

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

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**14. 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, 2012:

	<b>Beginning of Fiscal Year Liability</b>	<b>Current Year Claims &amp; Changes In Estimates</b>	<b>Claim Payments</b>	<b>End of Fiscal Year Liability</b>
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
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

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, 2012, 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.

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**15. 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, 2012, the HRA Plan has an unfunded obligation of \$719,000, of which \$484,000 pertains to the City, and which will be funded in future fiscal periods.

**16. 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 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 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.

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**C. Plan Summary**

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

	<u><b>Civil Service</b></u>	<u><b>Police and Fire</b></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
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

**CITY OF HENDERSON, KENTUCKY**  
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**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	0	0
Fully-vested active members	1	0
Retirees and beneficiaries currently receiving benefits	11	22
Total	<u>12</u>	<u>22</u>

**E. Funded Status and Funding Progress**

	<u>Civil Service Pension Plan</u>	<u>Police &amp; Fire Pension Plan</u>
The funded status of the plans as of June 30, 2012, were as follows:		
Actuarial value of plan assets (a)	\$ (4,003)	\$ (5,617)
Actuarial accrued liability (AAL) (b)	\$ 1,535,747	\$ 4,463,789
Unfunded actuarial accrued liability (UAAL) (b) - (a)	\$ 1,539,750	\$ 4,469,406
Funded ratio (a) / (b)	-0.26%	-0.13%
Covered payroll (active plan members)	\$ 42,867	\$ -
UAAL as a percentage of covered payroll	3591.92%	Not applicable

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

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**F. Annual Pension Costs and Net Pension Obligations (NPO)**

The net pension obligations are liquidated primarily by the General Fund.

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>2010</u>	<u>2011</u>	<u>2012</u>
Actuarially determined contribution	\$ 99,171	\$ 112,188	\$ 116,436
Interest on NPO	(478)	3,866	1,727
Adjustment to actuarially determined contribution	767	(6,203)	(2,772)
Annual pension costs	<u>99,460</u>	<u>109,851</u>	<u>115,391</u>
Contributions made	<u>(12,586)</u>	<u>(152,624)</u>	<u>(221,287)</u>
Change in NPO	86,874	(42,773)	(105,896)
NPO, beginning of year	<u>(9,561)</u>	<u>77,313</u>	<u>34,540</u>
NPO, end of year	<u><u>\$ 77,313</u></u>	<u><u>\$ 34,540</u></u>	<u><u>\$ (71,356)</u></u>

2) Police and Fire Pension Plan:

	<u>2010</u>	<u>2011</u>	<u>2012</u>
Actuarially determined contribution	\$ 385,099	\$ 405,070	\$ 384,553
Interest on NPO	(22,402)	(6,523)	(6,985)
Adjustment to actuarially determined contribution	50,372	14,666	15,706
Annual pension costs	<u>413,069</u>	<u>413,213</u>	<u>393,274</u>
Contributions made	<u>(16,083)</u>	<u>(424,775)</u>	<u>(418,000)</u>
Change in NPO	396,986	(11,562)	(24,726)
NPO, beginning of year	<u>(560,050)</u>	<u>(163,064)</u>	<u>(174,626)</u>
NPO, end of year	<u><u>\$ (163,064)</u></u>	<u><u>\$ (174,626)</u></u>	<u><u>\$ (199,352)</u></u>

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

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**G. 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, 2010	\$ 99,460	12.7 %	\$ 77,313
June 30, 2011	\$ 109,850	138.9 %	\$ 34,540
June 30, 2012	\$ 115,391	191.8 %	\$ (71,356)

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, 2010	\$ 413,069	3.9 %	\$ (163,064)
June 30, 2011	\$ 413,213	102.8 %	\$ (174,626)
June 30, 2012	\$ 393,274	106.3 %	\$ (199,352)

**H. Actuarial Assumptions**

An actuarial study was performed on each plan of the City as of June 30, 2012. 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**

**I. 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, 2012.

**Combining Statement of Fiduciary Net Assets-Pension Trust Funds**  
**June 30, 2012**

	<b>Civil Service Pension Fund</b>	<b>Police &amp; Fire Pension Fund</b>	<b>HRA Fund</b>	<b>Total</b>
<b>ASSETS</b>				
Cash	\$ 417	\$ 11	\$ 129,975	\$ 130,403
Investments	-	-	-	-
Accrued interest receivable	-	-	-	-
Due from other funds	-	-	-	-
Total assets	417	11	129,975	130,403
<b>LIABILITIES</b>				
Accounts payable	4,420	5,628	12,146	22,194
<b>NET ASSETS</b>				
Held in trust for pension benefits	(4,003)	(5,617)	-	(9,620)
Held in trust for health care benefits	-	-	117,829	117,829
Total net assets	\$ (4,003)	\$ (5,617)	\$ 117,829	\$ 108,209

**Combining Statement of Changes in Fiduciary Net Assets-Pension Trust Funds**  
**For the Fiscal Year Ended June 30, 2012**

<b>ADDITIONS</b>				
Property taxes	\$ 375	\$ 554	\$ -	\$ 929
Contributions:				
Employer	219,143	418,000	160,000	797,143
Employee	2,143	-	-	2,143
Total contributions	221,286	418,000	160,000	799,286
Investment Income:				
Interest	3	1	493	497
Net increase (decrease) in the fair market value of investments	-	-	-	-
Investments fees	-	-	-	-
Total net investment income	3	1	493	497
Total additions	221,664	418,555	160,493	800,712
<b>DEDUCTIONS</b>				
Benefits paid	218,359	411,759	241,570	871,688
Professional services	2,782	2,782	-	5,564
Total deductions	221,141	414,541	241,570	877,252
Change in net assets	523	4,014	(81,077)	(76,540)
Net assets, beginning of year	(4,526)	(9,631)	198,906	184,749
Net assets, end of year	\$ (4,003)	\$ (5,617)	\$ 117,829	\$ 108,209

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

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**J. 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 18.96% 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%, and the City contributes 35.76% 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, 2010, 2011 and 2012 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
2012	\$ 4,218,400	\$ 518,504	\$ 908,102
2011	\$ 3,811,690	\$ 459,118	\$ 794,962
2010	\$ 3,850,054	\$ 420,197	\$ 569,830



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**NOTES TO FINANCIAL STATEMENTS**

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**17. 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 and implementation began in the 2012 fiscal year. From this grant, HWU was allocated capital contributions of \$1,363,929 for the fiscal year ended June 30, 2012.

**18. 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 \$578,000 and \$624,000, respectively, from HMPL and HWU for such services for the fiscal year ended June 30, 2012.

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, 2012.

The City owns certain real estate used by HMPL.

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

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**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.

**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 or resolutions passed by the Board of Commissioners of the City. Those committed amounts cannot be used for any other purpose unless the Board of Commissioners changes the commitments by ordinance or resolution.

**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.

For expenditure purposes, restricted fund balances are considered to be spent first, followed in order by committed, assigned, and unassigned fund balances, respectively.

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Governmental fund balances consist of the following classifications as of June 30, 2012:

<b><u>Fund Balances</u></b>	<b><u>General Fund</u></b>	<b><u>Debt Service Fund</u></b>	<b><u>Capital Projects Fund</u></b>	<b><u>Nonmajor Governmental Funds</u></b>	<b><u>Total Governmental Funds</u></b>
<b>Nonspendable</b>					
Inventories	\$ 39,087	\$ -	\$ -	\$ 24,852	\$ 63,939
	<b>39,087</b>	<b>-</b>	<b>-</b>	<b>24,852</b>	<b>63,939</b>
<b>Restricted</b>					
Debt service	-	69,424	-	-	69,424
HWU capital projects	-	-	21,172,367	-	21,172,367
Law enforcement	-	-	-	78,772	78,772
	<b>-</b>	<b>69,424</b>	<b>21,172,367</b>	<b>78,772</b>	<b>21,320,563</b>
<b>Committed</b>					
Major building projects	1,130,781	-	-	-	1,130,781
Cemetery	-	-	-	103,734	103,734
Public works	-	-	-	10,208	10,208
Mass transit	-	-	-	148,569	148,569
Law enforcement	-	-	-	38,402	38,402
	<b>1,130,781</b>	<b>-</b>	<b>-</b>	<b>300,913</b>	<b>1,431,694</b>
<b>Assigned</b>					
2013 Budget deficit	787,000	-	-	-	787,000
Newman park shelter	50,000	-	-	-	50,000
	<b>837,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>837,000</b>
<b>Unassigned</b>	<b>5,592,998</b>	<b>-</b>	<b>(652,605)</b>	<b>(78,471)</b>	<b>4,861,922</b>
<b>Total fund balances</b>	<b>\$ 7,599,866</b>	<b>\$ 69,424</b>	<b>\$ 20,519,762</b>	<b>\$ 326,066</b>	<b>\$ 28,515,118</b>

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

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**20. 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) 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 and also provides wholesale electricity to Big Rivers.

HMPL has entered into certain contracts with Big Rivers 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**  
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**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 \$21,737,258 for the fiscal year ended May 31, 2012.

In connection with the negotiations related to the funding and construction of the Flue Gas Desulfurization System (FGD System) Station Two's 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.

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**B. 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, 2012, there were remaining emission allowances with a market value of \$18,189. HMPL does not record the value of emission allowances in its financial statements because it has no cost basis in these allowances.

**C. Commitments and Contingencies**

**Unwind Transaction – Station Two**

In 1998, HMPL, Big Rivers Electric Corporation (Big Rivers), and Western Kentucky Energy Corporation entered into contracts 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 returned 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. Big Rivers has developed work plans which estimate that HMPL will incur an additional \$18 million to \$21 million dollars in maintenance expenses in the near future at Station Two.

**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. HMPL asserts that it has the rights to all surplus power from Station Two related to its reserved capacity.

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**21. HENDERSON WATER UTILITY (HWU)**

On August 30, 2007, a Consent Judgment between HWU and the Commonwealth of Kentucky was accepted by the Franklin Circuit Court under Civil Action 07-CI-1250. Under the terms of the Consent Judgment, HWU has committed to complete improvements to its sewer system infrastructure in order to comply with certain regulatory requirements of the Federal Clean Water Act.

The Consent Judgment required the development of a Long Term Control Plan, which would identify sewer system infrastructure improvements that when completed would bring HWU's combined sewer system into regulatory compliance.

The Long Term Control Plan (LTCP) was submitted to the Kentucky Environmental & Public Protection Cabinet and the U.S. Environmental Protection Agency (EPA) in March 2009 and the LTCP was approved by both agencies in April 2012. The projects identified in the LTCP must be completed no later than December 2017 under an Administrative Order issued by the EPA.

Several major components of the LTCP have already been completed and other major components are currently under construction, or are under design. Based upon construction costs for completed projects; currently approved construction budgets; and estimated costs for projects under design; the final estimated cost of the LTCP to satisfy that component of the Consent Judgment is approximately \$42 million dollars. The current estimate of costs remaining as of June 30, 2012 is \$25.2 million dollars.

**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)
6/30/03	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 %
6/30/10	74,663	1,523,056	1,448,393	4.9 %	36,005	4,022.8 %
6/30/11	(4,527)	1,498,608	1,503,135	-0.3 %	36,899	4,073.6 %
6/30/12	(4,003)	1,535,747	1,539,750	-0.3 %	42,867	3,591.9 %

**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)
6/30/03	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
6/30/10	(12,581)	4,671,290	4,683,871	-0.3 %	- 0 -	Not applicable
6/30/11	(9,631)	4,437,007	4,446,638	-0.2 %	- 0 -	Not applicable
6/30/12	(5,617)	4,463,789	4,469,406	-0.1 %	- 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
6/30/03	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 %
6/30/10	99,460	12,586	12.7 %	77,313	99,171	12.7 %
6/30/11	109,851	152,624	138.9 %	34,540	112,188	136.0 %
6/30/12	115,391	221,287	191.8 %	(71,356)	116,436	190.1 %

**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
6/30/03	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 %
6/30/10	413,069	16,083	3.9 %	(163,064)	385,099	4.2 %
6/30/11	413,213	424,775	102.8 %	(174,626)	405,070	104.9 %
6/30/12	393,274	418,000	106.3 %	(199,352)	384,553	108.7 %

## **Nonmajor Governmental Funds**

## Nonmajor Governmental Funds

For fiscal 2012, 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.

<b>Cemetery</b>	The Cemetery Fund accounts for the funds used to operate the City's two cemeteries, Fernwood and Fairmont.
<b>PWI</b>	The Public Way Improvement Fund accounts for funds that finance public works projects.
<b>Canoe Creek</b>	The Canoe Creek Fund accounts for funds set aside for flood mitigation of Canoe Creek.
<b>HART</b>	The Henderson Area Rapid Transit Fund accounts for funds that operate the City bus system.
<b>911</b>	The Emergency Communications Fund accounts for funds that operate the 911 emergency communications system.
<b>CDBG</b>	The Community Development Block Grant Fund accounts for federal grant money used to rehabilitate low income housing and public facilities.
<b>HOME</b>	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.
<b>Police Investigation</b>	The Police Investigation Fund accounts for funds from property sold seized from criminal activities and expended on law enforcement activities.
<b>JAG</b>	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, 2012**

	<b>Cemetery</b>	<b>PWI</b>	<b>Canoe Creek</b>	<b>HART</b>	<b>911</b>	<b>CDBG</b>	<b>HOME</b>	<b>Police Investigation</b>	<b>JAG</b>	<b>Totals</b>
<b>ASSETS</b>										
Cash	\$ 111,654	\$ 821	\$ 28,856	\$ 1,313	\$ 123	\$ -	\$ -	\$ -	\$ -	\$ 142,767
Receivables	1,479	117,139	-	177,688	62,380	142,459	-	-	-	501,145
Inventories	-	-	-	24,852	-	-	-	-	-	24,852
Restricted assets:										
Cash	-	-	-	-	-	-	-	110,710	12,118	122,828
<b>Total assets</b>	<b>\$ 113,133</b>	<b>\$ 117,960</b>	<b>\$ 28,856</b>	<b>\$ 203,853</b>	<b>\$ 62,503</b>	<b>\$ 142,459</b>	<b>\$ -</b>	<b>\$ 110,710</b>	<b>\$ 12,118</b>	<b>\$ 791,592</b>
<b>LIABILITIES</b>										
Accounts payable	\$ 5,904	\$ 187,223	\$ 18,648	\$ 17,061	\$ 13,071	\$ -	\$ -	\$ 41,800	\$ -	\$ 283,707
Accrued wages	3,495	9,208	-	13,371	11,030	-	-	-	-	37,104
Due to other funds	-	-	-	-	-	142,459	-	-	2,256	144,715
<b>Total liabilities</b>	<b>9,399</b>	<b>196,431</b>	<b>18,648</b>	<b>30,432</b>	<b>24,101</b>	<b>142,459</b>	<b>-</b>	<b>41,800</b>	<b>2,256</b>	<b>465,526</b>
<b>FUND BALANCES</b>										
Nonspendable	-	-	-	24,852	-	-	-	-	-	24,852
Restricted	-	-	-	-	-	-	-	68,910	9,862	78,772
Committed	103,734	-	10,208	148,569	38,402	-	-	-	-	300,913
Unassigned	-	(78,471)	-	-	-	-	-	-	-	(78,471)
<b>Total fund balances</b>	<b>103,734</b>	<b>(78,471)</b>	<b>10,208</b>	<b>173,421</b>	<b>38,402</b>	<b>-</b>	<b>-</b>	<b>68,910</b>	<b>9,862</b>	<b>326,066</b>
<b>Total liabilities and fund balances</b>	<b>\$ 113,133</b>	<b>\$ 117,960</b>	<b>\$ 28,856</b>	<b>\$ 203,853</b>	<b>\$ 62,503</b>	<b>\$ 142,459</b>	<b>\$ -</b>	<b>\$ 110,710</b>	<b>\$ 12,118</b>	<b>\$ 791,592</b>

**City of Henderson, Kentucky**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Special Revenue Funds**  
**For the Fiscal Year Ended June 30, 2012**

	<b>Cemetery</b>	<b>PWI</b>	<b>Canoe Creek</b>	<b>HART</b>	<b>911</b>	<b>CDBG</b>	<b>HOME</b>	<b>Police Investigation</b>	<b>JAG</b>	<b>Totals</b>
<b>REVENUES</b>										
Intergovernmental	\$ -	\$ 846,471	\$ -	\$ 716,354	\$ 88,208	\$376,065	\$ 12,000	\$ 6,809	\$ 15,736	\$ 2,061,643
Service charges and fees	198,494	-	-	39,871	598,551	-	-	-	-	836,916
Investment income	2,557	302	323	167	84	-	-	432	77	3,942
Miscellaneous	-	243	-	9,585	-	-	-	-	-	9,828
Total revenues	201,051	847,016	323	765,977	686,843	376,065	12,000	7,241	15,813	2,912,329
<b>EXPENDITURES</b>										
Administration	-	-	115,249	-	-	172,156	-	-	-	287,405
Mass transit	-	-	-	1,295,020	-	-	-	-	-	1,295,020
Parks and recreation	383,105	-	-	-	-	-	-	-	-	383,105
Police	-	-	-	-	951,466	-	-	14,372	4,456	970,294
Public works	-	1,398,359	-	-	-	-	-	-	-	1,398,359
Capital outlays	15,050	-	-	61,132	-	214,109	-	-	11,280	301,571
Total expenditures	398,155	1,398,359	115,249	1,356,152	951,466	386,265	-	14,372	15,736	4,635,754
Excess (deficiency) of revenues over expenditures	(197,104)	(551,343)	(114,926)	(590,175)	(264,623)	(10,200)	12,000	(7,131)	77	(1,723,425)
<b>OTHER FINANCING SOURCES (USES)</b>										
Transfers in from General Fund	-	390,000	-	629,000	215,000	-	-	-	-	1,234,000
Transfers in (out) other funds	-	-	-	-	-	12,000	(12,000)	-	-	-
Total other financing sources (uses)	-	390,000	-	629,000	215,000	12,000	(12,000)	-	-	1,234,000
Net change in fund balances	(197,104)	(161,343)	(114,926)	38,825	(49,623)	1,800	-	(7,131)	77	(489,425)
Fund balances, beginning of year	300,838	82,872	125,134	134,596	88,025	(1,800)	-	76,041	9,785	815,491
Fund balances, end of year	\$ 103,734	\$ (78,471)	\$ 10,208	\$ 173,421	\$ 38,402	\$ -	\$ -	\$ 68,910	\$ 9,862	\$ 326,066

**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, 2012**

	<u>Budget</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Intergovernmental	\$ -	\$ -	\$ -	\$ -
Service charges and fees	197,500	197,500	198,494	994
Investment income	1,500	1,500	2,557	1,057
Miscellaneous	-	-	-	-
Total revenues	<u>199,000</u>	<u>199,000</u>	<u>201,051</u>	<u>2,051</u>
<b>EXPENDITURES</b>				
Administration	-	-	-	-
Mass transit	-	-	-	-
Parks and recreation	406,900	406,900	383,105	23,795
Police	-	-	-	-
Public works	-	-	-	-
Capital outlays	17,100	17,100	15,050	2,050
Total expenditures	<u>424,000</u>	<u>424,000</u>	<u>398,155</u>	<u>25,845</u>
Excess (deficiency) of revenues over expenditures	<u>(225,000)</u>	<u>(225,000)</u>	<u>(197,104)</u>	<u>27,896</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in from General Fund	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(225,000)	(225,000)	(197,104)	27,896
Fund balances, beginning of year	<u>300,838</u>	<u>300,838</u>	<u>300,838</u>	<u>-</u>
Fund balances, end of year	<u>\$ 75,838</u>	<u>\$ 75,838</u>	<u>\$ 103,734</u>	<u>\$ 27,896</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, 2012**

	<u>Budget</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Intergovernmental	\$ 711,800	\$ 711,800	\$ 846,471	\$ 134,671
Service charges and fees	-	-	-	-
Investment income	200	200	302	102
Miscellaneous	-	-	243	243
Total revenues	<u>712,000</u>	<u>712,000</u>	<u>847,016</u>	<u>135,016</u>
<b>EXPENDITURES</b>				
Administration	-	-	-	-
Mass transit	-	-	-	-
Parks and recreation	-	-	-	-
Police	-	-	-	-
Public works	1,397,000	1,397,000	1,398,359	(1,359)
Capital outlays	-	-	-	-
Total expenditures	<u>1,397,000</u>	<u>1,397,000</u>	<u>1,398,359</u>	<u>(1,359)</u>
Excess (deficiency) of revenues over expenditures	<u>(685,000)</u>	<u>(685,000)</u>	<u>(551,343)</u>	<u>133,657</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in from General Fund	<u>685,000</u>	<u>685,000</u>	<u>390,000</u>	<u>(295,000)</u>
Total other financing sources (uses)	<u>685,000</u>	<u>685,000</u>	<u>390,000</u>	<u>(295,000)</u>
Net change in fund balances	-	-	(161,343)	(161,343)
Fund balances, beginning of year	<u>82,872</u>	<u>82,872</u>	<u>82,872</u>	<u>-</u>
Fund balances, end of year	<u>\$ 82,872</u>	<u>\$ 82,872</u>	<u>\$ (78,471)</u>	<u>\$ (161,343)</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, 2012**

	<u>Budget</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Intergovernmental	\$ -	\$ -	\$ -	\$ -
Service charges and fees	-	-	-	-
Investment income	-	-	323	323
Miscellaneous	-	-	-	-
Total revenues	<u>-</u>	<u>-</u>	<u>323</u>	<u>323</u>
<b>EXPENDITURES</b>				
Administration	215,000	215,000	115,249	99,751
Mass transit	-	-	-	-
Parks and recreation	-	-	-	-
Police	-	-	-	-
Public works	-	-	-	-
Capital outlays	-	-	-	-
Total expenditures	<u>215,000</u>	<u>215,000</u>	<u>115,249</u>	<u>99,751</u>
Excess (deficiency) of revenues over expenditures	<u>(215,000)</u>	<u>(215,000)</u>	<u>(114,926)</u>	<u>100,074</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in from General Fund	<u>65,000</u>	<u>65,000</u>	-	<u>(65,000)</u>
Total other financing sources (uses)	<u>65,000</u>	<u>65,000</u>	-	<u>(65,000)</u>
Net change in fund balances	(150,000)	(150,000)	(114,926)	35,074
Fund balances, beginning of year	<u>125,134</u>	<u>125,134</u>	<u>125,134</u>	<u>-</u>
Fund balances, end of year	<u>\$ (24,866)</u>	<u>\$ (24,866)</u>	<u>\$ 10,208</u>	<u>\$ 35,074</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, 2012**

	<u>Budget</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Intergovernmental	\$ 817,340	\$ 817,340	\$ 716,354	\$ (100,986)
Service charges and fees	36,000	36,000	39,871	3,871
Investment income	660	660	167	(493)
Miscellaneous	-	-	9,585	9,585
Total revenues	<u>854,000</u>	<u>854,000</u>	<u>765,977</u>	<u>(88,023)</u>
<b>EXPENDITURES</b>				
Administration	-	-	-	-
Mass transit	1,344,800	1,344,800	1,295,020	49,780
Parks and recreation	-	-	-	-
Police	-	-	-	-
Public works	-	-	-	-
Capital outlays	44,200	266,200	61,132	205,068
Total expenditures	<u>1,389,000</u>	<u>1,611,000</u>	<u>1,356,152</u>	<u>254,848</u>
Excess (deficiency) of revenues over expenditures	<u>(535,000)</u>	<u>(757,000)</u>	<u>(590,175)</u>	<u>166,825</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in from General Fund	535,000	535,000	629,000	94,000
Total other financing sources (uses)	<u>535,000</u>	<u>535,000</u>	<u>629,000</u>	<u>94,000</u>
Net change in fund balances	-	(222,000)	38,825	260,825
Fund balances, beginning of year	<u>134,596</u>	<u>134,596</u>	<u>134,596</u>	<u>-</u>
Fund balances, end of year	<u>\$ 134,596</u>	<u>\$ (87,404)</u>	<u>\$ 173,421</u>	<u>\$ 260,825</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, 2012**

	<u>Budget</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Intergovernmental	\$ 106,000	\$ 106,000	\$ 88,208	\$ (17,792)
Service charges and fees	667,000	667,000	598,551	(68,449)
Investment income	-	-	84	84
Miscellaneous	-	-	-	-
Total revenues	<u>773,000</u>	<u>773,000</u>	<u>686,843</u>	<u>(86,157)</u>
<b>EXPENDITURES</b>				
Administration	-	-	-	-
Mass transit	-	-	-	-
Parks and recreation	-	-	-	-
Police	1,092,000	1,092,000	951,466	140,534
Public works	-	-	-	-
Capital outlays	-	-	-	-
Total expenditures	<u>1,092,000</u>	<u>1,092,000</u>	<u>951,466</u>	<u>140,534</u>
Excess (deficiency) of revenues over expenditures	<u>(319,000)</u>	<u>(319,000)</u>	<u>(264,623)</u>	<u>54,377</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in from General Fund	<u>319,000</u>	<u>319,000</u>	<u>215,000</u>	<u>(104,000)</u>
Total other financing sources (uses)	<u>319,000</u>	<u>319,000</u>	<u>215,000</u>	<u>(104,000)</u>
Net change in fund balances	-	-	(49,623)	(49,623)
Fund balances, beginning of year	<u>88,025</u>	<u>88,025</u>	<u>88,025</u>	<u>-</u>
Fund balances, end of year	<u>\$ 88,025</u>	<u>\$ 88,025</u>	<u>\$ 38,402</u>	<u>\$ (49,623)</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, 2012**

	<u>Budget</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Intergovernmental	\$ 377,000	\$ 377,000	\$ 376,065	\$ (935)
Service charges and fees	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
Total revenues	<u>377,000</u>	<u>377,000</u>	<u>376,065</u>	<u>(935)</u>
<b>EXPENDITURES</b>				
Administration	377,000	377,000	172,156	204,844
Mass transit	-	-	-	-
Parks and recreation	-	-	-	-
Police	-	-	-	-
Public works	-	-	-	-
Capital outlays	-	-	214,109	(214,109)
Total expenditures	<u>377,000</u>	<u>377,000</u>	<u>386,265</u>	<u>(9,265)</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>-</u>	<u>(10,200)</u>	<u>(10,200)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in from General Fund	-	-	-	-
Transfers in (out) other funds	-	-	12,000	12,000
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>12,000</u>	<u>12,000</u>
Net change in fund balances	-	-	1,800	1,800
Fund balances, beginning of year	<u>(1,800)</u>	<u>(1,800)</u>	<u>(1,800)</u>	<u>-</u>
Fund balances, end of year	<u>\$ (1,800)</u>	<u>\$ (1,800)</u>	<u>\$ -</u>	<u>\$ 1,800</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, 2012**

	<u>Budget</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Intergovernmental	\$ 264,000	\$ 264,000	\$ 12,000	\$ (252,000)
Service charges and fees	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
Total revenues	<u>264,000</u>	<u>264,000</u>	<u>12,000</u>	<u>(252,000)</u>
<b>EXPENDITURES</b>				
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>12,000</u>	<u>12,000</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in from General Fund	-	-	-	-
Transfers in (out) other funds	-	-	(12,000)	(12,000)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(12,000)</u>	<u>(12,000)</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, 2012**

	<u>Budget</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Intergovernmental	\$ 8,800	\$ 8,800	\$ 6,809	\$ (1,991)
Service charges and fees	-	-	-	-
Investment income	200	200	432	232
Miscellaneous	-	-	-	-
Total revenues	<u>9,000</u>	<u>9,000</u>	<u>7,241</u>	<u>(1,759)</u>
<b>EXPENDITURES</b>				
Administration	-	-	-	-
Mass transit	-	-	-	-
Parks and recreation	-	-	-	-
Police	76,000	76,000	14,372	61,628
Public works	-	-	-	-
Capital outlays	-	-	-	-
Total expenditures	<u>76,000</u>	<u>76,000</u>	<u>14,372</u>	<u>61,628</u>
Excess (deficiency) of revenues over expenditures	<u>(67,000)</u>	<u>(67,000)</u>	<u>(7,131)</u>	<u>59,869</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in from General Fund	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(67,000)	(67,000)	(7,131)	59,869
Fund balances, beginning of year	<u>76,041</u>	<u>76,041</u>	<u>76,041</u>	<u>-</u>
Fund balances, end of year	<u>\$ 9,041</u>	<u>\$ 9,041</u>	<u>\$ 68,910</u>	<u>\$ 59,869</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, 2012**

	<u>Budget</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Intergovernmental	\$ -	\$ -	\$ 15,736	\$ 15,736
Service charges and fees	-	-	-	-
Investment income	-	-	77	77
Miscellaneous	-	-	-	-
Total revenues	<u>-</u>	<u>-</u>	<u>15,813</u>	<u>15,813</u>
<b>EXPENDITURES</b>				
Administration	-	-	-	-
Mass transit	-	-	-	-
Parks and recreation	-	-	-	-
Police	-	-	4,456	(4,456)
Public works	-	-	-	-
Capital outlays	35,000	35,000	11,280	23,720
Total expenditures	<u>35,000</u>	<u>35,000</u>	<u>15,736</u>	<u>19,264</u>
Excess (deficiency) of revenues over expenditures	<u>(35,000)</u>	<u>(35,000)</u>	<u>77</u>	<u>35,077</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in from General Fund	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(35,000)	(35,000)	77	35,077
Fund balances, beginning of year	<u>9,785</u>	<u>9,785</u>	<u>9,785</u>	<u>-</u>
Fund balances, end of year	<u>\$ (25,215)</u>	<u>\$ (25,215)</u>	<u>\$ 9,862</u>	<u>\$ 35,077</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, 2012**

	<u>Budget</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Property taxes	\$ -	\$ -	\$ 526	\$ 526
Intergovernmental	961,200	1,038,200	512,836	(525,364)
Investment income	800	800	874	74
Total revenues	<u>962,000</u>	<u>1,039,000</u>	<u>514,236</u>	<u>(524,764)</u>
<b>EXPENDITURES</b>				
Debt service:				
Principal	955,000	955,000	955,000	-
Interest	647,000	752,000	750,582	1,418
Total expenditures	<u>1,602,000</u>	<u>1,707,000</u>	<u>1,705,582</u>	<u>1,418</u>
Excess (deficiency) of revenues over expenditures	<u>(640,000)</u>	<u>(668,000)</u>	<u>(1,191,346)</u>	<u>(523,346)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in from General Fund	640,000	668,000	734,600	66,600
Transfers in from Capital Projects Fund	-	526,000	525,246	(754)
Total other financing sources (uses)	<u>640,000</u>	<u>1,194,000</u>	<u>1,259,846</u>	<u>65,846</u>
Net change in fund balances	-	526,000	68,500	(457,500)
Fund balances, beginning of year	<u>924</u>	<u>924</u>	<u>924</u>	<u>-</u>
Fund balances, end of year	<u>\$ 924</u>	<u>\$ 526,924</u>	<u>\$ 69,424</u>	<u>\$ (457,500)</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, 2012**

	<u>Budget</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Intergovernmental	\$ 7,444,000	\$ 7,444,000	\$ 2,854,332	\$ (4,589,668)
Investment income	-	-	22,283	22,283
Miscellaneous	-	-	3,104	3,104
Total revenues	<u>7,444,000</u>	<u>7,444,000</u>	<u>2,879,719</u>	<u>(4,564,281)</u>
<b>EXPENDITURES</b>				
Administration	-	-	6,387	(6,387)
Fire	-	-	49,402	(49,402)
Bond issuance costs	75,000	75,000	72,175	2,825
Capital outlays	9,369,000	9,369,000	3,891,501	5,477,499
Capital contributions to HWU	-	-	1,363,929	(1,363,929)
Total expenditures	<u>9,444,000</u>	<u>9,444,000</u>	<u>5,383,394</u>	<u>4,060,606</u>
Excess (deficiency) of revenues over expenditures	<u>(2,000,000)</u>	<u>(2,000,000)</u>	<u>(2,503,675)</u>	<u>(503,675)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in from General Fund	-	-	177,745	177,745
Transfers out to General Fund	-	-	(31,627)	(31,627)
Transfers out to Debt Service Fund	-	(526,000)	(525,246)	754
Bond issuance	2,000,000	12,080,000	12,080,000	-
Total other financing sources (uses)	<u>2,000,000</u>	<u>11,554,000</u>	<u>11,700,872</u>	<u>146,872</u>
Net change in fund balances	-	9,554,000	9,197,197	(356,803)
Fund balances, beginning of year	<u>11,322,565</u>	<u>11,322,565</u>	<u>11,322,565</u>	<u>-</u>
Fund balances, end of year	<u>\$ 11,322,565</u>	<u>\$ 20,876,565</u>	<u>\$ 20,519,762</u>	<u>\$ (356,803)</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.*

<b><u>Contents</u></b>	<b><u>Page</u></b>
<b>General Information</b>	101
<b>Financial Trends</b> These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	104
<b>Revenue Capacity</b> These schedules contain information to help the reader assess the City's most significant local revenue sources	110
<b>Debt Capacity</b> 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.	120
<b>Demographic and Economic Information</b> These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.	124
<b>Operating Information</b> 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.	127
<b>Sources:</b> 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 ninth 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 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 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, 192 bed Methodist Hospital that is staff by 204 physicians and 1,307 employees. The facility includes a Level II Neonatal Intensive Care (NICU), birthing center, ICU, 24-hour physician covered ER, and a comprehensive rehabilitation center. 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. A trail of bronze statues based on Audubon prints can be found downtown.



