

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,

Series 2015B: Refunding of Prior Debt, continued

construction, installation, and equipping of certain improvements to the City's municipal water, sanitary sewer, and storm sewer system.

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

Series 2015C: Refunding of Prior Debt

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

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

Series 2016A: Municipal Service Center

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

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

Series 2016B: Refunding of Prior Debt

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

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

Series 2017A: Municipal Service Center

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

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

Series 2017B: Refunding of Prior Debt

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

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

Series 2017C: Refunding of Prior Debt

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

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

During the fiscal year, the City of Henderson's total debt decreased by \$3,519,856 or 6.8%. The reason for the decrease was scheduled principal payments for all outstanding bonds. The last scheduled payment on the City's outstanding debt is March 1, 2037.

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

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

The current debt limit for the City of Henderson is approximately \$120,719,000, which is significantly in excess of the current outstanding general obligation debt of \$48,160,519.

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

Economic Factors and Next Year's Budget and Rates

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

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

For fiscal 2019, there were 236 construction permits issued with a total value of \$18,791,877. There were 14 single family units, 11 duplexes (22 units), and 2 multi-family (10 units) for a total of 46 units approved. The total value for new housing was \$4,753,776.

There were 6 new commercial developments with a total value of \$8,681,000. There were 34 permits issued for demolition of substandard residential structures.

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

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

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, 2019

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	Henderson Municipal Power & Light	Henderson Water Utility
ASSETS					
Cash	\$ 5,576,463	\$ 2,270,547	\$ 7,847,010	\$ 12,390,092	\$ 7,922,065
Investments	7,961,469	6,198,960	14,160,429	13,152,433	50,390
Receivables	1,403,289	1,941,019	3,344,308	8,412,557	3,701,580
Internal balances	(200,392)	200,392	-	-	-
Inventories	63,428	220,256	283,684	4,675,758	789,154
Prepaid expenses	51,739	9,654	61,393	289,063	102,455
Restricted assets:					
Cash	713,961	-	713,961	-	-
Investments	-	-	-	2,518,824	-
Receivable from HWU:					
Due in one year	2,354,090	-	2,354,090	-	-
Due after one year	30,372,093	-	30,372,093	-	-
Land and other nondepreciable capital assets	4,593,983	114,815	4,708,798	1,326,404	1,466,482
Capital assets, net of accumulated depreciation	30,116,232	2,487,827	32,604,059	10,929,325	82,113,283
Other assets	-	-	-	449,395	200,574
Total assets	83,006,355	13,443,470	96,449,825	54,143,851	96,345,983
DEFERRED OUTFLOWS OF RESOURCES					
Deferred outflows of resources	15,755,788	-	15,755,788	2,528,013	3,328,021
Total assets and deferred outflows of resources	\$ 98,762,143	\$ 13,443,470	\$ 112,205,613	\$ 56,671,864	\$ 99,674,004
LIABILITIES					
Accounts payable and accrued liabilities	\$ 3,572,362	\$ 931,869	\$ 4,504,231	\$ 4,054,867	\$ 1,909,196
Deposits payable	699,740	287,154	986,894	701,075	139,704
Due to component units	2,686,889	-	2,686,889	-	-
Gas storage liability	-	315,000	315,000	-	-
Noncurrent liabilities:					
Due in one year	4,932,454	-	4,932,454	950,235	2,788,752
Due after one year	109,402,817	4,224,032	113,626,849	20,812,915	44,037,107
Total liabilities	121,294,262	5,758,055	127,052,317	26,519,092	48,874,759
DEFERRED INFLOWS OF RESOURCES					
Deferred inflows of resources	4,089,457	-	4,089,457	808,203	1,363,133
NET POSITION					
Net investment in capital assets	20,019,886	2,602,642	22,622,528	1,495,729	50,311,002
Restricted for:					
Debt service	467	-	467	2,518,824	-
Tourism	6,888	-	6,888	-	-
Law enforcement	67,903	-	67,903	-	-
Unrestricted	(46,716,720)	5,082,773	(41,633,947)	25,330,016	(874,890)
Total net position	(26,621,576)	7,685,415	(18,936,161)	29,344,569	49,436,112
Total liabilities, deferred inflows, and net position	\$ 98,762,143	\$ 13,443,470	\$ 112,205,613	\$ 56,671,864	\$ 99,674,004

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, 2019

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position				
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Units	
					Governmental Activities	Business-type Activities	Total	Henderson Municipal Power & Light	Henderson Water Utility
Primary government									
Governmental activities:									
Administration	\$ 6,297,817	\$ 3,006,231	\$ 302,788	\$ 158,719	\$ (2,830,079)	\$ -	\$ (2,830,079)		
Finance	2,797,659	3,059,589	-	-	261,930	-	261,930		
Information technology	1,069,526	-	-	-	(1,069,526)	-	(1,069,526)		
Parks and recreation	2,626,211	293,799	-	25,464	(2,306,948)	-	(2,306,948)		
Police	10,901,246	711,944	761,103	-	(9,428,199)	-	(9,428,199)		
Fire	8,623,727	13,000	341,170	-	(8,269,557)	-	(8,269,557)		
Public works	9,110,923	234,674	1,412,779	983,904	(6,479,566)	-	(6,479,566)		
Nondepartmental	2,742,999	-	-	-	(2,742,999)	-	(2,742,999)		
Interest on long-term debt	1,317,605	-	848,167	-	(469,438)	-	(469,438)		
Total governmental activities	45,487,713	7,319,237	3,666,007	1,168,087	(33,334,382)	-	(33,334,382)		
Business-type activities:									
Gas	13,705,628	15,026,345	-	-	-	1,320,717	1,320,717		
Sanitation	3,472,855	3,291,264	158,640	-	-	(22,951)	(22,951)		
Total business-type activities	17,178,483	18,317,609	158,640	-	-	1,297,766	1,297,766		
Total primary government	\$ 62,666,196	\$ 25,636,846	\$ 3,824,647	\$ 1,168,087	(33,334,382)	1,297,766	(32,036,616)		
Component units									
Henderson Municipal Power & Light	\$ 92,926,009	\$ 51,395,744	\$ -	\$ -			\$ (41,530,265)	\$ -	
Henderson Water Utility	20,426,234	22,209,372	-	1,645,693			-	3,428,831	
Total component units	\$ 113,352,243	\$ 73,605,116	\$ -	\$ 1,645,693			(41,530,265)	3,428,831	
General revenues:									
Taxes:									
Property					7,701,986	-	7,701,986	-	
Payroll and net profits					7,283,786	-	7,283,786	-	
Insurance					5,383,164	-	5,383,164	-	
Franchise					664,753	-	664,753	-	
Bank deposits					156,752	-	156,752	-	
Transient					143,765	-	143,765	-	
Distributions from component units					1,644,724	-	1,644,724	-	
Investment income					463,726	283,475	747,201	459,955	
Transfers					1,679,542	(1,679,542)	-	-	
Total general revenues and transfers					25,122,198	(1,396,067)	23,726,131	459,955	
Change in net position					(8,212,184)	(98,301)	(8,310,485)	(41,070,310)	
Cumulative effect of change in accounting principle-OPEB					-	-	-	-	
Prior period adjustment					-	-	-	-	
Net position, beginning of year					(18,409,392)	7,783,716	(10,625,676)	70,414,879	
Net position, end of year					\$ (26,621,576)	\$ 7,685,415	\$ (18,936,161)	\$ 29,344,569	

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

City of Henderson, Kentucky
Balance Sheet
Governmental Funds
June 30, 2019

	General Fund	Debt Service Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS					
Cash	\$ 5,165,362	\$ -	\$ 830	\$ 13,945	\$ 5,180,137
Investments	7,961,469	-	-	-	7,961,469
Receivables	443,201	-	206,235	572,100	1,221,536
Prepaid Expenditures	43,006	-	-	8,733	51,739
Due from other funds	49,174	-	50,000	-	99,174
Inventories	45,768	-	-	17,660	63,428
Restricted assets:					
Cash	-	467	503,488	210,006	713,961
Receivable from HWU:					
Due in one year	-	-	2,354,090	-	2,354,090
Due after one year	-	-	30,372,093	-	30,372,093
Total assets	<u>\$ 13,707,980</u>	<u>\$ 467</u>	<u>\$ 33,486,736</u>	<u>\$ 822,444</u>	<u>\$ 48,017,627</u>
LIABILITIES					
Accounts payable	\$ 515,997	\$ -	\$ 163,583	\$ 735,822	\$ 1,415,402
Deposits payable	699,740	-	-	-	699,740
Accrued wages	592,893	-	-	86,330	679,223
Due to other funds	237,079	-	-	62,487	299,566
Due to component units	2,686,889	-	-	-	2,686,889
Total liabilities	<u>4,732,598</u>	<u>-</u>	<u>163,583</u>	<u>884,639</u>	<u>5,780,820</u>
FUND BALANCES					
Nonspendable	88,774	-	-	26,393	115,167
Restricted	-	467	33,323,153	74,791	33,398,411
Committed	-	-	-	217,051	217,051
Assigned	1,788,536	-	-	-	1,788,536
Unassigned	7,098,072	-	-	(380,430)	6,717,642
Total fund balances	<u>8,975,382</u>	<u>467</u>	<u>33,323,153</u>	<u>(62,195)</u>	<u>42,236,807</u>
Total liabilities and fund balances	<u>\$ 13,707,980</u>	<u>\$ 467</u>	<u>\$ 33,486,736</u>	<u>\$ 822,444</u>	<u>\$ 48,017,627</u>

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, 2019

Total fund balances of governmental funds per balance sheet \$ 42,236,807

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. 34,710,215

Deferred outflows and inflows of resources shown in governmental activities apply to future periods and, therefore, are not reported in the governmental funds.

Deferred outflows of resources - Pensions	11,007,569
Deferred outflows of resources - OPEB	4,748,219
Deferred inflows of resources - Pensions	(1,396,539)
Deferred inflows of resources - OPEB	(2,692,918)

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. (899,658)

Long-term debt and other liabilities were not currently due and payable in the fiscal year ended June 30, 2018, and, therefore, were not reported in the governmental funds.

Long-term debt payable	\$ (47,920,000)
Net Pension & OPEB liability	(64,047,152)
Accrued compensated absences	(1,429,600)
HRA Fund unfunded obligation	(698,000)
Body cameras contract	(240,519)
	(114,335,271)

Total net position of governmental activities per statement of net position \$ (26,621,576)

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, 2019

	General Fund	Debt Service Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES					
Taxes:					
Property	\$ 7,701,986	\$ -	\$ -	\$ -	\$ 7,701,986
Payroll and net profits	7,283,786	-	-	-	7,283,786
Insurance	5,383,164	-	-	-	5,383,164
Franchise	664,753	-	-	-	664,753
Bank deposits	156,752	-	-	-	156,752
Transient	-	-	-	143,765	143,765
Intergovernmental	3,476,212	848,167	1,142,623	2,046,607	7,513,609
Distributions from component units	1,644,724	-	-	-	1,644,724
Service charges and fees	443,559	-	-	894,309	1,337,868
Rents, concessions, and other services	127,386	-	-	-	127,386
Fines, finance charges, and penalties	61,746	-	-	-	61,746
Licenses and permits	88,147	-	-	-	88,147
Investment income	423,141	7,194	16,708	7,460	454,503
Miscellaneous	175,368	-	437,423	18,768	631,559
Total revenues	<u>27,630,724</u>	<u>855,361</u>	<u>1,596,754</u>	<u>3,110,909</u>	<u>33,193,748</u>
EXPENDITURES					
Current:					
Administration	2,381,777	-	-	355,270	2,737,047
Finance	2,335,066	-	-	-	2,335,066
Information technology	832,620	-	-	-	832,620
Parks and recreation	1,557,120	-	-	425,747	1,982,867
Police	6,811,136	-	-	1,372,998	8,184,134
Fire	6,442,754	-	-	-	6,442,754
Public works	2,523,755	-	525,537	3,054,916	6,104,208
Nondepartmental	2,218,734	-	523,644	-	2,742,378
Debt service:	-	-	-	-	-
Principal	-	3,445,000	-	-	3,445,000
Interest	-	1,317,605	-	-	1,317,605
Capital outlays	286,304	-	1,907,354	529,027	2,722,685
Total expenditures	<u>25,389,266</u>	<u>4,762,605</u>	<u>2,956,535</u>	<u>5,737,958</u>	<u>38,846,364</u>
Excess (deficiency) of revenues over expenditures	<u>2,241,458</u>	<u>(3,907,244)</u>	<u>(1,359,781)</u>	<u>(2,627,049)</u>	<u>(5,652,616)</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	1,415,681	3,906,840	1,156,493	2,407,000	8,886,014
Transfers out	<u>(4,884,493)</u>	-	<u>(2,321,979)</u>	-	<u>(7,206,472)</u>
Total other financing sources (uses)	<u>(3,468,812)</u>	<u>3,906,840</u>	<u>(1,165,486)</u>	<u>2,407,000</u>	<u>1,679,542</u>
Net change in fund balances	(1,227,354)	(404)	(2,525,267)	(220,049)	(3,973,074)
Fund balances, beginning of year	<u>10,202,736</u>	<u>871</u>	<u>35,848,420</u>	<u>157,854</u>	<u>46,209,881</u>
Fund balances, end of year	<u>\$ 8,975,382</u>	<u>\$ 467</u>	<u>\$ 33,323,153</u>	<u>\$ (62,195)</u>	<u>\$ 42,236,807</u>

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

City of Henderson, Kentucky
Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balances of Governmental Funds
To the Statement of Activities
For the Fiscal Year Ended June 30, 2019

Net change in fund balances of governmental funds	\$ (3,973,074)
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	2,722,685
Depreciation expense	(4,090,972)
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	3,445,000
Payment on body cameras contract	74,856
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	(5,282,038)
CERS OPEB expense adjustment	(915,652)
Decrease in CSPP and PFPP Pension expense adjustment	720,829
Increase in accrued compensated absences	(30,000)
Increase in HRA Fund unfunded obligation	(46,000)
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>(837,818)</u>
Change in net position of governmental activities	<u><u>\$ (8,212,184)</u></u>

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

City of Henderson, Kentucky
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
General Fund
For the Fiscal Year Ended June 30, 2019

	<u>Budget</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes:				
Property	\$ 7,725,400	\$ 7,725,400	\$ 7,701,986	\$ (23,414)
Payroll and net profits	7,290,400	7,290,400	7,283,786	(6,614)
Insurance	5,249,000	5,249,000	5,383,164	134,164
Franchise	730,000	730,000	664,753	(65,247)
Bank deposits	163,000	163,000	156,752	(6,248)
Intergovernmental	3,427,360	3,454,360	3,476,212	21,852
Distributions from component units	1,644,700	1,644,700	1,644,724	24
Service charges and fees	523,400	523,400	443,559	(79,841)
Rents, concessions, and other services	131,000	131,000	127,386	(3,614)
Licenses and permits	79,500	79,500	88,147	8,647
Fines, finance charges, and penalties	66,000	66,000	61,746	(4,254)
Investment income	23,740	23,740	423,141	399,401
Miscellaneous	532,500	585,500	175,368	(410,132)
Total revenues	<u>27,586,000</u>	<u>27,666,000</u>	<u>27,630,724</u>	<u>(35,276)</u>
EXPENDITURES				
Current:				
Administration	2,684,330	2,684,330	2,381,777	302,553
Finance	2,392,670	2,392,670	2,335,066	57,604
Information Technology	818,960	858,960	832,620	26,340
Parks and recreation	1,675,690	1,721,690	1,557,120	164,570
Police	7,415,180	7,452,680	6,811,136	641,544
Fire	6,302,990	6,387,990	6,442,754	(54,764)
Public works	2,657,380	2,657,380	2,523,755	133,625
Nondepartmental	2,260,410	2,493,410	2,218,734	274,676
Capital outlays	367,390	450,390	286,304	164,086
Total expenditures	<u>26,575,000</u>	<u>27,099,500</u>	<u>25,389,266</u>	<u>1,710,234</u>
Excess (deficiency) of revenues over expenditures	<u>1,011,000</u>	<u>566,500</u>	<u>2,241,458</u>	<u>1,674,958</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	1,400,000	1,400,000	1,415,681	15,681
Transfers out	(4,711,000)	(5,418,500)	(4,884,493)	534,007
Total other financing sources (uses)	<u>(3,311,000)</u>	<u>(4,018,500)</u>	<u>(3,468,812)</u>	<u>549,688</u>
Net change in fund balance	<u>(2,300,000)</u>	<u>(3,452,000)</u>	<u>(1,227,354)</u>	<u>2,224,646</u>
Fund balance, beginning of year	<u>10,202,736</u>	<u>10,202,736</u>	<u>10,202,736</u>	<u>-</u>
Fund balance, end of year	<u>\$ 7,902,736</u>	<u>\$ 6,750,736</u>	<u>\$ 8,975,382</u>	<u>\$ 2,224,646</u>

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

City of Henderson, Kentucky
Statement of Net Position
Proprietary Funds
June 30, 2019

	Business-type Activities Enterprise Funds			Governmental Activities- Internal Service Fund
	Gas Fund	Sanitation Fund	Total Enterprise Funds	Health Insurance Fund
ASSETS				
Current assets:				
Cash	\$ 2,120,218	\$ 150,329	\$ 2,270,547	\$ 396,326
Investments	3,031,306	-	3,031,306	-
Receivables	1,724,866	216,153	1,941,019	202,607
Due from other funds	156,993	80,086	237,079	-
Prepaid Expenditures	3,242	6,412	9,654	-
Inventories	220,256	-	220,256	-
Total current assets	7,256,881	452,980	7,709,861	598,933
Noncurrent assets:				
Investments, designated for landfill closure costs	-	3,167,654	3,167,654	-
Land	-	114,815	114,815	-
Capital assets, net of accumulated depreciation	2,049,741	438,086	2,487,827	-
Total noncurrent assets	2,049,741	3,720,555	5,770,296	-
Total assets	\$ 9,306,622	\$ 4,173,535	\$ 13,480,157	\$ 598,933
LIABILITIES				
Current liabilities:				
Accounts payable	\$ 705,662	\$ 137,774	\$ 843,436	\$ 1,498,591
Deposits payable	286,154	1,000	287,154	-
Accrued wages	56,951	31,482	88,433	-
Due to other funds	10,664	26,023	36,687	-
Gas storage liability	315,000	-	315,000	-
Total current liabilities	1,374,431	196,279	1,570,710	1,498,591
Noncurrent liabilities:				
Estimated landfill closure costs	-	4,224,032	4,224,032	-
Total noncurrent liabilities	-	4,224,032	4,224,032	-
Total liabilities	1,374,431	4,420,311	5,794,742	1,498,591
NET POSITION				
Net investment in capital assets	2,049,741	552,901	2,602,642	-
Unrestricted	5,882,450	(799,677)	5,082,773	(899,658)
Total net position	7,932,191	(246,776)	7,685,415	(899,658)
Total liabilities and net position	\$ 9,306,622	\$ 4,173,535	\$ 13,480,157	\$ 598,933

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, 2019

	Business-type Activities Enterprise Funds			Governmental Activities- Internal Service Fund
	Gas Fund	Sanitation Fund	Total Enterprise Funds	Health Insurance Fund
OPERATING REVENUES				
Gas sales	\$ 14,815,764	\$ -	\$ 14,815,764	\$ -
Sanitation fees	-	3,426,098	3,426,098	-
Other income	210,581	23,806	234,387	-
Health insurance premiums:				
City of Henderson	-	-	-	5,064,572
Henderson Municipal Power & Light	-	-	-	676,448
Henderson Water Utility	-	-	-	1,353,044
Other	-	-	-	363,524
Total operating revenues	<u>15,026,345</u>	<u>3,449,904</u>	<u>18,476,249</u>	<u>7,457,588</u>
OPERATING EXPENSES				
Gas administration	1,658,189	-	1,658,189	-
Gas distribution	11,843,527	-	11,843,527	-
Sanitation expenses	-	3,290,692	3,290,692	-
Landfill closure cost	-	37,032	37,032	-
Depreciation	203,912	145,131	349,043	-
HRA Fund contributions	-	-	-	383,900
Health insurance administration	-	-	-	676,492
Health insurance claims	-	-	-	7,244,236
Total operating expenses	<u>13,705,628</u>	<u>3,472,855</u>	<u>17,178,483</u>	<u>8,304,628</u>
Income (loss) from operations	1,320,717	(22,951)	1,297,766	(847,040)
NONOPERATING REVENUES				
Investment income	<u>173,669</u>	<u>109,806</u>	<u>283,475</u>	<u>9,223</u>
Income before transfers	1,494,386	86,855	1,581,241	(837,817)
Transfers out to Debt Service Fund	(181,057)	(98,485)	(279,542)	-
Transfers out to General Fund	<u>(1,400,000)</u>	<u>-</u>	<u>(1,400,000)</u>	<u>-</u>
Change in net position	(86,671)	(11,630)	(98,301)	(837,817)
Net position, beginning of year	<u>8,018,862</u>	<u>(235,146)</u>	<u>7,783,716</u>	<u>(61,841)</u>
Net position, end of year	<u>\$ 7,932,191</u>	<u>\$ (246,776)</u>	<u>\$ 7,685,415</u>	<u>\$ (899,658)</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, 2019

	Business-type Activities Enterprise Funds			Governmental Activities- Internal Service Fund
	Gas Fund	Sanitation Fund	Total Enterprise Funds	Health Insurance Fund
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers and users	\$ 14,940,063	\$ 3,403,707	\$ 18,343,770	\$ 7,331,412
Payments for goods and services	(11,860,094)	(2,109,174)	(13,969,268)	(676,492)
Payments for employees	(1,739,915)	(1,148,866)	(2,888,781)	-
Payments for HRA Fund contributions	-	-	-	(383,900)
Payments for health insurance claims	-	-	-	(6,343,985)
Net cash provided (used) by operating activities	<u>1,340,054</u>	<u>145,667</u>	<u>1,485,721</u>	<u>(72,965)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers to Debt Service Fund	(181,057)	(98,485)	(279,542)	-
Transfers to General Fund	(1,400,000)	-	(1,400,000)	-
Net cash provided (used) by noncapital financing activities	<u>(1,581,057)</u>	<u>(98,485)</u>	<u>(1,679,542)</u>	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Purchases of capital assets	(251,135)	-	(251,135)	-
Net cash provided (used) by capital and related financing activities	<u>(251,135)</u>	<u>-</u>	<u>(251,135)</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received	52,958	4,358	57,316	9,223
Net cash provided (used) by investing activities	<u>52,958</u>	<u>4,358</u>	<u>57,316</u>	<u>9,223</u>
Net increase (decrease) in cash	(439,180)	51,540	(387,640)	(63,742)
Cash, beginning of year	<u>2,559,398</u>	<u>98,789</u>	<u>2,658,187</u>	<u>460,068</u>
Cash, end of year	<u>\$ 2,120,218</u>	<u>\$ 150,329</u>	<u>\$ 2,270,547</u>	<u>\$ 396,326</u>
Reconciliation of income from operations to net cash provided (used) by operating activities				
Income (loss) from operations	\$ 1,320,717	\$ (22,951)	\$ 1,297,766	\$ (847,040)
Reconciling items:				
Depreciation expense	203,912	145,131	349,043	-
Landfill closure cost	-	37,032	37,032	-
Receivables (increase) decrease	(489,563)	(28,712)	(518,275)	(126,176)
Due from other funds (increase) decrease	485,502	(10,521)	474,981	-
Prepaid Expenditures (increase) decrease	(3,242)	(6,412)	(9,654)	-
Inventories (increase) decrease	910	-	910	-
Accounts and deposits payable increase (decrease)	(123,282)	15,799	(107,483)	900,251
Accrued wages increase (decrease)	4,727	(4)	4,723	-
Due to other funds increase (decrease)	4,623	16,305	20,928	-
Gas storage liability increase (decrease)	(64,250)	-	(64,250)	-
Net cash provided (used) by operating activities	<u>\$ 1,340,054</u>	<u>\$ 145,667</u>	<u>\$ 1,485,721</u>	<u>\$ (72,965)</u>
Noncash investing activities:				
(Increase) decrease in fair value of investments	<u>\$ (60,921)</u>	<u>\$ (55,111)</u>	<u>\$ (116,032)</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, 2019**

	Pension Trust Funds
ASSETS	
Cash	<u>\$ 8,007</u>
Total assets	<u>8,007</u>
LIABILITIES	
Accounts payable	<u>5,886</u>
Total liabilities	<u>5,886</u>
NET POSITION	
Net position restricted for pensions	<u><u>\$ 2,121</u></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, 2019

	Pension Trust Funds
ADDITIONS	
Contributions:	
Employer	\$ 809,581
Employee	2,680
Total contributions	812,261
Interest income	1,556
Total additions	813,817
DEDUCTIONS	
Benefits paid	916,950
Total deductions	916,950
Net increase in net position	(103,133)
Net position, beginning of year	105,254
Net position, end of year	\$ 2,121

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

**CITY OF HENDERSON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The City of Henderson, Kentucky (City) is a municipal corporation governed by a five-member board of commissioners and operates under a city manager form of government. The accompanying financial statements present the City and its component units, entities for which the City is considered to be financially accountable. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the City.

The discretely presented component units consist of Henderson Municipal Power & Light (HMPL) that provides electric utility services and Henderson Water Utility (HWU) that provides water and sewer services. Both HMPL and HWU have separate governing commissions the members of which are appointed by the Mayor and approved by the Board of Commissioners of the City. The Board of Commissioners must approve all rates and bond issues of HMPL and HWU. The City is contingently liable for the debt of the component units. HMPL has a fiscal year end of May 31st, and HWU has a fiscal year end of June 30th. The City's financial statements include certain financial information obtained from the audited financial statements of the component units. Complete audited financial statements may be obtained from HMPL and HWU.

Henderson Municipal Power & Light
100 Fifth Street
Henderson, Kentucky 42420

Henderson Water Utility
111 Fifth Street
Henderson, Kentucky 42420

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

CITY OF HENDERSON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS

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 eight other governmental funds that collectively are called nonmajor governmental funds because, individually, these eight 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.

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. 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.

CITY OF HENDERSON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

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.

G. Restricted Assets

Restricted assets consist of cash of the Debt Service Fund, which is restricted to the uses mandated by bond indentures; a receivable of the Capital Projects Fund, which funds came from the issuance of general obligation bonds of the City, which were loaned to Henderson Water Utility for capital projects; cash held in the General Fund for Utility overpayments, and cash of a nonmajor governmental fund subject to legal restrictions.

**CITY OF HENDERSON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

H. Short-term Interfund Balances

On the fund financial statements, short-term interfund advances are classified as “due to/from other funds” on the balance sheet. These amounts are eliminated in the governmental and business-type activities columns of the statement of net position. The outstanding balances between funds result mainly from the time lag between the dates that 1) interfund goods and services are provided or reimbursable expenditures occur, 2) transactions are recorded in the accounting system, and 3) payments between funds are made.

I. Interfund Activity

Transfers between governmental and business-type activities on the government-wide financial statements are reported in the same manner as general revenues. Exchange transactions between funds are reported as revenues in the seller’s funds and as expenditures/expenses in the purchaser funds, and are not eliminated in the process of consolidation. Flows of goods from one fund to the other without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in the proprietary funds.

J. Inventories

Inventories in the Gas Fund are valued at cost, using the average cost method. Inventories in the Governmental Funds are valued at cost, using the first-in/first-out (FIFO) method. Inventories of Governmental Funds are recorded as expenditures when consumed rather than when purchased.

K. Capital Assets

All capital assets are capitalized at cost, or estimated historical cost, and updated for additions and retirements during the year. Donated capital assets are recorded at their acquisition values as of the date received. The City maintains a capitalization threshold of \$5,000. The City’s infrastructure consists of bridges, roads, culverts, curbs, sidewalks, and streets. Improvements are capitalized; the cost of normal maintenance and repairs that do not add value to the asset, or materially extend the useful life of the asset, are not. Interest costs incurred during the construction of capital assets of business-type activities are also capitalized.

CITY OF HENDERSON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

All reported capital assets are depreciated, with the exception of land and artwork. Depreciation is computed using the straight-line method over the following useful lives:

<u>Item</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Improvements	20 years	20 years
Machinery and equipment	5-10 years	5-10 years
Buildings	25-50 years	25-50 years
Gas system	N/A	33 years
Vehicles	5 years	5 years
Infrastructure	40 years	N/A

L. Compensated Absences

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

M. Accrued Liabilities and Long-Term Obligations

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

**CITY OF HENDERSON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

N. Deferred Outflows/Inflows of Resources

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

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

O. Net Position

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

P. Fund Balance Flow Assumptions

Sometimes the City will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied.

It is the City's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

CITY OF HENDERSON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Q. Fund Balance Policies

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

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

Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as committed. The City Commission has authorized the City Manager or his designate to assign fund balance. The City Commission may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget.

Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

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 a 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.

CITY OF HENDERSON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

R. Property Taxes

Property taxes are levied as of the beginning of the fiscal year on property values assessed as of the preceding January 1st. Property tax bills are mailed in the Fall of the year. The property tax bills are considered past due at the end of the first business day following the New Year, at which time the applicable property is subject to lien, and penalties and interest are assessed.

S. Operating Revenues and Expenses

Operating revenues and expenses for proprietary funds are those that result from providing services and producing and delivering goods and services. It also includes all revenue and expenses not related to capital and related financing, non-capital financing, or investing activities. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

T. Pensions and Postemployment Benefits Other Than Pensions (OPEB)

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

U. Use of Estimates

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

V. Impact of Recently Issued Accounting Pronouncements

In March 2018, the GASB issued Statement No. 88: Certain Disclosures related to Debt Direct Borrowings and Direct Placements, which was effective for the period ended after June 15, 2018. The primary objective of this standard is to improve

CITY OF HENDERSON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

the information disclosed in the notes of the financial statements related to debt, including direct and indirect placements. It also clarifies which liabilities governments should include when providing information related to debt. Management has implemented this standard in the current financial statements.

2. INVESTMENTS

As of June 30, 2019, the City had the following investments:

Investments by Funds	Fair Value	Investment Maturities (in Years)		
		Less Than 1	1-5	6-10
General Fund	\$ 7,961,469	\$ 3,546,997	\$ 3,797,058	\$ 617,414
Gas Fund	3,031,306	1,155,725	1,718,822	156,759
Sanitation Fund	3,167,654	1,782,331	1,385,323	-
Total	<u>\$ 14,160,429</u>	<u>\$ 6,485,053</u>	<u>\$ 6,901,203</u>	<u>\$ 774,173</u>

Investment Type	
U.S. Government Agencies	\$ 2,655,279
U.S. Government Money Market	2,664,006
Bank Certificates of Deposit	8,841,144
Total per Statement of Net Position	<u>\$ 14,160,429</u>

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

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

Concentration of credit risk. The City places no limit on the amount it may invest in any one investment. The City has invested 6.8% of its total investments in FHLB bonds.

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

CITY OF HENDERSON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS

3. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

As of June 30, 2019, 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	\$ 49,174	\$ (237,079)	\$ (187,905)
Capital Projects Fund	50,000	-	50,000
Nonmajor Funds	-	(62,487)	(62,487)
Total Governmental Activities	<u>\$ 99,174</u>	<u>\$ (299,566)</u>	<u>\$ (200,392)</u>
<u>Business-type Activities:</u>			
Gas Fund	\$ 156,993	\$ (10,664)	\$ 146,329
Sanitation Fund	80,086	(26,023)	54,063
Total Business-type Activities	<u>\$ 237,079</u>	<u>\$ (36,687)</u>	<u>\$ 200,392</u>
 Total all funds	 <u>\$ 336,253</u>	 <u>\$ (336,253)</u>	

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

As of June 30, 2019, interfund transfers consist of the following:

	Transfers In	Transfers Out		
		Totals	General Fund	Capital Projects Fund
General Fund	\$ 1,415,682	\$ -	\$ (15,682)	\$ (1,400,000)
Debt Service Fund	3,906,839	(1,321,000)	(2,306,297)	(279,542)
Capital Projects Fund	1,156,493	(1,156,493)	-	-
Nonmajor Funds	2,407,000	(2,407,000)	-	-
Total all funds	<u>\$ 8,886,014</u>	<u>\$ (4,884,493)</u>	<u>\$ (2,321,979)</u>	<u>\$ (1,679,542)</u>

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

CITY OF HENDERSON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS

4. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2019 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Primary Government				
Governmental Activities:				
<u>Capital assets not being depreciated:</u>				
Land	\$ 3,961,483	\$ 436,000	\$ -	\$ 4,397,483
Artwork	196,500	-	-	196,500
Total	<u>4,157,983</u>	<u>436,000</u>	<u>-</u>	<u>4,593,983</u>
<u>Capital assets being depreciated:</u>				
Buildings	21,084,904	518,786	-	21,603,690
Improvements	8,618,757	384,348	-	9,003,105
Vehicles, machinery, and equipment	17,443,941	1,139,412	(922,812)	17,660,541
Infrastructure	67,879,010	244,139	-	68,123,149
Total	<u>115,026,612</u>	<u>2,286,685</u>	<u>(922,812)</u>	<u>116,390,485</u>
<u>Less accumulated depreciation for:</u>				
Buildings	(4,737,059)	(431,873)	-	(5,168,932)
Improvements	(4,481,218)	(335,936)	-	(4,817,154)
Vehicles, machinery, and equipment	(12,289,532)	(1,623,136)	922,812	(12,989,856)
Infrastructure	(61,598,284)	(1,700,027)	-	(63,298,311)
Total	<u>(83,106,093)</u>	<u>(4,090,972)</u>	<u>922,812</u>	<u>(86,274,253)</u>
Total governmental activities, net	<u>\$ 36,078,502</u>	<u>\$ (1,368,287)</u>	<u>\$ -</u>	<u>\$ 34,710,215</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	2,030,643	183,428	(165,148)	2,048,923
Gas system, vehicles, and equipment	9,126,332	67,707	-	9,194,039
Total	<u>11,834,152</u>	<u>251,135</u>	<u>(165,148)</u>	<u>11,920,139</u>
<u>Less accumulated depreciation for:</u>				
Buildings	(521,568)	(26,751)	-	(548,319)
Vehicles, machinery, and equipment	(1,603,035)	(190,340)	165,148	(1,628,227)
Gas system, vehicles, and equipment	(7,123,814)	(131,952)	-	(7,255,766)
Total	<u>(9,248,417)</u>	<u>(349,043)</u>	<u>165,148</u>	<u>(9,432,312)</u>
Total business-type activities, net	<u>\$ 2,700,550</u>	<u>\$ (97,908)</u>	<u>\$ -</u>	<u>\$ 2,602,642</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	\$ 11,220
Finance	77,097
Information technology	122,249
Parks and recreation	408,581
Police	906,669
Fire	451,002
Public works	2,114,154
Total depreciation expense, governmental activities	<u>\$ 4,090,972</u>
Business-type activities	
Gas	\$ 203,912
Sanitation	145,131
Total depreciation expense, business-type activities	<u>\$ 349,043</u>

Component units' capital asset activity was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<u>Henderson Municipal Power & Light</u>				
Utility plant and equipment	\$ 233,297,406	\$ 2,202,901	\$ (186,556,537)	\$ 48,943,770
Less accumulated depreciation	(179,611,610)	(5,124,074)	148,047,643	(36,688,041)
Capital assets, net	<u>\$ 53,685,796</u>	<u>\$ (2,921,173)</u>	<u>\$ (38,508,894)</u>	<u>\$ 12,255,729</u>
<u>Henderson Water Utility</u>				
Utility plant and equipment	\$ 142,810,513	\$ 8,831,452	\$ (4,619,263)	\$ 147,022,702
Less accumulated depreciation	(59,918,712)	(3,630,299)	106,074	(63,442,937)
Capital assets, net	<u>\$ 82,891,801</u>	<u>\$ 5,201,153</u>	<u>\$ (4,513,189)</u>	<u>\$ 83,579,765</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, 2019:

<u>Governmental Activities:</u>	Balance June 30, 2018	Additions	Reductions	Balance June 30, 2019	Amounts Due in One Year
G. O. Bonds Series 2010B	\$ 1,555,000	\$ -	\$ (315,000)	\$ 1,240,000	\$ 320,000
G. O. Bonds Series 2011A	1,570,000	-	(90,000)	1,480,000	95,000
G. O. Bonds Series 2012A	7,445,000	-	(450,000)	6,995,000	460,000
G. O. Bonds Series 2013A	7,655,000	-	(440,000)	7,215,000	445,000
G. O. Bonds Series 2014	7,025,000	-	(340,000)	6,685,000	345,000
G. O. Bonds Series 2015A	7,165,000	-	(320,000)	6,845,000	330,000
G. O. Bonds Series 2015B	1,400,000	-	(155,000)	1,245,000	160,000
G. O. Bonds Series 2015C	1,485,000	-	(110,000)	1,375,000	110,000
G. O. Bonds Series 2016A	1,575,000	-	(75,000)	1,500,000	75,000
G. O. Bonds Series 2016B	7,040,000	-	(480,000)	6,560,000	490,000
G. O. Bonds Series 2017A	3,040,000	-	(120,000)	2,920,000	125,000
G. O. Bonds Series 2017B	2,190,000	-	(210,000)	1,980,000	220,000
G. O. Bonds Series 2017C	2,220,000	-	(340,000)	1,880,000	355,000
Total bonds payable	51,365,000	-	(3,445,000)	47,920,000	3,530,000
Net CERS Pension Liability	42,137,935	3,327,057	-	45,464,992	-
Net CSP Plan Liability	1,402,940	-	(517,070)	885,870	-
Net PFP Plan Liability	4,538,078	-	(184,943)	4,353,135	-
Net CERS OPEB Liability	15,120,931	-	(1,777,776)	13,343,155	-
Compensated Absences	1,399,600	1,341,700	(1,311,700)	1,429,600	1,325,000
HRA Fund Unfunded Obligation	652,000	46,000	-	698,000	-
Body Cameras Contract	315,375	-	(74,856)	240,519	77,454
Total governmental activities	<u>\$ 116,931,859</u>	<u>\$ 4,714,757</u>	<u>\$ (7,311,345)</u>	<u>\$ 114,335,271</u>	<u>\$ 4,932,454</u>

The following is an aggregate summary of debt service requirements for the City of Henderson as of June 30, 2019:

June 30th:	Governmental Activities Bonds		Notes from Direct Borrowings		Business Type Activities Bonds		Total		Total
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	
2020	\$ 3,530,000	\$ 1,240,456	\$ 77,454	\$ 8,346	\$ -	\$ -	\$ 3,607,454	\$ 1,248,802	\$ 4,770,456
2021	3,605,000	1,160,181	80,142	5,658	-	-	3,685,142	1,165,839	4,765,181
2022	3,345,000	1,078,344	82,923	2,877	-	-	3,427,923	1,081,221	4,423,344
2023	3,425,000	1,000,622	-	-	-	-	3,425,000	1,000,622	4,425,622
2024	3,510,000	919,016	-	-	-	-	3,510,000	919,016	4,429,016
2025 to 2029	16,330,000	3,322,624	-	-	-	-	16,330,000	3,322,624	19,652,624
2030 to 2034	11,840,000	1,212,631	-	-	-	-	11,840,000	1,212,631	13,052,631
2035 to 2037	2,335,000	94,650	-	-	-	-	2,335,000	94,650	2,429,650
Totals	<u>\$ 47,920,000</u>	<u>\$ 10,028,524</u>	<u>\$ 240,519</u>	<u>\$ 16,881</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 48,160,519</u>	<u>\$ 10,045,405</u>	<u>\$ 57,948,524</u>

**CITY OF HENDERSON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS**

5. LONG-TERM DEBT, Continued,

As of June 30, 2019 governmental long-term debt of the City consisted of the following:

A. General Obligation Bonds – Series 2010B

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

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

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

This obligation matures in November 2023. Interest rates range from 2.00 % to 3.50%. Interest is due in semi-annual installments. The obligation is secured by property taxes. The following is a summary of scheduled payments as of June 30, 2019:

**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
2020	\$ 320,000	\$ 34,231	\$ 354,231	2.75%
2021	330,000	24,881	354,881	3.00%
2022	190,000	16,844	206,844	3.25%
2023	195,000	10,466	205,466	3.35%
2024	205,000	3,588	208,588	3.50%
Totals	\$ 1,240,000	\$ 90,010	\$ 1,330,010	

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, 2019:

June 30th:	Principal	Interest	Total	Interest Rates
2020	95,000	51,454	\$ 146,454	2.50%
2021	95,000	48,841	143,841	3.00%
2022	100,000	45,916	145,916	3.00%
2023	100,000	42,916	142,916	3.00%
2024	105,000	39,776	144,776	3.13%
2025 to 2029	580,000	139,528	719,528	3.13% to 4.00%
2030 to 2032	405,000	24,700	429,700	4.00%
Totals	\$ 1,480,000	\$ 393,131	\$ 1,873,131	

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

**CITY OF HENDERSON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS**

5. LONG-TERM DEBT, Continued,

General Obligation Bonds – Series 2012A, Continued

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.

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, 2019:

June 30th:	Principal	Interest	Total	Interest Rates
2020	\$ 460,000	\$ 189,508	\$ 649,508	2.00%
2021	470,000	180,207	650,207	2.00%
2022	480,000	170,407	650,407	2.13%
2023	490,000	159,489	649,489	2.35%
2024	500,000	147,420	647,420	2.50%
2025 to 2029	2,735,000	514,120	3,249,120	2.50% to 3.00%
2030 to 2032	1,860,000	92,625	1,952,625	3.13% to 3.30%
Totals	<u>\$ 6,995,000</u>	<u>\$ 1,453,776</u>	<u>\$ 8,448,776</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, 2019:

**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
2020	\$ 445,000	\$ 163,775	\$ 608,775	2.00%
2021	455,000	154,775	609,775	2.00%
2022	465,000	145,575	610,575	2.00%
2023	475,000	136,175	611,175	2.00%
2024	485,000	126,575	611,575	2.00%
2025 to 2029	2,580,000	472,719	3,052,719	2.00% to 2.50%
2030 to 2033	2,310,000	129,112	2,439,112	2.50% to 2.75%
Totals	\$ 7,215,000	\$ 1,328,706	\$ 8,543,706	

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, 2019:

June 30th:	Principal	Interest	Total	Interest Rates
2020	\$ 345,000	\$ 186,175	\$ 531,175	2.00%
2021	350,000	179,225	529,225	2.00%
2022	360,000	172,125	532,125	2.00%
2023	365,000	164,875	529,875	2.00%
2024	375,000	157,006	532,006	2.25%
2025 to 2029	2,015,000	633,950	2,648,950	2.25% to 3.00%
2030 to 2034	2,355,000	297,469	2,652,469	3.00% to 3.50%
2035	520,000	9,100	529,100	3.50%
Totals	\$ 6,685,000	\$ 1,799,925	\$ 8,484,925	

**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, 2019:

June 30th:	Principal	Interest	Total	Interest Rates
2020	\$ 330,000	\$ 191,382	\$ 521,382	2.00%
2021	335,000	184,733	519,733	2.00%
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 to 2029	1,910,000	692,618	2,602,618	2.00% to 3.00%
2030 to 2034	2,225,000	382,006	2,607,006	3.00% to 3.50%
2035 to 2036	1,000,000	37,875	1,037,875	3.50% to 3.75%
Totals	\$ 6,845,000	\$ 2,001,711	\$ 8,846,711	

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, 2019:

**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
2020	\$ 160,000	\$ 23,369	\$ 183,369	1.25%
2021	160,000	21,169	181,169	1.50%
2022	165,000	18,319	183,319	2.00%
2023	165,000	15,019	180,019	2.00%
2024	170,000	11,668	181,668	2.13%
2025 to 2027	425,000	12,984	437,984	2.13% to 2.50%
Totals	\$ 1,245,000	\$ 102,528	\$ 1,347,528	

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, 2019:

June 30th:	Principal	Interest	Total	Interest Rates
2020	\$ 110,000	\$ 30,375	\$ 140,375	2.00%
2021	115,000	28,125	143,125	2.00%
2022	115,000	25,825	140,825	2.00%
2023	120,000	23,475	143,475	2.00%
2024	125,000	21,025	146,025	2.00%
2025 to 2029	665,000	60,556	725,556	2.00% to 2.75%
2030	125,000	1,719	126,719	2.75%
Totals	\$ 1,375,000	\$ 191,100	\$ 1,566,100	

**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, 2019:

June 30th:	Principal	Interest	Total	Interest Rates
2020	\$ 75,000	\$ 39,287	\$ 114,287	1.25%
2021	75,000	38,350	113,350	1.50%
2022	75,000	37,225	112,225	2.00%
2023	80,000	35,725	115,725	2.00%
2024	80,000	34,125	114,125	2.00%
2025 to 2029	420,000	143,850	563,850	2.00% to 2.50%
2030 to 2034	480,000	84,075	564,075	2.50% to 3.50%
2035 to 2036	215,000	11,375	226,375	3.50%
Totals	\$ 1,500,000	\$ 424,012	\$ 1,924,012	

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, 2019:

**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
2020	\$ 490,000	\$ 130,800	\$ 620,800	2.00%
2021	505,000	120,850	625,850	2.00%
2022	510,000	110,700	620,700	2.00%
2023	520,000	100,400	620,400	2.00%
2024	530,000	89,900	619,900	2.00%
2025 to 2029	2,810,000	284,800	3,094,800	2.00% to 2.00%
2030 to 2031	1,195,000	29,325	1,224,325	2.00% to 2.50%
Totals	<u>\$ 6,560,000</u>	<u>\$ 866,775</u>	<u>\$ 7,426,775</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, 2019:

June 30th:	Principal	Interest	Total	Interest Rates
2020	\$ 125,000	\$ 87,600	\$ 212,600	3.00%
2021	130,000	83,850	213,850	3.00%
2022	130,000	79,950	209,950	3.00%
2023	135,000	76,050	211,050	3.00%
2024	140,000	72,000	212,000	3.00%
2025 to 2029	775,000	294,000	1,069,000	3.00% to 3.00%
2030 to 2034	885,000	171,600	1,056,600	3.00% to 3.00%
2035 to 2037	600,000	36,300	636,300	3.00%
Totals	<u>\$ 2,920,000</u>	<u>\$ 901,350</u>	<u>\$ 3,821,350</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, 2019:

June 30th:	Principal	Interest	Total	Interest Rates
2020	\$ 220,000	\$ 56,100	\$ 276,100	3.00%
2021	225,000	49,425	274,425	3.00%
2022	235,000	42,525	277,525	3.00%
2023	240,000	35,400	275,400	3.00%
2024	250,000	28,050	278,050	3.00%
2025 to 2027	810,000	37,050	847,050	3.00%
Totals	<u>\$ 1,980,000</u>	<u>\$ 248,550</u>	<u>\$ 2,228,550</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, 2019:

**CITY OF HENDERSON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS**

5. LONG-TERM DEBT, Continued,

M. General Obligation Bonds – Series 2017C, Continued

June 30th:	Principal	Interest	Total	Interest Rates
2020	\$ 355,000	\$ 56,400	\$ 411,400	3.00%
2021	360,000	45,750	405,750	3.00%
2022	180,000	34,950	214,950	3.00%
2023	190,000	29,550	219,550	3.00%
2024	190,000	23,850	213,850	3.00%
2025 to 2027	605,000	36,450	641,450	3.00%
Totals	<u>\$ 1,880,000</u>	<u>\$ 226,950</u>	<u>\$ 2,106,950</u>	

N. 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. The following is a summary of scheduled payments as of June 30, 2019:

June 30th:	Principal	Interest	Total	Interest Rates
2020	\$ 77,454	\$ 8,346	\$ 85,800	5.05%
2021	80,142	5,658	85,800	5.05%
2022	82,923	2,877	85,800	5.05%
Totals	<u>\$ 240,519</u>	<u>\$ 16,881</u>	<u>\$ 257,400</u>	

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, 2019:

	Balance May 31, 2018	Additions	Reductions	Balance May 31, 2019	Amounts due in One Year
Revenue Bonds Series 2011A	\$ 8,655,000	\$ -	\$ (490,000)	\$ 8,165,000	\$ 505,000
Revenue Bonds Series 2011B	2,755,000	-	(160,000)	2,595,000	165,000
Total bonds payable	<u>\$ 11,410,000</u>	<u>\$ -</u>	<u>\$ (650,000)</u>	<u>\$ 10,760,000</u>	<u>\$ 670,000</u>

**CITY OF HENDERSON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS**

5. LONG-TERM DEBT, Continued,

Henderson Municipal Power & Light (HMPL), Continued

During HMPL’s fiscal year ended May 31, 2012, the City on behalf of HMPL issued revenue bonds for the purpose of financing electric system capital improvements. The revenue bonds were Electric System Revenue Bonds Series 2011A in the amount of \$11,350,000 and Electric System Revenue Bonds Series 2011B in the amount of \$3,670,000. Both bond series have a final maturity date of December 1, 2031, with interest rates ranging from 2.5% to 4.5%, and secured by a pledge of electric system revenues and a non-foreclosable statutory mortgage lien on the electric system.

The following is a summary of the debt service requirements for Henderson Municipal Power & Light for its fiscal year ended May 31, 2019:

May 31st:	Series 2011A		Series 2011B		Totals
	Principal	Interest	Principal	Interest	
2020	\$ 505,000	\$ 325,232	\$ 165,000	\$ 92,098	\$ 1,087,330
2021	520,000	310,081	165,000	88,138	1,083,219
2022	535,000	293,181	175,000	83,634	1,086,815
2023	555,000	274,991	180,000	78,603	1,088,594
2024	570,000	255,566	185,000	72,915	1,083,481
2025 to 2029	3,210,000	920,891	1,020,000	262,841	5,413,732
2030 to 2032	2,270,000	206,319	705,000	58,405	3,239,724
Totals	<u>\$ 8,165,000</u>	<u>\$ 2,586,261</u>	<u>\$ 2,595,000</u>	<u>\$ 736,634</u>	<u>\$ 14,082,895</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, 2019

**CITY OF HENDERSON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS**

5. LONG-TERM DEBT, Continued,

Henderson Water Utility (HWU), Continued:

	Balance June 30, 2018	Additions	Reductions	Balance June 30, 2019	Amounts due in One Year
Due to City of Henderson-2010B	792,480	-	(121,297)	671,183	124,090
Due to City of Henderson-2012A	7,445,000	-	(450,000)	6,995,000	460,000
Due to City of Henderson-2013A	7,655,000	-	(440,000)	7,215,000	445,000
Due to City of Henderson-2014	7,025,000	-	(340,000)	6,685,000	345,000
Due to City of Henderson-2015B	1,400,000	-	(155,000)	1,245,000	160,000
Due to City of Henderson-2015C	1,485,000	-	(110,000)	1,375,000	110,000
Due to City of Henderson-2016B	7,040,000	-	(480,000)	6,560,000	490,000
Due to City of Henderson-2017B	2,190,000	-	(210,000)	1,980,000	220,000
Note Payable	-	305,150	(23,332)	281,818	57,484
Total	<u>\$ 35,032,480</u>	<u>\$ 305,150</u>	<u>\$ (2,329,629)</u>	<u>\$ 33,008,001</u>	<u>\$ 2,411,574</u>

Principal and interest requirements to retire Henderson Water Utility's long-term obligations as of June 30, 2019 were as follows:

Fiscal year ended June 30th:	Principal	Interest	Total
2020	\$ 2,411,574	\$ 809,250	\$ 3,220,824
2021	2,471,318	757,080	3,228,398
2022	2,526,094	702,380	3,228,474
2023	2,576,038	644,917	3,220,955
2024	2,617,977	584,648	3,202,625
2025 to 2029	12,040,000	2,016,179	14,056,179
2030 to 2034	7,845,000	550,250	8,395,250
2035	520,000	9,100	529,100
Totals	<u>\$ 33,008,001</u>	<u>\$ 6,073,804</u>	<u>\$ 39,081,805</u>

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

**CITY OF HENDERSON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS**

5. LONG-TERM DEBT, Continued,

Henderson Water Utility (HWU), Continued:

	Interest Rate	Maturity	Balance	Security
Due to City of Henderson-2010B	2.00% - 3.50%	11/1/2023	\$ 671,183	Unsecured
Due to City of Henderson-2012A	1.00% - 3.30%	11/1/2031	\$ 6,995,000	Unsecured
Due to City of Henderson-2013A	2.00% - 2.75%	11/1/2032	\$ 7,215,000	Unsecured
Due to City of Henderson-2014	2.00% - 2.50%	11/1/2034	\$ 6,685,000	Unsecured
Due to City of Henderson-2015B	1.00% - 2.50%	11/1/2026	\$ 1,245,000	Unsecured
Due to City of Henderson-2015C	2.00% - 2.75%	11/1/2029	\$ 1,375,000	Unsecured
Due to City of Henderson-2016B	2.00% - 2.50%	11/1/2030	\$ 6,560,000	Unsecured
Due to City of Henderson-2017B	3.00%	11/1/2026	\$ 1,980,000	Unsecured
Note Payable	3.70%	1/1/2024	\$ 281,818	Unsecured
			<u>\$ 33,008,001</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.

