018	2017
City's proportion of the collective net OPEB liability	1.079049%	1.122545%	1.120269%	1.112915%
City's proportionate share of the collective net OPEB liability	\$ 9,971,552	\$ 7,987,064	\$ 7,987,064	\$ 9,200,152
City's covered payroll	\$ 6,447,033	\$ 6,477,309	\$ 6,617,453	\$ 6,309,740
City's proportionate share of the collective net OPEB liability as a percentage of its covered payroll	154.67%	123.31%	120.70%	145.81%
Plan fiduciary net position as a percentage of the total OPEB liability	58.84%	64.44%	64.24%	58.99%

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

There are no OPEB assets accumulating in a trust.

CITY OF HENDERSON, KENTUCKY
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
Civil Service Pension Fund
For the Fiscal Years Ended June 30,

	2021	2020	2019	2018	2017	2016	2015	2014	2013
Total Pension Liability:									
Service cost	\$ -	\$ -	\$ 7,059	n/a	n/a	\$ 4,596	\$ 5,423	\$ 5,277	\$ 4,030
Interest	-	-	49,315	n/a	n/a	69,926	69,155	62,596	71,715
Changes of benefit terms	-	-	-	n/a	n/a	-	-	-	-
Differences between expected and actual experience	(1,211)	(1,211)	(119,656)	n/a	n/a	15,113	116,277	22,478	(60,254)
Changes of assumptions	-	-	-	n/a	n/a	-	-	227,405	-
Benefit payments	(71,259)	(88,302)	(77,363)	n/a	n/a	(175,554)	(175,297)	(187,307)	(210,938)
Net Change in Total Pension Liability	(72,470)	(89,513)	(140,645)	n/a	n/a	(85,919)	15,558	130,449	(195,447)
Total Pension Liability (Asset) - Beginning	794,825	884,338	1,024,983	n/a	n/a	1,486,307	1,470,749	1,340,300	1,535,747
Total Pension Liability (Asset) - Ending	\$ 722,355	\$ 794,825	\$ 884,338	n/a	n/a	\$ 1,400,388	\$ 1,486,307	\$ 1,470,749	\$ 1,340,300
Plan Fiduciary Net Position:									
Contributions - employer	\$ 80,394	\$ 89,836	\$ 73,680	n/a	n/a	\$ 175,316	\$ 170,363	\$ 194,227	\$ 214,154
Contributions - member	2,394	2,836	2,680	n/a	n/a	2,316	2,363	2,227	2,154
Net investment income	-	-	-	n/a	n/a	3	3	4	10
Miscellaneous income	90	12	2,022	n/a	n/a	111	191	258	193
Benefit payments including refunds	(71,259)	(88,302)	(77,363)	n/a	n/a	(175,554)	(175,297)	(181,852)	(218,006)
Administrative expenses	-	(3,598)	-	n/a	n/a	(3,410)	(3,410)	(2,441)	(2,472)
Net Change in Plan Fiduciary Net Position	11,619	784	1,019	n/a	n/a	(1,218)	(5,787)	12,423	(3,967)
Plan Fiduciary Net Position - Beginning	(749)	(1,533)	(2,552)	n/a	n/a	(1,334)	4,453	(7,970)	(4,003)
Plan Fiduciary Net Position - Ending	\$ 10,870	\$ (749)	\$ (1,533)	n/a	n/a	\$ (2,552)	\$ (1,334)	\$ 4,453	\$ (7,970)
City's Net Pension Liability	\$ 711,485	\$ 795,574	\$ 885,871	n/a	n/a	\$ 1,402,940	\$ 1,487,641	\$ 1,466,296	\$ 1,348,270
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	1.505%	-0.094%	-0.173%	n/a	n/a	-0.182%	-0.090%	0.303%	-0.595%
Covered Payroll	\$ 47,938	\$ 54,907	\$ 46,259	n/a	n/a	\$ 46,415	\$ 47,357	\$ 44,550	\$ 43,171
Net Pension Liability as a Percentage of Covered Payroll	1484.18%	1448.95%	1915.02%	n/a	n/a	3022.60%	3141.33%	3291.35%	3123.09%
Actuarial Valuation Date	June 30, 2019	June 30, 2019	June 30, 2019	n/a	n/a	June 30, 2016	June 30, 2015	June 30, 2014	June 30, 2013

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

CITY OF HENDERSON, KENTUCKY
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
Police and Fire Pension Fund
For the Fiscal Years Ended June 30,

	2021	2020	2019	2018	2017	2016	2015	2014	2013
Total Pension Liability:									
Service cost	\$ -	\$ -	\$ -	n/a	n/a	\$ (3,658)	\$ (3,720)	\$ -	\$ -
Interest	-	-	175,064	n/a	n/a	183,171	187,904	168,112	170,310
Changes of benefit terms	-	-	-	n/a	n/a	-	-	-	-
Differences between expected and actual experience	(48,571)	(48,571)	(26,054)	n/a	n/a	(38,869)	85,141	(138,211)	186,286
Changes of assumptions	-	-	-	n/a	n/a	-	-	866,643	-
Benefit payments	(333,413)	(349,805)	(352,211)	n/a	n/a	(382,823)	(392,484)	(411,006)	(412,077)
Net Change in Total Pension Liability	(381,984)	(398,376)	(203,201)	n/a	n/a	(242,179)	(123,159)	485,538	(55,481)
Total Pension Liability (Asset) - Beginning	3,951,132	4,349,508	4,552,709	n/a	n/a	4,770,687	4,893,846	4,408,308	4,463,789
Total Pension Liability (Asset) - Ending	\$ 3,569,148	\$ 3,951,132	\$ 4,349,508	n/a	n/a	\$ 4,528,508	\$ 4,770,687	\$ 4,893,846	\$ 4,408,308
Plan Fiduciary Net Position:									
Contributions - employer	\$ 332,000	\$ 354,000	\$ 352,000	n/a	n/a	\$ 386,000	\$ 399,000	\$ 412,000	\$ 418,000
Contributions - member	-	-	-	n/a	n/a	-	-	-	-
Net investment income	-	-	-	n/a	n/a	2	2	5	7
Miscellaneous income	347	16	16	n/a	n/a	188	370	360	431
Benefit payments including refunds	(333,413)	(349,805)	(352,211)	n/a	n/a	(382,823)	(392,484)	(416,461)	(415,608)
Administrative expenses	-	(4,284)	-	n/a	n/a	(3,658)	(3,720)	(2,782)	(2,782)
Net Change in Plan Fiduciary Net Position	(1,066)	(73)	(195)	n/a	n/a	(291)	3,168	(6,878)	48
Plan Fiduciary Net Position - Beginning	(3,700)	(3,627)	(3,432)	n/a	n/a	(9,279)	(12,447)	(5,569)	(5,617)
Plan Fiduciary Net Position - Ending	\$ (4,766)	\$ (3,700)	\$ (3,627)	n/a	n/a	\$ (9,570)	\$ (9,279)	\$ (12,447)	\$ (5,569)
City's Net Pension Liability	\$ 3,573,914	\$ 3,954,832	\$ 4,353,135	n/a	n/a	\$ 4,538,078	\$ 4,779,966	\$ 4,906,293	\$ 4,413,877
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	-0.134%	-0.094%	-0.083%	n/a	n/a	-0.211%	-0.195%	-0.254%	-0.126%
Covered Payroll	\$ -	\$ -	\$ -	n/a	n/a	\$ -	\$ -	\$ -	\$ -
Net Pension Liability as a Percentage of Covered Payroll	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Actuarial Valuation Date	June 30, 2019	June 30, 2019	June 30, 2019	n/a	n/a	June 30, 2016	June 30, 2015	June 30, 2014	June 30, 2013

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

CITY OF HENDERSON, KENTUCKY
SCHEDULE OF CITY CONTRIBUTIONS
County Employees Retirement System Pension Plan
For the Last Ten Fiscal Years*

Non-Hazardous Employees							
	2021	2020	2019	2018	2017	2016	2015
Statutorily required contribution	\$ 1,490,558	\$ 1,470,342	\$ 1,276,614	\$ 1,122,754	\$ 1,035,580	\$ 907,453	\$ 922,627
Contributions in relation to the statutorily required contribution	<u>(1,490,558)</u>	<u>(1,470,342)</u>	<u>(1,276,614)</u>	<u>(1,122,754)</u>	<u>(1,035,580)</u>	<u>(907,453)</u>	<u>(922,627)</u>
Contribution deficiency (excess)	<u>\$ -</u>						
City's covered payroll	\$ 7,723,098	\$ 7,618,352	\$ 7,870,617	\$ 7,809,738	\$ 7,423,512	\$ 7,306,385	\$ 7,236,290
Contributions as a percentage of covered payroll	19.30%	19.30%	16.22%	14.48%	13.95%	12.42%	12.75%
Hazardous Employees							
	2021	2020	2019	2018	2017	2016	2015
Statutorily required contribution	\$ 1,970,206	\$ 1,937,978	\$ 1,610,259	\$ 1,456,663	\$ 1,369,845	\$ 1,212,414	\$ 1,213,674
Contributions in relation to the statutorily required contribution	<u>(1,970,206)</u>	<u>(1,937,978)</u>	<u>(1,610,259)</u>	<u>(1,456,663)</u>	<u>(1,369,845)</u>	<u>(1,212,414)</u>	<u>(1,213,674)</u>
Contribution deficiency (excess)	<u>\$ -</u>						
City's covered payroll	\$ 6,554,245	\$ 6,447,033	\$ 6,477,309	\$ 6,617,453	\$ 6,309,740	\$ 5,984,273	\$ 5,854,676
Contributions as a percentage of covered payroll	30.06%	30.06%	24.86%	22.20%	21.71%	20.26%	20.73%

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

CITY OF HENDERSON, KENTUCKY
SCHEDULE OF CITY CONTRIBUTIONS
County Employees Retirement System OPEB Plan

For the Last Ten Fiscal Years*

Non-Hazardous Employees

	2021	2020	2019	2018
Statutorily required contribution	\$ 367,621	\$ 362,635	\$ 413,996	\$ 364,233
Contributions in relation to the statutorily required contribution	<u>(367,621)</u>	<u>(362,635)</u>	<u>(413,996)</u>	<u>(364,233)</u>
Contribution deficiency (excess)	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
City's covered payroll	\$ 7,723,098	\$ 7,618,352	\$ 7,870,617	\$ 7,809,738
Contributions as a percentage of covered payroll	4.76%	4.76%	5.26%	4.70%