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. Ellis Park offers live horse racing in the summer and simulcasting nearly year round.

## 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 TEN FISCAL YEARS**  
(accrual basis of accounting)

	Fiscal Year									
	2003	2004	2005	2006 a)	2007	2008	2009	2010	2011	2012
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	\$ 22,333,017	\$ 21,669,525	\$ 22,194,236
Restricted	528,068	517,312	530,138	541,152	934,268	5,381	778,755	311,144	228,354	148,196
Unrestricted	3,096,082	2,304,101	2,908,310	2,534,369	3,675,129	3,819,538	2,489,572	4,659,177	4,643,359	5,163,109
Total governmental activities net assets	<u>\$ 6,681,019</u>	<u>\$ 8,133,352</u>	<u>\$ 9,087,342</u>	<u>\$ 32,068,426</u>	<u>\$ 31,167,262</u>	<u>\$ 30,207,481</u>	<u>\$ 28,711,851</u>	<u>\$ 27,303,338</u>	<u>\$ 26,541,238</u>	<u>\$ 27,505,541</u>
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	\$ 3,097,074	\$ 3,045,705	\$ 2,911,634
Unrestricted	9,059,338	8,382,315	7,822,166	6,563,922	5,230,239	3,892,579	3,654,328	3,785,614	3,671,994	3,077,639
Total business-type activities net assets	<u>\$ 12,061,229</u>	<u>\$ 11,373,568</u>	<u>\$ 10,723,877</u>	<u>\$ 9,564,273</u>	<u>\$ 8,131,708</u>	<u>\$ 6,864,325</u>	<u>\$ 6,722,750</u>	<u>\$ 6,882,688</u>	<u>\$ 6,717,699</u>	<u>\$ 5,989,273</u>
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	\$ 25,430,091	\$ 24,715,230	\$ 25,105,870
Restricted	528,068	517,312	530,138	541,152	934,268	5,381	778,755	311,144	228,354	148,196
Unrestricted	12,155,420	10,686,416	10,730,476	9,098,291	8,905,368	7,712,117	6,143,900	8,444,791	8,315,353	8,240,748
Total primary government net assets	<u>\$ 18,742,248</u>	<u>\$ 19,506,920</u>	<u>\$ 19,811,219</u>	<u>\$ 41,632,699</u>	<u>\$ 39,298,970</u>	<u>\$ 37,071,806</u>	<u>\$ 35,434,601</u>	<u>\$ 34,186,026</u>	<u>\$ 33,258,937</u>	<u>\$ 33,494,814</u>

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

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

	Fiscal Year									
	2003	2004	2005	2006 a)	2007	2008	2009	2010	2011	2012
<b>Expenses</b>										
Governmental activities:										
Administration	\$ 1,367,718	\$ 3,504,510	\$ 2,852,944	\$ 2,347,787	\$ 4,199,901	\$ 4,007,520	\$ 3,645,774	\$ 5,605,945	\$ 4,481,821	\$ 5,800,427
Finance	1,263,040	1,669,625	2,026,423	2,130,334	2,259,418	2,417,412	2,407,749	2,452,338	2,663,586	2,715,668
Mass transit	541,879	1,127,693	954,634	902,655	952,890	1,164,952	1,200,824	1,331,320	1,373,343	1,379,552
Parks and recreation	720,565	1,052,019	1,454,021	1,594,334	1,656,495	1,733,640	1,752,936	1,830,649	1,827,515	1,931,317
Public safety	7,784,506	9,309,616	10,352,496	11,334,251	11,018,065	11,179,873	11,097,829	11,631,711	12,171,884	12,380,137
Public works	2,071,301	2,388,391	3,107,277	4,916,759	5,065,764	4,946,437	5,139,345	5,134,823	5,342,349	5,359,904
Nondepartmental	1,034,076	1,308,577	1,453,683	1,363,796	1,173,052	1,392,650	1,923,248	1,881,343	2,024,182	2,128,359
Interest on long-term debt	235,855	239,639	230,231	220,711	269,917	281,184	297,764	306,503	439,480	750,582
<b>Total governmental activities expenses</b>	<b>15,018,940</b>	<b>20,600,070</b>	<b>22,431,709</b>	<b>24,810,627</b>	<b>26,595,502</b>	<b>27,123,668</b>	<b>27,465,469</b>	<b>30,174,632</b>	<b>30,324,160</b>	<b>32,445,946</b>
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	19,015,757	18,002,896	14,531,170
Sanitation	1,622,684	1,960,497	1,997,939	2,375,386	2,388,064	2,361,380	2,568,844	2,607,748	2,816,642	2,962,683
<b>Total business-type activities expenses</b>	<b>20,124,230</b>	<b>21,120,256</b>	<b>23,515,554</b>	<b>31,368,847</b>	<b>26,971,719</b>	<b>32,388,076</b>	<b>26,949,792</b>	<b>21,623,505</b>	<b>20,819,538</b>	<b>17,493,853</b>
<b>Total primary government expenses</b>	<b>\$ 35,143,170</b>	<b>\$ 41,720,326</b>	<b>\$ 45,947,263</b>	<b>\$ 56,179,474</b>	<b>\$ 53,567,221</b>	<b>\$ 59,511,744</b>	<b>\$ 54,415,261</b>	<b>\$ 51,798,137</b>	<b>\$ 51,143,698</b>	<b>\$ 49,939,799</b>
<b>Program Revenues</b>										
Governmental activities:										
Charges for services										
Administration	\$ -	\$ 2,873,618	\$ 1,892,931	\$ 1,799,730	\$ 1,620,290	\$ 1,663,236	\$ 1,780,138	\$ 2,269,632	\$ 2,193,280	\$ 2,378,914
Finance	219,297	-	221,444	1,903,007	2,109,001	2,324,014	2,368,766	2,406,292	2,667,698	2,792,566
Mass transit	-	-	34,370	35,091	38,508	45,814	35,781	48,129	43,305	49,456
Parks and recreation	102,335	217,242	306,672	306,829	301,957	310,938	312,951	331,928	362,825	280,165
Public safety	24,400	85,764	413,814	716,936	481,805	761,937	919,361	953,804	1,167,236	912,513
Public works	242,750	35,484	64,503	466,240	80,196	95,649	111,668	169,680	175,876	91,228
Operating grants and contributions	891,523	964,976	3,322,409	2,262,836	3,056,723	2,616,045	2,366,703	2,617,657	3,081,379	3,685,996
Capital grants and contributions	-	901,449	1,254,164	886,861	105,300	244,931	161,409	795,477	734,901	2,973,862
<b>Total governmental activities program revenues</b>	<b>1,480,305</b>	<b>5,078,533</b>	<b>7,510,307</b>	<b>8,377,530</b>	<b>7,793,780</b>	<b>8,062,564</b>	<b>8,056,777</b>	<b>9,592,599</b>	<b>10,426,500</b>	<b>13,164,700</b>



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

	Fiscal Year									
	2003	2004	2005	2006 a)	2007	2008	2009	2010	2011	2012
<b>Business-type activities:</b>										
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	\$ 20,437,945	\$ 19,092,445	\$ 15,287,287
Sanitation	1,563,673	1,594,648	1,589,366	1,488,001	1,586,933	2,107,769	2,393,856	2,429,609	2,665,082	2,793,255
Total business-type activities program revenues	21,248,733	21,659,729	23,749,815	31,349,307	26,326,667	32,033,979	27,093,035	22,867,554	21,757,527	18,080,542
Total primary government program revenues	\$ 22,729,038	\$ 26,738,262	\$ 31,260,122	\$ 39,726,837	\$ 34,120,447	\$ 40,096,543	\$ 35,149,812	\$ 32,460,153	\$ 32,184,027	\$ 31,245,242
<b>Net (Expenses)/Revenue</b>										
Governmental activities	\$ (13,538,635)	\$ (15,521,537)	\$ (14,921,402)	\$ (16,433,097)	\$ (18,801,722)	\$ (19,061,104)	\$ (19,408,692)	\$ (20,582,033)	\$ (19,897,660)	\$ (19,281,246)
Business-type activities	1,124,503	539,473	234,261	(19,540)	(645,052)	(354,097)	143,243	1,244,049	937,989	586,689
Total primary government net expense	\$ (12,414,132)	\$ (14,982,064)	\$ (14,687,141)	\$ (16,452,637)	\$ (19,446,774)	\$ (19,415,201)	\$ (19,265,449)	\$ (19,337,984)	\$ (18,959,671)	\$ (18,694,557)
<b>General Revenues and Other Changes in Net Assets</b>										
Governmental activities:										
Taxes:										
Payroll and net profits	\$ -	\$ -	\$ -	\$ 1,998,499	\$ 5,141,680	\$ 4,915,111	\$ 4,792,685	\$ 4,717,128	\$ 4,703,133	\$ 4,942,815
Property	3,849,171	3,983,611	4,202,727	4,355,360	4,753,013	5,250,283	5,593,273	6,571,652	6,664,192	7,177,659
Insurance	4,222,241	4,442,749	4,531,904	4,533,359	4,365,717	4,091,311	4,291,149	4,301,984	4,136,526	4,203,745
Other	827,687	837,737	655,649	627,676	624,842	746,004	672,452	656,896	694,413	810,567
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	1,644,724	1,644,724	1,644,724
Intergovernmental	2,462,025	1,263,360	-	-	-	-	-	-	-	-
Investment earnings	156,722	30,192	185,238	196,815	270,582	253,890	73,489	88,136	86,572	66,039
Miscellaneous	420,966	295,682	789,335	-	-	-	-	-	-	-
Extraordinary item	-	-	-	-	-	-	(554,720)	-	-	-
Transfers	1,444,764	1,937,957	1,400,000	2,400,000	1,300,000	1,400,000	1,400,000	1,193,000	1,206,000	1,400,000
Total governmental activities	17,225,331	16,973,870	15,875,392	15,240,436	17,900,558	18,101,323	17,913,062	19,173,520	19,135,560	20,245,549

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

	Fiscal Year									
	2003	2004	2005	2006 a)	2007	2008	2009	2010	2011	2012
Business-type activities:										
Investment earnings	\$ 798,258	\$ 18,876	\$ 516,048	\$ 157,936	\$ 464,487	\$ 486,714	\$ 160,214	\$ 108,889	\$ 103,022	\$ 84,885
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)	(1,193,000)	(1,206,000)	(1,400,000)
Total business-type activities	(646,506)	(1,919,081)	(883,952)	(2,242,064)	(835,513)	(913,286)	(284,818)	(1,084,111)	(1,102,978)	(1,315,115)
Total primary government	\$ 16,578,825	\$ 15,054,789	\$ 14,991,440	\$ 12,998,372	\$ 17,065,045	\$ 17,188,037	\$ 17,628,244	\$ 18,089,409	\$ 18,032,582	\$ 18,930,434
<b>Change in Net Assets</b>										
Governmental activities:	\$ 3,686,696	\$ 1,452,333	\$ 953,990	\$ (1,192,661)	\$ (901,164)	\$ (959,781)	\$ (1,495,630)	\$ (1,408,513)	\$ (762,100)	\$ 964,303
Business-type activities:	477,997	(1,379,608)	(649,691)	(2,261,604)	(1,480,565)	(1,267,383)	(141,575)	159,938	(164,989)	(728,426)
Total primary government	\$ 4,164,693	\$ 72,725	\$ 304,299	\$ (3,454,265)	\$ (2,381,729)	\$ (2,227,164)	\$ (1,637,205)	\$ (1,248,575)	\$ (927,089)	\$ 235,877

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

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

	Fiscal Year									
	2003	2004	2005	2006 a)	2007	2008	2009	2010	2011 b)	2012
<b>General Fund</b>										
Reserved	\$ 43,626	\$ 30,168	\$ -	\$ -	\$ 850,000	\$ 590,000	\$ 590,000	\$ 1,095,872		
Unreserved	4,263,230	3,821,230	3,377,314	2,648,312	3,157,175	4,019,711	4,692,077	5,932,799		
Nonspendable									\$ 1,217,335	\$ 39,087
Restricted									-	-
Committed									955,573	1,130,781
Assigned									988,500	837,000
Unassigned									3,836,690	5,592,998
<b>Total general fund</b>	<b>\$ 4,306,856</b>	<b>\$ 3,851,398</b>	<b>\$ 3,377,314</b>	<b>\$ 2,648,312</b>	<b>\$ 4,007,175</b>	<b>\$ 4,609,711</b>	<b>\$ 5,282,077</b>	<b>\$ 7,028,671</b>	<b>\$ 6,998,098</b>	<b>\$ 7,599,866</b>
<b>All Other Governmental Funds</b>										
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	706		
Special revenue funds	-	-	-	-	-	-	639,240	333,266		
Unreserved, reported in:										
Capital projects fund	-	-	-	-	-	(786,928)	(1,956,097)	(1,729,492)		
Special revenue funds	455,881	531,591	796,618	678,094	656,430	659,060	435,242	474,272		
Nonspendable									\$ 23,120	\$ 24,852
Special revenue funds										
Restricted									924	69,424
Debt service fund										
Capital projects fund									11,702,613	21,172,367
Special revenue funds									227,430	78,772
Committed									566,741	300,912
Special revenue funds										
Assigned									-	-
Unassigned										
Capital projects fund									(380,048)	(652,605)
Special revenue funds									(1,800)	(78,470)
<b>Total all other governmental funds</b>	<b>\$ 988,904</b>	<b>\$ 1,048,903</b>	<b>\$ 1,326,756</b>	<b>\$ 1,219,246</b>	<b>\$ 1,590,698</b>	<b>\$ 664,441</b>	<b>\$ (742,100)</b>	<b>\$ (921,248)</b>	<b>\$ 12,138,980</b>	<b>\$ 20,915,252</b>

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

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

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

	Fiscal Year									
	2003	2004	2005	2006 a)	2007	2008	2009	2010	2011	2012
<b>Revenues</b>										
Taxes	\$ 9,005,832	\$ 9,390,280	\$ 11,514,894	\$ 14,885,252	\$ 15,002,709	\$ 15,002,709	\$ 15,349,559	\$ 16,247,660	\$ 16,198,264	\$ 17,134,786
Charges for services	678,276	556,876	663,766	990,955	1,026,292	1,242,500	1,349,938	1,460,316	1,435,183	1,388,763
Investment income	156,722	30,192	178,720	175,858	248,288	241,715	69,672	86,892	85,107	64,712
Licenses and permits	691,755	682,582	706,375	194,993	101,080	86,230	73,827	88,624	102,046	77,643
Intergovernmental revenue	3,353,548	4,274,985	4,576,573	4,724,916	4,904,924	4,913,514	4,867,253	5,825,278	6,385,784	9,204,912
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	1,644,724	1,644,724	1,644,724
Other	331,472	375,346	178,587	370,979	268,234	317,790	262,959	506,111	252,000	275,645
<b>Total revenues</b>	<b>17,367,605</b>	<b>18,810,261</b>	<b>21,318,915</b>	<b>22,471,680</b>	<b>22,996,251</b>	<b>23,249,182</b>	<b>23,617,942</b>	<b>25,859,605</b>	<b>26,103,108</b>	<b>29,791,185</b>
<b>Expenditures</b>										
Administration	1,333,218	1,431,563	1,007,131	1,025,138	2,596,582	2,072,530	2,277,438	2,517,239	2,627,053	2,561,360
Finance	1,529,349	1,579,727	1,884,715	1,987,523	2,065,065	2,274,800	2,326,392	2,426,737	2,610,767	2,620,612
Public safety	8,724,046	8,934,903	9,811,606	10,685,174	10,268,009	10,630,489	10,626,785	11,192,621	11,865,141	12,124,460
Public works	2,239,500	2,308,424	2,957,253	3,122,916	3,241,802	3,006,808	3,225,161	3,207,831	3,439,486	3,476,855
Parks & recreation	816,973	895,704	1,326,786	1,424,947	1,473,393	1,526,873	1,555,361	1,607,810	1,616,671	1,730,432
Non-departmental	1,202,440	1,308,577	1,453,683	1,363,796	1,173,052	1,392,650	1,923,248	1,881,343	2,024,182	2,128,359
Mass transit	1,050,334	1,127,693	886,039	860,592	884,040	1,091,239	1,124,891	1,193,074	1,271,873	1,295,020
Capital outlay	1,036,189	3,397,583	1,170,700	2,001,662	3,322,931	2,044,193	1,282,849	793,698	1,562,152	4,703,361
Capital contributions to HWU	-	-	-	-	-	-	-	-	-	1,363,929
Debt service:										
Interest	235,855	239,639	230,231	220,711	269,917	281,184	297,764	306,503	439,480	750,582
Principal	601,534	593,680	300,000	423,755	2,391,669	652,137	557,508	358,303	360,000	955,000
Other charges	-	-	-	-	-	-	-	-	27,648	72,175
<b>Total expenditures</b>	<b>18,769,438</b>	<b>21,817,493</b>	<b>21,028,144</b>	<b>23,116,214</b>	<b>27,686,460</b>	<b>24,972,903</b>	<b>25,197,397</b>	<b>25,485,159</b>	<b>27,844,453</b>	<b>33,782,145</b>
Excess of revenues over (under) expenditures	(1,401,833)	(3,007,232)	290,771	(644,534)	(4,690,209)	(1,723,721)	(1,579,455)	374,446	(1,741,345)	(3,990,960)
<b>Other Financing Sources (Uses)</b>										
Transfers in	4,223,051	3,452,761	3,290,783	3,818,766	3,596,374	2,802,811	2,797,000	2,974,500	5,686,761	4,103,218
Transfers out	(2,778,287)	(1,514,805)	(1,890,783)	(1,418,766)	(2,296,374)	(1,402,811)	(1,397,000)	(1,781,500)	(4,480,761)	(2,703,218)
Insurance recovery	-	-	-	328,914	-	-	-	-	-	-
Proceeds from loans	-	800,000	-	325,422	5,237,981	-	-	-	13,730,000	12,080,000
Bond refundings	-	-	-	-	-	-	-	-	(1,310,000)	-
Sale of land	-	-	-	-	-	-	-	-	1,145,000	(111,000)
Other	-	-	-	124,044	-	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>1,444,764</b>	<b>2,737,956</b>	<b>1,400,000</b>	<b>3,178,380</b>	<b>6,537,981</b>	<b>1,400,000</b>	<b>1,400,000</b>	<b>1,193,000</b>	<b>14,771,000</b>	<b>13,369,000</b>
Extraordinary item	-	-	-	-	-	-	(554,720)	-	-	-
<b>Net change in fund balances</b>	<b>\$ 42,931</b>	<b>\$ (269,276)</b>	<b>\$ 1,690,771</b>	<b>\$ 2,533,846</b>	<b>\$ 1,847,772</b>	<b>\$ (323,721)</b>	<b>\$ (734,175)</b>	<b>\$ 1,567,446</b>	<b>\$ 13,029,655</b>	<b>\$ 9,378,040</b>
Debt service as a percentage of noncapital expenditures	4.7%	4.5%	2.7%	3.1%	10.9%	4.1%	3.6%	2.7%	3.0%	5.9%

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
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	c) 628,633	117,371
2009	15,349,559	5,593,273	4,291,149	4,017,229	775,456	555,857	116,595
2010	16,247,660	6,571,652	d) 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	c) 561,308	133,105
2012	17,134,786	7,177,659	4,203,745	4,194,962	747,853	677,159	133,408

- 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 taxes.
- c) The City of Henderson had several requests for large refunds of net profit taxes.
- d) Starting in fiscal 2010, the City of Henderson allocated 100% of property tax revenue to the General Fund.

**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>
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
2010	1,071,441	144,539	510,373	1,726,353
2011	1,079,090	125,452	543,287	1,747,829
2012	1,095,301	131,246	544,520	1,771,067

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 NINE 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
2010	771,246,458	2,901,145	364,428,870	8,842,981	75,978,542	-	1,071,440,912	0.00466	4,992,915
2011	777,522,794	2,901,145	367,906,368	8,668,612	77,908,839	-	1,079,090,080	0.00486	5,244,378
2012	784,181,028	3,014,722	379,700,845	6,779,520	78,375,555	-	1,095,300,560	0.00521	5,706,516

**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
2010	57,986,626	57,503,339	21,538,243	1,056,284	2,457,177	3,997,125	144,538,794	0.00590	852,779
2011	56,439,817	53,952,590	11,762,126	152,327	66,739	3,078,617	125,452,216	0.00714	895,729
2012	52,850,006	46,594,388	12,820,482	13,737,384	1,385,767	3,858,178	131,246,205	0.00743	975,159

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**

<b>Real property:</b>						<b>Overlapping</b>						<b>Total City Resident</b>
<b>Direct</b>						<b>Overlapping</b>						
<b>Year</b>	<b>Police and Firemen's Pension</b>	<b>Civil Service Pension</b>	<b>Debt</b>	<b>General Fund Operations</b>	<b>City</b>	<b>County Schools</b>	<b>State</b>	<b>County</b>	<b>Library</b>	<b>Health</b>	<b>Extension</b>	
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
2010	-	-	-	0.4660	0.4660	0.4770	0.1220	0.1180	0.0630	0.0260	0.0230	1.2950
2011	-	-	-	0.4860	0.4860	0.5000	0.1220	0.1180	0.0690	0.0260	0.0250	1.3460
2012	-	-	-	0.5210	0.5210	0.5170	0.1220	0.1180	0.0740	0.0260	0.0270	1.4050

<b>Personal property:</b>						<b>Overlapping</b>						<b>Total City Resident</b>
<b>Direct</b>						<b>Overlapping</b>						
<b>Year</b>	<b>Police and Firemen's Pension</b>	<b>Civil Service Pension</b>	<b>Debt</b>	<b>General Fund Operations</b>	<b>City</b>	<b>County Schools</b>	<b>State</b>	<b>County</b>	<b>Library</b>	<b>Health</b>	<b>Extension</b>	
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
2010	-	-	-	0.5900	0.5900	0.4770	0.4500	0.1750	0.0860	0.0260	0.0328	1.8368
2011	-	-	-	0.7140	0.7140	0.5000	0.4500	0.1750	0.0993	0.0260	0.0376	2.0019
2012	-	-	-	0.7430	0.7430	0.5170	0.4500	0.1750	0.1089	0.0260	0.0415	2.0614

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**

<b>Real property: Direct</b>		<b>Overlapping</b>						<b>Total</b>
<b>Year</b>	<b>City</b>	<b>County Schools</b>	<b>State</b>	<b>County</b>	<b>Library</b>	<b>Health</b>	<b>Extension</b>	<b>City Resident</b>
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
2010	0.4660	0.4770	0.1220	0.1180	0.0630	0.0260	0.0230	1.2950
2011	0.4860	0.5000	0.1220	0.1180	0.0690	0.0260	0.0250	1.3460
2012	0.5210	0.5170	0.1220	0.1180	0.0740	0.0260	0.0270	1.4050
<b>Personal property:</b>								
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
2010	0.5900	0.4770	0.4500	0.1750	0.0860	0.0260	0.0328	1.8368
2011	0.7140	0.5000	0.4500	0.1750	0.0993	0.0260	0.0376	2.0019
2012	0.7430	0.5170	0.4500	0.1750	0.1089	0.0260	0.0415	2.0614

Source: Kentucky Department of Revenue

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

<b>Company</b>	<b>Type of Tax</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>
Kentucky Farm Bureau Insurance	Insurance premium tax	\$ 357,838	\$ 392,174	\$ 400,515	\$ 387,260	\$ 399,568	\$ 410,043	\$ 425,793	\$ 456,374	\$ 486,160	\$ 521,020
Commonwealth of Kentucky - Telecom (a)	Franchise tax	-	-	-	-	315,994	316,101	315,991	316,068	316,044	311,957
Bellsouth Telecommunications / AT&T	911 tax/Franchise fees	178,376	158,529	203,391	270,679	200,665	280,409	283,255	277,972	285,083	281,144
Insight Communications (a)	911 tax/Franchise fees	273,480	285,073	325,312	236,649	-	225,568	192,960	214,889	237,779	232,997
State Farm Mutual Automobile Insurance	Insurance premium tax	174,765	171,549	172,297	173,236	172,002	161,049	175,243	176,025	192,829	225,066
State Farm Fire & Casualty Company	Insurance premium tax	-	-	-	-	114,716	114,810	116,277	127,469	144,505	163,885
United Healthcare	Insurance premium tax	125,144	143,431	145,257	161,039	147,950	197,205	224,861	188,973	177,349	163,636
Cincinnati Insurance Company	Insurance premium tax	105,243	102,818	-	113,508	100,644	96,125	115,878	127,925	136,640	138,131
Progressive Casualty Insurance Company	Insurance premium tax	-	-	-	-	133,516	152,869	150,993	148,370	123,904	108,966
West American Insurance Company	Insurance premium tax	94,068	106,617	116,083	118,402	118,984	120,170	110,157	103,134	95,201	91,741
Grange Mutual	Insurance premium tax	122,315	134,139	137,350	131,073	122,680	-	-	-	-	-
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	-	108,017	-	-	-	-	-	-	-	-
Aetna Life Insurance	Insurance premium tax	184,959	-	-	-	-	-	-	-	-	-
St. Paul Fire & Marine Insurance Co.	Insurance premium tax	94,438	-	-	-	-	-	-	-	-	-

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 NINE 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	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2004	\$ 3,900,986	N/A	N/A	N/A	\$ 3,889,773	99.7%
2005	4,173,453	\$ 4,122,781	98.8%	\$ 40,363	4,163,144	99.8%
2006	4,301,983	4,247,636	98.7%	41,193	4,288,829	99.7%
2007	4,704,133	4,647,361	98.8%	41,125	4,688,486	99.7%
2008	5,137,044	5,064,159	98.6%	53,128	5,117,287	99.6%
2009	5,596,878	5,491,093	98.1%	70,447	5,561,540	99.4%
2010	5,786,016	5,692,217	98.4%	58,675	5,750,892	99.4%
2011	6,065,698	5,959,466	98.2%	46,971	6,006,437	99.0%
2012	6,557,020	6,446,468	98.3%	-	6,446,468	98.3%

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

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

(b) Collections as of June 30, 2012

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

<b>Type of Customer</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>
Residential	700,265	708,087	611,354	613,872	513,033	558,863	622,342	566,728	589,839	519,927
Commercial	330,446	338,998	337,788	341,802	319,357	331,896	371,493	342,366	366,061	341,617
Industrial	2,031,564	1,690,014	1,844,269	1,579,765	1,807,274	1,881,901	2,147,867 d)	1,967,828	2,165,540	2,202,345
Municipal	-	-	-	-	-	6,428 b)	7,875	6,882	7,543	7,614
<b>Total Sold</b>	<b>3,062,275</b>	<b>2,737,099</b>	<b>2,793,411</b>	<b>2,535,439</b>	<b>2,639,664</b>	<b>2,779,088</b>	<b>3,149,577</b>	<b>2,883,804</b>	<b>3,128,983</b>	<b>3,071,503</b>
Delivered only	314,481	356,232	399,848	360,747	358,538	331,305	- d)	-	-	-
Pipeline distribution use (net of losses)	17,422	(2,302) a)	1,352	1,037	1,926	3,647 c)	1,733	4,628 e)	2,796	3,201
<b>Total Disposition</b>	<b>3,394,178</b>	<b>3,091,029</b>	<b>3,194,611</b>	<b>2,897,223</b>	<b>3,000,128</b>	<b>3,114,040</b>	<b>3,151,310</b>	<b>2,888,432</b>	<b>3,131,779</b>	<b>3,074,704</b>