The following is a summary of restricted assets applicable to HWU for the fiscal year ended June 30, 2019, as recorded in the Capital Projects Fund:

G.O. Bonds Series	Due In One Year	Due After One Year	Total Receivable from HWU
2010B	\$ 124,090	\$ 547,093	\$ 671,183
2012A	460,000	6,535,000	6,995,000
2013A	445,000	6,770,000	7,215,000
2014	345,000	6,340,000	6,685,000
2015B	160,000	1,085,000	1,245,000
2015C	110,000	1,265,000	1,375,000
2016B	490,000	6,070,000	6,560,000
2017B	220,000	1,760,000	1,980,000
Total	<u>\$ 2,354,090</u>	<u>\$ 30,372,093</u>	<u>\$ 32,726,183</u>

CITY OF HENDERSON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS

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, 2019, there were two series of Industrial Revenue Bonds outstanding, with an aggregate principal amount payable of \$104,500,000.

7. COMPENSATED ABSENCES

Vacation Leave

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

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

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

**CITY OF HENDERSON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS**

7. COMPENSATED ABSENCES, Continued

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, 2019 these governmental activities liabilities included \$1,429,600 of vacation and sick pay, and are included in the Statement of Net Position as noncurrent liabilities. Compensated absences are liquidated primarily by the General Fund.

8. PUBLIC ENERGY AUTHORITY OF KENTUCKY (PEAK)

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

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

The City has entered into long term natural gas supply contracts with PEAK whereby the City is obligated to purchase specified quantities of natural gas from PEAK. The City purchases all of its natural gas supplies from PEAK. The City received refunds from PEAK of \$321,496 in fiscal year 2019.

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, 2018, from its last audited financial statements made available to the City are:

Assets	\$ 960,635,935
Liabilities	\$ 956,185,142
Net position	\$ 4,450,793

**CITY OF HENDERSON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS**

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, 2019, the estimated amount of this gas storage liability was \$315,000.

10. CONCENTRATION OF SALES

Henderson Municipal Gas

For the fiscal year ended June 30, 2019, five industrial customers accounted for \$6,116,383 in gas sales, which represents 41.3% 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 \$12.1 million (28% of Existing System sales) for the fiscal year ended May 31, 2019.

Henderson Water Utility

For the fiscal year ended June 30, 2019, three customers accounted for \$9,302,560 in sales and surcharges for approximately 42% 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, 2019, the Sanitation Fund was in a deficit position because its assets were inadequate to cover estimated landfill closure costs. The deficit will be recovered from future revenues.

The City temporarily terminated its landfill operations on June 30, 1995 due to the increased costs mandated by federal regulations. However, during the year ended June 30, 1997, the City was awarded a permit to accept commercial construction debris only. The City will continue to accept construction debris until the space allotted for this operation is used up in its entirety.

CITY OF HENDERSON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS

11. LANDFILL CLOSURE AND POST CLOSURE COSTS, Continued

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 \$4,224,032 at June 30, 2019, consists of \$2,864,869 in closure costs and \$1,359,163 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.

The estimated liability consists of the following at June 30, 2019:

	Estimated Closure Liability	Estimated Post-Closure Liability	Total
June 30, 2018	\$ 2,831,000	\$ 1,356,000	\$ 4,187,000
Costs applied	-	-	-
Revision to estimate	<u>33,869</u>	<u>3,163</u>	<u>37,032</u>
June 30, 2019	<u>\$ 2,864,869</u>	<u>\$ 1,359,163</u>	<u>\$ 4,224,032</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.

CITY OF HENDERSON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS

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.

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 \$664,000 and \$620,000, respectively, from HMPL and HWU for such services for the fiscal year ended June 30, 2019.

The City, as sole owner of both utilities, received distributions of \$1,244,724 and \$400,000, respectively, from HMPL and HWU for the fiscal year ended June 30, 2019.

The City owns certain real estate used by HMPL.

15. HEALTH INSURANCE PLAN

Effective July 1, 1986, the City began its own health insurance plan which covers all employees of the City. HMPL and HWU also participate in the City's health plan. Under the terms of this Plan, maximum amounts of coverage vary depending on the type of claim. The City has a stop loss insurance policy that limits the amount of loss the City may incur. The City remits payments to the administrator on a weekly basis. A management fee is paid on a monthly basis.

All departments or other entities, which have employees participating in this Plan, bear a portion of the cost of the Plan based on the number of employees in that department or entity.

**CITY OF HENDERSON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS**

15. HEALTH INSURANCE PLAN, Continued

Amounts payable for claims are based on estimates as calculated by the City's third-party administrator. The Plan established liabilities based on the estimates of the ultimate cost of claims that have been reported but not settled, and of claims that have been incurred but not reported, based on historical experience. The following represents a summary of changes in the liability for the last ten fiscal years including the year ended June 30, 2019:

	Beginning of Fiscal Year Liability	Current Year Claims & Changes In Estimates	Claim Payments	End of Fiscal Year Liability
2009-2010	\$ 846,180	\$ 6,403,384	\$ (6,175,740)	\$ 1,073,824
2010-2011	\$ 1,073,824	\$ 6,176,637	\$ (6,310,101)	\$ 940,360
2011-2012	\$ 940,360	\$ 5,678,476	\$ (5,842,696)	\$ 776,140
2012-2013	\$ 776,140	\$ 4,582,787	\$ (4,721,111)	\$ 637,816
2013-2014	\$ 637,816	\$ 5,015,586	\$ (5,144,380)	\$ 509,022
2014-2015	\$ 509,022	\$ 4,554,711	\$ (4,529,985)	\$ 533,748
2015-2016	\$ 533,748	\$ 5,714,522	\$ (5,669,435)	\$ 578,835
2016-2017	\$ 578,835	\$ 5,363,649	\$ (5,318,143)	\$ 624,341
2017-2018	\$ 624,341	\$ 6,143,177	\$ (6,169,178)	\$ 598,340
2018-2019	\$ 598,340	\$ 7,244,236	\$ (6,343,985)	\$ 1,498,591

The financial transactions of the Plan are recorded in the Health Insurance Fund, which is an internal service fund of the City. As of June 30, 2019, the Health Insurance Fund was in a deficit position due to user charges being inadequate to cover estimated liabilities for claims. The City intends to recover these amounts via increased charges to users in future fiscal periods.

16. HEALTH REIMBURSEMENT ARRANGEMENT (HRA) PLAN

In order to control increasing health care costs the City made changes to its health insurance plan, which resulted in employees paying an increased share of their health care expenses. In order to help their employees pay for these increased health care expenses, the City established a Health Reimbursement Arrangement (HRA) Plan and Trust, effective January 1, 2006, that reimburses employees for health insurance plan expenses up to the amount in an individual participant's account balance. Every year, the HRA Plan credits each employee in the amount of \$500 for a single participant and \$1,000 for a family coverage participant in the health insurance plan. At the end of a plan year, any unused benefits in an HRA Plan account will be carried forward for use in the subsequent year. As of June 30, 2019, the HRA Plan has an unfunded obligation of \$1,041,000, of which \$698,000 pertains to the City, and which will be funded in future fiscal periods.

CITY OF HENDERSON, KENTUCKY NOTES TO FINANCIAL STATEMENTS

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).

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, 2019, 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

CITY OF HENDERSON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS

17. CITY FUNDED RETIREMENT PLANS, Continued

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, 2019, the plan had fourteen members, all of whom are inactive participants receiving benefits.

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 \$73,680 for the fiscal year ended June 30, 2019.

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 \$352,000 for the fiscal year ended June 30, 2019.

NET PENSION LIABILITY

The CSPP had a net pension liability of \$885,870 as of June 30, 2019, 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 \$4,353,135 as of June 30, 2019, 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	

**CITY OF HENDERSON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS**

17. CITY FUNDED RETIREMENT PLANS, Continued

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. 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:

	<u>CSPP</u>	<u>PFPP</u>
Total Pension Liability		
Service cost	\$ 7,059	\$ -
Interest	49,315	175,064
Changes in benefit terms	-	-
Difference between expected and actual experience	(119,656)	(26,054)
Changes in assumptions	-	-
Benefit payments	(77,363)	(352,211)
Net change in total pension liability (asset)	(140,645)	(203,201)
Total Pension Liability - Beginning	1,024,983	4,552,709
Total Pension Liability - Ending (a)	<u>\$ 884,338</u>	<u>\$ 4,349,508</u>
Plan Fiduciary Net Pension		
Contributions - employer	\$ 73,680	\$ 352,000
Contributions - employee	2,680	-
Net investment income	-	-
Benefit payments	(77,363)	(352,211)
Administrative expense	-	-
Other	2,022	16
Net change in plan fiduciary net position	1,019	(195)
Plan Fiduciary Net Position - Beginning	(2,552)	(3,432)
Plan Fiduciary Net Position - Ending (b)	<u>\$ (1,533)</u>	<u>\$ (3,627)</u>
Net Pension Liability (Asset) (a) - (b)	<u>\$ 885,871</u>	<u>\$ 4,353,135</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, 2019	<u>\$ 981,301</u>	<u>\$ 885,870</u>	<u>\$ 805,809</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, 2019	<u>\$4,864,737</u>	<u>\$4,353,135</u>	<u>\$3,930,780</u>

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

For the year ended June 30, 2019, the City recognized pension expense of \$274,161, which consisted of \$50,526 for CSPP and \$223,635 for PFRF. At June 30, 2019, 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	\$ 106,361	\$ 89,217
PFPP	52,253	501,223
Total	<u>\$ 158,614</u>	<u>\$ 590,440</u>

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

**CITY OF HENDERSON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS**

17. CITY FUNDED RETIREMENT PLANS, Continued

Year Ending June 30:	CSPP	PFPP
2020	\$ (1,211)	\$ (48,571)
2021	(1,211)	(48,571)
2022	(1,211)	(48,571)
2023	(1,211)	(48,571)
2024	(1,211)	(48,571)
Thereafter	23,199	(206,115)

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, 2019.

Combining Statement of Fiduciary Net Position - Pension Trust Funds
For the Fiscal Year Ended June 30, 2019

	Civil Service Pension Fund	Police & Fire Pension Fund	HRA Fund	Total
ASSETS				
Cash	\$ 27	\$ 699	\$ 7,281	\$ 8,007
Total assets	27	699	7,281	8,007
LIABILITIES				
Accounts payable	1,560	4,326	-	5,886
Total liabilities	1,560	4,326	-	5,886
NET POSITION				
Net position restricted for pensions	\$ (1,533)	\$ (3,627)	\$ 7,281	\$ 2,121

**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, 2019

	Civil Service Pension Fund	Police & Fire Pension Fund	HRA Fund	Total
ADDITIONS				
Contributions:				
Employer	\$ 73,681	\$ 352,000	\$ 383,900	\$ 809,581
Employee	2,680	-	-	2,680
Total contributions	<u>76,361</u>	<u>352,000</u>	<u>383,900</u>	<u>812,261</u>
Interest income	21	16	1,519	1,556
Miscellaneous	-	-	-	-
Total additions	<u>76,382</u>	<u>352,016</u>	<u>385,419</u>	<u>813,817</u>
DEDUCTIONS				
Benefits paid	77,363	352,211	487,376	916,950
Total deductions	<u>77,363</u>	<u>352,211</u>	<u>487,376</u>	<u>916,950</u>
Net increase (decrease) in net position	(981)	(195)	(101,957)	(103,133)
Net position, begin. of year	<u>(552)</u>	<u>(3,432)</u>	<u>109,238</u>	<u>105,254</u>
Net position, end of year	<u>\$ (1,533)</u>	<u>\$ (3,627)</u>	<u>\$ 7,281</u>	<u>\$ 2,121</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

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.

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

**CITY OF HENDERSON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS**

18. CERS RETIREMENT PLANS, Continued

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, 2019, the City's required contribution rate was 16.22% (non-hazardous) and 24.87% (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 \$1,276,614 for non-hazardous employees and \$1,610,259 for hazardous employees, for total contributions of \$2,886,873 for the year ended June 30, 2019.

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

At June 30, 2019, the City reported a liability of \$45,464,992 for its proportionate share of the collective net pension liabilities, with \$18,373,292 for non-hazardous pensions and \$27,091,700 for hazardous pensions. The collective net pension liabilities were measured as of June 30, 2018, and the total pension liabilities used to calculate the collective net pension liabilities were determined by actuarial valuations as of June 30, 2017 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, 2018, the City's proportion was 0.301681% for non-hazardous pensions, an increase of 0.007165% from its proportion measured as of June 30, 2017, and 1.120206% for hazardous pensions, an increase of 0.007291% from its proportion measured as of June 30, 2017.

**CITY OF HENDERSON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS**

18. CERS RETIREMENT PLANS, 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	\$ 18,373,292
Hazardous	27,091,700
	<hr/>
Total City of Henderson	<u>\$ 45,464,992</u>
Component Units:	
Henderson Municipal Power & Light	<u>\$ 7,242,530</u>
Henderson Water Utility	<u>\$ 9,938,647</u>

For the year ended June 30, 2019, the City recognized pension expense of \$8,168,911, which consists of \$3,057,236 for non-hazardous pensions and \$5,111,675 for hazardous pensions.

The net pension expense in aggregate for all plans was \$8,443,072 for the year ended June 30, 2019.

At June 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 2,755,327	\$ 268,946
Changes of assumptions	4,679,424	-
Net difference between projected and actual investment earnings on pension plan investments	-	525,888
Changes in proportion and differences between City contributions and proportional share of contributions	527,331	11,265
City contributions subsequent to the measurement date	<u>2,886,873</u>	<u>-</u>
Total	<u>\$ 10,848,955</u>	<u>\$ 806,099</u>

Of the total amount reported as deferred outflows of resources related to pensions, \$2,886,973 resulting from 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, 2020. Other amounts reported as deferred

CITY OF HENDERSON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS

18. CERS RETIREMENT PLANS, Continued

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>	
2020	\$ 5,160,421
2021	2,486,274
2022	(269,758)
2023	(220,954)
2024	-
Thereafter	-

Actuarial assumptions: The total pension liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.30%
Salary Increases	3.05%
Investment Rate of Return	6.25%

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.

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period July 1, 2008 - June 30, 2013.

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.

**CITY OF HENDERSON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS**

18. CERS RETIREMENT PLANS, Continued

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. Equity	17.50%	
U.S. Large Cap	5.00%	4.50%
U.S. Mid Cap	6.00%	4.50%
U.S. Small Cap	6.50%	5.50%
Non-U.S. Equity	17.50%	
International Developed	12.50%	6.50%
Emerging Markets	5.00%	7.25%
Global Bonds	4.00%	3.00%
Credit Fixed	24.00%	
Global IG Credit	2.00%	3.75%
High Yield	7.00%	5.50%
EMD	5.00%	6.00%
Illiquid Private	10.00%	8.50%
Private Equity	10.00%	6.50%
Real Estate	5.00%	9.00%
Absolute Return	10.00%	5.00%
Real Return	10.00%	7.00%
Cash	2.00%	1.50%
Total	100.00%	6.09%

Discount rate: The projection of cash flows used to determine the discount rate of 6.25% assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 25-year (closed) amortization period of the unfunded actuarial accrued liabilities. The discount rate determination does not use a municipal bond rate.

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, 2018			
Non-Hazardous	<u>\$ 23,130,072</u>	<u>\$ 18,373,292</u>	<u>\$ 14,387,944</u>
Hazardous	<u>\$ 33,944,127</u>	<u>\$ 27,091,700</u>	<u>\$ 21,426,886</u>

**CITY OF HENDERSON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS**

18. CERS RETIREMENT PLANS, Continued

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.

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, 2018 (the date of the latest available information), insurance premiums withheld from benefit payments for members of CERS were \$23.8 million and \$2.8 million for non-hazardous and hazardous employees, respectively. For the fiscal year ended June 30, 2017, insurance premiums withheld from benefit payments for members of CERS were \$22.9 million and \$2.7 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%

CITY OF HENDERSON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS

18. CERS RETIREMENT PLANS, Continued

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. 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, 2019, the City's required contribution rate was 5.26% and 10.47% 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 \$413,996 (not including implicit subsidies reported in the amount of \$86,405) for non-hazardous employees and \$678,821 (not including implicit subsidies reported in the amount of \$(31,802)) for hazardous employees, for total contributions of \$1,092,817 (not including implicit subsidies reported in the amount of \$54,603) for the year ended June 30, 2019. 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, 2019, the City reported a liability of \$13,343,155 for its proportionate share of the collective net OPEB liabilities, with \$5,356,091 for non-hazardous OPEB and \$7,987,064 for hazardous OPEB. The collective net OPEB liabilities were measured as of June 30, 2018, and the total OPEB liabilities used to calculate the collective net OPEB liabilities was determined by an actuarial valuation as of June 30, 2017 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

**CITY OF HENDERSON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS**

18. CERS RETIREMENT PLANS, Continued

share of contributions to the OPEB plans relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2018, the City's proportion was 0.301670% for non-hazardous pensions, an increase of 0.007154% from its proportion measured as of June 30, 2017, and 1.120269% for hazardous pensions, an increase of 0.007354% from its proportion measured as of June 30, 2017.

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

	<u>Net OPEB Liability</u>
City of Henderson:	
Non-Hazardous	\$ 5,356,091
Hazardous	7,987,064
Total City of Henderson	<u>\$ 13,343,155</u>
Component Units:	
Henderson Municipal Power & Light	<u>\$ 2,111,330</u>
Henderson Water Utility	<u>\$ 2,897,354</u>

For the year ended June 30, 2019, the City recognized OPEB expense of \$2,008,469, which consists of \$560,490 for non-hazardous OPEB and \$1,447,979 for hazardous OPEB. At June 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 1,516,760
Changes of assumptions	3,520,700	34,223
Net difference between projected and actual investment earnings on pension plan investments	-	1,128,243
Changes in proportion and differences between City contributions and proportional share of contributions	80,099	13,692
City contributions subsequent to the measurement date	<u>1,147,420</u>	<u>-</u>
Total	<u>\$ 4,748,219</u>	<u>\$ 2,692,918</u>

Of the total amount reported as deferred outflows of resources related to OPEB, \$1,147,420 resulting from 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, 2020. Other amounts reported as deferred

CITY OF HENDERSON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS

18. CERS RETIREMENT PLANS, Continued

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>	
2020	\$ 510,208
2021	510,208
2022	69,367
2023	(117,121)
2024	(34,058)
Thereafter	(30,723)

Actuarial assumptions: The total pension liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.30%
Payroll Growth Rate	2.00%
Salary Increases	3.05, average
Investment Rate of Return	6.25%
Healthcare Trend Rates	
Pre-65	Initial trend starting at 7.00% at January 1, 2020, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 12 years.
Post-65	Initial trend starting at 5.00% at January 1, 2020, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 10 years.

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.

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period July 1, 2008 - June 30, 2013.

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.

CITY OF HENDERSON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS

18. CERS RETIREMENT PLANS, Continued

The target allocation and best estimates or arithmetic real rate of return for each major asset class are summarized in the table below.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. Equity	17.50%	
U.S. Large Cap	5.00%	4.50%
U.S. Mid Cap	6.00%	4.50%
U.S. Small Cap	6.50%	5.50%
Non-U.S. Equity	17.50%	
International Developed	12.50%	6.50%
Emerging Markets	5.00%	7.25%
Global Bonds	4.00%	3.00%
Credit Fixed	24.00%	
Global IG Credit	2.00%	3.75%
High Yield	7.00%	5.50%
EMD	5.00%	6.00%
Illiquid Private	10.00%	8.50%
Private Equity	10.00%	6.50%
Real Estate	5.00%	9.00%
Absolute Return	10.00%	5.00%
Real Return	10.00%	7.00%
Cash	2.00%	1.50%
Total	100%	6.09%

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: The projection of cash flows used to determine the discount rates of 5.85% for non-hazardous and 5.97% for hazardous assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 25 year (closed) amortization period of the unfunded actuarial accrued liabilities. The discount rate determination used an expected rate of return of 6.25%, and a municipal bond rate of 3.62%, as reported in Fidelity Index's "20-Year Municipal GO AA Index" as of June 30, 2018. Current assets, future contributions, and investment earnings are projected to be sufficient to pay the projected benefit payments from the retirement system. However, the cost associated with the implicit employer subsidy was not included in the calculation of the system's actuarially determined

**CITY OF HENDERSON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS**

18. CERS RETIREMENT PLANS, Continued

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 5.85% (non-hazardous) and 5.97% (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 (4.85% and 4.97%, respectively) or one percentage point higher (6.85% and 6.97%, respectively) than the current rates:

<u>City's proportionate share of the collective net pension liability as of June 30, 2018</u>	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
Non-Hazardous	<u>\$ 6,956,703</u>	<u>\$ 5,356,091</u>	<u>\$ 3,992,662</u>
Hazardous	<u>\$ 11,102,411</u>	<u>\$ 7,987,064</u>	<u>\$ 5,493,146</u>

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:

<u>City's proportionate share of the collective net OPEB liability as of June 30, 2018</u>	<u>1% Decrease</u>	<u>Current Healthcare Cost Trend Rate</u>	<u>1% Increase</u>
Non-Hazardous	<u>\$ 3,987,663</u>	<u>\$ 5,356,091</u>	<u>\$ 6,969,074</u>
Hazardous	<u>\$ 5,439,576</u>	<u>\$ 7,987,064</u>	<u>\$ 11,142,233</u>

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, 2019:

Fund Balances	General Fund	Debt Service Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable					
Inventories	\$ 45,768	\$ -	\$ -	\$ 17,660	\$ 63,428
Prepaid Expenditures	43,006	-	-	8,733	51,739
	<u>88,774</u>	<u>-</u>	<u>-</u>	<u>26,393</u>	<u>115,167</u>
Restricted					
Debt service	-	467	-	-	467
Capital projects	-	-	33,323,153	-	33,323,153
Tourism	-	-	-	6,888	6,888
Law enforcement	-	-	-	67,903	67,903
	<u>-</u>	<u>467</u>	<u>33,323,153</u>	<u>74,791</u>	<u>33,398,411</u>
Committed					
Major building projects	-	-	-	-	-
Major equipment buys	-	-	-	-	-
Cemetery	-	-	-	-	-
Public works	-	-	-	141,211	141,211
Law enforcement	-	-	-	75,840	75,840
	<u>-</u>	<u>-</u>	<u>-</u>	<u>217,051</u>	<u>217,051</u>
Assigned					
2019 Budget deficit	840,000	-	-	-	840,000
Newman park shelter	200,000	-	-	-	200,000
Recreation/Sports facility	700,000	-	-	-	700,000
Countryview drainage	48,536	-	-	-	48,536
	<u>1,788,536</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,788,536</u>
Unassigned	<u>7,098,072</u>	<u>-</u>	<u>-</u>	<u>(380,430)</u>	<u>6,717,642</u>
Total fund balances	<u>\$ 8,975,382</u>	<u>\$ 467</u>	<u>\$ 33,323,153</u>	<u>\$ (62,195)</u>	<u>\$ 42,236,807</u>

CITY OF HENDERSON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS

20. DEFICIT NET POSITION/FUND BALANCE

The Cemetery and Public Ways Improvement (PWI) Funds had deficit net positions of \$(10,776) and \$(365,664), 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 2020.

21. SUBSEQUENT EVENTS

The City signed a Tax and Revenue Anticipation Note, which will function as a revolving line of credit loan with a local bank on June 25, 2019, for a principal amount of \$2,000,000, at a fixed interest rate of 5.5%, such note to mature on June 6, 2020. To date, the City has not borrowed any funds against this note.

Effective January 1, 2020, the City increased the occupational tax rate for the payroll tax from 1.29% to 1.49% and the net profits tax from 1.0% to 1.49%. The City also enacted a \$3.25 per active water fee for the 911 Fund that is also effective January 1, 2020. The City also increased the sanitation rates from \$17.00 per month to \$19.50, increased commercial sanitation rates by \$5.00 per dumpster per month and increase the gate rate for both the CD&D landfill and transfer station.

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

City of Henderson, Kentucky
Schedule of Required Supplementary Information
County Employees' Retirement System (CERS)
Schedule of the City's Proportionate Share of the Net Pension Liability
For the Fiscal Year Ended June 30, 2019

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Nonhazardous				
City's proportion of the net pension liability	.301681%	0.294516%	0.29481%	0.29407%
City's proportionate share of the net pension liability	\$ 18,373,292	\$ 17,238,927	\$ 15,115,467	\$ 12,643,513
City's covered payroll	\$ 7,870,617	\$ 7,809,738	\$ 7,423,512	\$ 7,306,385
City's proportionate share of the net pension liability as a percentage of its covered payroll	233.44%	220.74%	203.62%	173.05%
Plan fiduciary net position as a percentage of the total pension liability	53.54%	53.30%	55.50%	59.97%
Hazardous				
City's proportion of the net pension liability	1.120206%	1.112915%	1.10195%	1.11358%
City's proportionate share of the net pension liability	\$ 27,091,700	\$ 24,899,008	\$ 19,691,323	\$ 17,094,694
City's covered payroll	\$ 6,477,309	\$ 6,617,453	\$ 6,309,740	\$ 5,984,273
City's proportionate share of the net pension liability as a percentage of its covered payroll	418.26%	376.26%	312.08%	285.66%
Plan fiduciary net position as a percentage of the total pension liability	49.26%	49.80%	53.95%	57.52%

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

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

City of Henderson, Kentucky
Schedule of Required Supplementary Information
County Employees' Retirement System (CERS)
Schedule of the City's Proportionate Share of the Net OPEB Liability
For the Fiscal Year Ended June 30, 2019

	<u>2019</u>	<u>2018</u>
Nonhazardous		
City's proportion of the net OPEB liability	.301670%	0.294516%
City's proportionate share of the net OPEB liability	\$ 5,356,091	\$ 5,920,779
City's covered payroll	\$ 7,870,617	\$ 7,809,738
City's proportionate share of the net OPEB liability as a percentage of its covered payroll	68.05%	75.81%
Plan fiduciary net position as a percentage of the total OPEB liability	57.62%	52.40%
Hazardous		
City's proportion of the net OPEB liability	1.120269%	1.112915%
City's proportionate share of the net OPEB liability	\$ 7,987,064	\$ 9,200,152
City's covered payroll	\$ 6,477,309	\$ 6,617,453
City's proportionate share of the net OPEB liability as a percentage of its covered payroll	123.31%	139.03%
Plan fiduciary net position as a percentage of the total OPEB liability	64.24%	59.00%

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

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

City of Henderson, Kentucky
Schedule of Required Supplementary Information
Civil Service Pension Fund
Schedule of Changes in the Net Pension Liability and Related Ratios
For the Fiscal Years Ended June 30, 2019

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014*</u>
Total Pension Liability						
Service cost	\$ 7,059	n/a	n/a	\$ 4,596	\$ 5,423	\$ 5,277
Interest	49,315	n/a	n/a	69,926	69,155	62,596
Changes of benefit terms	-	n/a	n/a	-	-	-
Differences between expected and actual experience	(119,656)	n/a	n/a	15,113	116,277	22,478
Changes of assumptions*	-	n/a	n/a	-	-	227,405
Benefit Payments	(77,363)	n/a	n/a	(175,554)	(175,297)	(187,307)
Net change in total pension liability	(140,645)	n/a	n/a	(85,919)	15,558	130,449
Total pension liability--beginning	1,024,983	n/a	n/a	1,486,307	1,470,749	1,340,300
Total pension liability--ending (a)	<u>\$ 884,338</u>	<u>n/a</u>	<u>n/a</u>	<u>\$ 1,400,388</u>	<u>\$ 1,486,307</u>	<u>\$ 1,470,749</u>
Plan Fiduciary Net Position						
Contributions---Employer	\$ 73,680	n/a	n/a	\$ 175,316	\$ 170,363	\$ 194,227
Contributions---Employee	2,680	n/a	n/a	2,316	2,363	2,227
Net investment income	-	n/a	n/a	3	3	4
Miscellaneous income	2,022	n/a	n/a	111	191	258
Benefit Payments	(77,363)	n/a	n/a	(175,554)	(175,297)	(181,852)
Administration expenses	-	n/a	n/a	(3,410)	(3,410)	(2,441)
Net change in plan fiduciary net position	1,019	n/a	n/a	(1,218)	(5,787)	12,423
Plan fiduciary net position--beginning	(2,552)	n/a	n/a	(1,334)	4,453	(7,970)
Plan fiduciary net position--ending (b)	<u>\$ (1,533)</u>	<u>n/a</u>	<u>n/a</u>	<u>\$ (2,552)</u>	<u>\$ (1,334)</u>	<u>\$ 4,453</u>
Net Pension Liability (a) - (b)	<u>\$ 885,871</u>	<u>n/a</u>	<u>n/a</u>	<u>\$ 1,402,940</u>	<u>\$ 1,487,641</u>	<u>\$ 1,466,296</u>
Plan fiduciary net position as a percentage of the total pension liability	-0.173%	n/a	n/a	-0.182%	-0.090%	0.303%
Covered employee payroll	\$ 46,259	n/a	n/a	\$ 46,415	\$ 47,357	\$ 44,550
Net Pension Liability as a percentage of covered employee payroll	1915.02%	n/a	n/a	3022.60%	3141.33%	3291.35%

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

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

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

City of Henderson, Kentucky
Schedule of Required Supplementary Information
Police and Fire Pension Fund
Schedule of Changes in the Net Pension Liability and Related Ratios
For the Fiscal Years Ended June 30, 2019

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014*</u>
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
Changes of benefit terms	-	n/a	n/a	-	-	-
Differences between expected and actual experience	(26,054)	n/a	n/a	(38,869)	85,141	(138,211)
Changes of assumptions*	-	n/a	n/a	-	-	866,643
Benefit Payments	(352,211)	n/a	n/a	(382,823)	(392,484)	(411,006)
Net change in total pension liability	<u>(203,201)</u>	<u>n/a</u>	<u>n/a</u>	<u>(242,179)</u>	<u>(123,159)</u>	<u>485,538</u>
Total pension liability--beginning	<u>4,552,709</u>	<u>n/a</u>	<u>n/a</u>	<u>4,770,687</u>	<u>4,893,846</u>	<u>4,408,308</u>
Total pension liability--ending (a)	<u>\$ 4,349,508</u>	<u>n/a</u>	<u>n/a</u>	<u>\$ 4,528,508</u>	<u>\$ 4,770,687</u>	<u>\$ 4,893,846</u>
Plan Fiduciary Net Position						
Contributions---Employer	\$ 352,000	n/a	n/a	\$ 386,000	\$ 399,000	\$ 412,000
Contributions---Employee	-	n/a	n/a	-	-	-
Net investment income	-	n/a	n/a	2	2	5
Miscellaneous income	16	n/a	n/a	188	370	360
Benefit Payments	(352,211)	n/a	n/a	(382,823)	(392,484)	(416,461)
Administration expenses	-	n/a	n/a	(3,658)	(3,720)	(2,782)
Net change in plan fiduciary net position	<u>(195)</u>	<u>n/a</u>	<u>n/a</u>	<u>(291)</u>	<u>3,168</u>	<u>(6,878)</u>
Plan fiduciary net position--beginning	<u>(3,432)</u>	<u>n/a</u>	<u>n/a</u>	<u>(9,279)</u>	<u>(12,447)</u>	<u>(5,569)</u>
Plan fiduciary net position--ending (b)	<u>\$ (3,627)</u>	<u>n/a</u>	<u>n/a</u>	<u>\$ (9,570)</u>	<u>\$ (9,279)</u>	<u>\$ (12,447)</u>
Net Pension Liability (a) - (b)	<u>\$ 4,353,135</u>	<u>n/a</u>	<u>n/a</u>	<u>\$ 4,538,078</u>	<u>\$ 4,779,966</u>	<u>\$ 4,906,293</u>
Plan fiduciary net position as a percentage of the total pension liability	-0.083%	n/a	n/a	-0.211%	-0.195%	-0.254%
Covered employee payroll	\$ -	n/a	n/a	\$ -	\$ -	\$ -
Net Pension Liability as a percentage of covered employee payroll	n/a	n/a	n/a	n/a	n/a	n/a

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

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

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

City of Henderson, Kentucky
Schedule of Required Supplementary Information
County Employees' Retirement System (CERS)
Schedule of Contributions
For the Fiscal Years Ended June 30, 2019

	2019	(A) 2018	2017	2016	2015	2014	2013	2012	2011	2010
Contractually required contributions	\$ 2,886,873	\$ 2,579,417	\$ 3,360,738	\$ 3,169,447	\$ 3,252,080	\$ 3,242,764	\$ 3,323,148	\$ 3,262,925	\$ 3,062,824	\$ 2,794,258
Contributions in relation to the contractually required contributions	2,886,873	2,579,417	3,360,738	3,169,447	3,252,080	3,242,764	3,323,148	3,262,925	3,062,824	2,794,258
Contributions deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 14,347,926	\$ 14,427,191	\$ 13,733,252	\$ 13,290,658	\$ 13,090,966	\$ 12,797,289	\$ 12,477,036	\$ 12,782,620	\$ 12,862,645	\$ 12,455,253
Contributions as a percentage of covered payroll	20.12%	17.88%	24.47%	23.85%	24.84%	25.34%	26.63%	25.53%	23.81%	22.43%

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

(A) 2018 fiscal year begins only pension information.

City of Henderson, Kentucky
Schedule of Required Supplementary Information
County Employees' Retirement System (CERS) OPEB
Schedule of Contributions
For the Fiscal Years Ended June 30, 2019

	<u>2019</u>	<u>2018</u>
Contractually required contributions	\$ 1,092,817	\$ 977,344
Contributions in relation to the contractually required contributions	1,092,817	977,344
Contributions deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 14,347,926	\$ 14,427,191
Contributions as a percentage of covered payroll	7.62%	6.77%

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

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

City of Henderson, Kentucky
Schedule of Required Supplementary Information
Civil Service Pension Fund
Schedule of Contributions
For the Fiscal Years Ended June 30, 2019

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014*</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Actuarially determined contributions	\$ 76,464	\$ -	\$ -	\$ 105,328	\$ 107,411	\$ 111,630	\$ 127,470	\$ 116,436	\$ 112,188	\$ 99,171
Contributions in relation to the actuarially determined contributions	76,360	-	-	175,316	170,363	194,227	216,307	221,287	152,624	12,586
Contributions deficiency (excess)	<u>\$ 104</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (69,988)</u>	<u>\$ (62,952)</u>	<u>\$ (82,597)</u>	<u>\$ (88,837)</u>	<u>\$ (104,851)</u>	<u>\$ (40,436)</u>	<u>\$ 86,585</u>
Covered payroll	\$ 46,259	\$ -	\$ -	\$ 46,415	\$ 47,357	\$ 44,550	\$ 43,171	\$ 42,867	\$ 36,899	\$ 36,005
Contributions as a percentage of covered payroll	165.07%	n/a	n/a	377.71%	359.74%	435.98%	501.05%	516.22%	413.63%	34.96%

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

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

City of Henderson, Kentucky
Schedule of Required Supplementary Information
Police and Fire Pension Fund
Schedule of Contributions
For the Fiscal Years Ended June 30, 2019

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014*</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Actuarially determined contributions	\$ 337,473	\$ -	\$ -	\$ 355,293	\$ 362,840	\$ 396,671	\$ 401,983	\$ 384,553	\$ 405,070	\$ 385,099
Contributions in relation to the actuarially determined contributions	352,000	-	-	386,000	399,000	412,000	418,000	418,000	424,775	16,083
Contributions deficiency (excess)	<u>\$ (14,527)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (30,707)</u>	<u>\$ (36,160)</u>	<u>\$ (15,329)</u>	<u>\$ (16,017)</u>	<u>\$ (33,447)</u>	<u>\$ (19,705)</u>	<u>\$ 369,016</u>
Covered payroll	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions as a percentage of covered payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

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

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

**CITY OF HENDERSON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS**

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: The following changes were made by the General Assembly and reflected in the valuation performed as of June 30, 2014:

A cash balance plan was introduced for members whose participation date is on or after January 1, 2014.

Changes of assumptions: There have been no changes in actuarial assumptions since June 30, 2017. In the June 30, 2017 and 2015 actuarial valuations, the following changes in actuarial assumptions were made:

	<u>June 30, 2017</u>	<u>June 30, 2015</u>	<u>Prior Periods</u>
Inflation	2.30%	3.25%	3.50%
Salary Increases	3.05%	4.00%	4.50%
Investment Rate of Return	6.25%	7.50%	7.75%

In 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

**CITY OF HENDERSON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS**

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

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: None.

Changes in Assumptions: In the June 30, 2018 and 2017 actuarial valuations, the following changes in actuarial assumptions were made:

	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>Prior Periods</u>
Inflation	2.30%	2.35%	3.25%
Payroll Growth	2.00%	2.00%	4.00%
Investment Rate of Return	6.25%	6.25%	7.70%
Single Discount Rate	5.85%	5.84%	6.89%

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

CITY OF HENDERSON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS

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

2. Information as of the latest actuarial valuations - continued:

	<u>CSPP</u>	<u>PFPP</u>
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 eight 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.
HOME	The HOME Fund accounts for grants used similar to the CDBG Fund except that the funds are provided through an agency of the Commonwealth of Kentucky.
Police Investigation	The Police Investigation Fund accounts for funds from property sold seized from criminal activities and expended on law enforcement activities.

Also included at the end of this section are budget and actual schedules for the Debt Service Fund and the Capital Projects Fund.

City of Henderson, Kentucky
Combining Balance Sheet
Special Revenue Funds
June 30, 2019

	Cemetery	PWI	HART	911	Tourist Commission	CDBG	HOME	Police Investigation	Totals
ASSETS									
Cash	\$ 4,370	\$ 619	\$ 856	\$ 1,212	\$ 6,888	\$ -	\$ -	\$ -	\$ 13,945
Receivables	661	95,671	225,395	110,685	-	139,688	-	-	572,100
Prepaid Expenditures	783	3,207	4,576	167	-	-	-	-	8,733
Inventories	-	-	17,660	-	-	-	-	-	17,660
Restricted assets:									
Cash	-	-	-	-	-	-	-	210,006	210,006
Total assets	\$ 5,814	\$ 99,497	\$ 248,487	\$ 112,064	\$ 6,888	\$ 139,688	\$ -	\$ 210,006	\$ 822,444
LIABILITIES									
Accounts payable	\$ 8,101	\$ 434,703	\$ 34,261	\$ 6,112	\$ -	\$ 89,688	\$ -	\$ 142,103	\$ 714,968
Accrued wages	7,290	19,170	29,758	30,112	-	-	-	-	86,330
Due to other funds	1,199	11,288	20,854	-	-	50,000	-	-	83,341
Total liabilities	16,590	465,161	84,873	36,224	-	139,688	-	142,103	884,639
FUND BALANCES									
Nonspendable	783	3,207	22,236	167	-	-	-	-	26,393
Restricted	-	-	-	-	6,888	-	-	67,903	74,791
Committed	-	-	141,378	75,673	-	-	-	-	217,051
Unassigned	(11,559)	(368,871)	-	-	-	-	-	-	(380,430)
Total fund balances	(10,776)	(365,664)	163,614	75,840	6,888	-	-	67,903	(62,195)
Total liabilities and fund balances	\$ 5,814	\$ 99,497	\$ 248,487	\$ 112,064	\$ 6,888	\$ 139,688	\$ -	\$ 210,006	\$ 822,444

City of Henderson, Kentucky
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Special Revenue Funds
For the Fiscal Year Ended June 30, 2019

	Cemetery	PWI	HART	911	Tourist Commission	CDBG	HOME	Police Investigation	Totals
REVENUES									
Taxes	\$ -	\$ -	\$ -	\$ -	\$ 143,765	\$ -	\$ -	\$ -	\$ 143,765
Intergovernmental	-	605,662	786,002	368,015	-	199,981	18,370	68,577	2,046,607
Service charges and fees	213,319	99,031	30,921	551,038	-	-	-	-	894,309
Investment income	134	751	1,228	605	42	-	-	4,700	7,460
Miscellaneous	95	-	18,673	-	-	-	-	-	18,768
Total revenues	213,548	705,444	836,824	919,658	143,807	199,981	18,370	73,277	3,110,909
EXPENDITURES									
Administration	-	-	-	-	136,919	199,981	18,370	-	355,270
Parks and recreation	425,747	-	-	-	-	-	-	-	425,747
Police	-	-	-	1,325,718	-	-	-	47,280	1,372,998
Public works	-	1,744,040	1,310,876	-	-	-	-	-	3,054,916
Capital outlays	-	-	326,043	202,984	-	-	-	-	529,027
Total expenditures	425,747	1,744,040	1,636,919	1,528,702	136,919	199,981	18,370	47,280	5,737,958
Excess (deficiency) of revenues over expenditures	(212,199)	(1,038,596)	(800,095)	(609,044)	6,888	-	-	25,997	(2,627,049)
OTHER FINANCING SOURCES									
Transfers in from General Fund	200,000	839,000	752,000	616,000	-	-	-	-	2,407,000
Total other financing sources	200,000	839,000	752,000	616,000	-	-	-	-	2,407,000
Net change in fund balances	(12,199)	(199,596)	(48,095)	6,956	6,888	-	-	25,997	(220,049)
Fund balances, beginning of year	1,423	(166,068)	211,709	68,884	-	-	-	41,906	157,854
Fund balances, end of year	\$ (10,776)	\$ (365,664)	\$ 163,614	\$ 75,840	\$ 6,888	\$ -	\$ -	\$ 67,903	\$ (62,195)

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, 2019

	<u>Budget</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental	\$ -	\$ -	\$ -	\$ -
Service charges and fees	247,000	247,000	213,319	(33,681)
Investment income	-	-	134	134
Miscellaneous	-	-	95	95
Total revenues	<u>247,000</u>	<u>247,000</u>	<u>213,548</u>	<u>(33,452)</u>
EXPENDITURES				
Administration	-	-	-	-
Parks and recreation	416,000	416,000	425,747	(9,747)
Police	-	-	-	-
Public works	-	-	-	-
Capital outlays	-	-	-	-
Total expenditures	<u>416,000</u>	<u>416,000</u>	<u>425,747</u>	<u>(9,747)</u>
Excess (deficiency) of revenues over expenditures	<u>(169,000)</u>	<u>(169,000)</u>	<u>(212,199)</u>	<u>(43,199)</u>
OTHER FINANCING SOURCES				
Transfers in from General Fund	169,000	169,000	200,000	31,000
Total other financing sources	<u>169,000</u>	<u>169,000</u>	<u>200,000</u>	<u>31,000</u>
Net change in fund balance	-	-	(12,199)	(12,199)
Fund balance, beginning of year	<u>1,423</u>	<u>1,423</u>	<u>1,423</u>	<u>-</u>
Fund balance, end of year	<u>\$ 1,423</u>	<u>\$ 1,423</u>	<u>\$ (10,776)</u>	<u>\$ (12,199)</u>

City of Henderson, Kentucky
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Public Way Improvement (PWI) Fund
For the Fiscal Year Ended June 30, 2019

	<u>Budget</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental	\$ 588,000	\$ 588,000	\$ 605,662	\$ 17,662
Service charges and fees	96,000	96,000	99,031	3,031
Investment income	-	-	751	751
Miscellaneous	-	-	-	-
Total revenues	<u>684,000</u>	<u>684,000</u>	<u>705,444</u>	<u>21,444</u>
EXPENDITURES				
Administration	-	-	-	-
Parks and recreation	-	-	-	-
Police	-	-	-	-
Public works	1,909,000	1,909,000	1,744,040	164,960
Capital outlays	-	-	-	-
Total expenditures	<u>1,909,000</u>	<u>1,909,000</u>	<u>1,744,040</u>	<u>164,960</u>
Excess (deficiency) of revenues over expenditures	<u>(1,225,000)</u>	<u>(1,225,000)</u>	<u>(1,038,596)</u>	<u>186,404</u>
OTHER FINANCING SOURCES				
Transfers in from General Fund	1,225,000	1,225,000	839,000	(386,000)
Total other financing sources	<u>1,225,000</u>	<u>1,225,000</u>	<u>839,000</u>	<u>(386,000)</u>
Net change in fund balance	-	-	(199,596)	(199,596)
Fund balance, beginning of year	<u>(166,068)</u>	<u>(166,068)</u>	<u>(166,068)</u>	<u>-</u>
Fund balance, end of year	<u>\$ (166,068)</u>	<u>\$ (166,068)</u>	<u>\$ (365,664)</u>	<u>\$ (199,596)</u>

City of Henderson, Kentucky
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Henderson Area Rapid Transit (HART) Fund
For the Fiscal Year Ended June 30, 2019

	<u>Budget</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental	\$ 1,260,000	\$ 1,260,000	\$ 786,002	\$ (473,998)
Service charges and fees	30,000	30,000	30,921	921
Investment income	-	-	1,228	1,228
Miscellaneous	-	-	18,673	18,673
Total revenues	<u>1,290,000</u>	<u>1,290,000</u>	<u>836,824</u>	<u>(453,176)</u>
EXPENDITURES				
Administration	-	-	-	-
Parks and recreation	-	-	-	-
Police	-	-	-	-
Public works	1,459,500	1,459,500	1,310,876	148,624
Capital outlays	306,500	446,500	326,043	120,457
Total expenditures	<u>1,766,000</u>	<u>1,906,000</u>	<u>1,636,919</u>	<u>269,081</u>
Excess (deficiency) of revenues over expenditures	<u>(476,000)</u>	<u>(616,000)</u>	<u>(800,095)</u>	<u>(184,095)</u>
OTHER FINANCING SOURCES				
Transfers in from General Fund	476,000	616,000	752,000	136,000
Total other financing sources	<u>476,000</u>	<u>616,000</u>	<u>752,000</u>	<u>136,000</u>
Net change in fund balance	-	-	(48,095)	(48,095)
Fund balance, beginning of year	<u>211,709</u>	<u>211,709</u>	<u>211,709</u>	<u>-</u>
Fund balance, end of year	<u>\$ 211,709</u>	<u>\$ 211,709</u>	<u>\$ 163,614</u>	<u>\$ (48,095)</u>

City of Henderson, Kentucky
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Emergency Communications (911) Fund
For the Fiscal Year Ended June 30, 2019

	<u>Budget</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental	\$ 201,000	\$ 368,500	\$ 368,015	\$ (485)
Service charges and fees	580,000	580,000	551,038	(28,962)
Investment income	-	-	605	605
Miscellaneous	-	-	-	-
Total revenues	<u>781,000</u>	<u>948,500</u>	<u>919,658</u>	<u>(28,842)</u>
EXPENDITURES				
Administration	-	-	-	-
Parks and recreation	-	-	-	-
Police	1,360,000	1,360,000	1,325,718	34,282
Public works	-	-	-	-
Capital outlays	26,000	201,000	202,984	(1,984)
Total expenditures	<u>1,386,000</u>	<u>1,561,000</u>	<u>1,528,702</u>	<u>32,298</u>
Excess (deficiency) of revenues over expenditures	<u>(605,000)</u>	<u>(612,500)</u>	<u>(609,044)</u>	<u>3,456</u>
OTHER FINANCING SOURCES				
Transfers in from General Fund	605,000	612,500	616,000	3,500
Total other financing sources	<u>605,000</u>	<u>612,500</u>	<u>616,000</u>	<u>3,500</u>
Net change in fund balance	-	-	6,956	6,956
Fund balance, beginning of year	<u>68,884</u>	<u>68,884</u>	<u>68,884</u>	<u>-</u>
Fund balance, end of year	<u>\$ 68,884</u>	<u>\$ 68,884</u>	<u>\$ 75,840</u>	<u>\$ 6,956</u>

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, 2019

	<u>Budget</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes	\$ 155,000	\$ 155,000	\$ 143,765	\$ (11,235)
Intergovernmental	-	-	-	-
Service charges and fees	-	-	-	-
Investment income	-	-	42	42
Miscellaneous	-	-	-	-
Total revenues	<u>155,000</u>	<u>155,000</u>	<u>143,807</u>	<u>(11,193)</u>
EXPENDITURES				
Administration	155,000	155,000	136,919	18,081
Parks and recreation	-	-	-	-
Police	-	-	-	-
Public works	-	-	-	-
Capital outlays	-	-	-	-
Total expenditures	<u>155,000</u>	<u>155,000</u>	<u>136,919</u>	<u>18,081</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>-</u>	<u>6,888</u>	<u>6,888</u>
OTHER FINANCING SOURCES				
Transfers in from General Fund	-	-	-	-
Total other financing sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	-	-	6,888	6,888
Fund balance, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,888</u>	<u>\$ 6,888</u>

City of Henderson, Kentucky
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Community Development Block Grant (CDBG) Fund
For the Fiscal Year Ended June 30, 2019

	<u>Budget</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental	\$ 365,000	\$ 365,000	\$ 199,981	\$ (165,019)
Service charges and fees	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
Total revenues	<u>365,000</u>	<u>365,000</u>	<u>199,981</u>	<u>(165,019)</u>
EXPENDITURES				
Administration	365,000	365,000	199,981	165,019
Parks and recreation	-	-	-	-
Police	-	-	-	-
Public works	-	-	-	-
Capital outlays	-	-	-	-
Total expenditures	<u>365,000</u>	<u>365,000</u>	<u>199,981</u>	<u>165,019</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
OTHER FINANCING SOURCES				
Transfers in from General Fund	-	-	-	-
Total other financing sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	-	-	-	-
Fund balance, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

City of Henderson, Kentucky
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
HOME Fund
For the Fiscal Year Ended June 30, 2019

	<u>Budget</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental	\$ 24,000	\$ 24,000	\$ 18,370	\$ (5,630)
Service charges and fees	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
Total revenues	<u>24,000</u>	<u>24,000</u>	<u>18,370</u>	<u>(5,630)</u>
EXPENDITURES				
Administration	24,000	24,000	18,370	5,630
Parks and recreation	-	-	-	-
Police	-	-	-	-
Public works	-	-	-	-
Capital outlays	-	-	-	-
Total expenditures	<u>24,000</u>	<u>24,000</u>	<u>18,370</u>	<u>5,630</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
OTHER FINANCING SOURCES				
Transfers in from General Fund	-	-	-	-
Total other financing sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	-	-	-	-
Fund balance, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

City of Henderson, Kentucky
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Police Investigation Fund
For the Fiscal Year Ended June 30, 2019

	<u>Budget</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental	\$ 5,800	\$ 5,800	\$ 68,577	\$ 62,777
Service charges and fees	-	-	-	-
Investment income	1,200	1,200	4,700	3,500
Miscellaneous	-	-	-	-
Total revenues	<u>7,000</u>	<u>7,000</u>	<u>73,277</u>	<u>66,277</u>
EXPENDITURES				
Administration	-	-	-	-
Parks and recreation	-	-	-	-
Police	53,000	53,000	47,280	5,720
Public works	-	-	-	-
Capital outlays	-	-	-	-
Total expenditures	<u>53,000</u>	<u>53,000</u>	<u>47,280</u>	<u>5,720</u>
Excess (deficiency) of revenues over expenditures	<u>(46,000)</u>	<u>(46,000)</u>	<u>25,997</u>	<u>71,997</u>
OTHER FINANCING SOURCES				
Transfers in from General Fund	-	-	-	-
Total other financing sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	(46,000)	(46,000)	25,997	71,997
Fund balance, beginning of year	<u>41,906</u>	<u>41,906</u>	<u>41,906</u>	<u>-</u>
Fund balance, end of year	<u>\$ (4,094)</u>	<u>\$ (4,094)</u>	<u>\$ 67,903</u>	<u>\$ 71,997</u>

City of Henderson, Kentucky
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Debt Service Fund
For the Fiscal Year Ended June 30, 2019

	<u>Budget</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental	\$ 849,000	\$ 849,000	\$ 848,167	\$ (833)
Investment income	-	-	7,194	7,194
Miscellaneous	-	-	-	-
Total revenues	<u>849,000</u>	<u>849,000</u>	<u>855,361</u>	<u>6,361</u>
EXPENDITURES				
Debt service:				
Principal	3,445,000	3,445,000	3,445,000	-
Interest	1,319,000	1,319,000	1,317,605	1,395
Total expenditures	<u>4,764,000</u>	<u>4,764,000</u>	<u>4,762,605</u>	<u>1,395</u>
Excess (deficiency) of revenues over expenditures	<u>(3,915,000)</u>	<u>(3,915,000)</u>	<u>(3,907,244)</u>	<u>7,756</u>
OTHER FINANCING SOURCES				
Transfers in	3,915,000	3,915,000	3,906,840	(8,160)
Total other financing sources	<u>3,915,000</u>	<u>3,915,000</u>	<u>3,906,840</u>	<u>(8,160)</u>
Net change in fund balance	-	-	(404)	(404)
Fund balance, beginning of year	<u>871</u>	<u>871</u>	<u>871</u>	<u>-</u>
Fund balance, end of year	<u>\$ 871</u>	<u>\$ 871</u>	<u>\$ 467</u>	<u>\$ (404)</u>

City of Henderson, Kentucky
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Capital Projects Fund
For the Fiscal Year Ended June 30, 2019

	<u>Budget</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental	\$ 821,000	\$ 1,256,000	\$ 1,142,623	\$ (113,377)
Investment income	-	-	16,708	(16,708)
Miscellaneous	-	500,000	437,423	(62,577)
Total revenues	<u>821,000</u>	<u>1,756,000</u>	<u>1,596,754</u>	<u>(192,662)</u>
EXPENDITURES				
Public works	-	450,000	95,730	354,270
Distribution to component unit	-	-	953,451	953,451
Capital outlays	2,553,000	3,808,000	1,907,354	1,900,646
Total expenditures	<u>2,553,000</u>	<u>4,258,000</u>	<u>2,956,535</u>	<u>3,208,367</u>
Excess (deficiency) of revenues over expenditures	<u>(1,732,000)</u>	<u>(2,502,000)</u>	<u>(1,359,781)</u>	<u>3,015,705</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	911,000	1,611,000	1,156,493	(454,507)
Transfers out	-	-	(2,321,979)	(2,321,979)
Total other financing sources (uses)	<u>911,000</u>	<u>1,611,000</u>	<u>(1,165,486)</u>	<u>(2,776,486)</u>
Net change in fund balance	(821,000)	(891,000)	(2,525,267)	239,219
Fund balance, beginning of year	<u>35,848,420</u>	<u>35,848,420</u>	<u>35,848,420</u>	<u>-</u>
Fund balance, end of year	<u>\$35,027,420</u>	<u>\$34,957,420</u>	<u>\$33,323,153</u>	<u>\$ 239,219</u>

STATISTICAL SECTION

Statistical Section

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

<u>Contents</u>	<u>Page</u>
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Financial Trends These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	130
Revenue Capacity These schedules contain information to help the reader assess the City's most significant local revenue sources	136
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.	146
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.	150
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.	151
Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.	