Hazardous Employees

	2021	2020	2019	2018
Statutorily required contribution	\$ 623,964	\$ 613,758	\$ 678,821	\$ 613,111
Contributions in relation to the statutorily required contribution	<u>(623,964)</u>	<u>(613,758)</u>	<u>(678,821)</u>	<u>(613,111)</u>
Contribution deficiency (excess)	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
City's covered payroll	\$ 6,554,243	\$ 6,447,033	\$ 6,477,309	\$ 6,617,453
Contributions as a percentage of covered payroll	9.52%	9.52%	10.47%	9.35%

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

CITY OF HENDERSON, KENTUCKY
SCHEDULE OF CITY CONTRIBUTIONS
Civil Service Pension Fund
For the Last Ten Fiscal Years

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Actuarially determined contribution	\$ 76,464	\$ 76,464	\$ 76,464	\$ -	\$ -	\$ 105,328	\$ 107,411	\$ 111,630	\$ 127,470	\$ 116,436
Contributions in relation to the statutorily required contribution	(80,394)	(92,672)	(76,360)	-	-	(175,316)	(170,363)	(196,454)	(216,307)	(221,287)
Contribution deficiency (excess)	\$ (3,930)	\$ (16,208)	\$ 104	\$ -	\$ -	\$ (69,988)	\$ (62,952)	\$ (84,824)	\$ (88,837)	\$ (104,851)
City's covered payroll	\$ 47,938	\$ 54,907	\$ 46,259	\$ -	\$ -	\$ 46,415	\$ 47,357	\$ 44,550	\$ 43,171	\$ 42,867
Contributions as a percentage of covered payroll	167.70%	168.78%	165.07%	N/A	N/A	377.71%	359.74%	440.97%	501.05%	516.22%

Notes to Schedule:

Valuation date	June 30, 2019
Actuarial cost method	Entry age
Asset valuation method	Market value
Withdrawal	None
Actuarial assumptions:	
Salary increases	2.00%
Investment rate of return	5.00%
Retirement age	62
Mortality	In the 2019 actuarial valuation, the assumed life expectancies are according to the RP-2014 Base Table projected with Scale MP-2018
Cost of living adjustment	2.00%

Change of Assumptions:

Mortality assumption updated in 2019 and 2014 and a 2% COLA was assumed in 2014.

CITY OF HENDERSON, KENTUCKY
SCHEDULE OF CITY CONTRIBUTIONS
Police and Fire Pension Fund
For the Last Ten Fiscal Years

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Actuarially determined contribution	\$ 337,473	\$ 337,473	\$ 337,473	\$ -	\$ -	\$ 355,293	\$ 362,840	\$ 396,671	\$ 401,983	\$ 384,553
Contributions in relation to the statutorily required contribution	(332,000)	(354,000)	(352,000)	-	-	(386,000)	(399,000)	(412,000)	(418,000)	(418,000)
Contribution deficiency (excess)	\$ 5,473	\$ (16,527)	\$ (14,527)	\$ -	\$ -	\$ (30,707)	\$ (36,160)	\$ (15,329)	\$ (16,017)	\$ (33,447)
City's covered payroll	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions as a percentage of covered payroll	N/A									

Notes to Schedule:

Valuation date	June 30, 2019
Actuarial cost method	Entry age
Asset valuation method	Market value
Withdrawal	None
Actuarial assumptions:	
Salary increases	N/A
Investment rate of return	4.00%
Retirement age	20 years
Mortality	In the 2019 actuarial valuation, the assumed life expectancies are according to the RP-2014 Base Table projected with Scale MP-2018
Cost of living adjustment	2.00%

Change of Assumptions:

Mortality assumption updated in 2019 and 2014 and a 2% COLA was assumed in 2014.

Notes to Required Supplementary Information (RSI) on Pension and OPEB Schedules

County Employees' Retirement System (CERS) Pension Plan and Other Postemployment Benefits (OPEB) Plan

Pension Plan

Changes of benefit terms: During the 2018 legislative session, House Bill 185 was enacted, which updated the benefit provisions for active members who die in the line of duty. Benefits paid to the spouses of deceased members have been increased from 25% of the member's final pay rate to 75% of the member's average pay. If the member does not have a surviving spouse, benefits paid to surviving dependent children have been increased from 10% of member's final pay to 50% of average pay for one child, 65% over average pay for two children, of 75% of average pay for three children. The Total Pension Liability beginning June 30, 2018 is determined using these updated benefit provisions.

Changes of assumptions: In the June 30, 2019, 2017 and 2015 actuarial valuations, the following changes in actuarial assumptions were made:

	<u>June 30, 2019</u>	<u>June 30, 2017</u>	<u>June 30, 2015</u>	<u>June 30, 2014</u>
Inflation	2.30%	2.30%	3.25%	3.50%
Payroll Growth	2.00%	0.75%	0.75%	1.00%
Salary Increases		3.05%	4.00%	4.50%
Non-Hazardous	3.30% to 10.30%			
Hazardous	3.55% to 19.05%			
Investment Rate of Return	6.25%	6.25%	7.50%	7.75%

In the June 30, 2019 actuarial valuation, the mortality table used for active members was a PUB-2010 General Mortality table, for the Non-Hazardous System, and PUB-2010 Public Safety Mortality table for the Hazardous System, projected with the ultimate rates from the MP-2014 improvement scale using a base year of 2010. The mortality table used for healthy retired members was a system-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from the MP-2014

Notes to Required Supplementary Information (RSI) on Pension and OPEB Schedules - Continued

County Employees' Retirement System (CERS) Pension Plan and Other Postemployment Benefits (OPEB) Plan – Continued

Pension Plan - Continued

mortality improvement scale using a base year of 2019. The mortality table used for the disabled members was PUB-2010 Disable Mortality table, with a 4-year set-forward for both male and female rates, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010.

Beginning with the June 30, 2015 actuarial valuation, the mortality table used for active members is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females). For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set back one year for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back four years for males) is used for the period after disability retirement.

For periods prior to the June 30, 2015 actuarial valuation, the rates of mortality for the period after service retirement are according to the 1983 Group Annuity Mortality Table for all retired members and beneficiaries as of June 30, 2006 and the 1994 Group Annuity Mortality Table for all other members. The Group Annuity Mortality Table set forward five years was used for the period after disability retirement.

Other Postemployment Benefits Plan

Changes in benefit terms: During the 2018 legislative session, House Bill 185 was enacted, which updated the benefit provisions for active members who die in the line of duty. The system shall now pay 100% of the insurance premium for spouses and children of all active members who die in the line of duty. The Total OPEB Liability beginning June 30, 2018 is determined using these updated benefit provisions.

Notes to Required Supplementary Information (RSI) on Pension and OPEB Schedules - Continued

County Employees' Retirement System (CERS) Pension Plan and Other Postemployment Benefits (OPEB) Plan – Continued

Other Postemployment Benefits Plan – Continued

Changes in Assumptions: In the June 30, 2019 actuarial valuation, the following changes in actuarial assumptions were made:

	<u>June 30,</u> <u>2019</u>	<u>June 30,</u> <u>2017</u>
Inflation	2.30%	2.30%
Payroll Growth	2.00%	0.75%
Salary Increases		3.05%
Non-Hazardous	3.30% to 10.30%	
Hazardous	3.55% to 19.05%	
Investment Rate of Return	6.25%	6.25%

In the June 30, 2019 actuarial valuation, the mortality table used for active members was a PUB-2010 General Mortality table, for the Non-Hazardous System, and PUB-2010 Public Safety Mortality table for the Hazardous System, projected with the ultimate rates from the MP-2014 improvement scale using a base year of 2010. The mortality table used for healthy retired members was a system-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2019. The mortality table used for the disabled members was PUB-2010 Disable Mortality table, with a 4-year set-forward for both male and female rates, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010.

Beginning with the June 30, 2017 actuarial valuation, the mortality table used for active members is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females). For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set back one year for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back four years for males) is used for the period after disability retirement.

Notes to Required Supplementary Information (RSI) on Pension and OPEB Schedules - Continued

Civil Service Pension Fund (CSPP) and Police and Fire Pension Fund (PFPP)

1. The total pension liabilities are based on full actuarial valuation reports of GASB updates as of the end of each fiscal year. Full actuarial valuation reports and GASB updates have been prepared every third year.

2. Information as of the latest actuarial valuations:

	<u>CSPP</u>	<u>PFPP</u>
Valuation Date	June 30, 2019	June 30, 2019
Actuarial cost method	Entry age	Entry age
Amortization method	Level dollar	Level dollar
Remaining amortization period	20 years	20 Years
Asset valuation method	Market value	Market value
Actuarial assumptions:		
Investment rate of return	5.0%	4.0%
Inflation rate	None	None
Projected salary increases 2.0%		N/A
Cost of living adjustment	2.0%	N/A

3. Changes of assumptions:

CSPP – none

PFPP – none

4. Components of change in total pension liabilities:

- a. CSPP: service cost is \$7,059 for June 30, 2019. PFPP: service cost is zero since there are no active plan members accruing benefits.
- b. Interest component of change in total pension liability reflects interest rate used in developing total pension liability as of beginning of the fiscal year.
- c. Changes in benefit terms reflects impact of cost-of-living increases from the previous year benefit amounts.
- d. Changes in assumptions reflects impact of changes in valuation interest and/or mortality assumptions from the prior year.