- a) The department reported a loss from leaks, migration, damage and/or accidents of 2,780.
- b) Prior to 2007, Municipal consumption was included in Commercial.
- c) The department reported a loss from leaks, migration, damage and/or accidents of 2,634.
- d) A transport customer is now a sales service customer and now reflected in industrial.
- e) 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>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Residential	\$ 5,063	\$ 6,595	\$ 6,028	\$ 8,064	\$ 6,421	\$ 6,594	\$ 7,715	\$ 5,925	\$ 6,142	\$ 5,286
Commercial	2,248	2,972	3,023	4,120	3,899	3,671	4,542	2,967	3,196	2,774
Industrial	10,105	10,913	12,704	16,702	16,612	15,147	22,049	10,524	11,460	10,907
Total Sold	\$ 17,416	\$ 20,480	\$ 21,755	\$ 28,886	\$ 26,932	\$ 25,413	\$ 34,306 a)	\$ 19,416 b)	\$ 20,798	\$ 18,967

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

b) 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
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	a) 12.00	2.25
2010	12.00	2.25
2011	12.00	2.25
2012	12.00	2.25

**Source:** Gas department

a) 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, 2012**

<b>Governmental Unit</b>	<b><u>Debt Outstanding</u></b>	<b><u>Estimated Percentage Applicable (a)</u></b>	<b><u>Estimated Share of Overlapping Debt</u></b>
<b>Debt repaid with property taxes</b>			
Henderson County Schools (c)	\$ 18,639,812	52.42% (b)	\$ 9,770,989
Henderson County (d)			
Henderson County Public Properties Corp.	4,870,000	52.42% (b)	<u>\$ 2,552,854</u>
Subtotal, overlapping debt			\$ 12,323,843
<b>City direct debt</b>			<u>29,125,000</u>
<b>Total direct and overlapping debt</b>			<u><u>\$ 41,448,843</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 audit of the Henderson County Board of Education for fiscal year 2012.
- 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			Fiscal Year	
				Principal	Interest	Total					Principal	Interest	Total		Coverage
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
2010	14,747	10,789	3,958	763	613	1,376	2.88	53,365	49,438	3,927	-	-	-	N/A	2010
2011	16,108	11,740	4,368	812	696	1,508	2.90	55,426	50,472	4,954	-	-	-	N/A	2011
2012	15,734	11,883	3,851	1,313	886	2,199	1.75	60,033	57,245	2,788	-	-	-	N/A	2012

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		Other Governmental Activities Debt		Business-Type Activities		Total Primary Government <sup>d)</sup> Per Capita		Per Capita Income	Percentage of Personal Income
	General Obligation Bonds	Actual Taxable Value of Property	Actual Taxable Value of Property	Population	Per Capita	Bond Anticipation Note	Capital Leases	Capital Leases				
2003	-	\$ 1,317,668,000	0.00%	27,502	N/A		\$ 4,648,680	\$ 157,474	\$ 4,806,154	\$ 175	\$ 25,401	0.69%
2004	-	1,356,348,000	0.00%	27,542	N/A		4,855,000 <sup>a)</sup>	106,690	4,961,690	180	25,356	0.71%
2005	-	1,374,606,000	0.00%	27,666	N/A		4,555,000	54,218	4,609,218	167	26,232	0.64%
2006	-	1,396,033,000	0.00%	27,666	N/A		4,534,667	-	4,534,667	164	26,232	0.62%
2007	\$ 5,230,000	1,423,495,000	0.37%	27,768	\$ 188		2,277,948	-	7,507,948 <sup>b)</sup>	270	26,232	1.03%
2008	5,005,000	1,486,361,000	0.34%	27,768	\$ 180		1,850,811	-	6,855,811	247	28,259	0.87%
2009	4,775,000	1,599,707,000	0.30%	27,933	\$ 171	1,583,737 <sup>c)</sup>	1,523,303	-	7,882,040	282	29,434	0.96%
2010	4,535,000	1,647,584,000	0.28%	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	1,771,066,893	1.64%	28,853	\$ 1,009	-	-	-	29,125,000	1,009	31,265	3.23%

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

- a) In addition to \$4.06 million in capital leases, the City issued \$800,000 of new leases in 2004.
- b) In addition to \$2.3 million in capital leases, the City issued \$5.23 million in general obligation bonds in 2007.
- c) In 2009, the City drew down \$1.6 million of a \$4.0 million bond anticipation note.
- d) 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									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<b>General Bonded</b>										
General bonded debt outstanding	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,230	\$ 5,005	\$ 4,775	\$ 18,000	\$ 29,125
Other bonded debt	-	-	-	-	-	-	-	1,584	-	-
Total	-	-	-	-	-	5,230	5,005	6,359	18,000	29,125
Estimated actual property value	\$ 1,356,348	\$ 1,374,606	\$ 1,374,606	\$ 1,396,033	\$ 1,423,495	\$ 1,486,361	\$ 1,599,707	\$ 1,647,584	\$ 1,747,829	\$ 1,771,067
Percentage of estimated actual property value	0%	0%	0%	0%	0%	0.35%	0.31%	0.39%	1.03%	1.64%
Population	27,447	27,502	27,542	27,666	27,666	27,768	27,768	27,933	28,757	28,853
Per capita	-	-	-	-	-	\$ 188	\$ 180	\$ 228	\$ 626	\$ 1,009
Less: Amounts set aside to repay general debt	-	-	-	-	-	-	269	1,018	918	1,131
Total net debt applicable to debt limit	-	-	-	-	-	\$ 5,230	\$ 4,736	\$ 5,341	\$ 17,082	\$ 27,994
Debt Limit	\$ 79,229	\$ 81,108	\$ 84,424	\$ 87,125	\$ 91,271	\$ 100,736	\$ 105,167	\$ 107,144	\$ 107,909	\$ 109,530
Total net debt applicable to limit	\$ 5,202	\$ 4,649	\$ 4,855	\$ 4,555	\$ 4,535	\$ 7,508	\$ 6,856	\$ 7,524	\$ 18,000	\$ 29,125
Legal Debt Limit a)	\$ 74,027	\$ 76,459	\$ 79,569	\$ 82,570	\$ 86,736	\$ 93,228	\$ 98,311	\$ 99,620	\$ 89,909	\$ 80,405
Legal Debt Margin b)	\$ 74,027	\$ 76,459	\$ 79,569	\$ 82,570	\$ 86,736	\$ 87,998	\$ 93,575	\$ 94,279	\$ 72,827	\$ 52,411
Legal debt margin as a percentage of the debt limit	100%	100%	100%	100%	100%	94.4%	95.2%	94.6%	81.0%	65.2%

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	(c) Median Age	(d) School Enrollment	(b) Unemployment Rate
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%
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%

**Sources:**

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

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

Employer	2006 (a)			2007			2008		
	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%
Henderson County Schools	3	121,608	8.59%	2	278,054	6.66%	2	297,595	7.10%
Gibbs	4	83,475	5.89%	4	201,997	4.84%	4	167,912	4.00%
City of Henderson	5	47,119	3.33%	5	115,414	2.77%	5	118,877	2.84%
Dana	2	111,294	7.86%	3	275,966	6.61%	3	249,417	5.95%
Big Rivers	8	26,063	1.84%	8	66,309	1.59%	6	76,604	1.83%
Wal-Mart	18	-	0.00%	11	-	0.00%	8	70,954	1.69%
Redbanks	13	-	0.00%	9	63,355	1.52%	10	64,275	1.53%
Henderson Community College	9	23,867	1.69%	10	61,073	1.46%	9	65,096	1.55%
Sunspring America	6	44,200	3.12%	6	100,056	2.40%	7	75,034	1.79%
Vincent Plastics	7	24,779	1.75%	7	71,215	1.71%	11	-	0.00%
Spartan Staffing	10	22,830	1.61%	22	-	0.00%	15	-	0.00%
<b>Total</b>		<b>\$ 669,628</b>	<b>47.28%</b>		<b>\$ 1,640,132</b>	<b>39.31%</b>		<b>\$ 1,619,491</b>	<b>38.63%</b>

**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.
- (b) Starting in fiscal 2010 the City's remittance included Henderson Water Utility

Source: City of Henderson Occupational License Office

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

Employer	2009			2010			2011			2012		
	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	\$ 468,120	11.65%	1	\$ 467,415	11.84%	1	\$ 468,695	11.58%	1	\$ 509,135	12.14%
Henderson County Schools	2	306,117	7.62%	2	321,754	8.15%	2	321,922	7.96%	2	328,197	7.82%
Dana	3	171,968	4.28%	5	133,290	3.38%	5	134,989	3.34%	3	174,305	4.16%
City of Henderson	5	124,433	3.10%	4	161,027	4.08% (b)	4	163,558	4.04% (b)	4	165,130	3.94%
Gibbs	4	152,176	3.79%	3	162,702	4.12%	3	165,136	4.08%	5	162,138	3.87%
Big Rivers	6	84,017	2.09%	6	107,244	2.72%	6	127,353	3.15%	6	119,522	2.85%
Wal-Mart	7	79,145	1.97%	7	80,982	2.05%	7	78,704	1.95%	7	80,826	1.93%
Redbanks	8	69,684	1.73%	8	73,480	1.86%	8	77,667	1.92%	8	79,410	1.89%
Henderson Community College	10	64,076	1.60%	10	64,660	1.64%	9	68,000	1.68%	9	70,761	1.69%
Henderson County	11	-	0.00%	11	-	0.00%	11	-	0.00%	10	67,396	1.61%
State of Kentucky	9	64,760	1.61%	9	68,515	1.74%	10	66,018	1.63%	11	-	0.00%
<b>Total</b>		<b>\$ 1,519,736</b>	<b>37.83%</b>		<b>\$ 1,572,554</b>	<b>39.84%</b>		<b>\$ 1,606,024</b>	<b>39.69%</b>		<b>\$ 1,756,820</b>	<b>41.88%</b>

**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.  
(b) Starting in fiscal 2010 the City's remittance included Henderson Water Utility

Source: City of Henderson Occupational License Office

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

<u>Function / Program</u>	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<b>General Government</b>										
Administration	15.00	15.00	15.00	12.00 b	11.00	22.00 d	22.00	22.50 e	22.25	22.25
Finance	31.00	31.00	31.00	31.00	33.00 c	32.00	32.00	33.50 e	33.75	33.75
<b>Police</b>										
Officers	57.50	57.50	57.50	57.80	57.80	57.80	57.55	60.75 f	60.75	60.75
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	13.50	14.50	14.50	14.20	15.20	15.20	15.45	15.25	15.25	15.25
<b>Fire</b>										
Firefighters	58.00	58.00	58.00	58.00	58.00	58.00	58.00	58.00	58.00	58.00
Civilians	7.00	7.00	7.00	9.00 b	9.00	2.00 d	2.00	2.00	2.00	2.00
<b>Parks and Recreation</b>	14.00 a	14.00	14.00	14.00	14.00	13.00	13.00	13.00	13.00	13.00
<b>Mass Transit</b>	12.00	12.00	12.00	12.00	12.00	13.00	14.00	14.00	14.00	14.00
<b>Gas System</b>	29.00	30.00	30.00	30.00	27.00	28.00	28.00	28.00	28.00	28.00
<b>Sanitation</b>	20.75	18.50	18.50	18.50	18.50	18.50	18.50	18.50	18.50	18.50
<b>Cemetery</b>	5.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00
<b>Public Way Improvement</b>	37.25	37.50	37.50	37.50	37.50	35.50 d	35.50	35.50	35.50	35.50
<b>TOTAL</b>	308.00	307.00	307.00	306.00	305.00	307.00	308.00	313.00	313.00	313.00

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.
- e) Two positions from Henderson Water Utility were moved to the City.
- f) The City received funding from the Community Oriented Policing Service for three police officers.

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

<u>Function / Program</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
<b>Public Way Improvement</b>										
Miles of streets paved	111	111	111	113	113	113	113	113	124	124
Miles of sidewalks	73	73	73	73	73	73	73	73	73	73
<b>Wastewater System</b>										
Miles of sanitary sewers	151	151	206	185	205	205	203	205	200	201
Miles of storm sewers	136	136	136	136	136	136	136	136	136	136
Number of service connections	10,136	10,136	11,156	11,156	10,792	10,793	10,782	10,846	10,884	10,884
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
<b>Water System</b>										
Miles of water mains	203	203	223	206	219	222	224	225	225	225
Number of service connections	10,649	10,649	11,156	11,156	10,792	10,793	10,782	10,846	10,844	10,844
Number of fire hydrants	1,087	1,087	939	939	988	1,007	1,020	1,030	1,084	1,095
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
<b>Electric System</b>										
Miles of transmission and primary distribution	206	206	206	208	208	208	208	208	208	208
Number of distribution stations	7	7	7	7	7	7	7	7	7	7
<b>Gas System</b>										
Miles of mains	216	234	236	241	243	244	245	247	249	251
Miles of service lines	*	128	129	129	129	129	129	129	127	125
Number of meters	10,158	10,150	10,095	10,030	10,008	10,000	9,652	9,532	9,470	9,422
<b>Parks and Recreation</b>										
Park acreage	205	210	210	210	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	17	17	16	16	16	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	2	2	2	2	2	2	2	2	2	2
Disc golf holes (a)	-	-	-	-	-	-	9	18	18	18

Source: Applicable Departments

(a) The City added 9 holes of disc golf in fiscal 2009 and expanded it to 18 holes in fiscal 2010.

\* - Data not available

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

<u>Function / Program</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
<b>Police</b>										
Physical arrests	4,096	5,776	3,827	3,696	3,759	3,793	3,519	3,183	2,615	295
Traffic violations	5,304	3,932	2,166	3,086	2,697	2,073	1,458	2,315	2,854	2,928
Parking violations	3,754	5,870	5,746	5,195	3,867	4,492	4,387	2,425	4,075	2,996
Calls for service	29,301	29,179	24,525	25,987	23,600	22,335	17,658	18,582	17,633	35,186
<b>Fire</b>										
Fire	184	160	152	152	152	176	155	124	152	150
Overpressure Rupture, Explosion, Overheat	11	9	8	9	12	13	12	10	9	10
Rescue & Emergency Medical Service	661	801	985	1,029	1,213	1,182	1,246	1,297	1,216	1,513
Hazardous Condition (No Fire)	319	386	399	261	220	165	288	134	153	138
Service Call	54	70	63	62	67	57	74	73	76	66
Good Intent Call	178	178	177	128	141	153	167	144	169	158
False Alarm & False Call	138	146	170	195	188	191	188	204	246	207
Severe Weather & Natural Disaster	-	-	-	-	3	1	12	1	3	1
Special Incident Type	17	9	14	11	1	2	4	-	7	7
Number of inspections performed	109	18	604	709	1,238	1,210	781	733	772	788
<b>Mass Transit</b>										
Number of routes	*	*	*	*	5	5	5	5	5	5
Fixed Route Passengers	*	*	*	*	101,683	108,817	121,058	114,154	138,603	139,321
Para transit Passengers	*	*	*	*	16,653	17,529	17,298	15,736	18,161	16,357
Wheelchair Usage	*	*	*	*	6,728	4,900	4,758	4,729	6,411	7,915
Miles of Service	*	*	*	*	202,885	216,852	222,297	227,937	242,024	222,262
<b>Wastewater System</b>										
Average daily treatment in 1,000 gallons	9,800	9,800	9,800	8,800	10,185	9,970	9,648	9,506	8,979	8,672
<b>Water System</b>										
Average daily consumption in 1,000 gallons	11,836	11,836	11,836	10,500	10,469	8,316	8,034	7,847	7,669	9,030

Source: Applicable Departments

\* - Data not available



**Case No. 2019-00269**  
**Attachment 1 to BREC 1-31**  
**Pages 151**

**CITY OF HENDERSON, KENTUCKY  
COMPREHENSIVE ANNUAL  
FINANCIAL REPORT  
FOR THE FISCAL YEAR ENDED  
JUNE 30, 2015**



Betty Smithhart Photography

**CITY OF HENDERSON, KENTUCKY**  
**COMPREHENSIVE ANNUAL FINANCIAL**  
**REPORT**

**For the Fiscal Year Ended June 30, 2015**



**Prepared by:**

**Finance Department**

**CITY OF HENDERSON, KENTUCKY**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**For the Fiscal Year Ended June 30, 2015**

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## **INTRODUCTORY SECTION**



Steve Austin, Mayor

Commissioners:

Jan M. Hite

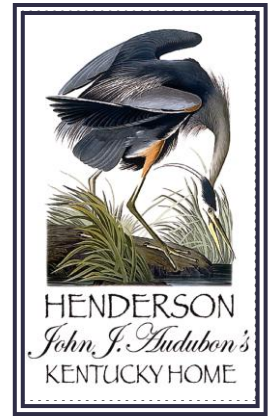
Jesse L. Johnston IV

Robert M. Mills

X Robert Royster, III

# The City of Henderson

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



Russell R. Sights, City Manager

William L. Newman, Jr., Assistant City Manager

Dawn S. Kelsey, City Attorney

Maree Collins, City Clerk

December 8, 2015

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

We present to you the Comprehensive Annual Financial Report of the City of Henderson, Kentucky for the fiscal year ended June 30, 2015. Kentucky Revised Statute 91A.040 requires that the City of Henderson publish, before February 1 immediately following the fiscal year, a complete set of audited financial statements. This report is published to fulfill that requirement.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

Myriad Certified Public Accountants Group has issued an unqualified ("clean") opinion on the City of Henderson's financial statements for the fiscal year ended June 30, 2015. The independent auditors' report is located at the front of the financial section of this report.

Management's discussion and analysis (MD&A) immediately follows the independent auditors' report and provides a narrative introduction, overview, and analysis of the basic financial statements. MD&A complements this letter of transmittal and should be read in conjunction with it.



### *Profile of the government*

The City of Henderson was incorporated as a town in 1810 and as a City in 1867. Henderson currently serves a population of 28,900 and is located in northwest Kentucky. The City has operated under the Board of Commissioners-City Manager structure since 1966. Policy-making and legislative authority are vested in the governing Board of Commissioners consisting of the mayor and four commissioners, all of whom are elected at large. Commission members serve two-year terms. The Mayor is elected for a four-year term. The Board of Commissioners appoints the City of Henderson's manager. The City Manager, with the approval of the Board of Commissioners, appoints department heads.

The City of Henderson provides a full range of municipal services, including public safety (police, fire, and emergency communications), street maintenance, sanitation, cemetery, drainage, landfill, transit, recreation, and general administrative services. Henderson includes, for financial reporting purposes, all entities involved in the provision of these services and for which, in the opinion of the City, the City is financially accountable. The City is financially accountable for legally separate organizations if City officials appoint a voting majority of an organization's governing body, and the City is either able to impose its will on that organization, or there is potential for the organization to provide specific financial benefits to, or to impose financial burdens on, the City.

The City has performed a comprehensive evaluation of its financial reporting entity in accordance with Governmental Accounting Standards Board Statement No. 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)*

In addition to internal controls, the City maintains budgetary controls. The objective of these controls is to ensure compliance with legal provisions embodied in the annual appropriation and budget ordinance approved by the Board of Commissioners. As required by Kentucky Revised Statutes 91A.030 and 83A.150, the City Manager submits a proposed operating budget on or before June 1<sup>st</sup> to the Board of Commissioners for the fiscal year commencing July 1. The budget includes appropriations for expenditures and means of financing them. The level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) is at the departmental level within an individual fund. The City also maintains an encumbrance accounting system as one technique of accomplishing budgetary control.



### *Local economy*

Henderson is located in the Evansville, IN-KY Metropolitan Statistical Area (MSA). This geographical region covers approximately 2,367 square miles and is the 156<sup>th</sup> largest MSA in the United States. Based on 2014 estimates, Henderson is the 12<sup>th</sup> largest city in Kentucky. The economy for the City of Henderson and Henderson County continues a modest growth and the City continues to maintain a positive economic outlook. By reducing expenses and utilizing cash reserves, the city has been able to maintain service levels with nominal property tax increases.

Per the U.S. Census Bureau the family medium income for the City of Henderson for the past 12 months was \$34,963 which was \$8,073 or 18.8% lower than the Kentucky family medium income of \$43,036. The estimated medium price of a single family home in the city was \$94,800. Due to its healthy economy and strong financial reserves, the City of Henderson received a credit rating of Aa3 from Moody's Investor Service on its 2014 general obligation bonds.

Over the past ten years, the City has experienced a strong period of economic growth and investment. The real estate assessments have increased 28.8% or \$250.5 million from \$871.3 million in fiscal 2006 to \$1,121.8 million in fiscal 2015. Bank deposits have increased 41.0% or \$177.6 million from \$433.7 million to \$611.3 million over the same ten-year period.

The City of Henderson is a member of Kyndle, an economic development joint venture made up of the City of Henderson, Henderson County and three adjoining counties in the area. Kyndle markets not only the City of Henderson but also the four-county region encompassing some 90,000 people. Kyndle has four primary objectives: business attraction, business retention, business development, and education and workforce development.

### *Long-term financial planning and major initiatives*

General Fund reserves held steady at approximately \$10.8 million at June 30, 2015 with only a small decrease of \$44,622 from the prior year. The reserves consisted of cash, investments, and receivables. The decrease in General Fund reserves was primarily the result of a large increase in capital projects including the purchase of a new fire pumper, fire department air-pack fill station, skate park, and new playground equipment. Tax collections increased \$653,294 or 3.6% with growth in all three areas: property, insurance premium, and occupational taxes. Personnel expenses were \$1,187,560 under budget with health insurance accounting for \$511,741 or 43.1% of that number. The General Fund will have a cash and investment balance, net of cash due to component units, entering the fiscal year equal to 3.6 months operating expense and transfers to other funds.

The Gas Fund's cash and investment balance will be equal to 3.5 months operating expense. The City has exceeded its goal of establishing a balance of cash and investments equal to 3 months worth of operating expense in the General and Gas funds. A recent gas rate increase approved by the Board of Commissioners has helped meet that goal.

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 and for fiscal 2011, 2012, and 2013 the average loss was \$305,000. On November 26, 2013, the Henderson Board of Commissioners increased the monthly base rates from \$12.00 to \$12.50 and the rate per 1,000 cubic feet of natural gas from \$2.25 to \$2.30. The ordinance also allows an increase of \$0.05 per 1,000 cubic feet for fiscal 2015, 2016, and 2017. This action has helped improve the net position of 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. As a result of the consumption during the fiscal year, \$284,677 was returned to Henderson which is an increase of \$5,476 from the \$279,201 that was returned in fiscal 2014.

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.

One of the largest expenses for the City is employee health insurance. For fiscal years 2010, 2011, and 2012, the City spent \$6.8 million, \$6.6 million, and \$6.4 million, respectively, on health claims. By the end of fiscal 2012 there had been an increase of \$1.5 million or 30.6% from the \$4.9 million spent in 2009. During this three year period, there were several large claims that were applied against the City's stop loss policy.

In August 2011, the City Board of Commissioners adopted significant modifications to the City's health plan. In addition to higher deductibles, the program incorporates premiums for all employees. Whereas in the past only employees hired after January 1, 2006 paid dependent or family premiums, starting January 1, 2012 all employees pay regardless of their hire date. The plan requires \$50 per month for employee only coverage, \$100 per month for employee plus one dependent, or \$150 for employee plus family.

The plan also requires that spouses of employees who are eligible for coverage through their own employers are ineligible for coverage under the City's health plan unless they are enrolled in their own employers' coverage. Employees that elect to waive the City health insurance coverage on themselves or on their spouse are eligible for a waiver benefit. The benefit can be up to \$2,000 per year and can be used in a flexible spending account, in a health reimbursement arrangement, used to reduce the employee's health insurance premium, or a combination of any two of the above options.

The plan also increases the contributions to the HRA Plan. Each employee that meets certain wellness criteria receives a credit 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 is carried forward for use in the subsequent year.

Finally, in July of 2012, the City changed the third party administrator to UMR which is owned by United Healthcare. The City moved from a regional discounter to a national discounter with the potential of better pricing on health care. The changes to the health insurance plan seem to have worked. For fiscal 2015, the total health care cost was \$5,736,300 which is a decrease of \$691,223 from the \$6,427,523 spent in fiscal 2012. This equates to a decrease of 10.8% during a period of increases seen throughout the country.

From a capital projects aspect, 2015 was another busy year. Some projects and improvements of note include:

*New Public Works / Gas Distribution Facility:*

A new facility was purchased during the fiscal year at a cost of \$1.92 million. Architectural designs are being prepared for the facility that will include natural gas, sanitation, and city garage operations.

*Streets and Sidewalk Improvements:*

The Second Street corridor is currently under a rehabilitation to improve sidewalks, lighting, curbs, and gutters as it transitions to the new entryway to downtown. It will include installation of 42 decorative lamp posts from N. Alvasia Street to N. Adams Street. The antique-style lights that will line both sides of the street will compliment those in the downtown business district and those along Elm Street.

In fiscal 2015, the City completed phase II of the Long Range Enhancement Projects. This included new sidewalks on South Main from Yeaman Avenue to Hackberry, Barrett Court from 1988 Barrett Court to cul-de-sac, and Green River Road from Osage to Larkview. This also included the replacement of damaged sidewalks, curbs, and gutters along Powell, Clay and Helm Streets; and installation of new curbs and gutters along Atkinson Street (one side) between Washington and Clay Streets.

*City of Henderson and Henderson County Joint Ventures:*

In 2007, the Board of Commissioners along with the Fiscal Court jointly approved the creation of a Flood Mitigation Board to oversee the expenditure of funds dedicated to addressing the flooding problems caused by Canoe Creek that have plagued the City for many years. \$1.25 million in State funding was secured to cover costs associated with Phase I of this project. This project was closed-out in fiscal 2012.

The City and County were awarded an additional \$1.35 million to be used in Phase II of flood mitigation. The grant is from the State of Kentucky and does require a local match from the City and County. It is administered by the Flood Mitigation Board. 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. For fiscal 2015, \$221,485 was spent on flood prevention projects and another \$1.1 million included in fiscal 2016.

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. For fiscal 2015, the County contribution was \$98,560. The term of the agreement was for an initial period of five years beginning July 1, 2008 and ending June 30, 2013. After the recent renewal, the agreement has three five year automatic renewal options remaining.

The City of Henderson and Henderson County are looking to improve recycling programs throughout Henderson County. The Tri-County Recycling Alliance utilized \$1.4 million in federal, state, and local funds for the construction of the center. The center handles cardboard, aluminum, and the mulching of leaves, branches, and yard clippings. This joint venture won the “Spirit of Kentucky Award” at the Governors’ Local Issues Conference. The project was noted for its “use of creative, collaborative, and cost effective thinking to plan and implement a highly successful project.”

The City of Henderson and Henderson County are looking to improve the funding options for the emergency dispatch operations in the 911 center. The City of Henderson, Henderson County, and Methodist Hospital have formed a committee to address the Emergency Medical Services (EMS) needs of the community. The City of Henderson and Henderson County fund the operations of EMS equally. The focus of this committee is to review and discuss improvements to the ambulance service that is provided by Methodist Hospital. For fiscal 2016, the committee is seeking an increase in the state fee for cellular service that is collected by the State and then remitted back to the local 911 center.

The City and County are also working together to develop a new park in the East-end. Property was purchased in fiscal 2013. Playground equipment has been ordered with completion scheduled for fiscal 2016.

The entities are working to fund and replace the computer-aided dispatch (CAD) system for the emergency dispatch center. The cost of the project is expected to exceed \$1.2 million and will include infrastructure upgrades, work stations, and renovations at a backup site. Grants funds in the amount of \$100,000 have already been awarded with the potential of another \$75,000 from the Kentucky Commercial Mobile Radio Service Board.

To improve the communication needs in the city and county, a contract was signed with Motorola for a complete replacement of radios and the addition of communication towers. The \$2.5 million contract will benefit all city and county departments including the volunteer fire departments throughout the county. The contract also includes a maintenance contract for ten years.

*Downtown Infrastructure Rehabilitation:*

Henderson Water Utility (HWU) is nearing completion of its massive \$43.6 million set of projects. These projects when completed will: 1) replace much of the old infrastructure in a sixteen block space in the downtown area; 2) separate much of the combined wastewater and storm water system; 3) increase the amount of wastewater processed through the installation of new gravity sewer lines; and 4) increase the capacity and efficiency of the processing of wastewater at the North Wastewater Plant. These projects are part of HWU's long term control plan as mandated by the Environmental Protection Agency and the Kentucky Environmental & Public Protection Cabinet.

Initial construction on the downtown phase began in July 2010 with all underground and surface work completed at the end of calendar year 2011. Final repaving of all damaged streets was completed during the fall of 2012. The total cost of this downtown phase was estimated to be \$13.9 million. From 1996 through 2009, HWU spent an estimated \$20 million on capital improvements to its combined sewer system. The completion of all projects, as mandated by Consent Judgment, is required to be no later than December 21, 2017.

Henderson Municipal Power and Light hired a contractor to demolish the Station 1 power plant located on the riverfront. Station 1 was built in 1950 with two 1-megawatt diesel generators and two 5-MW coal-fired generators. A 10-MW coal unit was added in 1955 followed by a 26-MW unit in 1968. Because of the increasing operating costs and stringent air emission regulations, Station 1 was decommissioned in December 2008.

What is unique about the contract is that the HMP&L was paid by the contractor instead of vice versa. Bids from other contactors were as high as \$4.19 million. The contractor kept all proceeds from the sale of the scrap metal and other obsolete assets and in return paid HMP&L approximately \$37,000. The building was owned by HMP&L while the land is owned by the City of Henderson. Now that the building has been removed, the City will develop plans on the best use of the riverfront property.