City of Henderson, Kentucky

General Information

The City

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

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

Location



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

Industry

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

Churches

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

Schools

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

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

Medical Facilities

Henderson is fortunate to have an excellent, 192-bed Methodist Health that remains one of Henderson County's largest employers at 1,100 at the Henderson County and Union County campuses. It is a Deaconess Network Affiliate. As part of its commitment to healthcare, Methodist Health manages the city and county ambulance services, services a three-county area with a population of more than 75,000, trains promising doctors through the residency program and offers CT and ultrasounds 24 hours a day. The facility offers general care, surgical procedures, inpatient and outpatient services. Methodist Health also manages the Methodist Physician Group, a team of more than 50 medical professionals. In 2017, Owensboro Health opened a facility on Barret Boulevard that also offers several types of services and specialties. One nursing home as well as a growing number of assisted- and independent-living centers are offered as well as a state-maintained county health department. Serving the medical needs of Henderson citizens are approximately 75 physicians and 15 dentists.

Culture

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

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

Recreation



Municipal parks provide for picnicking, golf, tennis, soccer, swimming, disc golf, sand volleyball, softball and baseball. The Parks system also has a canine park. In late 2016, a loop nature trail was added to a much smaller existing trail at Newman Park to accommodate walkers, hikers and mountain bicycles. For fishermen, several lakes in the area are available, and other water sports may be enjoyed on the Ohio River. The Henderson Parks & Recreation Department won an award in 2017 from the Kentucky Recreation & Parks Society for a collaborative event with community partners that created a Halloween Trick-or-Treat Trail in the East End neighborhood. In 2018 the Parks Department nominated and won a Special Citation Award from KRPS for the creation of the City’s first “pocket park” in downtown Henderson known as The Perch. In 2019, The Perch also won an award from the Kentucky Chapter of the American Public Works Association.

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.

Henderson County High School participates in all major team sports offered by the Kentucky High School Athletic Association. The school is continually in contention for state titles in several sports. In the past two years, Henderson County High School has risen to excellence in academic competitions, bringing both the top and runner-up award in the Governor’s Cup competition. The Henderson Public Library is one of the finest libraries in the area with well in excess of 112,000 volumes. The library was built in the early 1900s by a grant provided by Andrew Carnegie. The library broke ground on a \$6 million expansion in April 2019 that is currently under construction. It is expected to be completed in 2020. 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 as of July 1, 2018 28,432
 Percent Male 47.9%
 Percent Female 52.1%
 Race 83.5% White, 10.5% Black or African American, Other 6.0%
 Owner-occupied housing unit 49.2%
 Median value of owner-occupied housing unit \$120,100
 Households 13,283
 Population per square mile 1,879.4
 High school graduate or higher 84.8%
 Bachelor’s degree or higher 17.3%
 Percentage in civilian labor force 54.8%
 Total retail sales (\$1,000s) \$665,230
 Per Capita income \$38,069
 Source: U.S. Census Bureau

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

	2010	2011	2012	2013	2014	2015 (a)	2016	2017	2018 (b)	2019
Governmental activities										
Net investment in capital assets	\$ 22,333,017	\$ 21,669,525	\$ 22,194,236	\$ 23,527,075	\$ 21,513,291	\$ 25,398,204	\$ 23,579,158	\$ 21,576,830	\$ 20,637,291	\$ 20,019,886
Restricted	311,144	228,354	148,196	149,429	113,477	79,117	53,122	45,938	42,777	75,258
Unrestricted	4,659,177	4,643,359	5,163,109	7,635,905	9,193,896	(21,650,658)	(20,955,314)	(24,317,190)	(39,089,460)	(46,716,720)
Total governmental activities net position	\$ 27,303,338	\$ 26,541,238	\$ 27,505,541	\$ 31,312,409	\$ 30,820,664	\$ 3,826,663	\$ 2,676,966	\$ (2,694,422)	\$ (18,409,392)	\$ (26,621,576)
Business-type activities										
Net investment in capital assets	\$ 3,097,074	\$ 3,045,705	\$ 2,911,634	\$ 2,911,911	\$ 3,020,759	\$ 2,869,943	\$ 2,745,162	\$ 2,561,895	\$ 2,700,550	\$ 2,602,642
Unrestricted	3,785,614	3,671,994	3,077,639	3,123,673	3,334,198	4,168,871	4,293,248	5,173,958	5,083,166	5,082,773
Total business-type activities net position	\$ 6,882,688	\$ 6,717,699	\$ 5,989,273	\$ 6,035,584	\$ 6,354,957	\$ 7,038,814	\$ 7,038,410	\$ 7,735,853	\$ 7,783,716	\$ 7,685,415
Primary government										
Net investment in capital assets	\$ 25,430,091	\$ 24,715,230	\$ 25,105,870	\$ 26,438,986	\$ 24,534,050	\$ 28,268,147	\$ 26,324,320	\$ 24,138,725	\$ 23,337,841	\$ 22,622,528
Restricted	311,144	228,354	148,196	149,429	113,477	79,117	53,122	45,938	42,777	75,258
Unrestricted	8,444,791	8,315,353	8,240,748	10,759,578	12,528,094	(17,481,787)	(16,662,066)	(19,143,232)	(34,006,294)	(41,633,947)
Total primary government net position	\$ 34,186,026	\$ 33,258,937	\$ 33,494,814	\$ 37,347,993	\$ 37,175,621	\$ 10,865,477	\$ 9,715,376	\$ 5,041,431	\$ (10,625,676)	\$ (18,936,161)

- (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)

	2010	2011	2012	2013	2014	2015 (a)	2016 (b)	2017	2018 (c)	2019
Expenses										
Governmental activities:										
Administration	\$ 5,605,945	\$ 4,481,821	\$ 5,800,427	\$ 4,571,652	\$ 4,919,330	\$ 4,274,319	\$ 5,284,527	\$ 5,079,404	\$ 5,550,719	\$ 6,297,817
Finance (b)	2,452,338	2,663,586	2,715,668	2,522,369	2,599,737	2,576,906	2,282,224	2,532,294	2,484,760	2,797,659
Information technology (b)	-	-	-	-	-	-	770,940	992,304	959,900	1,069,526
Parks and recreation	1,830,649	1,827,515	1,931,317	1,968,902	2,320,197	2,200,256	2,368,382	2,508,094	2,442,957	2,626,211
Police	6,619,669	6,896,751	6,967,663	6,332,611	6,675,677	6,341,357	7,712,111	9,485,562	10,081,379	10,901,246
Fire	5,012,042	5,275,133	5,412,474	5,422,484	5,434,815	5,410,968	6,120,802	7,660,031	7,559,249	8,623,727
Public works (b)	6,466,143	6,715,692	6,739,456	6,660,603	7,055,802	6,967,925	7,308,765	7,946,176	8,641,172	9,110,923
Nondepartmental	1,881,343	2,024,182	2,128,359	2,311,163	2,295,114	2,759,390	2,758,245	2,344,322	1,628,251	2,742,999
Interest on long-term debt	306,503	439,480	750,582	925,391	1,102,740	1,205,808	1,243,936	1,341,150	1,397,534	1,317,605
Total governmental activities expenses	\$ 30,174,632	\$ 30,324,160	\$ 32,445,946	\$ 30,715,175	\$ 32,403,412	\$ 31,736,929	\$ 35,849,932	\$ 39,889,337	\$ 40,745,921	\$ 45,487,713
Business-type activities:										
Gas	\$ 19,015,757	\$ 18,002,896	\$ 14,531,170	\$ 15,508,629	\$ 18,635,805	\$ 15,896,878	\$ 11,943,349	\$ 12,716,926	\$ 13,490,485	\$ 13,705,628
Sanitation	2,607,748	2,816,642	2,962,683	2,911,519	3,450,869	3,256,659	3,530,230	3,155,920	3,327,918	3,472,855
Total business-type activities expenses	\$ 21,623,505	\$ 20,819,538	\$ 17,493,853	\$ 18,420,148	\$ 22,086,674	\$ 19,153,537	\$ 15,473,579	\$ 15,872,846	\$ 16,818,403	\$ 17,178,483
Total primary government expenses	\$ 51,798,137	\$ 51,143,698	\$ 49,939,799	\$ 49,135,323	\$ 54,490,086	\$ 50,890,466	\$ 51,323,511	\$ 55,762,183	\$ 57,564,324	\$ 62,666,196
Program Revenues										
Governmental activities:										
Charges for services										
Administration	\$ 2,269,632	\$ 2,193,280	\$ 2,378,914	\$ 2,129,121	\$ 2,258,509	\$ 3,683,009	\$ 2,481,476	\$ 2,360,009	\$ 2,432,930	\$ 3,006,231
Finance (b)	2,406,292	2,667,698	2,792,566	2,788,812	2,929,809	2,929,770	3,010,323	3,217,470	3,253,519	3,059,589
Parks and recreation	331,928	362,825	280,165	291,143	235,609	307,188	337,411	384,802	348,970	293,799
Public safety	953,804	1,167,236	912,513	862,244	881,418	1,348,379	846,035	860,380	851,850	724,944
Public works (b)	217,809	219,181	140,684	146,817	155,534	689,626	178,372	320,075	237,018	234,674
Operating grants and contributions	2,617,657	3,081,379	3,685,996	3,427,690	3,248,760	2,426,635	3,068,003	2,765,809	3,647,558	3,666,007
Capital grants and contributions	795,477	734,901	2,973,862	3,647,262	630,540	969,748	1,468,973	1,115,868	30,680	1,168,087
Total governmental activities program revenues	\$ 9,592,599	\$ 10,426,500	\$ 13,164,700	\$ 13,293,089	\$ 10,340,179	\$ 12,354,355	\$ 11,390,593	\$ 11,024,413	\$ 10,802,525	\$ 12,153,331

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

	2010	2011	2012	2013	2014	2015 (a)	2016 (b)	2017	2018 (c)	2019
Business-type activities:										
Charges for services										
Gas	\$ 20,437,945	\$ 19,092,445	\$ 15,287,287	\$ 16,817,749	\$ 20,374,653	\$ 17,832,083	\$ 13,178,911	\$ 14,567,341	\$ 15,234,733	\$ 15,026,345
Sanitation	2,429,609	2,665,082	2,793,255	2,940,533	3,269,514	3,235,220	3,460,515	3,488,812	3,170,350	3,291,264
Operating grants and contributions	-	-	-	93,820	96,160	98,560	101,016	103,536	106,116	158,640
Total business-type activities	\$ 22,867,554	\$ 21,757,527	\$ 18,080,542	\$ 19,852,102	\$ 23,740,327	\$ 21,165,863	\$ 16,740,442	\$ 18,159,689	\$ 18,511,199	\$ 18,476,249
Total primary government	\$ 32,460,153	\$ 32,184,027	\$ 31,245,242	\$ 33,145,191	\$ 34,080,506	\$ 33,520,218	\$ 28,131,035	\$ 29,184,102	\$ 29,313,724	\$ 30,629,580
Net (Expense)Revenue										
Governmental activities	\$ (20,582,033)	\$ (19,897,660)	\$ (19,281,246)	\$ (17,422,086)	\$ (22,063,233)	\$ (19,382,574)	\$ (24,459,339)	\$ (28,864,924)	\$ (29,943,396)	\$ (33,334,382)
Business-type activities	1,244,049	937,989	586,689	1,431,954	1,653,653	2,012,326	1,266,863	2,286,843	1,692,796	1,297,766
Total primary government net expense	\$ (19,337,984)	\$ (18,959,671)	\$ (18,694,557)	\$ (15,990,132)	\$ (20,409,580)	\$ (17,370,248)	\$ (23,192,476)	\$ (26,578,081)	\$ (28,250,600)	\$ (32,036,616)
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes:										
Property	\$ 6,571,652	\$ 6,664,192	\$ 7,177,659	\$ 7,654,195	\$ 7,838,056	\$ 8,137,120	\$ 8,469,519	\$ 8,756,457	\$ 7,528,554	\$ 7,283,786
Payroll and net profits	4,717,128	4,703,133	4,942,815	5,154,559	5,159,531	5,345,370	5,714,865	5,703,639	7,209,671	7,701,986
Insurance	4,301,984	4,136,526	4,203,745	4,519,282	4,580,176	4,741,126	4,932,647	4,961,940	5,216,046	5,383,164
Other	656,896	694,413	810,567	824,073	821,493	828,934	810,732	772,546	984,873	965,270
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	1,644,724	1,644,724
Investment earnings	88,136	86,572	66,039	32,121	127,507	200,201	337,155	50,222	102,067	463,726
Transfers	1,193,000	1,206,000	1,400,000	1,400,000	1,400,000	1,400,000	1,400,000	1,604,008	1,684,000	1,679,542
Total governmental activities	\$ 19,173,520	\$ 19,135,560	\$ 20,245,549	\$ 21,228,954	\$ 21,571,487	\$ 22,297,475	\$ 23,309,642	\$ 23,493,536	\$ 24,369,935	\$ 25,122,198

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

	2010	2011	2012	2013	2014	2015 (a)	2016 (b)	2017	2018 (c)	2019
Business-type activities:										
Investment earnings	\$ 108,889	\$ 103,022	\$ 84,885	\$ 14,357	\$ 65,720	\$ 71,531	\$ 132,733	\$ 14,608	\$ 39,067	\$ 283,475
Transfers	(1,193,000)	(1,206,000)	(1,400,000)	(1,400,000)	(1,400,000)	(1,400,000)	(1,400,000)	(1,604,008)	(1,684,000)	(1,679,542)
Total business-type activities	\$ (1,084,111)	\$ (1,102,978)	\$ (1,315,115)	\$ (1,385,643)	\$ (1,334,280)	\$ (1,328,469)	\$ (1,267,267)	\$ (1,589,400)	\$ (1,644,933)	\$ (1,396,067)
Total primary government	\$ 18,089,409	\$ 18,032,582	\$ 18,930,434	\$ 19,843,311	\$ 20,237,207	\$ 20,969,006	\$ 22,042,375	\$ 21,904,136	\$ 22,725,002	\$ 23,726,131
Change in Net Position										
Governmental activities:	\$ (1,408,513)	\$ (762,100)	\$ 964,303	\$ 3,806,868	\$ (491,746)	\$ 2,914,901	\$ (1,149,697)	\$ (5,371,388)	\$ (5,573,461)	\$ (8,212,184)
Business-type activities:	159,938	(164,989)	(728,426)	46,311	319,373	683,857	(404)	697,443	47,863	(98,301)
Total primary government	\$ (1,248,575)	\$ (927,089)	\$ 235,877	\$ 3,853,179	\$ (172,373)	\$ 3,598,758	\$ (1,150,101)	\$ (4,673,945)	\$ (5,525,598)	\$ (8,310,485)

(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)

	2010	2011 (a)	2012	2013	2014	2015 (b)	2016	2017	2018 (c)	2019
General Fund										
Reserved	\$ 1,095,872	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	5,932,799									
Nonspendable	-	1,217,335	39,087	32,760	30,340	22,694	26,845	59,912	38,787	88,774
Restricted	-	-	-	-	-	-	-	-	-	-
Committed	-	955,573	1,130,781	2,095,480	2,767,296	2,199,379	2,393,464	1,613,986	250,597	-
Assigned	-	988,500	837,000	1,296,300	2,760,400	4,000,000	5,570,000	3,940,000	4,475,740	1,788,536
Unassigned	-	3,836,690	5,592,998	6,038,346	5,268,321	4,559,662	3,536,794	5,291,247	5,437,612	7,098,072
Total general fund	\$ 7,028,671	\$ 6,998,098	\$ 1	\$ 9,462,886	\$ 10,826,357	\$ 10,781,735	\$ 11,527,103	\$ 10,905,145	\$ 10,202,736	\$ 8,975,382
All Other Governmental Funds										
Reserved, reported in:										
Permanent funds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Capital projects fund	-	-	-	-	-	-	-	-	-	-
Debt service fund	706	-	-	-	-	-	-	-	-	-
Special revenue funds	333,266	-	-	-	-	-	-	-	-	-
Unreserved, reported in:										
Capital projects fund	(1,729,492)	-	-	-	-	-	-	-	-	-
Special revenue funds	474,272	-	-	-	-	-	-	-	-	-
Nonspendable										
Special revenue funds	-	23,120	24,852	26,408	26,023	21,851	16,500	17,200	32,000	26,393
Restricted										
Debt service fund	-	924	69,424	69,605	68,456	66,045	472	988	871	467
Capital projects fund	-	11,702,613	21,172,367	29,958,480	28,596,200	35,230,730	42,266,354	38,496,544	35,923,789	33,229,671
Special revenue funds	-	227,430	78,772	79,824	45,021	13,072	52,650	44,950	41,906	74,791
Committed										
Special revenue funds	-	566,741	300,912	181,774	166,710	119,669	125,332	393,182	250,016	217,051
Assigned	-	-	-	-	-	-	-	-	-	-
Unassigned										
Capital projects fund	-	(380,048)	(652,605)	(265,956)	(44,023)	(2,252,592)	(995,659)	(185,457)	(75,369)	93,482
Special revenue funds	-	(1,800)	(78,470)	(41,509)	(13,884)	(5,977)	(287,758)	(5,275)	(166,068)	(380,430)
Total all other governmental funds	\$ (921,248)	\$ 12,138,980	\$ 20,915,252	\$ 30,008,626	\$ 28,844,503	\$ 33,192,798	\$ 41,177,891	\$ 38,762,132	\$ 36,007,145	\$ 33,261,425

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

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

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

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

	2010	2011	2012	2013	2014	2015 (a)	2016 (b)	2017	2018 (c)	2019
Revenues										
Taxes	\$ 16,247,660	\$ 16,198,264	\$ 17,134,786	\$ 18,152,109	\$ 18,399,256	\$ 19,052,550	\$ 19,927,763	\$ 20,194,582	\$ 20,939,144	\$ 21,334,206
Charges for services	1,460,316	1,435,183	1,388,763	1,379,948	1,336,912	1,328,720	1,369,544	1,593,666	1,502,655	1,337,868
Investment income	86,892	85,107	64,712	30,176	126,233	198,706	335,075	46,035	93,654	454,503
Licenses and permits	88,624	102,046	77,643	81,091	84,349	79,519	102,971	77,553	60,556	88,147
Intergovernmental revenue	5,825,278	6,385,784	9,204,912	9,529,693	6,454,880	8,591,517	7,211,517	6,612,022	6,504,428	7,504,614
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	1,644,724	1,644,724
Other	506,111	252,000	275,645	320,790	453,188	277,774	345,365	325,510	376,536	829,686
Total revenues	\$ 25,859,605	\$ 26,103,108	\$ 29,791,185	\$ 31,138,531	\$ 28,499,542	\$ 31,173,510	\$ 30,936,959	\$ 30,494,092	\$ 31,121,697	\$ 33,193,748
Expenditures										
Administration	\$ 2,517,239	\$ 2,627,053	\$ 2,561,360	\$ 2,592,453	\$ 2,437,863	\$ 2,510,126	\$ 2,723,211	\$ 2,608,916	\$ 2,743,063	\$ 2,737,047
Finance (b)	2,426,737	2,610,767	2,620,612	2,503,295	2,582,338	2,663,640	2,240,291	2,234,619	2,242,609	2,335,066
Information technology (b)	-	-	-	-	-	-	741,710	867,454	854,707	832,620
Police	6,353,232	6,706,760	6,841,301	6,145,972	6,466,704	6,657,310	7,360,288	7,771,173	7,933,727	8,184,134
Fire	4,839,389	5,158,381	5,283,159	5,202,648	5,212,349	5,622,438	5,697,252	6,093,779	6,217,793	6,442,754
Public works (b)	4,400,905	4,711,359	4,771,875	4,671,583	5,083,360	5,185,281	5,082,225	5,388,274	5,811,505	5,670,173
Parks & recreation	1,607,810	1,616,671	1,730,432	1,620,578	1,833,413	1,847,588	1,982,046	1,973,263	1,926,574	1,982,867
Non-departmental	1,881,343	2,024,182	2,128,359	2,311,163	2,295,114	2,428,486	2,428,100	2,014,177	1,628,251	2,742,378
Capital outlay	793,698	1,562,152	4,703,361	3,614,507	781,413	6,239,160	5,510,013	7,594,336	2,127,330	3,156,720
Capital contributions to HWU	-	-	1,363,929	264,547	-	-	-	-	-	-
Debt service:										
Principal	358,303	360,000	955,000	1,460,000	1,895,000	1,910,000	2,465,000	3,010,000	3,380,000	3,445,000
Interest	306,503	439,480	750,582	925,391	1,102,740	1,205,808	1,243,936	1,341,150	1,397,534	1,317,605
Other charges	-	27,648	72,175	-	-	-	82,156	59,573	-	-
Total expenditures	\$ 25,485,159	\$ 27,844,453	\$ 33,782,145	\$ 31,312,137	\$ 29,690,294	\$ 36,269,837	\$ 37,556,228	\$ 40,956,714	\$ 36,263,093	\$ 38,846,364
Excess of revenues over (under) expenditures	\$ 374,446	\$ (1,741,345)	\$ (3,990,960)	\$ (173,606)	\$ (1,190,752)	\$ (5,096,327)	\$ (6,619,269)	\$ (10,462,622)	\$ (5,141,396)	\$ (5,652,616)
Other Financing Sources (Uses)										
Transfers in	\$ 2,974,500	\$ 5,686,761	\$ 4,103,218	\$ 4,792,872	\$ 5,850,667	\$ 6,179,785	\$ 6,733,286	\$ 9,964,515	\$ 7,535,161	\$ 8,886,014
Transfers out	(1,781,500)	(4,480,761)	(2,703,218)	(3,392,872)	(4,450,667)	(4,779,785)	(5,333,286)	(8,360,507)	(5,851,161)	(7,206,472)
Insurance recovery	-	-	-	-	-	-	-	155,390	-	-
Bond issuance	-	13,730,000	12,080,000	9,730,000	-	8,000,000	21,100,000	7,795,000	-	-
Bond premium	-	-	-	-	-	-	144,586	140,507	-	-
Bond refundings	-	(1,310,000)	-	-	-	-	(7,995,000)	(2,270,000)	-	-
Sale of land	-	1,145,000	(111,000)	-	-	-	700,144	-	-	-
Total other financing sources (uses)	\$ 1,193,000	\$ 14,771,000	\$ 13,369,000	\$ 11,130,000	\$ 1,400,000	\$ 9,400,000	\$ 15,349,730	\$ 7,424,905	\$ 1,684,000	\$ 1,679,542
Net change in fund balances	\$ 1,567,446	\$ 13,029,655	\$ 9,378,040	\$ 10,956,394	\$ 209,248	\$ 4,303,673	\$ 8,730,461	\$ (3,037,717)	\$ (3,457,396)	\$ (3,973,074)
Debt service as a percentage of noncapital expenditures	2.7%	3.0%	5.9%	8.6%	10.4%	10.4%	11.6%	13.0%	14.0%	13.3%

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

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

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

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

<u>Fiscal Year</u>	<u>Total</u>	<u>Real & Personal Property</u>	<u>Insurance Premiums</u>	<u>Payroll</u>	<u>Net Profits</u>	<u>Franchise</u>	<u>Transient</u>	<u>Bank Deposits</u>
2010	\$ 16,247,660	\$ 6,571,652	\$ 4,301,984	\$ 3,946,880	\$ 770,248	\$ 531,854	\$ -	\$ 125,042
2011	16,198,264	6,664,192	4,136,526	4,046,269	656,864	561,308	-	133,105
2012	17,134,786	7,177,659	4,203,745	4,194,962	747,853	677,159	-	133,408
2013	18,152,109	7,654,195	4,519,282	4,265,067	889,492	677,113	-	146,960
2014	18,399,256	7,838,056	4,580,176	4,380,908	778,623	674,160	-	147,333
2015	19,052,550	8,137,120	4,741,126	4,494,725	850,645	679,169	-	149,765
2016	19,927,763	8,469,519	4,932,647	4,825,752	889,113	655,937	-	154,795
2017	20,194,582	8,756,457	4,961,940	4,759,435	944,204	613,404	-	159,142
2018	20,939,144	7,528,554 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

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.

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
2010	\$ 1,071,441	\$ 144,539	\$ 510,373	\$ 1,726,353	\$ 78,769
2011	1,079,090	125,452	543,287	1,747,829	21,476
2012	1,095,301	131,246	544,520	1,771,067	23,238
2013	1,101,286	133,508	598,793	1,833,587	62,520
2014	1,107,275	135,468	601,357	1,844,100	10,513
2015	1,121,833	132,314	611,284	1,865,431	21,331
2016	1,139,538	135,349	631,816	1,906,703	41,272
2017	1,153,388	130,693	649,559	1,933,640	68,209
2018	1,186,612	132,218	653,855	1,972,685	107,254
2019	1,207,268	127,823	639,804	1,974,895	68,191

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
2010	\$ 771,246,458	\$ 2,901,145	\$ 364,428,870	\$ 8,842,981	\$ 75,978,542	\$ -	\$ 1,071,440,912	0.466	\$ 4,992,915
2011	777,522,794	2,901,145	367,906,368	8,668,612	77,908,839	-	1,079,090,080	0.486	5,244,378
2012	784,181,028	3,014,722	379,700,845	6,779,520	78,375,555	-	1,095,300,560	0.521	5,706,516
2013	786,359,573	3,022,322	385,853,285	6,803,920	80,752,738	-	1,101,286,362	0.542	5,968,972
2014	790,818,965	3,012,222	392,059,955	6,809,620	85,425,951	-	1,107,274,811	0.561	6,211,812
2015	798,284,496	3,459,222	399,322,010	6,942,270	86,174,620	-	1,121,833,378	0.577	6,472,979
2016	808,757,469	3,805,200	409,692,048	6,599,470	89,315,951	-	1,139,538,236	0.591	6,734,671
2017	820,224,410	3,798,700	412,467,534	6,796,070	89,898,825	-	1,153,387,889	0.611	7,047,200
2018	834,637,177	3,970,600	430,169,310	7,053,220	92,898,488	-	1,182,931,819	0.490 a)	5,796,366
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

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
2010	\$ 57,986,626	\$ 57,503,339	\$ 21,538,243	\$ 1,056,284	\$ 2,457,177	\$ 3,997,125	\$ 144,538,794	0.590	\$ 852,779
2011	56,439,817	53,952,590	11,762,126	152,327	66,739	3,078,617	125,452,216	0.714	895,729
2012	52,850,006	46,594,388	12,820,482	13,737,384	1,385,767	3,858,178	131,246,205	0.743	975,159
2013	52,091,144	53,770,713	12,519,762	8,528,020	1,484,755	5,113,377	133,507,771	0.750	1,001,308
2014	58,999,753	49,515,484	11,812,749	8,088,430	1,490,809	5,560,553	135,467,778	0.750	1,016,008
2015	53,474,994	49,051,206	10,637,920	9,193,298	5,386,945	4,569,319	132,313,682	0.800	1,058,509
2016	57,695,019	50,589,895	9,625,717	10,975,898	809,979	5,652,346	135,348,854	0.813	1,100,386
2017	55,583,102	46,812,665	7,501,029	13,477,271	440,545	6,878,565	130,693,177	0.813	1,062,536
2018	60,086,361	46,751,217	10,217,486	5,520,655	2,173,268	7,469,022	132,218,009	0.813	1,074,932
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

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: Direct			Overlapping						Total City Resident
Year	General Fund Operations	City	County Schools	State	County	Library	Health	Extension	
2010	0.4660	0.466	0.477	0.122	0.118	0.063	0.026	0.02300	1.29500
2011	0.4860	0.486	0.500	0.122	0.118	0.069	0.026	0.02500	1.34600
2012	0.5210	0.521	0.517	0.122	0.118	0.074	0.026	0.02700	1.40500
2013	0.5420	0.542	0.530	0.122	0.118	0.078	0.026	0.02700	1.44300
2014	0.5610	0.561	0.529	0.122	0.118	0.078	0.026	0.02700	1.46100
2015	0.5770	0.577	0.530	0.122	0.118	0.083	0.026	0.02700	1.48300
2016	0.5910	0.591	0.585	0.122	0.128	0.087	0.026	0.02900	1.56800
2017	0.6110	0.611	0.588	0.122	0.128	0.092	0.026	0.03102	1.59802
2018	0.4900	0.490	0.612	0.122	0.128	0.097	0.050	0.03269	1.53169
2019	0.4900	0.490	0.631	0.122	0.128	0.102	0.050	0.03269	1.55569

Personal property: Direct			Overlapping						Total City Resident
Year	General Fund Operations	City	County Schools	State	County	Library	Health	Extension	
2010	0.5900	0.590	0.477	0.45	0.175	0.0860	0.026	0.032800	1.836800
2011	0.7140	0.714	0.500	0.45	0.175	0.0993	0.026	0.037600	2.001900
2012	0.7430	0.743	0.517	0.45	0.175	0.1089	0.026	0.041500	2.061400
2013	0.7500	0.750	0.530	0.45	0.175	0.1064	0.026	0.041300	2.078700
2014	0.7500	0.750	0.529	0.45	0.175	0.1064	0.026	0.041300	2.077700
2015	0.8000	0.800	0.530	0.45	0.175	0.1161	0.026	0.041300	2.138400
2016	0.8130	0.813	0.585	0.45	0.184	0.1180	0.026	0.043000	2.219000
2017	0.8130	0.813	0.588	0.45	0.184	0.1177	0.026	0.040605	2.219305
2018	0.8130	0.813	0.612	0.45	0.184	0.1304	0.050	0.044958	2.284358
2019	0.8130	0.813	0.631	0.45	0.184	0.1409	0.050	0.044958	2.313858

Source: Kentucky Department of Revenue

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

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

Real property: Direct		Overlapping						Total City Resident
Year	City	County Schools	State	County	Library	Health	Extension	
2010	0.466	0.477	0.122	0.118	0.063	0.026	0.02300	1.29500
2011	0.486	0.500	0.122	0.118	0.069	0.026	0.02500	1.34600
2012	0.521	0.517	0.122	0.118	0.074	0.026	0.02700	1.40500
2013	0.542	0.530	0.122	0.118	0.078	0.026	0.02700	1.44300
2014	0.561	0.529	0.122	0.118	0.078	0.026	0.02700	1.46100
2015	0.577	0.530	0.122	0.118	0.083	0.026	0.02700	1.48300
2016	0.591	0.585	0.122	0.128	0.087	0.026	0.02900	1.56800
2017	0.611	0.588	0.122	0.128	0.092	0.026	0.03102	1.59802
2018	0.490	0.612	0.122	0.128	0.097	0.050	0.03269	1.53169
2019	0.490	0.631	0.122	0.128	0.102	0.050	0.03269	1.55569
Personal property:								
2010	0.590	0.477	0.45	0.175	0.0860	0.026	0.032800	1.836800
2011	0.714	0.500	0.45	0.175	0.0993	0.026	0.037600	2.001900
2012	0.743	0.517	0.45	0.175	0.1089	0.026	0.041500	2.061400
2013	0.750	0.530	0.45	0.175	0.1064	0.026	0.041300	2.078700
2014	0.750	0.529	0.45	0.175	0.1064	0.026	0.041300	2.077700
2015	0.800	0.530	0.45	0.175	0.1161	0.026	0.041300	2.138400
2016	0.813	0.585	0.45	0.184	0.1180	0.026	0.043000	2.219000
2017	0.813	0.588	0.45	0.184	0.1177	0.026	0.040605	2.219305
2018	0.813	0.612	0.45	0.184	0.1304	0.050	0.044958	2.284358
2019	0.813	0.631	0.45	0.184	0.1409	0.050	0.044958	2.313858

Source: Kentucky Department of Revenue

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

Company	Type of Tax	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Kentucky Farm Bureau Insurance	Insurance premium tax	\$ 456,374	\$ 486,160	\$ 521,020	\$ 549,560	\$ 547,449	\$ 541,415	\$ 564,029	\$ 578,131	\$ 610,675	\$ 583,796
State Farm Mutual Automobile Insurance	Insurance premium tax	176,025	192,829	225,066	256,612	290,678	326,137	350,240	391,711	427,576	426,436
Commonwealth of Kentucky - Telecom	Franchise tax	316,068	316,044	311,957	307,895	307,879	307,851	307,845	307,824	308,055	314,980
United Healthcare	Insurance premium tax	188,973	177,349	163,636	147,451	179,892	176,361	194,822	209,333	244,231	275,274
State Farm Fire & Casualty Company	Insurance premium tax	127,469	144,505	163,885	211,115	248,677	270,705	276,513	268,028	255,287	261,456
Anthem Insurance Companies	Insurance premium tax	-	-	-	-	-	-	214,939	253,376	225,481	243,332
Spectrum Advance Services	911 tax/Franchise fees	214,889	237,779	232,997	198,050	252,574	234,094	235,406	254,027	245,061	194,596
Cincinnati Insurance Company	Insurance premium tax	127,925	136,640	138,131	156,094	156,791	163,533	-	152,252	159,494	178,322
Big Rivers Electric Corporation	Franchise tax	-	-	172,549	179,717	183,662	193,319	188,673	186,308	165,884	161,302
Progressive Casualty Insurance Company	Insurance premium tax	148,370	123,904	-	-	-	-	-	-	-	150,647
Bellsouth Telecommunications / AT&T	911 tax/Franchise fees	277,972	285,083	281,144	274,277	226,985	196,631	155,924	-	145,204	-
Wal-Mart Stores, Inc.	Property tax/Occupational tax	128,593	146,391	149,148	175,768	161,124	174,231	168,380	158,295	-	-
Total		\$ 2,162,657	\$ 2,246,684	\$ 2,359,533	\$ 2,456,538	\$ 2,555,712	\$ 2,584,277	\$ 2,656,771	\$ 2,759,285	\$ 2,786,947	\$ 2,790,141

**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	
2010	\$ 5,784,176	\$ 5,692,217	98.4%	\$ 75,627	\$ 5,767,844	99.7%	\$ 16,332
2011	6,063,113	5,959,466	98.3%	84,196	6,043,662	99.7%	19,451
2012	6,532,523	6,446,468	98.7%	71,223	6,517,691	99.8%	14,833
2013	6,883,409	6,827,928	99.2%	40,234	6,868,162	99.8%	15,247
2014	7,136,415	7,071,501	99.1%	44,999	7,116,500	99.7%	19,915
2015	7,453,517	7,375,464	99.0%	52,373	7,427,837	99.7%	25,681
2016	7,761,529	7,676,994	98.9%	53,176	7,730,170	99.6%	31,360
2017	8,029,300	7,915,893	98.6%	61,965	7,977,858	99.4%	51,442
2018	6,811,550	6,742,413	99.0%	6,325	6,748,738	99.1%	62,812
2019	6,885,101	6,775,793	98.4%	-	6,775,793	98.4%	109,308

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

(b) Collections as of June 30, 2019

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

Type of Customer	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Residential	566,728	589,839	519,927	455,233	613,973	623,158	540,243	498,785	554,269	545,812
Commercial	342,366	366,061	341,617	294,765	356,860	391,486	341,309	327,448	303,556	357,183
Industrial	1,967,828	2,165,540	2,202,345	2,160,308	2,296,739	2,339,150	2,273,942	2,218,903	2,158,035	2,250,059
Municipal	6,882	7,543	7,614	5,564	7,806	8,051	6,548	6,872	7,749	10,305
Total Sold	2,883,804	3,128,983	3,071,503	2,915,870	3,275,378	3,361,845	3,162,042	3,052,008	3,023,609	3,163,359
Pipeline distribution use (net of losses)	4,628 a)	2,796	3,201	2,125	2,133	3,687	2,297	1,957	1,158	1,223
Total Disposition	2,888,432	3,131,779	3,074,704	2,917,995	3,277,511	3,365,532	3,164,339	3,053,965	3,024,767	3,164,582

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

Source: Gas Department

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

<u>Type of Customer</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Residential	\$ 5,925	\$ 6,142	\$ 5,286	\$ 4,356	\$ 4,413	\$ 6,246	\$ 4,800	\$ 4,400	\$ 5,565	\$ 4,971
Commercial	2,967	3,196	2,774	2,105	2,457	3,298	2,340	2,186	2,268	2,623
Industrial	<u>10,524</u>	<u>11,460</u>	<u>10,907</u>	<u>8,294</u>	<u>10,121</u>	<u>12,132</u>	<u>8,499</u>	<u>7,424</u>	<u>8,603</u>	<u>8,634</u>
Total Sold	\$ 19,416 a)	\$ 20,798	\$ 18,967	\$ 14,755	\$ 16,991	\$ 21,676	\$ 15,640	\$ 14,010	\$ 16,435	\$ 16,228

a) Due to the global recession, demand for natural gas decreased and energy prices followed.

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

Source: Gas Department

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

Fiscal Year	Monthly Base Rate	Rate per 1,000 cubic feet
2010	\$ 12.00	\$ 2.25
2011	12.00	2.25
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

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, 2019

Governmental Unit	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable (a)</u>	<u>Estimated Share of Overlapping Debt</u>
Debt repaid with property taxes			
Henderson County Schools (c)	\$ 34,055,027	60.00% (b)	\$ 20,433,016
Henderson County (d) Henderson County Public Properties Corp.	7,064,657	60.00% (b)	<u>4,238,794</u>
Subtotal, overlapping debt			\$ 24,671,810
City direct debt			<u>48,160,519</u>
Total direct and overlapping debt			<u><u>\$ 72,832,329</u></u>

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

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

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

Water and Sewer Revenue Bonds and Debt Owed to the City of Henderson								Electric Revenue Bonds						
Fiscal Year	Utility Operating Revenues	Less: Operating Expenses	Net Available Revenue	Debt Service Requirements			Coverage	Operating Revenues	Operating Expenses	Net Available Revenue	Debt Service Requirements			Coverage
				Principal	Interest	Total					Principal	Interest	Total	
2010	\$ 14,747	\$ 10,789	\$ 3,958	\$ 763	\$ 613	\$ 1,376	2.88	\$ 53,365	\$ 49,438	\$ 3,927	\$ -	\$ -	\$ -	N/A
2011	16,108	11,740	4,368	812	696	1,508	2.90	55,426	50,472	4,954	-	-	-	N/A
2012	15,734	11,883	3,851	1,313	886	2,199	1.75	60,033	57,245	2,788	-	452	452	6.17
2013	17,025	11,522	5,503	2,513	957	3,470	1.59	64,041	60,662	3,379	570	510	1,080	3.13
2014	17,732	12,152	5,580	2,250	1,149	3,399	1.64	60,791	56,043	4,748	585	497	1,082	4.39
2015	17,605	12,094	5,511	2,299	1,214	3,513	1.57	61,128	57,322	3,806	595	486	1,081	3.52
2016	18,197	13,551	4,646	2,253	1,172	3,425	1.36	60,240	53,075	7,165	610	471	1,081	6.63
2017	19,058	14,330	4,728	2,746	981	3,727	1.27	67,120	60,189	6,931	620	458	1,078	6.43
2018	20,687	15,387	5,300	2,254	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

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	Per Capita	Other Governmental Activities Debt			Business-Type Activities		Total Primary Government ^{b)}	Per Capita	Per Capita Income	Percentage of Personal Income
	General Obligation Bonds	Actual Taxable Value of Property				Bond Anticipation Note	Capital Leases	General Obligation Contracts	Capital Leases	Per Capita				
2010	\$ 4,535,000	\$ 1,726,353,000	0.26%	27,952	\$ 162	\$ 1,583,737	\$ 1,405,000	\$ -	\$ -	\$ 7,523,737	\$ 269	\$ 31,265	0.86%	
2011	18,000,000	1,747,829,333	1.03%	28,757	626	-	-	-	-	18,000,000	626	31,265	2.00%	
2012	29,125,000	1,771,067,333	1.64%	28,853	1,009	-	-	-	-	29,125,000	1,009	31,265	3.23%	
2013	37,395,000	1,833,587,019	2.04%	28,911	1,293	-	-	-	-	37,395,000	1,293	32,311	4.00%	
2014	35,500,000	1,844,099,929	1.93%	28,832	1,231	-	-	-	-	35,500,000	1,231	33,351	3.69%	
2015	41,590,000	1,865,430,988	2.23%	28,900	1,439	-	-	-	-	41,590,000	1,439	34,958	4.12%	
2016	52,230,000	1,906,703,477	2.74%	28,890	1,808	-	-	-	-	52,230,000	1,808	34,671	5.21%	
2017	54,745,000	1,933,640,240	2.83%	28,841	1,898	-	-	-	-	54,745,000	1,898	34,879	5.44%	
2018	51,365,000	1,972,685,000	2.60%	29,108	1,765	-	-	315,375 ^{c)}	-	51,680,375	1,775	36,794	4.83%	
2019	47,920,000	1,974,894,874	2.43%	28,432	1,685	-	-	240,519	-	48,160,519	1,694	38,069	4.45%	

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

- a) In 2009, the City drew down \$1.6 million of a \$4.0 million bond anticipation note.
- b) Includes general bonded debt, other governmental activities debt, and business-type activities debt.
- c) 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									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
General Bonded										
General bonded debt outstanding	\$ 4,535	\$ 18,000	\$ 29,125	\$ 37,395	\$ 35,500	\$ 41,590	\$ 52,230	\$ 54,745	\$ 51,365	\$ 47,920
Other bonded debt	1,584	-	-	-	-	-	-	-	-	-
Total bonded debt	6,119	18,000	29,125	37,395	35,500	41,590	52,230	54,745	51,365	47,920
Debt not bonded	\$ 1,405	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 315	\$ 241
Total Debt	\$ 7,524	\$ 18,000	\$ 29,125	\$ 37,395	\$ 35,500	\$ 41,590	\$ 52,230	\$ 54,745	\$ 51,680	\$ 48,161
Estimated actual property value	\$ 1,726,353	\$ 1,747,829	\$ 1,771,067	\$ 1,833,587	\$ 1,844,100	\$ 1,865,431	\$ 1,906,703	\$ 1,933,640	\$ 1,972,685	\$ 1,974,895
Percentage of estimated actual property value	0.44%	1.03%	1.64%	2.04%	1.93%	2.23%	2.74%	2.83%	2.62%	2.44%
Population	27,952	28,757	28,853	28,911	28,832	28,900	28,890	28,841	29,108	28,432
Per capita	\$ 219	\$ 626	\$ 1,009	\$ 1,293	\$ 1,231	\$ 1,439	\$ 1,808	\$ 1,898	\$ 1,765	\$ 1,685
Less: Amounts set aside to repay general debt	1,018	918	1,131	1,725	2,124	1,979	2,024	1,244	251	-
Total net debt applicable to debt limit	\$ 6,506	\$ 17,082	\$ 27,994	\$ 35,670	\$ 33,376	\$ 39,611	\$ 50,206	\$ 53,501	\$ 51,429	\$ 48,161
Legal Debt Limit (a)	\$ 107,144	\$ 107,909	\$ 109,530	\$ 110,129	\$ 110,727	\$ 112,183	\$ 113,954	\$ 115,339	\$ 118,293	\$ 120,719
Remaining debt limit	\$ 100,638	\$ 90,827	\$ 81,536	\$ 74,459	\$ 77,351	\$ 72,572	\$ 63,748	\$ 61,838	\$ 66,864	\$ 72,558
Percentage of remaining net debt limit	93.9%	84.2%	74.4%	67.6%	69.9%	64.7%	55.9%	53.6%	56.5%	60.1%
Percentage of net debt exhausted	6.1%	15.8%	25.6%	32.4%	30.1%	35.3%	44.1%	46.4%	43.5%	39.9%

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

a) – Section 158 of the Kentucky Constitution states that cities, having a population of fifteen thousand or more, shall not incur indebtedness to an amount exceeding 10% on the value of the taxable property therein, to be estimated by the last assessment previous to the incurring of the indebtedness, unless in case of emergency, the public health or safety should so require.

**CITY OF HENDERSON, KENTUCKY
DEMOGRAPHIC STATISTICS
LAST TEN FISCAL YEARS**

Fiscal Year	(a) Population	(b) Personal Income (thousands of dollars)	(b) Per Capita Income	(c) Median Age	(d) School Enrollment	(b) Unemployment Rate
2010	27,952	\$ 873,919	\$ 31,265	38.2	6,895	10.2%
2011	28,757	899,088	31,265	38.3	6,969	8.9%
2012	28,853	902,089	31,265	38.3	7,546	7.6%
2013	28,911	934,143	32,311	38.3	7,555	8.1%
2014	28,832	961,576	33,351	38.3	7,581	6.9%
2015	28,900	1,010,286	34,958	38.3	7,570	5.0%
2016	28,890	1,001,645	34,671	39.4	7,521	5.1%
2017	28,841	1,005,945	34,879	40.1	7,550	4.9%
2018	29,108	1,071,000	36,794	39.7	7,387	4.4%
2019	28,432	1,082,378	38,069	39.8	7,426	4.4%

Sources:

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

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

<u>Function / Program</u>	Fiscal Year									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
General Government										
Administration	22.50 a	22.50	23.25	24.00	23.00	22.00	23.00	23.00	21.50	21.50
Finance	33.50 a	33.50	32.75	33.00	33.00	32.00	28.00 c	28.00	27.00	27.00
Information Technology							6.00 c	6.00	6.00	6.00
Police										
Officers	60.75 b	60.75	60.75	60.75	61.75	61.75	61.75	61.75	61.75	61.75
Civilians	8.00	8.00	8.00	8.00	8.00	8.00	8.00	8.00	8.00	9.00
9-1-1 Communications	15.25	15.25	15.25	15.25	15.25	15.25	16.25	16.25	16.25	16.25
Fire										
Firefighters	58.00	58.00	58.00	58.00	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	13.00	13.00	14.00	14.00	14.00	14.00	14.00	14.00
Mass Transit	14.00	14.00	14.00	14.00	14.00	14.00	13.00	13.00	13.00	13.00
Gas System	28.00	28.00	28.00	27.00	26.00	26.00	26.00	26.00	26.00	25.00
Sanitation	18.50	18.50	18.50	18.50	18.50	18.50	18.50	18.50	18.50	17.50
Cemetery	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00
Public Way Improvement	35.50	35.50	35.50	35.50	35.50	35.50	36.50	36.50	37.00	37.00
TOTAL	313.00	313.00	313.00	313.00	315.00	313.00	317.00	317.00	315.00	314.00

Source: Applicable Departments

- a) Two positions from Henderson Water Utility were moved to the City.
- b) The City received funding from the Community Oriented Policing Service for three police officers.
- c) The Information Technology division was removed from Finance and made into a Department.