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.
Tourist Commission	The Tourist Commission Fund accounts for the transient hotel and motel tax that is collected by the City and then sent to the Tourist Commission.
CDBG	The Community Development Block Grant Fund accounts for federal grant money used to rehabilitate low income housing and public facilities.
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, 2021

	Cemetery	PWI	HART	911	Tourist Commission	CDBG	Police Investigation	Totals
ASSETS								
Cash	\$ 476	\$ 56	\$ 646	\$ 763	\$ 2	\$ -	\$ -	\$ 1,943
Receivables	-	76,426	600,219	43,437	-	150,731	-	870,813
Prepaid Expenditures	6,240	15,210	18,720	18,720	-	-	-	58,890
Due from other funds	-	-	-	5,196	-	-	2,083	7,279
Inventories	-	-	26,910	-	-	-	-	26,910
Restricted assets:								
Cash	-	-	-	-	-	-	178,935	178,935
Total assets	\$ 6,716	\$ 91,692	\$ 646,495	\$ 68,116	\$ 2	\$ 150,731	\$ 181,018	\$ 1,144,770
LIABILITIES								
Accounts payable	\$ 10,943	\$ 353,686	\$ 5,652	\$ 11,531	\$ -	\$ 77,230	\$ 100,441	\$ 559,483
Deposits payable	-	-	-	249	-	-	-	249
Accrued wages	2,640	6,458	7,834	9,511	-	-	-	26,443
Due to other funds	1,466	4,288	-	-	-	73,501	-	79,255
Total liabilities	15,049	364,432	13,486	21,291	-	150,731	100,441	665,430
FUND BALANCES								
Nonspendable	6,240	15,210	45,630	18,720	-	-	-	85,800
Restricted	-	-	-	-	2	-	80,577	80,579
Committed	-	-	587,379	28,105	-	-	-	615,484
Unassigned	(14,573)	(287,950)	-	-	-	-	-	(302,523)
Total fund balances	(8,333)	(272,740)	633,009	46,825	2	-	80,577	479,340
Total liabilities and fund balances	\$ 6,716	\$ 91,692	\$ 646,495	\$ 68,116	\$ 2	\$ 150,731	\$ 181,018	\$ 1,144,770

City of Henderson, Kentucky
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Special Revenue Funds
For the Fiscal Year Ended June 30, 2021

	Cemetery	PWI	HART	911	Tourist Commission	CDBG	Police Investigation	Totals
REVENUES								
Taxes	\$ -	\$ -	\$ -	\$ -	\$ 154,108	\$ -	\$ -	\$ 154,108
Intergovernmental	-	563,098	904,193	71,069	-	251,000	12,487	1,801,847
Service charges and fees	338,130	122,164	16,393	923,389	-	-	-	1,400,076
Investment income	56	178	616	204	9	-	674	1,737
Miscellaneous	-	-	4,416	798	-	-	34,211	39,425
Total revenues	338,186	685,440	925,618	995,460	154,117	251,000	47,372	3,397,193
EXPENDITURES								
Administration	-	-	1,218,681	-	154,116	251,000	-	1,623,797
Parks and recreation	461,101	-	-	-	-	-	-	461,101
Police	-	-	-	1,225,367	-	-	54,155	1,279,522
Public works	-	1,751,008	-	-	-	-	-	1,751,008
Capital outlays	-	-	71,019	-	-	-	7,000	78,019
Total expenditures	461,101	1,751,008	1,289,700	1,225,367	154,116	251,000	61,155	5,193,447
Excess (deficiency) of revenues over expenditures	(122,915)	(1,065,568)	(364,082)	(229,907)	1	-	(13,783)	(1,796,254)
OTHER FINANCING SOURCES								
Transfers in from General Fund	107,000	754,000	424,246	203,000	-	-	-	1,488,246
Total other financing sources	107,000	754,000	424,246	203,000	-	-	-	1,488,246
Net change in fund balances	(15,915)	(311,568)	60,164	(26,907)	1	-	(13,783)	(308,008)
Fund balances, beginning of year	7,582	38,828	572,845	73,732	1	-	94,360	787,348
Fund balances, end of year	\$ (8,333)	\$ (272,740)	\$ 633,009	\$ 46,825	2	\$ -	\$ 80,577	\$ 479,340

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, 2021

	Budget			Variance with Final Budget
	Original	Final	Actual	
REVENUES				
Intergovernmental	\$ -	\$ -	\$ -	\$ -
Service charges and fees	241,000	241,000	338,130	97,130
Investment income	-	-	56	56
Miscellaneous	-	-	-	-
Total revenues	241,000	241,000	338,186	97,186
EXPENDITURES				
Administration	-	-	-	-
Parks and recreation	475,000	477,000	461,101	15,899
Police	-	-	-	-
Public works	-	-	-	-
Capital outlays	-	-	-	-
Total expenditures	475,000	477,000	461,101	15,899
Excess (deficiency) of revenues over expenditures	(234,000)	(236,000)	(122,915)	113,085
OTHER FINANCING SOURCES				
Transfers in from General Fund	234,000	236,000	107,000	(129,000)
Total other financing sources	234,000	236,000	107,000	(129,000)
Net change in fund balance	-	-	(15,915)	(15,915)
Fund balance, beginning of year	7,582	7,582	7,582	-
Fund balance, end of year	\$ 7,582	\$ 7,582	\$ (8,333)	\$ (15,915)

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, 2021

	Budget			Variance with Final Budget
	Original	Final	Actual	
REVENUES				
Intergovernmental	\$ 550,000	\$ 550,000	\$ 563,098	\$ 13,098
Service charges and fees	96,000	96,000	122,164	26,164
Investment income	-	-	178	178
Miscellaneous	-	-	-	-
Total revenues	646,000	646,000	685,440	39,440
EXPENDITURES				
Administration	-	-	-	-
Parks and recreation	-	-	-	-
Police	-	-	-	-
Public works	1,775,000	1,779,000	1,751,008	27,992
Capital outlays	-	-	-	-
Total expenditures	1,775,000	1,779,000	1,751,008	27,992
Excess (deficiency) of revenues over expenditures	(1,129,000)	(1,133,000)	(1,065,568)	67,432
OTHER FINANCING SOURCES				
Transfers in from General Fund	1,129,000	1,133,000	754,000	(379,000)
Total other financing sources	1,129,000	1,133,000	754,000	(379,000)
Net change in fund balance	-	-	(311,568)	(311,568)
Fund balance, beginning of year	38,828	38,828	38,828	-
Fund balance, end of year	\$ 38,828	\$ 38,828	\$ (272,740)	\$ (311,568)

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, 2021

	Budget			Variance with Final Budget
	Original	Final	Actual	
REVENUES				
Intergovernmental	\$ 1,168,000	\$ 1,168,000	\$ 904,193	\$ (263,807)
Service charges and fees	30,000	30,000	16,393	(13,607)
Investment income	-	-	616	616
Miscellaneous	-	-	4,416	4,416
Total revenues	1,198,000	1,198,000	925,618	(272,382)
EXPENDITURES				
Administration	1,433,000	1,439,000	1,218,681	220,319
Parks and recreation	-	-	-	-
Police	-	-	-	-
Public works	-	-	-	-
Capital outlays	90,000	90,000	71,019	18,981
Total expenditures	1,523,000	1,529,000	1,289,700	239,300
Excess (deficiency) of revenues over expenditures	(325,000)	(331,000)	(364,082)	(33,082)
OTHER FINANCING SOURCES				
Transfers in from General Fund	325,000	331,000	424,246	93,246
Total other financing sources	325,000	331,000	424,246	93,246
Net change in fund balance	-	-	60,164	60,164
Fund balance, beginning of year	572,845	572,845	572,845	-
Fund balance, end of year	\$ 572,845	\$ 572,845	\$ 633,009	\$ 60,164

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, 2021

	Budget			Variance with Final Budget
	Original	Final	Actual	
REVENUES				
Intergovernmental	\$ 159,000	\$ 159,000	\$ 71,069	\$ (87,931)
Service charges and fees	937,000	937,000	923,389	(13,611)
Investment income	-	-	204	204
Miscellaneous	-	-	798	798
Total revenues	1,096,000	1,096,000	995,460	(100,540)
EXPENDITURES				
Administration	-	-	-	-
Parks and recreation	-	-	-	-
Police	1,512,800	1,535,800	1,225,367	310,433
Public works	-	-	-	-
Capital outlays	60,200	60,200	-	60,200
Total expenditures	1,573,000	1,596,000	1,225,367	370,633
Excess (deficiency) of revenues over expenditures	(477,000)	(500,000)	(229,907)	270,093
OTHER FINANCING SOURCES				
Transfers in from General Fund	477,000	517,000	203,000	(314,000)
Total other financing sources	477,000	517,000	203,000	(314,000)
Net change in fund balance	-	17,000	(26,907)	(43,907)
Fund balance, beginning of year	73,732	73,732	73,732	-
Fund balance, end of year	\$ 73,732	\$ 90,732	\$ 46,825	\$ (43,907)

City of Henderson, Kentucky
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Tourist Commission Fund
For the Fiscal Year Ended June 30, 2021

	Budget			Variance with Final Budget
	Original	Final	Actual	
REVENUES				
Taxes	\$ 169,000	\$ 169,000	\$ 154,108	\$ (14,892)
Intergovernmental	-	-	-	-
Service charges and fees	-	-	-	-
Investment income	-	-	9	9
Miscellaneous	-	-	-	-
Total revenues	169,000	169,000	154,117	(14,883)
EXPENDITURES				
Administration	169,000	169,000	154,116	14,884
Parks and recreation	-	-	-	-
Police	-	-	-	-
Public works	-	-	-	-
Capital outlays	-	-	-	-
Total expenditures	169,000	169,000	154,116	14,884
Excess (deficiency) of revenues over expenditures	-	-	1	1
OTHER FINANCING SOURCES				
Transfers in from General Fund	-	-	-	-
Total other financing sources	-	-	-	-
Net change in fund balance	-	-	1	1
Fund balance, beginning of year	1	1	1	-
Fund balance, end of year	\$ 1	\$ 1	\$ 2	\$ 1

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, 2021

	Budget			Variance with Final Budget
	Original	Final	Actual	
REVENUES				
Intergovernmental	\$ 522,000	\$ 522,000	\$ 251,000	\$ (271,000)
Service charges and fees	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
Total revenues	522,000	522,000	251,000	(271,000)
EXPENDITURES				
Administration	522,000	522,000	251,000	271,000
Parks and recreation	-	-	-	-
Police	-	-	-	-
Public works	-	-	-	-
Capital outlays	-	-	-	-
Total expenditures	522,000	522,000	251,000	271,000
Excess (deficiency) of revenues over expenditures	-	-	-	-
OTHER FINANCING SOURCES				
Transfers in from General Fund	-	-	-	-
Total other financing sources	-	-	-	-
Net change in fund balance	-	-	-	-
Fund balance, beginning of year	-	-	-	-
Fund balance, end of year	\$ -	\$ -	\$ -	\$ -