*Economic Development:*

During the fiscal year, the City purchased 124 acres at the end of Borax Drive. The property was purchased with federal highway and transportation grant funds. It will be used for economic development. There is \$600,000 in additional funds in fiscal 2016 to complete infrastructure improvements that will include roads and utilities.

*Other Developments:*

As part of the budget process, the staff identifies and quantifies the operational costs associated with its capital projects and budgets resources accordingly. In addition, the budget committee monitors the condition of all government equipment and vehicles and makes recommendations on their replacement.

The City of Henderson maintains a vehicle replacement schedule which serves as its fleet replacement guide over a five-year period. The fiscal year 2016 budget includes \$10.8 million in capital projects which includes \$866,990 in rolling stock replacement.

During the last fiscal year, HMP&L spent \$801,442 in capital improvements and replacements in the existing system and \$4,180,912 in capital improvements and replacements at Station Two. HWU added \$7,007,543 in capital projects during fiscal 2015.

As with many other metropolitan areas, the economic dependency and interrelationship of the entire region is important as evidenced by the number of nonresident workers who commute daily to work in Henderson County and the equivalent number of Henderson County residents who commute to work outside of the county. Consequently, economic activity in the entire Kentucky, Indiana, and Illinois tri-state area – no matter where it occurs - is of benefit to the Henderson local economy.

With all of the award-winning downtown improvements, the City/County collaborations, and East-end redevelopment, it is a very exciting time for the community. The citizens, businesses, and employees of the City of Henderson should be proud of the accomplishments of the past fiscal year.

### ***Relevant financial policies***

The City of Henderson uses a comprehensive set of financial policies. During the current year, two of these policies were particularly relevant. The City of Henderson has a policy that requires the adoption of a balanced annual operating budget where operating expenses may not exceed anticipated revenues plus available unassigned fund balance. The amended fiscal 2015 budget was adopted using \$4,436,400 of unassigned fund balance. However, most of these funds were not needed. At the end of fiscal 2015, the unassigned fund balance was \$4.6 million. The reserve policy also designates that 20% of annual surpluses be set aside for short-term payments on large vehicles and equipment; 40% of annual surpluses be set aside for long-term payments on major building projects or improvements; and the remaining 40% be placed in the unassigned fund balance.

Having these funds set aside has enabled the City to purchase a new fire truck in fiscal 2015 and have funds available to make payments on the General Obligation Series Bonds 2011A.

The second financial policy involves the reserve policy, where the goal of maintaining a minimum General Fund reserve of at least one-quarter (three months) of the General Fund's operating budget, was exceeded.

### ***Awards and Acknowledgements***

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Henderson for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2014. This was the sixteenth consecutive year that the government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, the government had to publish an easily readable and efficiently organized CAFR that satisfied both generally accepted accounting principles and applicable program requirements.

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

The City of Henderson also received the GFOA's Distinguished Budget Presentation Award for its annual budget document beginning July 1, 2014 and ending June 30, 2015. To qualify for the Distinguished Budget Presentation Award, the government's budget document had to be judged proficient as a policy document, a financial plan, an operations guide, and a communications device. The preparation of this report would not have been possible without the skill, effort, and dedication of the entire staff of the Finance and Administration Departments.

We wish to thank all government departments for their assistance in providing the data necessary to prepare this report. Credit also is due to the Board of Commissioners for their unfailing support for maintaining the highest standards of professionalism in the management of the City of Henderson's finances.

Respectfully submitted,



Russell R. Sights  
City Manager



Robert Gunter  
Finance Director





Government Finance Officers Association

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

Presented to

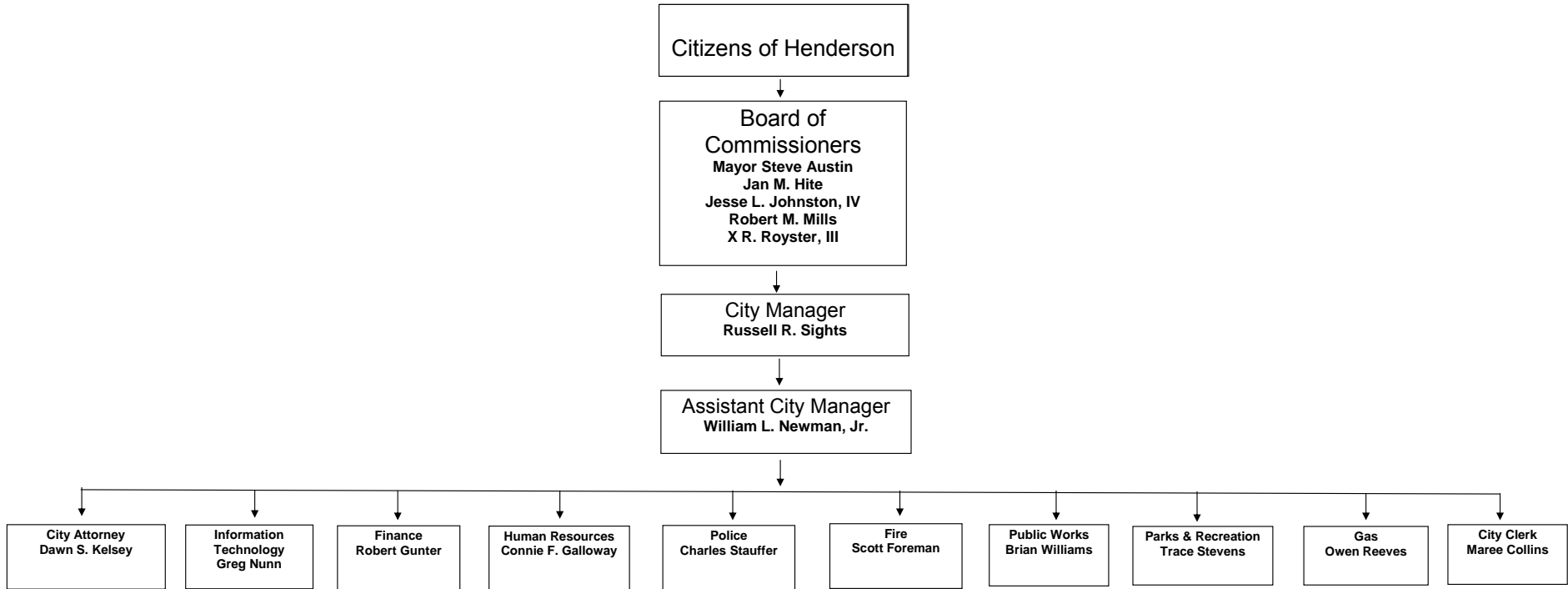
**City of Henderson  
Kentucky**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2014**

Executive Director/CEO

**CITY OF HENDERSON, KENTUCKY  
Organizational Chart**



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

**Elected Officials**

Mayor	Steve Austin
Commissioner	Jan M. Hite
Commissioner	Jesse L. Johnston, IV
Commissioner	Robert M. Mills
Commissioner	X R. Royster, III

**Appointed Officials**

City Manager	Russell R. Sights
Assistant City Manager	William L. Newman, Jr.
City Attorney	Dawn S. Kelsey
City Clerk	Maree Collins
Finance Director	Robert Gunter
Fire Chief	Scott Foreman
Gas System Director	Owen Reeves
Human Resources Director	Connie F. Galloway
Information Technology Director	Greg Nunn
Parks & Recreation Director	Trace Stevens
Police Chief	Charles Stauffer
Public Works Director	Brian Williams

## **FINANCIAL SECTION**



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To the Honorable Steve Austin, Mayor  
and the Board of Commissioners of the  
City of Henderson, Kentucky

### **Independent Auditors' Report**

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 City of Henderson, Kentucky as of and for the year ended June 30, 2015 and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

#### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

#### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the Standards applicable to financial audits contained in *Government Auditing Standards*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## **Opinions**

In our opinion, 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, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison schedules and pension schedules , pages 93 to 98, and 102 to 110 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Henderson, Kentucky's basic financial statements. The introductory section, combining and individual non-major fund financial statements, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual non-major fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual non-major fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### *Implementation of New Accounting Standards*

As disclosed in Note 17 to the financial statements, the City of Henderson, Kentucky implemented GASB Statement No. 68, Accounting and Financial Reporting for Pensions-an amendment of GASB Statement No.27, and GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date-An Amendment of GASB No. 68, during the fiscal year ended June 30, 2015

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2015, on our consideration of the City of Henderson, Kentucky's internal control over financial reporting and on our tests of compliance with laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and results of that testing and not to provide a legal opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Henderson, Kentucky's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Myriad CPA Group, LLC". The signature is written in black ink and is positioned in the middle-left area of the page.

Henderson, Kentucky  
November 30, 2015

**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, 2015. 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 \$10.9 million at the close of fiscal 2015. Due to pension obligations, the unrestricted net position is a negative \$17.5 million.
- City governmental funds reported combined ending fund balances of \$44.0 million. Of this total, \$2.3 million is unassigned.
- In the City's business-type activities, income from operations increased from \$1,653,653 in fiscal 2014 to \$2,012,326 in fiscal 2015.
- The City's General Fund ended the year with a fund balance of \$10,781,735, a decrease of \$44,622 or 0.4% from fiscal year 2014's balance of \$10,826,357.
- In the past four years, the General Fund's fund balance has increased 54.3% from \$7.0 million in 2011 to \$10.8 million in 2015.

## Overview of Financial Statements

This discussion and analysis provided here are intended to serve as an introduction to the City of Henderson's basic financial statements. The City's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also includes supplementary information intended to furnish additional detail to support the basic financial statements themselves.

**Government-wide Financial Statements.** The *government-wide financial statements* are designed to provide readers with a broad overview of the City of Henderson's finances in a manner similar to private sector businesses.

The *statement of net position* presents financial information on all of the City of Henderson's assets and liabilities with the difference reported as net position. Over time, increases or decreases in the net position may serve as a useful indicator of whether the financial position of the City of Henderson is improving or deteriorating.

The *statement of activities* presents information showing how the City of Henderson's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported for some items that will only result in cash flows in future fiscal periods (e.g., taxes, grants, and earned but unused vacation leave).

Both of the governmental-wide financial statements distinguish functions of the City of Henderson that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant

portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City of Henderson include administration, finance, mass transit, parks and recreation, police, fire, public works, and nondepartmental. The business-type activities of the City of Henderson include the natural gas and sanitation operations.

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

The government-wide financial statements can be found on pages 33-34 of this report.

**Fund Financial Statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Henderson, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of Henderson can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

**Governmental Funds.** Governmental funds are used to account for essentially the same function reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in assessing a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City of Henderson maintains ten (10) individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General Fund, Debt Service Fund, and Capital Projects Fund, which are considered to be major funds. Information from the other seven (7) governmental funds is combined into a single aggregated presentation and shown as Nonmajor Governmental Funds. Individual fund information for each of these nonmajor governmental funds is provided in the form of combining statements in the combining and individual fund statements and schedules section of this report.

The City of Henderson adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

The basic governmental funds financial statements can be found on pages 35-39 of this report.

**Proprietary Funds.** The City of Henderson maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City of Henderson uses enterprise funds to account for its natural gas and sanitation operations. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City of Henderson's various functions. The City of Henderson uses an internal service fund to account for the management of its self-funded health insurance. Because this service predominantly benefits governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements. The internal service fund is presented in the proprietary fund financial statements.

Proprietary funds provide the same kind of information as government-wide financial statements, only in greater detail. The proprietary fund financial statements provide separate information for the natural gas and sanitation operations, both of which are considered to be major funds of the City of Henderson.

There are also two component units that provide electricity and water/sewer services. These two component units (Henderson Municipal Power & Light and Henderson Water Utility) each has its own board of directors and are enterprise funds. Each of these enterprise funds is self-supporting and does not receive a subsidy from the General Fund.

The basic proprietary funds financial statements can be found on pages 40-42 of this report.

**Fiduciary Funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because those resources are not available to support the City of Henderson's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The City of Henderson maintains three different types of fiduciary funds. The Civil Service Pension fund is used to report resources held in trust for non-hazardous retirees and beneficiaries that elected to participate in 1987. Police & Fire Pension fund is used to report resources held in trust for hazardous retirees and beneficiaries that elected to participate in 1987. The Health Reimbursement Arrangement Plan is used to help employees pay for health care expenses.

The fiduciary funds financial statements can be found on pages 43-44 of this report.

**Notes to the Financial Statements.** The notes provide additional information that is necessary to acquire a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 45-92 of this report.

**Other Information.** In addition to the basic financial statements and accompanying notes, this report also presents required supplementary information concerning the City of Henderson’s progress in funding its obligations to provide pension and other post-employment benefits to its employees. Required supplementary information can be found on pages 93-98 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information on pensions and other post employment benefits. Combining and individual fund statements and schedules can be found on pages 99-110 of this report.

## Government-Wide Overall Financial Analysis

As noted earlier, net position over time, may serve as a useful indicator of a government’s financial position. In the case of the City of Henderson, assets exceeded liabilities by \$10,865,477 at the close of the most recent fiscal year.

The tables and charts on the next few pages provide a summary of the City of Henderson’s operations for the fiscal year ended June 30, 2015.

### City of Henderson’s – Net Position

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Current and other assets	\$50,623,870	\$42,754,734	\$ 9,757,400	\$ 9,306,300	\$60,381,270	\$52,061,034
Capital assets	31,757,474	28,417,091	2,869,943	3,020,759	34,627,417	31,437,850
Total assets	<u>\$82,381,344</u>	<u>\$71,171,825</u>	<u>\$12,627,343</u>	<u>\$12,327,059</u>	<u>\$95,008,687</u>	<u>\$83,498,884</u>
Long-term liabilities	\$72,451,953	\$37,506,923	\$ 3,860,000	\$ 3,660,000	\$76,311,953	\$41,166,923
Other liabilities	3,106,741	2,844,238	1,728,529	2,312,102	4,835,270	5,156,340
Total liabilities	<u>\$75,558,694</u>	<u>\$40,351,161</u>	<u>\$ 5,588,529</u>	<u>\$ 5,972,102</u>	<u>\$81,147,223</u>	<u>\$46,323,263</u>
Net position:						
Net investment in capital assets	\$25,398,204	\$21,513,291	\$ 2,869,943	\$ 3,020,759	\$28,268,147	\$24,534,050
Restricted for:						
Debt Service	66,045	68,456	-	-	66,045	68,456
Law enforcement	13,072	45,021	-	-	13,072	45,021
Unrestricted	(21,650,658)	9,193,896	4,168,871	3,334,198	(17,481,787)	12,528,094
Total net position	<u>\$ 3,826,663</u>	<u>\$30,820,664</u>	<u>\$ 7,038,814</u>	<u>\$ 6,354,957</u>	<u>\$10,865,477</u>	<u>\$37,175,621</u>

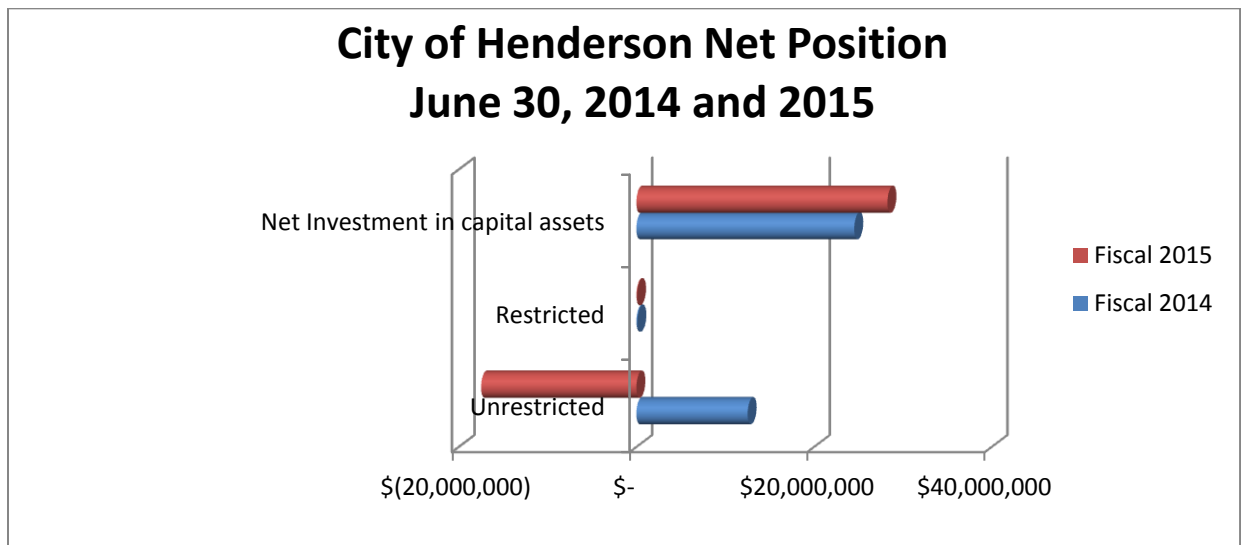
By far, the largest portion of the City of Henderson’s net position reflects its investment in capital assets (e.g., land, buildings, machinery, equipment, vehicles, and infrastructure), less any related outstanding debt that was used to acquire those assets. The City of Henderson uses these capital assets to provide a variety of services to its citizens. Accordingly, these assets are not available for future spending. Although the City of Henderson’s investment in capital assets is reported net of related debt, it should be noted that the resources used to repay this debt must be

provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City of Henderson’s net position (0.73%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$(17,481,787) is unrestricted. Any positive balances would be used to meet the government’s ongoing obligations to its citizens and creditors. However, the negative number reflected is due to a new governmental accounting standard concerning pension obligations that will be paid over several decades.

At the end of the current fiscal year, the City of Henderson is able to report positive balances in net investment in the capital assets and the restricted categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

However, due to the new governmental account standard mentioned above, the unrestricted net position reported a negative net position in the governmental activities.



The City of Henderson’s overall net position decreased \$26,310,144 from the prior fiscal year. The reasons for this overall decrease are discussed in the following sections for governmental activities and business-type activities.

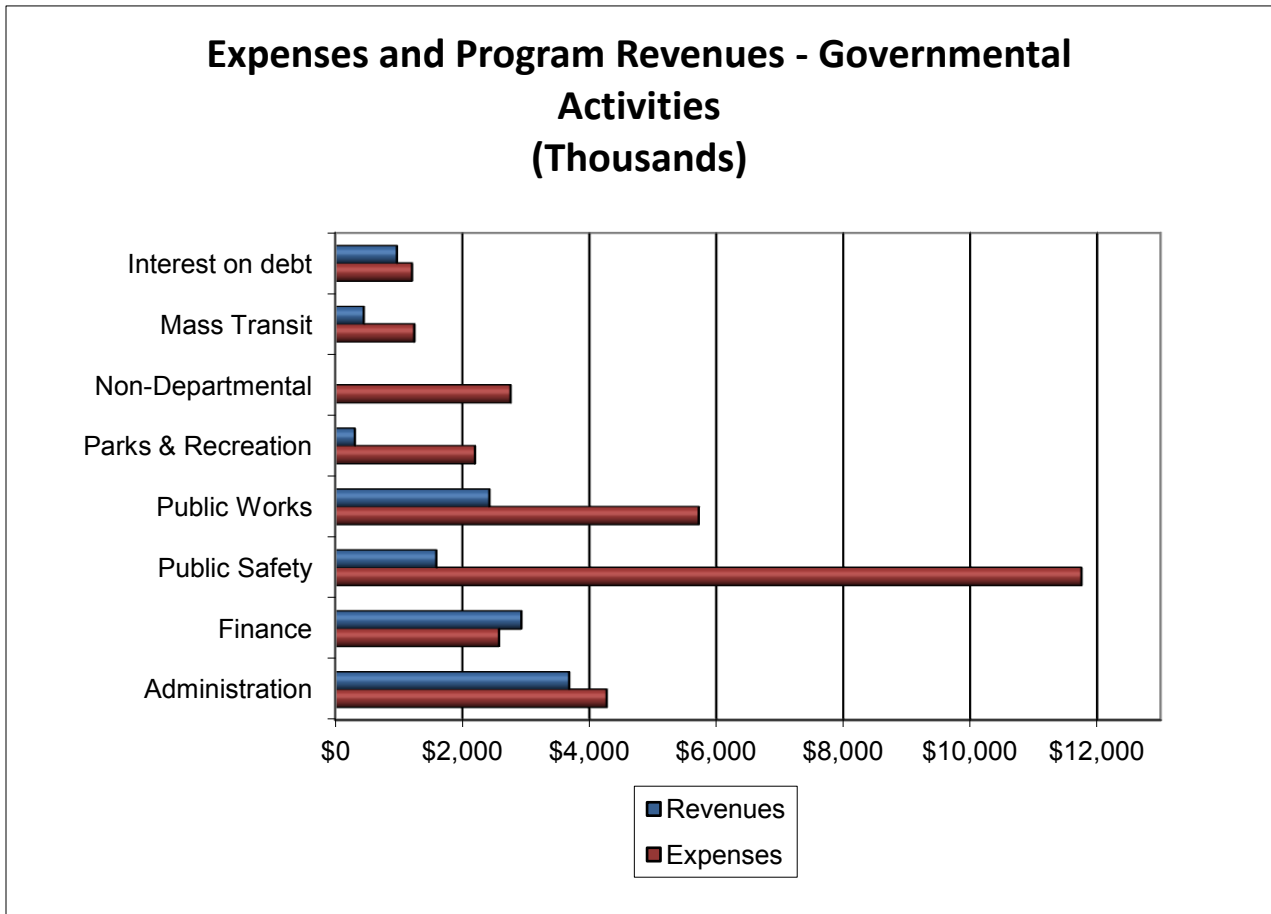
**Governmental Activities.** During the current fiscal year, net position for governmental activities decreased \$26,994,001 from the prior year for an ending balance of \$3,826,663. The primary reason was the change in accounting principle as it relates to the City’s pension obligation. GASB 68 required the City to record a liability of \$28,756,053. This liability will be paid with future tax revenues that are not reflected in the financial statements. Without the change in accounting principle, the governmental activities had an increase of \$2,914,901. Total general revenues and transfers increased \$725,988 or 3.4% from the prior year. Secondly, the governmental activities expenses decreased by \$2,680,658 or 12.2%.

The governmental funds had an increase in fund balance of \$4,303,673 with the General Fund decreasing \$44,622. Most of the increase was due to restricted assets applicable to Henderson Water Utility (HWU) for the issuance of debt on its behalf. Of the \$6,594,449 spent or used in Capital Projects Fund, \$1,365,470 or 21.0% was related to the transfers to the Debt Service Fund for payment on outstanding bonds. Nearly \$5.2 million was spent on capital items that included \$1.2 million for land acquisition, \$1.9 for new buildings, \$1.7 million on new streets and \$381,000 for office equipment.

The General Fund used a fraction of its reserves in the amount of \$44,622. Since fiscal 2011, the fund's balance has increased 54.3%. Based on the fiscal 2016 budgeted expenditures of \$30.6 million, the General Fund has approximately 4.2 months worth of reserves. The City has assigned \$4.0 million of the fiscal 2015 fund balance with \$3.8 million of that amount to fill the fiscal 2016 budget deficit leaving \$4,559,662 unassigned.

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

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$ 6,420,931	\$ 6,460,880	\$21,067,303	\$23,644,167	\$27,488,234	\$30,105,047
Operating grants	3,149,680	3,248,760	98,560	96,160	3,248,240	3,344,920
Capital grants	2,783,744	630,540	-	-	2,783,744	630,540
General revenues:						
Taxes	19,052,550	18,399,256	-	-	19,052,550	18,399,256
Investment income	200,201	127,507	71,531	65,720	271,732	193,227
Distributions from component units	1,644,724	1,644,724	-	-	1,644,724	1,644,724
Total revenues	33,251,830	30,511,667	21,237,394	23,806,047	54,489,224	54,317,714
<b>Expenses:</b>						
Administration	4,274,319	4,919,330	-	-	4,274,319	4,919,330
Finance	2,576,906	2,599,737	-	-	2,576,906	2,599,737
Mass transit	1,243,231	1,411,411	-	-	1,243,231	1,411,411
Parks & recreation	2,200,256	2,320,197	-	-	2,200,256	2,320,197
Public safety	11,752,325	12,110,492	-	-	11,752,325	12,110,492
Public works	5,724,694	5,644,391	-	-	5,724,694	5,644,391
Nondepartmental	2,759,390	2,295,114	-	-	2,759,390	2,295,114
Interest on long-term debt	1,205,808	1,102,740	-	-	1,205,808	1,102,740
Gas	-	-	15,896,878	18,635,805	15,896,878	18,635,805
Sanitation	-	-	3,256,659	3,450,869	3,256,659	3,450,869
Total expenses	31,736,929	32,403,412	19,153,537	22,086,674	50,890,466	54,490,086
Increase/(Decrease) before transfers	1,514,901	(1,891,745)	2,083,857	1,719,373	3,598,758	(172,372)
Cumulative effect of change in accounting principle-pensions	(29,908,902)	-	-	-	(29,908,902)	-
Transfers	1,400,000	1,400,000	(1,400,000)	(1,400,000)	-	-
Increase (Decrease) in net position	(26,994,001)	(491,745)	683,857	319,373	(26,310,144)	(172,372)
Net position, beginning	30,820,664	31,312,409	6,354,957	6,035,584	37,175,621	37,347,993
Net position, ending	\$ 3,826,663	\$30,820,664	\$ 7,038,814	\$ 6,354,957	\$10,865,477	\$37,175,621



**Business-type Activities.** For the City of Henderson’s business-type activities, the results for the current fiscal year were positive in that overall net position increased to reach an ending balance of \$7,038,814. The total increase in net position for business-type activities (natural gas and sanitation) was \$683,857 or 10.8% from the prior fiscal year. The increase is attributable to a small increase in the utility rate in the natural gas fund and lower than expected expenditures in the sanitation fund. The gas fund had an increase in net position of \$572,391. Due to a colder winter and favorable natural gas prices, gross profits increased \$188,844 or 4.1%. The sanitation fund had an increase in net position of \$111,466. The cost of fuel was down \$20,459 or 23.6%. Contractual and professional expenses, including those for recycling, were down \$69,869.

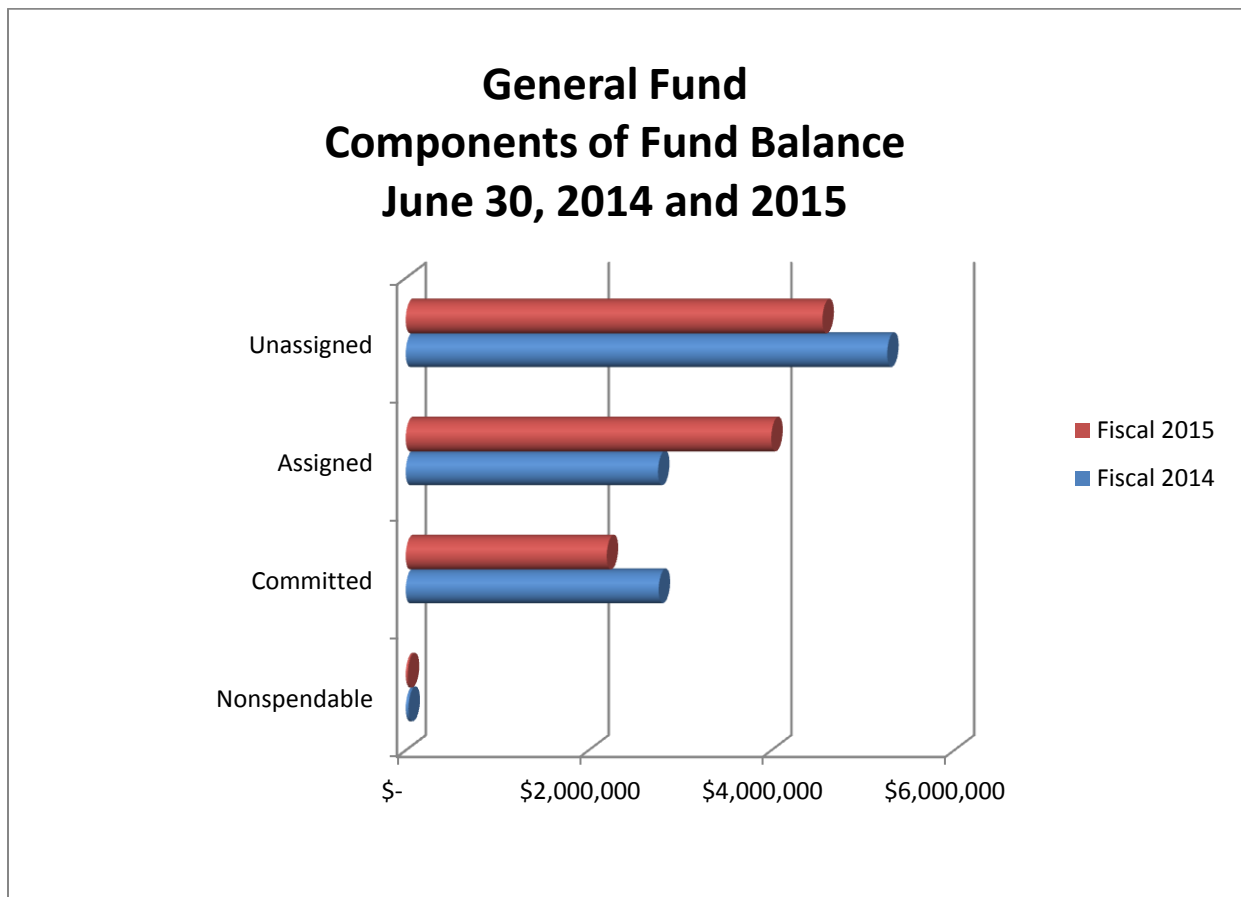
### Financial Analysis of Governmental Funds

As noted earlier, the City of Henderson uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental Funds.** The focus of the City of Henderson’s *governmental funds* is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City of Henderson’s financing requirements. In particular,

unassigned fund balance may serve as a useful measure of a government’s net resources available for discretionary use as they represent the portion of fund balance which has not yet been limited to use for a particular purpose by either an external party, the City of Henderson itself, or a group or individual that has been delegated authority to assign resources for use for particular purposes by the City of Henderson’s Board of Commissioners.