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

Function / Program	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Public Way Improvement (in miles)										
Asphalt streets	113	120	120	120	120	120	120	99.20 c)	99.20	99.20
Concrete streets	-	-	-	-	-	-	-	19.94 c)	19.94	19.94
City sidewalks	73	73	73	73	73	73	73	92.32 c)	92.32	92.32
State sidewalks	-	-	-	-	-	-	-	12.82 c)	12.82	12.82
Private sidewalks	-	-	-	-	-	-	-	5.98 c)	5.98	5.98
Walking trails	-	-	-	-	-	-	-	2.02 c)	2.02	2.02
Bike path	-	-	-	-	-	-	-	0.74 c)	0.74	0.74
Cart path	-	-	-	-	-	-	-	0.71 c)	0.71	0.71
Landfill Operations (in tons)										
CDD - Commercial	-	-	-	-	-	-	-	7,262.28	2,720.92	2,994.27
CDD - City Residents	-	-	-	-	-	-	-	1,909.52	1,826.18	1,832.60
CDD - City Government	-	-	-	-	-	-	-	2,112.29	541.37	680.42
CDD - County Residents	-	-	-	-	-	-	-	1,881.90	1,014.93	900.91
CDD - County Government	-	-	-	-	-	-	-	276.55	44.11	631.92
CDD - Other	-	-	-	-	-	-	-	645.70	103.77	319.30
CDD - Total	15,549	20,261	17,371	20,376	18,135	19,294	13,535	14,088.24	6,251.28	7,359.42
Transfer Station Operations (in tons)										
Solid Waste - Commercial	-	-	-	-	-	-	-	21,339.64	16,790.09	19,679.77
Solid Waste - City Residents	-	-	-	-	-	-	-	1,302.26	1,200.84	849.56
Solid Waste - City Government	-	-	-	-	-	-	-	11,343.67	11,300.38	11,588.96
Solid Waste - County Residents	-	-	-	-	-	-	-	1,239.65	1,278.31	1,355.75
Solid Waste - County Government	-	-	-	-	-	-	-	102.46	107.65	122.40
Solid Waste - Other	-	-	-	-	-	-	-	519.62	713.31	982.22
Solid Waste - Total	21,395	23,617	23,553	24,897	30,823	27,925	35,667	35,847.30	31,390.58	34,578.66
Wastewater System										
Miles of sanitary sewers	205	200	201	201	205	206	202	203	203	204
Miles of storm sewers	136	136	136	51	54	54	55	56	56	57
Number of service connections	10,846	10,884	10,884	10,893	10,862	10,848	10,909	10,856	10,818	11,273
Maximum daily capacity of treatment in 1,000 gallons	19,000	19,000	19,000	19,000	19,000	19,000	19,000	19,000	29,500	29,500
Water System										
Miles of water mains	225	225	225	225	225	225	225	225	221	219
Number of service connections	10,846	10,844	10,844	10,893	10,862	10,862	10,921	10,931	10,899	11,348
Number of fire hydrants	1,030	1,084	1,095	1,112	1,119	1,130	1,134	1,140	1,147	1,150
Maximum daily capacity of plant in 1,000 gallons	16,000	16,000	16,000	16,000	16,000	16,000	16,000	16,000	16,000	16,000
Electric System										
Miles of transmission and primary distribution	208	208	208	208	208	208	209	209	209	209
Number of distribution stations	7	7	7	7	7	7	7	7	7	7

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

Function / Program	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Gas System										
Miles of mains	247	249	251	253	254	255	255	255	255	256
Miles of service lines	129	129	138	139	140	139	139	139	139	139
Number of meters	9,532	9,470	9,422	9,421	9,391	9,392	9,367	9,378	9,347	9,346
Parks and Recreation										
Park acreage	231.7	231.7	231.7	231.7	231.7	231.7	232.0	232.0	232.0	232.0
Cemetery acreage	70	70	70	70	70	70	70	70	70	70
Baseball/Softball fields	16	16	16	16	16	16	16	16	16	16
Playgrounds	10	10	10	10	10	11	12	15	15	15
Tennis courts (a)	14	14	14	14	14	12	12	12	12	12
Rental Facilities/Shelters	3	3	3	3	3	3	3	3	3	3
Gymnasiums	1	1	1	1	1	1	1	1	1	1
Sand volleyball courts	1	1	1	1	1	1	1	1	1	1
Swimming pools	1	1	1	1	1	1	1	1	1	1
Golf courses - 9 holes	1	1	1	1	1	1	1	1	1	1
Boat Ramps	3	3	3	3	3	3	3	3	3	3
Soccer fields	4	4	4	4	4	4	4	4	4	4
Interactive water features	1	1	1	1	1	1	1	2	2	2
Walking trails	2	2	2	2	2	3	3	3	3	3
Basketball courts	4	4	4	4	4	4	4	4	4	4
Skate parks (a)	1	1	1	1	1	2	2	2	2	2
Dog runs	-	-	-	-	-	1	1	1	1	1
Disc golf holes (b)	18	18	18	18	18	18	18	18	18	18

Source: Applicable Departments

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

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

Function / Program	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Police										
Physical arrests	3,183	2,615	2,776	2,951	3,054	4,138	3,537	2,542	2,073	2,938
Traffic violations	2,315	2,854	2,455	3,505	2,889	3,596	3,203	1,629	1,169	1,289
Parking violations	2,425	4,075	4,088	4,137	4,307	4,565	2,517	4,551	4,426	4,454
Calls for service	18,582	17,633	17,827	17,454	17,519	17,928	18,080	21,540	26,012	31,106
Fire										
Fire	124	152	150	140	137	131	128	114	137	111
Overpressure Rupture, Explosion, Overheat	10	9	10	8	13	14	16	19	13	13
Rescue & Emergency Medical Service	1,297	1,216	1,513	1,757	1,736	1,769	1,741	1,950	1,882	2,210
Hazardous Condition (No Fire)	134	153	138	147	171	163	167	187	195	167
Service Call	73	76	66	64	73	57	79	94	88	148
Good Intent Call	144	169	158	140	166	173	176	158	185	207
False Alarm & False Call	204	246	207	198	292	269	273	272	291	261
Severe Weather & Natural Disaster	1	3	1	1	2	4	1	2	1	1
Special Incident Type	-	7	7	5	7	5	8	2	14	6
Number of inspections performed	733	772	788	749	712	602	738	632	550	330
Mass Transit										
Number of routes	5	5	5	5	5	5	5	5	5	5
Fixed Route Passengers	114,154	138,603	139,321	137,359	134,966	130,530	123,865	121,455	110,975	107,282
Para transit Passengers	15,736	18,161	16,357	15,339	14,020	12,804	12,302	11,439	11,018	11,976
Wheelchair Usage	4,729	6,411	7,915	6,601	6,837	6,524	6,109	9,022	6,733	4,184
Miles of Service	227,937	242,024	222,262	221,955	219,964	214,648	210,012	212,126	196,883	202,266
Wastewater System										
Average daily treatment in 1,000 gallons	9,506	8,979	8,672	8,993	11,390	8,153	9,494	6,024	8,556	9,821
Water System										
Average daily consumption in 1,000 gallons	7,847	7,669	9,030	9,151	9,260	8,893	9,046	8,979	8,905	8,932

Source: Applicable Departments

Case No. 2019-00269
Attachment 1 to BREC 1-31
Pages 129



Central Park



Sunset Park

**CITY OF HENDERSON, KENTUCKY
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**



*Red Banks Park,
Betty Smithhart, Photographer*

CITY OF HENDERSON, KENTUCKY
COMPREHENSIVE ANNUAL FINANCIAL
REPORT

For the Fiscal Year Ended June 30, 2009



Prepared by the City of Henderson
Finance Department

CITY OF HENDERSON, KENTUCKY
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Fiscal Year Ended June 30, 2009

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INTRODUCTORY SECTION



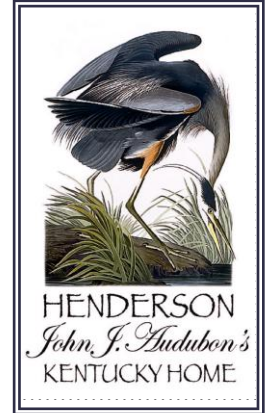
Thomas E. Davis, Mayor

Commissioners:
William M. Farmer
Robert M. Mills
Robert N. Pruitt
James A. White, Jr.

The City of Henderson

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

Russell R. Sights, City Manager
William L. Newman, Jr., Assistant City
Manager
Joseph E. Ternes, Jr., City Attorney
Carolyn Williams, City Clerk



December 8, 2009

Honorable Mayor,
City Commissioners, and
Citizens of the City of Henderson, Kentucky

We present to you the Comprehensive Annual Financial Report of the City of Henderson for the fiscal year ended June 30, 2009. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the management of the City of Henderson. To the best of our knowledge and belief, the enclosed report is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the City. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

FORMAT

The Comprehensive Annual Financial Report is presented in three sections: Introductory, Financial, and Statistical. The Introductory Section includes this transmittal letter, the City's organizational chart, and a list of principal officials. The Financial Section includes the independent auditors' report, management's discussion and analysis, basic financial statements, and required supplementary information. The Statistical Section includes selected unaudited financial and demographic information, which is generally presented on a multiyear basis.



LEGAL REQUIREMENTS

This report has been prepared pursuant to, and in compliance with, the statutes of the Commonwealth of Kentucky, which require an annual audit of books of account, financial records, and transactions of the City. In addition to meeting the requirements set forth by state statute, the audit is intended to meet the requirements of the federal Single Audit Act and related *OMB Circular A-133*. The independent auditors' report on the basic financial statements is included in the financial section of this report. The independent auditors' report related specifically to the Single Audit Act is published separately. Those wishing to receive the Single Audit Act Report should direct their request to the City's Finance Director. Generally accepted accounting principles require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The City's MD&A can be found immediately following the report of the independent auditors.

As demonstrated by the statements and schedules included in this report, the City continues to fulfill its responsibility for providing sound financial reporting.

REPORTING ENTITY

The City provides a wide range of municipal services and includes, for financial reporting purposes, all entities involved in the provision of these services and for which, in the opinion of the City, the City is financially accountable. The City is financially accountable for legally separate organizations if City officials appoint a voting majority of an organization's governing body, and the City is either able to impose its will on that organization, or there is potential for the organization to provide specific financial benefits to, or to impose financial burdens on, the City.

The City has performed a comprehensive evaluation of its financial reporting entity in accordance with Governmental Accounting Standards Board Statement No. 14, *The Financial Reporting Entity*, and based on the foregoing criteria, has included the following separate organizations as discretely presented component units within the City's basic financial statements.

Henderson Municipal Power and Light (HMPL)
Henderson Water Utility (HWU)

The City 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.

ACCOUNTING SYSTEM

The Finance Department is responsible for providing to the City all financial services, including accounting and reporting, accounts payable, risk management, cash and investment management, debt management, budgeting, and purchasing.

INTERNAL CONTROLS

The City's management is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the City are protected from loss, theft, or misuse, and to ensure that adequate accounting information is compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefit likely to be derived, and the valuation of costs and benefits requires estimates and judgments by management.

As a recipient of federal and state financial assistance, the City also is responsible for ensuring that an adequate internal control structure is in place to ensure compliance with applicable laws and regulations related to those programs. This internal control structure is subject to periodic evaluation by the management of the City and by the City's auditors.

As a part of the City's audit, tests were made to determine the adequacy of the internal control structure as well as to determine that the City has complied with applicable laws and regulations. The results of the City's audit for the fiscal year ended June 30, 2009, disclosed no instances of material weaknesses in the internal control structure or significant violations of applicable laws and regulations.

BUDGETARY CONTROLS

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. 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.

ECONOMIC CONDITION AND OUTLOOK

The City of Henderson continues to maintain a positive economic outlook. Previous years had seen the city relying heavily on utility subsidies for balancing of the general fund budget and funding general fund capital items. With the bold step that the City Commission took in fiscal 2006 by approving a one percent payroll tax, it has added a new flow of revenue into the City's General Fund revenue picture. This \$4 million revenue stream placed the City more in line with

the traditional “revenue tripod” common in Kentucky, where payroll tax, insurance tax, and property tax represent relatively equal portions of general fund revenue. These combined with continued payments in lieu of taxes from Municipal Gas, Municipal Power and Light, and Water Utility and conservative spending place the City on sound financial footing for the foreseeable future.

General Fund reserves increased from approximately \$4.6 million at June 30, 2008 to \$5.3 million at June 30, 2009. The reserves consisted of cash, investments, receivables, and \$590,000 of land held for resale on Starlite Drive. The \$672,000 increase in General Fund reserves was primarily the result of savings in personnel costs. The General Fund will have a cash and investment balance entering the fiscal year equal to 3.8 months operating expense and transfers to other funds. The Gas Fund’s cash and investment balance will be equal to 2.7 months operating expense. The City’s eventual goal is to establish a balance of cash and investments equal to 4-5 months operating expense in both the General and Gas Funds and the City is working toward that goal.

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. The 1998 pre-pay deal concluded in January 2009. The Gas Fund received nearly \$831,000 in residual revenue from the pre-pay venture. As a result of the annual consumption during the fiscal year, \$195,838 was returned to Henderson.

For fiscal years 2004 through 2008, the Gas Fund had losses on average of \$729,000. For fiscal 2009, the loss was only \$149,817 with the \$831,000 residual revenue from PEAK contributing to the lower loss. On May 12, 2009, the City Commission increased the margins and meter rates for the Gas Fund. The rate increase will help reduce the amount of reserves used by the Gas Fund to meet operations. Staff is currently evaluating other ways to remain competitive.

Effective July 1, 2006 a new transaction with British Petroleum (BP) was approved. Henderson did not take gas under the BP (10 year pre-pay) until January 2009. On August 1, 2006 PEAK participated in a pre-pay (20 year deal) with TEAC (Tennessee Energy Acquisition) in which Henderson started taking natural gas in January 2009. In December of 2007, PEAK closed a deal with Société Générale Energie (USA) Corporation where Shell Energy North America will be the physical gas supplier.

Staff strongly recommends that once all funds have been stabilized, the City consider “cost of living adjustments” in rates annually to avoid large and excessive increases in the future. Stagnant revenues with increasing costs of providing services is a recipe for disaster that can be avoided (or at least mostly offset) by smaller, incremental increases that do not have significant effects on taxpayers abilities to keep up.

From fiscal 1998 through 2005, the City experienced a significant increase in health costs with claims increasing from \$2,474,930 in fiscal 1998 to \$5,121,768 in fiscal 2005. The 107 percent increase over the seven years equates to a compounded annual increase in costs of nearly 11 percent. In December 2005, the City Commission adopted significant modifications to the City’s health plan to help control the increasing cost of medical coverage. In addition to higher deductibles, office co-payments, and prescription drug co-payments, the program incorporated a

“consumerism” aspect called Health Reimbursement Arrangement (HRA). These HRA accounts reimburse employees for health insurance plan deductible and co-insurance expenses up to the amount in an individual participant’s account balance. Every year, the HRA Plan will credit each employee in the amount of \$250 for a single participant and \$500 for a family coverage participant in the health insurance plan. At the end of a plan year, any unused benefits in an HRA Plan account will be carried forward for use in the subsequent year.

The changes appear to have had a positive effect on the fund with the City’s medical care costs at or below national averages. In fiscal 2007, the costs increased by 0.3 percent over 2006. For fiscal 2008, the costs increased by 3.3 percent over 2007. In fiscal 2009, the costs decreased by 7.2 percent from fiscal 2008. The \$4,285,935 that was spent on health claims in fiscal 2009 was less than the \$4,541,901 spent in fiscal 2004.

From a capital projects aspect, 2009 was a very busy year on the planning end with 2010 expected to be a very busy year on the construction end. Some projects and improvements of note include:

Riverfront Development:

The City has submitted to the State a proposed budget for the expenditure of \$8.6 million in riverfront development funds. Among the projects scheduled in the first phase is the extension of the existing River walk from Red Banks Park to 12th Street; a contribution to Henderson Water Utility for improvements to its downtown infrastructure; major improvements to the riverfront tennis complex; and riverbank stabilization.

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 is nearing its completion. The Board is also engaged in a “modeling” project that will allow future ideas to be tested using advanced software to see what potential benefit these ideas might generate.

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 will be administered by the Flood Mitigation Board and engineering and designing have already begun.

In August 2008, the City of Henderson and Henderson County signed a new inter-local agreement for the disposal of solid waste. The agreement provides for all Henderson County residents to use the transfer station and the construction demolition and debris landfill free of charge for permitted waste. The agreement also provides that the County make an annual lump sum payment as its financial obligation to the City for County residents using these services, and to supplement the City’s curbside recycling program. The term of the agreement is for an initial

period of five years beginning July 1, 2008 and ending June 30, 2013, with four five year automatic renewal options.

Capital Building Projects:

In fiscal 2008 the City completed construction of a new North End Fire Station (named Starlite Station) located on US 60 East. The new station utilizes practicality and great forethought. The station allows for future expansion of personnel as the population trends may dictate. It also allows for ample storage space for equipment and the potential for expansion should administration offices ever be moved from the current Washington Street Station. The building was occupied and operational in September 2007.

When purchasing the land for the new Starlite Station, the City purchased the entire 8.5-acre parcel so that it could control the disposition and development of additional acreage and assure compatible uses for the land in consideration of neighborhood concerns. The City has sold one of the three parcels of land and anticipates disposing of the other parcels in the future.

The City also actively began planning for a new public services complex to replace the Fifth Street facility, which has outlived its usefulness and has experienced frequent flood damage. Forty-one acres of land was purchased on Zion Road as a possible location of the new complex. An architect was hired to design the building and the proposals have been reviewed. The City's plan is to design a facility, which meets current and future Public Works and Gas Department needs, as well as the possible incorporation of one or more of the other city owned utilities in the future. As a possible alternative to construction at this location, the City is in negotiations with other property owners. One of these sites includes existing buildings that could be retrofitted and renovated to meet the City's needs. It is anticipated that construction on a new facility or the purchase of an existing structure could begin as early as fiscal 2011.

In fiscal 2009, the City completed construction of a 220 crypt garden mausoleum. The mausoleum will complement the existing structures and setting. The construction has generated increased interest in both the new and older crypts.

External Economic Development:

From a residential growth perspective, a new development on US 60 East consisting of nearly 161 acres could eventually add approximately 400 home lots. This, in combination with other developments could add nearly 500 residential units to the City's base. However, with the current housing situation, the development could be delayed until the economy improves.

During fiscal 2009, the City successfully completed a fifth year of the World Changers program, in conjunction with the North American Mission Board, which provided renovations to 23 homes in the community. Also, the City successfully secured grant funds for the HOME Elderly Housing Reconstruction project. The City continued its efforts to utilize Community Development Block Grant funds to add sidewalks along McKinley Street.

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.

GFOA CERTIFICATE OF ACHIEVEMENT

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Henderson for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2008. This was the tenth year in a row that the City has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized Comprehensive Annual Financial Report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current Comprehensive Annual Financial Report continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

ACKNOWLEDGEMENTS

The Board of Commissioners fulfills a critical function in their approval and oversight of the budget and the financial affairs of the City. We thank the Board of Commissioners for their interest and support in planning and conducting the financial operations of the City in a responsible and progressive manner.

Respectfully submitted,

Russell Sights

/s/

Russell R. Sights
City Manager

Robert Gunter

/s/

Robert Gunter
Finance Director

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, 2008

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



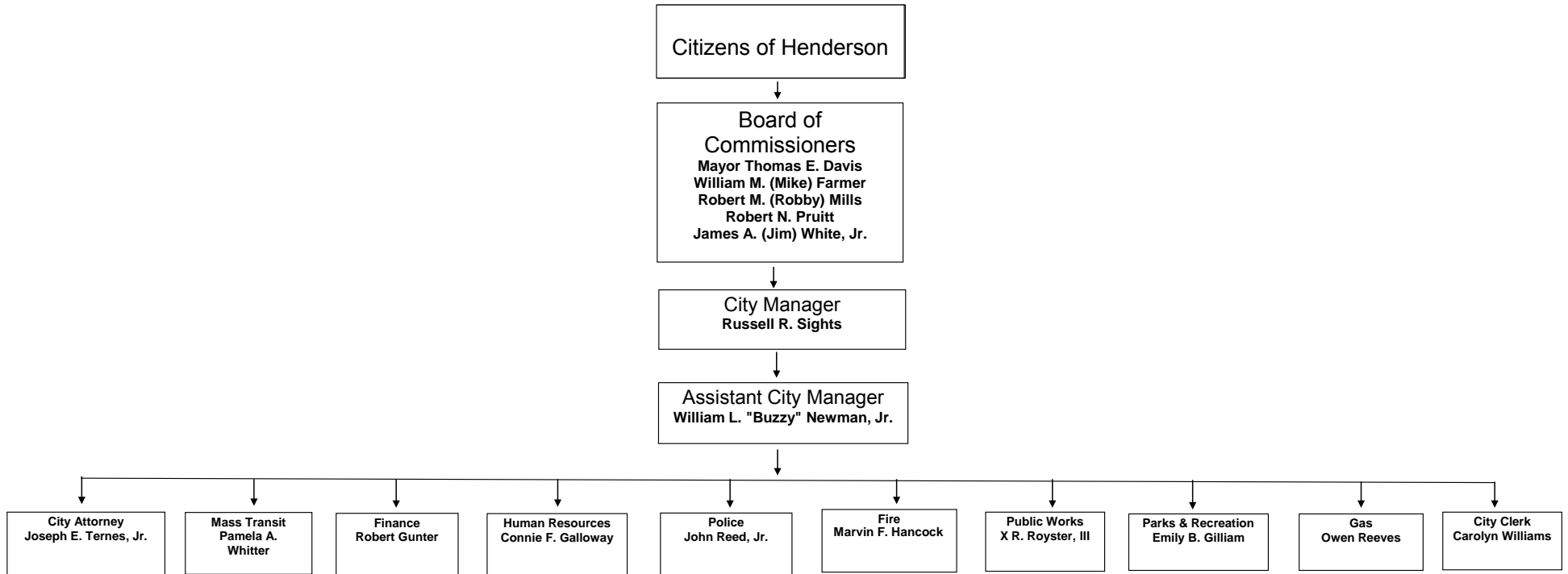
A handwritten signature in black ink, appearing to read "K. L. P. M.", is written above the title "President".

President

A handwritten signature in black ink, appearing to read "Jeffrey R. Emery", is written above the title "Executive Director".

Executive Director

**CITY OF HENDERSON, KENTUCKY
Organizational Chart**



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

Elected Officials

Mayor	Thomas E. Davis
Commissioner	William M. (Mike) Farmer
Commissioner	Robert M. (Robby) Mills
Commissioner	Robert N. Pruitt
Commissioner	James A. (Jim) White, Jr.

Appointed Officials

City Manager	Russell R. Sights
Assistant City Manager	William L. (Buzzy) Newman, Jr.
City Attorney	Joseph E. Ternes, Jr.
City Clerk	Carolyn Williams
Finance Director	Robert Gunter
Acting Fire Chief	Marvin F. Hancock
Gas System Director	Owen Reeves
Human Resources Director	Connie F. Galloway
Mass Transit Director	Pamela A. Whitter
Parks & Recreation Director	Emily B. Gilliam
Police Chief	John Reed, Jr.
Public Works Director	X R. Royster, III

FINANCIAL SECTION

Independent Auditors' Report

The Honorable Thomas E. Davis, Mayor
and the Board of Commissioners
City of Henderson, Kentucky

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, budgetary comparison schedule and the aggregate remaining fund information of the City of Henderson, Kentucky, as of and for the fiscal year ended June 30, 2009, which collectively comprise the City's basic financial statements as listed in the Table of Contents. These basic financial statements are the responsibility of the City of Henderson, Kentucky's management. Our responsibility is to express opinions on these basic financial statements based on our audit. We did not audit the financial statements of the City of Henderson Water & Sewer Commission, whose financial statements reflect assets of \$58,125,695 and revenues of \$14,687,498 for the year then ended. These financial statements were audited by other auditors whose report thereon dated November 6, 2009 has been furnished to us, and our opinion on the basic financial statements insofar as it relates to the amounts included for the City of Henderson Water & Sewer Commission in the component units column, is based on the report of other auditors.

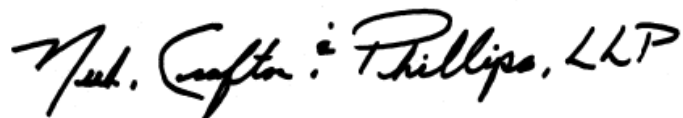
We conducted our audit in accordance with United States generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as, evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Henderson, Kentucky as of June 30, 2009 and the respective changes in financial position and cash flows where applicable, thereof and for the fiscal year then ended, in conformity with United States generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated November 23, 2009 on our consideration of the City of Henderson, Kentucky's internal control over financial reporting and our tests of its compliance with certain laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards, and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, consisting principally of inquiries of management regarding the measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion thereon.

Our audit was performed for the purpose of forming opinions on the basic financial statements taken as a whole, that collectively comprise the City of Henderson, Kentucky's basic financial statements. The introductory section, combining financial statements, statistical section and other schedules listed in the Table of Contents are presented for purposes of additional analysis and are not a required part of the basic financial statements of the City of Henderson, Kentucky. The combining financial statements, and budgetary comparison schedule have been subjected to auditing procedures applied in the audit of the basic financial statements and in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole. The introductory section of this report and the statistical section of this report have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

A handwritten signature in black ink that reads "Mark Crafton : Phillips, LLP". The signature is written in a cursive, flowing style.

Henderson, Kentucky
November 23, 2009

**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, 2009. It should be read in conjunction with the transmittal letter and the financial statements provided in this document.

Financial Highlights

- Primary Government assets exceeded liabilities by \$35.4 million at the close of fiscal 2009. Of this amount, \$6.1 million (unrestricted net assets) may be used to meet the City's ongoing obligations.
- City governmental funds reported combined ending fund balances of \$4.5 million; of this total, \$2.8 million is unreserved and undesignated.
- In the City's business-type activities, income (loss) from operations improved from a loss of \$354,097 in fiscal 2008 to an income of \$143,243 in fiscal 2009.
- The City's General Fund ended the year with a fund balance of \$5.3 million, an increase of 15% over the fiscal year 2008 balance of \$4.6 million.
- In three years, the General Fund's fund balance has doubled from \$2.65 million in 2006 to \$5.3 million in 2009.

Overview of Financial Statements

This discussion and analysis serves as an introduction to the City's basic financial statements, which consist of three components: government-wide financial statements, fund financial statements, and notes to the financial statements. Other supplemental information in addition to the basic financial statements is also included.

The City's overall financial position deteriorated during the fiscal year. At year-end, the governmental funds had a fund balance of \$4,539,977 and the business-type funds had net assets of \$6,722,750. The governmental funds had a decrease in fund balances of \$734,175, while the business-type funds had a decrease in fund net assets of \$141,575. The capital projects fund had a decrease in fund balance of \$1,169,169 with \$458,400 associated with the purchase of additional property near the riverfront, \$333,940 related to the various riverfront improvements, \$225,128 related to the construction of a new mausoleum at Fairmont Cemetery, \$116,342 associated with the new public service complex and the balance was issuance costs on a bond anticipation note.

The General Fund had another year of surplus with an increase of \$672,366 in reserves. Since fiscal 2006, the fund's balance has increased 99.5%. Based on the 2010 fiscal year's budgeted expenditures, the General Fund has approximately 2.8 months worth of reserves.

The Gas and Sanitation Funds continued to use reserve funds to meet their financial obligations. Since 2003, excluding changes in accounting principles, the cumulative change in the net assets for the Gas Fund has been a decrease of \$3.8 million or 33.7%. Based on the current fiscal year's budgeted expenditures, the Gas Fund now has approximately 1.5 months worth of reserves.

Government-wide Financial Statements

Government-wide financial statements provide readers with a broad overview of City finances in a manner similar to private sector businesses.

The Statement of Net Assets provides information on all City assets and liabilities, with the difference between assets and liabilities reported as net assets. Increases or decreases in the net assets over time are one indicator of whether the City's financial health is improving, stagnating, or deteriorating.

The Statement of Activities displays how the City's net assets changed during the fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows.

The above statements separate the City functions primarily supported by taxes and intergovernmental revenues (governmental activities) from other City functions that are intended to recover all or a large portion of expenses through user fees and charges (business-type activities). City governmental activities include general government, public safety, public works, community development, and recreation. Business-type activities include natural gas and sanitation.

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

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over segregated resources for specific activities or objectives. Like other state and local governments, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. City funds are divided into three categories:

Governmental Funds

Most of the City's basic services are reported in governmental funds, which focus on how money flows to and from those funds and the balances left at year-end that are available for spending. Essentially governmental funds are used to account for the functions reported as governmental activities in the government-wide financial statements.

The City of Henderson maintains twelve (12) individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General Fund, Debt Service Fund, and Capital Projects Fund, which are considered to be major funds. Information for the other nine (9) governmental funds are 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 combining statements later in this report.

Proprietary Funds

Proprietary funds provide the same kind of information as government-wide financial statements, but in greater detail. Proprietary fund financial detail is presented in the form of combining statements in this report. The City of Henderson maintains two different types of proprietary funds: enterprise and internal service.

Enterprise Funds

Enterprise funds report the same functions presented as business-type activities in the government-wide financial statements. Enterprise funds are used to account for operations that are managed in a manner similar to private business enterprises where the cost to provide services to the public is funded through user fees. Another characteristic of the enterprise fund is the periodic determination of revenues, expenses and/or net income that is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

The City has two (2) enterprise funds: Gas and Sanitation. 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.

Internal Service Funds

Internal service funds are used to accumulate and allocate costs internally among various functions. The City uses one internal service fund to account for its self-funded health insurance. The Health Insurance Fund has been included within governmental activities in the government-wide financial statements because this fund predominantly benefits governmental functions versus business-type functions.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the government and are not reflected in the government-wide financial statements because those resources are not available to support City programs. The City's three (3) fiduciary funds (Civil Service Pension, Police & Fire Pension, and the Health Reimbursement Arrangement Plan) are included in this report.

Notes to the Financial Statements

Notes to the Financial Statements provide additional information needed to fully understand the government-wide and fund financial statements.

Other Information

This report presents certain required supplementary information concerning the City's funding obligations of pension benefits, in addition to the basic financial statements and accompanying notes.

Government-Wide Financial Analysis

The tables and charts on the next three pages provide a summary of the City's operations for the fiscal year ended June 30, 2009.

City of Henderson – Changes in Net Assets Analysis of the City’s Operations

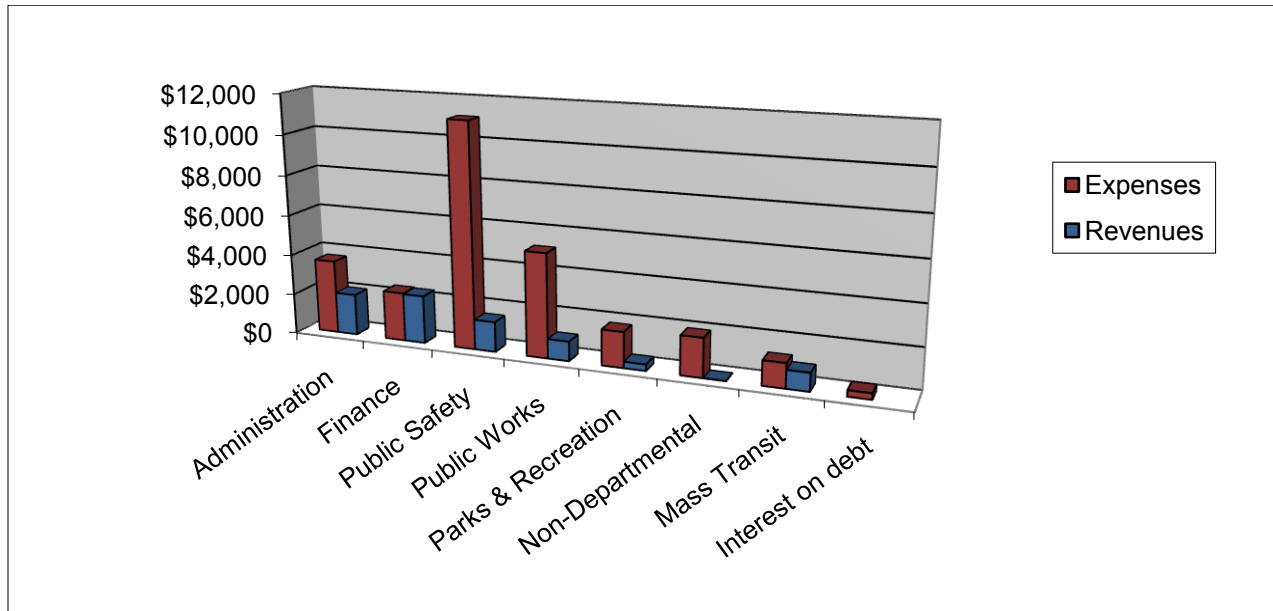
	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
Revenues:						
Program revenues:						
Charges for services	\$ 5,528,665	\$ 5,201,588	\$ 27,093,035	\$ 32,033,979	\$ 32,621,700	\$ 37,235,567
Operating grants	2,366,703	2,616,045	-	-	2,366,703	2,616,045
Capital grants	161,409	244,931	-	-	161,409	244,931
General revenues:						
Taxes	15,349,559	15,002,709	-	-	15,349,559	15,002,709
Investment income	73,489	253,890	160,214	486,714	233,703	740,604
Distributions from component units	1,644,734	1,444,724	-	-	1,644,734	1,444,724
Total revenues	<u>25,124,559</u>	<u>24,763,887</u>	<u>27,253,249</u>	<u>32,520,693</u>	<u>52,377,808</u>	<u>57,284,580</u>
Expenses:						
Administration	3,645,774	4,007,520	-	-	3,645,774	4,007,520
Finance	2,407,749	2,417,412	-	-	2,407,749	2,417,412
Mass transit	1,200,824	1,164,952	-	-	1,200,824	1,164,952
Parks & recreation	1,752,936	1,733,640	-	-	1,752,936	1,733,640
Public safety	11,097,829	11,179,873	-	-	11,097,829	11,179,873
Public works	5,139,345	4,946,437	-	-	5,139,345	4,946,437
Nondepartmental	1,923,248	1,392,650	-	-	1,923,248	1,392,650
Interest on long-term debt	297,764	281,184	-	-	297,764	281,184
Gas	-	-	24,380,948	30,026,696	24,380,948	30,026,696
Sanitation	-	-	2,568,844	2,361,380	2,568,844	2,361,380
Total expenses	<u>27,465,469</u>	<u>27,123,668</u>	<u>26,949,792</u>	<u>32,388,076</u>	<u>54,415,261</u>	<u>59,511,744</u>
Increase/(Decrease)						
before transfers and extraordinary items	(2,340,910)	(2,359,781)	303,457	132,617	(2,037,453)	(2,227,164)
Extraordinary items	(554,720)	-	954,968	-	400,248	-
Transfers	<u>1,400,000</u>	<u>1,400,000</u>	<u>(1,400,000)</u>	<u>(1,400,000)</u>	<u>-</u>	<u>-</u>
Decrease in net assets	(1,495,630)	(959,781)	(141,575)	(1,267,383)	(1,637,205)	(2,227,164)
Net assets, beginning	<u>30,207,481</u>	<u>31,167,262</u>	<u>6,864,325</u>	<u>8,131,708</u>	<u>37,071,806</u>	<u>39,298,970</u>
Net assets, ending	<u>\$ 28,711,851</u>	<u>\$ 30,207,481</u>	<u>\$ 6,722,750</u>	<u>\$ 6,864,325</u>	<u>\$ 35,434,601</u>	<u>\$ 37,071,806</u>

City of Henderson Net Assets

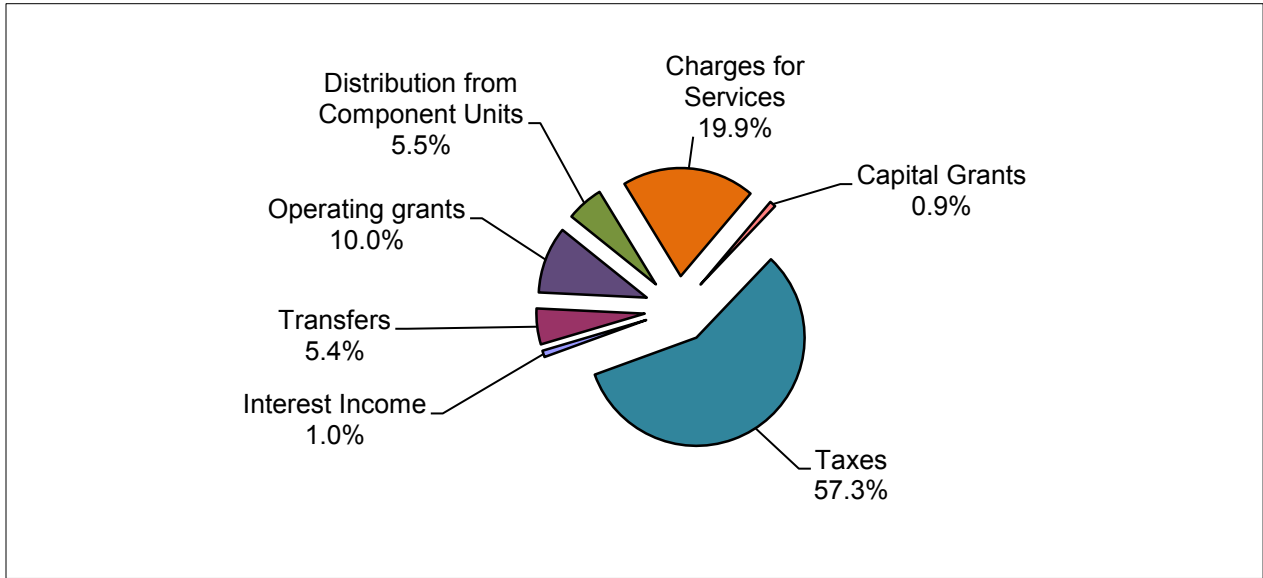
	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
Current and other assets	\$10,032,997	\$ 9,957,786	\$ 9,400,604	\$11,511,415	\$19,433,601	\$21,469,201
Capital assets	31,741,827	33,238,373	3,068,422	2,971,746	34,810,249	36,210,119
Total assets	<u>\$41,774,824</u>	<u>\$43,196,159</u>	<u>\$12,469,026</u>	<u>\$14,483,161</u>	<u>\$54,243,850</u>	<u>\$57,679,320</u>
Long-term liabilities	\$ 7,577,746	\$ 8,169,769	\$ 3,400,000	\$ 3,400,000	\$10,977,746	\$11,569,769
Other liabilities	5,485,227	4,818,909	2,346,276	4,218,836	7,831,503	9,037,745
Total liabilities	<u>\$13,062,973</u>	<u>\$12,988,678</u>	<u>\$ 5,746,276</u>	<u>\$ 7,618,836</u>	<u>\$18,809,249</u>	<u>\$20,607,514</u>
Net assets:						
Invested in capital assets,						
net of related debt	\$25,443,524	\$26,382,562	\$ 3,068,422	\$ 2,971,746	\$28,511,946	\$29,354,308
Cemetery perpetual care	639,240	602,345	-	-	639,240	602,345
Debt service	139,515	189,964	-	-	139,515	189,964
Unrestricted	2,489,572	3,032,610	3,654,328	3,892,579	6,143,900	6,925,189
	<u>\$28,711,851</u>	<u>\$30,207,481</u>	<u>\$ 6,722,750</u>	<u>\$ 6,864,325</u>	<u>\$35,434,601</u>	<u>\$37,071,806</u>

Governmental Activities

Expenses and Program Revenues – Governmental Activities (Thousands)

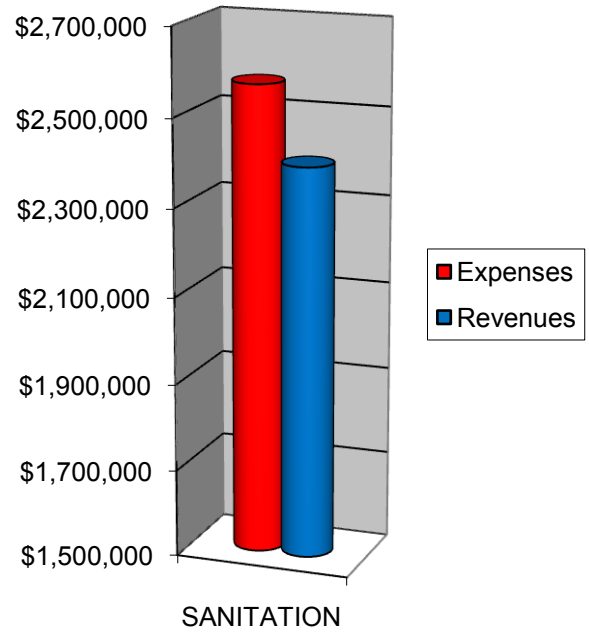
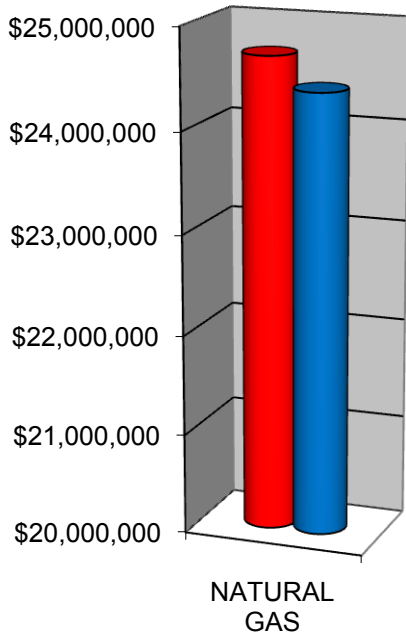


Revenue by Source – Governmental Activities



Business-Type Activities

Expenses and Revenues – Business-Type Activities



Financial Analysis of the City's Funds

The City of Henderson uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

At the end of the fiscal year, the City's governmental funds reported a combined ending fund balance of \$4.5 million. Of this total, \$3.2 million (71.1%) was unreserved. Of the unreserved fund balance, \$2.8 million or 87.5% was undesignated. The remaining fund balance of \$1.4 million was reserved and not available for appropriation. The reserved amount included funds for land for resale, debt service, and cemetery perpetual care.

The General Fund was the primary operating fund of the City of Henderson. At the end of the fiscal year, the General Fund unreserved and undesignated fund balance was \$4,288,657. As a measure of liquidity, a comparison of the unreserved and undesignated fund balance to total general fund expenditures and transfers placed the fund balance at 20.8% of total expenditures which is an improvement from the 19.5% from fiscal 2008.

For 2009, the unreserved but designated fund balance in the general fund was \$403,420. One-third (33.3%) of these funds will be used to purchase or finance large vehicles and equipment in subsequent years. Two-thirds (66.7%) of these funds will be used to make debt payments on major building projects and improvements.

The General Fund's balance increased by \$672,366 during the fiscal year. Factors contributing to this increase include:

- The Kentucky legislature passed employee pension reform that resulted in a savings to the City of over \$200,000.
- An estimated \$190,000 went unspent in health insurance costs because of unfilled, vacant positions.
- Two natural disasters resulted in the increase of volume and traffic at the City's construction demolition and debris landfill. The revenue increased by nearly \$100,000 and coupled with Henderson County's contribution of \$85,000, the Sanitation Fund did not need the General Fund's budgeted transfer of \$171,000.
- An estimated \$130,000 was saved due to reduced worker's compensation rates.

The Debt Service Fund had a fund balance decrease of \$50,449. In fiscal 2009, the City opted to draw down cash reserves so the annual allocation of the property tax revenue was decreased by \$88,720. The fund did have higher interest costs of \$33,749 with most of the increase due to the bond anticipation note with Independence Bank.

Proprietary Funds

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

Unrestricted net assets of the respective proprietary funds are as follows:

Natural Gas	\$4,938,757
Sanitation	(\$1,284,429)

Total net assets decreased by \$149,817 in the Gas Fund and increased by \$8,242 in the Sanitation Fund. The decrease in net assets in the Gas Fund is attributable to the \$1.4 million transfer to the General Fund. Before the transfer and extraordinary item of \$830,842, the Fund had income of \$419,341. The Gas Fund had \$2,545,108 in the net increase of cash with a bulk of the increase coming from operations.

The recently enacted rate increase for residential sanitation customers, increased volume at the construction demolition and debris landfill, and the inter-local agreement with Henderson County on solid waste removal, has improved the cash flow for the Sanitation Fund and the fund is nearly breaking even.

General Fund Budgetary Highlights

The amended fiscal 2009 budget was approved with anticipated expenses exceeding anticipated revenue by \$505,000. The difference was to come from reserves. The General Fund's actual revenue and transfers were \$21,810,535 or 99.9% of the approved budget of \$21,825,000 or a difference of \$14,465. The Fund was able to recognize a surplus of \$672,366 due to actual expenditures and transfers to other funds coming in \$1,746,551 under the amended budget. Adjusted by the extraordinary item, the actual expenditures came in \$1,191,831 or 5.3% under budget.

As in most years, many of the City's departments, especially Fire and Police, had vacant positions. These openings and merit increases that came in lower than the budgeted 3% enabled the personnel expenses to come in \$621,700 below budget. Transfers to other funds came in \$436,000 below budget. The City decided to issue debt to construct a new mausoleum which eliminated the need to transfer \$225,000 from the General Fund to the Construction Fund. With the added volume at the landfill, the General Fund did not have to transfer \$171,000 to the Sanitation Fund that was included in the fiscal 2009 General Fund budget.

The only large expenditures that were not anticipated were approximately \$130,000 in storm debris removal and overtime related to the two natural disasters. The cost was paid out of reserves and 87% will eventually be reimbursed by federal and state agencies.

Capital Asset and Debt Administration

Capital Assets

As of June 30, 2009 the City's investment in capital assets for governmental and business-type activities was \$34.8 million (net of accumulated depreciation). This investment in capital assets includes land, buildings, machinery and equipment, gas system improvements, park facilities, vehicles, sculptures, and infrastructure. A summary is as follows:

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
Land	\$ 4,027,408	\$ 3,627,408	\$ 114,815	\$ 114,815	\$ 4,142,223	\$ 3,742,223
Artwork	196,500	196,500	-	-	196,500	196,500
Buildings	6,273,407	6,224,811	239,143	7,230	6,512,550	6,232,041
Improvements	1,520,556	1,576,463	-	-	1,520,556	1,576,463
Vehicles	1,057,056	1,152,250	175,961	219,734	1,233,017	1,371,984
Natural Gas System	-	-	2,275,755	2,350,851	2,275,755	2,350,851
Equipment	637,979	812,482	262,748	279,116	900,727	1,091,598
Infrastructure	18,028,921	19,648,459	-	-	18,028,921	19,648,459
Total	<u>\$ 31,741,827</u>	<u>\$ 33,238,373</u>	<u>\$ 3,068,422</u>	<u>\$ 2,971,746</u>	<u>\$ 34,810,249</u>	<u>\$ 36,210,119</u>

Additional information on the City of Henderson's capital assets may be found in Note 4 of the notes to the financial statements.

Long-Term Debt

The City incurs debt to fund capital improvement projects and purchase major capital equipment. Total debt at June 30, 2009 was \$6,298,303 compared to \$6,855,811 the prior year. The debt consists of capital leases, long-term bonds, and notes payable.

City of Henderson Debt

	<u>Governmental Activities</u>	
	<u>2009</u>	<u>2008</u>
Capital Lease, Bond and Note Payable	<u>\$6,298,303</u>	<u>\$6,855,811</u>

Debt Description

Riverfront Improvements - The City borrowed \$1.125 million in fiscal 2001 to renovate the downtown riverfront. This \$3 million dollar project was supplemented with state and county funding. The borrowing is for a period of twenty years.

Public Safety Building - During fiscal 2002, the City borrowed \$1 million to finance renovation and structural enhancements to the new Public Safety building, and to fund Emergency Communication (911) improvements. The term was for a period of twenty years.

Equipment – During fiscal 2007, the City borrowed \$134,950 to finance the purchase of a piece of equipment. The loan is for three years with the final payment due in 2010.

Fire Station and Riverfront property – During fiscal 2007, the City issued \$5,230,000 in general obligation bonds for the construction of a new fire station and for the purchase of riverfront property that will be used for park development. Approximately \$1,950,000 of bond proceeds were used for the advance refunding of a capital lease used in 2000 for the purchase of an office building that houses the Police Department, Code Enforcement Division, Planning Commission, and the Emergency Management Agency.

Additional information on the City’s long-term debt may be found in Note 5 in the notes to the financial statements.

Economic Factors and Next Year’s Budget and Rates

The City of Henderson was able to fund the fiscal 2010 Budget with existing resources and the use of reserves from the General, Sanitation, and Gas Funds. Growth in property tax receipts and holding increases in operating expenses to a minimum will enable the City to continue to meet its needs.

