

POPULAR ANNUAL FINANCIAL REPORT

Fiscal Year ended June 30, 2022



Service is our nature.

INSIDE

Page 2

"On the river, but never in it"

Page 3

Commission, awards

Page 4

Capital expenditures, major projects

Page 5

General financial information

Page 6

General fund components

Page 7

Looking to the future

Page 8

Henderson by the numbers



From the City Manager ...

Dec. 31, 2022

Dear City Residents,

We are pleased to present the City of Henderson's sixth *Popular Annual Financial Report (PAFR)* for the 2022 Fiscal Year.

This report is intended to present a condensed overview of the City's financial position, financial practices and details outlining how City revenues were generated and spent. Financial information in this report is derived from the independently audited financial statements that are a part of the City of Henderson's *Annual Comprehensive Financial Report (ACFR)* for the year ended June 30, 2022. (See Page 3 for more information about the ACFR and how to review the full document.)

We are proud to report that the City has been awarded a Certificate of Achievement for Excellence in Financial Reporting by the Government Finance Officers Association the past 22 years. The City was also presented with an Award for Outstanding Achievement for its fourth Popular Annual Financial Report we produced for Fiscal Year 2020. That report has been available in the lobby of our Municipal Center, on our web site, at the Henderson County Public Library, at Henderson Chamber of Commerce, at Henderson Economic Development and was distributed at the annual State of the City Address by Mayor Steve Austin. We will again include a social media campaign and email distribution for the 2022 PAFR as a general news release to local media.

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

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

Respectfully,

William L. "Buzzy" Newman

City of
Henderson
KENTUCKY

'On the river, but never in it'

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

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

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

Henderson ranks as Kentucky's 15th largest city in terms of population. Friendly people and southern hospitality are part of our nature.

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

The area is home to diverse industries, attracting major manufacturing and processors in aluminum, coal mining, steel, plastics, and agriculture. Locally produced commodities include aluminum ingot, automotive parts, truck axles and wheels, and poultry products. In 2022 construction began on a paper mill and cardboard box corrugator that uses 100 percent recycled paper.

We have:

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



ON THE COVER: (Top) Our downtown riverfront, a beacon for community activity; (middle) groundbreaking ceremony for Pratt Paper LLC's "green" paper mill and box corrugator; (bottom left) construction of the Interstate I-69 Ohio River crossing began following a summer groundbreaking and (bottom right) the Dia de los Muertos festival embraces ethnic culture. **ABOVE:** Visits by riverboats bringing tourists to town are a common sight spring through fall.

Board of Commissioners

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

Left to right: 2022 Board of Commissioners — Commissioner Rodney Thomas (one term), Commissioner Brad Staton (three terms), Mayor Steve Austin (three terms), Commissioner Robert Pruitt (one term, and others previously) and Commissioner Austin Vowels (three terms).

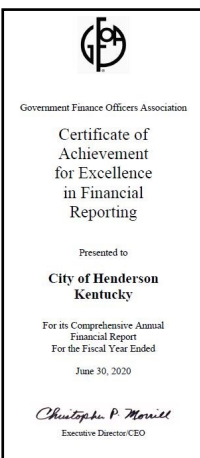


partisan ballot. The mayor is elected for a term of four years, while the commissioners are elected for a term of two years. The mayor and commissioners have equal voting power.

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

Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a **Certificate of Achievement for Excellence in Financial Reporting** to the City of Henderson for its annual comprehensive financial report (ACFR) for the fiscal year ended June 30, 2020. This was the 22nd consecutive year that the government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, the government had to publish an easily readable and efficiently organized ACFR that satisfied both generally accepted accounting principles and applicable program requirements.



The City of Henderson also received the GFOA's **Distinguished Budget Presentation Award** for its annual budget document beginning July 1, 2021, and ending June 30, 2022. This was the 13th consecutive year that the government has achieved this prestigious award. To qualify for the Distinguished Budget Presentation Award, the government's budget document

had to be judged proficient as a policy document, a financial plan, an operations guide, and a communications device.

For the fourth year, the City of Henderson received the **Popular Annual Financial Reporting Award** for its June 30, 2020, presentation. Henderson is one of only a few cities in Kentucky to be awarded all three awards for the most recent year.