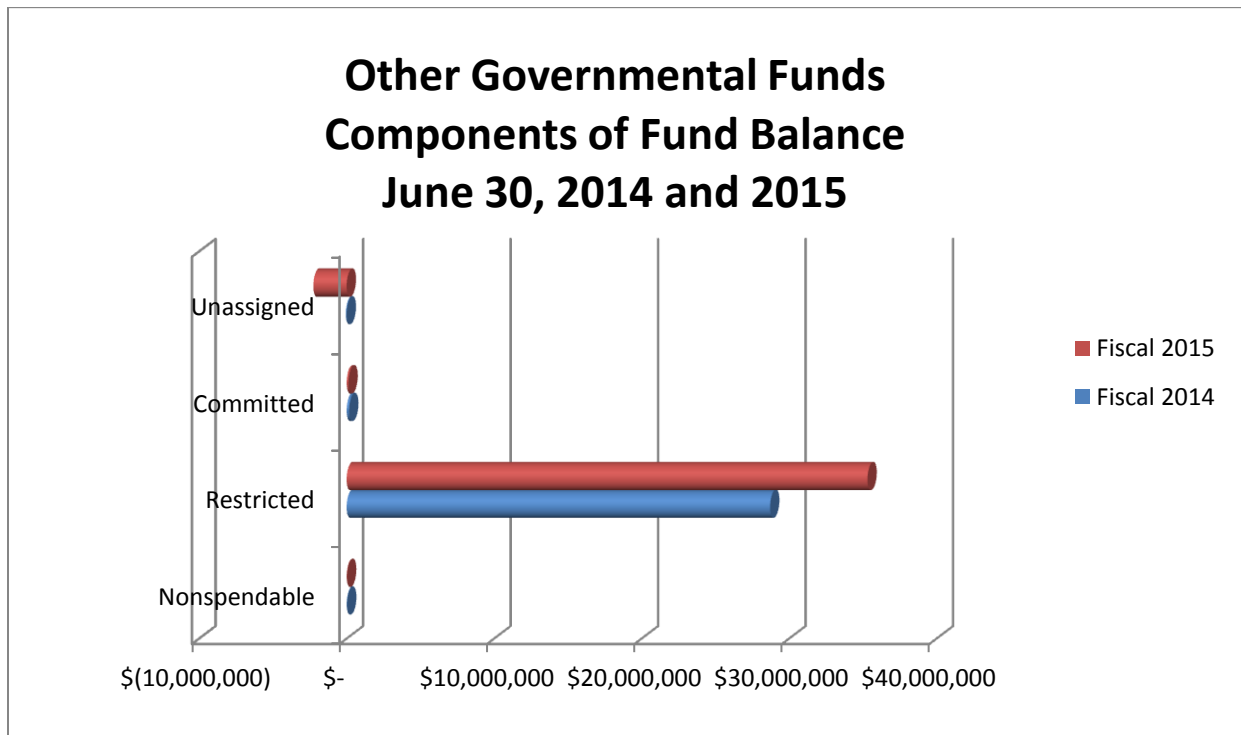
At June 30, 2015, the City of Henderson’s governmental funds reported a combined fund balance of \$43,974,533, an increase of \$4,303,673 in comparison with the prior fiscal year. Approximately 5.2% of this amount (\$2,301,093) constitutes unassigned fund balance, which is available for spending at the government’s discretion. Nearly 80.3% or \$35.3 million of the fund balance was restricted for debt, capital projects and other special purposes. There was also \$44,545 that was classified as “nonspendable” because it is for inventories. A total of \$2,199,379 was committed for long-term debt payments and \$119,669 was for other purposes. Another \$4,000,000 was assigned to fill the fiscal 2016 budget deficit of \$3,800,000 and \$200,000 set aside for the future construction of a Newman Park shelter.



The General Fund was the primary operating fund of the City of Henderson. At the end of the current fiscal year, the General Fund unassigned fund balance was \$4,559,662, while total fund balance decreased to \$10,781,735. As a measure of the general fund’s liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total general fund



expenditures. Unassigned fund balance represents approximately 14.9 percent of total 2016 fiscal year general fund expenditures, while total fund balance represents approximately 35.2 percent of that same amount.



The fund balance of the City of Henderson’s general fund decreased by \$44,622 during the current fiscal year. Factors contributing to this decrease include:

- Personnel expenses increased by \$438,253 or 2.7% with increases in salaries of \$355,710 and health insurance of \$51,993.
- Capital expenses increased by \$890,279 or 349.9%. Fiscal 2015 included the purchase of a new fire pumper, fire department air-pack fill station, skate park, and new playground equipment.
- The city’s enhancement projects that include additional street paving and new sidewalks required an additional transfer to the Public Way Improvement fund of \$418,000.

The Capital Projects Fund ended the fiscal year with a fund balance of \$32,978,138 which is an improvement of \$4,425,961 from the prior year. During fiscal 2015, the City of Henderson issued \$8 million in general obligation bonds. The proceeds from the bond sale will ultimately be used by Henderson Water Utility for various system improvements. The City received federal funding on the riverfront project in the amount of \$1,249,524 during the fiscal year which included the reimbursement of capital expenditures. The Capital Projects Fund transferred \$1,365,470 to the Debt Service Fund to retire debt.

The Debt Service Fund, the remaining major governmental fund, had a small decrease in fund balance during the current year of \$2,411 to bring the year end fund balance to \$66,045. The decrease essentially resulted from rounding the transfers from the general fund to the nearest \$1,000 minus payments on the general obligation bonds.

**Proprietary Funds.** The City of Henderson's proprietary funds provide the same type information found in the government-wide financial statements, but in more detail.

Unrestricted net position of the Natural Gas Fund at the end of the year was \$5,241,243 and for the Sanitation Fund was (\$1,072,372). The total growth in net position for both funds was \$572,391 and \$111,466, respectively.

As noted earlier in the discussion of business-type activities, the increase for the Natural Gas Fund was attributed to a colder winter where gross margins for natural gas increased \$188,844 or 4.1%. Due to the colder winter and a small increase in rate per 1,000 cubic feet of natural gas, the Gas Fund's income from operations increased \$196,357 or 11.3% from the prior fiscal year. After investment income and transfers to the general fund, the change in net position was \$572,391. Since 2010, the cumulative change in the net position for the Gas Fund has been an increase of \$25,623 or 0.3%. Based on the 2016 fiscal year's budgeted expenditures and net of invested in capital assets, the Gas Fund has approximately 3.7 months worth of reserves. This is an increase from the 2.6 months of the prior year.

The engineer's estimate related to closing and monitoring the landfill increased by \$200,000; however, this expense was offset by lower disposal costs. This contributed to the improvement in the unrestricted net position for the Sanitation Fund. The Sanitation Fund's statement of net position reflects the landfill closure and post closure costs of \$3,860,000. Of this total, approximately \$2.74 million is for landfill closure costs that will include placing a low-permeability cap on the landfill. The City has investments in the amount of approximately \$2.5 million in a trust account that will be used for the landfill closure. It is also estimated that approximately \$1.12 million will be needed for post closure costs that will involve monitoring, inspecting, and maintaining the landfill and its protective systems for at least 30 years. This includes extensive groundwater monitoring, inspection, and repair of the cap and other protective systems. The City will be able to fund the monitoring costs on an annual basis through the normal revenue flow.

## **General Fund Budgetary Highlights**

**Original budget compared to final budget.** As with most years, there was a need for budget amendments. The original budget was adopted with expenditures set at \$28,400,000. The first amendment increased the general fund budget to \$28,525,000. Using the prior year surplus, the City increased appropriations in the amount of \$15,000 for training, \$20,000 for donations to the Ohio Valley Women's Honor Court, \$64,000 for wayfinder signs, and \$26,000 for a new storm siren.

The second amendment was done after a mid-year review and increased the total general fund appropriation to \$30,246,000. Additional appropriations included \$60,000 for professional

services in the city attorney’s office, \$40,000 for demolition of abandoned homes, \$42,000 for paving at Newman Park, \$205,000 for contractual services from Community One, \$566,000 for additional street paving and minor street repair, \$200,000 for land purchase, and \$563,000 for a new CAD for 911 dispatching. The other amendments were small and varied.

The third amendment was done late in the fiscal year and increased the total general fund appropriations to \$30,501,000. Additional appropriations included \$173,500 for repairs and capital outlay in the fire department and \$81,500 for pursuit vehicles in the police department.

The amended fiscal 2015 budget was approved with anticipated expenses exceeding anticipated revenue by \$4,436,400. The difference was to come from reserves. The General Fund’s actual revenue and transfers in were \$26,503,840 or 101.7% of the approved budget of \$26,064,600 or a difference of \$439,240. The General Fund’s actual expenses and transfers out were \$26,548,462 or 87.1% of approved budget of \$30,501,000 or a difference of \$3,952,538.

**Final budget compared to actual results.** The most significant differences between estimated revenues and actual revenues were as follows:

<u>Revenue source</u>	<u>Estimated Revenues</u>	<u>Actual Revenues</u>	<u>Difference</u>
Property Tax	\$7,839,600	\$8,137,120	\$ 297,520
Payroll and Net Profits Tax	\$5,240,000	\$5,345,370	\$ 105,370
Investment Income	\$ 78,080	\$ 180,519	\$ 102,439
Miscellaneous	\$ 213,470	\$ 61,603	\$(151,867)

As a general practice, the budgets for tax revenue are conservative. Even though prior year numbers are reviewed and trends are analyzed, the budget committee has adopted the approach to avoid budget shortfalls. The actual revenues for property tax came in at 103.8% while the actual for payroll and net profits tax came in at 102.0%. Due to a decline in building and electrical permits, the license and permit category came up short by \$20,081 or just 79.8% of budget.

<u>Expense</u>	<u>Estimated Expense</u>	<u>Actual Expense</u>	<u>Difference</u>
Salaries	\$10,767,330	\$10,253,146	\$514,184
Health Insurance	\$ 3,444,180	\$ 2,932,439	\$511,741
Fuel	\$ 302,800	\$ 236,647	\$ 66,153
Special Projects	\$ 771,500	\$ 233,550	\$537,949
Park Improvements	\$ 159,230	\$ 29,010	\$130,220

A review of actual expenditures compared to the appropriation in the final budget yields some rewarding numbers. The City of Henderson has been working diligently to control costs in all departments and across all categories. Health insurance costs that usually had large increases in prior years continue to show improvement. In July 2012, the City of Henderson switched third party administrators for the health insurance plan. With the City getting bigger discounts and due to some vacant positions, health insurance came in 85.2% of budget. The vacant positions also allowed salaries to come in under budget. Total salaries were \$514,184 below budget or 95.2% of anticipated expenses.

The special projects account included \$250,000 for some drainage projects that has progressed slower than expected but should be well under way in fiscal 2016. The budget was amended to add another \$175,000 in special projects paid to Community One but was instead treated as a pass through payment. This account also included funding for a vision plan that came in \$20,000 under budget. A \$25,000 trails project did not get funding in fiscal 2015

The park improvements budget included \$137,000 for a new East End park that was to be completed using state funding. However, the grant was not approved for the project so it was deferred until fiscal 2016 using local funding.

## Capital Asset and Debt Administration

**Capital Assets.** The City of Henderson’s investment in capital assets for its governmental and business-type activities as of June 30, 2015, amounts to \$34,627,418 (net of accumulated depreciation). This investment in capital assets includes land, buildings, machinery and equipment, gas system improvements, park facilities, vehicles, sculptures, and infrastructure. The total increase in capital assets for the current fiscal year was approximately 10.2%.

### City of Henderson’s Capital Assets (net of depreciation)

	Governmental Activities		Business-Type Activities		Total	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Land	\$ 4,421,493	\$ 3,111,493	\$ 114,815	\$ 114,815	\$ 4,536,308	\$ 3,226,308
Artwork	196,500	196,500	-	-	196,500	196,500
Buildings	9,666,802	8,097,420	135,143	157,349	9,801,945	8,254,769
Improvements	4,549,976	4,903,219	-	-	4,549,976	4,903,219
Vehicles	1,293,926	984,257	295,089	332,966	1,589,015	1,317,223
Natural Gas System	-	-	2,089,471	2,174,806	2,089,471	2,174,806
Equipment	982,092	507,846	235,425	240,823	1,217,517	748,669
Infrastructure	10,646,685	10,616,356	-	-	10,646,685	10,616,356
Total	<u>\$ 31,757,474</u>	<u>\$ 28,417,091</u>	<u>\$ 2,869,943</u>	<u>\$ 3,020,759</u>	<u>\$ 34,627,417</u>	<u>\$ 31,437,850</u>

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

- Purchase of \$1,200,000 real estate property on Borax Drive to be used for economic development.
- Purchase of a new public works/gas utility facility for \$1,795,000.
- Over \$1,688,000 was spent on new streets, lights, and sidewalks.
- Purchase of a new fire pumper in the amount of \$422,586.
- The initial payments on a new CADD system for 911 dispatch.
- Nearly \$173,995 was spent on 7 new police cars.

Additional information on the City of Henderson’s capital assets may be found in Note 4 in the notes to the financial statements on pages 58-59 of this report.

**Long-Term Debt.** At the end of the current fiscal year, the City of Henderson had total bonded debt outstanding of \$41,590,000. All of the \$41,590,000 is backed by the full faith and credit of the City.

### City of Henderson’s Outstanding Debt

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
General Obligation						
Bonds	\$ 41,590,000	\$ 35,500,000	\$ -	\$ -	\$ 41,590,000	\$ 35,500,000

Debt Description

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.

Henderson Water Utility Downtown Project - During the year ended June 30, 2011, the City issued \$10,125,000 Build America Bonds to pay a portion of the costs of 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 downtown Henderson, Kentucky and to pay other allowable expenditures including issuance costs.

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

Proceeds were also used to advance refund and redeem the outstanding City of Ewing, Kentucky, Kentucky Area Development Districts Financing Trust, Lease Acquisition Program Revenue Bonds, Fixed Rate Series 2000Y (funding for the City of Henderson, Kentucky), dated July 20, 2000 (the “2000Y Obligations”), being bonds maturing on December 1, 2015 and term bonds maturing on December 1, 2012, 2014, 2017, 2019, and

2023, in the principal amount of \$1,470,000, by providing for the City's prepayment of its lease rental payments pursuant to a lease agreement dated December 31, 2003, between the Kentucky Area Development Districts Financing Trust and the City securing the 2000Y Obligations, in order to derive debt service savings. This debt was recorded in the records of Henderson Water Utility as KADD 2002-Canoe Creek lease payable.

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

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.

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.

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.

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.

The City of Henderson's total debt increased by \$6,090,000 or 17.2% during the current fiscal year. The additional general bond issued on behalf of Henderson Municipal Water Utility net of the annual principal on prior issues was the reason for the increase.

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 \$112,183,000, which is significantly in excess of the current outstanding general obligation debt of \$41,590,000.

Additional information on the City of Henderson's long-term debt may be found in Note 5 on pages 60-71 of this report.

## **Economic Factors and Next Year's Budget and Rates**

The City of Henderson was able to fund the fiscal 2016 Budget with existing resources and the use of reserves from the General, Gas, and Sanitation 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.

In September of 2015, the Board of Commissioner passed a modest increase (\$0.014 per \$100 of fair market assessment) in the property tax rate. The increase was the compensating property tax rate that essentially gives the City the same revenue as the prior year plus additions to the tax rolls. It is anticipated that the tax rate will generate an additional \$261,000 in tax revenue.

For fiscal 2015, there were 275 construction permits issued with a total value of \$12,978,698. There were 12 single family units and 1 multi-family (3 units) for a total of 15 units approved. The total value for new housing was \$2,223,000.

There were 6 new commercial developments with a total value of \$3,650,000. There were 32 permits issued for demolition of substandard residential structures.

The unemployment rate for the City of Henderson in June 2015 was approximately 5.0% which was lower than the national rate of 5.3% and lower than the Kentucky rate of 5.1%.

Interest rates are expected to remain at record low levels throughout the 2016 fiscal year. The City of Henderson is considering issuing refunding general obligation bonds with some of the refunding to benefit Henderson Water Utility.

Property has been purchased and architectural designs are being prepared for a new public works facility that will include natural gas, sanitation, and city garage operations.

The City of Henderson is working to implement a new Vision Plan and the Henderson City/County Planning Commission is updating the Comprehensive Plan. These plans are being led by City/County staff, a Community Visioning Steering Committee and a consultant team.

The Comprehensive Plan will establish the long-term community vision which defines the quantity of growth, quality of growth and location of growth that the community desires.

Using the annual surpluses, the City of Henderson has embarked on a Community Betterment Project that includes improving sidewalks, roads, street lights, and overall community appearance.

### **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](http://www.cityofhendersonky.org).



## **Basic Financial Statements**

City of Henderson, Kentucky  
Statement of Net Position  
June 30, 2015

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	Henderson Municipal Power & Light	Henderson Water Utility
<b>ASSETS</b>					
Cash	\$ 4,227,436	\$ 2,939,718	\$ 7,167,154	\$ 503,863	\$ 11,445,981
Investments	7,329,878	4,790,313	12,120,191	15,077,575	2,104,423
Receivables	927,705	1,108,791	2,036,496	5,832,601	1,208,699
Internal balances	(737,800)	737,800	-	-	-
Inventories	44,545	180,778	225,323	5,045,596	902,859
Prepaid expenses	-	-	-	101,748	34,169
<b>Restricted assets:</b>					
Cash	156,095	-	156,095	-	188,629
Investments	-	-	-	3,546,581	699,047
Receivable from HWU:					
Due in one year	1,703,491	-	1,703,491	-	-
Due after one year	33,527,239	-	33,527,239	-	-
Land and other nondepreciable capital assets	4,617,993	114,815	4,732,808	1,235,451	862,879
Capital assets, net of accumulated depreciation	27,139,481	2,755,128	29,894,609	61,497,856	77,395,743
Other assets	-	-	-	-	147,896
<b>Total assets</b>	<b>78,936,063</b>	<b>12,627,343</b>	<b>91,563,406</b>	<b>92,841,271</b>	<b>94,990,325</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
Deferred outflows of resources-pensions	3,445,281	-	3,445,281	476,133	655,170
<b>Total assets and deferred outflows of resources</b>	<b>\$ 82,381,344</b>	<b>\$ 12,627,343</b>	<b>\$ 95,008,687</b>	<b>\$ 93,317,404</b>	<b>\$ 95,645,495</b>
<b>LIABILITIES</b>					
Accounts payable and accrued liabilities	\$ 2,323,244	\$ 1,016,210	\$ 3,339,454	\$ 8,558,287	\$ 2,517,365
Deposits payable	-	294,469	294,469	657,149	80,694
Due to component units	783,497	-	783,497	-	-
Gas storage liability	-	417,850	417,850	-	-
<b>Noncurrent liabilities:</b>					
Due in one year	2,970,000	-	2,970,000	610,000	2,610,959
Due after one year	69,481,953	3,860,000	73,341,953	16,976,000	45,392,331
<b>Total liabilities</b>	<b>75,558,694</b>	<b>5,588,529</b>	<b>81,147,223</b>	<b>26,801,436</b>	<b>50,601,349</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Deferred inflows of resources-pensions	2,995,987	-	2,995,987	446,000	560,000
<b>NET POSITION</b>					
Net investment in capital assets	25,398,204	2,869,943	28,268,147	49,463,307	36,103,169
<b>Restricted for:</b>					
Debt service	66,045	-	66,045	3,546,581	699,042
Law enforcement	13,072	-	13,072	-	-
Unrestricted	(21,650,658)	4,168,871	(17,481,787)	13,060,080	7,681,935
<b>Total net position</b>	<b>3,826,663</b>	<b>7,038,814</b>	<b>10,865,477</b>	<b>66,069,968</b>	<b>44,484,146</b>
<b>Total liabilities, deferred inflows, and net position</b>	<b>\$ 82,381,344</b>	<b>\$ 12,627,343</b>	<b>\$ 95,008,687</b>	<b>\$ 93,317,404</b>	<b>\$ 95,645,495</b>

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, 2015**

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
<b>Primary government</b>									
<b>Governmental activities:</b>									
Administration	\$ 4,274,319	\$ 2,189,344	\$ 244,141	\$ 1,249,524	\$ (591,310)	\$ -	\$ (591,310)		
Finance	2,576,906	2,929,770	-	-	352,864	-	352,864		
Mass transit	1,243,231	37,660	409,425	-	(796,146)	-	(796,146)		
Parks and recreation	2,200,256	303,751	3,437	-	(1,893,068)	-	(1,893,068)		
Police	6,341,357	847,319	405,741	95,319	(4,992,978)	-	(4,992,978)		
Fire	5,410,968	5,000	237,541	-	(5,168,427)	-	(5,168,427)		
Public works	5,724,694	108,087	879,647	1,438,901	(3,298,059)	-	(3,298,059)		
Nondepartmental	2,759,390	-	-	-	(2,759,390)	-	(2,759,390)		
Interest on long-term debt	1,205,808	-	969,748	-	(236,060)	-	(236,060)		
<b>Total governmental activities</b>	<b>31,736,929</b>	<b>6,420,931</b>	<b>3,149,680</b>	<b>2,783,744</b>	<b>(19,382,574)</b>	<b>-</b>	<b>(19,382,574)</b>		
<b>Business-type activities:</b>									
Gas	15,896,878	17,832,083	-	-	-	1,935,205	1,935,205		
Sanitation	3,256,659	3,235,220	98,560	-	-	77,121	77,121		
<b>Total business-type activities</b>	<b>19,153,537</b>	<b>21,067,303</b>	<b>98,560</b>	<b>-</b>	<b>-</b>	<b>2,012,326</b>	<b>2,012,326</b>		
<b>Total primary government</b>	<b>\$ 50,890,466</b>	<b>\$ 27,488,234</b>	<b>\$ 3,248,240</b>	<b>\$ 2,783,744</b>	<b>(19,382,574)</b>	<b>2,012,326</b>	<b>(17,370,248)</b>		
<b>Component units</b>									
Henderson Municipal Power & Light	\$ 63,953,233	\$ 61,128,490	\$ -	\$ -			\$ (2,824,743)	\$ -	
Henderson Water Utility	17,321,322	17,630,488	-	150,000			-	459,166	
<b>Total component units</b>	<b>\$ 81,274,555</b>	<b>\$ 78,758,978</b>	<b>\$ -</b>	<b>\$ 150,000</b>			<b>(2,824,743)</b>	<b>459,166</b>	
<b>General revenues:</b>									
<b>Taxes:</b>									
Property					8,137,120	-	8,137,120	-	-
Payroll and net profits					5,345,370	-	5,345,370	-	-
Insurance					4,741,126	-	4,741,126	-	-
Franchise					679,169	-	679,169	-	-
Bank deposits					149,765	-	149,765	-	-
Distributions from component units					1,644,724	-	1,644,724	-	-
Investment income					200,201	71,531	271,732	45,819	31,150
Transfers					1,400,000	(1,400,000)	-	-	-
<b>Total general revenues and transfers</b>					<b>22,297,475</b>	<b>(1,328,469)</b>	<b>20,969,006</b>	<b>45,819</b>	<b>31,150</b>
<b>Change in net position</b>					<b>2,914,901</b>	<b>683,857</b>	<b>3,598,758</b>	<b>(2,778,924)</b>	<b>490,316</b>
<b>Cumulative effect of change in accounting principle-pensions</b>					<b>(29,908,902)</b>	<b>-</b>	<b>(29,908,902)</b>	<b>(4,442,000)</b>	<b>(5,176,088)</b>
<b>Net position, beginning of year</b>					<b>30,820,664</b>	<b>6,354,957</b>	<b>37,175,621</b>	<b>73,290,892</b>	<b>49,169,918</b>
<b>Net position, end of year</b>					<b>\$ 3,826,663</b>	<b>\$ 7,038,814</b>	<b>\$ 10,865,477</b>	<b>\$ 66,069,968</b>	<b>\$ 44,484,146</b>

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

City of Henderson, Kentucky  
Balance Sheet  
Governmental Funds  
June 30, 2015

	General Fund	Debt Service Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>ASSETS</b>					
Cash	\$ 3,618,682	\$ -	\$ 1,050	\$ 7,056	\$ 3,626,788
Investments	7,329,878	-	-	-	7,329,878
Receivables	495,753	-	95,319	305,883	896,955
Due from other funds	1,989,600	-	-	-	1,989,600
Inventories	22,694	-	-	21,851	44,545
<b>Restricted assets:</b>					
Cash	-	66,045	-	90,050	156,095
Receivable from HWU:					
Due in one year	-	-	1,703,491	-	1,703,491
Due after one year	-	-	33,527,239	-	33,527,239
<b>Total assets</b>	<b><u>\$ 13,456,607</u></b>	<b><u>\$ 66,045</u></b>	<b><u>\$ 35,327,099</u></b>	<b><u>\$ 424,840</u></b>	<b><u>\$ 49,274,591</u></b>
<b>LIABILITIES</b>					
Accounts payable	\$ 752,273	\$ -	\$ 425,961	\$ 229,498	\$ 1,407,732
Accrued wages	334,702	-	-	46,727	381,429
Due to other funds	804,400	-	1,923,000	-	2,727,400
Due to component units	783,497	-	-	-	783,497
<b>Total liabilities</b>	<b><u>2,674,872</u></b>	<b><u>-</u></b>	<b><u>2,348,961</u></b>	<b><u>276,225</u></b>	<b><u>5,300,058</u></b>
<b>FUND BALANCES</b>					
Nonspendable	22,694	-	-	21,851	44,545
Restricted	-	66,045	35,230,730	13,072	35,309,847
Committed	2,199,379	-	-	119,669	2,319,048
Assigned	4,000,000	-	-	-	4,000,000
Unassigned	4,559,662	-	(2,252,592)	(5,977)	2,301,093
<b>Total fund balances</b>	<b><u>10,781,735</u></b>	<b><u>66,045</u></b>	<b><u>32,978,138</u></b>	<b><u>148,615</u></b>	<b><u>43,974,533</u></b>
<b>Total liabilities and fund balances</b>	<b><u>\$ 13,456,607</u></b>	<b><u>\$ 66,045</u></b>	<b><u>\$ 35,327,099</u></b>	<b><u>\$ 424,840</u></b>	<b><u>\$ 49,274,591</u></b>

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, 2015**

Total fund balances of governmental funds per balance sheet \$ 43,974,533

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. 31,757,474

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	3,445,281
Deferred inflows of resources-pensions	(2,995,987)

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. 97,315

Long-term debt and other liabilities were not currently due and payable in the fiscal year ended June 30, 2015, and, therefore, were not reported in the governmental funds.

Long-term debt payable	\$ (41,590,000)
Accrued compensated absences	(1,453,900)
HRA Fund unfunded obligation	(652,000)
Net pension liability	<u>(28,756,053)</u>
	<u>(72,451,953)</u>

Total net position of governmental activities per statement of net position \$ 3,826,663

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, 2015

	General Fund	Debt Service Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>REVENUES</b>					
Taxes:					
Property	\$ 8,137,120	\$ -	\$ -	\$ -	\$ 8,137,120
Payroll and net profits	5,345,370	-	-	-	5,345,370
Insurance	4,741,126	-	-	-	4,741,126
Franchise	679,169	-	-	-	679,169
Bank deposits	149,765	-	-	-	149,765
Intergovernmental	3,313,091	969,748	2,783,744	1,524,934	8,591,517
Distributions from component units	1,644,724	-	-	-	1,644,724
Service charges and fees	541,587	-	-	787,133	1,328,720
Rents, concessions, and other services	145,866	-	-	-	145,866
Licenses and permits	79,519	-	-	-	79,519
Fines, finance charges, and penalties	67,066	-	-	-	67,066
Investment income	180,519	47	17,166	974	198,706
Miscellaneous	61,603	132	1,500	1,607	64,842
Total revenues	<u>25,086,525</u>	<u>969,927</u>	<u>2,802,410</u>	<u>2,314,648</u>	<u>31,173,510</u>
<b>EXPENDITURES</b>					
Current:					
Administration	2,396,454	-	21,923	91,749	2,510,126
Finance	2,663,640	-	-	-	2,663,640
Mass transit	-	-	-	1,186,703	1,186,703
Parks and recreation	1,495,736	-	-	351,852	1,847,588
Police	5,613,665	-	-	1,043,645	6,657,310
Fire	5,622,438	-	-	-	5,622,438
Public works	1,907,624	-	-	2,090,954	3,998,578
Nondepartmental	2,428,486	-	-	-	2,428,486
Debt service:					
Principal	-	1,910,000	-	-	1,910,000
Interest	-	1,205,808	-	-	1,205,808
Capital outlays	1,023,419	-	5,189,741	26,000	6,239,160
Total expenditures	<u>23,151,462</u>	<u>3,115,808</u>	<u>5,211,664</u>	<u>4,790,903</u>	<u>36,269,837</u>
Excess (deficiency) of revenues over expenditures	<u>1,935,063</u>	<u>(2,145,881)</u>	<u>(2,409,254)</u>	<u>(2,476,255)</u>	<u>(5,096,327)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	1,417,315	2,143,470	218,000	2,401,000	6,179,785
Transfers out	(3,397,000)	-	(1,382,785)	-	(4,779,785)
Bonds issuance	-	-	8,000,000	-	8,000,000
Total other financing sources (uses)	<u>(1,979,685)</u>	<u>2,143,470</u>	<u>6,835,215</u>	<u>2,401,000</u>	<u>9,400,000</u>
Net change in fund balances	(44,622)	(2,411)	4,425,961	(75,255)	4,303,673
Fund balances, beginning of year	<u>10,826,357</u>	<u>68,456</u>	<u>28,552,177</u>	<u>223,870</u>	<u>39,670,860</u>
Fund balances, end of year	<u>\$ 10,781,735</u>	<u>\$ 66,045</u>	<u>\$ 32,978,138</u>	<u>\$ 148,615</u>	<u>\$ 43,974,533</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, 2015**

Net change in fund balances of governmental funds \$ 4,303,673

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. In addition, governmental funds do not report the net book value of deletions as expenditures.

Capital outlays	6,239,160
Depreciation expense	(2,865,030)
Deleted capital assets	(33,747)

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	1,910,000
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Governmental funds report the issuance of long-term debt as other financing sources, while the statement of activities does not report such issuance as revenues.

Bonds issuance	(8,000,000)
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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.