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 Assets
June 30, 2009

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	Henderson Municipal Power & Light	Henderson Water Utility
ASSETS					
Cash and cash equivalents	\$ 5,869,707	\$ 3,037,265	\$ 8,906,972	\$ 691,891	\$ 6,366,787
Investments	1,744,132	4,725,430	6,469,562	6,323,934	6,039,856
Accrued interest receivable	1,695	37,893	39,588	100	284
Receivables	771,445	1,070,397	1,841,842	5,111,388	840,753
Internal balances	(336,751)	336,751	-	-	-
Inventories	44,403	192,868	237,271	5,652,271	923,619
Prepaid expenses	-	-	-	96,701	111,122
Land held for resale	590,000	-	590,000	-	-
Restricted assets:					
Cash and cash equivalents	239,873	-	239,873	-	269,602
Investments	534,338	-	534,338	-	1,440,766
Accrued interest receivable	4,544	-	4,544	-	300
Land and other nondepreciable capital assets	4,223,908	114,815	4,338,723	1,235,451	862,879
Capital assets, net of accumulated depreciation	27,517,919	2,953,607	30,471,526	66,551,588	41,084,541
Other assets	569,611	-	569,611	-	185,186
Total assets	\$ 41,774,824	\$ 12,469,026	\$ 54,243,850	\$ 85,663,324	\$ 58,125,695
LIABILITIES					
Accounts payable and accrued liabilities	\$ 3,000,595	\$ 1,407,248	\$ 4,407,843	\$ 7,429,660	\$ 973,304
Deposits payable	-	268,643	268,643	585,339	56,809
Due to pension trust funds	5,359	-	5,359	-	-
Due to component units	895,536	-	895,536	-	-
Gas storage liability	-	670,385	670,385	-	-
Short-term line of credit debt	-	-	-	1,200,000	-
Bond anticipation notes	1,583,737	-	1,583,737	2,225,322	-
Noncurrent liabilities:					
Estimated landfill closure costs	-	3,400,000	3,400,000	-	-
Due within one year	658,303	-	658,303	-	1,343,774
Due in more than one year	6,919,443	-	6,919,443	-	13,395,238
Total liabilities	13,062,973	5,746,276	18,809,249	11,440,321	15,769,125
NET ASSETS					
Invested in capital assets, net of related debt	25,443,524	3,068,422	28,511,946	67,787,039	27,824,851
Restricted for:					
Debt service	139,515	-	139,515	-	725,504
Cemetery perpetual care, expendable	639,240	-	639,240	-	-
Unrestricted	2,489,572	3,654,328	6,143,900	6,435,964	13,806,215
Total net assets	28,711,851	6,722,750	35,434,601	74,223,003	42,356,570
Total liabilities and net assets	\$ 41,774,824	\$ 12,469,026	\$ 54,243,850	\$ 85,663,324	\$ 58,125,695

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, 2009

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets				
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Units	
					Governmental Activities	Business-type Activities	Total	Henderson Municipal Power & Light	Henderson Water Utility
Primary government									
Governmental activities:									
Administration	\$ 3,645,774	\$ 1,780,138	\$ 259,110	\$ -	\$ (1,606,526)	\$ -	\$ (1,606,526)		
Finance	2,407,749	2,368,766	60	-	(38,923)	-	(38,923)		
Mass transit	1,200,824	35,781	704,213	146,000	(314,830)	-	(314,830)		
Parks and recreation	1,752,936	312,951	-	-	(1,439,985)	-	(1,439,985)		
Police	6,206,797	919,361	336,649	15,409	(4,935,378)	-	(4,935,378)		
Fire	4,891,032	-	214,291	-	(4,676,741)	-	(4,676,741)		
Public works	5,139,345	111,668	852,380	-	(4,175,297)	-	(4,175,297)		
Nondepartmental	1,923,248	-	-	-	(1,923,248)	-	(1,923,248)		
Interest on long-term debt	297,764	-	-	-	(297,764)	-	(297,764)		
Total governmental activities	<u>27,465,469</u>	<u>5,528,665</u>	<u>2,366,703</u>	<u>161,409</u>	<u>(19,408,692)</u>	<u>-</u>	<u>(19,408,692)</u>		
Business-type activities:									
Gas	24,380,948	24,699,179	-	-	-	318,231	318,231		
Sanitation	2,568,844	2,393,856	-	-	-	(174,988)	(174,988)		
Total business-type activities	<u>26,949,792</u>	<u>27,093,035</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>143,243</u>	<u>143,243</u>		
Total primary government	<u>\$ 54,415,261</u>	<u>\$ 32,621,700</u>	<u>\$ 2,366,703</u>	<u>\$ 161,409</u>	<u>(19,408,692)</u>	<u>143,243</u>	<u>(19,265,449)</u>		
Component units									
Henderson Municipal Power & Light	\$ 57,738,003	\$ 56,587,922	\$ -	\$ -				\$ (1,150,081)	\$ -
Henderson Water Utility	14,032,008	14,708,301	-	245,444				-	921,737
Total component units	<u>\$ 71,770,011</u>	<u>\$ 71,296,223</u>	<u>\$ -</u>	<u>\$ 245,444</u>				<u>(1,150,081)</u>	<u>921,737</u>
General revenues and transfers									
Taxes:									
Property					5,593,273	-	5,593,273	-	-
Payroll and net profits					4,792,685	-	4,792,685	-	-
Insurance					4,291,149	-	4,291,149	-	-
Franchise					555,857	-	555,857	-	-
Bank deposits					116,595	-	116,595	-	-
Investment income					73,489	160,214	233,703	141,306	82,754
Distributions from component units					1,644,734	-	1,644,734	-	-
Extraordinary items					(554,720)	954,968	400,248	-	-
Transfers					1,400,000	(1,400,000)	-	-	-
Total general revenues and transfers					<u>17,913,062</u>	<u>(284,818)</u>	<u>17,628,244</u>	<u>141,306</u>	<u>82,754</u>
Change in net assets					(1,495,630)	(141,575)	(1,637,205)	(1,008,775)	1,004,491
Cumulative effect of change in accounting principle					-	-	-	(440,184)	-
Net assets, beginning of year					<u>30,207,481</u>	<u>6,864,325</u>	<u>37,071,806</u>	<u>75,671,962</u>	<u>41,352,079</u>
Net assets, end of year					<u>\$ 28,711,851</u>	<u>\$ 6,722,750</u>	<u>\$ 35,434,601</u>	<u>\$ 74,223,003</u>	<u>\$ 42,356,570</u>

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

**City of Henderson, Kentucky
Balance Sheet
Governmental Funds
June 30, 2009**

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash	\$ 5,250,499	\$ 135,574	\$ 305	\$ 477,971	\$ 5,864,349
Investments	1,744,132	-	-	534,338	2,278,470
Receivables	487,000	-	-	249,084	736,084
Due from other funds	165,940	3,941	-	108,748	278,629
Inventories	28,684	-	-	15,719	44,403
Land held for resale	590,000	-	-	-	590,000
Total assets	<u>\$ 8,266,255</u>	<u>\$ 139,515</u>	<u>\$ 305</u>	<u>\$ 1,385,860</u>	<u>\$ 9,791,935</u>
LIABILITIES					
Accounts payable	\$ 472,875	\$ -	\$ 267,988	\$ 169,458	\$ 910,321
Accrued wages	1,160,968	-	-	80,657	1,241,625
Due to other funds	454,799	-	104,677	61,263	620,739
Due to component units	895,536	-	-	-	895,536
Bond anticipation note	-	-	1,583,737	-	1,583,737
Total liabilities	<u>2,984,178</u>	<u>-</u>	<u>1,956,402</u>	<u>311,378</u>	<u>5,251,958</u>
FUND BALANCES					
Reserved:					
Land held for resale	590,000	-	-	-	590,000
Debt service	-	139,515	-	-	139,515
Cemetery perpetual care	-	-	-	639,240	639,240
Unreserved, designated:					
Long-term debt	268,946	-	-	-	268,946
Short-term debt	134,474	-	-	-	134,474
Unreserved, undesignated:					
General fund	4,288,657	-	-	-	4,288,657
Capital projects fund	-	-	(1,956,097)	-	(1,956,097)
Special revenue funds	-	-	-	435,242	435,242
Total fund balances	<u>5,282,077</u>	<u>139,515</u>	<u>(1,956,097)</u>	<u>1,074,482</u>	<u>4,539,977</u>
Total liabilities and fund balances	<u>\$ 8,266,255</u>	<u>\$ 139,515</u>	<u>\$ 305</u>	<u>\$ 1,385,860</u>	<u>\$ 9,791,935</u>

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 Assets
June 30, 2009

Total fund balances of governmental funds per balance sheet		\$ 4,539,977
Amounts reported for governmental activities in the statement of net assets 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.		31,741,827
Other assets in governmental activities, which consist of negative net pension obligations, an asset, for the pension plans, are not current financial resources and, therefore, are not reported in the governmental funds.		569,611
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 assets.		(561,818)
Long-term debt and other liabilities were not currently due and payable in the fiscal year ended June 30, 2009, and, therefore, were not reported in the governmental funds.		
Long-term debt payable	\$ (6,298,303)	
Accrued compensated absences	(1,279,443)	
	(7,577,746)	(7,577,746)
Total net assets of governmental activities per statement of net assets		\$ 28,711,851

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, 2009

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES					
Taxes:					
Property	\$ 5,203,746	\$ 389,527	\$ -	\$ -	\$ 5,593,273
Payroll and net profits	4,792,685	-	-	-	4,792,685
Insurance	4,291,149	-	-	-	4,291,149
Franchise	555,857	-	-	-	555,857
Bank deposits	116,595	-	-	-	116,595
Intergovernmental	2,906,096	-	-	1,961,157	4,867,253
Distributions from component units	1,644,734	-	-	-	1,644,734
Service charges and fees	527,218	-	-	822,720	1,349,938
Rents, concessions, and other services	119,046	-	-	-	119,046
Licenses and permits	73,827	-	-	-	73,827
Investment income	36,051	2,139	193	31,289	69,672
Fines, finance charges, and penalties	54,685	-	-	-	54,685
Miscellaneous	88,846	-	-	382	89,228
Total revenues	<u>20,410,535</u>	<u>391,666</u>	<u>193</u>	<u>2,815,548</u>	<u>23,617,942</u>
EXPENDITURES					
Current:					
Administration	1,914,422	-	-	363,016	2,277,438
Finance	2,326,392	-	-	-	2,326,392
Mass transit	-	-	-	1,124,891	1,124,891
Parks and recreation	1,183,708	-	-	371,653	1,555,361
Police	5,109,928	-	-	831,178	5,941,106
Fire	4,685,679	-	-	-	4,685,679
Public works	1,949,869	-	-	1,275,292	3,225,161
Nondepartmental	1,379,014	-	544,234	-	1,923,248
Debt service:					
Principal	327,508	230,000	-	-	557,508
Interest	85,649	212,115	-	-	297,764
Capital outlays	224,280	-	625,128	433,441	1,282,849
Total expenditures	<u>19,186,449</u>	<u>442,115</u>	<u>1,169,362</u>	<u>4,399,471</u>	<u>25,197,397</u>
Excess (deficiency) of revenues over expenditures	<u>1,224,086</u>	<u>(50,449)</u>	<u>(1,169,169)</u>	<u>(1,583,923)</u>	<u>(1,579,455)</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	1,400,000	-	-	1,397,000	2,797,000
Transfers out	<u>(1,397,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,397,000)</u>
Total other financing sources (uses)	<u>3,000</u>	<u>-</u>	<u>-</u>	<u>1,397,000</u>	<u>1,400,000</u>
Extraordinary item	<u>(554,720)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(554,720)</u>
Net change in fund balances	672,366	(50,449)	(1,169,169)	(186,923)	(734,175)
Fund balances, beginning of year	<u>4,609,711</u>	<u>189,964</u>	<u>(786,928)</u>	<u>1,261,405</u>	<u>5,274,152</u>
Fund balances, end of year	<u>\$ 5,282,077</u>	<u>\$ 139,515</u>	<u>\$ (1,956,097)</u>	<u>\$ 1,074,482</u>	<u>\$ 4,539,977</u>

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

**City of Henderson, Kentucky
Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balances of Governmental Funds
To the Statement of Activities
For the Fiscal Year Ended June 30, 2009**

Net change in fund balances of governmental funds	\$ (734,175)
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>	
<p>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.</p>	
Capital outlays	1,282,849
Depreciation expense	(2,779,395)
<p>Governmental funds report the repayment of the principal of long-term debt as an expenditure, while the statement of activities does not report such repayment as an expense.</p>	
Principal paid on long-term debt	557,508
<p>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.</p>	
Increase in accrued compensated absences	(120,150)
Increase in negative net civil service pension obligation	164,226
Decrease in negative net police & fire pension obligation	(113,230)
<p>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 income of this fund.</p>	
Net income of Health Insurance Fund	246,737
Change in net assets of governmental activities	\$ (1,495,630)

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

City of Henderson, Kentucky
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
General Fund
For the Fiscal Year Ended June 30, 2009

	<u>Budget</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes:				
Property	\$ 5,034,000	\$ 5,034,000	\$ 5,203,746	\$ 169,746
Payroll and net profits	5,116,000	5,116,000	4,792,685	(323,315)
Insurance	4,300,000	4,300,000	4,291,149	(8,851)
Franchise	550,000	550,000	555,857	5,857
Bank deposits	115,000	115,000	116,595	1,595
Intergovernmental	2,845,900	2,845,900	2,906,096	60,196
Distributions from component units	1,444,700	1,444,700	1,644,734	200,034
Service charges and fees	492,400	492,400	527,218	34,818
Rents, concessions, and other services	109,000	109,000	119,046	10,046
Licenses and permits	86,000	86,000	73,827	(12,173)
Investment income	160,000	160,000	36,051	(123,949)
Fines, finance charges, and penalties	67,000	67,000	54,685	(12,315)
Miscellaneous	105,000	105,000	88,846	(16,154)
Total revenues	<u>20,425,000</u>	<u>20,425,000</u>	<u>20,410,535</u>	<u>(14,465)</u>
EXPENDITURES				
Current:				
Administration	2,098,690	2,098,690	1,914,422	184,268
Finance	2,342,460	2,342,460	2,326,392	16,068
Parks and recreation	1,263,780	1,263,780	1,183,708	80,072
Police	5,502,790	5,502,790	5,109,928	392,862
Fire	4,972,800	4,972,800	4,685,679	287,121
Public works	1,950,360	2,080,360	1,949,869	130,491
Nondepartmental	1,446,360	1,446,360	1,379,014	67,346
Debt service:				
Principal	327,410	327,410	327,508	(98)
Interest	86,180	86,180	85,649	531
Capital outlays	376,170	376,170	224,280	151,890
Total expenditures	<u>20,367,000</u>	<u>20,497,000</u>	<u>19,186,449</u>	<u>1,310,551</u>
Excess (deficiency) of revenues over expenditures	<u>58,000</u>	<u>(72,000)</u>	<u>1,224,086</u>	<u>1,296,086</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	1,400,000	1,400,000	1,400,000	-
Transfers out	(1,833,000)	(1,833,000)	(1,397,000)	436,000
Total other financing sources (uses)	<u>(433,000)</u>	<u>(433,000)</u>	<u>3,000</u>	<u>436,000</u>
Extraordinary item	-	-	(554,720)	(554,720)
Net change in fund balances	(375,000)	(505,000)	672,366	1,177,366
Fund balances, beginning of year	<u>4,609,711</u>	<u>4,609,711</u>	<u>4,609,711</u>	<u>-</u>
Fund balances, end of year	<u>\$ 4,234,711</u>	<u>\$ 4,104,711</u>	<u>\$ 5,282,077</u>	<u>\$ 1,177,366</u>

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

City of Henderson, Kentucky
Statement of Net Assets
Proprietary Funds
June 30, 2009

	Business-type Activities			Governmental
	Enterprise Funds			Activities- Internal Service Fund
	Gas Fund	Sanitation Fund	Total Enterprise Funds	Health Insurance Fund
ASSETS				
Current assets:				
Cash	\$ 3,034,570	\$ 2,695	\$ 3,037,265	\$ 245,231
Investments	2,617,542	-	2,617,542	-
Accrued interest receivable	21,359	-	21,359	-
Receivables	969,453	100,944	1,070,397	41,600
Due from other funds	288,720	48,031	336,751	-
Inventories	192,868	-	192,868	-
Total current assets	<u>7,124,512</u>	<u>151,670</u>	<u>7,276,182</u>	<u>286,831</u>
Noncurrent assets:				
Investments and accrued interest, designated for landfill closure costs	-	2,124,422	2,124,422	-
Land	-	114,815	114,815	-
Capital assets, net of accumulated depreciation	2,541,476	412,131	2,953,607	-
Total noncurrent assets	<u>2,541,476</u>	<u>2,651,368</u>	<u>5,192,844</u>	<u>-</u>
Total assets	<u>\$ 9,665,988</u>	<u>\$ 2,803,038</u>	<u>\$ 12,469,026</u>	<u>\$ 286,831</u>
LIABILITIES				
Current liabilities:				
Accounts payable	\$ 1,187,357	\$ 126,941	\$ 1,314,298	\$ 848,649
Deposits payable	268,643	-	268,643	-
Accrued wages	59,370	33,580	92,950	-
Gas storage liability	670,385	-	670,385	-
Total current liabilities	<u>2,185,755</u>	<u>160,521</u>	<u>2,346,276</u>	<u>848,649</u>
Noncurrent liabilities:				
Estimated landfill closure costs	-	3,400,000	3,400,000	-
Total noncurrent liabilities	<u>-</u>	<u>3,400,000</u>	<u>3,400,000</u>	<u>-</u>
Total liabilities	<u>2,185,755</u>	<u>3,560,521</u>	<u>5,746,276</u>	<u>848,649</u>
NET ASSETS				
Invested in capital assets	2,541,476	526,946	3,068,422	-
Unrestricted	4,938,757	(1,284,429)	3,654,328	(561,818)
Total net assets (liabilities)	<u>7,480,233</u>	<u>(757,483)</u>	<u>6,722,750</u>	<u>(561,818)</u>
Total liabilities and net assets	<u>\$ 9,665,988</u>	<u>\$ 2,803,038</u>	<u>\$ 12,469,026</u>	<u>\$ 286,831</u>

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

City of Henderson, Kentucky
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
For the Fiscal Year Ended June 30, 2009

	Business-type Activities			Governmental
	Enterprise Funds			Activities-
	Gas	Sanitation	Total	Internal
	Fund	Fund	Enterprise	Service Fund
	Fund	Fund	Funds	Health
	Fund	Fund	Funds	Insurance
	Fund	Fund	Funds	Fund
OPERATING REVENUES				
Gas sales	\$ 24,436,881	\$ -	\$ 24,436,881	\$ -
Sanitation fees	-	2,362,017	2,362,017	-
Other income	262,298	31,839	294,137	-
Health insurance premiums:				
City of Henderson	-	-	-	3,633,410
Henderson Municipal Power & Light	-	-	-	532,480
Henderson Water Utility	-	-	-	957,840
Other	-	-	-	12,480
Total operating revenues	<u>24,699,179</u>	<u>2,393,856</u>	<u>27,093,035</u>	<u>5,136,210</u>
OPERATING EXPENSES				
Gas administration	1,273,319	-	1,273,319	-
Gas distribution	22,873,878	-	22,873,878	-
Sanitation expenses	-	2,465,205	2,465,205	-
Depreciation	233,751	103,639	337,390	-
HRA Fund contributions	-	-	-	175,000
Health insurance administration	-	-	-	432,355
Health insurance claims	-	-	-	4,285,935
Total operating expenses	<u>24,380,948</u>	<u>2,568,844</u>	<u>26,949,792</u>	<u>4,893,290</u>
Income (loss) from operations	318,231	(174,988)	143,243	242,920
NONOPERATING REVENUES				
Investment income	<u>101,110</u>	<u>59,104</u>	<u>160,214</u>	<u>3,817</u>
Income (loss) before extraordinary items and transfers	419,341	(115,884)	303,457	246,737
Extraordinary items	830,842	124,126	954,968	-
Transfers out to General Fund	<u>(1,400,000)</u>	<u>-</u>	<u>(1,400,000)</u>	<u>-</u>
Change in net assets	(149,817)	8,242	(141,575)	246,737
Net assets (liabilities), beginning of year	<u>7,630,050</u>	<u>(765,725)</u>	<u>6,864,325</u>	<u>(808,555)</u>
Net assets (liabilities), end of year	<u>\$ 7,480,233</u>	<u>\$ (757,483)</u>	<u>\$ 6,722,750</u>	<u>\$ (561,818)</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, 2009**

	Business-type Activities Enterprise Funds			Governmental Activities- Internal Service Fund
	Gas Fund	Sanitation Fund	Total Enterprise Funds	Health Insurance Fund
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers and users	\$ 28,276,594	\$ 2,466,277	\$ 30,742,871	\$ 5,094,610
Payments for goods and services	(24,509,929)	(1,406,831)	(25,916,760)	(431,140)
Payments for employees	(1,699,592)	(1,048,287)	(2,747,879)	-
Payments for HRA Fund contributions	-	-	-	(385,905)
Payments for health insurance claims	-	-	-	(4,258,617)
Net cash provided (used) by operating activities	<u>2,067,073</u>	<u>11,159</u>	<u>2,078,232</u>	<u>18,948</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Loans from General Fund	4,215,000	26,752	4,241,752	-
Loan repayments to General Fund	(4,215,000)	(120,520)	(4,335,520)	-
PEAK Trust liquidation payment	905,842	-	905,842	-
Receipts from joint venture	-	80,603	80,603	-
Transfers out to General Fund	(1,400,000)	-	(1,400,000)	-
Net cash provided (used) by noncapital financing activities	<u>(494,158)</u>	<u>(13,165)</u>	<u>(507,323)</u>	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Purchases of capital assets	(160,766)	(6,156)	(166,922)	-
Net cash (used) by capital and related financing activities	<u>(160,766)</u>	<u>(6,156)</u>	<u>(166,922)</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from sales and maturities of investments	4,192,028	4,532,260	8,724,288	-
Purchase of investments	(3,211,907)	(4,615,866)	(7,827,773)	-
Investment fees paid	(1,850)	(1,959)	(3,809)	-
Interest received	154,688	86,782	241,470	3,817
Net cash provided (used) by investing activities	<u>1,132,959</u>	<u>1,217</u>	<u>1,134,176</u>	<u>3,817</u>
Net increase (decrease) in cash	2,545,108	(6,945)	2,538,163	22,765
Cash, beginning of year	<u>489,462</u>	<u>9,640</u>	<u>499,102</u>	<u>222,466</u>
Cash, end of year	<u>\$ 3,034,570</u>	<u>\$ 2,695</u>	<u>\$ 3,037,265</u>	<u>\$ 245,231</u>
Reconciliation of income (loss) from operations to net cash provided (used) by operating activities				
Income (loss) from operations	\$ 318,231	\$ (174,988)	\$ 143,243	\$ 242,920
Reconciling items:				
Depreciation expense	233,751	103,639	337,390	-
Accounts receivable (increase) decrease	1,704,796	34,884	1,739,680	(41,600)
Due from other funds (increase) decrease	1,838,177	(11,242)	1,826,935	-
Inventories (increase) decrease	(21,456)	-	(21,456)	-
Accounts and deposits payable increase (decrease)	(1,531,605)	51,905	(1,479,700)	28,533
Accrued wages increase (decrease)	9,794	6,961	16,755	-
Due to other funds increase (decrease)	-	-	-	(210,905)
Gas storage liability increase (decrease)	(484,615)	-	(484,615)	-
Net cash provided (used) by operating activities	<u>\$ 2,067,073</u>	<u>\$ 11,159</u>	<u>\$ 2,078,232</u>	<u>\$ 18,948</u>

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

City of Henderson, Kentucky
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2009

	Pension Trust Funds
ASSETS	
Cash	\$ 810,918
Investments:	
U.S. Government Agencies	235,847
U.S. Government Money Market	78,154
U.S. Treasury Notes	40,000
Bank CD	10,000
Accrued interest receivable	2,676
Due from other funds	5,359
Total assets	1,182,954
 LIABILITIES	
Accounts payable	12,905
Total liabilities	12,905
 NET ASSETS	
Held in trust for pension benefits	672,487
Held in trust for health care benefits	497,562
Total net assets	\$ 1,170,049

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

City of Henderson, Kentucky
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
For the Fiscal Year Ended June 30, 2009

	Pension Trust Funds
ADDITIONS	
Property taxes	\$ 560,040
Contributions:	
Employer	177,306
Employee	2,306
Total contributions	179,612
Investment income:	
Interest	23,082
Net increase (decrease) in the fair market value of investments	(2,291)
Investment fees	(370)
Total net investment income	20,421
 Total additions	 760,073
 DEDUCTIONS	
Benefits paid	735,666
Professional services	5,254
 Total deductions	 740,920
 Change in net assets	 19,153
Net assets, beginning of year	1,150,896
Net assets, end of year	\$ 1,170,049

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

CITY OF HENDERSON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The City of Henderson, Kentucky (City) is a municipal corporation governed by a five-member board of commissioners and operates under a city manager form of government. The accompanying financial statements present the City and its component units, entities for which the City is considered to be financially accountable. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the City.

The discretely presented component units consist of Henderson Municipal Power & Light (HMPL) that provides electric utility services and Henderson Water Utility (HWU) that provides water and sewer services. Both HMPL and HWU have separate governing commissions the members of which are appointed by the Mayor and approved by the Board of Commissioners of the City. The Board of Commissioners must approve all rates and bond issues of HMPL and HWU. The City is contingently liable for the debt of the component units. HMPL has a fiscal year end of May 31st, and HWU has a fiscal year end of June 30th. The City's financial statements include certain financial information obtained from the audited financial statements of the component units. Complete audited financial statements may be obtained from HMPL and HWU.

Henderson Municipal Power & Light
100 Fifth Street
Henderson, Kentucky 42420

Henderson Water Utility
111 Fifth Street
Henderson, Kentucky 42420

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets 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.

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

CITY OF HENDERSON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS

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.

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.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary funds financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

CITY OF HENDERSON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS

D. Fund Accounting

The City uses funds to maintain its financial records during the year. A fund is defined as a fiscal and legal 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 bond indenture for the General Obligation Bonds, Series 2007 (2007 Bonds) mandated the creation of the Debt Service Fund to receive and disburse the funds required by the bond indenture to pay the principal and interest due on the 2007 Bonds.

Capital Projects Fund

The bond indenture for the 2007 Bonds mandated the creation of the Capital Projects Fund to receive and disburse that portion of the 2007 Bonds allocated for the construction of the new Starlite Fire Station and acquisition and development of other capital projects.

CITY OF HENDERSON, KENTUCKY

NOTES TO FINANCIAL STATEMENTS

In addition, the City has nine other governmental funds that collectively are called nonmajor governmental funds because, individually, these nine 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 assets, 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.

- **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.

CITY OF HENDERSON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS

3) Fiduciary Funds

Fiduciary fund reporting focuses on net assets and changes in net assets. 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. 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.

CITY OF HENDERSON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS

F. Deposits and Investments

Cash consists of cash on hand and demand deposit accounts with commercial banks. The term, cash equivalents, refers to short-term investments with original maturities of three months or less from the date of acquisition.

City ordinance requires that all City deposits be secured by bonds or other securities of the United States Government or its agencies, or by other certificates of indebtedness of cities or corporations, which shall have a fair value equal to or greater than the amount on deposit.

Investments are reflected at fair value based on quoted market prices in all funds. The market quotations are obtained from national security exchanges or other published sources.

Kentucky Revised Statutes Chapter 66.480 permits the City to invest in U. S. Treasury obligations, U. S. Agency obligations, certain federal instruments, repurchase agreements, commercial banks' certificates of deposit, and savings and loan deposits, among other investments.

G. Restricted Assets

Restricted assets consist of assets of the Debt Service Fund, which are restricted to the uses mandated by a bond indenture; and certain cash in the bank, investments, and accrued interest of the Cemetery Fund, a nonmajor governmental fund, which are restricted by state law for cemetery perpetual care.

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 assets. 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.

CITY OF HENDERSON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS

I. Interfund Activity

Transfers between governmental and business-type activities on the government-wide financial statements are reported in the same manner as general revenues. Exchange transactions between funds are reported as revenues in the seller's funds and as expenditures/expenses in the purchaser funds, and are not eliminated in the process of consolidation. Flows of goods from one fund to the other without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in the proprietary funds.

J. Inventories

Inventories in the Gas Fund are valued at cost, using the average cost method. Inventories in the Governmental Funds are valued at cost, using the first-in/first-out (FIFO) method. Inventories of Governmental Funds are recorded as expenditures when consumed rather than when purchased.

K. Capital Assets

All capital assets are capitalized at cost, or estimated historical cost, and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market 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

CITY OF HENDERSON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS

L. Compensated Absences

Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. Amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable available financial resources are recorded as long-term debt and an expense in the government-wide financial statements. In the fund financial statements, the governmental funds report the liability for compensated absences only if it has matured, for example, as a result of employee resignations and retirements. Proprietary funds report the liability as incurred since it is immaterial. In accordance with the provisions of Governmental Accounting Statement No. 16, Accounting for Compensated Absences, 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.

M. Accrued Liabilities and Long-Term Obligations

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

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

N. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, 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 assets are 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

O. 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.

P. 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.

Q. Use of Estimates

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

CITY OF HENDERSON, KENTUCKY

NOTES TO FINANCIAL STATEMENTS

2. INVESTMENTS

As of June 30, 2009, the City had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in Years)</u>			
		<u>Less Than 1</u>	<u>1-5</u>	<u>6-10</u>	<u>More Than 10</u>
U.S. Government Agencies	\$ 4,137,564	\$ 837,514	\$ 1,291,831	\$ 1,888,634	\$ 119,585
U.S. Government Money Market	2,328,980	2,328,980	-	-	-
U.S. Treasury Obligations	641,357	270,366	337,335	33,656	-
Bank Certificates of Deposit	260,000	214,000	46,000	-	-
Total	<u>\$ 7,367,901</u>	<u>\$ 3,650,860</u>	<u>\$ 1,675,166</u>	<u>\$ 1,922,290</u>	<u>\$ 119,585</u>

Investments by Funds:

General Fund	\$ 1,744,132
Nonmajor Governmental Funds	534,338
Gas Fund	2,617,542
Sanitation Fund	<u>2,107,888</u>
Total per Statement of Net Assets	7,003,900
Pension Trust Funds	<u>364,001</u>
Total	<u>\$ 7,367,901</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 Standard & Poor's.

Concentration of credit risk. The City places no limit on the amount it may invest in any one investment. More than five percent of the City's investments are in bonds issued by Federal Home Loan Bank (FHLB) and Federal Farm Credit Bank (FFCB). These investments are 41.46% and 14.56%, respectively, of the City's total investments.

CITY OF HENDERSON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS

3. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

As of June 30, 2009, interfund receivables and payables and the composition of internal balances shown on the statement of net assets consist of the following:

	Due From Other Funds	Due To Other Funds	Internal Balances
<u>Governmental Activities:</u>			
General Fund	\$ 165,940	\$ (454,799)	\$ (283,500)
Debt Service Fund	3,941	-	3,941
Capital Projects Fund	-	(104,677)	(104,677)
Nonmajor Governmental Funds	108,748	(61,263)	47,485
Total Governmental Activities	<u>\$ 278,629</u>	<u>\$ (620,739)</u>	<u>\$ (336,751)</u>
 <u>Business-type Activities:</u>			
Gas Fund	\$ 288,720	\$ -	\$ 288,720
Sanitation Fund	48,031	-	48,031
Total Business-type Activities	<u>\$ 336,751</u>	<u>\$ -</u>	<u>\$ 336,751</u>
 <u>Pension Trust Funds</u>			
	<u>\$ 5,359</u>	<u>\$ -</u>	
Total all funds	<u>\$ 620,739</u>	<u>\$ (620,739)</u>	

As of June 30, 2009, interfund transfers consist of the following:

	<u>Transfers In</u>	<u>Transfers Out</u>	
	<u>Totals</u>	<u>General Fund</u>	<u>Gas Fund Fund</u>
General Fund	\$ 1,400,000	\$ -	\$ (1,400,000)
Nonmajor Governmental Funds	1,397,000	(1,397,000)	-
Totals	<u>\$ 2,797,000</u>	<u>\$ (1,397,000)</u>	<u>\$ (1,400,000)</u>

The Gas Fund transfers to the General Fund were to subsidize general fund operations. Transfers from the General Fund to various nonmajor governmental funds were to subsidize the operations of those funds.

CITY OF HENDERSON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS

4. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2009 was as follows:

Primary Government	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
<u>Capital assets not being depreciated:</u>				
Land	\$ 3,627,408	\$ 400,000	\$ -	\$ 4,027,408
Artwork	196,500	-	-	196,500
Total	<u>3,823,908</u>	<u>400,000</u>	<u>-</u>	<u>4,223,908</u>
<u>Capital assets being depreciated:</u>				
Buildings	8,667,361	225,128	-	8,892,489
Improvements	3,834,613	80,463	-	3,915,076
Vehicles, machinery, and equipment	9,602,220	577,258	(61,283)	10,118,195
Infrastructure	<u>64,781,509</u>	<u>-</u>	<u>-</u>	<u>64,781,509</u>
Total	<u>86,885,703</u>	<u>882,849</u>	<u>(61,283)</u>	<u>87,707,269</u>
<u>Less accumulated depreciation for:</u>				
Buildings	(2,442,550)	(176,532)	-	(2,619,082)
Improvements	(2,258,150)	(136,370)	-	(2,394,520)
Vehicles, machinery, and equipment	(7,637,488)	(846,955)	61,283	(8,423,160)
Infrastructure	<u>(45,133,050)</u>	<u>(1,619,538)</u>	<u>-</u>	<u>(46,752,588)</u>
Total	<u>(57,471,238)</u>	<u>(2,779,395)</u>	<u>61,283</u>	<u>(60,189,350)</u>
Total governmental activities, net	<u>\$ 33,238,373</u>	<u>\$ (1,496,546)</u>	<u>\$ -</u>	<u>\$ 31,741,827</u>
Business-type Activities:				
<u>Capital assets not being depreciated:</u>				
Land	\$ 114,815	\$ -	\$ -	\$ 114,815
<u>Capital assets being depreciated:</u>				
Buildings	43,515	517,550	-	561,065
Vehicles, machinery, and equipment	1,530,085	48,154	(17,890)	1,560,349
Gas system, vehicles, and equipment	<u>7,977,367</u>	<u>160,766</u>	<u>(64,709)</u>	<u>8,073,424</u>
Total	<u>9,550,967</u>	<u>726,470</u>	<u>(82,599)</u>	<u>10,194,838</u>
<u>Less accumulated depreciation for:</u>				
Buildings	(36,285)	(285,637)	-	(321,922)
Vehicles, machinery, and equipment	(1,294,845)	(110,406)	17,890	(1,387,361)
Gas system, vehicles, and equipment	<u>(5,362,906)</u>	<u>(233,751)</u>	<u>64,709</u>	<u>(5,531,948)</u>
Total	<u>(6,694,036)</u>	<u>(629,794)</u>	<u>82,599</u>	<u>(7,241,231)</u>
Total business-type activities, net	<u>\$ 2,971,746</u>	<u>\$ 96,676</u>	<u>\$ -</u>	<u>\$ 3,068,422</u>

CITY OF HENDERSON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS

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

Governmental activities:

Administration	\$ 13,857
Finance	81,357
Mass transit	83,943
Parks and recreation	200,361
Police	273,085
Fire	205,353
Public works	<u>1,921,439</u>
Total depreciation expense, governmental activities	<u><u>\$ 2,779,395</u></u>

Business-type activities

Gas	\$ 233,751
Sanitation	<u>103,639</u>
Total depreciation expense, business-type activities	<u><u>\$ 337,390</u></u>

Component units' capital asset activity was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Henderson Municipal Power & Light				
Utility plant and equipment	\$ 207,492,739	\$ 4,910,387	\$ -	\$ 212,403,126
Less accumulated depreciation	<u>(139,783,932)</u>	<u>(4,832,155)</u>	<u>-</u>	<u>(144,616,087)</u>
Capital assets, net	<u><u>\$ 67,708,807</u></u>	<u><u>\$ 78,232</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 67,787,039</u></u>
Henderson Water Utility				
Utility plant and equipment	\$ 74,295,037	\$ 3,722,116	\$ (27,929)	\$ 77,989,224
Less accumulated depreciation	<u>(33,711,992)</u>	<u>(2,357,741)</u>	<u>27,929</u>	<u>(36,041,804)</u>
Capital assets, net	<u><u>\$ 40,583,045</u></u>	<u><u>\$ 1,364,375</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 41,947,420</u></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, 2009:

Governmental Activities:	Balance June 30, 2008	Additions	Reductions	Balance June 30, 2009	Amounts due in One Year
KADD-Riverfront Improvements	\$ 845,000	\$ -	\$ (50,000)	\$ 795,000	\$ 50,000
KADD-Capital Lease-Police Station	745,000	-	(40,000)	705,000	45,000
KADD-Equipment Lease	165,000	-	(165,000)	-	-
Independence Bank - Equip. Loan	27,559	-	(27,559)	-	-
Old National Bank - Equip. Loan	68,252	-	(44,949)	23,303	23,303
G. O. Bonds Series 2007	5,005,000	-	(230,000)	4,775,000	240,000
Total capital leases, bonds, and notes payable	6,855,811	-	(557,508)	6,298,303	358,303
Compensated absences	1,159,293	414,422	(294,272)	1,279,443	300,000
Total governmental activities	\$ 8,015,104	\$ 414,422	\$ (851,780)	\$ 7,577,746	\$ 658,303

As of June 30, 2009 governmental long-term debt of the City consisted of the following:

A. KADD-Riverfront Improvements – Series 2000

During the fiscal year ended June 30, 2001, the City borrowed \$1,125,000 from the Kentucky Area Development District (KADD) for the purpose of completion of the Riverfront Improvement Project. The obligation matures in November of 2020, and interest rates range from 3.80% to 5.35% over the term of the loan. Interest is payable semi-annually. Future scheduled maturities as of June 30, 2009 are as follows:

June 30th:	Principal	Interest	Total	Interest Rates
2010	\$ 50,000	\$ 40,345	\$ 90,345	4.75%
2011	50,000	38,107	88,107	4.35%
2012	55,000	35,715	90,715	4.50%
2013	55,000	33,158	88,158	4.60%
2014	60,000	30,423	90,423	4.70%
2015 to 2019	360,000	100,717	460,717	5% to 5.35%
2020 to 2021	165,000	10,696	175,696	5.35%
Totals	\$ 795,000	\$ 289,161	\$ 1,084,161	

CITY OF HENDERSON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS

B. KADD-Police Building Renovation – Series 2002

During the year ended June 30, 2002, the City borrowed \$1,000,000 from KADD to finance structural modifications to the new police department facility. This obligation matures in November of 2020. Interest rates range from 4.10 % to 5.35% over the term of the note. Interest is due in semi-annual installments. The obligation is secured by the property financed. The following is a summary of scheduled payments as of June 30, 2009:

<u>June 30th:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Interest Rates</u>
2010	\$ 45,000	\$ 35,751	\$ 80,751	4.75%
2011	45,000	33,738	78,738	4.35%
2012	50,000	31,573	81,573	4.50%
2013	50,000	29,248	79,248	4.60%
2014	55,000	26,750	81,750	4.70%
2015 to 2019	310,000	88,929	398,929	5% to 5.35%
2020 to 2021	150,000	9,600	159,600	5.35%
Totals	<u>\$ 705,000</u>	<u>\$ 255,589</u>	<u>\$ 960,589</u>	

C. Old National Bank

During the fiscal year ended June 30, 2007, the City borrowed \$134,950 from Old National Bank to acquire capital assets; the obligation bears an interest rate of 4.9%. Future scheduled maturities as of June 30, 2009 are as follows:

<u>June 30th:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 23,303	\$ 571	\$ 23,874
Totals	<u>\$ 23,303</u>	<u>\$ 571</u>	<u>\$ 23,874</u>

D. General Obligation Bonds – Series 2007

During the year ended June 30, 2007, the City issued \$5,230,000 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. Interest rates range from 3.625 % to 4.000%. Interest is due in semi-annual installments. The obligation is secured by property taxes. The following is a summary of scheduled payments as of June 30, 2009:

CITY OF HENDERSON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS

<u>June 30th:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Interest Rates</u>
2010	\$ 240,000	\$ 181,663	\$ 421,663	3.625%
2011	245,000	172,963	417,963	3.625%
2012	260,000	164,081	424,081	3.625%
2013	265,000	154,656	419,656	3.625%
2014	275,000	145,050	420,050	3.650%
2015 to 2019	1,555,000	563,533	2,118,533	3.700% to 3.875%
2020 to 2024	1,290,000	263,862	1,553,862	3.875% to 4.000%
2025 to 2027	645,000	52,000	697,000	4.00%
Totals	<u>\$ 4,775,000</u>	<u>\$ 1,697,808</u>	<u>\$ 6,472,808</u>	

The following is an aggregate summary of debt service requirements for the City of Henderson as of June 30, 2009:

<u>June 30th:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 358,303	\$ 258,330	\$ 616,633
2011	340,000	244,808	584,808
2012	365,000	231,369	596,369
2013	370,000	217,062	587,062
2014	390,000	202,223	592,223
2015 to 2019	2,225,000	753,179	2,978,179
2020 to 2024	1,605,000	284,158	1,889,158
2025 to 2027	645,000	52,000	697,000
Totals	<u>\$ 6,298,303</u>	<u>\$ 2,243,129</u>	<u>\$ 8,541,432</u>

Henderson Water Utility

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, 2009:

	<u>Balance June 30,</u> <u>2008</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30,</u> <u>2009</u>	<u>Amounts due</u> <u>in One Year</u>
<u>Governmental Activities:</u>					
Series 2004A Water and Sewer	\$ 3,715,000	\$ -	\$ (475,000)	\$ 3,240,000	\$ 490,000
Series 2006A Water and Sewer	4,595,000	-	(160,000)	4,435,000	165,000
Kentucky Infrastructure Authority Assistance Agreement	2,838,458	-	(104,075)	2,734,383	108,491
Total	<u>11,148,458</u>	<u>-</u>	<u>(739,075)</u>	<u>10,409,383</u>	<u>763,491</u>
Less: Unamortized deferred loss on defeasance of bonds	(196,950)	-	54,563	(142,387)	
Total governmental activities	<u>\$ 10,951,508</u>	<u>\$ -</u>	<u>\$ (684,512)</u>	<u>\$ 10,266,996</u>	

CITY OF HENDERSON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS

Principal and interest requirements to retire Henderson Water Utility’s long-term obligations as of June 30, 2009 were as follows:

<u>Fiscal year ended June 30th:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 763,491	\$ 394,423	\$ 1,157,914
2011	798,096	368,102	1,166,198
2012	827,896	339,702	1,167,598
2013	862,899	309,397	1,172,296
2014	888,115	277,024	1,165,139
2015-2019	2,441,903	1,022,244	3,464,147
2020-2024	2,289,816	588,973	2,878,789
2025-2027	1,537,167	101,293	1,638,460
Totals	<u>\$ 10,409,383</u>	<u>\$ 3,401,158</u>	<u>\$ 13,810,541</u>

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

	<u>Interest Rate</u>	<u>Final Maturity</u>	<u>Principal Balance</u>	<u>Security</u>
Water and Sewer Refunding Revenue Bonds, Series 2004A	2.5% - 3.75%	11/1/2014	\$3,715,000	Utility Revenue
Water and Sewer Refunding Revenue Bonds, Series 2006A	3.5% - 4.375%	11/1/2026	\$4,595,000	Utility Revenue
Kentucky Infrastructure Authority Assistance Agreement B94-03	4.20%	12/1/2026	\$2,838,458	Utility Revenue

Henderson Water Utility entered into two lease agreements to finance its Canoe Creek and Stormwater projects. These leases qualify as capital leases for accounting purposes and, therefore, the related assets have been recorded at the present value of the future minimum lease payments as of the dates of the agreements, which totaled \$4,475,000. The capitalized amounts of the leases are being amortized over the life of the assets and are reported as depreciation expense.

CITY OF HENDERSON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS

The following is a summary of future lease payments required as of June 30, 2009:

For the fiscal year ending June 30	KADD 2002- Canoe Creek	KADD 2005- Stormwater	Canon	Total
2010	\$ 152,948	\$ 173,550	\$ 576	\$ 327,074
2011	154,936	170,750	-	325,686
2012	151,685	167,950	-	319,635
2013	153,185	164,975	-	318,160
2014	154,367	171,600	-	325,967
2015 to 2019	755,559	837,089	-	1,592,648
2020 to 2024	762,725	843,839	-	1,606,564
2025 to 2029	-	851,250	-	851,250
2030	-	153,750	-	153,750
Total minimum lease payments*	\$ 2,285,405	\$ 3,534,753	\$ 576	\$ 5,820,734
Less amount representing interest	(650,405)	(1,314,753)	(3)	(1,965,161)
Present value of future minimum lease payments	<u>\$ 1,635,000</u>	<u>\$ 2,220,000</u>	<u>\$ 573</u>	<u>\$ 3,855,573</u>

* Interest rates on the capital leases range from 2.4% to 5.0% and is imputed based on the lower of Henderson Water Utility's incremental borrowing rate at the inception of the lease or the lessor's implicit rate of return.

6. BOND ANTICIPATION NOTES and SHORT-TERM LINE OF CREDIT DEBT

City of Henderson

In December 2008, the City issued a bond anticipation note to Independence Bank, which is summarized as follows, and is recorded in the Capital Projects Fund of the City:

City of Henderson, Kentucky, General Obligation Bond Anticipation Note Series 2008C; maximum principal amount of \$4,000,000, or such lesser amount as borrowed, payable on December 15, 2010, at an adjustable interest rate per annum, which shall never be less than 3%, equal to the Prime Rate of the holder as fully described in the note payable, with interest payable on June 15th and December 15th of each year. As security for the payment of the note principal and interest, the City pledged the proceeds of any new bonds issued, and the general revenues of the City that are not otherwise pledged, encumbered, or restricted. Principal balance payable at June 30, 2009:

\$1,583,737

CITY OF HENDERSON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS

Henderson Municipal Power & Light

During December 2008, HMPL issued bond anticipation notes through an area financial institution. A summary of the obligations is as follows:

City of Henderson, Kentucky, General Obligation Bond Anticipation Note Series 2008A; maximum advance of \$3,500,000, or the outstanding principal, whichever is less, due December 1, 2011. Interest shall accrue based on the 30-day LIBOR, plus 2%, with the rate adjustable on a monthly basis. Interest is due on June 1 st and December 1 st .	\$ 51,000
City of Henderson, Kentucky, General Obligation Bond Anticipation Note Taxable Series 2008B; maximum advance of \$9,000,000, or the outstanding principal, whichever is less, due December 1, 2011. Interest shall accrue based on the 30-day LIBOR, plus 2%, with a rate adjustable on a monthly basis. Interest is due on June 1 st and December 1 st .	\$2,174,322
	<hr/>
Principal balance payable at May 31, 2009	<u>\$2,225,322</u>

Each of the above obligations is secured by a pledge of the revenues of HMPL. HMPL intends to issue bonds in the near future and proceeds from the bond issue will be used to retire the above notes.

On May 31, 2008, HMPL authorized a \$2.4 million line of credit from an area financial institution for working capital purposes. The obligation had an interest rate of 3.79% with interest payable quarterly. At May 31, 2009, the line of credit had a principal balance of \$1,200,000, which was due in full at maturity on that date. The line of credit was secured by the revenues of HMPL. Subsequent to its fiscal year end, HMPL authorized a renewal of the line of credit in the amount of \$1.2 million. The line of credit was paid in full in July 2009.

7. 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, 2009, there were three series of Industrial Revenue Bonds outstanding, with an aggregate principal amount payable of \$106,557,500.

CITY OF HENDERSON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS

8. COMPENSATED ABSENCES

Vacation Leave

City employees, other than police and fire department 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 employees get 10 working days after one year's service.

At the end of four years an additional working day per year is accumulated up to a maximum vacation leave of 20 working days. One hundred percent of unused vacation leave is paid at retirement, formal resignation, or death.

Sick Leave

City employees accumulate sick leave at the rate of one day per month up to a maximum of two hundred forty days. Unused sick leave is forfeited upon termination or death. At retirement, individuals are paid one day's pay for each four days of unused sick leave.

Accumulated unpaid vacation pay and sick pay are not accrued in the proprietary funds (accrual basis) since they are not significant at year-end.

Such compensated absences are not accrued in governmental funds (unless they have matured), which use the modified accrual basis of accounting, but instead are recorded in the (accrual basis) government-wide Statement of Net Assets. At June 30, 2009 these governmental activities liabilities included \$1,279,443 of vacation pay and sick pay, and are included in the Statement of Net Assets as noncurrent liabilities. Compensated absences are liquidated primarily by the General Fund.

9. THE 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.

CITY OF HENDERSON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS

PEAK has issued gas revenue bonds to finance the cost of acquisition by PEAK of prepaid supplies of natural gas. PEAK is solely responsible for repayment of the gas revenue bonds. The City has no liability for repayment of the gas revenue bonds issued by PEAK.

The City has entered into long term natural gas supply contracts with PEAK whereby the City is obligated to purchase specified quantities of natural gas from PEAK. The City purchases all of its natural gas supplies from PEAK.

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

The Public Energy Authority of Kentucky
516 Highland Street
Carrollton, Kentucky 41008

Summarized totals for PEAK for its fiscal year ended June 30, 2009, from its audited financial statements are:

Assets	\$ 1,652,723,816
Costs recoverable from members	\$ 86,377,802
Liabilities	\$ 1,651,450,818
Net assets	\$ 1,272,998

10. GAS STORAGE LIABILITY

The City has the right to withdraw 300,000 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, 2009, the estimated amount of this gas storage liability was \$670,385.

11. CONCENTRATION OF SALES

Henderson Municipal Gas

For the fiscal year ended June 30, 2009, four industrial customers accounted for \$12,716,138 in gas sales, which represents 51% of the operating revenues of the Gas Fund.

CITY OF HENDERSON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS

Henderson Municipal Power and Light

All of the sales generated by Station Two are exclusively to the Station Two Operator as per the contract in force. Two industrial customers from the Existing System accounted for sales in the amount of \$6,905,422 (24% of sales) for the fiscal year ended May 31, 2009.

Henderson Water Utility

For the fiscal year ended June 30, 2009, three industrial customers accounted for \$6,252,106 in sales and surcharges for approximately 43% of HWU's total operating revenues.

12. JOINT VENTURE AND TRANSFER STATION OPERATING AGREEMENT

The City of Henderson and County of Henderson were equal participants in the operation of a solid waste transfer station. This joint venture was established on June 27, 1995.

On August 24, 1999, the City of Henderson and County of Henderson entered into an agreement with a private contractor to haul and dispose of the solid waste for the City and County. The term of the contract was for a period of eight years, commencing on June 1, 1999 and ending on May 31, 2007. The City and County had the option to renew for five consecutive four-year terms upon the same terms and conditions contained in the initial contract. The contractor will be paid the fixed sum of \$7,925 per month to operate the transfer station. The contractor will haul the solid waste to its own contained landfill at the base rate of \$10.00 per ton for hauling and \$16.00 per ton for disposal for both parties. In addition, the contractor has agreed to provide the City with 22,000 tons of free airspace in its landfill spread over the life of the 28-year agreement. The City and County exercised their option to renew the agreement for an additional four-year term upon the same terms and conditions contained in the initial contract.

The City and County agreed to end the transfer station joint venture. Effective July 1, 2008, the City assumed the assets, liabilities, and other obligations of the transfer station, which were merged into the City's Sanitation Fund. The City agreed to provide all county residents with free use of the transfer station and the City's landfill. The County agreed to pay the City \$85,000 on the first day of July each fiscal year, beginning July 1, 2008, plus a 2 ½% annual cost of living adjustment each year during the term of the agreement. The initial term of the agreement is for a five year period beginning July 1, 2008 and ending June 30, 2013, with automatic renewal options for four successive five year terms, unless either party terminates the agreement.

CITY OF HENDERSON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS

13. 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, 2009, the Sanitation Fund was in a deficit position because its assets were inadequate to cover estimated landfill closure costs. The deficit will be recovered from future revenues.

The City temporarily terminated its landfill operations on June 30, 1995 due to the increased costs mandated by federal regulations. However, during the year ended June 30, 1997, the City was awarded a permit to accept commercial construction debris only. The City will continue to accept construction debris until the space allotted for this operation is used up in its entirety.

State and federal laws and regulations require that the City of Henderson place a final cover on its landfill site and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Post closure care costs will be incurred from the point in time that the landfill ceases to accept any further waste.

The liability reported in the statement of net assets of the Sanitation Fund of \$3,400,000 at June 30, 2009, consists of \$2,230,000 in closure costs, and \$1,170,000 for post closure costs. The amounts are based on engineering estimates and actual costs may be higher due to inflation and technological changes, or changes in state and federal regulations.

No costs were incurred towards the related liability, nor was a revision needed for the closure costs estimate, due to the fact that the City’s consulting engineers determined that the landfill was in compliance and there was no immediate work necessary.

The estimated liability consists of the following at June 30, 2009:

	Estimated Closure Liability	Estimated Post-Closure Liability	Total
June 30, 2008	\$ 2,230,000	\$ 1,170,000	\$ 3,400,000
Costs applied	-	-	-
Revision to estimate	-	-	-
June 30, 2009	<u>\$ 2,230,000</u>	<u>\$ 1,170,000</u>	<u>\$ 3,400,000</u>

CITY OF HENDERSON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS

14. 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.

15. 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.

16. 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. However, the City is only responsible for a maximum of \$140,000 per claim, per employee, under any circumstances. Any claim, which exceeds \$140,000, is covered by an aggregate stop loss policy, which will cover up to 125% of expected claims for the current year. The City remits payments to the administrator on a weekly basis. A management fee is paid on a monthly basis.

All departments or other entities, which have employees participating in this Plan, bear a portion of the cost of the Plan based on the number of employees in that department or entity.

Amounts payable for claims are based on estimates as calculated by the City's third-party administrator. The Plan established liabilities based on the estimates of the ultimate cost of claims that have been reported but not settled, and of claims that have been incurred but not reported, based on historical experience. The following represents a summary of changes in the liability for the last ten fiscal years including the year ended June 30, 2009:

CITY OF HENDERSON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS

	Beginning of Fiscal Year Liability	Current Year Claims & Changes In Estimates	Claim Payments	End of Fiscal Year Liability
1999-2000	\$ 597,202	\$ 3,435,480	\$ (3,195,071)	\$ 837,611
2000-2001	\$ 837,611	\$ 3,821,845	\$ (3,870,655)	\$ 788,801
2001-2002	\$ 788,801	\$ 3,808,880	\$ (3,949,617)	\$ 648,064
2002-2003	\$ 648,064	\$ 3,926,978	\$ (3,698,358)	\$ 876,684
2003-2004	\$ 876,684	\$ 4,541,901	\$ (4,719,970)	\$ 698,615
2004-2005	\$ 698,615	\$ 5,121,768	\$ (4,994,685)	\$ 825,698
2005-2006	\$ 825,698	\$ 4,458,456	\$ (4,677,761)	\$ 606,393
2006-2007	\$ 606,393	\$ 4,470,924	\$ (4,464,673)	\$ 612,644
2007-2008	\$ 612,644	\$ 4,617,270	\$ (4,411,052)	\$ 818,862
2008-2009	\$ 818,862	\$ 4,285,935	\$ (4,258,617)	\$ 846,180

The financial transactions of the Plan are recorded in the Health Insurance Fund, which is an internal service fund of the City. As of June 30, 2009, the Health Insurance Fund was in a deficit position due to user charges being inadequate to cover estimated liabilities for claims. The City intends to recover these amounts via increased charges to users in future fiscal periods.

17. HEALTH REIMBURSEMENT ARRANGEMENT (HRA) PLAN

In order to control increasing health care costs, effective January 1, 2006, 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 that will reimburse employees for health insurance plan deductible and co-insurance expenses up to the amount in an individual participant's account balance. Every year, the HRA Plan will credit each employee in the amount of \$250 for a single participant and \$500 for a family coverage participant in the health insurance plan. At the end of a plan year, any unused benefits in an HRA Plan account will be carried forward for use in the subsequent year.