ACFR

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

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



Introduction to the Popular Annual Financial Report

The Popular Annual Financial Report (PAFR) is intended to brief the residents of the City of Henderson on the financial standing of their City Government. The information in this report is drawn from the 2022 Annual Comprehensive Financial Report (ACFR). The ACFR conforms to the generally accepted accounting principles (GAAP) and includes an audited financial statement. The financial information presented in the PAFR primarily comes from the Governmental Funds and does not include all component units. **For more detailed information and copies of the ACFR and PAFR, visit the City's website at www.CityOfHendersonKY.org.**

Notable in Community

—Pratt Industries is in the process of constructing a \$600 million 321-employee corrugated box recycling and manufacturing complex on the Kentucky 425 ByPass that will use 100 percent recycled paper. Ground was broken in December 2021 and construction began in spring 2022.

—Ground was broken for the I-69 Ohio River crossing Phase I that will ultimately lead to a new bridge across the Ohio River to Evansville. Construction began in late summer.

—Kentucky Department of Transportation opened a new bridge over U.S. 60 at Spottsville, replacing an aging structure.

—Henderson Christian Community Outreach opened its new facility on Seventh Street designed to counsel and serve the community's families in need.

—Habitat for Humanity of Henderson County dedicated its 76th home and has a timeline for building at least six homes in the next year.

—The Boys & Girls Club of Henderson has started its project to renovate the former Henderson National Guard Armory into a center for their programming as well as a community gathering place after running a capital campaign.

—The City of Henderson awarded a bid for the construction of a Youth Sports Complex on Airline Road. It is expected to be playable sometime in late 2023.

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



The Budget Process

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



Public input is welcomed, and all commission meetings concerning the budget are scheduled and announced in advance. The meetings are held at the Municipal Building and are open to the public. A city cannot

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

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

Capital Expenditures, Major Projects

The fiscal 2023 budget includes a wide range of capital projects with a grand total of nearly \$14.4 million. A few of the included projects will have federal state and local assistance; however, more than \$4.9 million in capital will come from the 2020A bond proceeds and be used for the sports complex, fire station and a new shelter at Newman Park.

Major projects in the next fiscal year will be the completion of the natural gas infrastructure for Pratt Industries, Green River sidewalks, the Wathen Lane thoroughfare, sports complex facility and a new fire station No. 1.

Some highlights of things to come:

Public Safety

- New fire apparatus to replace a 1999 pumper.
- Two police pursuit vehicles.
- Fire department pickup truck.
- Crime scene reconstruction equipment
- New servers and fibre core (FC) for the 911 dispatch center.

Technology

- Twelve (12) personal and Toughbook computers proposed for replacement. This will continue the program of replacing older, slower computers with newer computers.
- Replacement of servers.
- Addition 1.92 terabytes of storage for the SAN.
- Install a fire suppression system in the City's server room.

Public Works

- New street sweeper
- New rear-loading sanitation truck.
- Used bucket lift.
- Repave several different sections of streets.
- Green River Road sidewalks
- Widening of Wathen Lane road improvements
- Paving at the two cemeteries and various parks.



Parks

- Replacement of a pickup truck.
- An extra \$300,000 for various park improvements.

Gas System

- Replacement of a crew pickup truck.
- Continue the installation of electronic receiver transmitter meters. This project will eventually eliminate the need for human meter readers.

Other Departments

- Purchase of a new cutaway bus for Henderson Area Rapid Transit.
- Replacement of a pickup for the utility servicer in Finance.

Quick Fact: A one-day drive from us reaches two-thirds of the population of the U.S., including such major markets as Atlanta, Chicago, Cincinnati, Indianapolis, Detroit, Kansas City, Memphis and St. Louis, making Northwest Kentucky the perfect location for just-in-time deliveries.