Increase in accrued compensated absences	(71,977)
Increase in HRA Fund unfunded obligation	(27,000)
Pension contributions paid after the measurement date	3,252,080
Actuarial pension expense	(2,098,503)

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.

Net income of Health Insurance Fund	306,245
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Change in net position of governmental activities	\$ 2,914,901
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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, 2015**

	<u>Budget</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
<b>Taxes:</b>				
Property	\$ 7,839,600	\$ 7,839,600	\$ 8,137,120	\$ 297,520
Payroll and net profits	5,240,000	5,240,000	5,345,370	105,370
Insurance	4,650,000	4,650,000	4,741,126	91,126
Franchise	682,000	682,000	679,169	(2,831)
Bank deposits	147,700	147,700	149,765	2,065
Intergovernmental	3,328,350	3,328,350	3,313,091	(15,259)
Distributions from component units	1,644,700	1,644,700	1,644,724	24
Service charges and fees	548,300	548,300	541,587	(6,713)
Rents, concessions, and other services	126,800	126,800	145,866	19,066
Licenses and permits	99,600	99,600	79,519	(20,081)
Fines, finance charges, and penalties	66,000	66,000	67,066	1,066
Investment income	78,080	78,080	180,519	102,439
Miscellaneous	38,470	213,470	61,603	(151,867)
<b>Total revenues</b>	<u>24,489,600</u>	<u>24,664,600</u>	<u>25,086,525</u>	<u>421,925</u>
<b>EXPENDITURES</b>				
<b>Current:</b>				
Administration	2,466,480	2,589,560	2,396,454	193,106
Finance	2,855,880	2,860,980	2,663,640	197,340
Parks and recreation	1,492,020	1,534,020	1,495,736	38,284
Police	6,084,560	6,091,460	5,613,665	477,795
Fire	5,561,470	5,699,470	5,622,438	77,032
Public works	2,235,060	2,235,060	1,907,624	327,436
Nondepartmental	2,992,090	3,281,090	2,428,486	852,604
Capital outlays	1,402,440	1,566,360	1,023,419	542,941
<b>Total expenditures</b>	<u>25,090,000</u>	<u>25,858,000</u>	<u>23,151,462</u>	<u>2,706,538</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>(600,400)</u>	<u>(1,193,400)</u>	<u>1,935,063</u>	<u>3,128,463</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	1,400,000	1,400,000	1,417,315	17,315
Transfers out	(3,310,000)	(4,643,000)	(3,397,000)	1,246,000
<b>Total other financing sources (uses)</b>	<u>(1,910,000)</u>	<u>(3,243,000)</u>	<u>(1,979,685)</u>	<u>1,263,315</u>
<b>Net change in fund balance</b>	<u>(2,510,400)</u>	<u>(4,436,400)</u>	<u>(44,622)</u>	<u>4,391,778</u>
<b>Fund balance, beginning of year</b>	<u>10,826,357</u>	<u>10,826,357</u>	<u>10,826,357</u>	<u>-</u>
<b>Fund balance, end of year</b>	<u>\$ 8,315,957</u>	<u>\$ 6,389,957</u>	<u>\$ 10,781,735</u>	<u>\$ 4,391,778</u>

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



City of Henderson, Kentucky  
Statement of Net Position  
Proprietary Funds  
June 30, 2015

	Business-type Activities Enterprise Funds			Governmental Activities- Internal Service Fund
	Gas Fund	Sanitation Fund	Total Enterprise Funds	Health Insurance Fund
<b>ASSETS</b>				
<b>Current assets:</b>				
Cash	\$ 2,578,371	\$ 361,347	\$ 2,939,718	\$ 600,648
Investments	2,352,584	-	2,352,584	-
Receivables	972,371	136,420	1,108,791	30,750
Due from other funds	704,779	99,621	804,400	-
Inventories	180,778	-	180,778	-
<b>Total current assets</b>	<b>6,788,883</b>	<b>597,388</b>	<b>7,386,271</b>	<b>631,398</b>
<b>Noncurrent assets:</b>				
Investments, designated for landfill closure costs	-	2,437,729	2,437,729	-
Land	-	114,815	114,815	-
Capital assets, net of accumulated depreciation	2,339,751	415,377	2,755,128	-
<b>Total noncurrent assets</b>	<b>2,339,751</b>	<b>2,967,921</b>	<b>5,307,672</b>	<b>-</b>
<b>Total assets</b>	<b>\$ 9,128,634</b>	<b>\$ 3,565,309</b>	<b>\$ 12,693,943</b>	<b>\$ 631,398</b>
<b>LIABILITIES</b>				
<b>Current liabilities:</b>				
Accounts payable	\$ 801,824	\$ 162,166	\$ 963,990	\$ 534,083
Deposits payable	294,469	-	294,469	-
Accrued wages	33,497	18,723	52,220	-
Due to other funds	-	66,600	66,600	-
Gas storage liability	417,850	-	417,850	-
<b>Total current liabilities</b>	<b>1,547,640</b>	<b>247,489</b>	<b>1,795,129</b>	<b>534,083</b>
<b>Noncurrent liabilities:</b>				
Estimated landfill closure costs	-	3,860,000	3,860,000	-
<b>Total noncurrent liabilities</b>	<b>-</b>	<b>3,860,000</b>	<b>3,860,000</b>	<b>-</b>
<b>Total liabilities</b>	<b>1,547,640</b>	<b>4,107,489</b>	<b>5,655,129</b>	<b>534,083</b>
<b>NET POSITION</b>				
Net investment in capital assets	2,339,751	530,192	2,869,943	-
Unrestricted	5,241,243	(1,072,372)	4,168,871	97,315
<b>Total net position</b>	<b>7,580,994</b>	<b>(542,180)</b>	<b>7,038,814</b>	<b>97,315</b>
<b>Total liabilities and net position</b>	<b>\$ 9,128,634</b>	<b>\$ 3,565,309</b>	<b>\$ 12,693,943</b>	<b>\$ 631,398</b>

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, 2015

	Business-type Activities Enterprise Funds			Governmental Activities- Internal Service Fund
	Gas Fund	Sanitation Fund	Total Enterprise Funds	Health Insurance Fund
<b>OPERATING REVENUES</b>				
Gas sales	\$ 17,647,289	\$ -	\$ 17,647,289	\$ -
Sanitation fees	-	3,305,951	3,305,951	-
Other income	184,794	27,829	212,623	-
Health insurance premiums:				
City of Henderson	-	-	-	3,964,225
Henderson Municipal Power & Light	-	-	-	560,436
Henderson Water Utility	-	-	-	1,125,738
Other	-	-	-	390,651
Total operating revenues	<u>17,832,083</u>	<u>3,333,780</u>	<u>21,165,863</u>	<u>6,041,050</u>
 <b>OPERATING EXPENSES</b>				
Gas administration	1,532,125	-	1,532,125	-
Gas distribution	14,152,067	-	14,152,067	-
Sanitation expenses	-	2,915,382	2,915,382	-
Landfill closure cost	-	200,000	200,000	-
Depreciation	212,686	141,277	353,963	-
HRA Fund contributions	-	-	-	460,000
Health insurance administration	-	-	-	721,589
Health insurance claims	-	-	-	4,554,711
Total operating expenses	<u>15,896,878</u>	<u>3,256,659</u>	<u>19,153,537</u>	<u>5,736,300</u>
 Income from operations	1,935,205	77,121	2,012,326	304,750
 <b>NONOPERATING REVENUES</b>				
Investment income	<u>37,186</u>	<u>34,345</u>	<u>71,531</u>	<u>1,495</u>
 Income before transfers	1,972,391	111,466	2,083,857	306,245
 Transfers out to General Fund	<u>(1,400,000)</u>	<u>-</u>	<u>(1,400,000)</u>	<u>-</u>
 Change in net position	572,391	111,466	683,857	306,245
 Net position, beginning of year	<u>7,008,603</u>	<u>(653,646)</u>	<u>6,354,957</u>	<u>(208,930)</u>
 Net position, end of year	<u>\$ 7,580,994</u>	<u>\$ (542,180)</u>	<u>\$ 7,038,814</u>	<u>\$ 97,315</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, 2015

	Business-type Activities Enterprise Funds			Governmental Activities- Internal Service Fund
	Gas Fund	Sanitation Fund	Total Enterprise Funds	Health Insurance Fund
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Receipts from customers and users	\$ 18,596,441	\$ 3,408,311	\$ 22,004,752	\$ 6,042,470
Payments for goods and services	(14,706,621)	(1,825,116)	(16,531,737)	(721,254)
Payments for employees	(1,584,684)	(1,095,716)	(2,680,400)	-
Payments for HRA Fund contributions	-	-	-	(460,000)
Payments for health insurance claims	-	-	-	(4,529,985)
Net cash provided (used) by operating activities	<u>2,305,136</u>	<u>487,479</u>	<u>2,792,615</u>	<u>331,231</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Transfers to General Fund	(1,400,000)	-	(1,400,000)	-
Net cash provided (used) by noncapital financing activities	<u>(1,400,000)</u>	<u>-</u>	<u>(1,400,000)</u>	<u>-</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Purchases of capital assets	(177,497)	(25,650)	(203,147)	-
Loan repayments to General Fund	-	(62,900)	(62,900)	-
Net cash provided (used) by capital and related financing activities	<u>(177,497)</u>	<u>(88,550)</u>	<u>(266,047)</u>	<u>-</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Proceeds from investments	199,701	370,010	569,711	-
Purchases of investments	(627,529)	(523,794)	(1,151,323)	-
Interest received	37,269	31,134	68,403	1,495
Investment fees paid	(1,256)	(1,487)	(2,743)	-
Net cash provided (used) by investing activities	<u>(391,815)</u>	<u>(124,137)</u>	<u>(515,952)</u>	<u>1,495</u>
Net increase (decrease) in cash	335,824	274,792	610,616	332,726
Cash, beginning of year	<u>2,242,547</u>	<u>86,555</u>	<u>2,329,102</u>	<u>267,922</u>
Cash, end of year	<u>\$ 2,578,371</u>	<u>\$ 361,347</u>	<u>\$ 2,939,718</u>	<u>\$ 600,648</u>
<b>Reconciliation of income from operations to net cash provided (used) by operating activities</b>				
Income from operations	\$ 1,935,205	\$ 77,121	\$ 2,012,326	\$ 304,750
Reconciling items:				
Depreciation expense	212,686	141,277	353,963	-
Landfill closure cost	-	200,000	200,000	-
Receivables (increase) decrease	472,896	44,180	517,076	1,420
Due from other funds (increase) decrease	293,878	30,351	324,229	-
Inventories (increase) decrease	(31,406)	-	(31,406)	-
Accounts and deposits payable increase (decrease)	(381,553)	(4,870)	(386,423)	25,061
Accrued wages increase (decrease)	4,080	(580)	3,500	-
Gas storage liability increase (decrease)	(200,650)	-	(200,650)	-
Net cash provided (used) by operating activities	<u>\$ 2,305,136</u>	<u>\$ 487,479</u>	<u>\$ 2,792,615</u>	<u>\$ 331,231</u>
<b>Noncash investing activities:</b>				
(Increase) decrease in fair value of investments	<u>\$ (41)</u>	<u>\$ (3,402)</u>	<u>\$ (3,443)</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, 2015**

	<b>Pension Trust Funds</b>
	<u>                    </u>
<b>ASSETS</b>	
Cash	<u>\$ 102,581</u>
<b>Total assets</b>	<u>102,581</u>
<b>LIABILITIES</b>	
Accounts payable	<u>11,295</u>
<b>Total liabilities</b>	<u>11,295</u>
<b>NET POSITION</b>	
Net position restricted for pensions	(10,613)
Net position restricted for health care	<u>101,899</u>
<b>Total net position</b>	<u><u>\$ 91,286</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, 2015**

	<b>Pension Trust Funds</b>
<b>ADDITIONS</b>	
<b>Contributions:</b>	
Employer	\$ 1,029,363
Employee	2,363
<b>Total contributions</b>	<b>1,031,726</b>
Interest income	230
Miscellaneous	561
<b>Total additions</b>	<b>1,032,517</b>
<b>DEDUCTIONS</b>	
Benefits paid	966,262
Professional services	7,130
<b>Total deductions</b>	<b>973,392</b>
<b>Net increase in net position</b>	<b>59,125</b>
<b>Net position, beginning of year</b>	<b>32,161</b>
<b>Net position, end of year</b>	<b>\$ 91,286</b>

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

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

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**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 31<sup>st</sup>, and HWU has a fiscal year end of June 30<sup>th</sup>. 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**

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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**

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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.

### **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.



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

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### **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.

### **Capital Projects Fund**

The Capital Projects Fund accounts for the acquisition and construction of major capital facilities and other capital projects of the City.

In addition, the City has seven other governmental funds that collectively are called nonmajor governmental funds because, individually, these seven funds are not financially significant enough to be classified as major governmental funds. The nonmajor governmental funds are collectively included together in one column of the financial statements of the governmental funds. Detailed financial information about each of these nonmajor governmental funds can be found in a separate section of this report.

## **2) Proprietary Funds**

Proprietary fund reporting focuses on the changes in net position, financial position, and cash flows. Proprietary funds are classified as either enterprise or internal service.

### **Enterprise Funds**

Enterprise funds are used to account for the operations that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that costs (expenses, including depreciation) of providing goods and or services to the general public on a continuing basis be financed or recovered primarily through user charges; or where the governing body has decided that periodic determinations of revenues earned, expenses incurred, and net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The major enterprise funds of the City of Henderson are as follows:

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

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- **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.

### **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.

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

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**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.

**F. Deposits and Investments**

Cash consists of demand deposit accounts with commercial banks.

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, among other investments.

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

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**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; and cash of a nonmajor governmental fund subject to legal restrictions.

**H. Short-term Interfund Balances**

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

**I. Interfund Activity**

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

**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.

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

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**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

**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.

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

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**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.

**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.

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

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### **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.

### **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 or resolution prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance or resolution 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.

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

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### **R. Property Taxes**

Property taxes are levied as of the beginning of the fiscal year on property values assessed as of the preceding January 1<sup>st</sup>. 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.

### **T. Pensions**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension 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.



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

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**2. INVESTMENTS**

As of June 30, 2015, the City had the following investments:

Investment Type	Fair Value	Investment Maturities (in Years)		
		Less Than 1	1-5	6-10
U.S. Government Agencies	\$ 1,184,300	\$ 329,871	\$ 854,429	\$ -
U.S. Government Money Market	1,166,398	1,166,398	-	-
Bank Certificates of Deposit	9,769,493	401,610	8,610,458	757,425
<b>Total</b>	<b>\$ 12,120,191</b>	<b>\$ 1,897,879</b>	<b>\$ 9,464,887</b>	<b>\$ 757,425</b>

**Investments by Funds:**

General Fund	\$ 7,329,878
Gas Fund	2,352,584
Sanitation Fund	2,437,729
<b>Total per Statement of Net Position</b>	<b>\$ 12,120,191</b>

**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. More than five percent of the City's investments are in bonds issued by the Federal National Mortgage Association (FNMA), which are 6.84% of the City's total investments.

**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, 2015, interfund receivables and payables and the composition of internal balances shown on the statement of net position consist of the following:

	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>	<u>Internal Balances</u>
<b><u>Governmental Activities:</u></b>			
General Fund	\$ 1,989,600	\$ (804,400)	\$ 1,185,200
Capital Projects Fund	-	(1,923,000)	(1,923,000)
Total Governmental Activities	<u>\$ 1,989,600</u>	<u>\$ (2,727,400)</u>	<u>\$ (737,800)</u>
<b><u>Business-type Activities:</u></b>			
Gas Fund	\$ 704,779	\$ -	\$ 704,779
Sanitation Fund	99,621	(66,600)	33,021
Total Business-type Activities	<u>\$ 804,400</u>	<u>\$ (66,600)</u>	<u>\$ 737,800</u>
 Total all funds	 <u>\$ 2,794,000</u>	 <u>\$ (2,794,000)</u>	

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

As of June 30, 2015, interfund transfers consist of the following:

	<u>Transfers In</u>	<u>Transfers Out</u>		
	<u>Totals</u>	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Gas Fund</u>
General Fund	\$ 1,417,315	\$ -	\$ (17,315)	\$ (1,400,000)
Debt Service Fund	2,143,470	(778,000)	(1,365,470)	-
Capital Projects Fund	218,000	(218,000)	-	-
Nonmajor Governmental Funds	2,401,000	(2,401,000)	-	-
 Totals	 <u>\$ 6,179,785</u>	 <u>\$ (3,397,000)</u>	 <u>\$ (1,382,785)</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 and Capital Projects Fund to various other 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, 2015 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Primary Government</b>				
<b>Governmental Activities:</b>				
<u>Capital assets not being depreciated:</u>				
Land	\$ 3,111,493	\$ 1,325,000	\$ (15,000)	\$ 4,421,493
Artwork	196,500	-	-	196,500
<b>Total</b>	<b>3,307,993</b>	<b>1,325,000</b>	<b>(15,000)</b>	<b>4,617,993</b>
 <u>Capital assets being depreciated:</u>				
Buildings	11,693,048	1,812,700	(12,856)	13,492,892
Improvements	8,113,629	-	(30,790)	8,082,839
Vehicles, machinery, and equipment	11,534,500	1,412,995	(414,867)	12,532,628
Infrastructure	65,481,207	1,688,465	-	67,169,672
<b>Total</b>	<b>96,822,384</b>	<b>4,914,160</b>	<b>(458,513)</b>	<b>101,278,031</b>
 <u>Less accumulated depreciation for:</u>				
Buildings	(3,595,628)	(235,926)	5,464	(3,826,090)
Improvements	(3,210,410)	(342,076)	19,623	(3,532,863)
Vehicles, machinery, and equipment	(10,042,397)	(628,892)	414,679	(10,256,610)
Infrastructure	(54,864,851)	(1,658,136)	-	(56,522,987)
<b>Total</b>	<b>(71,713,286)</b>	<b>(2,865,030)</b>	<b>439,766</b>	<b>(74,138,550)</b>
 <b>Total governmental activities, net</b>	<b>\$ 28,417,091</b>	<b>\$ 3,374,130</b>	<b>\$ (33,747)</b>	<b>\$ 31,757,474</b>
 <b>Business-type Activities:</b>				
<u>Capital assets not being depreciated:</u>				
Land	\$ 114,815	\$ -	\$ -	\$ 114,815
 <u>Capital assets being depreciated:</u>				
Buildings	586,277	-	-	586,277
Vehicles, machinery, and equipment	1,620,039	25,650	(20,836)	1,624,853
Gas system, vehicles, and equipment	8,769,195	177,497	(77,718)	8,868,974
<b>Total</b>	<b>10,975,511</b>	<b>203,147</b>	<b>(98,554)</b>	<b>11,080,104</b>
 <u>Less accumulated depreciation for:</u>				
Buildings	(428,928)	(22,206)	-	(451,134)
Vehicles, machinery, and equipment	(1,246,384)	(119,071)	20,836	(1,344,619)
Gas system, vehicles, and equipment	(6,394,255)	(212,686)	77,718	(6,529,223)
<b>Total</b>	<b>(8,069,567)</b>	<b>(353,963)</b>	<b>98,554</b>	<b>(8,324,976)</b>
 <b>Total business-type activities, net</b>	<b>\$ 3,020,759</b>	<b>\$ (150,816)</b>	<b>\$ -</b>	<b>\$ 2,869,943</b>

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

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

**Governmental activities:**

Administration	\$ 6,982
Finance	22,501
Mass transit	103,174
Parks and recreation	396,502
Police	184,916
Fire	275,977
Public works	<u>1,874,978</u>
<b>Total depreciation expense, governmental activities</b>	<b><u>\$ 2,865,030</u></b>

**Business-type activities**

Gas	\$ 212,686
Sanitation	<u>141,277</u>
<b>Total depreciation expense, business-type activities</b>	<b><u>\$ 353,963</u></b>

**Component units' capital asset activity was as follows:**

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b><u>Henderson Municipal Power &amp; Light</u></b>				
Utility plant and equipment	\$ 234,627,717	\$ 4,982,354	\$ (11,112,137)	\$ 228,497,934
Less accumulated depreciation	<u>(171,748,098)</u>	<u>(5,070,479)</u>	<u>11,053,950</u>	<u>(165,764,627)</u>
Capital assets, net	<u>\$ 62,879,619</u>	<u>\$ (88,125)</u>	<u>\$ (58,187)</u>	<u>\$ 62,733,307</u>
<b><u>Henderson Water Utility</u></b>				
Utility plant and equipment	\$ 121,906,460	\$ 7,007,543	\$ (319,233)	\$ 128,594,770
Less accumulated depreciation	<u>(47,066,162)</u>	<u>(3,325,565)</u>	<u>55,579</u>	<u>(50,336,148)</u>
Capital assets, net	<u>\$ 74,840,298</u>	<u>\$ 3,681,978</u>	<u>\$ (263,654)</u>	<u>\$ 78,258,622</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, 2015:

<b>Governmental Activities:</b>	<b>Balance</b>			<b>Amounts</b>	
	<b>June 30, 2014</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance June 30, 2015</b>	<b>Due in One Year</b>
G. O. Bonds Series 2007	\$ 3,490,000	\$ -	\$ (285,000)	\$ 3,205,000	\$ 300,000
G. O. Bonds Series 2010A	8,860,000	-	(430,000)	8,430,000	435,000
G. O. Bonds Series 2010B	2,750,000	-	(285,000)	2,465,000	295,000
G. O. Bonds Series 2011A	1,915,000	-	(85,000)	1,830,000	85,000
G. O. Bonds Series 2012A	9,165,000	-	(420,000)	8,745,000	425,000
G. O. Bonds Series 2013A	9,320,000	-	(405,000)	8,915,000	410,000
G. O. Bonds Series 2014	-	8,000,000	-	8,000,000	320,000
<b>Total bonds payable</b>	<b>35,500,000</b>	<b>8,000,000</b>	<b>(1,910,000)</b>	<b>41,590,000</b>	<b>2,270,000</b>
Compensated Absences	1,381,923	758,184	(686,207)	1,453,900	700,000
HRA Fund Unfunded Obligation	625,000	27,000	-	652,000	-
Net Pension Liability	-	28,756,053	-	28,756,053	-
<b>Total governmental activities</b>	<b>\$ 37,506,923</b>	<b>\$ 37,541,237</b>	<b>\$ (2,596,207)</b>	<b>\$ 72,451,953</b>	<b>\$ 2,970,000</b>

The following is an aggregate summary of debt service requirements for the City of Henderson as of June 30, 2015:

<b>June 30th:</b>	<b>Principal</b>	<b>Interest</b>	<b>IRS Direct Pay</b>	<b>Net Interest</b>	<b>Total</b>
2016	2,270,000	1,253,042	(130,274)	1,122,768	3,392,768
2017	2,315,000	1,202,869	(126,980)	1,075,889	3,390,889
2018	2,380,000	1,147,871	(123,004)	1,024,867	3,404,867
2019	2,425,000	1,088,408	(118,410)	969,998	3,394,998
2020	2,480,000	1,025,240	(113,255)	911,985	3,391,985
2021 to 2025	11,775,000	4,093,551	(461,300)	3,632,251	15,407,251
2026 to 2030	11,555,000	2,167,452	(212,039)	1,955,413	13,510,413
2031 to 2035	6,390,000	360,868	(6,401)	354,467	6,744,467
<b>Totals</b>	<b>\$ 41,590,000</b>	<b>\$ 12,339,301</b>	<b>\$ (1,291,663)</b>	<b>\$ 11,047,638</b>	<b>\$ 52,637,638</b>

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

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As of June 30, 2015 governmental long-term debt of the City consisted of the following:

**A. 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 3.63 % to 4.00%. 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, 2015:

<u>June 30th:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Rates</u>
2016	300,000	124,467	424,467	3.75%
2017	310,000	113,217	423,217	3.75%
2018	325,000	101,593	426,593	3.80%
2019	335,000	89,242	424,242	3.80%
2020	350,000	76,513	426,513	3.88%
2021 to 2025	1,150,000	213,150	1,363,150	3.88% to 4.00%
2026 to 2027	435,000	26,200	461,200	4.00%
Totals	<u>\$ 3,205,000</u>	<u>\$ 744,382</u>	<u>\$ 3,949,382</u>	

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

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**B. General Obligation Bonds – Series 2010A**

During the year ended June 30, 2011, the City issued \$10,125,000 Build America Bonds to pay a portion of the costs of 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 downtown Henderson, Kentucky and to pay other allowable expenditures including issuance costs. This obligation matures in November 2030. Interest rates range from 1.00 % to 5.50%. Interest is due in semi-annual installments. The net interest reflected below is net of the actual interest payment and the subsidy payment from the federal government which is equal to 35% of the amount of each interest payment. The obligation is secured by property taxes. The following is a summary of scheduled payments as of June 30, 2015:

<u>June 30th:</u>	<u>Principal</u>	<u>Interest</u>	<u>IRS Direct Pay</u>	<u>Net Interest</u>	<u>Total</u>	<u>Interest Rates</u>
2016	435,000	372,210	(130,274)	241,936	676,936	2.00%
2017	440,000	362,800	(126,980)	235,820	675,820	2.30%
2018	450,000	351,440	(123,004)	228,436	678,436	2.80%
2019	455,000	338,315	(118,410)	219,905	674,905	3.00%
2020	465,000	323,585	(113,255)	210,330	675,330	3.40%
2021 to 2025	2,530,000	1,318,002	(461,300)	856,702	3,386,702	3.85% to 5.5%
2026 to 2030	2,990,000	605,825	(212,039)	393,786	3,383,786	5.50%
2031	665,000	18,288	(6,401)	11,887	676,887	5.50%
<b>Totals</b>	<b>\$ 8,430,000</b>	<b>\$ 3,690,465</b>	<b>\$ (1,291,663)</b>	<b>\$ 2,398,802</b>	<b>\$ 10,828,802</b>	

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

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**C. 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, 2015:



**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>
2016	295,000	63,174	358,174	2.00%
2017	300,000	57,223	357,223	2.00%
2018	315,000	50,759	365,759	2.20%
2019	315,000	42,963	357,963	2.75%
2020	320,000	34,231	354,231	2.75%
2021 to 2024	920,000	55,778	975,778	3.0% to 3.5%
<b>Totals</b>	<b>\$ 2,465,000</b>	<b>\$ 304,128</b>	<b>\$ 2,769,128</b>	

**D. 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, 2015:

<u>June 30th:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Interest Rates</u>
2016	85,000	58,971	143,971	2.00%
2017	85,000	57,272	142,272	2.00%
2018	90,000	55,521	145,521	2.00%
2019	90,000	53,631	143,631	2.20%
2020	95,000	51,453	146,453	2.50%
2021 to 2025	510,000	213,798	723,798	3.00% to 3.125
2026 to 2030	600,000	116,780	716,780	3.60% to 4.00%
2031 to 2032	275,000	11,100	286,100	4.00%
<b>Totals</b>	<b>\$ 1,830,000</b>	<b>\$ 618,526</b>	<b>\$ 2,448,526</b>	

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

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**E. General Obligation Bonds – Series 2012A**

During the year ended June 30, 2012, the City issued \$9,995,000 non-taxable bonds to pay a portion of the costs of the acquisition, construction and installation of additions and improvements to the City’s combined and consolidated municipal water, sanitary sewer, and storm sewer system, including (1) the renovation and upgrading of the City’s North Wastewater Treatment Plant and (2) the construction 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, 2015:

<u>June 30th:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Interest Rates</u>
2016	425,000	223,370	648,370	1.30%
2017	435,000	216,257	651,257	2.00%
2018	440,000	207,508	647,508	2.00%
2019	450,000	198,607	648,607	2.00%
2020	460,000	189,508	649,508	2.00%
2021 to 2025	2,455,000	791,742	3,246,742	2.00% to 2.70%
2026 to 2030	2,820,000	430,772	3,250,772	2.9% to 3.2%
2031 to 2032	1,260,000	41,755	1,301,755	3.25% to 3.30%
<b>Totals</b>	<b>\$ 8,745,000</b>	<b>\$ 2,299,519</b>	<b>\$ 11,044,519</b>	

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

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**F. 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, 2015:

June 30th:	Principal	Interest	Total	Interest Rates
2016	410,000	198,125	608,125	2.00%
2017	420,000	189,825	609,825	2.00%
2018	430,000	181,325	611,325	2.00%
2019	440,000	172,625	612,625	2.00%
2020	445,000	163,775	608,775	2.00%
2021 to 2025	2,375,000	679,875	3,054,875	2.00% to 2.00%
2026 to 2030	2,640,000	411,837	3,051,837	2.13% to 2.75%
2031 to 2033	1,755,000	73,219	1,828,219	2.75% to 2.75%
<b>Totals</b>	<b>\$ 8,915,000</b>	<b>\$ 2,070,606</b>	<b>\$ 10,985,606</b>	

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

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**G. 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, 2015:

June 30th:	Principal	Interest	Total	Interest Rates
2016	320,000	212,725	532,725	2.00%
2017	325,000	206,275	531,275	2.00%
2018	330,000	199,725	529,725	2.00%
2019	340,000	193,025	533,025	2.00%
2020	345,000	186,175	531,175	2.00%
2021 to 2025	1,835,000	821,206	2,656,206	2.00% to 2.50%
2026 to 2030	2,070,000	576,038	2,646,038	2.50% to 3.25%
2031 to 2035	2,435,000	216,506	2,651,506	3.25% to 3.50%
<b>Totals</b>	<b>\$ 8,000,000</b>	<b>\$ 2,611,675</b>	<b>\$ 10,611,675</b>	

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

**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, 2015:

	Balance May 31, 2014	Additions	Reductions	Balance May 31, 2015	Amounts due in One Year
Revenue Bonds Series 2011A	\$ 10,495,000	\$ -	\$ (445,000)	\$ 10,050,000	\$ 455,000
Revenue Bonds Series 2011B	3,370,000	-	(150,000)	3,220,000	155,000
<b>Total bonds payable</b>	<b>\$ 13,865,000</b>	<b>\$ -</b>	<b>\$ (595,000)</b>	<b>\$ 13,270,000</b>	<b>\$ 610,000</b>

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, 2015:

May 31st:	Series 2011A		Series 2011B		Totals
	Principal	Interest	Principal	Interest	
2016	\$ 455,000	\$ 374,806	\$ 155,000	\$ 102,982	\$ 1,087,788
2017	465,000	363,432	155,000	101,044	1,084,476
2018	475,000	351,806	155,000	98,718	1,080,524
2019	490,000	339,932	160,000	95,618	1,085,550
2020	505,000	325,232	165,000	92,098	1,087,330
2021 to 2025	2,775,000	1,368,014	895,000	356,741	5,394,755
2026 to 2030	3,340,000	787,948	1,055,000	243,731	5,426,679
2031 to 2032	1,545,000	105,076	480,000	44,066	2,174,142
<b>Totals</b>	<b>\$ 10,050,000</b>	<b>\$ 4,016,246</b>	<b>\$ 3,220,000</b>	<b>\$ 1,134,998</b>	<b>\$ 18,421,244</b>

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

**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, 2015:

	Balance June 30, 2014	Additions	Reductions	Balance June 30, 2015	Amounts due in One Year
Series 2004A Water and Sewer	\$ 595,000	\$ -	\$ (595,000)	\$ -	\$ -
Series 2006A Water and Sewer	3,530,000	-	(205,000)	3,325,000	215,000
Due to City of Henderson-2010A	8,860,000	-	(430,000)	8,430,000	435,000
Due to City of Henderson-2010B	1,251,200	-	(110,470)	1,140,730	113,491
Due to City of Henderson-2012A	9,165,000	-	(420,000)	8,745,000	425,000
Due to City of Henderson-2013A	9,320,000	-	(405,000)	8,915,000	410,000
Due to City of Henderson-2014	-	8,000,000	-	8,000,000	320,000
Kentucky Infrastructure Authority Assistance Agreement	2,143,886	-	(133,553)	2,010,333	139,221
<b>Total</b>	<b>\$ 34,865,086</b>	<b>\$ 8,000,000</b>	<b>\$ (2,299,023)</b>	<b>\$ 40,566,063</b>	<b>\$ 2,057,712</b>

Principal and interest requirements to retire Henderson Water Utility's long-term obligations as of June 30, 2015 were as follows:

<b>Fiscal year ended June 30th:</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2016	\$ 2,057,712	\$ 1,124,460	\$ 3,182,172
2017	2,106,275	1,079,584	3,185,859
2018	2,149,902	1,030,674	3,180,576
2019	2,209,007	978,949	3,187,956
2020	2,258,493	924,507	3,183,000
2021-2025	12,134,886	3,678,252	15,813,138
2026-2030	11,534,788	1,856,692	13,391,480
2031-2035	6,115,000	343,367	6,458,367
<b>Totals</b>	<b>\$ 40,566,063</b>	<b>\$ 11,016,485</b>	<b>\$ 51,582,548</b>

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

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

	<b>Interest Rate</b>	<b>Final Maturity</b>	<b>Principal Balance</b>	<b>Security</b>
<b>Water and Sewer Refunding Revenue Bonds, Series 2006A</b>	<b>3.70%-4.375%</b>	<b>11/1/2026</b>	<b>\$ 3,325,000</b>	<b>Utility Revenue</b>
<b>Kentucky Infrastructure Authority Assistance Agreement B94-03</b>	<b>4.20%</b>	<b>12/1/2026</b>	<b>\$ 2,010,333</b>	<b>Utility Revenue</b>
<b>Due to City of Henderson-2010A</b>	<b>1.40%-5.50%</b>	<b>11/1/2030</b>	<b>\$ 8,430,000</b>	<b>Unsecured</b>
<b>Due to City of Henderson-2010B</b>	<b>2.00%-3.50%</b>	<b>11/1/2023</b>	<b>\$ 1,140,730</b>	<b>Unsecured</b>
<b>Due to City of Henderson-2012A</b>	<b>1.00%-3.30%</b>	<b>11/1/2031</b>	<b>\$ 8,745,000</b>	<b>Unsecured</b>
<b>Due to City of Henderson-2013A</b>	<b>2.00%-2.75%</b>	<b>11/1/2032</b>	<b>\$ 8,915,000</b>	<b>Unsecured</b>
<b>Due to City of Henderson-2014</b>	<b>2.00%-3.5%</b>	<b>11/1/2034</b>	<b>\$ 8,000,000</b>	<b>Unsecured</b>

Henderson Water Utility entered into a lease agreement to finance the Stormwater project. This lease qualifies as capital lease for accounting purposes and, therefore, the related assets have been recorded at the present value of the future minimum lease payments as of the date of the agreement, which totaled \$2,475,000. The capitalized amount of the lease is being amortized over the life of the assets and is reported as depreciation expense.