18. RETIREMENT PLANS

The City of Henderson has two pension plans that it sponsors: the City of Henderson Civil Service Plan, and the City of Henderson Police and Fire Pension Fund. The City of Henderson Civil Service Plan was authorized under City Ordinance, and the Police and Fire Pension Fund is authorized under Kentucky Revised Statutes (KRS). Due to the fact that a vast majority of City employees elected in 1987 to transfer participation from each of these plans to the County Employees Retirement System (CERS), there is only one active participant remaining in the

CITY OF HENDERSON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS

City sponsored plans. The plans do not issue separate financial statements. Contributions to the plans are made in accordance with legal requirements and benefits and refunds are paid in accordance with the plan requirements. The following is a brief description of each plan, along with required supplementary information:

A. Civil Service Pension Fund

The plan is a single employer, defined benefit pension plan covering all City employees other than police and fire employees who elected to forego participation in the CERS plan. This plan is authorized by City ordinance. As of June 30, 1987, the plan was closed to new entrants.

B. Police and Fire Pension Fund

This plan is a single employer, defined benefit pension plan covering all employees of the police and fire departments who elected to forego participation in the CERS plan. The plan is authorized by KRS 95.621 through 95.629. As of June 30, 1987, the plan was closed to new entrants.

C. Plan Summary

The following is a summary of funding policies, contribution methods, and benefit provisions for each plan:

	<u>Civil Service</u>	<u>Police and Fire</u>
Year established by governing authority	1946	1946
Determination of contribution requirements:		
Employer	5% covered payroll	7.65% covered payroll
Employee	5% covered payroll	7.65% covered payroll
Funding of administrative costs	Absorbed by general fund	Absorbed by general fund
Period required vesting	20 years	20 years
Post-retirement benefit increases	Increases must be approved by the Pension Board	Increases must be approved by the Pension Board

CITY OF HENDERSON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS

Eligibility for distribution	20 years credited service and 60 years of age, pre 1980 hires, age 62 post 1980 hire	20 years credited service regardless of age
Provision for:		
Disability benefits	Yes	Yes
Death benefits	Yes	Yes

D. Membership of the Plans

The following is a schedule of membership of the plans:

	<u>Civil Service</u>	<u>Police and Fire</u>
Non-vested active members	-	-
Fully-vested active members	1	-
Retirees and beneficiaries currently receiving benefits	<u>14</u>	<u>24</u>
Total	<u>15</u>	<u>24</u>

CITY OF HENDERSON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS

E. Annual Pension Costs and Net Pension Obligations (NPO)

The following is a schedule of annual pension costs and net pension obligations (NPO) for the two pension plans of the City:

1) Civil Service Pension Plan:

	<u>2007</u>	<u>2008</u>	<u>2009</u>
Actuarially determined contribution	\$ 122,033	\$ 116,421	\$ 111,784
Interest on NPO	15,454	14,276	7,733
Adjustment to actuarially determined contribution	<u>(24,802)</u>	<u>(22,911)</u>	<u>(12,410)</u>
Annual pension costs	112,685	107,786	107,107
Contributions made	<u>(136,257)</u>	<u>(238,636)</u>	<u>(271,333)</u>
Change in NPO	<u>(23,572)</u>	<u>(130,850)</u>	<u>(164,226)</u>
NPO, beginning of year	<u>309,087</u>	<u>285,515</u>	<u>154,665</u>
NPO, end of year	<u><u>\$ 285,515</u></u>	<u><u>\$ 154,665</u></u>	<u><u>\$ (9,561)</u></u>

2) Police and Fire Pension Plan:

	<u>2007</u>	<u>2008</u>	<u>2009</u>
Actuarially determined contribution	\$ 363,343	\$ 375,317	\$ 370,618
Interest on NPO	(26,413)	(26,266)	(26,931)
Adjustment to actuarially determined contribution	<u>59,390</u>	<u>59,059</u>	<u>60,556</u>
Annual pension costs	396,320	408,110	404,243
Contributions made	<u>(392,639)</u>	<u>(424,749)</u>	<u>(291,013)</u>
Change in NPO	<u>3,681</u>	<u>(16,639)</u>	<u>113,230</u>
NPO, beginning of year	<u>(660,322)</u>	<u>(656,641)</u>	<u>(673,280)</u>
NPO, end of year	<u><u>\$ (656,641)</u></u>	<u><u>\$ (673,280)</u></u>	<u><u>\$ (560,050)</u></u>

CITY OF HENDERSON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS

F. Three Year Trend Information

1) Civil Service Pension:

<u>Fiscal year</u> <u>Ending</u>	<u>Annual Pension</u> <u>Costs (APC)</u>	<u>Percentage of</u> <u>APC Contributed</u>	<u>Net Pension</u> <u>Obligations</u>
June 30, 2007	\$ 112,685	120.9 %	\$ 285,515
June 30, 2008	\$ 107,786	221.4 %	\$ 154,665
June 30, 2009	\$ 107,107	253.3 %	\$ (9,561)

2) Police and Fire Pension:

<u>Fiscal year</u> <u>Ending</u>	<u>Annual Pension</u> <u>Costs (APC)</u>	<u>Percentage of</u> <u>APC Contributed</u>	<u>Net Pension</u> <u>Obligations</u>
June 30, 2007	\$ 396,320	99.1 %	\$ (656,641)
June 30, 2008	\$ 408,110	104.1 %	\$ (673,280)
June 30, 2009	\$ 404,243	72.0 %	\$ (560,050)

G. Actuarial Assumptions

An actuarial study was performed on each plan of the City as of June 30, 2009. The method of valuation used for each plan was “entry age normal”. The termination rate used was determined using Scale T-3 from the Actuary’s Pension Handbook. Mortality was determined using the UP 1994 Group Annuity Mortality Table projected to 2002. The following is a summary of key assumptions used for each plan:

	<u>Civil Service</u>	<u>Police and Fire</u>
Rate of return on investment	5.0%	4.0%
Projected salary increases	5.0%	5.0%
Amortization method	Level Dollar	Level Dollar
Remaining amortization period	20 years/closed	20 years/closed
Inflation rate	None	None
Asset valuation method	Market	Market
Cost of living adjustment	Annually	Annually

CITY OF HENDERSON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS

H. Financial Information-Pension Trust Funds

Financial information for the City of Henderson's two pension trust funds and the HRA trust fund is reported below for the fiscal year ended June 30, 2009.

Combining Statement of Fiduciary Net Assets-Pension Trust Funds
June 30, 2009

	Civil Service Pension Fund	Police & Fire Pension Fund	HRA Fund	Total
ASSETS				
Cash	\$ 141,483	\$ 171,873	\$ 497,562	\$ 810,918
Investments	147,646	216,355	-	364,001
Accrued interest receivable	1,108	1,568	-	2,676
Due from other funds	2,045	3,314	-	5,359
Total assets	292,282	393,110	497,562	1,182,954
LIABILITIES				
Accounts payable	-	12,905	-	12,905
NET ASSETS				
Held in trust for pension benefits	292,282	380,205	-	672,487
Held in trust for health care benefits	-	-	497,562	497,562
Total net assets	\$ 292,282	\$ 380,205	\$ 497,562	\$ 1,170,049

Combining Statement of Changes in Fiduciary Net Assets-Pension Trust Funds
For the Fiscal Year Ended June 30, 2009

ADDITIONS				
Property taxes	\$ 269,027	\$ 291,013	\$ -	\$ 560,040
Contributions:				
Employer	2,306	-	175,000	177,306
Employee	2,306	-	-	2,306
Total contributions	4,612	-	175,000	179,612
Investment Income:				
Interest	8,922	10,806	3,354	23,082
Net increase (decrease) in the fair market value of investments	(1,878)	(413)	-	(2,291)
Investments fees	(167)	(203)	-	(370)
Total net investment income	6,877	10,190	3,354	20,421
Total additions	280,516	301,203	178,354	760,073
DEDUCTIONS				
Benefits paid	220,792	414,082	100,792	735,666
Professional services	2,477	2,777	-	5,254
Total deductions	223,269	416,859	100,792	740,920
Change in net assets	57,247	(115,656)	77,562	19,153
Net assets, beginning of year	235,035	495,861	420,000	1,150,896
Net assets, end of year	\$ 292,282	\$ 380,205	\$ 497,562	\$ 1,170,049

CITY OF HENDERSON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS

I. County Employees Retirement System, (CERS)

Substantially all of the City’s full time employees participate in the County Employees Retirement System (CERS). The CERS is a multiple employer, cost sharing, defined benefit pension plan administered by the Board of Trustees of the Kentucky Retirement System (KRS). The CERS provides retirement, health, disability, and death benefits to plan members. Cost of living adjustments (COLA) are provided at the discretion of the State legislature. The Kentucky Revised Statutes assigns the authority to establish and amend benefit provisions to the KRS Board of Trustees. The KRS issues a publicly available financial report that includes financial statements and required supplementary information for the CERS. That report may be obtained by writing to Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, Kentucky 40601.

Funding Policy

Plan members hired prior to September 1, 2008 contribute 5% of their annual creditable compensation, those hired after September 1, 2008 contribute 6%, and the City contributes 13.5% of annual covered payroll. Employees classified as hazardous hired prior to September 1, 2008 contribute 8% of their annual creditable compensation, those hired after September 1, 2008 contribute 9%, while the City contributes 29.5% of annual covered payroll. The contribution requirements of the plan members and the City of Henderson are established and may be amended by the KRS Board of Trustees. Contributions to the CERS for the years ended June 30, 2007, 2008 and 2009 were equal to the required contributions for each year and were as follows:

(HMPL May 31st) Year ended June 30th	City of Henderson	Henderson Municipal Power & Light	Henderson Water Utility
2009	\$ 3,441,148	\$ 435,888	\$ 694,477
2008	\$ 3,469,892	\$ 477,299	\$ 731,053
2007	\$ 2,936,750	\$ 407,071	\$ 591,145

CITY OF HENDERSON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS

19. LAND HELD FOR RESALE

In January 2006, the City paid \$1,250,000 to purchase 8.5 acres of land. The new Starlite Fire Station was built on 2.4 acres of this land, and \$356,000 of the purchase price was allocated to the fire station land. The remaining acreage was allocated the balance of the purchase price and was recorded as an asset, land held for resale, in the General Fund. The land held for resale is considered a current financial asset of the General Fund since the City intends to sell this land and deposit the proceeds in the General Fund to be used for payment of General Fund expenditures. As of June 30, 2009, land held for resale had a cost balance of \$590,000, which applies to two unsold lots of approximately four acres.

20. RIVERFRONT DEVELOPMENT GRANT

The City was awarded an \$8.6 million federal grant for riverfront development. The City Commission approved several projects to be funded with the grant, which will begin implementation in the coming fiscal year.

21. 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.

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. Included in General Fund intergovernmental revenues are \$498,000 and \$450,000, respectively, from HMPL and HWU for utility accounting services for the fiscal year ended June 30, 2009.

The City, as sole owner of both utilities, received distributions of \$1,244,734 and \$400,000, respectively, from HMPL and HWU for the fiscal year ended June 30, 2009.

The City owns certain real estate used by HMPL.

CITY OF HENDERSON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS

22. EXTRAORDINARY ITEMS

The City had three extraordinary items, that is financial transactions of an unusual nature and infrequent in occurrence, reported in its financial statements for the fiscal year ended June 30, 2009, reported as follows:

General Fund

Based upon State administrative and judicial rulings, the City determined that it owes additional compensation to its firemen for incentive pay overtime. Accordingly, the City accrued \$554,720 as an extraordinary expenditures item in the General Fund statement of revenues, expenditures, and changes in fund balances for the fiscal year ended June 30, 2009.

Gas Fund

The Public Energy Authority of Kentucky Trust (PEAK Trust), a predecessor entity of the PEAK described in footnote 9, liquidated in fiscal 2009. The Gas Fund received \$905,842 upon the liquidation of PEAK Trust because the City was one of the two founding members of PEAK Trust. The management of Henderson Municipal Gas determined that \$75,000 of the liquidation proceeds would be refunded to its gas customers. Therefore, the net proceeds in the amount of \$830,842 were shown as an extraordinary revenue item in the Gas Fund statement of revenues, expenses, and changes in fund net assets for the fiscal year ended June 30, 2009.

Sanitation Fund

As mentioned in footnote 12, the City of Henderson and the County of Henderson terminated their transfer station joint venture effective July 1, 2008. The City assumed all the assets, liabilities, and other obligations of the transfer station, which were merged into the Sanitation Fund. The book value of the net assets of the County's portion of the transfer station was \$124,126, which amount was shown as an extraordinary revenue item in the Sanitation Fund statement of revenues, expenses, and changes in fund net assets for the fiscal year ended June 30, 2009.

CITY OF HENDERSON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS

23. HENDERSON MUNICIPAL POWER & LIGHT (HMPL)

The following are certain disclosures related to HMPL.

A. Contracts

HMPL operates the “Existing System” and pursuant to certain contracts and agreements described below, reserves power from “Station Two” which is owned by HMPL and operated by Big Rivers Electric Corporation (Big Rivers) through July 17, 1998, and subsequently an affiliate of LG&E Energy Corporation, pursuant to various lease, assignment, and other agreements between the parties. HMPL provides retail electric service to the residents of the City of Henderson within its service territory. HMPL also provided wholesale electricity to Big Rivers through July 18, 1998 and subsequently to an affiliate of LG&E Energy Corporation. LG&E was purchased by Powergen in 2000 and thereafter acquired by E.ON.

HMPL has entered into certain contracts with Big Rivers and LG&E, as assignee under such agreements relating to Station Two, as follows:

Power Plant Construction and Operation Agreement

Under this agreement, Big Rivers agreed to furnish certain construction and start-up services for which it was paid out-of-pocket expenses plus overhead allowances, and to operate Station Two upon completion for which the Station Two Operator is paid reasonable expenditures allocable to the operation and maintenance of Station Two, as defined in the agreement. The original agreement was amended to include an option to extend through the useful operating life of Station Two. Big Rivers exercised this option in 1998.

Power Sales Contract

Under this agreement, the Station Two Operator purchases all of the Station Two capacity in excess of the City of Henderson’s requirements. Payments for capacity purchased by the Station Two Operator are made monthly based on the portion of Station Two capacity allocated to the Station Two Operator compared to the total monthly Station Two capacity costs as defined in the agreement. The original agreement was executed in 1970 and extended through 2003. During 1993, the agreement was amended to include an option to extend through the useful operating life of Station Two. Big Rivers exercised this option in 1998.

CITY OF HENDERSON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS

Joint Facilities Agreement

This agreement provides for the continuing joint use by HMPL and the Station Two Operator of certain auxiliary facilities presently owned and used by the Station Two Operator at its generating station and of auxiliary facilities provided by HMPL in connection with the construction of Station Two, which is located adjacent to the generating station also operated by the Station Two Operator.

Power sales to the Station Two Operator under the agreement amounted to \$25,200,799 for the fiscal year ended May 31, 2009.

In connection with the negotiations related to the funding and construction of the Flue Gas Desulfurization System (FGD System) Station Two various aforementioned contracts were amended effective May 31, 1993. Significant provisions of the amendments include:

The total capacity of Station Two, a factor in determining various Station Two costs allocations, was reduced as a result of the power required to operate the FGD System.

Proceeds from the sales of sulfur dioxide emission allowances (Emission Allowances) will be divided between HMPL and the Station Two Operator based on current capacity allocation.

FGD System costs, up to the amount of proceeds from the sale of Emission Allowances, will be borne in the same proportion as the Emission Allowances are allocated. Additional FGD System costs will be borne in proportion to the new capacity allocation as determined by the contract amendments.

HMPL will reimburse the Station Two Operator for certain allocated costs of an existing Big Rivers' FGD System to be jointly used by the Station Two Operator and Station Two based upon an allocation formula defined in the amendments.

Amounts charged by the Station Two Operator as reasonable expenditures allocable to the operation and maintenance of Station Two are subject to review and approval by HMPL. Differences, if any, between amounts originally charged as allocable by the Station Two Operator and amounts accepted by HMPL are recorded when a final determination of such amounts is made. Operating revenues and expenses would be reduced by any amount subsequently determined not to be allocable to Station Two.

CITY OF HENDERSON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS

B. Cumulative Effect of Change in Accounting Principle

HMPL adopted Statement of Financial Accounting Standards (SFAS) No. 143 on June 1, 2007. SFAS No. 143 addresses financial reporting for legal obligations associated with the retirement of tangible long-lived assets and the related retirement costs. The standard applies to the legal obligations associated with the retirement of long-lived assets that result from the construction, acquisition, or normal use of the asset. SFAS No. 143 requires that the fair value of the liability for an asset retirement obligation be recognized over the period in which it was incurred, if a reasonable estimate of the fair value can be made. Asset retirement obligations of HMPL relate to the asbestos and lead paint abatement at its Station One generation facility, which ceased operations on September 30, 2008. The estimated fair value of the Station One liability as of May 31, 2007 by management is \$1,050,000. The initial recording of this liability resulted in an adjustment to net assets of \$1,019,956 as of June 1, 2007. HMPL determined that its portion of the asset retirement liability of the Station Two facility for asbestos and lead paint abatement to be \$440,184 as June 1, 2008. This amount was reflected via a prior period adjustment to HMPL's financial statements as of May 31, 2009.

C. Emission Allowances

Amendments to the Clean Air Act in 1990 established a system whereby emission allowances were created and allocated to generating units subject to Phase 1 of the emission restrictions. Station Two was allotted a total of 226,901 allowances through 1999 (one emission allowance represents the authorization to emit one ton of sulfur dioxide in a given year). The allowances are allocated between HMPL and the Station Two Operator based upon the Station Two capacity allocations. As of May 31, 2009, there were remaining emission allowances of 14,820.

The remaining allowances have a market value as of May 31, 2009 of approximately \$1,059,630 and are held by HMPL for future sale or to satisfy emission requirements of the Clean Air Act. HMPL does not record the value of emission allowances in its financial statements because HMPL has no cost basis in these allowances. Emission allowances attributable to Station Two are shared proportionally between HMPL and the Station Two Operator based on megawatt hours as per the respective contract.

CITY OF HENDERSON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS

The following is a summary of the number of available emission allowances as of May 31, 2009:

Attributable to:	
HMPL-Existing System	# 14,820
Station Two	-
Total Allowances Available	# 14,820

D. Commitments and Contingencies

Unwind Transaction – Station Two

In 1998, HMPL and Big Rivers Electric Corporation (Big Rivers) entered into contracts (subsequently assumed by Western Kentucky Energy Corporation) for the operation of the HMPL Station Two power plant and other Big Rivers generation plants. Subsequent to May 31, 2009, Big Rivers and Western Kentucky Energy Corporation (E.ON) signed an agreement under which the original 1998 contracts are rescinded and operational control of the Station Two power plant returns to Big Rivers. As part of this agreement, E.ON paid HMPL \$17.4 million to settle claims concerning the condition of the Station Two power plant and related matters.

HMPL and Big Rivers have identified a number of facility upgrades and maintenance projects for the Station Two power plant during the next five year period. Big Rivers has developed work plans for the five year period 2009 to 2014, which estimate that HMPL will incur additional maintenance expenses at Station Two during the five year period.

During the fiscal 2010 budget period, HMPL will review financing options and may present a formal recommendation to the City Commission concerning the issuance of general obligation bonds or revenue bonds to finance the upgrades and maintenance projects at Station Two and for the existing system.

Pending Litigation

HMPL is currently engaged in litigation with Big Rivers, the Station Two operator, concerning which party has the rights to certain surplus generation capacity of the Station Two power plant. Big Rivers has filed a petition in Henderson County, Kentucky Circuit Court requesting binding arbitration over the matter. HMPL asserts that it has the rights to all surplus power from Station Two related to its reserved capacity.

CITY OF HENDERSON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS

24. HENDERSON WATER UTILITY (HWU)

On August 30, 2007, a Consent Judgment between HWU and the Commonwealth of Kentucky Environmental and Public Protection Cabinet (EPPC) was entered by the Franklin Circuit Court in Civil Action 07-CI-1250. Under the Consent Judgment, HWU is committing to undertake certain studies and improvements to its sanitary sewer system in order to ensure compliance with certain program requirements of the Clean Water Act.

The Consent Judgment required certain plans to be developed and submitted to the EPPC and the Federal Environmental Protection Agency (EPA). The Long-term Control Plan was submitted to both the EPPC and EPA in March 2009.

Based on current estimates the identified projects required to comply with the Consent Judgment must be completed no later than December 2017 and are estimated to cost approximately \$50 million. These cost estimates are based on current costs with a 3.5% annual inflation adjustment. These costs are subject to change due to additional requirements or mandates from the Federal Government or Kentucky Division of Water, as well as negotiated changes to the identified projects with the enforcement agencies.

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

CITY OF HENDERSON, KENTUCKY
DEFINED BENEFIT PENSION PLANS-REQUIRED SUPPLEMENTARY INFORMATION

I. Schedules of Funding Progress

Civil Service Pension Plan

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
6/30/00	\$ 1,081,500	\$ 1,793,779	\$ 712,279	60.3 %	\$ 95,421	746.5 %
6/30/01	945,592	1,773,069	827,477	53.5 %	98,447	840.5 %
6/30/02	808,942	1,743,700	934,758	46.4 %	101,758	918.6 %
6/30/03	637,845	1,633,672	995,827	39.0 %	104,599	952.0 %
6/30/04	498,728	1,905,991	1,407,263	26.2 %	105,410	1,335.0 %
6/30/05	403,188	1,955,745	1,552,557	20.6 %	114,920	1,351.0 %
6/30/06	316,617	1,898,132	1,581,515	16.7 %	29,702	5,324.6 %
6/30/07	238,758	1,746,550	1,507,792	13.7 %	29,702	5,076.4 %
6/30/08	235,035	1,677,673	1,442,638	14.0 %	41,424	3,482.6 %
6/30/09	292,282	1,571,137	1,278,855	18.6 %	35,277	3,625.2 %

Police and Fire Pension Plan

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) -Entry age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
6/30/00	\$ 69,250	\$ 2,943,918	\$ 2,874,398	2.4 %	\$ 31,522	9,118.7 %
6/30/01	108,135	3,014,607	2,906,472	3.6 %	32,832	8,852.6 %
6/30/02	181,527	3,063,190	2,881,663	5.9 %	34,183	8,430.1 %
6/30/03	219,527	3,086,503	2,866,976	7.1 %	35,756	8,018.2 %
6/30/04	260,570	4,434,100	4,173,529	5.9 %	37,543	11,116.7 %
6/30/05	331,833	4,451,738	4,119,905	7.5 %	39,641	10,393.0 %
6/30/06	402,328	4,603,711	4,201,383	8.7 %	- 0 -	Not applicable
6/30/07	469,739	4,809,574	4,339,835	9.8 %	- 0 -	Not applicable
6/30/08	495,824	4,781,321	4,285,497	10.4 %	- 0 -	Not applicable
6/30/09	380,205	4,833,147	4,452,942	7.9 %	- 0 -	Not applicable

CITY OF HENDERSON, KENTUCKY
DEFINED BENEFIT PENSION PLANS-REQUIRED SUPPLEMENTARY INFORMATION

II. Schedules of Employer Contributions

Civil Service Pension Plan

Fiscal Year Ending	Annual Pension Costs (APC)	City Contributions	Percentage of APC Contributions	Net Pension Obligation	Annual Required Contribution (ARC)	Percentage Contributed
6/30/00	\$ 47,061	\$ 4,909	10.4 %	\$ 111,199	\$ 47,670	10.3 %
6/30/01	61,677	4,168	6.8 %	168,708	62,659	6.7 %
6/30/02	70,468	5,138	7.3 %	234,038	71,957	7.1 %
6/30/03	78,409	5,294	6.6 %	307,153	80,475	6.5 %
6/30/04	82,311	88,911	108.0 %	300,553	85,023	105.0 %
6/30/05	91,582	98,138	107.2 %	293,997	96,105	102.1 %
6/30/06	117,555	102,465	87.2 %	309,087	126,446	81.0 %
6/30/07	112,685	136,257	120.9 %	285,515	122,033	111.7 %
6/30/08	107,786	238,636	221.4 %	154,665	116,421	205.0 %
6/30/09	107,107	271,333	253.3 %	(9,561)	111,784	242.7 %

Police and Fire Pension Plan

Fiscal Year Ending	Annual Pension Costs (APC)	City Contributions	Percentage of APC Contributions	Net Pension Obligation	Annual Required Contribution (ARC)	Percentage Contributed
6/30/00	\$ 239,511	\$ 311,932	130.2 %	\$ (140,534)	\$ 238,910	130.5 %
6/30/01	240,130	332,469	138.5 %	(282,873)	238,890	139.2 %
6/30/02	243,726	347,047	142.8 %	(336,194)	241,670	143.6 %
6/30/03	242,729	340,802	140.4 %	(434,267)	239,762	142.1 %
6/30/04	242,539	359,532	148.2 %	(551,260)	238,705	150.6 %
6/30/05	253,768	373,444	147.2 %	(670,936)	243,939	153.1 %
6/30/06	389,806	379,192	97.3 %	(660,322)	356,298	106.4 %
6/30/07	396,320	392,639	99.1 %	(656,641)	363,343	108.1 %
6/30/08	408,110	424,749	104.1 %	(673,280)	375,317	113.2 %
6/30/09	404,243	291,013	72.0 %	(560,050)	370,618	78.5 %

Nonmajor Governmental Funds

Nonmajor Governmental Funds

For fiscal 2009, the nonmajor governmental funds of the City consist of nine 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.
Canoe Creek	The Canoe Creek Fund accounts for funds set aside for flood mitigation of Canoe Creek.
HART	The Henderson Area Rapid Transit Fund accounts for funds that operate the City bus system.
911	The Emergency Communications Fund accounts for funds that operate the 911 emergency communications system.
CDBG	The Community Development Block Grant Fund accounts for federal grant money used to rehabilitate low income housing and public facilities.
HOME	The HOME Fund accounts for grants used similar to the CDBG Fund except that the funds are provided through an agency of the Commonwealth of Kentucky.
Police Investigation	The Police Investigation Fund accounts for funds from property sold seized from criminal activities and expended on law enforcement activities.
JAG	The Justice Assistance Grant Fund accounts for federal grant money provided for local 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, 2009**

	Cemetery	PWI	Canoe Creek	HART	911	CDBG	HOME	Police Investigation	JAG	Totals
ASSETS										
Cash	\$ 107,790	\$ 8,343	\$ 203,299	\$ 1,301	\$ 463	\$ 60,664	\$ -	\$ 73,966	\$ 22,145	\$ 477,971
Investments	534,338	-	-	-	-	-	-	-	-	534,338
Receivables	6,790	23,229	6,185	164,120	48,760	-	-	-	-	249,084
Due from other funds	10,523	29,835	-	39,300	29,090	-	-	-	-	108,748
Inventories	-	-	-	15,719	-	-	-	-	-	15,719
Total assets	\$ 659,441	\$ 61,407	\$ 209,484	\$ 220,440	\$ 78,313	\$ 60,664	\$ -	\$ 73,966	\$ 22,145	\$ 1,385,860
LIABILITIES										
Accounts payable	\$ 25,803	\$ 33,375	\$ 4,245	\$ 69,655	\$ 12,486	\$ 2,696	\$ -	\$ 19,798	\$ 1,400	\$ 169,458
Accrued wages	7,350	21,395	-	30,575	21,337	-	-	-	-	80,657
Due to other funds	-	-	-	-	-	57,968	-	-	3,295	61,263
Total liabilities	33,153	54,770	4,245	100,230	33,823	60,664	-	19,798	4,695	311,378
FUND BALANCES										
Reserved:										
Cemetery perpetual care	639,240	-	-	-	-	-	-	-	-	639,240
Unreserved	(12,952)	6,637	205,239	120,210	44,490	-	-	54,168	17,450	435,242
Total fund balances	626,288	6,637	205,239	120,210	44,490	-	-	54,168	17,450	1,074,482
Total liabilities and fund balances	\$ 659,441	\$ 61,407	\$ 209,484	\$ 220,440	\$ 78,313	\$ 60,664	\$ -	\$ 73,966	\$ 22,145	\$ 1,385,860

City of Henderson, Kentucky
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Special Revenue Funds
For the Fiscal Year Ended June 30, 2009

	Cemetery	PWI	Canoe Creek	HART	911	CDBG	HOME	Police Investigation	JAG	Totals
REVENUES										
Intergovernmental	\$ -	\$ 734,817	\$ 67,041	\$ 850,213	\$ 73,285	\$ 177,632	\$ -	\$ 42,760	\$ 15,409	\$ 1,961,157
Service charges and fees	195,128	38,929	-	35,399	553,264	-	-	-	-	822,720
Investment income	24,259	1,802	2,966	840	268	-	-	504	650	31,289
Miscellaneous	-	-	-	382	-	-	-	-	-	382
Total revenues	<u>219,387</u>	<u>775,548</u>	<u>70,007</u>	<u>886,834</u>	<u>626,817</u>	<u>177,632</u>	<u>-</u>	<u>43,264</u>	<u>16,059</u>	<u>2,815,548</u>
EXPENDITURES										
Administration	-	-	185,384	-	-	177,632	-	-	-	363,016
Mass transit	-	-	-	1,124,891	-	-	-	-	-	1,124,891
Parks and recreation	371,653	-	-	-	-	-	-	-	-	371,653
Police	-	-	-	-	814,148	-	-	8,700	8,330	831,178
Public works	-	1,275,292	-	-	-	-	-	-	-	1,275,292
Capital outlays	14,687	-	-	284,607	39,388	-	-	-	94,759	433,441
Total expenditures	<u>386,340</u>	<u>1,275,292</u>	<u>185,384</u>	<u>1,409,498</u>	<u>853,536</u>	<u>177,632</u>	<u>-</u>	<u>8,700</u>	<u>103,089</u>	<u>4,399,471</u>
Excess (deficiency) of revenues over expenditures	<u>(166,953)</u>	<u>(499,744)</u>	<u>(115,377)</u>	<u>(522,664)</u>	<u>(226,719)</u>	<u>-</u>	<u>-</u>	<u>34,564</u>	<u>(87,030)</u>	<u>(1,583,923)</u>
OTHER FINANCING SOURCES (USES)										
Transfers in from General Fund	178,000	475,000	-	491,000	253,000	-	-	-	-	1,397,000
Total other financing sources (uses)	<u>178,000</u>	<u>475,000</u>	<u>-</u>	<u>491,000</u>	<u>253,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,397,000</u>
Net change in fund balances	11,047	(24,744)	(115,377)	(31,664)	26,281	-	-	34,564	(87,030)	(186,923)
Fund balances, beginning of year	615,241	31,381	320,616	151,874	18,209	-	-	19,604	104,480	1,261,405
Fund balances, end of year	<u>\$ 626,288</u>	<u>\$ 6,637</u>	<u>\$ 205,239</u>	<u>\$ 120,210</u>	<u>\$ 44,490</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 54,168</u>	<u>\$ 17,450</u>	<u>\$ 1,074,482</u>

City of Henderson, Kentucky
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Cemetery Fund
For the Fiscal Year Ended June 30, 2009

	<u>Budget</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental	\$ 16,000	\$ -	\$ -	\$ -
Service charges and fees	184,400	198,800	195,128	(3,672)
Investment income	1,380	45,380	24,259	(21,121)
Miscellaneous	1,220	1,220	-	(1,220)
Total revenues	<u>203,000</u>	<u>245,400</u>	<u>219,387</u>	<u>(26,013)</u>
EXPENDITURES				
Administration	-	-	-	-
Mass transit	-	-	-	-
Parks and recreation	383,500	389,500	371,653	17,847
Police	-	-	-	-
Public works	-	-	-	-
Capital outlays	19,500	19,500	14,687	4,813
Total expenditures	<u>403,000</u>	<u>409,000</u>	<u>386,340</u>	<u>22,660</u>
Excess (deficiency) of revenues over expenditures	<u>(200,000)</u>	<u>(163,600)</u>	<u>(166,953)</u>	<u>(3,353)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in from General Fund	200,000	200,000	178,000	(22,000)
Total other financing sources (uses)	<u>200,000</u>	<u>200,000</u>	<u>178,000</u>	<u>(22,000)</u>
Net change in fund balances	-	36,400	11,047	(25,353)
Fund balances, beginning of year	<u>615,241</u>	<u>615,241</u>	<u>615,241</u>	<u>-</u>
Fund balances, end of year	<u>\$ 615,241</u>	<u>\$ 651,641</u>	<u>\$ 626,288</u>	<u>\$ (25,353)</u>

City of Henderson, Kentucky
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Public Way Improvement (PWI) Fund
For the Fiscal Year Ended June 30, 2009

	<u>Budget</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental	\$ 685,930	\$ 685,930	\$ 734,817	\$ 48,887
Service charges and fees	61,000	61,000	38,929	(22,071)
Investment income	5,070	5,070	1,802	(3,268)
Miscellaneous	-	-	-	-
Total revenues	<u>752,000</u>	<u>752,000</u>	<u>775,548</u>	<u>23,548</u>
EXPENDITURES				
Administration	-	-	-	-
Mass transit	-	-	-	-
Parks and recreation	-	-	-	-
Police	-	-	-	-
Public works	1,343,000	1,391,000	1,275,292	115,708
Capital outlays	-	-	-	-
Total expenditures	<u>1,343,000</u>	<u>1,391,000</u>	<u>1,275,292</u>	<u>115,708</u>
Excess (deficiency) of revenues over expenditures	<u>(591,000)</u>	<u>(639,000)</u>	<u>(499,744)</u>	<u>139,256</u>
OTHER FINANCING SOURCES (USES)				
Transfers in from General Fund	441,000	441,000	475,000	34,000
Loan proceeds	150,000	150,000	-	(150,000)
Total other financing sources (uses)	<u>591,000</u>	<u>591,000</u>	<u>475,000</u>	<u>(116,000)</u>
Net change in fund balances	-	(48,000)	(24,744)	23,256
Fund balances, beginning of year	<u>31,381</u>	<u>31,381</u>	<u>31,381</u>	<u>-</u>
Fund balances, end of year	<u>\$ 31,381</u>	<u>\$ (16,619)</u>	<u>\$ 6,637</u>	<u>\$ 23,256</u>

City of Henderson, Kentucky
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Canoe Creek Fund
For the Fiscal Year Ended June 30, 2009

	<u>Budget</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental	\$ -	\$ -	\$ 67,041	\$ 67,041
Service charges and fees	-	-	-	-
Investment income	5,000	5,000	2,966	(2,034)
Miscellaneous	-	-	-	-
Total revenues	<u>5,000</u>	<u>5,000</u>	<u>70,007</u>	<u>65,007</u>
EXPENDITURES				
Administration	326,870	326,870	185,384	141,486
Mass transit	-	-	-	-
Parks and recreation	-	-	-	-
Police	-	-	-	-
Public works	-	-	-	-
Capital outlays	-	-	-	-
Total expenditures	<u>326,870</u>	<u>326,870</u>	<u>185,384</u>	<u>141,486</u>
Excess (deficiency) of revenues over expenditures	<u>(321,870)</u>	<u>(321,870)</u>	<u>(115,377)</u>	<u>206,493</u>
OTHER FINANCING SOURCES (USES)				
Transfers in from General Fund	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(321,870)	(321,870)	(115,377)	206,493
Fund balances, beginning of year	<u>320,616</u>	<u>320,616</u>	<u>320,616</u>	<u>-</u>
Fund balances, end of year	<u>\$ (1,254)</u>	<u>\$ (1,254)</u>	<u>\$ 205,239</u>	<u>\$ 206,493</u>

City of Henderson, Kentucky
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Henderson Area Rapid Transit (HART) Fund
For the Fiscal Year Ended June 30, 2009

	<u>Budget</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental	\$ 737,580	\$ 737,580	\$ 850,213	\$ 112,633
Service charges and fees	33,000	33,000	35,399	2,399
Investment income	2,420	2,420	840	(1,580)
Miscellaneous	-	-	382	382
Total revenues	<u>773,000</u>	<u>773,000</u>	<u>886,834</u>	<u>113,834</u>
EXPENDITURES				
Administration	-	-	-	-
Mass transit	1,240,500	1,252,500	1,124,891	127,609
Parks and recreation	-	-	-	-
Police	-	-	-	-
Public works	-	-	-	-
Capital outlays	23,500	316,500	284,607	31,893
Total expenditures	<u>1,264,000</u>	<u>1,569,000</u>	<u>1,409,498</u>	<u>159,502</u>
Excess (deficiency) of revenues over expenditures	<u>(491,000)</u>	<u>(796,000)</u>	<u>(522,664)</u>	<u>273,336</u>
OTHER FINANCING SOURCES (USES)				
Transfers in from General Fund	491,000	491,000	491,000	-
Total other financing sources (uses)	<u>491,000</u>	<u>491,000</u>	<u>491,000</u>	<u>-</u>
Net change in fund balances	-	(305,000)	(31,664)	273,336
Fund balances, beginning of year	<u>151,874</u>	<u>151,874</u>	<u>151,874</u>	<u>-</u>
Fund balances, end of year	<u>\$ 151,874</u>	<u>\$ (153,126)</u>	<u>\$ 120,210</u>	<u>\$ 273,336</u>

City of Henderson, Kentucky
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Emergency Communications (911) Fund
For the Fiscal Year Ended June 30, 2009

	<u>Budget</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental	\$ 102,000	\$ 102,000	\$ 73,285	\$ (28,715)
Service charges and fees	525,000	525,000	553,264	28,264
Investment income	2,000	2,000	268	(1,732)
Miscellaneous	-	-	-	-
Total revenues	<u>629,000</u>	<u>629,000</u>	<u>626,817</u>	<u>(2,183)</u>
EXPENDITURES				
Administration	-	-	-	-
Mass transit	-	-	-	-
Parks and recreation	-	-	-	-
Police	934,000	965,000	814,148	150,852
Public works	-	-	-	-
Capital outlays	-	10,000	39,388	(29,388)
Total expenditures	<u>934,000</u>	<u>975,000</u>	<u>853,536</u>	<u>121,464</u>
Excess (deficiency) of revenues over expenditures	<u>(305,000)</u>	<u>(346,000)</u>	<u>(226,719)</u>	<u>119,281</u>
OTHER FINANCING SOURCES (USES)				
Transfers in from General Fund	<u>305,000</u>	<u>305,000</u>	<u>253,000</u>	<u>(52,000)</u>
Total other financing sources (uses)	<u>305,000</u>	<u>305,000</u>	<u>253,000</u>	<u>(52,000)</u>
Net change in fund balances	-	(41,000)	26,281	67,281
Fund balances, beginning of year	<u>18,209</u>	<u>18,209</u>	<u>18,209</u>	<u>-</u>
Fund balances, end of year	<u>\$ 18,209</u>	<u>\$ (22,791)</u>	<u>\$ 44,490</u>	<u>\$ 67,281</u>

City of Henderson, Kentucky
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Community Development Block Grant (CDBG) Fund
For the Fiscal Year Ended June 30, 2009

	<u>Budget</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental	\$ 342,300	\$ 342,300	\$ 177,632	\$ (164,668)
Service charges and fees	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
Total revenues	<u>342,300</u>	<u>342,300</u>	<u>177,632</u>	<u>(164,668)</u>
EXPENDITURES				
Administration	342,300	342,300	177,632	164,668
Mass transit	-	-	-	-
Parks and recreation	-	-	-	-
Police	-	-	-	-
Public works	-	-	-	-
Capital outlays	-	-	-	-
Total expenditures	<u>342,300</u>	<u>342,300</u>	<u>177,632</u>	<u>164,668</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
OTHER FINANCING SOURCES (USES)				
Transfers in from General Fund	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	-	-	-	-
Fund balances, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

City of Henderson, Kentucky
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
HOME Fund
For the Fiscal Year Ended June 30, 2009

	<u>Budget</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental	\$ 264,000	\$ 264,000	\$ -	\$ (264,000)
Service charges and fees	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
Total revenues	<u>264,000</u>	<u>264,000</u>	<u>-</u>	<u>(264,000)</u>
EXPENDITURES				
Administration	264,000	264,000	-	264,000
Mass transit	-	-	-	-
Parks and recreation	-	-	-	-
Police	-	-	-	-
Public works	-	-	-	-
Capital outlays	-	-	-	-
Total expenditures	<u>264,000</u>	<u>264,000</u>	<u>-</u>	<u>264,000</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
OTHER FINANCING SOURCES (USES)				
Transfers in from General Fund	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	-	-	-	-
Fund balances, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

City of Henderson, Kentucky
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Police Investigation Fund
For the Fiscal Year Ended June 30, 2009

	<u>Budget</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental	\$ 11,000	\$ 11,000	\$ 42,760	\$ 31,760
Service charges and fees	-	-	-	-
Investment income	10,000	10,000	504	(9,496)
Miscellaneous	-	-	-	-
Total revenues	<u>21,000</u>	<u>21,000</u>	<u>43,264</u>	<u>22,264</u>
EXPENDITURES				
Administration	-	-	-	-
Mass transit	-	-	-	-
Parks and recreation	-	-	-	-
Police	33,110	33,110	8,700	24,410
Public works	-	-	-	-
Capital outlays	-	-	-	-
Total expenditures	<u>33,110</u>	<u>33,110</u>	<u>8,700</u>	<u>24,410</u>
Excess (deficiency) of revenues over expenditures	<u>(12,110)</u>	<u>(12,110)</u>	<u>34,564</u>	<u>46,674</u>
OTHER FINANCING SOURCES (USES)				
Transfers in from General Fund	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(12,110)	(12,110)	34,564	46,674
Fund balances, beginning of year	<u>19,604</u>	<u>19,604</u>	<u>19,604</u>	<u>-</u>
Fund balances, end of year	<u>\$ 7,494</u>	<u>\$ 7,494</u>	<u>\$ 54,168</u>	<u>\$ 46,674</u>

City of Henderson, Kentucky
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Justice Assistance Grant (JAG) Fund
For the Fiscal Year Ended June 30, 2009

	<u>Budget</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental	\$ 50,000	\$ 50,000	\$ 15,409	\$ (34,591)
Service charges and fees	-	-	-	-
Investment income	3,100	3,100	650	(2,450)
Miscellaneous	-	-	-	-
Total revenues	<u>53,100</u>	<u>53,100</u>	<u>16,059</u>	<u>(37,041)</u>
EXPENDITURES				
Administration	-	-	-	-
Mass transit	-	-	-	-
Parks and recreation	-	-	-	-
Police	-	-	8,330	(8,330)
Public works	-	-	-	-
Capital outlays	157,000	157,000	94,759	62,241
Total expenditures	<u>157,000</u>	<u>157,000</u>	<u>103,089</u>	<u>53,911</u>
Excess (deficiency) of revenues over expenditures	<u>(103,900)</u>	<u>(103,900)</u>	<u>(87,030)</u>	<u>16,870</u>
OTHER FINANCING SOURCES (USES)				
Transfers in from General Fund	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(103,900)	(103,900)	(87,030)	16,870
Fund balances, beginning of year	<u>104,480</u>	<u>104,480</u>	<u>104,480</u>	<u>-</u>
Fund balances, end of year	<u>\$ 580</u>	<u>\$ 580</u>	<u>\$ 17,450</u>	<u>\$ 16,870</u>

City of Henderson, Kentucky
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Debt Service Fund
For the Fiscal Year Ended June 30, 2009

	<u>Budget</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Property taxes	\$ 340,000	\$ 340,000	\$ 389,527	\$ 49,527
Investment income	10,000	10,000	2,139	(7,861)
Total revenues	<u>350,000</u>	<u>350,000</u>	<u>391,666</u>	<u>41,666</u>
EXPENDITURES				
Debt service:	-	-	-	-
Principal	230,000	230,000	230,000	-
Interest	190,000	190,000	212,115	(22,115)
Total expenditures	<u>420,000</u>	<u>420,000</u>	<u>442,115</u>	<u>(22,115)</u>
Excess (deficiency) of revenues over expenditures	<u>(70,000)</u>	<u>(70,000)</u>	<u>(50,449)</u>	<u>19,551</u>
OTHER FINANCING SOURCES (USES)				
Transfers in from General Fund	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(70,000)	(70,000)	(50,449)	19,551
Fund balances, beginning of year	<u>189,964</u>	<u>189,964</u>	<u>189,964</u>	<u>-</u>
Fund balances, end of year	<u>\$ 119,964</u>	<u>\$ 119,964</u>	<u>\$ 139,515</u>	<u>\$ 19,551</u>

City of Henderson, Kentucky
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Capital Projects Fund
For the Fiscal Year Ended June 30, 2009

	<u>Budget</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental	\$ 8,000,000	\$ 8,000,000	\$ -	\$ (8,000,000)
Investment income	50,000	50,000	193	(49,807)
Total revenues	<u>8,050,000</u>	<u>8,050,000</u>	<u>193</u>	<u>(8,049,807)</u>
EXPENDITURES				
Nondepartmental	292,500	292,500	544,234	(251,734)
Capital outlays	16,225,000	16,225,000	625,128	15,599,872
Total expenditures	<u>16,517,500</u>	<u>16,517,500</u>	<u>1,169,362</u>	<u>15,348,138</u>
Excess (deficiency) of revenues over expenditures	<u>(8,467,500)</u>	<u>(8,467,500)</u>	<u>(1,169,169)</u>	<u>7,298,331</u>
OTHER FINANCING SOURCES (USES)				
Transfers in from General Fund	225,000	225,000	-	(225,000)
Loan proceeds	9,292,500	9,292,500	-	(9,292,500)
Total other financing sources (uses)	<u>9,517,500</u>	<u>9,517,500</u>	<u>-</u>	<u>(9,517,500)</u>
Net change in fund balances	1,050,000	1,050,000	(1,169,169)	(2,219,169)
Fund balances, beginning of year	<u>(786,928)</u>	<u>(786,928)</u>	<u>(786,928)</u>	<u>-</u>
Fund balances, end of year	<u>\$ 263,072</u>	<u>\$ 263,072</u>	<u>\$ (1,956,097)</u>	<u>\$ (2,219,169)</u>

STATISTICAL SECTION

Statistical Section

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

<u>Contents</u>	<u>Page</u>
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Financial Trends These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	94
Revenue Capacity These schedules contain information to help the reader assess the City's most significant local revenue sources	100
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.	110
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.	114
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.	116

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year. The City implemented GASB 34 in 2003; schedules presenting government-wide information include information beginning in that 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 1800’s 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 eighth largest city in terms of population. Henderson is 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 120 miles north of Nashville, Tennessee, 120 miles southwest of Louisville, Kentucky and 150 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 covers 17.9 square miles and is 400 feet above sea level.

Industry

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

Churches and Schools

Henderson has over 63 churches representing many major religious denominations.

The county and parochial school systems provide elementary, middle, and secondary school students with a quality education. The school systems also have an excellent student-teacher ratio of 16:1. The school system has eight elementary schools, two junior high schools, one high school, and one special education 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 educational programs as well as providing support to area businesses and industry through special educational workshops tailored to meet the respective businesses' needs.

Medical Facilities

Henderson is fortunate to have an excellent, well staffed, 187 bed Methodist Hospital. The Hospital just recently opened two additions with total construction costs of \$21 million. Four nursing homes are located in the City as well as a state maintained county health department. Serving the medical needs of Henderson citizens are approximately 75 physicians and 15 dentists.

Recreation and 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.

Municipal parks provide for picnicking, golfing, tennis, soccer, swimming, softball, and baseball. For fishermen, several lakes in the area are available, and other water sports may be enjoyed on the Ohio River.

Community activities include music, theatre, and art. Cultural activities play a major role in the lives of Hendersonians. The 1,000 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 and 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 and it is in Henderson where he honed his musical skills. Many of the top names in jazz and blues perform at the event. The celebration is traditionally ended with a dazzling display of fireworks.

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.

The recently expanded Henderson Public Library is one of the finest libraries in the area with well in excess of 112,000 volumes. The library was built in the early 1900’s by a grant provided by Andrew Carnegie.

The 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.

CITY OF HENDERSON
NET ASSETS BY COMPONENT
LAST SEVEN FISCAL YEARS
(accrual basis of accounting)

	Fiscal Year						
	2003	2004	2005	2006 a)	2007	2008	2009
Governmental activities							
Invested in capital assets, net of related debt	\$ 3,056,869	\$ 5,311,939	\$ 5,648,894	\$ 28,992,905	\$ 26,557,865	\$ 26,382,562	\$ 25,443,524
Restricted	528,068	517,312	530,138	541,152	934,268	5,381	778,755
Unrestricted	3,096,082	2,304,101	2,908,310	2,534,369	3,675,129	3,819,538	2,489,572
Total governmental activities net assets	\$ 6,681,019	\$ 8,133,352	\$ 9,087,342	\$ 32,068,426	\$ 31,167,262	\$ 30,207,481	\$ 28,711,851
Business-type activities							
Invested in capital assets, net of related debt	\$ 3,001,891	\$ 2,991,253	\$ 2,901,711	\$ 3,000,351	\$ 2,901,469	\$ 2,971,746	\$ 3,068,422
Unrestricted	9,059,338	8,382,315	7,822,166	6,563,922	5,230,239	3,892,579	3,654,328
Total business-type activities net assets	\$ 12,061,229	\$ 11,373,568	\$ 10,723,877	\$ 9,564,273	\$ 8,131,708	\$ 6,864,325	\$ 6,722,750
Primary government							
Invested in capital assets, net of related debt	\$ 6,058,760	\$ 8,303,192	\$ 8,550,605	\$ 31,993,256	\$ 29,459,334	\$ 29,354,308	\$ 28,511,946
Restricted	528,068	517,312	530,138	541,152	934,268	5,381	778,755
Unrestricted	12,155,420	10,686,416	10,730,476	9,098,291	8,905,368	7,712,117	6,143,900
Total primary government net assets	\$ 18,742,248	\$ 19,506,920	\$ 19,811,219	\$ 41,632,699	\$ 39,298,970	\$ 37,071,806	\$ 35,434,601

a) In fiscal year 2006, the City of Henderson fully implemented GASB 34.