City of Henderson, Kentucky
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Police Investigation Fund
For the Fiscal Year Ended June 30, 2021

	Budget			Variance with Final Budget
	Original	Final	Actual	
REVENUES				
Intergovernmental	\$ 28,600	\$ 28,600	\$ 12,487	\$ (16,113)
Service charges and fees	-	-	-	-
Investment income	2,400	2,400	674	(1,726)
Miscellaneous	-	-	34,211	34,211
Total revenues	31,000	31,000	47,372	16,372
EXPENDITURES				
Administration	-	-	-	-
Parks and recreation	-	-	-	-
Police	31,000	31,000	54,155	(23,155)
Public works	-	-	-	-
Capital outlays	-	-	7,000	(7,000)
Total expenditures	31,000	31,000	61,155	(30,155)
Excess (deficiency) of revenues over expenditures	-	-	(13,783)	(13,783)
OTHER FINANCING SOURCES				
Transfers in from General Fund	-	-	-	-
Total other financing sources	-	-	-	-
Net change in fund balance	-	-	(13,783)	(13,783)
Fund balance, beginning of year	94,360	94,360	94,360	-
Fund balance, end of year	\$ 94,360	\$ 94,360	\$ 80,577	\$ (13,783)

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, 2021

	Budget			Variance with Final Budget
	Original	Final	Actual	
REVENUES				
Intergovernmental	\$ 749,000	\$ 749,000	\$ 749,785	\$ 785
Investment income	-	-	488	488
Miscellaneous	-	-	14,106	14,106
Total revenues	749,000	749,000	764,379	15,379
EXPENDITURES				
Debt service:				
Principal	3,605,000	3,605,000	3,605,000	-
Interest	1,161,000	1,161,000	1,247,539	(86,539)
Total expenditures	4,766,000	4,766,000	4,852,539	(86,539)
Excess (deficiency) of revenues over expenditures	(4,017,000)	(4,017,000)	(4,088,160)	(71,160)
OTHER FINANCING SOURCES				
Transfers in	4,017,000	4,017,000	4,088,142	71,142
Total other financing sources	4,017,000	4,017,000	4,088,142	71,142
Net change in fund balance	-	-	(18)	(18)
Fund balance, beginning of year	1,000	1,000	1,000	-
Fund balance, end of year	\$ 1,000	\$ 1,000	\$ 982	\$ (18)

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, 2021

	Budget			Variance with Final Budget
	Original	Final	Actual	
REVENUES				
Intergovernmental	\$ 484,300	\$ 484,300	\$ 286,541	\$ (197,759)
Investment income	700	700	20,466	19,766
Miscellaneous	-	-	15,000	15,000
Total revenues	485,000	485,000	322,007	(162,993)
EXPENDITURES				
Public works	-	-	25,703	(25,703)
Bond issuance costs	-	-	162,767	(162,767)
Distribution to component unit	-	-	67,635	(67,635)
Capital outlays	1,259,000	2,119,000	1,495,164	623,836
Total expenditures	1,259,000	2,119,000	1,751,269	367,731
Excess (deficiency) of revenues over expenditures	(774,000)	(1,634,000)	(1,429,262)	204,738
OTHER FINANCING SOURCES (USES)				
Transfers in	272,000	1,992,000	1,245,000	(747,000)
Transfers out	-	-	(2,428,861)	(2,428,861)
Bond premium	-	-	373,712	373,712
Bond issuance	-	-	9,625,000	9,625,000
Total other financing sources (uses)	272,000	1,992,000	8,814,851	6,822,851
Net change in fund balance	(502,000)	358,000	7,385,589	7,027,589
Fund balance, beginning of year	30,509,070	30,509,070	30,509,070	-
Fund balance, end of year	\$30,007,070	\$30,867,070	\$37,894,659	\$ 7,027,589

STATISTICAL SECTION

Statistical Section

This part of the City of Henderson's annual comprehensive 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>
General Information	130
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.	134
Revenue Capacity These schedules contain information to help the reader assess the City's most significant local revenue sources.	140
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.	150
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.	154
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.	155
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 is nearly 18 square miles and 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 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

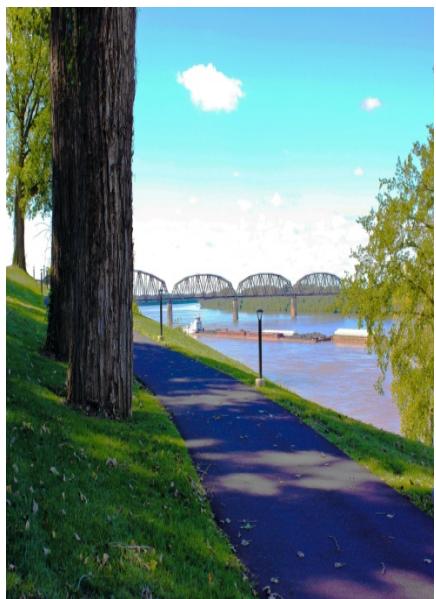
Deaconess Henderson Hospital, a 192-bed acute care hospital, is one of Henderson County's largest employers, with 700 employees at both the hospital and ancillary outpatient facilities. The hospital recently received an 'A' safety rating from The Leapfrog Group, placing the hospital in the top 1/3 of hospitals nation-wide. The organization provides general hospitalization care, surgical procedures, obstetrics and delivery, various inpatient and outpatient services, and manages the city/county ambulance service. In 2017, Owensboro Health opened a facility on Barret Boulevard that also offers several types of services and specialties. One nursing home and 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. The Park offers several miles of trails, including a pet-friendly trail. A bridge over a finger of Wilderness Lake was rebuilt in 2019 by volunteers with Pittsburgh Tank & Tower Co. in honor of their centennial year in business. A trail of bronze sculptures based on Audubon bird paintings can be found downtown. In November 2019, the Green River National Wildlife Refuge was efficiently established in Henderson County as only the second National Wildlife Refuge in Kentucky. In 2021, the Friends of Green River National Wildlife Refuge was created, and acreage was added to the refuge.

Recreation



Municipal parks provide 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 was nominated and won a Special Citation Award from Kentucky Recreation and Parks Society for the creation of the City's first "pocket park" in downtown Henderson known as The Perch. In 2019, The Perch also won an award from the Kentucky Chapter of the American Public Works Association. The City of Henderson is in the process of building a Sports Complex in support of youth sports leagues.

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 major summer music festivals: The Sandy Lee Watkins Songwriters Festival and the Bluegrass in the Park Folklife Festival. In 2019 and continuing in 2021, the community hosted a Dia de los Muertos Festival to recognize and celebrate Hispanic culture.

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. Just recently, 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 more than 112,000 volumes. The library was built in the early 1900s by a grant provided by Andrew Carnegie. The library opened a \$6 million expansion in Spring that has added many amenities to library services as well as community meeting rooms that have already proven to be extremely popular and in demand. Ellis Park offers live horse racing in the summer and simulcasting nearly year-round. New Ellis Park ownership has announced plans for a \$55 million renovation and a 72,000-square-foot expansion that will quadruple the size of the existing historical horse racing gaming area. They also plan to install lights at the track to allow night racing.

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. In 2018, third-term Mayor Steve Austin was named Elected Official of the Year by Kentucky League of Cities.

Demographics

Estimated population 27,981

Percent Male 47.8%

Percent Female 52.2%

Race 83.2% White, 10.4% Black or African American, Other 6.4%

Owner-occupied housing unit 49.2%

Median value of owner-occupied housing unit \$120,700

Households 12,039

Population per square mile 1,879.4

High school graduate or higher 85.6%

Bachelor's degree or higher 17.6%

Percentage in civilian labor force 55.2%

Total retail sales (\$1,000s) \$665,230

Medium household income \$39,887

Source: U.S. Census Bureau

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

	2012	2013	2014	2015 (a)	2016	2017	2018 (b)	2019	2020	2021
Governmental activities										
Net investment in capital assets	\$ 22,194,236	\$ 23,527,075	\$ 21,513,291	\$ 25,398,204	\$ 23,579,158	\$ 21,576,830	\$ 20,637,291	\$ 20,019,886	\$ 19,124,042	\$ 19,780,166
Restricted	148,196	149,429	113,477	79,117	53,122	45,938	42,777	75,258	95,361	81,561
Unrestricted	5,163,109	7,635,905	9,193,896	(21,650,658)	(20,955,314)	(24,317,190)	(39,089,460)	(46,716,720)	(45,169,998)	(48,665,786)
Total governmental activities net position	\$ 27,505,541	\$ 31,312,409	\$ 30,820,664	\$ 3,826,663	\$ 2,676,966	\$ (2,694,422)	\$ (18,409,392)	\$ (26,621,576)	\$ (25,950,595)	\$ (28,804,059)
Business-type activities										
Net investment in capital assets	\$ 2,911,634	\$ 2,911,911	\$ 3,020,759	\$ 2,869,943	\$ 2,745,162	\$ 2,561,895	\$ 2,700,550	\$ 2,602,642	\$ 2,282,023	\$ 2,719,510
Unrestricted	3,077,639	3,123,673	3,334,198	4,168,871	4,293,248	5,173,958	5,083,166	5,082,773	752,956	1,151,989
Total business-type activities net position	\$ 5,989,273	\$ 6,035,584	\$ 6,354,957	\$ 7,038,814	\$ 7,038,410	\$ 7,735,853	\$ 7,783,716	\$ 7,685,415	\$ 3,034,979	\$ 3,871,499
Primary government										
Net investment in capital assets	\$ 25,105,870	\$ 26,438,986	\$ 24,534,050	\$ 28,268,147	\$ 26,324,320	\$ 24,138,725	\$ 23,337,841	\$ 22,622,528	\$ 21,406,065	\$ 22,499,676
Restricted	148,196	149,429	113,477	79,117	53,122	45,938	42,777	75,258	95,361	81,561
Unrestricted	8,240,748	10,759,578	12,528,094	(17,481,787)	(16,662,066)	(19,143,232)	(34,006,294)	(41,633,947)	(44,417,042)	(47,513,797)
Total primary government net position	\$ 33,494,814	\$ 37,347,993	\$ 37,175,621	\$ 10,865,477	\$ 9,715,376	\$ 5,041,431	\$ (10,625,676)	\$ (18,936,161)	\$ (22,915,616)	\$ (24,932,560)