The following is a summary of future lease payments required as of June 30, 2015:

<b>For the fiscal year ending June 30</b>	<b>KADD 2005-Stormwater</b>
<b>2016</b>	<b>\$ 169,513</b>
<b>2017</b>	<b>170,575</b>
<b>2018</b>	<b>166,525</b>
<b>2019</b>	<b>167,363</b>
<b>2020</b>	<b>167,975</b>
<b>2021 to 2025</b>	<b>846,112</b>
<b>2026 to 2030</b>	<b>834,750</b>
<b>Total minimum lease payments</b>	<b>2,522,813</b>
<b>Less amount representing interest*</b>	<b>737,813</b>
<b>Present value of future minimum lease payments</b>	<b>\$ 1,785,000</b>

\* Interest rates on the capital lease range from 4.50% to 5.00% 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.

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

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**Restricted Assets Applicable To HWU**

In the Capital Projects Fund of the City are restricted assets applicable to HWU.

The City issued General Obligation Bonds Series 2010A in the face amount of \$10,125,000, which proceeds were loaned to HWU to fund a capital sewer project.

The City issued General Obligation Bonds Series 2010B in the face amount of \$3,605,000. Of that amount, \$1,591,251 was loaned to HWU, which was applied to advance refund a KADD 2002-Canoe Creek lease payable.

The City issued General Obligation Bonds Series 2012A in the face amount of \$9,995,000, which proceeds were loaned to HWU to fund capital projects.

The City issued General Obligation Bonds Series 2013A in the face amount of \$9,730,000, which proceeds were loaned to HWU to fund capital projects.

The City issued General Obligation Bonds Series 2014 in the face amount of \$8,000,000, which proceeds were loaned to HWU to fund capital projects.

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, 2015, as recorded in the Capital Projects Fund:

<b><u>Restricted Assets</u></b>	<b><u>G.O. Bonds Payable Series 2010A&amp;B</u></b>	<b><u>G.O. Bonds Payable Series 2012A</u></b>	<b><u>G.O. Bonds Payable Series 2013A</u></b>	<b><u>G.O. Bonds Payable Series 2014</u></b>	<b><u>Total</u></b>
<b>Receivable from HWU:</b>					
Due in one year	\$ 548,491	\$ 425,000	\$ 410,000	\$ 320,000	\$ 1,703,491
Due after one year	9,022,239	8,320,000	8,505,000	7,680,000	33,527,239
<b>Total</b>	<b><u>\$ 9,570,730</u></b>	<b><u>\$ 8,745,000</u></b>	<b><u>\$ 8,915,000</u></b>	<b><u>\$ 8,000,000</u></b>	<b><u>\$ 35,230,730</u></b>



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

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**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, 2015, 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 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.

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

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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, 2015 these governmental activities liabilities included \$1,453,900 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 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 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, 2015, from its last audited financial statements made available to the City are:

Assets	\$ 335,814,855
Costs recoverable from members	\$ 22,283,253
Liabilities	\$ 331,285,261
Net position	\$ 4,529,594

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

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**9. 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 1<sup>st</sup>, the beginning of the operating year of the Gas Fund. As of June 30, 2015, the estimated amount of this gas storage liability was \$417,850.

**10. CONCENTRATION OF SALES**

**Henderson Municipal Gas**

For the fiscal year ended June 30, 2015, five industrial customers accounted for \$7,870,688 in gas sales, which represents 45% of the operating revenues of the Gas Fund.

**Henderson Municipal Power and Light**

All of the sales generated by Station Two (\$23,314,643 for fiscal 2015) are exclusively to the Station Two Operator per the contract in force. Three industrial customers from the Existing System accounted for sales in the amount of \$10.9 million (29% of Existing System sales) for the fiscal year ended May 31, 2015.

**Henderson Water Utility**

For the fiscal year ended June 30, 2015, three industrial customers accounted for \$7,553,441 in sales and surcharges for approximately 43% 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, 2015, 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.

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

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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 position of the Sanitation Fund of \$3,860,000 at June 30, 2015, consists of \$2,740,000 in closure costs and \$1,120,000 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. 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 69.5%. The estimated remaining life of the landfill is 7.5 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, 2015:

	<b>Estimated Closure Liability</b>	<b>Estimated Post-Closure Liability</b>	<b>Total</b>
<b>June 30, 2014</b>	<u>\$ 2,590,000</u>	<u>\$ 1,070,000</u>	<u>\$ 3,660,000</u>
<b>Costs applied</b>	-	-	-
<b>Revision to estimate</b>	<u>150,000</u>	<u>50,000</u>	<u>200,000</u>
<b>June 30, 2015</b>	<u><u>\$ 2,740,000</u></u>	<u><u>\$ 1,120,000</u></u>	<u><u>\$ 3,860,000</u></u>

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

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**12. CONTINGENCIES**

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

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

**13. RISK MANAGEMENT**

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

**14. RELATED PARTY TRANSACTIONS**

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

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 \$623,000 and \$580,000, respectively, from HMPL and HWU for such services for the fiscal year ended June 30, 2015.

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, 2015.

The City owns certain real estate used by HMPL.

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

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**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. 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, 2015:

	<b>Beginning of Fiscal Year Liability</b>	<b>Current Year Claims &amp; Changes In Estimates</b>	<b>Claim Payments</b>	<b>End of Fiscal Year Liability</b>
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
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

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

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

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**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, 2015, the HRA Plan has an unfunded obligation of \$960,000, of which \$652,000 pertains to the City, and which will be funded in future fiscal periods.

# CITY OF HENDERSON, KENTUCKY

## NOTES TO FINANCIAL STATEMENTS

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### 17. PENSIONS

#### General Information about the Pension Plans

The City significantly participates in three pension plans: The County Employees' Retirement System (**CERS**), the Civil Service Pension Plan (**CSPP**), and the Police and Fire Pension Plan (**PFPP**).

#### Plan descriptions

Substantially all City employees participate in CERS, a multi-employer, cost sharing, defined benefit pension plan administered by the board of Trustees of the Kentucky Retirement Systems, which 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>.

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.

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

CERS provides retirement, disability, and death benefits to plan members. Retirement benefits may be extended to beneficiaries of plan members under certain circumstances. Cost-of-living adjustments (COLA) are provided at the discretion of the State legislature. State statute assigns the authority to establish and amend benefit provisions to the Kentucky Retirement Systems Board of Trustees.

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, 2015, the plan had ten members, one of whom is an active City employee, with the other nine being inactive participants receiving benefits.

PFPP provides retirement, disability, and death benefits to plan members. Retirement benefits may be extended to beneficiaries of plan members under certain circumstances. Post-retirement benefit increases must be approved by the Board of Trustees. Plan members receive a benefit of 50% of final monthly salary for completion of 20 years of service with increases for service greater than 20 years. Retirement is allowed upon completion of 20 years of service. As of June 30, 2015, the plan had eighteen members, all of whom are inactive participants receiving benefits.



## **CITY OF HENDERSON, KENTUCKY**

### **NOTES TO FINANCIAL STATEMENTS**

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#### **Contributions**

CERS plan members hired prior to September 1, 2008 contribute 5% of their annual creditable compensation, those hired on or after September 1, 2008 contribute 6%, and the City contributes 17.67% of annual covered payroll for fiscal year 2015. Employees classified as hazardous hired prior to September 1, 2008 contribute 8% of their annual creditable compensation, those hired on or after September 1, 2008 contribute 9%, and the City contributes 34.31% of annual covered payroll for fiscal 2015. The contribution requirements of plan members and the City are established and may be amended by the Kentucky Retirement Systems Board of Trustees. City contributions to CERS were \$1,236,530 for nonhazardous employees, \$2,015,550 for hazardous employees, for total contributions of \$3,252,080 for the fiscal year ended June 30, 2015.

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 the 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 \$170,363 for the fiscal year ended June 30, 2015.

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 \$399,000 for the fiscal year ended June 30, 2015.

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

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**Pension Liabilities**

**CERS**

At June 30, 2015, the City reported a liability of \$22,488,446 for its proportionate share of the net pension liability, with \$9,786,816 for nonhazardous pensions and \$12,701,630 for hazardous pensions. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on a projection of the City's long term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined.

At June 30, 2014, the City's proportion was .301655% for nonhazardous pensions and 1.056862% for hazardous pensions.

**CSPP**

CSPP net pension liability was \$1,487,641 at June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

**PFPP**

PFPP net pension liability was \$4,779,966 at June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

The following is a summary of net pension liability shown on the Statement of Net Position, included in noncurrent liabilities, due after one year. The City's net pension liability is shown under Governmental Activities on the Statement of Net Position because pension liabilities of Business-type Activities are immaterial.

	<b>Net Pension Liability</b>
<b>City of Henderson:</b>	
CERS:	
Nonhazardous	\$ 9,786,816
Hazardous	<u>12,701,630</u>
	<b>22,488,446</b>
CSPP	1,487,641
PFPP	<u>4,779,966</u>
	<b>\$ 28,756,053</b>
<b>Component Units:</b>	
HMPL	<u>\$ 4,316,000</u>
HWU	<u>\$ 5,018,088</u>

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

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**Actuarial Assumptions**

**CERS**

The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.5%
Salary increases	4.5%, average, including inflation
Investment rate of return	7.75%, net of pension plan expense, including inflation

The rates of mortality for the period after service retirement are according to the 1983 Group Annuity Mortality Table for all retired members and beneficiaries as of June 30, 2006, and the 1994 Group Annuity Mortality Table for all other members. The Group Annuity Mortality Table set forward 5 years is used for the period after disability retirement.

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2005 to June 30, 2008.

**CSPP and PFPP**

The total pension liability was determined by an actuarial valuation as of June 30, 2015, using the following primary assumptions:

Inflation	None
Salary increases	2% cost of living
Investment rate of return	None, no pension plan investments

The rates of mortality for the period after service retirement are according to the RP-2000 Mortality Table projected to the valuation date. Disability lives are based upon the mortality table in IRS Revenue Ruling 96-7.

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2014 to June 30, 2015.

### **Investments Long-Term Rate of Return**

CSPP and PFPP have no pension plan investments, and thus no long-term expected rate of return. For CERS, the long-term expected rate of return on pension plan investments is reviewed as part of the regular experience studies prepared every five years for Kentucky Retirement Systems. The most recent analysis, performed for the period covering fiscal years 2005 through 2008, is outlined in a report dated August 25, 2009. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense, and inflation) were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

The above statements related to CERS and the following table were provided by the Kentucky Retirement Systems.

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

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The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<b><u>Asset Class</u></b>	<b><u>Target Allocation</u></b>	<b><u>Long-Term Expected Real Rate of Return</u></b>
Domestic Equity	30%	8.45%
International Equity	22%	8.85%
Emerging Market Equity	5%	10.50%
Private Equity	7%	11.25%
Real Estate	5%	7.00%
Core US Fixed Income	10%	5.25%
High Yield US Fixed Income	5%	7.25%
Non US Fixed Income	5%	5.50%
Commodities	5%	7.75%
TIPS	5%	5.00%
Cash	1%	3.25%
<b>Total</b>	<b><u>100%</u></b>	

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

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**Discount Rate**

The discount rate used to measure the total pension liability was 7.75% for CERS, 5% for CSPP, and 4% for PFPP. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers were at the required contribution rates, actuarially determined. Based on those assumptions, the pension plans' fiduciary net position were 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.

**Sensitivity of the net pension liability (NPL) to changes in the discount rate**

The following presents the City's net pension liability for its pension plans, calculated using the current discount rate, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower or 1 percentage-point higher than the current rate.

	<u>1%</u> <u>Decrease</u>	<u>Current</u> <u>Discount</u> <u>Rate</u>	<u>1%</u> <u>Increase</u>
<b><u>CERS Nonhazardous</u></b>			
Discount Rate	6.75%	7.75%	8.75%
Proportionate Share NPL	<u>\$ 12,878,807</u>	<u>\$ 9,786,816</u>	<u>\$ 7,054,986</u>
<b><u>CERS Hazardous</u></b>			
Discount Rate	6.75%	7.75%	8.75%
Proportionate Share NPL	<u>\$ 16,615,752</u>	<u>\$ 12,701,630</u>	<u>\$ 9,378,223</u>
<b><u>CSPP</u></b>			
Discount Rate	4%	5%	6%
NPL	<u>\$ 1,617,512</u>	<u>\$ 1,487,641</u>	<u>\$ 1,376,365</u>
<b><u>PFPP</u></b>			
Discount Rate	3%	4%	5%
NPL	<u>\$ 5,324,538</u>	<u>\$ 4,779,966</u>	<u>\$ 4,327,544</u>

**Pension Plan Fiduciary Net Position**

Detailed information about the pension plans' fiduciary net position, for CERS is available in the separately issued Kentucky Retirement Systems' financial report, for CSPP and PFPP is available on the next page.

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

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**Changes in the Net Pension Liability**  
**Single-Employer Plans**

	<b>CSP</b>	<b>PFPP</b>
<b>Total Pension Liability</b>		
Service cost	\$ 5,423	\$ (3,720)
Interest	69,155	187,904
Changes of benefit terms	-	-
Differences between expected and actual experience	116,277	85,141
Changes of assumptions	-	-
Benefit Payments	(175,297)	(392,484)
<b>Net change in total pension liability</b>	<u>15,558</u>	<u>(123,159)</u>
<b>Total pension liability--beginning, 6-30-2014</b>	<u>1,470,749</u>	<u>4,893,846</u>
<b>Total pension liability--ending, 6-30-2015 (a)</b>	<u>\$ 1,486,307</u>	<u>\$ 4,770,687</u>
<b>Plan Fiduciary Net Position</b>		
Contributions---Employer	\$ 170,363	\$ 399,000
Contributions---Employee	2,363	-
Net investment income	3	2
Miscellaneous income	191	370
Benefit Payments	(175,297)	(392,484)
Administration expenses	(3,410)	(3,720)
Other	-	-
<b>Net change in plan fiduciary net position</b>	<u>(5,787)</u>	<u>3,168</u>
<b>Plan fiduciary net position--beginning, 6-30-2014</b>	<u>4,453</u>	<u>(12,447)</u>
<b>Plan fiduciary net position--ending, 6-30-2015 (b)</b>	<u>\$ (1,334)</u>	<u>\$ (9,279)</u>
<b>Net Pension Liability (a) - (b)</b>	<u>\$ 1,487,641</u>	<u>\$ 4,779,966</u>

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

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

For the fiscal year ended June 30, 2015, the City recognized total pension expense of **\$2,098,503**, which consists of \$783,322 CERS Nonhazardous, \$984,277 CERS Hazardous, \$85,812 CSPP, and \$245,092 PFPP. The City's Component Units recognized CERS Nonhazardous pension expense of \$320,000 for HMPL and \$402,000 for HWU, for their respective fiscal years.

At June 30, 2015, the City reported deferred outflows of resourced and deferred inflows of resources related to pensions from the following sources:

	<b><u>Deferred Outflows of Resources</u></b>	<b><u>Deferred Inflows of Resources</u></b>
Differences between expected and actual experience		
CSPP	\$ 113,736	\$ 18,732
PFPP	79,465	635,630
	<u>193,201</u>	<u>654,362</u>
Net difference between projected and actual earnings on pension plan investments		
CERS Nonhazardous	-	1,092,446
CERS Hazardous	-	1,249,179
	<u>-</u>	<u>2,341,625</u>
City contributions subsequent to the measurement date		
CERS Nonhazardous	1,236,530	-
CERS Hazardous	2,015,550	-
	<u>3,252,080</u>	<u>-</u>
 Total	 <u><u>\$ 3,445,281</u></u>	 <u><u>\$ 2,995,987</u></u>



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

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\$3,252,080 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

**Year ended June 30:**

2016	\$ (618,022)
2017	(618,022)
2018	(618,021)
2019	(618,020)
2020	(32,615)
Thereafter	<u>(298,086)</u>
	<u>\$ (2,802,786)</u>

**Cumulative Effect of Change in Accounting Principle**

The City implemented Governmental Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions, an amendment of GASB Statement No. 27, and GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date, an amendment to GASB Statement No. 68.

The implementation of those GASB Statements resulted in a cumulative effect of change in accounting principle, which reduced the City's net position by **\$29,908,902**.

Additionally, implementation of the GASB statements also resulted in the recognition of related net pension liability, pension expense, and deferred outflows and inflows of resources, as previously discussed in this note.

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

**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, 2015.

**Combining Statement of Fiduciary Net Position - Pension Trust Funds**  
**June 30, 2015**

	Civil Service Pension Fund	Police & Fire Pension Fund	HRA Fund	Total
<b>ASSETS</b>				
Cash	\$ 76	\$ 606	\$ 101,899	\$ 102,581
Total assets	76	606	101,899	102,581
<b>LIABILITIES</b>				
Accounts payable	1,410	9,885	-	11,295
Total liabilities	1,410	9,885	-	11,295
<b>NET POSITION</b>				
Net position restricted for pensions	(1,334)	(9,279)	-	(10,613)
Net position restricted for health care	-	-	101,899	101,899
Total net position	\$ (1,334)	\$ (9,279)	\$ 101,899	\$ 91,286

**Combining Statement of Changes in Fiduciary Net Position-Pension Trust Funds**  
**For the Fiscal Year Ended June 30, 2015**

	Civil Service Pension Fund	Police & Fire Pension Fund	HRA Fund	Total
<b>ADDITIONS</b>				
Contributions:				
Employer	\$ 170,363	\$ 399,000	\$ 460,000	\$ 1,029,363
Employee	2,363	-	-	2,363
Total contributions	172,726	399,000	460,000	1,031,726
Interest income	3	2	225	230
Miscellaneous	191	370	-	561
Total additions	172,920	399,372	460,225	1,032,517
<b>DEDUCTIONS</b>				
Benefits paid	175,297	392,484	398,481	966,262
Professional services	3,410	3,720	-	7,130
Total deductions	178,707	396,204	398,481	973,392
Net increase (decrease) in net position	(5,787)	3,168	61,744	59,125
Net position, beginning of year	4,453	(12,447)	40,155	32,161
Net position, end of year	\$ (1,334)	\$ (9,279)	\$ 101,899	\$ 91,286

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

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### **18. 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.

#### **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 or resolutions passed by the Board of Commissioners of the City. Those committed amounts cannot be used for any other purpose unless the Board of Commissioners changes the commitments by ordinance or resolution.

#### **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

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

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.

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, 2015:

<b>Fund Balances</b>	<b>General Fund</b>	<b>Debt Service Fund</b>	<b>Capital Projects Fund</b>	<b>Nonmajor Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Nonspendable</b>					
Inventories	\$ 22,694	\$ -	\$ -	\$ 21,851	\$ 44,545
	<u>22,694</u>	<u>-</u>	<u>-</u>	<u>21,851</u>	<u>44,545</u>
<b>Restricted</b>					
Debt service	-	66,045	-	-	66,045
HWU capital projects	-	-	35,230,730	-	35,230,730
Law enforcement	-	-	-	13,072	13,072
	<u>-</u>	<u>66,045</u>	<u>35,230,730</u>	<u>13,072</u>	<u>35,309,847</u>
<b>Committed</b>					
Major building projects	1,978,708	-	-	-	1,978,708
Major equipment buys	220,671	-	-	-	220,671
Public works	-	-	-	23,733	23,733
Mass transit	-	-	-	49,693	49,693
Law enforcement	-	-	-	46,243	46,243
	<u>2,199,379</u>	<u>-</u>	<u>-</u>	<u>119,669</u>	<u>2,319,048</u>
<b>Assigned</b>					
2016 Budget deficit	3,800,000	-	-	-	3,800,000
Newman park shelter	200,000	-	-	-	200,000
	<u>4,000,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,000,000</u>
<b>Unassigned</b>	<u>4,559,662</u>	<u>-</u>	<u>(2,252,592)</u>	<u>(5,977)</u>	<u>2,301,093</u>
<b>Total fund balances</b>	<u>\$ 10,781,735</u>	<u>\$ 66,045</u>	<u>\$ 32,978,138</u>	<u>\$ 148,615</u>	<u>\$ 43,974,533</u>

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

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**19. SUBSEQUENT EVENTS**

In August 2015, the City issued General Obligation Bonds, Series 2015A, in the amount of \$7,790,000, recorded in its Capital Projects Fund, which funds are to be used by the City for various capital projects. The interest rates on the bonds vary between 2.0% and 3.75% with the bonds maturing at various dates through September 2035.

In August 2015, the City issued General Obligation Bonds, Series 2015B, in the amount of \$1,870,000, recorded in its Capital Projects Fund, which funds are to be loaned to HWU for refinancing certain of its outstanding debts. The interest rates on the bonds vary between 1.0% and 2.5% with the bonds maturing at various dates through November 2026.

In September 2015, the City issued General Obligation Bonds, Series 2015C, in the amount of \$1,700,000, recorded in its Capital Projects Fund, which funds are to be loaned to HWU for refinancing certain of its outstanding debts. The interest rates on the bonds vary between 2.0% and 2.75% with the bonds maturing at various dates through November 2029.

**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,**

	<b>2015</b>
<b>Nonhazardous</b>	
City's proportion of the net pension liability	0.301655%
City's proportionate share of the net pension liability	\$ 9,786,816
City's covered payroll	\$ 7,236,290
City's proportionate share of the net pension liability as a percentage of its covered payroll	135.25%
Plan fiduciary net position as a percentage of the total pension liability	66.80%
 <b>Hazardous</b>	
City's proportion of the net pension liability	1.056862%
City's proportionate share of the net pension liability	\$ 12,701,630
City's covered payroll	\$ 5,854,676
City's proportionate share of the net pension liability as a percentage of its covered payroll	216.95%
Plan fiduciary net position as a percentage of the total pension liability	66.80%

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

**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,**

	2015	2014*	2013
<b>Total Pension Liability</b>			
Service cost	\$ 5,423	\$ 5,277	\$ 4,030
Interest	69,155	62,596	71,715
Changes of benefit terms	-	-	-
Differences between expected and actual experience	116,277	22,478	(60,254)
Changes of assumptions*	-	227,405	-
Benefit Payments	(175,297)	(187,307)	(210,938)
<b>Net change in total pension liability</b>	<u>15,558</u>	<u>130,449</u>	<u>(195,447)</u>
<b>Total pension liability--beginning</b>	<u>1,470,749</u>	<u>1,340,300</u>	<u>1,535,747</u>
<b>Total pension liability--ending (a)</b>	<u>\$ 1,486,307</u>	<u>\$ 1,470,749</u>	<u>\$ 1,340,300</u>
<b>Plan Fiduciary Net Position</b>			
Contributions---Employer	\$ 170,363	\$ 194,227	\$ 214,154
Contributions---Employee	2,363	2,227	2,154
Net investment income	3	4	10
Miscellaneous income	191	258	193
Benefit Payments	(175,297)	(181,852)	(218,006)
Administration expenses	(3,410)	(2,441)	(2,472)
<b>Net change in plan fiduciary net position</b>	<u>(5,787)</u>	<u>12,423</u>	<u>(3,967)</u>
<b>Plan fiduciary net position--beginning</b>	<u>4,453</u>	<u>(7,970)</u>	<u>(4,003)</u>
<b>Plan fiduciary net position--ending (b)</b>	<u>\$ (1,334)</u>	<u>\$ 4,453</u>	<u>\$ (7,970)</u>
<b>Net Pension Liability (a) - (b)</b>	<u>\$ 1,487,641</u>	<u>\$ 1,466,296</u>	<u>\$ 1,348,270</u>
<b>Plan fiduciary net position as a percentage of the total pension liability</b>	-0.090%	0.303%	-0.595%
<b>Covered employee payroll</b>	\$ 47,357	\$ 44,550	\$ 43,171
<b>Net Pension Liability as a percentage of covered employee payroll</b>	3141.33%	3291.35%	3123.09%

\* 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 plans.



**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,**

	2015	2014*	2013
<b>Total Pension Liability</b>			
Service cost	\$ (3,720)	\$ -	\$ -
Interest	187,904	168,112	170,310
Changes of benefit terms	-	-	-
Differences between expected and actual experience	85,141	(138,211)	186,286
Changes of assumptions*	-	866,643	-
Benefit Payments	(392,484)	(411,006)	(412,077)
<b>Net change in total pension liability</b>	<u>(123,159)</u>	<u>485,538</u>	<u>(55,481)</u>
<b>Total pension liability--beginning</b>	<u>4,893,846</u>	<u>4,408,308</u>	<u>4,463,789</u>
<b>Total pension liability--ending (a)</b>	<u>\$ 4,770,687</u>	<u>\$ 4,893,846</u>	<u>\$ 4,408,308</u>
<b>Plan Fiduciary Net Position</b>			
Contributions---Employer	\$ 399,000	\$ 412,000	\$ 418,000
Contributions---Employee	-	-	-
Net investment income	2	5	7
Miscellaneous income	370	360	431
Benefit Payments	(392,484)	(416,461)	(415,608)
Administration expenses	(3,720)	(2,782)	(2,782)
<b>Net change in plan fiduciary net position</b>	<u>3,168</u>	<u>(6,878)</u>	<u>48</u>
<b>Plan fiduciary net position--beginning</b>	<u>(12,447)</u>	<u>(5,569)</u>	<u>(5,617)</u>
<b>Plan fiduciary net position--ending (b)</b>	<u>\$ (9,279)</u>	<u>\$ (12,447)</u>	<u>\$ (5,569)</u>
<b>Net Pension Liability (a) - (b)</b>	<u>\$ 4,779,966</u>	<u>\$ 4,906,293</u>	<u>\$ 4,413,877</u>
<b>Plan fiduciary net position as a percentage of the total pension liability</b>	-0.195%	-0.254%	-0.126%
<b>Covered employee payroll</b>	\$ -	\$ -	\$ -
<b>Net Pension Liability as a percentage of covered employee payroll</b>	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 plans.