Financial Highlights

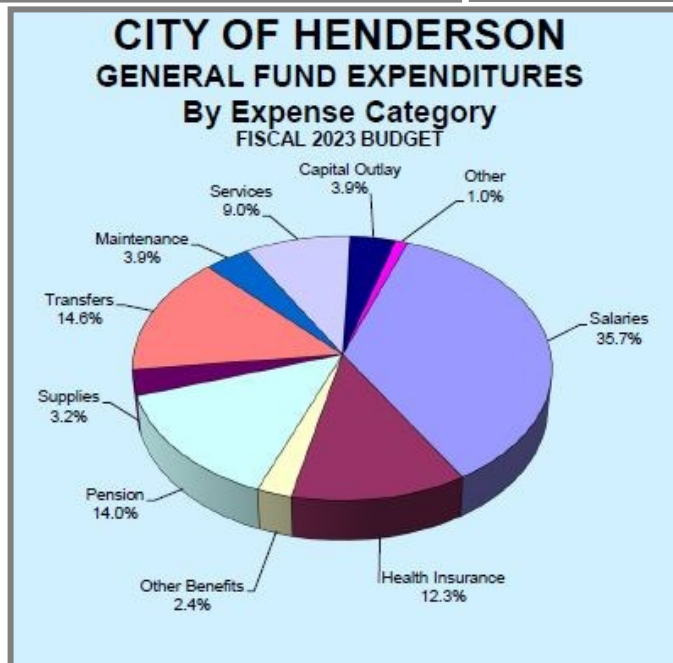
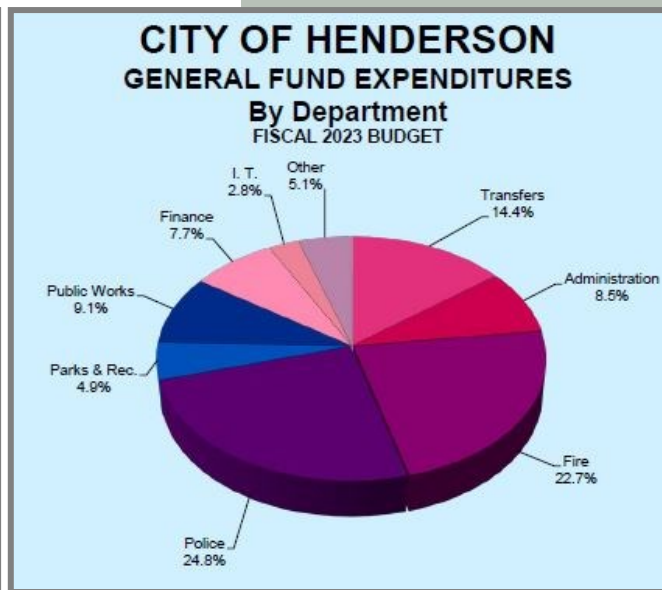
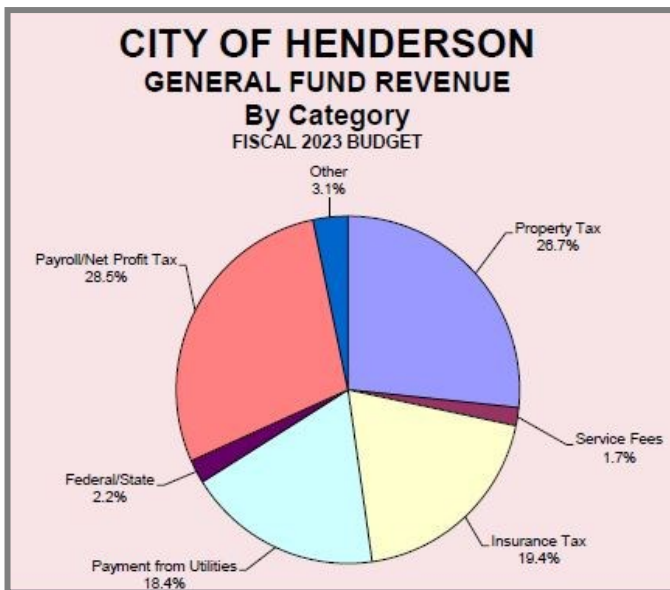
- Primary Government liabilities and deferred inflows exceeded assets and deferred outflows by \$17.1 million at the close of fiscal 2022. Due to pension and other post-employment obligations, the unrestricted net position is a negative \$50.2 million.
- City governmental funds reported combined ending fund balances of \$69.6 million. Of this total, \$7.7 million is unassigned.
- In the City's business-type activities, income from operations increased from \$2,411,841 in fiscal 2021 to \$1,153,733 in fiscal 2022.
- The City's General Fund ended the year with a fund balance of \$16,665,428, an increase of \$3,040,197, or 22.3 percent, from fiscal year 2021's balance of \$13,625,231.
- Since fiscal year-end 2019, the General Fund's fund balance has increased 85.6 percent from \$9 million in 2019 to \$16.7 million in 2022.