(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)

	2012	2013	2014	2015 (a)	2016 (b)	2017	2018 (c)	2019	2020	2021
Expenses										
Governmental activities:										
Administration	\$ 5,800,427	\$ 4,571,652	\$ 4,919,330	\$ 4,274,319	\$ 5,284,527	\$ 5,079,404	\$ 5,550,719	\$ 6,297,817	\$ 5,704,804	\$ 7,774,147
Finance (b)	2,715,668	2,522,369	2,599,737	2,576,906	2,282,224	2,532,294	2,484,760	2,797,659	2,982,288	3,010,975
Information technology (b)	-	-	-	-	770,940	992,304	959,900	1,069,526	820,300	893,873
Parks and recreation	1,931,317	1,968,902	2,320,197	2,200,256	2,368,382	2,508,094	2,442,957	2,626,211	2,462,984	2,592,187
Police	6,967,663	6,332,611	6,675,677	6,341,357	7,712,111	9,485,562	10,081,379	10,901,246	11,373,574	11,187,805
Fire	5,412,474	5,422,484	5,434,815	5,410,968	6,120,802	7,660,031	7,559,249	8,623,727	9,129,066	8,855,597
Public works (b)	6,739,456	6,660,603	7,055,802	6,967,925	7,308,765	7,946,176	8,641,172	9,110,923	6,388,445	5,054,649
Nondepartmental	2,128,359	2,311,163	2,295,114	2,759,390	2,758,245	2,344,322	1,628,251	2,742,999	1,886,977	2,132,456
Interest on long-term debt	750,582	925,391	1,102,740	1,205,808	1,243,936	1,341,150	1,397,534	1,317,605	1,240,456	1,247,539
Total governmental activities expenses	\$ 32,445,946	\$ 30,715,175	\$ 32,403,412	\$ 31,736,929	\$ 35,849,932	\$ 39,889,337	\$ 40,745,921	\$ 45,487,713	\$ 41,988,894	\$ 42,749,228
Business-type activities:										
Gas	\$ 14,531,170	\$ 15,508,629	\$ 18,635,805	\$ 15,896,878	\$ 11,943,349	\$ 12,716,926	\$ 13,490,485	\$ 13,705,628	\$ 11,007,525	\$ 12,009,925
Sanitation	2,962,683	2,911,519	3,450,869	3,256,659	3,530,230	3,155,920	3,327,918	3,472,855	3,777,655	3,799,059
Total business-type activities expenses	\$ 17,493,853	\$ 18,420,148	\$ 22,086,674	\$ 19,153,537	\$ 15,473,579	\$ 15,872,846	\$ 16,818,403	\$ 17,178,483	\$ 14,785,180	\$ 15,808,984
Total primary government expenses	\$ 49,939,799	\$ 49,135,323	\$ 54,490,086	\$ 50,890,466	\$ 51,323,511	\$ 55,762,183	\$ 57,564,324	\$ 62,666,196	\$ 56,774,074	\$ 58,558,212
Program Revenues										
Governmental activities:										
Charges for services										
Administration	\$ 2,378,914	\$ 2,129,121	\$ 2,258,509	\$ 3,683,009	\$ 2,481,476	\$ 2,360,009	\$ 2,432,930	\$ 3,006,231	\$ 2,831,140	\$ 2,749,335
Finance (b)	2,792,566	2,788,812	2,929,809	2,929,770	3,010,323	3,217,470	3,253,519	3,059,589	3,465,424	3,164,847
Parks and recreation	280,165	291,143	235,609	307,188	337,411	384,802	348,970	293,799	279,915	361,204
Public safety	912,513	862,244	881,418	1,348,379	846,035	860,380	851,850	724,944	936,785	1,309,076
Public works (b)	140,684	146,817	155,534	689,626	178,372	320,075	237,018	234,674	232,200	196,720
Operating grants and contributions	3,685,996	3,427,690	3,248,760	2,426,635	3,068,003	2,765,809	3,647,558	3,666,007	5,006,398	4,873,687
Capital grants and contributions	2,973,862	3,647,262	630,540	969,748	1,468,973	1,115,868	30,680	1,168,087	482,700	320,227
Total governmental activities program revenues	\$ 13,164,700	\$ 13,293,089	\$ 10,340,179	\$ 12,354,355	\$ 11,390,593	\$ 11,024,413	\$ 10,802,525	\$ 12,153,331	\$ 13,234,562	\$ 12,975,096

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

	2012	2013	2014	2015 (a)	2016 (b)	2017	2018 (c)	2019	2020	2021
Business-type activities:										
Charges for services										
Gas	\$ 15,287,287	\$ 16,817,749	\$ 20,374,653	\$ 17,832,083	\$ 13,178,911	\$ 14,567,341	\$ 15,234,733	\$ 15,026,345	\$ 11,817,554	\$ 14,099,877
Sanitation	2,793,255	2,940,533	3,269,514	3,235,220	3,460,515	3,488,812	3,170,350	3,291,264	3,687,417	4,006,684
Operating grants and contributions	-	93,820	96,160	98,560	101,016	103,536	106,116	158,640	111,480	114,264
Total business-type activities										
program revenues	\$ 18,080,542	\$ 19,852,102	\$ 23,740,327	\$ 21,165,863	\$ 16,740,442	\$ 18,159,689	\$ 18,511,199	\$ 18,476,249	\$ 15,616,451	\$ 18,220,825
Total primary government										
program revenues	\$ 31,245,242	\$ 33,145,191	\$ 34,080,506	\$ 33,520,218	\$ 28,131,035	\$ 29,184,102	\$ 29,313,724	\$ 30,629,580	\$ 28,851,013	\$ 31,195,921
Net (Expense)Revenue										
Governmental activities	\$ (19,281,246)	\$ (17,422,086)	\$ (22,063,233)	\$ (19,382,574)	\$ (24,459,339)	\$ (28,864,924)	\$ (29,943,396)	\$ (33,334,382)	\$ (28,754,332)	\$ (29,774,132)
Business-type activities	586,689	1,431,954	1,653,653	2,012,326	1,266,863	2,286,843	1,692,796	1,297,766	831,271	2,411,841
Total primary government net expense	\$ (18,694,557)	\$ (15,990,132)	\$ (20,409,580)	\$ (17,370,248)	\$ (23,192,476)	\$ (26,578,081)	\$ (28,250,600)	\$ (32,036,616)	\$ (27,923,061)	\$ (27,362,291)
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes:										
Property	\$ 7,177,659	\$ 7,654,195	\$ 7,838,056	\$ 8,137,120	\$ 8,469,519	\$ 8,756,457	\$ 7,528,554	\$ 7,283,786	\$ 7,671,135	\$ 7,899,127
Payroll and net profits	4,942,815	5,154,559	5,159,531	5,345,370	5,714,865	5,703,639	7,209,671	7,701,986	7,305,503	8,367,740
Insurance	4,203,745	4,519,282	4,580,176	4,741,126	4,932,647	4,961,940	5,216,046	5,383,164	5,520,883	6,038,724
Other	810,567	824,073	821,493	828,934	810,732	772,546	984,873	965,270	958,683	1,036,473
Distributions from component units	1,644,724	1,644,724	1,644,724	1,644,724	1,644,724	1,644,724	1,644,724	1,644,724	1,694,724	1,744,724
Investment earnings	66,039	32,121	127,507	200,201	337,155	50,222	102,067	463,726	445,642	150,410
Transfers	1,400,000	1,400,000	1,400,000	1,400,000	1,400,000	1,604,008	1,684,000	1,679,542	1,680,642	1,683,470
Total governmental activities	\$ 20,245,549	\$ 21,228,954	\$ 21,571,487	\$ 22,297,475	\$ 23,309,642	\$ 23,493,536	\$ 24,369,935	\$ 25,122,198	\$ 25,277,212	\$ 26,920,668

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

	2012	2013	2014	2015 (a)	2016 (b)	2017	2018 (c)	2019	2020	2021
Business-type activities:										
Investment earnings	\$ 84,885	\$ 14,357	\$ 65,720	\$ 71,531	\$ 132,733	\$ 14,608	\$ 39,067	\$ 283,475	\$ 298,386	\$ 103,149
Gain on sale of capital assets	-	-	-	-	-	-	-	-	48,650	5,000
Transfers	(1,400,000)	(1,400,000)	(1,400,000)	(1,400,000)	(1,400,000)	(1,604,008)	(1,684,000)	(1,679,542)	(1,680,642)	(1,683,470)
Total business-type activities	\$ (1,315,115)	\$ (1,385,643)	\$ (1,334,280)	\$ (1,328,469)	\$ (1,267,267)	\$ (1,589,400)	\$ (1,644,933)	\$ (1,396,067)	\$ (1,333,606)	\$ (1,575,321)
Total primary government	\$ 18,930,434	\$ 19,843,311	\$ 20,237,207	\$ 20,969,006	\$ 22,042,375	\$ 21,904,136	\$ 22,725,002	\$ 23,726,131	\$ 23,943,606	\$ 25,345,347
Change in Net Position										
Governmental activities:										
\$ 964,303	\$ 3,806,868	\$ (491,746)	\$ 2,914,901	\$ (1,149,697)	\$ (5,371,388)	\$ (5,573,461)	\$ (8,212,184)	\$ (3,477,120)	\$ (2,853,464)	
Business-type activities:										
(728,426)	46,311	319,373	683,857	(404)	697,443	47,863	(98,301)	(502,335)	836,520	
Total primary government	\$ 235,877	\$ 3,853,179	\$ (172,373)	\$ 3,598,758	\$ (1,150,101)	\$ (4,673,945)	\$ (5,525,598)	\$ (8,310,485)	\$ (3,979,455)	\$ (2,016,944)

(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)