**CITY OF HENDERSON
CHANGES IN NET ASSETS
LAST SEVEN FISCAL YEARS**

(accrual basis of accounting)

	Fiscal Year						
	2003	2004	2005	2006 a)	2007	2008	2009
Expenses							
Governmental activities:							
Administration	\$ 1,367,718	\$ 3,504,510	\$ 2,852,944	\$ 2,347,787	\$ 4,199,901	\$ 4,007,520	\$ 3,645,774
Finance	1,263,040	1,669,625	2,026,423	2,130,334	2,259,418	2,417,412	2,407,749
Mass transit	541,879	1,127,693	954,634	902,655	952,890	1,164,952	1,200,824
Parks and recreation	720,565	1,052,019	1,454,021	1,594,334	1,656,495	1,733,640	1,752,936
Public safety	7,784,506	9,309,616	10,352,496	11,334,251	11,018,065	11,179,873	11,097,829
Public works	2,071,301	2,388,391	3,107,277	4,916,759	5,065,764	4,946,437	5,139,345
Nondepartmental	1,034,076	1,308,577	1,453,683	1,363,796	1,173,052	1,392,650	1,923,248
Interest on long-term debt	235,855	239,639	230,231	220,711	269,917	281,184	297,764
Total governmental activities expenses	15,018,940	20,600,070	22,431,709	24,810,627	26,595,502	27,123,668	27,465,469
Business-type activities:							
Gas	18,501,546	19,159,759	21,517,615	28,993,461	24,583,655	30,026,696	24,380,948
Sanitation	1,622,684	1,960,497	1,997,939	2,375,386	2,388,064	2,361,380	2,568,844
Total business-type activities expenses	20,124,230	21,120,256	23,515,554	31,368,847	26,971,719	32,388,076	26,949,792
Total primary government expenses	\$ 35,143,170	\$ 41,720,326	\$ 45,947,263	\$ 56,179,474	\$ 53,567,221	\$ 59,511,744	\$ 54,415,261
Program Revenues							
Governmental activities:							
Charges for services							
Administration	\$ -	\$ 2,873,618	\$ 1,892,931	1,799,730	1,620,290	1,663,236	1,780,138
Finance	219,297	-	221,444	1,903,007	2,109,001	2,324,014	2,368,766
Mass transit	-	-	34,370	35,091	38,508	45,814	35,781
Parks and recreation	102,335	217,242	306,672	306,829	301,957	310,938	312,951
Public safety	24,400	85,764	413,814	716,936	481,805	761,937	919,361
Public works	242,750	35,484	64,503	466,240	80,196	95,649	111,668
Operating grants and contributions	891,523	964,976	3,322,409	2,262,836	3,056,723	2,616,045	2,366,703
Capital grants and contributions	-	901,449	1,254,164	886,861	105,300	244,931	161,409
Total governmental activities program revenues	1,480,305	5,078,533	7,510,307	8,377,530	7,793,780	8,062,564	8,056,777

**CITY OF HENDERSON
CHANGES IN NET ASSETS
LAST SEVEN FISCAL YEARS**

(accrual basis of accounting)

	Fiscal Year						
	2003	2004	2005	2006 a)	2007	2008	2009
Business-type activities:							
Charges for services							
Gas	\$ 19,685,060	\$ 20,065,081	\$ 22,160,449	\$ 29,861,306	\$ 24,739,734	\$ 29,926,210	\$ 24,699,179
Sanitation	1,563,673	1,594,648	1,589,366	1,488,001	1,586,933	2,107,769	2,393,856
Total business-type activities program revenues	<u>21,248,733</u>	<u>21,659,729</u>	<u>23,749,815</u>	<u>31,349,307</u>	<u>26,326,667</u>	<u>32,033,979</u>	<u>27,093,035</u>
Total primary government program revenues	<u>\$ 22,729,038</u>	<u>\$ 26,738,262</u>	<u>\$ 31,260,122</u>	<u>\$ 39,726,837</u>	<u>\$ 34,120,447</u>	<u>\$ 40,096,543</u>	<u>\$ 35,149,812</u>
Net (Expenses)/Revenue							
Governmental activities	\$ (13,538,635)	\$ (15,521,537)	\$ (14,921,402)	\$ (16,433,097)	\$ (18,801,722)	\$ (19,061,104)	\$ (19,408,692)
Business-type activities	<u>1,124,503</u>	<u>539,473</u>	<u>234,261</u>	<u>(19,540)</u>	<u>(645,052)</u>	<u>(354,097)</u>	<u>143,243</u>
Total primary government net expense	<u>\$ (12,414,132)</u>	<u>\$ (14,982,064)</u>	<u>\$ (14,687,141)</u>	<u>\$ (16,452,637)</u>	<u>\$ (19,446,774)</u>	<u>\$ (19,415,201)</u>	<u>\$ (19,265,449)</u>
General Revenues and Other Changes in Net Assets							
Governmental activities:							
Taxes:							
Payroll and net profits	\$ -	\$ -	\$ -	\$ 1,998,499	\$ 5,141,680	\$ 4,915,111	\$ 4,792,685
Property	3,849,171	3,983,611	4,202,727	4,355,360	4,753,013	5,250,283	5,593,273
Insurance	4,222,241	4,442,749	4,531,904	4,533,359	4,365,717	4,091,311	4,291,149
Other	827,687	837,737	655,649	627,676	624,842	746,004	672,452
Occupational licenses	691,755	682,582	610,539	-	-	-	-
Distributions from component units	3,150,000	3,500,000	3,500,000	1,128,727	1,444,724	1,444,724	1,644,734
Intergovernmental	2,462,025	1,263,360	-	-	-	-	-
Investment earnings	156,722	30,192	185,238	196,815	270,582	253,890	73,489
Miscellaneous	420,966	295,682	789,335	-	-	-	-
Extraordinary item	-	-	-	-	-	-	(554,720)
Transfers	<u>1,444,764</u>	<u>1,937,957</u>	<u>1,400,000</u>	<u>2,400,000</u>	<u>1,300,000</u>	<u>1,400,000</u>	<u>1,400,000</u>
Total governmental activities	<u>17,225,331</u>	<u>16,973,870</u>	<u>15,875,392</u>	<u>15,240,436</u>	<u>17,900,558</u>	<u>18,101,323</u>	<u>17,913,062</u>

**CITY OF HENDERSON
CHANGES IN NET ASSETS
LAST SEVEN FISCAL YEARS**

(accrual basis of accounting)

	Fiscal Year						
	2003	2004	2005	2006 a)	2007	2008	2009
Business-type activities:							
Investment earnings	\$ 798,258	\$ 18,876	\$ 516,048	\$ 157,936	\$ 464,487	\$ 486,714	\$ 160,214
Extraordinary item	-	-	-	-	-	-	954,968
Transfers	(1,444,764)	(1,937,957)	(1,400,000)	(2,400,000)	(1,300,000)	(1,400,000)	(1,400,000)
Total business-type activities	(646,506)	(1,919,081)	(883,952)	(2,242,064)	(835,513)	(913,286)	(284,818)
Total primary government	<u>\$ 16,578,825</u>	<u>\$ 15,054,789</u>	<u>\$ 14,991,440</u>	<u>\$ 12,998,372</u>	<u>\$ 17,065,045</u>	<u>\$ 17,188,037</u>	<u>\$ 17,628,244</u>
Change in Net Assets							
Governmental activities:	\$ 3,686,696	\$ 1,452,333	\$ 953,990	\$ (1,192,661)	\$ (901,164)	\$ (959,781)	\$ (1,495,630)
Business-type activities:	477,997	(1,379,608)	(649,691)	(2,261,604)	(1,480,565)	(1,267,383)	(141,575)
Total primary government	<u>\$ 4,164,693</u>	<u>\$ 72,725</u>	<u>\$ 304,299</u>	<u>\$ (3,454,265)</u>	<u>\$ (2,381,729)</u>	<u>\$ (2,227,164)</u>	<u>\$ (1,637,205)</u>

a) In fiscal year 2006, the City of Henderson fully implemented GASB 34.

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

	Fiscal Year						
	2003	2004	2005	2006 a)	2007	2008	2009
General Fund							
Reserved	\$ 43,626	\$ 30,168	\$ -	\$ -	\$ 850,000	\$ 590,000	\$ 590,000
Unreserved	4,263,230	3,821,230	3,377,314	2,648,312	3,157,175	4,019,711	4,692,077
Total general fund	<u>\$ 4,306,856</u>	<u>\$ 3,851,398</u>	<u>\$ 3,377,314</u>	<u>\$ 2,648,312</u>	<u>\$ 4,007,175</u>	<u>\$ 4,609,711</u>	<u>\$ 5,282,077</u>
All Other Governmental Funds							
Reserved, reported in:							
Permanent funds	\$ 533,023	\$ 517,312	\$ 530,138	\$ 541,152	\$ 567,511	\$ 602,345	\$ -
Capital projects fund	-	-	-	-	261,792	-	-
Debt service fund	-	-	-	-	104,965	189,964	139,515
Special revenue funds	-	-	-	-	-	-	639,240
Unreserved, reported in:							
Capital projects fund	-	-	-	-	-	(786,928)	(1,956,097)
Special revenue funds	455,881	531,591	796,618	678,094	656,430	659,060	435,242
Total all other governmental funds	<u>\$ 988,904</u>	<u>\$ 1,048,903</u>	<u>\$ 1,326,756</u>	<u>\$ 1,219,246</u>	<u>\$ 1,590,698</u>	<u>\$ 664,441</u>	<u>\$ (742,100)</u>

a) In fiscal year 2006, the City of Henderson fully implemented GASB 34.

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

	Fiscal Year						
	2003	2004	2005	2006 a)	2007	2008	2009
Revenues							
Taxes	\$ 8,637,268	\$ 9,005,832	\$ 9,390,280	\$ 11,514,894	\$ 14,885,252	\$ 15,002,709	\$ 15,349,559
Charges for services	678,276	556,876	663,766	990,955	1,026,292	1,242,500	1,349,938
Investment income	156,722	30,192	178,720	175,858	248,288	241,715	69,672
Licenses and permits	691,755	682,582	706,375	194,993	101,080	86,230	73,827
Intergovernmental revenue	3,353,548	4,274,985	4,576,573	4,724,916	4,904,924	4,913,514	4,867,253
Distributions from component units	3,150,000	3,500,000	3,500,000	1,128,727	1,444,724	1,444,724	1,644,734
Other	331,472	375,346	178,587	370,979	268,234	317,790	262,959
Total revenues	16,999,041	18,425,813	19,194,301	19,101,322	22,878,794	23,249,182	23,617,942
Expenditures							
Administration	1,333,218	1,431,563	1,007,131	1,025,138	2,596,582	2,072,530	2,277,438
Finance	1,529,349	1,579,727	1,884,715	1,987,523	2,065,065	2,274,800	2,326,392
Public safety	8,724,046	8,934,903	9,811,606	10,685,174	10,268,009	10,630,489	10,626,785
Public works	2,239,500	2,308,424	2,957,253	3,122,916	3,241,802	3,006,808	3,225,161
Parks & recreation	816,973	895,704	1,326,786	1,424,947	1,473,393	1,526,873	1,555,361
Non-departmental	1,202,440	1,308,577	1,453,683	1,363,796	1,173,052	1,392,650	1,923,248
Mass transit	1,050,334	1,127,693	886,039	860,592	884,040	1,091,239	1,124,891
Capital outlay	1,036,189	3,397,583	1,170,700	2,001,662	3,322,931	2,044,193	1,282,849
Debt service:							
Interest	235,855	239,639	230,231	220,711	269,917	281,184	297,764
Principal	601,534	593,680	300,000	423,755	2,391,669	652,137	557,508
Total expenditures	18,769,438	21,817,493	21,028,144	23,116,214	27,686,460	24,972,903	25,197,397
Excess of revenues over (under) expenditures	(1,770,397)	(3,391,680)	(1,833,843)	(4,014,892)	(4,807,666)	(1,723,721)	(1,579,455)
Other Financing Sources (Uses)							
Transfers in	4,223,051	3,452,761	3,290,783	3,818,766	3,596,374	2,802,811	2,797,000
Transfers out	(2,778,287)	(1,514,805)	(1,890,783)	(1,418,766)	(2,296,374)	(1,402,811)	(1,397,000)
Insurance recovery	-	-	-	328,914	-	-	-
Proceeds from loans	-	800,000	-	325,422	5,237,981	-	-
Other	-	-	-	124,044	-	-	-
Total other financing sources (uses)	1,444,764	2,737,956	1,400,000	3,178,380	6,537,981	1,400,000	1,400,000
Extraordinary item	-	-	-	-	-	-	(554,720)
Net change in fund balances	\$ (325,633)	\$ (653,724)	\$ (433,843)	\$ (836,512)	\$ 1,730,315	\$ (323,721)	\$ (734,175)
Debt service as a percentage of noncapital expenditures	4.7%	4.5%	2.7%	3.1%	10.9%	4.1%	3.6%

a) In fiscal year 2006, the City of Henderson fully implemented GASB 34.

**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	Bank Deposits
2000	\$ 7,110,014	\$ 3,280,617	\$ 3,332,188			\$ 394,132	\$ 103,077
2001	7,571,323	3,440,534	3,683,680			349,931	97,178
2002	7,805,156	3,628,929	3,712,328			359,970	103,929
2003	8,637,268	3,849,171	4,222,241			455,056	110,800
2004	9,005,832	3,983,611	4,442,749			470,138	109,334
2005	9,390,280	4,202,727	4,531,904			548,838	106,811
a) 2006	11,514,894	4,355,360	4,533,359	\$ 1,416,329	\$ 582,169	521,405	106,271
2007	14,885,252	4,753,013	4,365,717	4,172,189	969,491	511,027	113,815
2008	15,002,709	5,250,283	4,091,311	b) 4,192,856	722,255	b) 628,633	117,371
2009	15,349,559	5,593,273	4,291,149	4,017,229	775,456	555,857	116,595

- a) The City of Henderson implemented a 1% payroll/net profits tax in 2005 - 2006. The first payments were received in January 2006.
b) The City of Henderson had several requests for large refunds of insurance premium and net profit taxes.

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

(in thousands of dollars)

<u>Fiscal Year</u>	<u>Real Estate (a)</u>	<u>Personal Property (a)</u>	<u>Bank Deposits (b)</u>	<u>Total</u>
2000	\$ 702,407	\$ 114,865	\$ 420,715	\$ 1,237,987
2001	741,393	122,635	396,647	1,260,675
2002	764,276	129,190	424,202	1,317,668
2003	792,285	111,817	452,246	1,356,348
2004	811,082	117,263	446,261	1,374,606
2005	844,235	115,836	435,962	1,396,033
2006	871,253	118,484	433,758	1,423,495
2007	912,708	109,100	464,553	1,486,361
2008	1,007,360	113,282	479,065	1,599,707
2009	1,051,673	120,011	475,900	1,647,584

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 SIX 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	Estimated Actual Tax Value
2004	\$ 594,270,664	\$ 2,245,720	\$ 265,361,382	\$ 9,785,685	\$ 60,581,405	\$ -	\$ 811,082,046	\$ 0.00413	\$ 3,349,769
2005	620,601,136	2,473,520	272,039,540	9,772,693	60,651,490	-	844,235,399	0.00426	3,596,443
2006	647,525,285	2,660,120	276,198,707	9,374,258	64,505,692	-	871,252,678	0.00427	3,720,249
2007	674,471,421	2,558,520	290,722,270	9,133,994	64,178,212	-	912,707,993	0.00444	4,052,423
2008	725,651,226	2,618,945	338,492,540	8,937,734	68,340,708	-	1,007,359,737	0.00440	4,432,383
2009	752,841,974	2,729,830	356,084,864	8,930,363	68,914,133	-	1,051,672,898	0.00460	4,837,695

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	Estimated Actual Tax Value
2004	\$ 52,752,060	\$ 45,010,218	\$ 14,941,575	\$ 151,318	\$ 29,443	\$ 4,378,296	\$ 117,262,910	\$ 0.00497	\$ 582,797
2005	50,321,823	45,058,181	17,133,371	553,833	29,443	2,738,982	115,835,633	0.00540	625,512
2006	49,849,312	49,057,365	15,398,780	559,614	3,831	3,614,793	118,483,695	0.00536	635,073
2007	51,543,336	41,904,742	11,919,031	195,469	149,888	3,387,361	109,099,827	0.00634	691,693
2008	51,130,945	46,560,846	12,511,973	1,125	-	3,076,904	113,281,793	0.00668	756,722
2009	59,221,937	40,850,867	16,689,747	106,095	-	3,142,261	120,010,907	0.00688	825,675

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. It was not until 2004 that Henderson County provided detail information in the format presented.

Source: Henderson County Property Valuation Administrator

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

Real property: Direct						Overlapping						Total City Resident
Year	Police and Firemen's Pension	Civil Service Pension	Debt	General Fund Operations	City	County Schools	State	County	Library	Health	Extension	
2000	0.0338	-	-	0.3412	0.3750	0.4240	0.1480	0.0910	0.0405	0.0260	0.0160	1.1205
2001	0.0336	-	-	0.3444	0.3780	0.4300	0.1410	0.0920	0.0400	0.0260	0.0160	1.1230
2002	0.0338	-	-	0.3542	0.3880	0.4330	0.1360	0.0940	0.0420	0.0260	0.0160	1.1350
2003	0.0330	-	-	0.3640	0.3970	0.4330	0.1350	0.0940	0.0430	0.0260	0.0160	1.1440
2004	0.0329	0.0101	-	0.3717	0.4147	0.4450	0.1330	0.0980	0.0450	0.0260	0.0170	1.1787
2005	0.0337	0.0086	-	0.3837	0.4260	0.4500	0.1310	0.1010	0.0470	0.0260	0.0180	1.1990
2006	0.0337	0.0086	-	0.3847	0.4270	0.4620	0.1310	0.1060	0.0490	0.0260	0.0190	1.2200
2007	0.0337	0.0116	-	0.3987	0.4440	0.4650	0.1280	0.1110	0.0520	0.0260	0.0200	1.2460
2008	0.0325	0.0185	0.0384	0.3506	0.4400	0.4640	0.1240	0.1150	0.0550	0.0260	0.0210	1.2450
2009	0.0210	0.0210	0.0290	0.3890	0.4600	0.4700	0.1220	0.1180	0.0590	0.0260	0.0220	1.2770

Personal property: Direct						Overlapping						Total City Resident
Year	Police and Firemen's Pension	Civil Service Pension	Debt	General Fund Operations	City	County Schools	State	County	Library	Health	Extension	
2000	0.0359	-	-	0.3610	0.3969	0.4240	0.4500	0.0910	0.0451	0.0260	0.0183	1.4513
2001	0.0353	-	-	0.3617	0.3970	0.4300	0.4500	0.0950	0.0467	0.0260	0.0187	1.4634
2002	0.0347	-	-	0.3643	0.3990	0.4330	0.4500	0.0940	0.0444	0.0260	0.0176	1.4640
2003	0.0406	-	-	0.4484	0.4890	0.4350	0.4500	0.1070	0.0508	0.0260	0.0197	1.5775
2004	0.0396	0.0084	-	0.4473	0.4953	0.4450	0.4500	0.1070	0.0523	0.0260	0.0206	1.5962
2005	0.0337	0.0086	-	0.4977	0.5400	0.4500	0.4500	0.1230	0.0611	0.0260	0.0244	1.6745
2006	0.0337	0.0086	-	0.4937	0.5360	0.4620	0.4500	0.1330	0.0660	0.0260	0.0267	1.6997
2007	0.0337	0.0116	-	0.5887	0.6340	0.4650	0.4500	0.1580	0.0793	0.0260	0.0318	1.8441
2008	0.0325	0.0185	0.0384	0.5786	0.6680	0.4660	0.4500	0.1750	0.0897	0.0260	0.0357	1.9104
2009	0.0210	0.0210	0.0290	0.6170	0.6880	0.4700	0.4500	0.1750	0.0910	0.0260	0.0354	1.9354

Source: Kentucky Department of Revenue

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

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

Real property: Direct		Overlapping						Total City Resident
Year	City	County Schools	State	County	Library	Health	Extension	
2000	0.3750	0.4240	0.1480	0.0910	0.0405	0.0260	0.0160	1.1205
2001	0.3780	0.4300	0.1410	0.0920	0.0400	0.0260	0.0160	1.1230
2002	0.3880	0.4330	0.1360	0.0940	0.0420	0.0260	0.0160	1.1350
2003	0.3970	0.4330	0.1350	0.0940	0.0430	0.0260	0.0160	1.1440
2004	0.4130	0.4450	0.1330	0.0980	0.0450	0.0260	0.0170	1.1770
2005	0.4260	0.4500	0.1310	0.1010	0.0470	0.0260	0.0180	1.1990
2006	0.4270	0.4620	0.1310	0.1060	0.0490	0.0260	0.1900	1.3910
2007	0.4440	0.4650	0.1280	0.1110	0.0520	0.0260	0.0200	1.2460
2008	0.4400	0.4640	0.1240	0.1150	0.0550	0.0260	0.0210	1.2450
2009	0.4600	0.4700	0.1220	0.1180	0.0590	0.0260	0.0220	1.2770

Personal property:

2000	0.3990	0.4240	0.4500	0.0910	0.0451	0.0260	0.0183	1.4534
2001	0.3970	0.4300	0.4500	0.0950	0.0467	0.0260	0.0187	1.4634
2002	0.3990	0.4330	0.4500	0.0940	0.0444	0.0260	0.0176	1.4640
2003	0.4890	0.4350	0.4500	0.1070	0.0508	0.0260	0.0197	1.5775
2004	0.4970	0.4450	0.4500	0.1070	0.0523	0.0260	0.0206	1.5979
2005	0.5400	0.4500	0.4500	0.1230	0.0611	0.0260	0.0244	1.6745
2006	0.5360	0.4620	0.4500	0.1330	0.0660	0.0260	0.0267	1.6997
2007	0.6340	0.4650	0.4500	0.1580	0.0793	0.0260	0.0318	1.8441
2008	0.6680	0.4660	0.4500	0.1750	0.0897	0.0260	0.0357	1.9104
2009	0.6880	0.4700	0.4500	0.1750	0.0910	0.0260	0.0354	1.9354

Source: Kentucky Department of Revenue

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

Company	Type of Tax	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Kentucky Farm Bureau Insurance	Insurance premium tax	\$ 262,380	\$ 281,510	\$ 316,334	\$ 357,838	\$ 392,174	\$ 400,515	\$ 387,260	\$ 399,568	\$ 410,043	\$ 425,793
Commonwealth of Kentucky - Telecom (a)	Franchise tax	-	-	-	-	-	-	-	315,994	316,101	315,991
AT&T Kentucky	911 tax/Franchise fees	59,979	-	194,376	178,376	158,529	203,391	270,679	200,665	240,805	281,721
United Healthcare	Insurance premium tax	-	103,243	109,620	125,144	143,431	145,257	161,039	147,950	197,205	224,861
State Farm Mutual Automobile Insurance	Insurance premium tax	157,919	147,800	167,590	174,765	171,549	172,297	173,236	172,002	161,049	175,243
Progressive Casualty Insurance Company	Insurance premium tax	-	-	-	-	-	-	-	133,516	152,869	150,993
State Farm Fire & Casualty Company	Insurance premium tax	56,800	-	-	-	-	114,262	112,343	114,716	114,810	116,277
The Cincinnati Insurance Company	Insurance premium tax	63,000	93,380	102,201	105,243	102,818	-	113,508	100,644	96,125	115,878
West American Insurance Company	Insurance premium tax	148,543	140,209	113,133	94,068	106,617	116,083	118,402	118,984	120,170	110,157
State Auto National Insurance Company	Insurance premium tax	-	-	-	-	-	-	-	-	-	67,705
Grange Mutual	Insurance premium tax	104,015	106,749	119,129	122,315	134,139	137,350	131,073	122,680	98,266	-
Insight Communications (a)	Franchise tax	214,344	171,884	210,971	273,480	285,073	320,312	204,182	-	-	-
Midland National Life Insurance Company	Insurance premium tax	-	-	-	-	-	-	199,991	-	-	-
West Coast Life Insurance Company	Insurance premium tax	-	-	-	-	-	200,573	-	-	-	-
HCC Life Insurance Company	Insurance premium tax	-	-	-	-	-	117,644	-	-	-	-
Progressive Northern Insurance Co.	Insurance premium tax	-	-	-	-	109,319	-	-	-	-	-
Allstate Insurance Company	Insurance premium tax	80,128	93,516	-	-	108,017	-	-	-	-	-
Aetna Life Insurance	Insurance premium tax	136,344	-	150,524	184,959	-	-	-	-	-	-
St. Paul Fire & Marine Insurance Co.	Insurance premium tax	-	-	96,961	94,438	-	-	-	-	-	-
Jefferson Pilot	Insurance premium tax	-	137,037	-	-	-	-	-	-	-	-
American Premier Insurance Co.	Insurance premium tax	-	75,369	-	-	-	-	-	-	-	-

a) Starting in July 2006, the Commonwealth of Kentucky mandated per House Bill 272 that all revenue from multichannel video programming service providers and an array of communications services providers, including telephone services, be sent to the State and then distributed to local governments based on an elaborate formula.

**CITY OF HENDERSON , KENTUCKY
PROPERTY TAX LEVIES AND COLLECTIONS
LAST FIVE FISCAL YEARS**

Year	Total Tax Levy for Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in subsequent years (a)	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2005	\$ 4,173,563	\$ 4,122,781	98.8%	\$ 39,498	\$ 4,162,279	99.7%
2006	4,302,094	4,247,636	98.7%	40,065	4,287,701	99.7%
2007	4,704,194	4,647,361	98.8%	38,318	4,685,679	99.6%
2008	5,137,044	5,064,159	98.6%	41,530	5,105,689	99.4%
2009	5,599,923	5,491,093	98.1%	26,619	5,517,712	98.5%

Note: The City installed a new property tax software in fiscal year 2005. Information prior to 2005 is not available in this format.

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

Type of Customer	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Residential	721,939	819,056	655,179	700,265	708,087	611,354	613,872	513,033	558,863	622,342
Commercial	479,601	329,985	300,997	330,446	338,998	337,788	341,802	319,357	331,896	371,493
Industrial	2,088,349	2,127,007	1,952,279	2,031,564	1,690,014	1,844,269	1,579,765	1,807,274	1,881,901	2,147,867 d)
Municipal	-	-	-	-	-	-	-	-	6,428 a)	7,875
Total Sold	3,289,889	3,276,048	2,908,455	3,062,275	2,737,099	2,793,411	2,535,439	2,639,664	2,779,088	3,149,577
Delivered only	-	19,428	234,330	314,481	356,232	399,848	360,747	358,538	331,305	- d)
Pipeline distribution use (net of losses)	-	-	-	17,422	(2,302) b)	1,352	1,037	1,926	3,647 c)	1,733
Total Disposition	3,289,889	3,295,476	3,142,785	3,394,178	3,091,029	3,194,611	2,897,223	3,000,128	3,114,040	3,151,310

a) Prior to 2007, Municipal consumption was included in Commercial.

b) The department reported a loss from leaks, migration, damage and/or accidents to State of 2,780.

c) The department reported a loss from leaks, migration, damage and/or accidents to State of 2,634.

d) A transport customer is now a sales service customer and now reflected in industrial.

Source: Gas Department

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

<u>Type of Customer</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Residential	\$ 4,499	\$ 6,322	\$ 6,355	\$ 5,063	\$ 6,595	\$ 6,028	\$ 8,064	\$ 6,421	\$ 6,594	\$ 7,715
Commercial	1,672	2,363	2,898	2,248	2,972	3,023	4,120	3,899	3,671	4,542
Industrial	6,683	9,964	12,820	10,105	10,913	12,704	16,702	16,612	15,147	22,049
Total Sold	\$ 12,854	\$ 18,649	\$ 22,073	\$ 17,416	\$ 20,480	\$ 21,755	\$ 28,886	\$ 26,932	\$ 25,413	\$ 34,306 a)

a) During 2008, the energy market experienced unusually high prices.

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

Source: Gas Department

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

Fiscal Year	Monthly Base Rate	Rate per 1,000 cubic feet
2000	\$ 4.00	\$ 2.00 a)
2001	4.50	1.85
2002	4.50	1.85
2003	4.50	1.85
2004	4.50	1.85
2005	4.50	1.85
2006	4.50	1.85
2007	4.50	1.85
2008	4.50	1.85
2009	b) 12.00	2.25

Source: Gas department

a) Estimated, the rate would vary based on the needs of the Utility. A new rate was established by ordinance 26-2000 passed in September 2000.

b) On May 12, 2009 the City increased the monthly base rate and the rate per 1,000 cubic feet.

Note: The City Commission can, and has on certain occasions, changed the rate due to high gas rates or cold weather.

CITY OF HENDERSON
DIRECT and OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
As of JUNE 30, 2009

Governmental Unit	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable (a)</u>	<u>Estimated Share of Overlapping Debt</u>
Debt repaid with property taxes			
Henderson County Schools (c)	\$ 17,419,508	69.20% (b)	\$ 12,054,300
Henderson County (d)			
Henderson County Public Properties Corp.	7,910,000	69.20% (b)	<u>5,473,720</u>
Subtotal, overlapping debt			\$ 17,528,020
City direct debt			<u>4,775,000</u>
Total direct and overlapping debt			<u><u>\$ 22,303,020</u></u>

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

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

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

Water and Sewer Revenue Bonds								Electric Revenue Bonds							
Fiscal Year	Utility Operating Revenues	Less: Operating Expenses	Net Available Revenue	Debt Service Requirements			Coverage	Operating Revenues	Operating Expenses	Net Available Revenue	Debt Service Requirements			Coverage	Fiscal Year
				Principal	Interest	Total					Principal	Interest	Total		
2000	\$ 9,904	\$ 6,621	\$ 3,283	\$ 423	\$ 752	\$ 1,175	2.79	\$ 38,288	\$ 29,623	\$ 8,665	\$ 4,715	\$ 1,172	\$ 5,887	1.47	2000
2001	9,841	6,883	2,958	491	701	1,192	2.48	37,480	29,239	8,241	4,985	859	5,844	1.41	2001
2002	10,592	7,319	3,273	395	691	1,086	3.01	30,979	27,847	3,132	5,950	429	6,379	0.49	2002
2003	10,933	6,997	3,936	516	672	1,188	3.31	37,713	33,528	4,185	5,590	188	5,778	0.72	2003
2004	11,378	8,247	3,131	522	632	1,154	2.71	39,163	36,559	2,604	-	-	-	N/A	2004
2005	11,617	8,896	2,721	568	549	1,117	2.44	40,141	36,584	3,557	-	-	-	N/A	2005
2006	13,250	9,132	4,118	537	555	1,092	3.77	48,499	45,707	2,792	-	-	-	N/A	2006
2007	14,657	9,946	4,711	546	528	1,074	4.39	42,978	38,097	4,881	-	-	-	N/A	2007
2008	14,723	10,416	4,307	700	500	1,200	3.59	56,938	52,500	4,438	-	-	-	N/A	2008
2009	14,688	10,604	4,084	739	651	1,390	2.94	56,575	50,788	5,787	-	-	-	N/A	2009

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		Percentage of Actual Taxable Value of Property	Population	Per Capita	Other Governmental Activities Debt		Business-Type Activities	Total Primary Government ^{f)}		Per Capita Income	Percentage of Personal Income
	General Obligation Bonds	Actual Taxable Value of Property				Bond Anticipation Note	Capital Leases	Capital Leases	Per Capita			
2000	-	\$ 1,237,987,000	0.00%	27,396	N/A		\$4,210,806 ^{a)}	\$ 300,220	\$ 4,511,026	\$ 165	\$ 23,680	0.70%
2001	-	1,260,675,000	0.00%	27,407	N/A		5,715,475 ^{b)}	254,187	5,969,662	218	24,142	0.90%
2002	-	1,317,668,000	0.00%	27,447	N/A		5,202,286	206,621	5,408,907	197	25,401	0.78%
2003	-	1,356,348,000	0.00%	27,502	N/A		4,648,680	157,474	4,806,154	175	25,401	0.69%
2004	-	1,374,606,000	0.00%	27,542	N/A		4,855,000 ^{c)}	106,690	4,961,690	180	25,356	0.71%
2005	-	1,396,033,000	0.00%	27,666	N/A		4,555,000	54,218	4,609,218	167	26,232	0.64%
2006	-	1,423,495,000	0.00%	27,666	N/A		4,534,667	-	4,534,667	164	26,232	0.62%
2007	\$ 5,230,000	1,486,361,000	0.35%	27,768	\$ 188		2,277,948	-	7,507,948 ^{d)}	270	26,232	1.03%
2008	5,005,000	1,599,707,000	0.31%	27,768	\$ 180		1,850,811	-	6,855,811	247	28,259	0.87%
2009	4,775,000	1,647,584,000	0.29%	27,933	\$ 171	1,583,737 ^{e)}	1,523,303	-	7,882,040	282	29,434	0.96%

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

- a) In addition to \$1.935 million in capital leases, the City issued \$2.275 million of new leases in 2000.
- b) In addition to \$3.59 million in capital leases, the City issued \$2.125 million of new leases in 2001.
- c) In addition to \$4.06 million in capital leases, the City issued \$800,000 of new leases in 2004.
- d) In addition to \$2.3 million in capital leases, the City issued \$5.23 million in general obligation bonds in 2007.
- e) In 2009, the City drew down \$1.6 million of a \$4.0 million bond anticipation note.
- f) Includes general bonded debt, other governmental activities debt, and business-type activities debt.

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

Company	Fiscal Year									
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
General Bonded										
General bonded debt outstanding	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,230	\$ 5,005	\$ 4,775
Other bonded debt	-	-	-	-	-	-	-	-	-	-
Total	-	-	-	-	-	-	-	5,230	5,005	4,775
Estimated actual property value	1,237,987	1,260,675	1,317,668	1,356,348	1,374,606	1,396,033	1,423,495	1,486,361	1,599,707	1,647,584
Percentage of estimated actual property value	0%	0%	0%	0%	0%	0%	0%	0.35%	0.31%	0.29%
Population	27,396	27,407	27,447	27,502	27,542	27,666	27,666	27,768	27,768	27,933
Per capita	-	-	-	-	-	-	-	\$ 188	\$ 180	\$ 171
Less: Amounts set aside to repay general debt	-	-	-	-	-	-	-	-	-	-
Total net debt applicable to debt limit	-	-	-	-	-	-	-	5,230	5,005	4,775
Debt Limit	\$ 139,667	\$ 146,443	\$ 152,450	\$ 156,615	\$ 160,516	\$ 162,989	\$ 169,295	\$ 175,497	\$ 187,364	\$ 194,846
Total net debt applicable to limit	5,199	5,716	5,202	4,649	4,855	4,555	4,535	7,508	6,856	7,882
Legal Debt Limit a)	134,468	140,727	147,248	151,966	155,661	158,434	164,760	167,989	180,508	186,964
Legal Debt Margin b)	\$ 134,468	\$ 140,727	\$ 147,248	\$ 151,966	\$ 155,661	\$ 158,434	\$ 164,760	\$ 162,759	\$ 175,503	\$ 182,189
Legal debt margin as a percentage of the debt limit	100%	100%	100%	100%	100%	100%	100%	96.9%	97.2%	97.4%

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.

b) - The legal debt margin is the City's available borrowing authority under state finance statutes and is calculated by subtracting the net debt applicable to the legal debt limit from the legal debt limit.

**CITY OF HENDERSON, KENTUCKY
DEMOGRAPHIC STATISTICS
LAST TEN FISCAL YEARS**

Fiscal Year	(a) Population	(b) Personal Income (thousands of dollars)	(b) Per Capita Income	(d) Median Age	(c) School Enrollment	(b) Unemployment Rate
2000	27,396	\$ 648,737	\$ 23,680	*	7,555	3.6%
2001	27,407	661,660	24,142	36.7	7,277	5.4%
2002	27,447	697,181	25,401	36.7	6,827	5.2%
2003	27,502	698,578	25,401	36.7	6,818	6.0%
2004	27,542	698,355	25,356	37.0	6,638	4.4%
2005	27,666	725,735	26,232	37.0	6,767	5.5%
2006	27,666	725,735	26,232	37.0	6,861	5.3%
2007	27,768	728,410	26,232	37.0	6,858	4.8%
2008	27,768	784,696	28,259	37.0	6,893	5.3%
2009	27,933	822,180	29,434	36.5	6,876	11.0%

*- Statistical data not available

Sources:

- a) - Population Division, U.S. Census Bureau
- b) - Workforce Kentucky
- c) - Henderson County Board of Education
- d) - U.S. Census Bureau

**CITY OF HENDERSON, KENTUCKY
PRINCIPAL EMPLOYERS
LAST FOUR FISCAL YEARS**

Employer	2006 (a)			2007			2008			2009		
	Rank	Payroll Tax	Percentage of Total Payroll Tax	Rank	Payroll Tax	Percentage of Total Payroll Tax	Rank	Payroll Tax	Percentage of Total Payroll Tax	Rank	Payroll Tax	Percentage of Total Payroll Tax
Methodist Hospital	1	\$ 164,393	11.61%	1	\$ 406,693	9.75%	1	\$ 433,727	10.34%	1	\$ 468,120	11.65%
Henderson County Schools	3	121,608	8.59%	2	278,054	6.66%	2	297,595	7.10%	2	306,117	7.62%
Dana	2	111,294	7.86%	3	275,966	6.61%	3	249,417	5.95%	3	171,968	4.28%
Gibbs	4	83,475	5.89%	4	201,997	4.84%	4	167,912	4.00%	4	152,176	3.79%
City of Henderson	5	47,119	3.33%	5	115,414	2.77%	5	118,877	2.84%	5	124,433	3.10%
Big Rivers	8	26,063	1.84%	8	66,309	1.59%	6	76,604	1.83%	6	84,017	2.09%
Wal-Mart	18	-	0.00%	11	-	0.00%	8	70,954	1.69%	7	79,145	1.97%
Redbanks	13	-	0.00%	9	63,355	1.52%	10	64,275	1.53%	8	69,684	1.73%
State of Kentucky	17	-	0.00%	14	-	0.00%	12	-	0.00%	9	64,760	1.61%
Henderson Community College	9	23,867	1.69%	10	61,073	1.46%	9	65,096	1.55%	10	64,076	1.60%
Sunspring America	6	44,200	3.12%	6	100,056	2.40%	7	75,034	1.79%	13	-	0.00%
Vincent Plastics	7	24,779	1.75%	7	71,215	1.71%	11	-	0.00%	14	-	0.00%
Spartan Staffing	10	22,830	1.61%	22	-	0.00%	15	-	0.00%	24	-	0.00%
Total		\$ 669,628	47.28%		\$ 1,640,132	39.31%		\$ 1,619,491	38.63%		\$ 1,584,496	39.44%

Note:

All businesses within the City are required to withhold a 1% payroll tax from all employees. The City of Henderson implemented the 1% payroll tax in fiscal 2006. Information prior to fiscal 2006 is not available in this format.

(a) The data is based on receipts from January through June 2006.

Source: City of Henderson Occupational License Office

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

Function / Program	Fiscal Year									
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
General Government										
Administration	13.00	13.00	14.00	15.00	15.00	15.00	12.00 b	11.00	22.00 d	22.00
Finance	31.00	31.00	30.00	31.00	31.00	31.00	31.00	33.00 c	32.00	32.00
Police										
Officers	57.50	57.50	57.50	57.50	57.50	57.50	57.80	57.80	57.80	57.55
Civilians	8.00	8.00	8.00	8.00	8.00	8.00	8.00	8.00	8.00	8.00
9-1-1 Communications	11.50	11.50	13.50	13.50	14.50	14.50	14.20	15.20	15.20	15.45
Fire										
Firefighters	58.00	58.00	58.00	58.00	58.00	58.00	58.00	58.00	58.00	58.00
Civilians	6.00	6.00	6.00	7.00	7.00	7.00	9.00 b	9.00	2.00 d	2.00
Parks and Recreation	13.00	13.00	13.00	14.00 a	14.00	14.00	14.00	14.00	13.00	13.00
Mass Transit	12.00	12.00	11.00	12.00	12.00	12.00	12.00	12.00	13.00	14.00
Gas System	29.00	29.00	29.00	29.00	30.00	30.00	30.00	27.00	28.00	28.00
Sanitation	21.25	21.25	22.25	20.75	18.50	18.50	18.50	18.50	18.50	18.50
Cemetery	4.00	4.00	4.00	5.00	4.00	4.00	4.00	4.00	4.00	4.00
Public Way Improvement	35.75	37.75	37.75	37.25	37.50	37.50	37.50	37.50	35.50 d	35.50
TOTAL	300.00	302.00	304.00	308.00	307.00	307.00	306.00	305.00	307.00	308.00

Source: Applicable Departments

- a) The City has added additional parks and recreational employees as the number of facilities increased.
- b) The City moved Community Development from Administration to Fire.
- c) With the passage of the new payroll/net profits tax, the City added a tax collector and moved the Switchboard from Administration
- d) The City moved Codes, Community Development, and Engineering to Administration and added an Assistant City Manager with Administrative Secretary.

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

Function / Program	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Public Way Improvement										
Miles of streets paved	110	111	111	111	111	111	113	113	113	113
Miles of sidewalks	72	73	73	73	73	73	73	73	73	73
Wastewater System										
Miles of sanitary sewers	151	151	151	151	151	206	185	205	205	203
Miles of storm sewers	136	136	136	136	136	136	136	136	136	136
Number of service connections	10,186	10,186	10,054	10,136	10,136	11,156	11,156	10,792	10,793	10,782
Maximum daily capacity of treatment in 1,000 gallons	19,000	19,000	19,000	19,000	19,000	19,000	19,000	19,000	19,000	19,000
Water System										
Miles of water mains	202	202	202	203	203	223	206	219	222	224
Number of service connections	10,807	10,807	10,566	10,649	10,649	11,156	11,156	10,792	10,793	10,782
Number of fire hydrants	986	1,082	1,082	1,087	1,087	939	939	988	1,007	1,020
Maximum daily capacity of plant in 1,000 gallons	16,000	16,000	16,000	16,000	16,000	16,000	16,000	16,000	16,000	16,000
Electric System										
Miles of transmission and primary distribution	195	206	206	206	206	206	208	208	208	208
Number of distribution stations	7	7	7	7	7	7	7	7	7	7
Gas System										
Miles of mains	215	216	216	216	234	236	241	243	244	245
Miles of service lines	*	*	*	*	128	129	129	129	129	129
Number of meters	10,108	10,158	10,158	10,158	10,150	10,095	10,030	10,008	10,000	9,652
Parks and Recreation										
Park acreage	205	205	205	205	210	210	210	210	210	210
Swimming pools	1	1	1	1	1	1	1	1	1	1
Tennis courts	14	14	14	14	14	14	14	14	14	14
Baseball fields	16	16	16	16	16	16	17	17	16	16
Golf courses	1	1	1	1	1	1	1	1	1	1
Soccer fields	4	4	4	4	4	4	4	4	4	4
Walking trails	1	2	2	2	2	2	2	2	2	2
Disc golf holes (b)	-	-	-	-	-	-	-	-	-	9

Source: Applicable Departments

(b) The City added disc golf in fiscal 2009

* - Data not available

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

Function / Program	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Police										
Physical arrests	6,546	5,121	6,195	4,096	5,776	3,827	3,696	3,759	3,793	3,519
Traffic violations	5,307	8,200	5,539	5,304	3,932	2,166	3,086	2,697	2,073	1,458
Parking violations	8,836	7,520	4,692	3,754	5,870	5,746	5,195	3,867	4,492	4,387
Calls for service	33,610	34,548	32,288	29,301	29,179	24,525	25,987	23,600	22,335	17,658
Fire										
Number of calls answered	1,670	1,862	1,715	1,642	1,753	1,964	1,831	1,995	1,938	2,142
Number of inspections performed	441	262	235	109	18	604	709	1,238	1,210	781
Mass Transit										
Number of routes	*	*	*	*	*	*	*	5	5	5
Fixed Route Passengers	*	*	*	*	*	*	*	101,683	108,817	121,058
Para transit Passengers	*	*	*	*	*	*	*	16,653	17,529	17,298
Wheelchair Usage	*	*	*	*	*	*	*	6,728	4,900	4,758
Miles of Service	*	*	*	*	*	*	*	202,885	216,852	222,297
Wastewater System										
Average daily treatment in 1,000 gallons	9,200	9,200	10,700	9,800	9,800	9,800	8,800	10,185	9,970	9,648
Water System										
Average daily consumption in 1,000 gallons	9,600	11,500	11,250	11,836	11,836	11,836	10,500	10,469	8,316	8,034

Source: Applicable Departments

* - Data not available

Case No. 2019-00269
Attachment 1 to BREC 1-31
Pages 128



CITY OF HENDERSON, KENTUCKY



COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2010



Betty Smithhart, Photographer

CITY OF HENDERSON, KENTUCKY
COMPREHENSIVE ANNUAL FINANCIAL
REPORT

For the Fiscal Year Ended June 30, 2010



Prepared by the City of Henderson
Finance Department

**CITY OF HENDERSON, KENTUCKY
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 For the Fiscal Year Ended June 30, 2010**

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INTRODUCTORY SECTION



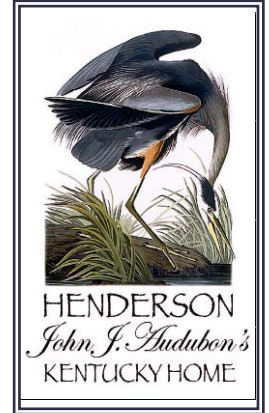
Thomas E. Davis, Mayor

Commissioners:
William M. Farmer
Robert M. Mills
Robert N. Pruitt
James A. White, Jr.

The City of Henderson

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

Russell R. Sights, City Manager
William L. Newman, Jr., Assistant City
Manager
Joseph E. Ternes, Jr., City Attorney
Carolyn Williams, City Clerk



December 14, 2010

Honorable Mayor,
City Commissioners, and
Citizens of the City of Henderson, Kentucky

We present to you the Comprehensive Annual Financial Report of the City of Henderson for the fiscal year ended June 30, 2010. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the management of the City of Henderson. To the best of our knowledge and belief, the enclosed report is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the City. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

FORMAT

The Comprehensive Annual Financial Report is presented in three sections: Introductory, Financial, and Statistical. The Introductory Section includes this transmittal letter, the City's organizational chart, and a list of principal officials. The Financial Section includes the independent auditors' report, management's discussion and analysis, basic financial statements, and required supplementary information. The Statistical Section includes selected unaudited financial and demographic information, which is generally presented on a multiyear basis.



LEGAL REQUIREMENTS

This report has been prepared pursuant to, and in compliance with, the statutes of the Commonwealth of Kentucky, which require an annual audit of books of account, financial records, and transactions of the City. In addition to meeting the requirements set forth by state statute, the audit is intended to meet the requirements of the federal Single Audit Act and related *OMB Circular A-133*. The independent auditors' report on the basic financial statements is included in the financial section of this report. The independent auditors' report related specifically to the Single Audit Act is published separately. Those wishing to receive the Single Audit Act Report should direct their request to the City's Finance Director. Generally accepted accounting principles require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The City's MD&A can be found immediately following the report of the independent auditors.

As demonstrated by the statements and schedules included in this report, the City continues to fulfill its responsibility for providing sound financial reporting.

REPORTING ENTITY

The City provides a wide range of municipal services and includes, for financial reporting purposes, all entities involved in the provision of these services and for which, in the opinion of the City, the City is financially accountable. The City is financially accountable for legally separate organizations if City officials appoint a voting majority of an organization's governing body, and the City is either able to impose its will on that organization, or there is potential for the organization to provide specific financial benefits to, or to impose financial burdens on, the City.

The City has performed a comprehensive evaluation of its financial reporting entity in accordance with Governmental Accounting Standards Board Statement No. 14, *The Financial Reporting Entity*, and based on the foregoing criteria, has included the following separate organizations as discretely presented component units within the City's basic financial statements.

Henderson Municipal Power and Light (HMPL)
Henderson Water Utility (HWU)

The City 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.

ACCOUNTING SYSTEM

The Finance Department is responsible for providing to the City all financial services, including accounting and reporting, accounts payable, risk management, cash and investment management, debt management, budgeting, and purchasing.

INTERNAL CONTROLS

The City's management is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the City are protected from loss, theft, or misuse, and to ensure that adequate accounting information is compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefit likely to be derived, and the valuation of costs and benefits requires estimates and judgments by management.

As a recipient of federal and state financial assistance, the City also is responsible for ensuring that an adequate internal control structure is in place to ensure compliance with applicable laws and regulations related to those programs. This internal control structure is subject to periodic evaluation by the management of the City and by the City's auditors.

As a part of the City's audit, tests were made to determine the adequacy of the internal control structure as well as to determine that the City has complied with applicable laws and regulations. The results of the City's audit for the fiscal year ended June 30, 2010, disclosed no instances of material weaknesses in the internal control structure or significant violations of applicable laws and regulations.

BUDGETARY CONTROLS

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. 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.

ECONOMIC CONDITION AND OUTLOOK

Despite a global recession with high unemployment, depressed property values, and an increase in demands on social programs, the City of Henderson continues to maintain a positive economic outlook. By utilizing cash reserves, the city has been able to maintain service levels without any tax increases.

General Fund reserves increased from approximately \$5.28 million at June 30, 2009 to \$7.03 million at June 30, 2010. The reserves consisted of cash, investments, receivables, and \$590,000 of land held for resale on Starlite Drive. The \$1,746,594 increase in General Fund reserves was primarily the result of reallocating property taxes and lower personnel costs and transfers to other funds. Contrary to past years where the property taxes were divided with the Police & Fire Pension, Civil Service Pension, and Bond Fund, all of the property tax revenue was placed in the General Fund. It is estimated that this action increased the revenue in the General Fund by \$950,000. The General Fund will have a cash and investment balance entering the fiscal year equal to 3.9 months operating expense and transfers to other funds. The Gas Fund's cash and investment balance will be equal to 2.6 months operating expense. The City has reached its goal of establishing a balance of cash and investments equal to 3 months worth of operating expense in General Fund and is working to meet that same goal in the Gas Fund.

The City continues to play an active role in the Public Energy Authority of Kentucky (PEAK); a group the City co-founded in the 1990's. The 1998 pre-pay deal concluded in January 2009. The Gas Fund received nearly \$831,000 in residual revenue from the pre-pay venture. As a result of the annual consumption during the fiscal year, \$85,014 was returned to Henderson.

For fiscal years 2004 through 2009, the Gas Fund had losses on average of \$632,000. For fiscal 2010, there was a gain of \$75,138. On May 12, 2009, the Henderson Board of Commissioners increased the monthly base rates from \$4.50 to \$12.00 and the rate per 1,000 cubic feet of natural gas from \$1.85 to \$2.25. The rate increase will help reduce the amount of reserves used by the Gas Fund to meet operations. Staff is currently evaluating other ways to remain competitive.

Staff strongly recommends that once all funds have been stabilized, the City consider "cost of living adjustments" in rates periodically to avoid large and excessive increases in the future. Stagnant revenues with increasing costs of providing services is a recipe for disaster that can be avoided (or at least mostly offset) by smaller, incremental increases that do not have significant effects on taxpayers abilities to keep up.

From fiscal 1998 through 2005, the City experienced a significant increase in health costs with claims increasing from \$2,474,930 in fiscal 1998 to \$5,121,768 in fiscal 2005. The 107 percent increase over the seven years equates to a compounded annual increase in costs of nearly 11 percent. In December 2005, the City Commission adopted significant modifications to the City's health plan to help control the increasing cost of medical coverage. In addition to higher deductibles, office co-payments, and prescription drug co-payments, the program incorporated a "consumerism" aspect called Health Reimbursement Arrangement (HRA). These HRA accounts reimburse employees for health insurance plan deductible and co-insurance expenses up to the amount in an individual participant's account balance. Every year, the HRA Plan will credit each employee in the amount of \$250 for a single participant and \$500 for a family coverage participant in the health insurance plan. At the end of a plan year, any unused benefits in an HRA Plan account will be carried forward for use in the subsequent year.

The changes appear to have had a positive effect on the fund with the City's medical care costs at or below national averages. From fiscal 2006 to fiscal 2009, the cost of health insurance increased by \$24,229 or 0.6% or an annualized increase of \$6,057 or 0.015%.

However, for fiscal 2010, the City spent \$6,403,384 on health claims which equates to a 49.4% increase from the \$4,285,935 spent in 2009. There were several large claims that were applied against the City's stop loss policy. Although it is expected that future health insurance costs will be lower than the levels seen in fiscal 2010, it is not expected that they will be less than \$6,000,000. Management will continue to monitor and evaluate the plan to balance the City's goal of providing an excellent benefit with its ability to provide funding.

From a capital projects aspect, 2010 was a very busy year on the planning end with 2011 expected to be a very busy year on the construction end. Some projects and improvements of note include:

Riverfront Development:

The City has submitted to the State a proposed budget for the expenditure of \$8.6 million in riverfront development funds. Among the projects scheduled in the first phase is the extension of the existing River walk from Red Banks Park to 12th Street; a contribution to Henderson Water Utility for improvements to its downtown infrastructure; major improvements to the riverfront tennis complex; and riverbank stabilization.

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 is nearing its completion. The Board is also engaged in a "modeling" project that will allow future ideas to be tested using advanced software to see what potential benefit these ideas might generate.

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 will be administered by the Flood Mitigation Board and engineering and designing have already begun.

In August 2008, the City of Henderson and Henderson County signed a new inter-local agreement for the disposal of solid waste. The agreement provides for all Henderson County residents to use the transfer station and the construction demolition and debris landfill free of charge for permitted waste. The agreement also provides that the County make an annual lump sum payment as its financial obligation to the City for County residents using these services and to supplement the City's curbside recycling program. The term of the agreement is for an initial period of five years beginning July 1, 2008 and ending June 30, 2013, with four five year automatic renewal options.

Capital Building Projects:

The City is in the initial planning stages for the relocation and construction of Fire Station #4. Vectren Corp. will purchase the current property within the next 18 months for installation of a 345,000-volt electrical transmission line. The City plans to find a more suitable location that still provides fire protection coverage for the industrial area while increasing coverage for residential property in the southwest area of the community.