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



Quick Fact

Henderson has been the home of four Kentucky governors and two lieutenant governors, the artist/naturalist John James Audubon, "Father of the Blues" W.C. Handy, Admiral Husband Kimmel of Pearl Harbor fame, the first woman in America to receive a medical degree (Elizabeth Blackwell) and an originator of Mother's Day (Mary Towles Sasseen Wilson.)



Quick Fact

Gallery 101, a collaboration between Henderson Tourist Commission and Ohio Valley Art League, opened in November 2021 in the former Community Room at The Depot Welcome Center, a



property that is owned by the City of Henderson. The gallery is programmed by OVAL staff throughout the year with art exhibits, classes and other activities.

General Fund Components

Non-spendable Fund Balance

The non-spendable fund balance classification includes amounts that cannot be spent because they are either 1) not in spendable form, or 2) legally or contractually required to be maintained intact. Amounts not in spendable form include 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

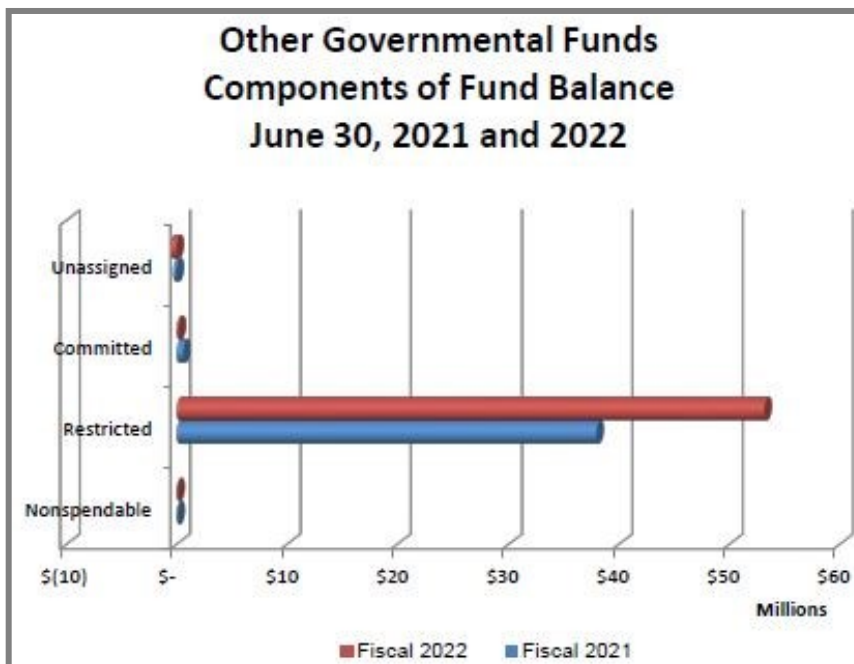
The committed fund balance classification includes amounts that can only be used for specific purposes and those committed amounts cannot be used for any other purpose unless the Board of Commissioners changes the commitments by ordinance or resolution.

Assigned Fund Balance

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

Unassigned Fund Balance

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



2022 factors

During the fiscal year, the fund balance for the City of Henderson's general fund increased by \$3,040,197. The factors contributing to this increase:

- **Occupational taxes** increase in the amount of \$1,342,593.
- The **insurance premium tax** was up \$621,089 or 10.3 percent.
- **Federal grants** in the amount of \$1,750,599 with nearly \$1.35 million from the **American Rescue Plan Act**.
- **Property taxes** increased by \$350,434 or 4.4 percent.
- **Expenditures** increased by \$1,832,191 or 6.1 percent over the prior year; however, the total was \$3,442,287 lower than budget appropriations.



Long-Term Debt

At the end of the current fiscal year, the City of Henderson had total bonded debt outstanding of \$61,990,000. All of the \$61,990,000 is backed by the full faith and credit of the City.

Bond Rating

Due to its strength of reserves and liquidity, the City of Henderson received a credit rating of Aa3 from Moody's Investor Service on its 2021 general obligation bonds. The Aa3 is considered investment grade. For the long-term Aa3 is rated as high quality and very low credit risk.

Growth in the City

Real estate assessments have increased 16.8 percent or \$184.6 million from \$1,095.3 million at the start of fiscal 2013 to \$1,279.9 million at the end of fiscal 2022. This equates to a 1.6 percent annual increase.