	2012	2013	2014	2015 (a)	2016	2017	2018 (b)	2019	2020	2021
General Fund										
Nonspendable	\$ 39,087	\$ 32,760	\$ 30,340	\$ 22,694	\$ 26,845	\$ 59,912	\$ 38,787	\$ 88,774	\$ 336,180	\$ 334,342
Restricted	-	-	-	-	-	-	-	-	-	-
Committed	1,130,781	2,095,480	2,767,296	2,199,379	2,393,464	1,613,986	250,597	-	1,246,488	1,068,603
Assigned	837,000	1,296,300	2,760,400	4,000,000	5,570,000	3,940,000	4,475,740	1,788,536	1,779,536	4,842,536
Unassigned	5,592,998	6,038,346	5,268,321	4,559,662	3,536,794	5,291,247	5,437,612	7,098,072	7,716,237	7,379,750
Total general fund	\$ 7,599,866	\$ 9,462,886	\$ 10,826,357	\$ 10,781,735	\$ 11,527,103	\$ 10,905,145	\$ 10,202,736	\$ 8,975,382	\$ 11,078,441	\$ 13,625,231
All Other Governmental Funds										
Nonspendable										
Special revenue funds	\$ 24,852	\$ 26,408	\$ 26,023	\$ 21,851	\$ 16,500	\$ 17,200	\$ 32,000	\$ 26,393	\$ 77,359	\$ 85,800
Restricted										
Debt service fund	69,424	69,605	68,456	66,045	472	988	871	467	1,000	982
Capital projects fund	21,172,367	29,958,480	28,596,200	35,230,730	42,266,354	38,496,544	35,923,789	33,229,671	30,509,070	37,894,659
Special revenue funds	78,772	79,824	45,021	13,072	52,650	44,950	41,906	74,791	94,361	80,579
Committed										
Special revenue funds	300,912	181,774	166,710	119,669	125,332	393,182	250,016	217,051	615,628	615,484
Assigned										
Unassigned										
Capital projects fund	(652,605)	(265,956)	(44,023)	(2,252,592)	(995,659)	(185,457)	(75,369)	93,482	-	-
Special revenue funds	(78,470)	(41,509)	(13,884)	(5,977)	(287,758)	(5,275)	(166,068)	(380,430)	-	(302,523)
Total all other governmental funds	\$ 20,915,252	\$ 30,008,626	\$ 28,844,503	\$ 33,192,798	\$ 41,177,891	\$ 38,762,132	\$ 36,007,145	\$ 33,261,425	\$ 31,297,418	\$ 38,374,981

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

	2012	2013	2014	2015 (a)	2016 (b)	2017	2018 (c)	2019	2020	2021
Revenues										
Taxes	\$ 17,134,786	\$ 18,152,109	\$ 18,399,256	\$ 19,052,550	\$ 19,927,763	\$ 20,194,582	\$ 20,939,144	\$ 21,334,206	\$ 21,456,204	\$ 23,342,064
Charges for services	1,388,763	1,379,948	1,336,912	1,328,720	1,369,544	1,593,666	1,502,655	1,337,868	1,496,544	1,764,104
Investment income	64,712	30,176	126,233	198,706	335,075	46,035	93,654	454,503	437,758	147,773
Licenses and permits	77,643	81,091	84,349	79,519	102,971	77,553	60,556	88,147	74,549	70,041
Intergovernmental revenue	9,204,912	9,529,693	6,454,880	8,591,517	7,211,517	6,612,022	6,504,428	7,504,614	8,380,332	8,155,958
Distributions from component units	1,644,724	1,644,724	1,644,724	1,644,724	1,644,724	1,644,724	1,644,724	1,644,724	1,694,724	1,744,724
Other	275,645	320,790	453,188	277,774	345,365	325,510	376,536	829,686	239,481	436,037
Total revenues	\$ 29,791,185	\$ 31,138,531	\$ 28,499,542	\$ 31,173,510	\$ 30,936,959	\$ 30,494,092	\$ 31,121,697	\$ 33,193,748	\$ 33,779,592	\$ 35,660,701
Expenditures										
Administration	\$ 2,561,360	\$ 2,592,453	\$ 2,437,863	\$ 2,510,126	\$ 2,723,211	\$ 2,608,916	\$ 2,743,063	\$ 2,737,047	\$ 3,844,953	\$ 4,013,949
Finance (b)	2,620,612	2,503,295	2,582,338	2,663,640	2,240,291	2,234,619	2,242,609	2,335,066	2,281,920	2,290,261
Information technology (b)	-	-	-	-	741,710	867,454	854,707	832,620	820,300	893,873
Police	6,841,301	6,145,972	6,466,704	6,657,310	7,360,288	7,771,173	7,933,727	8,184,134	8,172,524	8,317,319
Fire	5,283,159	5,202,648	5,212,349	5,622,438	5,697,252	6,093,779	6,217,793	6,442,754	6,400,652	6,602,897
Public works (b)	4,771,875	4,671,583	5,083,360	5,185,281	5,082,225	5,388,274	5,811,505	5,670,173	3,726,094	4,071,127
Parks & recreation	1,730,432	1,620,578	1,833,413	1,847,588	1,982,046	1,973,263	1,926,574	1,982,867	1,790,054	1,962,032
Non-departmental	2,128,359	2,311,163	2,295,114	2,428,486	2,428,100	2,014,177	1,628,251	2,742,378	1,886,977	2,132,456
Capital outlay	4,703,361	3,614,507	781,413	6,239,160	5,510,013	7,594,336	2,127,330	3,156,720	2,114,003	2,419,311
Capital contributions to HWU	1,363,929	264,547	-	-	-	-	-	-	-	-
Debt service:										
Principal	955,000	1,460,000	1,895,000	1,910,000	2,465,000	3,010,000	3,380,000	3,445,000	3,530,000	3,605,000
Interest	750,582	925,391	1,102,740	1,205,808	1,243,936	1,341,150	1,397,534	1,317,605	1,240,456	1,247,539
Other charges	72,175	-	-	-	82,156	59,573	-	-	-	162,767
Total expenditures	\$ 33,782,145	\$ 31,312,137	\$ 29,690,294	\$ 36,269,837	\$ 37,556,228	\$ 40,956,714	\$ 36,263,093	\$ 38,846,364	\$ 35,807,933	\$ 37,718,531
Excess of revenues over (under) expenditures	\$ (3,990,960)	\$ (173,606)	\$ (1,190,752)	\$ (5,096,327)	\$ (6,619,269)	\$ (10,462,622)	\$ (5,141,396)	\$ (5,652,616)	\$ (2,028,341)	\$ (2,057,830)
Other Financing Sources (Uses)										
Transfers in	\$ 4,103,218	\$ 4,792,872	\$ 5,850,667	\$ 6,179,785	\$ 6,733,286	\$ 9,964,515	\$ 7,535,161	\$ 8,886,014	\$ 8,069,647	\$ 8,238,578
Transfers out	(2,703,218)	(3,392,872)	(4,450,667)	(4,779,785)	(5,333,286)	(8,360,507)	(5,851,161)	(7,206,472)	(6,389,005)	(6,555,107)
Insurance recovery	-	-	-	-	155,390	-	-	381,751	-	-
Bond issuance	12,080,000	9,730,000	-	8,000,000	21,100,000	7,795,000	-	-	-	9,625,000
Bond premium	-	-	-	-	144,586	140,507	-	-	-	373,712
Bond refundings	-	-	-	-	(7,995,000)	(2,270,000)	-	-	-	-
Sale of land	(111,000)	-	-	-	700,144	-	-	-	105,000	-
Total other financing sources (uses)	\$ 13,369,000	\$ 11,130,000	\$ 1,400,000	\$ 9,400,000	\$ 15,349,730	\$ 7,424,905	\$ 1,684,000	\$ 1,679,542	\$ 2,167,393	\$ 11,682,183
Net change in fund balances	\$ 9,378,040	\$ 10,956,394	\$ 209,248	\$ 4,303,673	\$ 8,730,461	\$ (3,037,717)	\$ (3,457,396)	\$ (3,973,074)	\$ 139,052	\$ 9,624,353
Debt service as a percentage of noncapital expenditures	5.9%	8.6%	10.4%	10.4%	11.6%	13.0%	14.0%	13.3%	14.2%	13.7%

(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

Fiscal Year	Total	Real & Personal Property	Insurance Premiums	Payroll	Net Profits	Franchise	Transient	Bank Deposits
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 a)	5,216,046	6,069,475 a)	1,140,196	824,062	-	160,811
2019	21,334,206	7,701,986	5,383,164	6,345,856	937,930	664,753	143,765 b)	156,752
2020	21,456,204	7,671,135	5,520,883	6,384,506	920,997	647,166	148,919	162,598
2021	23,342,064	7,899,127	6,038,724	6,949,568 c)	1,418,172 c)	694,133	154,108	188,232

a) In fiscal 2018, the City of Henderson decreased the real estate property tax rate and increased the payroll tax rate.

b) Starting in fiscal 2019, the City of Henderson started collecting the transient tax paid by hotels and motels.

c) In fiscal 2021, the City of Henderson increased the payroll and net profits tax rates.