In fiscal 2009, the City completed construction of a 220 crypt garden mausoleum. The mausoleum complements the existing structures and setting. Since its opening last year, there have already been 3 double and 8 single crypts sold and its construction has generated increased interest in the remaining crypts in the older mausoleums.

When purchasing the land for the new Starlite Station, the City purchased the entire 8.5 acre parcel so that it could control the disposition and development of additional acreage and assure compatible uses for the land in consideration of neighborhood concerns. The City has sold one of the three parcels of land and anticipates disposing of the other parcels in the future.

Downtown Infrastructure Rehabilitation:

Henderson Water Utility (HWU) has embarked on a massive \$38 million water, sanitary sewer, and stormwater project that will include additions and improvements in the system in the downtown area. It is a multi-year, multi-phase project that encompasses a sixteen block area that will replace infrastructure that in some cases is 130 years old. The work zone will extend from the Ohio River east to Ingram Street and from Washington Street north to Fourth Street. One of the goals of this project is to separate the combined sanitary sewer and stormwater system into two individual systems to meet an Environmental Protection Agency's consent agreement.

The initial construction began on July 1, 2010 with a \$7.3 million phase of installing new water mains and sanitary sewer lines. The next phase will install a "reverse sock" which will convert the existing sewer lines into stormwater use only. The final project is expected to finish in the fall of 2017.

Henderson Municipal Power and Light (HMPL) utility is also improving its infrastructure in the downtown area. In February 2009, the utility started the rebuild of Substation One which included the replacement of the existing static wire, insulators, conductors, and approximately 20 poles. Replacing the current conductor with a larger one will allow HMPL to increase the capacity of the sub-tie line thereby improving system reliability for customers.

After the recent improvements to the exterior of the Henderson Area Rapid Transit (HART) garage, the City, with funds provided by the America Recovery and Reinvestment Act, completed other improvements. The grant allowed HART to purchase a new hydraulic lift for the mechanics and purchase a diesel generator for use during power outages. The garage floor was recoated and paint was applied to the interior of the building and to the exterior perimeter fence. A new break room and partition walls were added.

External Economic Development:

From a residential growth perspective, a new development on US 60 East consisting of nearly 161 acres could eventually add approximately 400 home lots. This, in combination with other developments could add nearly 500 residential units to the City's base. However, with the current housing situation, the development could be delayed until the economy improves.

During fiscal 2010, the City successfully completed a sixth year of the World Changers program, in conjunction with the North American Mission Board, which provided renovations to 26 homes in the community. Also, the City successfully secured grant funds for the HOME Focus that includes 4 new homes.

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.

It is a very exciting time for the community. Once all of the riverfront and downtown improvements are completed, the City will be well prepared for the future. The citizens, businesses, and employees of the City of Henderson have managed to endure a very trying time that not only has affected the local economy but one that has tested the global economy.

GFOA CERTIFICATE OF ACHIEVEMENT

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Henderson for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2009. This was the eleventh year in a row that the City has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized Comprehensive Annual Financial Report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current Comprehensive Annual Financial Report continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

ACKNOWLEDGEMENTS

The Board of Commissioners fulfills a critical function in their approval and oversight of the budget and the financial affairs of the City. We thank the Board of Commissioners for their interest and support in planning and conducting the financial operations of the City in a responsible and progressive manner.

Respectfully submitted,

Russell Sights

/s/

Russell R. Sights
City Manager

Robert Gunter

/s/

Robert Gunter
Finance Director

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, 2009

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



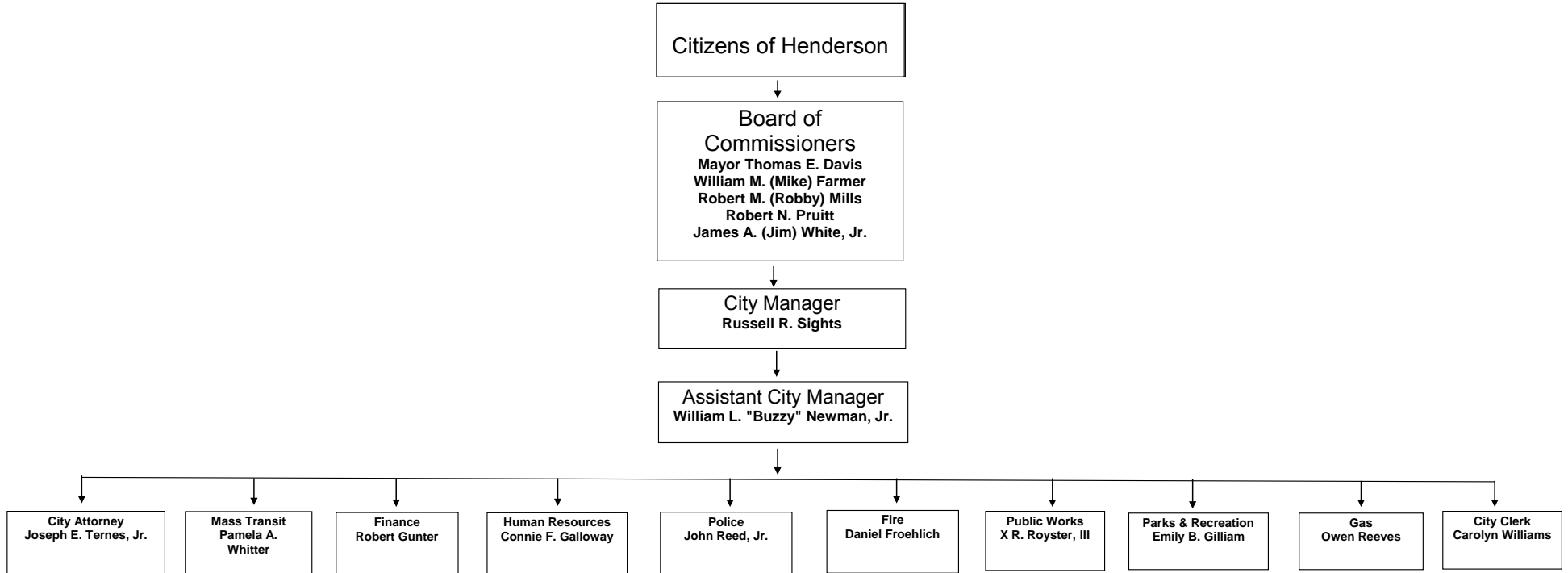
A handwritten signature in black ink, appearing to read "JEFFREY R. EMER".

President

A handwritten signature in black ink, appearing to read "JEFFREY R. EMER".

Executive Director

**CITY OF HENDERSON, KENTUCKY
Organizational Chart**



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

Elected Officials

Mayor	Thomas E. Davis
Commissioner	William M. (Mike) Farmer
Commissioner	Robert M. (Robby) Mills
Commissioner	Robert N. Pruitt
Commissioner	James A. (Jim) White, Jr.

Appointed Officials

City Manager	Russell R. Sights
Assistant City Manager	William L. (Buzzy) Newman, Jr.
City Attorney	Joseph E. Ternes, Jr.
City Clerk	Carolyn Williams
Finance Director	Robert Gunter
Fire Chief	Daniel Froehlich
Gas System Director	Owen Reeves
Human Resources Director	Connie F. Galloway
Mass Transit Director	Pamela A. Whitter
Parks & Recreation Director	Emily B. Gilliam
Police Chief	John Reed, Jr.
Public Works Director	X R. Royster, III

FINANCIAL SECTION

Independent Auditors' Report

The Honorable Thomas E. Davis, Mayor
and the Board of Commissioners
City of Henderson, Kentucky

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 fiscal year ended June 30, 2010, which collectively comprise the City's basic financial statements as listed in the Table of Contents. These basic financial statements are the responsibility of the City of Henderson, Kentucky's management. Our responsibility is to express opinions on these basic financial statements based on our audit. . We did not audit the financial statements of the City of Henderson Water & Sewer Commission, whose financial statements reflect assets of \$58,744,939 and revenues of \$14,746,523 for the year then ended. These financial statements were audited by other auditors whose report thereon dated October 22, 2010 has been furnished to us, and our opinion on the general purpose financial statements insofar as it relates to the amounts included for the City of Henderson Water & Sewer Commission in the component units column, is based on the report of other auditors.

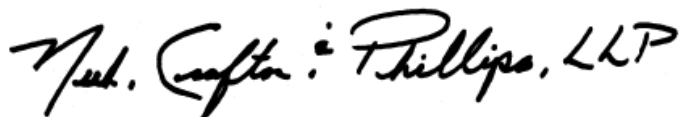
We conducted our audit in accordance with United States generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as, evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

In our opinion, based on our audit and the report 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, 2010, and the respective changes in financial position and cash flows where applicable, thereof and the budgetary comparison schedule for the general fund, for the fiscal year then ended, in conformity with United States generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated October 29, 2010, our consideration of the City of Henderson, Kentucky's internal control over financial reporting and our tests of its compliance with certain laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards, and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis and Budgetary Comparison schedule are not a required part of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, consisting principally of inquiries of management regarding the measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion thereon.

Our audit was performed for the purpose of forming opinions on the financial statements taken as a whole, that collectively comprise the City of Henderson, Kentucky's basic financial statements. The introductory section, combining financial statements, statistical section and other schedules listed in the Table of Contents are presented for purposes of additional analysis and are not a required part of the basic financial statements of the City of Henderson, Kentucky. The combining financial statements have been subjected to auditing procedures applied in the audit of the basic financial statements and in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole. The introductory section of this report and the statistical section of this report have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

A handwritten signature in black ink that reads "Mark Crafton : Phillips, LLP". The signature is written in a cursive, flowing style.

Henderson, Kentucky
October 29, 2010

**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, 2010. It should be read in conjunction with the transmittal letter and the financial statements provided in this document.

Financial Highlights

- Primary Government assets exceeded liabilities by \$34.2 million at the close of fiscal 2010. Of this amount, \$8.4 million (unrestricted net assets) may be used to meet the City's ongoing obligations.
- City governmental funds reported combined ending fund balances of \$6.1 million; of this total, \$3.2 million is unreserved and undesignated.
- In the City's business-type activities, income from operations improved from \$143,243 in fiscal 2009 to \$1,244,049 in fiscal 2010.
- The City's General Fund ended the year with a fund balance of \$7.0 million, an increase of 32.1% over the fiscal year 2009 balance of \$5.3 million.
- In four years, the General Fund's fund balance has increased 169.2% from \$2.6 million in 2006 to \$7.0 million in 2010.

Overview of Financial Statements

This discussion and analysis serves as an introduction to the City's basic financial statements, which consist of three components: government-wide financial statements, fund financial statements, and notes to the financial statements. Other supplemental information in addition to the basic financial statements is also included.

The Statement of Net Assets presents information on all of the City's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases and decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The net assets for the City of Henderson decreased by \$1,248,575 and ended the fiscal year with a balance of \$34,186,026. At year-end, the governmental funds had a fund balance of \$6,107,423 and the business-type funds had net assets of \$6,882,688. The governmental funds had an increase in fund balances of \$1,567,446, while the business-type funds had an increase in fund net assets of \$159,938. The capital projects fund had an increase in fund balance of \$226,605. Of the \$325,109 spent on capital projects, \$291,400 or 89.6% was related to the riverfront

The General Fund had another year of surpluses with an increase in reserves of \$1,746,594. Since fiscal 2006, the fund's balance has increased 169.2%. Based on the 2011 fiscal year's budgeted expenditures, the General Fund has approximately 3.4 months worth of reserves.

Due to an increase in margin rates, the Gas Fund had revenues over expenses in the amount of \$75,138 and it ended the fiscal year with net assets of \$7,555,371. However, since 2006, the cumulative change in the net assets for the Gas Fund has been a decrease of \$2.0 million or 21.1%. Based on the 2011 fiscal year's budgeted expenditures and net of invested in capital assets, the Gas Fund now has approximately 2.5 months worth of reserves.

The Sanitation Fund also showed a slight increase in fund balance. For fiscal 2010, the fund had revenue over expenses in the amount of \$84,800 and ended the year with net liabilities of \$672,683.

Government-wide Financial Statements

Government-wide financial statements provide readers with a broad overview of City finances in a manner similar to private sector businesses.

The Statement of Net Assets provides information on all City assets and liabilities, with the difference between assets and liabilities reported as net assets. Increases or decreases in the net assets over time are one indicator of whether the City's financial health is improving, stagnating, or deteriorating.

The Statement of Activities displays how the City's net assets changed during the fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows.

The above statements separate the City functions primarily supported by taxes and intergovernmental revenues (governmental activities) from other City functions that are intended to recover all or a large portion of expenses through user fees and charges (business-type activities). City governmental activities include general government, public safety, public works, community development, and recreation. Business-type activities include natural gas and sanitation.

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

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over segregated resources for specific activities or objectives. Like other state and local governments, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. City funds are divided into three categories:

Governmental Funds

Most of the City's basic services are reported in governmental funds, which focus on how money flows to and from those funds and the balances left at year-end that are available for spending. Essentially governmental funds are used to account for the functions reported as governmental activities in the government-wide financial statements.

The City of Henderson maintains twelve (12) individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General Fund, Debt Service Fund, and Capital Projects Fund, which are considered to be major funds. Information for the other nine (9) governmental funds are 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 combining statements later in this report.

Proprietary Funds

Proprietary funds provide the same kind of information as government-wide financial statements, but in greater detail. Proprietary fund financial detail is presented in the form of combining statements in this report. The City of Henderson maintains two different types of proprietary funds: enterprise and internal service.

Enterprise Funds

Enterprise funds report the same functions presented as business-type activities in the government-wide financial statements. Enterprise funds are used to account for operations that are managed in a manner similar to private business enterprises where the cost to provide services to the public is funded through user fees. Another characteristic of the enterprise fund is the periodic determination of revenues, expenses and/or net income that is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

The City has two (2) enterprise funds: Gas and Sanitation. 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.

Internal Service Funds

Internal service funds are used to accumulate and allocate costs internally among various functions. The City uses one internal service fund to account for its self-funded health insurance. The Health Insurance Fund has been included within governmental activities in the government-wide financial statements because this fund predominantly benefits governmental functions versus business-type functions.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the government and are not reflected in the government-wide financial statements because those resources are not available to support City programs. The City's three (3) fiduciary funds (Civil Service Pension, Police & Fire Pension, and the Health Reimbursement Arrangement Plan) are included in this report.

Notes to the Financial Statements

Notes to the Financial Statements provide additional information needed to fully understand the government-wide and fund financial statements.

Other Information

This report presents certain required supplementary information concerning the City's funding obligations of pension benefits, in addition to the basic financial statements and accompanying notes.

Government-Wide Financial Analysis

The tables and charts on the next three pages provide a summary of the City's operations for the fiscal year ended June 30, 2010.

City of Henderson – Changes in Net Assets Analysis of the City’s Operations

	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
Revenues:						
Program revenues:						
Charges for services	\$ 6,179,465	\$ 5,528,665	\$22,612,766	\$27,093,035	\$28,792,231	\$32,621,700
Operating grants	2,617,657	2,366,703	164,055	-	2,781,712	2,366,703
Capital grants	795,477	161,409	90,733	-	886,210	161,409
General revenues:						
Taxes	16,247,660	15,349,559	-	-	16,247,660	15,349,559
Investment income	88,136	73,489	108,889	160,214	197,025	233,703
Distributions from component units	1,644,724	1,644,734	-	-	1,644,724	1,644,734
Total revenues	27,573,119	25,124,559	22,976,443	27,253,249	50,549,562	52,377,808
Expenses:						
Administration	5,605,945	3,645,774	-	-	5,605,945	3,645,774
Finance	2,452,338	2,407,749	-	-	2,452,338	2,407,749
Mass transit	1,331,320	1,200,824	-	-	1,331,320	1,200,824
Parks & recreation	1,830,649	1,752,936	-	-	1,830,649	1,752,936
Public safety	11,631,711	11,097,829	-	-	11,631,711	11,097,829
Public works	5,134,823	5,139,345	-	-	5,134,823	5,139,345
Nondepartmental	1,881,343	1,923,248	-	-	1,881,343	1,923,248
Interest on long-term debt	306,503	297,764	-	-	306,503	297,764
Gas	-	-	19,015,757	24,380,948	19,015,757	24,380,948
Sanitation	-	-	2,607,748	2,568,844	2,607,748	2,568,844
Total expenses	30,174,632	27,465,469	21,623,505	26,949,792	51,798,137	54,415,261
Increase/(Decrease) before transfers and extraordinary items	(2,601,513)	(2,340,910)	1,352,938	303,457	(1,248,575)	(2,037,453)
Extraordinary items	-	(554,720)	-	954,968	-	400,248
Transfers	1,193,000	1,400,000	(1,193,000)	(1,400,000)	-	-
Decrease in net assets	(1,408,513)	(1,495,630)	159,938	(141,575)	(1,248,575)	(1,637,205)
Net assets, beginning	28,711,851	30,207,481	6,722,750	6,864,325	35,434,601	37,071,806
Net assets, ending	\$27,303,338	\$28,711,851	\$ 6,882,688	\$ 6,722,750	\$34,186,026	\$35,434,601

Governmental activities: Governmental activities decreased the City of Henderson’s net assets by \$1,408,513. Key elements of the decrease are as follows:

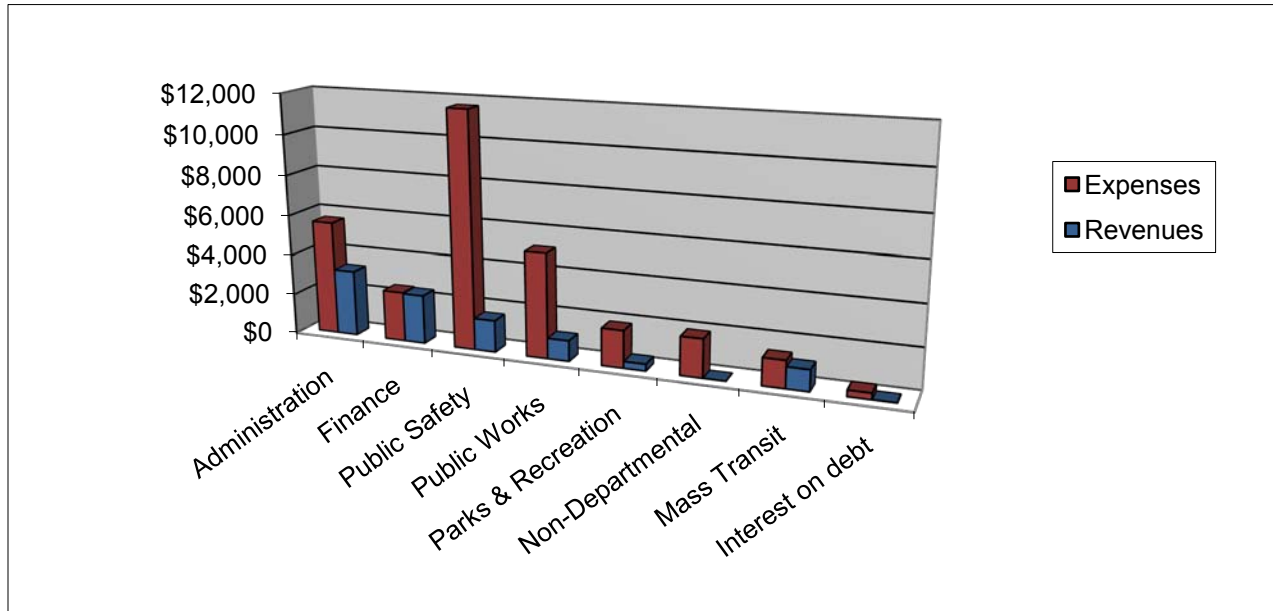
- The net changes in pension obligations were \$483,860.
- Reserves in the amount of \$200,753 were used in the Cemetery Fund.
- Reserves in the amount of \$451,809 were used in the Debt Service Fund.
- Net loss in the Health Insurance Fund was \$800,862.

City of Henderson Net Assets

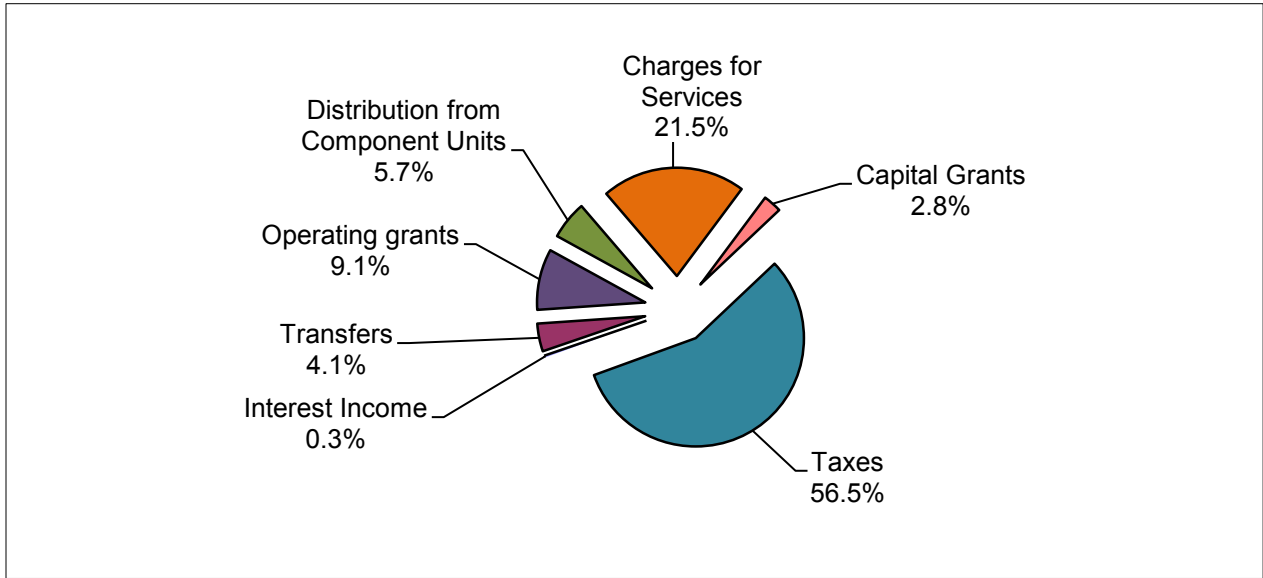
	Governmental Activities		Business-Type Activities		Total	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Current and other assets	\$10,395,155	\$10,032,997	\$ 9,407,147	\$ 9,400,604	\$19,802,302	\$19,433,601
Capital assets	29,856,754	31,741,827	3,097,074	3,068,422	32,953,828	34,810,249
Total assets	<u>\$40,251,909</u>	<u>\$41,774,824</u>	<u>\$12,504,221</u>	<u>\$12,469,026</u>	<u>\$52,756,130</u>	<u>\$54,243,850</u>
Long-term liabilities	\$ 7,461,223	\$ 7,577,746	\$ 3,400,000	\$ 3,400,000	\$10,861,223	\$10,977,746
Other liabilities	5,487,348	5,485,227	2,221,533	2,346,276	7,708,881	7,831,503
Total liabilities	<u>\$12,948,571</u>	<u>\$13,062,973</u>	<u>\$ 5,621,533</u>	<u>\$ 5,746,276</u>	<u>\$18,570,104</u>	<u>\$18,809,249</u>
Net assets:						
Invested in capital assets, net of related debt	\$22,333,017	\$25,443,524	\$ 3,097,074	\$ 3,068,422	\$25,430,091	\$28,511,946
Restricted for:						
Debt Service	706	139,515	-	-	706	139,515
Cemetery perpetual care	310,438	639,240	-	-	310,438	639,240
Unrestricted	4,659,177	2,489,572	3,785,614	3,654,328	8,444,791	6,143,900
	<u>\$27,303,338</u>	<u>\$28,711,851</u>	<u>\$ 6,882,688</u>	<u>\$ 6,722,750</u>	<u>\$34,186,026</u>	<u>\$35,434,601</u>

Governmental Activities

Expenses and Program Revenues – Governmental Activities (Thousands)

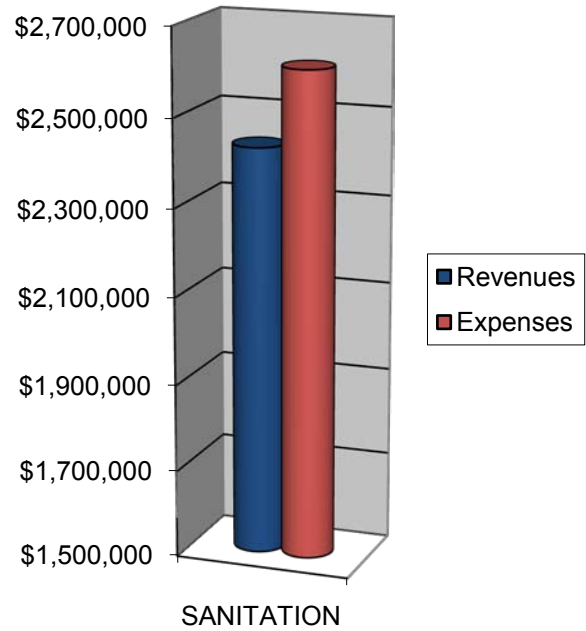
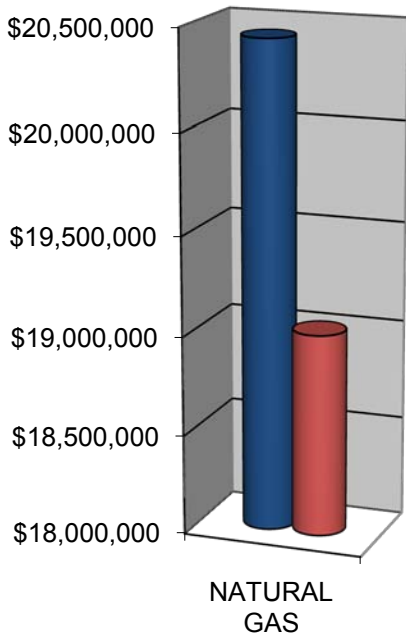


Revenue by Source – Governmental Activities



Business-Type Activities

Expenses and Revenues – Business-Type Activities



Financial Analysis of the City's Funds

The City of Henderson uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

At the end of the fiscal year, the City's governmental funds reported a combined ending fund balance of \$6.1 million. Of this total, \$4.7 million (77.0%) was unreserved. Of the unreserved fund balance, \$3.2 million or 68.1% was undesignated. The remaining fund balance of \$1.4 million was reserved and not available for appropriation. The reserved amount included funds for land for resale, prepaid expenses, inventories, debt service, and cemetery perpetual care.

The General Fund was the primary operating fund of the City of Henderson. At the end of the fiscal year, the General Fund unreserved and undesignated fund balance was \$4,431,423. As a measure of liquidity, a comparison of the unreserved and undesignated fund balance to total general fund expenditures and transfers placed the fund balance at 20.3% of total expenditures which is a slight decrease from the 20.8% from fiscal 2009.

For 2010, the unreserved but designated fund balance in the general fund was \$1,501,376. \$483,792 or 32.2% of these funds will be used to purchase or finance large vehicles and equipment in subsequent years. \$1,017,584 or 67.8% of these funds will be used to make debt payments on major building projects and improvements.

The General Fund's balance increased by \$1,746,594 during the fiscal year. Factors contributing to this increase include:

- Contrary to past years where the property taxes were divided with the Police & Fire Pension, Civil Service Pension, and Bond Fund, all of the property tax revenue was placed in the General Fund. It is estimated that this action increased the revenue in the General Fund by \$950,000.
- Omitted tangible taxes increased by \$152,000 over the prior year. This tax is collected as a result of a review conducted by the State of Kentucky.
- Pension benefits expenses were \$215,000 under budget due to unfilled, vacant positions.
- Due to lower energy prices, the cost for fuel was nearly \$73,000 less than budgeted.
- The City sold surplus land for \$75,000.

The Capital Projects Fund ended the fiscal year with a deficit of \$1,729,492 which is an improvement of \$226,605 from the prior year. The City received federal funding on the riverfront project in the amount of \$551,654 during the fiscal year which included the reimbursement of prior year capital expenditures.

The Debt Service Fund had a fund balance decrease of \$130,809. In fiscal 2010, the City opted to continue to draw down cash reserves so the annual allocation of the property tax revenue was eliminated and the only tax revenue was from delinquent taxes.

The fund did have higher interest costs of \$17,720 with most of the increase due to the bond anticipation note with Independence Bank.

Proprietary Funds

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

Unrestricted net assets of the respective proprietary funds are as follows:

Natural Gas	\$4,982,449
Sanitation	(\$1,196,835)

Total net assets increased by \$75,138 in the Gas Fund and by \$84,800 in the Sanitation Fund. The increase in net assets in the Gas Fund is attributable to the increase in the monthly base rates from \$4.50 to \$12.00 and the rate per 1,000 cubic feet of natural gas from \$1.85 to \$2.25. Before the payment in lieu of tax (PILOT) transfer of \$1,400,000 from the Gas Fund to the General Fund, the Gas Fund had income of \$1,475,138. The Gas Fund had \$362,596 in net decrease of cash due to the PILOT.

Due to an increase in commercial business at the sanitary transfer station and transfers from the General Fund, the Sanitation Fund recognized a small increase in net assets. Without the transfer from the General Fund, the Sanitation Fund would have had a decrease in net assets of \$122,200.

General Fund Budgetary Highlights

The amended fiscal 2010 budget was approved with anticipated expenses exceeding anticipated revenue by \$860,000. The difference was to come from reserves. The General Fund's actual revenue and transfers were \$23,581,775 or 105.0% of the approved budget of \$22,460,000 or a difference of \$1,121,775. Contrary to past years where the property taxes were divided with the Police & Fire Pension, Civil Service Pension, and Bond Fund, all of the property tax was placed in the General Fund. It is estimated that this action increased the revenue in the General Fund by \$950,000.

The Fund was able to recognize a surplus of \$1,746,594 due to actual expenditures and transfers to other funds coming in \$1,184,819 under the amended budget of \$23,020,000. As in most years, many of the City's departments, especially Fire and Police, had vacant positions. These openings and merit increases that came in lower than the budgeted 3% enabled the personnel expenses to come in \$458,913 below budget. Transfers to other funds came in \$351,100 below budget. With the added volume at the transfer station, the General Fund did not have to transfer \$111,000 to the Sanitation Fund that was included in the fiscal 2010 General Fund budget. The 911 or Emergency Communications Fund had several openings and did not require \$100,000 in budgeted transfers from the General Fund. The only large expenditures that were not anticipated were approximately \$275,000 in health insurance expenses.

Capital Asset and Debt Administration

Capital Assets

As of June 30, 2010 the City's investment in capital assets for governmental and business-type activities was \$32.95 million (net of accumulated depreciation). This investment in capital assets includes land, buildings, machinery and equipment, gas system improvements, park facilities, vehicles, sculptures, and infrastructure. A summary is as follows:

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Land	\$ 4,027,408	\$ 4,027,408	\$ 114,815	\$ 114,815	\$ 4,142,223	\$ 4,142,223
Artwork	196,500	196,500	-	-	196,500	196,500
Buildings	6,094,948	6,273,407	218,111	239,143	6,313,059	6,512,550
Improvements	1,709,179	1,520,556	-	-	1,709,179	1,520,556
Vehicles	832,347	1,057,056	223,362	175,961	1,055,709	1,233,017
Natural Gas System	-	-	2,359,401	2,275,755	2,359,401	2,275,755
Equipment	586,990	637,979	181,385	262,748	768,375	900,727
Infrastructure	16,409,382	18,028,921	-	-	16,409,382	18,028,921
Total	<u>\$ 29,856,754</u>	<u>\$ 31,741,827</u>	<u>\$ 3,097,074</u>	<u>\$ 3,068,422</u>	<u>\$ 32,953,828</u>	<u>\$ 34,810,249</u>

Additional information on the City of Henderson's capital assets may be found in Note 4 in the notes to the financial statements.

Long-Term Debt

The City incurs debt to fund capital improvement projects and purchase major capital equipment. Total debt at June 30, 2010 was \$5,940,000 compared to \$6,298,303 the prior year. The debt consists of capital leases, long-term bonds, and notes payable.

City of Henderson Debt

	<u>Governmental Activities</u>	
	<u>2010</u>	<u>2009</u>
Capital Lease, Bond and Note Payable	<u>\$5,940,000</u>	<u>\$6,298,303</u>

Debt Description

Riverfront Improvements - The City borrowed \$1.125 million in fiscal 2001 to renovate the downtown riverfront. This \$3 million dollar project was supplemented with state and county funding. The borrowing is for a period of twenty years.

Public Safety Building - During fiscal 2002, the City borrowed \$1 million to finance renovation and structural enhancements to the new Public Safety building, and to fund Emergency Communication (911) improvements. The term was for a period of twenty years.

Fire Station and Riverfront Property – During fiscal 2007, the City issued \$5,230,000 in general obligation bonds for the construction of a new fire station and for the purchase of riverfront property that will be used for park development. Approximately \$1,950,000 of bond proceeds were used for the advance refunding of a capital lease used in 2000 for the purchase of an office building that houses the Police Department, Code Enforcement Division, Planning Commission, and the Emergency Management Agency.

Additional information on the City’s long-term debt may be found in Note 5 in the notes to the financial statements.

Economic Factors and Next Year’s Budget and Rates

The City of Henderson was able to fund the fiscal 2011 Budget with existing resources and the use of reserves from the General and Gas Funds. Modest growth in property tax receipts and holding increases in operating expenses to a minimum will enable the City to continue to meet its needs.

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 Assets
June 30, 2010

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	Henderson Municipal Power & Light	Henderson Water Utility
ASSETS					
Cash and cash equivalents	\$ 6,258,739	\$ 2,673,366	\$ 8,932,105	\$ 243,156	\$ 4,005,813
Investments	2,284,084	4,626,482	6,910,566	23,092,056	6,047,142
Accrued interest receivable	6,617	17,701	24,318	39,828	88
Receivables	1,225,852	1,401,745	2,627,597	6,237,023	1,238,145
Internal balances	(518,245)	518,245	-	-	-
Inventories	43,874	169,608	213,482	5,168,630	996,457
Prepaid expenses	30,026	-	30,026	63,602	47,236
Land held for resale	590,000	-	590,000	-	-
Restricted assets:					
Cash and cash equivalents	706	-	706	-	194,069
Investments	306,218	-	306,218	-	1,518,743
Accrued interest receivable	4,220	-	4,220	-	151
Land and other nondepreciable capital assets	4,223,908	114,815	4,338,723	1,235,451	862,879
Capital assets, net of accumulated depreciation	25,632,846	2,982,259	28,615,105	67,266,543	43,668,164
Other assets	163,064	-	163,064	-	166,052
Total assets	\$ 40,251,909	\$ 12,504,221	\$ 52,756,130	\$ 103,346,289	\$ 58,744,939
LIABILITIES					
Accounts payable and accrued liabilities	\$ 2,474,160	\$ 1,414,835	\$ 3,888,995	\$ 9,248,330	\$ 927,150
Deposits payable	-	277,448	277,448	632,815	60,639
Due to component units	1,429,451	-	1,429,451	-	-
Gas storage liability	-	529,250	529,250	-	-
Bond anticipation notes	1,583,737	-	1,583,737	5,433,241	-
Noncurrent liabilities:					
Estimated landfill closure costs	-	3,400,000	3,400,000	-	-
Due within one year	950,000	-	950,000	-	1,405,271
Due in more than one year	6,511,223	-	6,511,223	-	12,477,322
Total liabilities	12,948,571	5,621,533	18,570,104	15,314,386	14,870,382
NET ASSETS					
Invested in capital assets, net of related debt	22,333,017	3,097,074	25,430,091	63,068,753	31,276,226
Restricted for:					
Debt service	706	-	706	-	701,646
Cemetery perpetual care, expendable	310,438	-	310,438	-	-
Unrestricted	4,659,177	3,785,614	8,444,791	24,963,150	11,896,685
Total net assets	27,303,338	6,882,688	34,186,026	88,031,903	43,874,557
Total liabilities and net assets	\$ 40,251,909	\$ 12,504,221	\$ 52,756,130	\$ 103,346,289	\$ 58,744,939

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, 2010

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets			Component Units	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total	Henderson Municipal Power & Light	Henderson Water Utility
					Governmental Activities	Business-type Activities			
Primary government									
Governmental activities:									
Administration	\$ 5,605,945	\$ 2,269,632	\$ 420,546	\$ 551,654	\$ (2,364,113)	\$ -	\$ (2,364,113)		
Finance	2,452,338	2,406,292	-	-	(46,046)	-	(46,046)		
Mass transit	1,331,320	48,129	758,476	229,069	(295,646)	-	(295,646)		
Parks and recreation	1,830,649	331,928	-	-	(1,498,721)	-	(1,498,721)		
Police	6,619,669	953,804	367,860	4,230	(5,293,775)	-	(5,293,775)		
Fire	5,012,042	-	238,910	-	(4,773,132)	-	(4,773,132)		
Public works	5,134,823	169,680	831,865	10,524	(4,122,754)	-	(4,122,754)		
Nondepartmental	1,881,343	-	-	-	(1,881,343)	-	(1,881,343)		
Interest on long-term debt	306,503	-	-	-	(306,503)	-	(306,503)		
Total governmental activities	<u>30,174,632</u>	<u>6,179,465</u>	<u>2,617,657</u>	<u>795,477</u>	<u>(20,582,033)</u>	<u>-</u>	<u>(20,582,033)</u>		
Business-type activities:									
Gas	19,015,757	20,270,277	76,935	90,733	-	1,422,188	1,422,188		
Sanitation	2,607,748	2,342,489	87,120	-	-	(178,139)	(178,139)		
Total business-type activities	<u>21,623,505</u>	<u>22,612,766</u>	<u>164,055</u>	<u>90,733</u>	<u>-</u>	<u>1,244,049</u>	<u>1,244,049</u>		
Total primary government	<u>\$ 51,798,137</u>	<u>\$ 28,792,231</u>	<u>\$ 2,781,712</u>	<u>\$ 886,210</u>	<u>(20,582,033)</u>	<u>1,244,049</u>	<u>(19,337,984)</u>		
Component units									
Henderson Municipal Power & Light	\$ 57,227,698	\$ 53,372,224	\$ -	\$ -			\$ (3,855,474)	\$ -	
Henderson Water Utility	14,220,066	14,753,214	-	969,017			-	1,502,165	
Total component units	<u>\$ 71,447,764</u>	<u>\$ 68,125,438</u>	<u>\$ -</u>	<u>\$ 969,017</u>			<u>(3,855,474)</u>	<u>1,502,165</u>	
General revenues:									
Taxes:									
Property					6,571,652	-	6,571,652	-	-
Payroll and net profits					4,717,128	-	4,717,128	-	-
Insurance					4,301,984	-	4,301,984	-	-
Franchise					531,854	-	531,854	-	-
Bank deposits					125,042	-	125,042	-	-
Distributions from component units					1,644,724	-	1,644,724	-	-
Investment income					88,136	108,889	197,025	285,556	15,822
Extraordinary item					-	-	-	17,378,818	-
Transfers					1,193,000	(1,193,000)	-	-	-
Total general revenues, extraordinary item, and transfers					<u>19,173,520</u>	<u>(1,084,111)</u>	<u>18,089,409</u>	<u>17,664,374</u>	<u>15,822</u>
Change in net assets					(1,408,513)	159,938	(1,248,575)	13,808,900	1,517,987
Net assets, beginning of year					28,711,851	6,722,750	35,434,601	74,223,003	42,356,570
Net assets, end of year					<u>\$ 27,303,338</u>	<u>\$ 6,882,688</u>	<u>\$ 34,186,026</u>	<u>\$ 88,031,903</u>	<u>\$ 43,874,557</u>

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

**City of Henderson, Kentucky
Balance Sheet
Governmental Funds
June 30, 2010**

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash	\$ 5,684,937	\$ 706	\$ 35	\$ 405,294	\$ 6,090,972
Investments	2,284,084	-	-	306,218	2,590,302
Accrued interest receivable	6,617	-	-	4,220	10,837
Receivables	886,297	-	-	226,754	1,113,051
Due from other funds	160,715	-	-	123,846	284,561
Inventories	21,046	-	-	22,828	43,874
Prepaid expenditures	484,826	-	-	-	484,826
Land held for resale	590,000	-	-	-	590,000
Total assets	<u>\$ 10,118,522</u>	<u>\$ 706</u>	<u>\$ 35</u>	<u>\$ 1,089,160</u>	<u>\$ 11,208,423</u>
LIABILITIES					
Accounts payable	\$ 374,518	\$ -	\$ 11,475	\$ 164,068	\$ 550,061
Accrued wages	643,791	-	-	91,154	734,945
Due to other funds	642,091	-	134,315	26,400	802,806
Due to component units	1,429,451	-	-	-	1,429,451
Bond anticipation note	-	-	1,583,737	-	1,583,737
Total liabilities	<u>3,089,851</u>	<u>-</u>	<u>1,729,527</u>	<u>281,622</u>	<u>5,101,000</u>
FUND BALANCES					
Reserved:					
Debt service	-	706	-	-	706
Cemetery perpetual care	-	-	-	310,438	310,438
Inventories	21,046	-	-	22,828	43,874
Prepaid expenditures	484,826	-	-	-	484,826
Land held for resale	590,000	-	-	-	590,000
Unreserved, designated:					
Long-term debt	1,017,584	-	-	-	1,017,584
Short-term debt	483,792	-	-	-	483,792
Unreserved, undesignated:					
General fund	4,431,423	-	-	-	4,431,423
Capital projects fund	-	-	(1,729,492)	-	(1,729,492)
Special revenue funds	-	-	-	474,272	474,272
Total fund balances	<u>7,028,671</u>	<u>706</u>	<u>(1,729,492)</u>	<u>807,538</u>	<u>6,107,423</u>
Total liabilities and fund balances	<u>\$ 10,118,522</u>	<u>\$ 706</u>	<u>\$ 35</u>	<u>\$ 1,089,160</u>	<u>\$ 11,208,423</u>

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 Assets
June 30, 2010

Total fund balances of governmental funds per balance sheet \$ 6,107,423

Amounts reported for governmental activities in the statement of net assets 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. 29,856,754

Other assets in governmental activities, which consists of negative net pension obligations, an asset, for the police & fire pension plan, is not a current financial resource and, therefore, is not reported in the governmental funds. 163,064

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 assets. (1,362,680)

Long-term debt and other liabilities were not currently due and payable in the fiscal year ended June 30, 2010, and, therefore, were not reported in the governmental funds.

Long-term debt payable	\$ (5,940,000)	
Accrued compensated absences	(1,327,978)	
Net civil service pension obligation	(77,313)	
HRA Fund unfunded obligation	(115,932)	
	(7,461,223)	(7,461,223)

Total net assets of governmental activities per statement of net assets \$ 27,303,338

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, 2010

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES					
Taxes:					
Property	\$ 6,554,415	\$ 17,237	\$ -	\$ -	\$ 6,571,652
Payroll and net profits	4,717,128	-	-	-	4,717,128
Insurance	4,301,984	-	-	-	4,301,984
Franchise	531,854	-	-	-	531,854
Bank deposits	125,042	-	-	-	125,042
Intergovernmental	3,149,817	-	551,654	2,123,807	5,825,278
Distributions from component units	1,644,724	-	-	-	1,644,724
Service charges and fees	502,105	-	-	958,211	1,460,316
Rents, concessions, and other services	118,629	-	-	-	118,629
Licenses and permits	88,624	-	-	-	88,624
Investment income	70,318	789	60	15,725	86,892
Fines, finance charges, and penalties	60,657	-	-	-	60,657
Miscellaneous	316,478	-	-	10,347	326,825
Total revenues	<u>22,181,775</u>	<u>18,026</u>	<u>551,714</u>	<u>3,108,090</u>	<u>25,859,605</u>
EXPENDITURES					
Current:					
Administration	2,049,164	-	-	468,075	2,517,239
Finance	2,426,737	-	-	-	2,426,737
Mass transit	-	-	-	1,193,074	1,193,074
Parks and recreation	1,212,949	-	-	394,861	1,607,810
Police	5,439,310	-	-	913,922	6,353,232
Fire	4,839,389	-	-	-	4,839,389
Public works	1,941,502	-	-	1,266,329	3,207,831
Nondepartmental	1,556,234	-	325,109	-	1,881,343
Debt service:					
Principal	118,303	240,000	-	-	358,303
Interest	76,668	229,835	-	-	306,503
Capital outlays	393,425	-	-	400,273	793,698
Total expenditures	<u>20,053,681</u>	<u>469,835</u>	<u>325,109</u>	<u>4,636,534</u>	<u>25,485,159</u>
Excess (deficiency) of revenues over expenditures	<u>2,128,094</u>	<u>(451,809)</u>	<u>226,605</u>	<u>(1,528,444)</u>	<u>374,446</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	1,400,000	313,000	-	1,261,500	2,974,500
Transfers out	(1,781,500)	-	-	-	(1,781,500)
Total other financing sources (uses)	<u>(381,500)</u>	<u>313,000</u>	<u>-</u>	<u>1,261,500</u>	<u>1,193,000</u>
Net change in fund balances	1,746,594	(138,809)	226,605	(266,944)	1,567,446
Fund balances, beginning of year	<u>5,282,077</u>	<u>139,515</u>	<u>(1,956,097)</u>	<u>1,074,482</u>	<u>4,539,977</u>
Fund balances, end of year	<u>\$ 7,028,671</u>	<u>\$ 706</u>	<u>\$ (1,729,492)</u>	<u>\$ 807,538</u>	<u>\$ 6,107,423</u>

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

**City of Henderson, Kentucky
Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balances of Governmental Funds
To the Statement of Activities
For the Fiscal Year Ended June 30, 2010**

Net change in fund balances of governmental funds	\$ 1,567,446
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>	
<p>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. In addition, governmental funds do not report the net book value of deletions as expenditures.</p>	
Capital outlays	793,698
Depreciation expense	(2,676,737)
Deleted capital assets	(2,034)
<p>Governmental funds report the repayment of the principal of long-term debt as an expenditure, while the statement of activities does not report such repayment as an expense.</p>	
Principal paid on long-term debt	358,303
<p>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.</p>	
Increase in accrued compensated absences	(48,535)
Increase in net civil service pension obligation	(86,874)
Decrease in negative net police & fire pension obligation	(396,986)
Increase in HRA Fund unfunded obligation	(115,932)
<p>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.</p>	
Net loss of Health Insurance Fund	<u>(800,862)</u>
Change in net assets of governmental activities	<u><u>\$ (1,408,513)</u></u>

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

City of Henderson, Kentucky
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
General Fund
For the Fiscal Year Ended June 30, 2010

	<u>Budget</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes:				
Property	\$ 5,205,000	\$ 5,205,000	\$ 6,554,415	\$ 1,349,415
Payroll and net profits	4,775,000	4,775,000	4,717,128	(57,872)
Insurance	4,250,000	4,250,000	4,301,984	51,984
Franchise	600,000	600,000	531,854	(68,146)
Bank deposits	116,000	116,000	125,042	9,042
Intergovernmental	3,030,800	3,030,800	3,149,817	119,017
Distributions from component units	1,644,700	1,644,700	1,644,724	24
Service charges and fees	479,400	479,400	502,105	22,705
Rents, concessions, and other services	116,400	116,400	118,629	2,229
Licenses and permits	68,500	68,500	88,624	20,124
Investment income	47,560	47,560	70,318	22,758
Fines, finance charges, and penalties	50,000	50,000	60,657	10,657
Miscellaneous	98,700	98,700	316,478	217,778
Total revenues	<u>20,482,060</u>	<u>20,482,060</u>	<u>22,181,775</u>	<u>1,699,715</u>
EXPENDITURES				
Current:				
Administration	2,112,150	2,112,150	2,049,164	62,986
Finance	2,384,990	2,384,990	2,426,737	(41,747)
Parks and recreation	1,271,620	1,271,620	1,212,949	58,671
Police	5,785,730	5,831,610	5,439,310	392,300
Fire	4,912,240	4,912,240	4,839,389	72,851
Public works	1,889,940	1,921,440	1,941,502	(20,062)
Nondepartmental	1,508,680	1,531,040	1,556,234	(25,194)
Debt service:				
Principal	186,650	186,650	118,303	68,347
Interest	82,200	82,200	76,668	5,532
Capital outlays	512,200	658,460	393,425	265,035
Total expenditures	<u>20,646,400</u>	<u>20,892,400</u>	<u>20,053,681</u>	<u>838,719</u>
Excess (deficiency) of revenues over expenditures	<u>(164,340)</u>	<u>(410,340)</u>	<u>2,128,094</u>	<u>2,538,434</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	1,472,940	1,472,940	1,400,000	(72,940)
Transfers out	(1,813,600)	(2,127,600)	(1,781,500)	346,100
Loan proceeds	205,000	205,000	-	(205,000)
Total other financing sources (uses)	<u>(135,660)</u>	<u>(449,660)</u>	<u>(381,500)</u>	<u>68,160</u>
Net change in fund balances	(300,000)	(860,000)	1,746,594	2,606,594
Fund balances, beginning of year	<u>5,282,077</u>	<u>5,282,077</u>	<u>5,282,077</u>	<u>-</u>
Fund balances, end of year	<u>\$ 4,982,077</u>	<u>\$ 4,422,077</u>	<u>\$ 7,028,671</u>	<u>\$ 2,606,594</u>

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

City of Henderson, Kentucky
Statement of Net Assets
Proprietary Funds
June 30, 2010

	Business-type Activities Enterprise Funds			Governmental Activities- Internal Service Fund
	Gas Fund	Sanitation Fund	Total Enterprise Funds	Health Insurance Fund
ASSETS				
Current assets:				
Cash	\$ 2,671,974	\$ 1,392	\$ 2,673,366	\$ 168,473
Investments	2,457,291	-	2,457,291	-
Accrued interest receivable	6,814	-	6,814	-
Receivables	1,292,370	109,375	1,401,745	112,801
Due from other funds	445,875	72,370	518,245	-
Inventories	169,608	-	169,608	-
Total current assets	<u>7,043,932</u>	<u>183,137</u>	<u>7,227,069</u>	<u>281,274</u>
Noncurrent assets:				
Investments and accrued interest, designated for landfill closure costs	-	2,180,078	2,180,078	-
Land	-	114,815	114,815	-
Capital assets, net of accumulated depreciation	2,572,922	409,337	2,982,259	-
Total noncurrent assets	<u>2,572,922</u>	<u>2,704,230</u>	<u>5,277,152</u>	<u>-</u>
Total assets	<u>\$ 9,616,854</u>	<u>\$ 2,887,367</u>	<u>\$ 12,504,221</u>	<u>\$ 281,274</u>
LIABILITIES				
Current liabilities:				
Accounts payable	\$ 1,187,619	\$ 125,667	\$ 1,313,286	\$ 1,189,154
Deposits payable	277,448	-	277,448	-
Accrued wages	67,166	34,383	101,549	-
Deferred revenue	-	-	-	454,800
Gas storage liability	529,250	-	529,250	-
Total current liabilities	<u>2,061,483</u>	<u>160,050</u>	<u>2,221,533</u>	<u>1,643,954</u>
Noncurrent liabilities:				
Estimated landfill closure costs	-	3,400,000	3,400,000	-
Total noncurrent liabilities	<u>-</u>	<u>3,400,000</u>	<u>3,400,000</u>	<u>-</u>
Total liabilities	<u>2,061,483</u>	<u>3,560,050</u>	<u>5,621,533</u>	<u>1,643,954</u>
NET ASSETS				
Invested in capital assets	2,572,922	524,152	3,097,074	-
Unrestricted	4,982,449	(1,196,835)	3,785,614	(1,362,680)
Total net assets (liabilities)	<u>7,555,371</u>	<u>(672,683)</u>	<u>6,882,688</u>	<u>(1,362,680)</u>
Total liabilities and net assets	<u>\$ 9,616,854</u>	<u>\$ 2,887,367</u>	<u>\$ 12,504,221</u>	<u>\$ 281,274</u>

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