Bank Deposits

Over the same 10-year period, bank deposits have increased 56.6 percent, or \$308,423.



Economic Factors, Trends, & Next Year's Budget

Capital Assets

The City of Henderson's investment in capital assets for its governmental and business-type activities as of June 30, 2022, amounts to \$41,607,813 (net of accumulated depreciation).

This investment in capital assets includes land, buildings, machinery and equipment, gas system improvements, park facilities, vehicles, sculptures, and infrastructure.

The total increase in capital assets for the current fiscal year was approximately 18.5 percent.

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

- \$2,291,353 for natural gas system improvements.
- \$959,836 for natural gas system improvements that are directly related to a new industrial customer.
- Nearly \$32,000 on communication equipment for the municipal center.
- \$65,000 on a payment kiosk.
- Another \$111,562 on four vehicles.
- Sports complex designs of \$245,669.
- Real property in the amount of \$4,975,572 for an industrial customer.
- \$383,967 on new roads, sidewalks and bridges.

The City of Henderson was able to fund the fiscal 2023 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 2022, there were **236 construction permits** issued with a total value of \$177,581,870. There were 22 single family units, 1 duplex (2 units), and 0 multi-family for a total of 24 units approved. The total value for new housing was \$5,161,900. There were 10 new commercial developments with a total value of \$143,313,050.

—There were 27 permits issued for **demolition of sub-standard residential structures**.

—The **unemployment rate** for the City of Henderson in June 2022 was approximately 4.1 percent which was slightly higher than the national rate of 3.8 percent and the Kentucky rate of 3.7 percent.

—On July 29, 2021, Pratt Industries announced a **\$600 million corrugated box recycling and manufacturing complex** that within four 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.

—Despite the continued **threats of COVID-19 pandemic**, fiscal 2022 was another successful year for the City of Henderson. The focus going forward seems to have shifted to historic increases in personnel, supplies and repair costs caused by inflation. Staff is constantly and relentlessly looking at new ways to acquire the needed items and adjusting the purchasing procedures.

Quick Fact

The City is developing a sports complex on Airline Road that will serve youth leagues and other recreational interests. Phase One of the project is scheduled to break ground before the end of 2022.

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
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	48,029
2021	1,249,608	129,423	768,295	2,147,326	124,480
2022	1,279,845	142,004	852,943	2,274,793	127,467

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



Henderson By The Numbers

27,695

Population of Henderson

1810

Incorporated as a Town

1904

Public Library Built

Teamwork:

City-County Joint Ventures

- Preparations and infrastructure for the location of Pratt Industries' \$600 million corrugated box recycling and manufacturing complex announced in July 2021 and under construction.
- Preparations and infrastructure for construction of the approaches and extension of I-69. Ground was broken construction began in late summer 2022.
- Planning for the future of the U.S. 41-North corridor following the completion of I-69 in Henderson and Henderson County.
- Flood Mitigation Board to oversee funds dedicated to addressing flooding problems in the community.
- A Dia De Los Muertos festival to honor traditions of Hispanic citizens.
- A Juneteenth celebration to observe new Federal holiday.
- Solid waste disposal issues and options reviewed by City-County Cooperative Study Team.
- Emergency Dispatch Operations in the 911 Center with a goal of improving funding options.
- A combined City-County Tourism Commission.
- A reorganized and combined Human Rights Commission.

Request for Information

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

25

Parks & Public Spaces

Jan. 31, 1937

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

\$44,476

Family Medium Income

5,556

Central Park Memorial Day cross display started with 34 tributes in 1947. In 2022 there were 5,650.

10,200

Weekly Residential Sanitation Pickups



7

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

Red Banks

What Henderson, settled in 1797, was first called.

Aug. 15, 1896

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

10 Largest Manufacturing/ Distribution Employers

Tyson Foods	1,416
Gibbs Die Casting	906
River View Coal	865
Century Aluminum	499
Big Rivers Electric	465
Pittsburg Tank & Tower	366
Audubon Metals	332
Brenntag Mid-South	305
Dana	249
Accuride Corp.	187

Other Top Employers

Henderson County Schools	1,095
Deaconess Henderson	900
City of Henderson (including HWU)	470
Henderson Co. Government	209

More Workforce Details: Hendersonkyedc.com

58,319

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

1

Gravel street (Van Wyck Road)

1,185

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