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

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
	\$	\$	\$	\$	\$				
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
2019	846,888,705	3,970,600	441,631,675	7,332,020	92,632,916	-	1,207,190,084	0.490	5,915,231
2020	866,113,076	4,055,700	446,143,312	7,107,100	97,799,507	-	1,225,619,681	0.490	6,005,536
2021	883,340,660	4,087,500	452,740,062	7,375,200	97,935,886	-	1,249,607,536	0.490	6,123,077

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
	\$	\$	\$	\$	\$				
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
2019	61,032,122	45,928,909	10,581,107	1,581,190	1,217,750	7,481,691	127,822,769	0.813	1,039,199
2020	62,540,549	44,780,087	11,089,349	5,889,019	72,039	9,190,622	133,561,665	0.813	1,085,856
2021	61,764,976	45,996,771	7,653,902	4,887,193	1,507,503	7,612,388	129,422,733	0.813	1,052,207

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
LAST TEN FISCAL YEARS**

Real property:			Overlapping						Total City Resident
Year	General Fund Operations	City	County Schools	State	County	Library	Health	Extension	
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
2019	0.4900	0.490	0.631	0.122	0.128	0.102	0.050	0.03269	1.55569
2020	0.4900	0.490	0.624	0.122	0.128	0.107	0.050	0.03269	1.55369
2021	0.4900	0.490	0.640	0.122	0.128	0.111	0.050	0.03269	1.57369

Personal property:			Overlapping						Total City Resident
Year	General Fund Operations	City	County Schools	State	County	Library	Health	Extension	
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
2019	0.8130	0.813	0.631	0.45	0.184	0.1409	0.050	0.044958	2.313858
2020	0.8130	0.813	0.624	0.45	0.184	0.1445	0.050	0.044958	2.310458
2021	0.8130	0.813	0.640	0.45	0.184	0.1514	0.050	0.044958	2.333358

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
		County Schools	State	County	Library	Health	Extension	
Year	City							
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
2019	0.490	0.631	0.122	0.128	0.102	0.050	0.03269	1.55569
2020	0.490	0.624	0.122	0.128	0.107	0.050	0.03269	1.55369
2021	0.490	0.640	0.122	0.128	0.111	0.050	0.03269	1.57369
Personal property:								
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
2019	0.813	0.631	0.45	0.184	0.1409	0.050	0.044958	2.313858
2020	0.813	0.624	0.45	0.184	0.1445	0.050	0.044958	2.310458
2021	0.813	0.640	0.45	0.184	0.1514	0.050	0.044958	2.333358

Source: Kentucky Department of Revenue

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

Company	Type of Tax	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Kentucky Farm Bureau Insurance	Insurance premium tax	\$ 521,020	\$ 549,560	\$ 547,449	\$ 541,415	\$ 564,029	\$ 578,131	\$ 610,675	\$ 583,796	\$ 581,218	\$ 635,311
State Farm Mutual Automobile Insurance	Insurance premium tax	225,066	256,612	290,678	326,137	350,240	391,711	427,576	426,436	419,381	447,974
State Farm Fire & Casualty Company	Insurance premium tax	163,885	211,115	248,677	270,705	276,513	268,028	255,287	261,456	254,942	291,332
Commonwealth of Kentucky - Telecom	Wireless 911 Revenue	311,957	307,895	307,879	307,851	307,845	307,824	308,055	314,980	317,813	284,769
Anthem Insurance Companies	Insurance premium tax	-	-	-	-	214,939	253,376	225,481	243,332	243,909	233,550
Cincinnati Insurance Company	Insurance premium tax	138,131	156,094	156,791	163,533	-	152,252	159,494	178,322	202,585	200,741
United Healthcare	Insurance premium tax	163,636	147,451	179,892	176,361	194,822	209,333	244,231	275,274	262,791	183,071
Progressive Casualty Insurance Company	Insurance premium tax	-	-	-	-	-	-	-	150,647	156,901	157,175
Progressive Direct Insurance Company	Insurance premium tax	-	-	-	-	-	-	-	-	128,950	148,176
Big Rivers Electric Corporation	Franchise tax	172,549	179,717	183,662	193,319	188,673	186,308	165,884	161,302	141,012	135,254
Spectrum Advance Services	911 tax/Franchise fees	232,997	198,050	252,574	234,094	235,406	254,027	245,061	194,596	-	-
Bellsouth Telecommunications / AT&T	911 tax/Franchise fees	281,144	274,277	226,985	196,631	155,924	-	145,204	-	-	-
Wal-Mart Stores, Inc.	Property tax/Occupational tax	149,148	175,768	161,124	174,231	168,380	158,295	-	-	-	-
Total		\$ 2,359,533	\$ 2,456,538	\$ 2,555,712	\$ 2,584,277	\$ 2,656,771	\$ 2,759,285	\$ 2,786,947	\$ 2,790,141	\$ 2,709,502	\$ 2,717,353

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	
2012	\$ 6,532,098	\$ 6,446,468	98.7%	\$ 72,827	\$ 6,519,295	99.8%	\$ 12,802
2013	6,882,437	6,827,928	99.2%	41,939	6,869,867	99.8%	12,570
2014	7,135,144	7,071,501	99.1%	47,375	7,118,876	99.8%	16,268
2015	7,452,067	7,375,464	99.0%	55,490	7,430,954	99.7%	21,113
2016	7,760,044	7,676,994	98.9%	59,649	7,736,642	99.7%	23,401
2017	8,027,749	7,915,893	98.6%	79,519	7,995,413	99.6%	32,336
2018	6,809,606 (c)	6,742,413	99.0%	34,651	6,777,064	99.5%	32,542
2019	6,878,261	6,775,793	98.5%	53,593	6,829,385	99.3%	48,875
2020	7,004,094	6,906,448	98.6%	42,560	6,949,008	99.2%	55,086
2021	7,096,997	6,987,140	98.5%	-	6,987,140	98.5%	109,857

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

(b) Collections as of June 30, 2021

(c) In fiscal 2018, the City of Henderson decreased the real estate property tax rate and increased the payroll tax rate.

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

Type of Customer	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Residential	519,927	455,233	613,973	623,158	540,243	498,785	554,269	545,812	523,097	488,847
Commercial	341,617	294,765	356,860	391,486	341,309	327,448	303,556	357,183	342,652	310,577
Industrial	2,202,345	2,160,308	2,296,739	2,339,150	2,273,942	2,218,903	2,158,035	2,250,059	2,101,196	2,102,761
Municipal	7,614	5,564	7,806	8,051	6,548	6,872	7,749	10,305	8,891	7,672
Total Sold	3,071,503	2,915,870	3,275,378	3,361,845	3,162,042	3,052,008	3,023,609	3,163,359	2,975,836	2,909,857
Pipeline distribution use (net of losses)	3,201	2,125	2,133	3,687	2,297	1,957	1,158	1,223	1,157	1,135
Total Disposition	3,074,704	2,917,995	3,277,511	3,365,532	3,164,339	3,053,965	3,024,767	3,164,582	2,976,993	2,910,992

Source: Gas Department

The information provided is based on the calendar year and crosses two fiscal years. The information for 2021 is not available until January 2022.

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

Type of Customer	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Residential	\$ 5,286	\$ 4,356	\$ 4,413	\$ 6,246	\$ 4,800	\$ 4,400	\$ 5,565	\$ 4,971	\$ 4,783	\$ 4,187
Commercial	2,774	2,105	2,457	3,298	2,340	2,186	2,268	2,623	2,520	2,125
Industrial	10,907	8,294	10,121	12,132	8,499	7,424	8,603	8,634	7,401	6,314
Total Sold	\$ 18,967	\$ 14,755	\$ 16,991	\$ 21,676	\$ 15,640	\$ 14,010	\$ 16,435	\$ 16,228	\$ 14,704	\$ 12,625

Note: The City of Henderson receives its gas free of charge from the gas department.

Source: Gas Department

The information provided is based on the calendar year and crosses two fiscal years. The information for 2021 is not available until January 2022.

CITY OF HENDERSON, KENTUCKY
NATURAL GAS RATES
RESIDENTIAL CUSTOMERS
LAST TEN FISCAL YEARS

Fiscal Year		Monthly Base Rate	Rate per 1,000 cubic feet
2012		\$ 12.00	\$ 2.25
2013		12.00	2.25
2014	a)	12.50	2.30
2015		12.50	2.35
2016		12.50	2.40
2017		12.50	2.45
2018	b)	12.50	2.60
2019		12.50	2.60
2020		12.50	2.60
2021		12.50	2.60

Source: Gas department

- a) 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.
- b) 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, 2021

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable (a)	Estimated Share of Overlapping Debt
Debt repaid with property taxes			
Henderson County Schools (c)	\$ 49,248,182	60.00% (b)	\$ 29,548,909
Henderson County (d)			
Henderson County Public Properties Corp.	-	60.00% (b)	-
Subtotal, overlapping debt			\$ 29,548,909
City direct debt			
Total direct and overlapping debt			
			\$ 80,396,858

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 2020.
- d) Obtained from the Henderson County Treasurer's Office, does not include Judicial Center or Airport debt.

**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				Principal	Interest	Total	Coverage				
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	897	3,151	1.68	63,864	55,792	8,072	630	443	1,073	7.52				
2019	22,090	15,543	6,547	2,330	853	3,183	2.06	51,396	44,725	6,671	650	467	1,117	5.97				
2020	24,347	16,691	7,656	2,412	808	3,220	2.38	45,339	36,321	9,018	670	442	1,112	8.11				
2021	24,904	16,689	8,215	2,471	754	3,226	2.55	41,213	37,887	3,326	690	389	1,079	3.08				

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 Outstanding		Percentage of Actual Taxable Value of Property		Population		Other Governmental Activities Debt		Business-Type Activities		Percentage of Household Income	
	General Obligation Bonds	Actual Taxable Value of Property	Population	Per Capita	Bond Anticipation Note	Capital Leases	General Obligation Contracts	Capital Leases	Total Primary Government a)	Per Capita	Per Household Income	Percentage of Household Income
2012	\$ 29,125,000	\$ 1,771,066,893	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	-	-	\$ 315,375 b)	51,680,375	1,775	36,794	4.83%
2019	47,920,000	1,974,816,775	2.43%	28,432	1,685	-	-	240,519	48,160,519	1,694	38,069	4.45%
2020	44,390,000	2,022,845,433	2.19%	28,757	1,544	-	-	163,065	44,553,065	1,549	38,069	4.07%
2021	50,765,026	2,147,324,888	2.36%	27,981	1,814	-	-	82,923	50,847,949	1,817	39,887	4.56%

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

a) Includes general bonded debt, other governmental activities debt, and business-type activities debt.

b) In 2018, the City financed police body cameras.

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

Company	Fiscal Year									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
General Bonded										
General bonded debt outstanding	\$ 29,125	\$ 37,395	\$ 35,500	\$ 41,590	\$ 52,230	\$ 54,745	\$ 51,365	\$ 47,920	\$ 44,390	\$ 50,765
Other bonded debt	-	-	-	-	-	-	-	-	-	-
Total bonded debt	29,125	37,395	35,500	41,590	52,230	54,745	51,365	47,920	44,390	50,765
Debt not bonded	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 315	\$ 241	\$ 163	\$ 83
Total Debt	\$ 29,125	\$ 37,395	\$ 35,500	\$ 41,590	\$ 52,230	\$ 54,745	\$ 51,680	\$ 48,161	\$ 44,553	\$ 50,848
Estimated actual property value	\$ 1,771,067	\$ 1,833,587	\$ 1,844,100	\$ 1,865,431	\$ 1,906,703	\$ 1,933,640	\$ 1,972,685	\$ 1,974,817	\$ 2,022,845	\$ 2,147,325
Percentage of estimated actual property value	1.64%	2.04%	1.93%	2.23%	2.74%	2.83%	2.62%	2.44%	2.20%	2.37%
Population	28,853	28,911	28,832	28,900	28,890	28,841	29,108	28,432	28,757	27,981
Per capita	\$ 1,009	\$ 1,293	\$ 1,231	\$ 1,439	\$ 1,808	\$ 1,898	\$ 1,765	\$ 1,685	\$ 1,544	\$ 1,814
Less: Amounts set aside to repay general debt	1,131	1,725	2,124	1,979	2,024	1,244	251	-	552	1,069
Total net debt applicable to debt limit	\$ 27,994	\$ 35,670	\$ 33,376	\$ 39,611	\$ 50,206	\$ 53,501	\$ 51,429	\$ 48,161	\$ 44,001	\$ 49,779
Legal Debt Limit (a)	\$ 109,530	\$ 110,129	\$ 110,727	\$ 112,183	\$ 113,954	\$ 115,339	\$ 118,293	\$ 120,719	\$ 122,562	\$ 124,961
Remaining debt limit	\$ 81,536	\$ 74,459	\$ 77,351	\$ 72,572	\$ 63,748	\$ 61,838	\$ 66,864	\$ 72,558	\$ 78,561	\$ 75,181
Percentage of remaining net debt limit	74.4%	67.6%	69.9%	64.7%	55.9%	53.6%	56.5%	60.1%	64.1%	60.2%
Percentage of net debt exhausted	25.6%	32.4%	30.1%	35.3%	44.1%	46.4%	43.5%	39.9%	35.9%	39.8%

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	Household Income (thousands of dollars)	(a) Median Household Income	(c) Median Age	(d) School Enrollment	(b) Unemployment Rate
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%
2019	28,432	1,082,378	38,069	39.8	7,426	4.4%
2020	28,757	1,147,145	39,891	39.8	6,828	4.3%
2021	27,981	1,116,078	39,887	39.7	6,975	5.3%

Sources:

- a) - U.S. Census Bureau
- b) - Kentucky Center for Statistics
- 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									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
General Government										
Administration	23.25	24.00	23.00	22.00	23.00	23.00	21.50	21.50	20.50	21.00
Finance	32.75	33.00	33.00	32.00	28.00 a) 6.00 a)	28.00	27.00	27.00	26.00	26.00
Information Technology						6.00	6.00	6.00	6.00	6.00
Police										
Officers	60.75	60.75	61.75	61.75	61.75	61.75	61.75	61.75	61.00	61.00
Civilians	8.00	8.00	8.00	8.00	8.00	8.00	8.00	9.00	9.00	10.00
Emergency Communications										
9-1-1 Communications	15.25	15.25	15.25	15.25	16.25	16.25	16.25	16.25	16.00	16.00
Fire										
Firefighters	58.00	58.00	60.00	60.00	60.00	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	14.00	14.00	14.00	14.00	14.00	14.00	12.00	12.00
Mass Transit										
	14.00	14.00	14.00	14.00	13.00	13.00	13.00	13.00	13.00	13.00
Gas System										
	28.00	27.00	26.00	26.00	26.00	26.00	26.00	25.00	25.00	25.00
Sanitation										
	18.50	18.50	18.50	18.50	18.50	18.50	18.50	18.50	17.50	15.50
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	36.50	36.50	37.00	37.00	34.00	33.50
TOTAL	313.00	313.00	315.00	313.00	317.00	317.00	315.00	315.00	306.00	305.00

Source: Applicable Departments

a) 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	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Public Way Improvement (in miles)										
Asphalt streets	120	120	120	120	120	99.20	99.20	99.20	99.20	99.20
Concrete streets	-	-	-	-	-	19.94	19.94	19.94	19.94	19.94
City sidewalks	73	73	73	73	73	92.32	92.32	92.32	92.32	92.32
State sidewalks	-	-	-	-	-	12.82	12.82	12.82	12.82	12.82
Private sidewalks	-	-	-	-	-	5.98	5.98	5.98	5.98	5.98
Walking trails	-	-	-	-	-	2.02	2.02	2.02	2.02	2.02
Bike path	-	-	-	-	-	0.74	0.74	0.74	0.74	0.74
Cart path	-	-	-	-	-	0.71	0.71	0.71	0.71	0.71
Landfill Operations (in tons) (a)										
CDD - Commercial	-	-	-	-	-	7,262.28	2,720.92	2,994.27	4,770.13	3,166.56
CDD - City Residents	-	-	-	-	-	1,909.52	1,826.18	1,832.60	2,340.09	1,584.60
CDD - City Government	-	-	-	-	-	2,112.29	541.37	680.42	923.69	987.69
CDD - County Residents	-	-	-	-	-	1,881.90	1,014.93	900.91	1,228.47	2,213.56
CDD - County Government	-	-	-	-	-	276.55	44.11	631.92	1,276.24	8.80
CDD - Other	-	-	-	-	-	645.70	103.77	319.30	161.02	565.29
CDD - Total	17,371	20,376	18,135	19,294	13,535	14,088.24	6,251.28	7,359.42	10,699.64	8,526.50
Transfer Station Operations (in tons) (a)										
Solid Waste - Commercial	-	-	-	-	-	21,339.64	16,790.09	19,679.77	20,295.44	21,975.35
Solid Waste - City Residents	-	-	-	-	-	1,302.26	1,200.84	849.56	1,118.62	1,892.10
Solid Waste - City Government	-	-	-	-	-	11,343.67	11,300.38	11,588.96	11,880.04	12,659.38
Solid Waste - County Residents	-	-	-	-	-	1,239.65	1,278.31	1,355.75	1,507.65	2,101.70
Solid Waste - County Government	-	-	-	-	-	102.46	107.65	122.40	184.84	128.48
Solid Waste - Other	-	-	-	-	-	519.62	713.31	982.22	779.64	920.58
Solid Waste - Total	23,553	24,897	30,823	27,925	35,667	35,847.30	31,390.58	34,578.66	35,766.23	39,677.59
Electric System										
Miles of transmission and primary distribution	208	208	208	208	209	209	209	209	209	209
Number of distribution stations	7	7	7	7	7	7	7	7	7	7
Gas System										
Miles of mains	251	253	254	255	255	255	255	256	259	258
Miles of service lines	138	139	140	139	139	139	139	139	139	139
Number of meters	9,422	9,421	9,391	9,392	9,367	9,378	9,347	9,346	9,417	9,341
Parks and Recreation										
Park acreage	231.7	231.7	231.7	231.7	232.0	232.0	232.0	232.0	320.0	320.0
Cemetery acreage	70	70	70	70	70	70	70	70	70	70
Baseball fields	16	16	10	10	10	10	10	10	10	10
Softball fields	-	-	6	6	6	6	6	6	6	6
Playgrounds	10	10	10	11	12	15	15	15	16	16

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

Function / Program	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Tennis courts (a)	14	14	14	12	12	12	12	12	12	12
Rental Facilities	3	3	1	1	1	1	1	1	2	2
Rental Shelters	-	-	2	2	2	2	2	32	32	32
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 holes	9	9	9	9	9	9	9	18	18	18
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	2	2	2	2	2
Walking trails	2	2	2	3	3	3	3	3	3	4
Basketball courts	4	4	4	4	4	4	4	4	4	4
Skate parks (b)	1	1	1	2	2	2	2	2	2	2
Dog runs	-	-	-	1	1	1	1	1	1	1
Disc golf holes (c)	18	18	18	18	18	18	18	18	18	18
Pocket Parks	-	-	-	-	-	-	-	1	1	1
Pickleball Courts	-	-	-	-	-	-	-	-	2	3

Source: Applicable Departments

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

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

Function / Program	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Police										
Physical arrests	2,776	2,951	3,054	4,138	3,537	2,542	2,073	2,938	1,404	2,363
Traffic violations	2,455	3,505	2,889	3,596	3,203	1,629	1,169	1,289	1,631	2,984
Parking violations	4,088	4,137	4,307	4,565	2,517	4,551	4,426	4,454	2,343	2,315
Calls for service	17,827	17,454	17,519	17,928	18,080	21,540	26,012	31,106	27,404	30,923
911 Dispatch Center (a)										
911 Emergency calls	-	-	-	-	-	-	-	-	32,797	31,248
Administrative calls	-	-	-	-	-	-	-	-	34,194	34,989
Text to 911	-	-	-	-	-	-	-	-	-	69
Total calls	-	-	-	-	-	-	-	-	66,991	66,306
Fire										
Fire	150	140	137	131	128	114	137	111	158	123
Overpressure Rupture, Explosion, Overheat	10	8	13	14	16	19	13	13	18	22
Rescue & Emergency Medical Service	1,513	1,757	1,736	1,769	1,741	1,950	1,882	2,210	2,058	2,438
Hazardous Condition (No Fire)	138	147	171	163	167	187	195	167	151	168
Service Call	66	64	73	57	79	94	88	148	302	168
Good Intent Call	158	140	166	173	176	158	185	207	277	274
False Alarm & False Call	207	198	292	269	273	272	291	261	263	296
Severe Weather & Natural Disaster	1	1	2	4	1	2	1	1	2	2
Special Incident Type	7	5	7	5	8	2	14	6	10	8
Number of inspections performed	788	749	712	602	738	632	550	330	75	250
Mass Transit										
Number of routes	5	5	5	5	5	5	5	5	5	5
Fixed Route Passengers	139,321	137,359	134,966	130,530	123,865	121,455	110,975	107,282	89,428	48,666
Para transit Passengers	16,357	15,339	14,020	12,804	12,302	11,439	11,018	11,976	8,446	7,602
Wheelchair Usage	7,915	6,601	6,837	6,524	6,109	9,022	6,733	4,184	3,474	3,135
Miles of Service	222,262	221,955	219,964	214,648	210,012	212,126	196,883	202,266	184,530	175,292

Source: Applicable Departments

(a) The City added a new software system that provided more detail information.