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

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Contractually required contributions	\$ 3,252,080	\$ 3,242,764	\$ 3,323,148	\$ 3,262,925	\$ 3,062,824	\$ 2,794,258	\$ 2,599,760	\$ 2,747,501	\$ 2,255,762	\$ 1,837,177
Contributions in relation to the contractually required contributions	3,252,080	3,242,764	3,323,148	3,262,925	3,062,824	2,794,258	2,599,760	2,747,501	2,255,762	1,837,177
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	\$ 13,090,966	\$ 12,797,289	\$ 12,477,036	\$ 12,782,620	\$ 12,862,645	\$ 12,455,253	\$ 12,700,622	\$ 11,754,626	\$ 11,439,008	\$ 10,846,476
Contributions as a percentage of covered payroll	24.84%	25.34%	26.63%	25.53%	23.81%	22.43%	20.47%	23.37%	19.72%	16.94%

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

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

	<u>2015</u>	<u>2014*</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Actuarially determined contributions	\$ 107,411	\$ 111,630	\$ 127,470	\$ 116,436	\$ 112,188	\$ 99,171	\$ 111,784	\$ 116,421	\$ 122,033	\$ 126,446
Contributions in relation to the actuarially determined contributions	170,363	196,454	216,307	221,287	152,624	12,586	271,333	238,636	136,257	102,465
Contributions deficiency (excess)	<u>\$ (62,952)</u>	<u>\$ (84,824)</u>	<u>\$ (88,837)</u>	<u>\$ (104,851)</u>	<u>\$ (40,436)</u>	<u>\$ 86,585</u>	<u>\$ (159,549)</u>	<u>\$ (122,215)</u>	<u>\$ (14,224)</u>	<u>\$ 23,981</u>
Covered payroll	\$ 47,357	\$ 44,550	\$ 43,171	\$ 42,867	\$ 36,899	\$ 36,005	\$ 35,277	\$ 41,424	\$ 29,702	\$ 25,702
Contributions as a percentage of covered payroll	359.74%	440.97%	501.05%	516.22%	413.63%	34.96%	769.15%	576.08%	458.75%	398.67%

\* 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 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,**

	<u>2015</u>	<u>2014*</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Actuarially determined contributions	\$ 362,840	\$ 396,671	\$ 401,983	\$ 384,553	\$ 405,070	\$ 385,099	\$ 370,618	\$ 375,317	\$ 363,343	\$ 356,298
Contributions in relation to the actuarially determined contributions	399,000	412,000	418,000	418,000	424,775	16,083	291,013	424,749	392,639	379,192
Contributions deficiency (excess)	<u>\$ (36,160)</u>	<u>\$ (15,329)</u>	<u>\$ (16,017)</u>	<u>\$ (33,447)</u>	<u>\$ (19,705)</u>	<u>\$ 369,016</u>	<u>\$ 79,605</u>	<u>\$ (49,432)</u>	<u>\$ (29,296)</u>	<u>\$ (22,894)</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 plans.

## **Nonmajor Governmental Funds**

## **Nonmajor Governmental Funds**

The nonmajor governmental funds of the City consist of seven special revenue funds as described below. This subsection contains combining financial statements whereby the special revenue funds are combined to present total amounts for the nonmajor governmental funds. Also presented are budget and actual schedules for the special revenue funds.

### **Special Revenue Funds**

Special revenue funds are used to account for specific revenues that are restricted to expenditure for particular purposes.

<b>Cemetery</b>	The Cemetery Fund accounts for the funds used to operate the City's two cemeteries, Fernwood and Fairmont.
<b>PWI</b>	The Public Way Improvement Fund accounts for funds that finance public works projects.
<b>HART</b>	The Henderson Area Rapid Transit Fund accounts for funds that operate the City bus system.
<b>911</b>	The Emergency Communications Fund accounts for funds that operate the 911 emergency communications system.
<b>CDBG</b>	The Community Development Block Grant Fund accounts for federal grant money used to rehabilitate low income housing and public facilities.
<b>HOME</b>	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.
<b>Police Investigation</b>	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, 2015

	Cemetery	PWI	HART	911	CDBG	HOME	Police Investigation	Totals
<b>ASSETS</b>								
Cash	\$ 4,147	\$ 1,415	\$ 1,355	\$ 139	\$ -	\$ -	\$ -	\$ 7,056
Receivables	1,415	118,202	77,508	74,831	33,927	-	-	305,883
Inventories	-	-	21,851	-	-	-	-	21,851
Restricted assets:								
Cash	-	-	-	-	-	-	90,050	90,050
<b>Total assets</b>	<b>\$ 5,562</b>	<b>\$ 119,617</b>	<b>\$ 100,714</b>	<b>\$ 74,970</b>	<b>\$ 33,927</b>	<b>\$ -</b>	<b>\$ 90,050</b>	<b>\$ 424,840</b>
<b>LIABILITIES</b>								
Accounts payable	\$ 8,021	\$ 85,637	\$ 12,765	\$ 12,170	\$ 33,927	\$ -	\$ 76,978	\$ 229,498
Accrued wages	3,518	10,247	16,405	16,557	-	-	-	46,727
<b>Total liabilities</b>	<b>11,539</b>	<b>95,884</b>	<b>29,170</b>	<b>28,727</b>	<b>33,927</b>	<b>-</b>	<b>76,978</b>	<b>276,225</b>
<b>FUND BALANCES</b>								
Nonspendable	-	-	21,851	-	-	-	-	21,851
Restricted	-	-	-	-	-	-	13,072	13,072
Committed	-	23,733	49,693	46,243	-	-	-	119,669
Unassigned	(5,977)	-	-	-	-	-	-	(5,977)
<b>Total fund balances</b>	<b>(5,977)</b>	<b>23,733</b>	<b>71,544</b>	<b>46,243</b>	<b>-</b>	<b>-</b>	<b>13,072</b>	<b>148,615</b>
<b>Total liabilities and fund balances</b>	<b>\$ 5,562</b>	<b>\$ 119,617</b>	<b>\$ 100,714</b>	<b>\$ 74,970</b>	<b>\$ 33,927</b>	<b>\$ -</b>	<b>\$ 90,050</b>	<b>\$ 424,840</b>

City of Henderson, Kentucky  
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances  
Special Revenue Funds  
For the Fiscal Year Ended June 30, 2015

	Cemetery	PWI	HART	911	CDBG	HOME	Police Investigation	Totals
<b>REVENUES</b>								
Intergovernmental	\$ -	\$ 865,906	\$ 409,425	\$ 141,639	\$ 98,688	\$ -	\$ 9,276	\$ 1,524,934
Service charges and fees	191,000	-	37,453	558,680	-	-	-	787,133
Investment income	19	436	76	71	-	-	372	974
Miscellaneous	801	599	207	-	-	-	-	1,607
Total revenues	191,820	866,941	447,161	700,390	98,688	-	9,648	2,314,648
<b>EXPENDITURES</b>								
Administration	-	-	-	-	91,749	-	-	91,749
Mass transit	-	-	1,186,703	-	-	-	-	1,186,703
Parks and recreation	351,852	-	-	-	-	-	-	351,852
Police	-	-	-	1,002,048	-	-	41,597	1,043,645
Public works	-	2,090,954	-	-	-	-	-	2,090,954
Capital outlays	-	-	26,000	-	-	-	-	26,000
Total expenditures	351,852	2,090,954	1,212,703	1,002,048	91,749	-	41,597	4,790,903
Excess (deficiency) of revenues over expenditures	(160,032)	(1,224,013)	(765,542)	(301,658)	6,939	-	(31,949)	(2,476,255)
<b>OTHER FINANCING SOURCES</b>								
Transfers in from General Fund	161,000	1,229,000	713,000	298,000	-	-	-	2,401,000
Total other financing sources	161,000	1,229,000	713,000	298,000	-	-	-	2,401,000
Net change in fund balances	968	4,987	(52,542)	(3,658)	6,939	-	(31,949)	(75,255)
Fund balances, beginning of year	(6,945)	18,746	124,086	49,901	(6,939)	-	45,021	223,870
Fund balances, end of year	\$ (5,977)	\$ 23,733	\$ 71,544	\$ 46,243	\$ -	\$ -	\$ 13,072	\$ 148,615



**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, 2015**

	<u>Budget</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Intergovernmental	\$ -	\$ -	\$ -	\$ -
Service charges and fees	187,000	187,000	191,000	4,000
Investment income	-	-	19	19
Miscellaneous	-	-	801	801
<b>Total revenues</b>	<u>187,000</u>	<u>187,000</u>	<u>191,820</u>	<u>4,820</u>
<b>EXPENDITURES</b>				
Administration	-	-	-	-
Mass transit	-	-	-	-
Parks and recreation	420,000	420,000	351,852	68,148
Police	-	-	-	-
Public works	-	-	-	-
Capital outlays	-	-	-	-
<b>Total expenditures</b>	<u>420,000</u>	<u>420,000</u>	<u>351,852</u>	<u>68,148</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>(233,000)</u>	<u>(233,000)</u>	<u>(160,032)</u>	<u>72,968</u>
<b>OTHER FINANCING SOURCES</b>				
Transfers in from General Fund	233,000	233,000	161,000	(72,000)
<b>Total other financing sources</b>	<u>233,000</u>	<u>233,000</u>	<u>161,000</u>	<u>(72,000)</u>
<b>Net change in fund balance</b>	-	-	968	968
<b>Fund balance, beginning of year</b>	<u>(6,945)</u>	<u>(6,945)</u>	<u>(6,945)</u>	<u>-</u>
<b>Fund balance, end of year</b>	<u>\$ (6,945)</u>	<u>\$ (6,945)</u>	<u>\$ (5,977)</u>	<u>\$ 968</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, 2015**

	<u>Budget</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Intergovernmental	\$ 806,000	\$ 806,000	\$ 865,906	\$ 59,906
Service charges and fees	-	-	-	-
Investment income	-	-	436	436
Miscellaneous	-	-	599	599
<b>Total revenues</b>	<u>806,000</u>	<u>806,000</u>	<u>866,941</u>	<u>60,941</u>
<b>EXPENDITURES</b>				
Administration	-	-	-	-
Mass transit	-	-	-	-
Parks and recreation	-	-	-	-
Police	-	-	-	-
Public works	1,652,000	2,222,000	2,090,954	131,046
Capital outlays	-	-	-	-
<b>Total expenditures</b>	<u>1,652,000</u>	<u>2,222,000</u>	<u>2,090,954</u>	<u>131,046</u>
Excess (deficiency) of revenues over expenditures	<u>(846,000)</u>	<u>(1,416,000)</u>	<u>(1,224,013)</u>	<u>191,987</u>
<b>OTHER FINANCING SOURCES</b>				
Transfers in from General Fund	846,000	1,416,000	1,229,000	(187,000)
<b>Total other financing sources</b>	<u>846,000</u>	<u>1,416,000</u>	<u>1,229,000</u>	<u>(187,000)</u>
Net change in fund balance	-	-	4,987	4,987
Fund balance, beginning of year	<u>18,746</u>	<u>18,746</u>	<u>18,746</u>	<u>-</u>
Fund balance, end of year	<u>\$ 18,746</u>	<u>\$ 18,746</u>	<u>\$ 23,733</u>	<u>\$ 4,987</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, 2015**

	<u>Budget</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Intergovernmental	\$ 947,000	\$ 947,000	\$ 409,425	\$ (537,575)
Service charges and fees	40,000	40,000	37,453	(2,547)
Investment income	-	-	76	76
Miscellaneous	-	-	207	207
<b>Total revenues</b>	<u>987,000</u>	<u>987,000</u>	<u>447,161</u>	<u>(539,839)</u>
<b>EXPENDITURES</b>				
Administration	-	-	-	-
Mass transit	1,438,600	1,438,600	1,186,703	251,897
Parks and recreation	-	-	-	-
Police	-	-	-	-
Public works	-	-	-	-
Capital outlays	18,400	18,400	26,000	(7,600)
<b>Total expenditures</b>	<u>1,457,000</u>	<u>1,457,000</u>	<u>1,212,703</u>	<u>244,297</u>
Excess (deficiency) of revenues over expenditures	<u>(470,000)</u>	<u>(470,000)</u>	<u>(765,542)</u>	<u>(295,542)</u>
<b>OTHER FINANCING SOURCES</b>				
Transfers in from General Fund	470,000	470,000	713,000	243,000
<b>Total other financing sources</b>	<u>470,000</u>	<u>470,000</u>	<u>713,000</u>	<u>243,000</u>
Net change in fund balance	-	-	(52,542)	(52,542)
Fund balance, beginning of year	<u>124,086</u>	<u>124,086</u>	<u>124,086</u>	<u>-</u>
Fund balance, end of year	<u>\$ 124,086</u>	<u>\$ 124,086</u>	<u>\$ 71,544</u>	<u>\$ (52,542)</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, 2015**

	<u>Budget</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Intergovernmental	\$ 164,000	\$ 378,000	\$ 141,639	\$ (236,361)
Service charges and fees	546,000	546,000	558,680	12,680
Investment income	-	-	71	71
Miscellaneous	-	-	-	-
<b>Total revenues</b>	<u>710,000</u>	<u>924,000</u>	<u>700,390</u>	<u>(223,610)</u>
<b>EXPENDITURES</b>				
Administration	-	-	-	-
Mass transit	-	-	-	-
Parks and recreation	-	-	-	-
Police	1,204,000	1,231,000	1,002,048	228,952
Public works	-	-	-	-
Capital outlays	-	750,000	-	750,000
<b>Total expenditures</b>	<u>1,204,000</u>	<u>1,981,000</u>	<u>1,002,048</u>	<u>978,952</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>(494,000)</u>	<u>(1,057,000)</u>	<u>(301,658)</u>	<u>755,342</u>
<b>OTHER FINANCING SOURCES</b>				
Transfers in from General Fund	494,000	1,057,000	298,000	(759,000)
<b>Total other financing sources</b>	<u>494,000</u>	<u>1,057,000</u>	<u>298,000</u>	<u>(759,000)</u>
<b>Net change in fund balance</b>	-	-	(3,658)	(3,658)
<b>Fund balance, beginning of year</b>	<u>49,901</u>	<u>49,901</u>	<u>49,901</u>	<u>-</u>
<b>Fund balance, end of year</b>	<u>\$ 49,901</u>	<u>\$ 49,901</u>	<u>\$ 46,243</u>	<u>\$ (3,658)</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, 2015**

	<u>Budget</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Intergovernmental	\$ 465,000	\$ 465,000	\$ 98,688	\$ (366,312)
Service charges and fees	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
<b>Total revenues</b>	<u>465,000</u>	<u>465,000</u>	<u>98,688</u>	<u>(366,312)</u>
<b>EXPENDITURES</b>				
Administration	465,000	465,000	91,749	373,251
Mass transit	-	-	-	-
Parks and recreation	-	-	-	-
Police	-	-	-	-
Public works	-	-	-	-
Capital outlays	-	-	-	-
<b>Total expenditures</b>	<u>465,000</u>	<u>465,000</u>	<u>91,749</u>	<u>373,251</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>-</u>	<u>-</u>	<u>6,939</u>	<u>6,939</u>
<b>OTHER FINANCING SOURCES</b>				
Transfers in from General Fund	-	-	-	-
<b>Total other financing sources</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net change in fund balance</b>	-	-	6,939	6,939
<b>Fund balance, beginning of year</b>	<u>(6,939)</u>	<u>(6,939)</u>	<u>(6,939)</u>	<u>-</u>
<b>Fund balance, end of year</b>	<u>\$ (6,939)</u>	<u>\$ (6,939)</u>	<u>\$ -</u>	<u>\$ 6,939</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, 2015**

	<u>Budget</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Intergovernmental	\$ 120,000	\$ 120,000	\$ -	\$ (120,000)
Service charges and fees	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
<b>Total revenues</b>	<u>120,000</u>	<u>120,000</u>	<u>-</u>	<u>(120,000)</u>
<b>EXPENDITURES</b>				
Administration	120,000	120,000	-	120,000
Mass transit	-	-	-	-
Parks and recreation	-	-	-	-
Police	-	-	-	-
Public works	-	-	-	-
Capital outlays	-	-	-	-
<b>Total expenditures</b>	<u>120,000</u>	<u>120,000</u>	<u>-</u>	<u>120,000</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>OTHER FINANCING SOURCES</b>				
Transfers in from General Fund	-	-	-	-
<b>Total other financing sources</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net change in fund balance</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund balance, beginning of year</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund balance, end of year</b>	<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, 2015**

	<u>Budget</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Intergovernmental	\$ 4,800	\$ 4,800	\$ 9,276	\$ 4,476
Service charges and fees	-	-	-	-
Investment income	200	200	372	172
Miscellaneous	-	-	-	-
<b>Total revenues</b>	<u>5,000</u>	<u>5,000</u>	<u>9,648</u>	<u>4,648</u>
<b>EXPENDITURES</b>				
Administration	-	-	-	-
Mass transit	-	-	-	-
Parks and recreation	-	-	-	-
Police	48,000	48,000	41,597	6,403
Public works	-	-	-	-
Capital outlays	-	-	-	-
<b>Total expenditures</b>	<u>48,000</u>	<u>48,000</u>	<u>41,597</u>	<u>6,403</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>(43,000)</u>	<u>(43,000)</u>	<u>(31,949)</u>	<u>11,051</u>
<b>OTHER FINANCING SOURCES</b>				
Transfers in from General Fund	43,000	43,000	-	(43,000)
<b>Total other financing sources</b>	<u>43,000</u>	<u>43,000</u>	<u>-</u>	<u>(43,000)</u>
<b>Net change in fund balance</b>	-	-	(31,949)	(31,949)
<b>Fund balance, beginning of year</b>	<u>45,021</u>	<u>45,021</u>	<u>45,021</u>	<u>-</u>
<b>Fund balance, end of year</b>	<u>\$ 45,021</u>	<u>\$ 45,021</u>	<u>\$ 13,072</u>	<u>\$ (31,949)</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, 2015**

	<u>Budget</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Intergovernmental	\$ 938,000	\$ 938,000	\$ 969,748	\$ 31,748
Investment income	-	-	47	47
Miscellaneous	-	-	132	132
<b>Total revenues</b>	<u>938,000</u>	<u>938,000</u>	<u>969,927</u>	<u>31,927</u>
<b>EXPENDITURES</b>				
<b>Debt service:</b>				
Principal	1,910,000	1,910,000	1,910,000	-
Interest	1,230,000	1,230,000	1,205,808	24,192
<b>Total expenditures</b>	<u>3,140,000</u>	<u>3,140,000</u>	<u>3,115,808</u>	<u>24,192</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>(2,202,000)</u>	<u>(2,202,000)</u>	<u>(2,145,881)</u>	<u>56,119</u>
<b>OTHER FINANCING SOURCES</b>				
Transfers in from General Fund	837,000	837,000	778,000	(59,000)
Transfers in from Capital Projects Fund	1,365,000	1,365,000	1,365,470	470
<b>Total other financing sources</b>	<u>2,202,000</u>	<u>2,202,000</u>	<u>2,143,470</u>	<u>(58,530)</u>
<b>Net change in fund balance</b>	-	-	(2,411)	(2,411)
<b>Fund balance, beginning of year</b>	<u>68,456</u>	<u>68,456</u>	<u>68,456</u>	<u>-</u>
<b>Fund balance, end of year</b>	<u>\$ 68,456</u>	<u>\$ 68,456</u>	<u>\$ 66,045</u>	<u>\$ (2,411)</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, 2015**

	<u>Budget</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Intergovernmental	\$ 2,820,000	\$ 2,820,000	\$ 2,783,744	\$ (36,256)
Investment income	-	-	17,166	17,166
Miscellaneous	-	-	1,500	1,500
<b>Total revenues</b>	<u>2,820,000</u>	<u>2,820,000</u>	<u>2,802,410</u>	<u>(17,590)</u>
<b>EXPENDITURES</b>				
Administration	-	-	21,923	(21,923)
Capital outlays	18,250,000	18,450,000	5,189,741	13,260,259
<b>Total expenditures</b>	<u>18,250,000</u>	<u>18,450,000</u>	<u>5,211,664</u>	<u>13,238,336</u>
Excess (deficiency) of revenues over expenditures	<u>(15,430,000)</u>	<u>(15,630,000)</u>	<u>(2,409,254)</u>	<u>13,220,746</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in from General Fund	430,000	630,000	218,000	(412,000)
Transfers out to General Fund	-	-	(17,315)	(17,315)
Transfers out to Debt Service Fund	(1,365,000)	(1,365,000)	(1,365,470)	(470)
Bonds issuance	15,000,000	15,000,000	8,000,000	(7,000,000)
<b>Total other financing sources (uses)</b>	<u>14,065,000</u>	<u>14,265,000</u>	<u>6,835,215</u>	<u>(7,429,785)</u>
Net change in fund balance	(1,365,000)	(1,365,000)	4,425,961	5,790,961
Fund balance, beginning of year	<u>28,552,177</u>	<u>28,552,177</u>	<u>28,552,177</u>	<u>-</u>
Fund balance, end of year	<u>\$27,187,177</u>	<u>\$27,187,177</u>	<u>\$32,978,138</u>	<u>\$ 5,790,961</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.*

<b><u>Contents</u></b>	<b><u>Page</u></b>
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<b>Financial Trends</b> These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	115
<b>Revenue Capacity</b> These schedules contain information to help the reader assess the City's most significant local revenue sources	121
<b>Debt Capacity</b> 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.	131
<b>Demographic and Economic Information</b> These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.	135
<b>Operating Information</b> 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.	138

**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 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 twelfth 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 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 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 educational programs as well as providing support to area businesses and industry through special educational workshops tailored to meet the respective businesses' needs. 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 Hospital that is staffed by 172 physicians (65 active staff and 107 courtesy staff), 40 Advance Nursing (ARNP, CRNA, etc) and over 1,336 employees. The facility includes a Level II Neonatal Intensive Care (NICU), birthing center, ICU, 24-hour physician covered ER, and a comprehensive rehabilitation center. 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. A trail of bronze statues based on Audubon prints can be found downtown.



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. Henderson's Riverwalk was awarded the 2013 Kentucky League of Cities Enterprise Award.

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 event is ranked as a Top 100 Event in North America.

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. Ellis Park offers live horse racing in the summer and simulcasting nearly year round.

## 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 POSITION BY COMPONENT**  
**LAST TEN FISCAL YEARS**  
(accrual basis of accounting)

	2006 (a)	2007	2008	2009	2010	2011	2012	2013	2014	2015 (b)
<b>Governmental activities</b>										
Net investment in capital assets	\$ 28,992,905	\$ 26,557,865	\$ 26,382,562	\$ 25,443,524	\$ 22,333,017	\$ 21,669,525	\$ 22,194,236	\$ 23,527,075	\$ 21,513,291	\$ 25,398,204
Restricted	541,152	934,268	5,381	778,755	311,144	228,354	148,196	149,429	113,477	79,117
Unrestricted	2,534,369	3,675,129	3,819,538	2,489,572	4,659,177	4,643,359	5,163,109	7,635,905	9,193,896	(21,650,658)
<b>Total governmental activities net position</b>	<b>\$ 32,068,426</b>	<b>\$ 31,167,262</b>	<b>\$ 30,207,481</b>	<b>\$ 28,711,851</b>	<b>\$ 27,303,338</b>	<b>\$ 26,541,238</b>	<b>\$ 27,505,541</b>	<b>\$ 31,312,409</b>	<b>\$ 30,820,664</b>	<b>\$ 3,826,663</b>
<b>Business-type activities</b>										
Net investment in capital assets	\$ 3,000,351	\$ 2,901,469	\$ 2,971,746	\$ 3,068,422	\$ 3,097,074	\$ 3,045,705	\$ 2,911,634	\$ 2,911,911	\$ 3,020,759	\$ 2,869,943
Unrestricted	6,563,922	5,230,239	3,892,579	3,654,328	3,785,614	3,671,994	3,077,639	3,123,673	3,334,198	4,168,871
<b>Total business-type activities net position</b>	<b>\$ 9,564,273</b>	<b>\$ 8,131,708</b>	<b>\$ 6,864,325</b>	<b>\$ 6,722,750</b>	<b>\$ 6,882,688</b>	<b>\$ 6,717,699</b>	<b>\$ 5,989,273</b>	<b>\$ 6,035,584</b>	<b>\$ 6,354,957</b>	<b>\$ 7,038,814</b>
<b>Primary government</b>										
Net investment in capital assets	\$ 31,993,256	\$ 29,459,334	\$ 29,354,308	\$ 28,511,946	\$ 25,430,091	\$ 24,715,230	\$ 25,105,870	\$ 26,438,986	\$ 24,534,050	\$ 28,268,147
Restricted	541,152	934,268	5,381	778,755	311,144	228,354	148,196	149,429	113,477	79,117
Unrestricted	9,098,291	8,905,368	7,712,117	6,143,900	8,444,791	8,315,353	8,240,748	10,759,578	12,528,094	(17,481,787)
<b>Total primary government net position</b>	<b>\$ 41,632,699</b>	<b>\$ 39,298,970</b>	<b>\$ 37,071,806</b>	<b>\$ 35,434,601</b>	<b>\$ 34,186,026</b>	<b>\$ 33,258,937</b>	<b>\$ 33,494,814</b>	<b>\$ 37,347,993</b>	<b>\$ 37,175,621</b>	<b>\$ 10,865,477</b>

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

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

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

	2006 (a)	2007	2008	2009	2010	2011	2012	2013	2014	2015 (b)
<b>Expenses</b>										
Governmental activities:										
Administration	\$ 2,347,787	\$ 4,199,901	\$ 4,007,520	\$ 3,645,774	\$ 5,605,945	\$ 4,481,821	\$ 5,800,427	\$ 4,571,652	\$ 4,919,330	\$ 4,274,319
Finance	2,130,334	2,259,418	2,417,412	2,407,749	2,452,338	2,663,586	2,715,668	2,522,369	2,599,737	2,576,906
Mass transit	902,655	952,890	1,164,952	1,200,824	1,331,320	1,373,343	1,379,552	1,373,897	1,411,411	1,243,231
Parks and recreation	1,594,334	1,656,495	1,733,640	1,752,936	1,830,649	1,827,515	1,931,317	1,968,902	2,320,197	2,200,256
Public safety	11,334,251	11,018,065	11,179,873	11,097,829	11,631,711	12,171,884	12,380,137	11,755,095	12,110,492	11,752,325
Public works	4,916,759	5,065,764	4,946,437	5,139,345	5,134,823	5,342,349	5,359,904	5,286,706	5,644,391	5,724,694
Nondepartmental	1,363,796	1,173,052	1,392,650	1,923,248	1,881,343	2,024,182	2,128,359	2,311,163	2,295,114	2,759,390
Interest on long-term debt	220,711	269,917	281,184	297,764	306,503	439,480	750,582	925,391	1,102,740	1,205,808
<b>Total governmental activities expenses</b>	<b>24,810,627</b>	<b>26,595,502</b>	<b>27,123,668</b>	<b>27,465,469</b>	<b>30,174,632</b>	<b>30,324,160</b>	<b>32,445,946</b>	<b>30,715,175</b>	<b>32,403,412</b>	<b>31,736,929</b>
Business-type activities:										
Gas	28,993,461	24,583,655	30,026,696	24,380,948	19,015,757	18,002,896	14,531,170	15,508,629	18,635,805	15,896,878
Sanitation	2,375,386	2,388,064	2,361,380	2,568,844	2,607,748	2,816,642	2,962,683	2,911,519	3,450,869	3,256,659
<b>Total business-type activities expenses</b>	<b>31,368,847</b>	<b>26,971,719</b>	<b>32,388,076</b>	<b>26,949,792</b>	<b>21,623,505</b>	<b>20,819,538</b>	<b>17,493,853</b>	<b>18,420,148</b>	<b>22,086,674</b>	<b>19,153,537</b>
<b>Total primary government expenses</b>	<b>\$ 56,179,474</b>	<b>\$ 53,567,221</b>	<b>\$ 59,511,744</b>	<b>\$ 54,415,261</b>	<b>\$ 51,798,137</b>	<b>\$ 51,143,698</b>	<b>\$ 49,939,799</b>	<b>\$ 49,135,323</b>	<b>\$ 54,490,086</b>	<b>\$ 50,890,466</b>
<b>Program Revenues</b>										
Governmental activities:										
Charges for services										
Administration	\$ 1,799,730	\$ 1,620,290	\$ 1,663,236	\$ 1,780,138	\$ 2,269,632	\$ 2,193,280	\$ 2,378,914	\$ 2,129,121	\$ 2,258,509	\$ 3,683,009
Finance	1,903,007	2,109,001	2,324,014	2,368,766	2,406,292	2,667,698	2,792,566	2,788,812	2,929,809	2,929,770
Mass transit	35,091	38,508	45,814	35,781	48,129	43,305	49,456	42,103	53,276	447,085
Parks and recreation	306,829	301,957	310,938	312,951	331,928	362,825	280,165	291,143	235,609	307,188
Public safety	716,936	481,805	761,937	919,361	953,804	1,167,236	912,513	862,244	881,418	1,348,379
Public works	466,240	80,196	95,649	111,668	169,680	175,876	91,228	104,714	102,259	242,541
Operating grants and contributions	2,262,836	3,056,723	2,616,045	2,366,703	2,617,657	3,081,379	3,685,996	3,427,690	3,248,760	2,426,635
Capital grants and contributions	886,861	105,300	244,931	161,409	795,477	734,901	2,973,862	3,647,262	630,540	969,748
<b>Total governmental activities program revenues</b>	<b>8,377,530</b>	<b>7,793,780</b>	<b>8,062,564</b>	<b>8,056,777</b>	<b>9,592,599</b>	<b>10,426,500</b>	<b>13,164,700</b>	<b>13,293,089</b>	<b>10,340,180</b>	<b>12,354,355</b>



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

	2006 (a)	2007	2008	2009	2010	2011	2012	2013	2014	2015 (b)
<b>Business-type activities:</b>										
Charges for services										
Gas	\$ 29,861,306	\$ 24,739,734	\$ 29,926,210	\$ 24,699,179	\$ 20,437,945	\$ 19,092,445	\$ 15,287,287	\$ 16,817,749	\$ 20,374,653	\$ 17,832,083
Sanitation	1,488,001	1,586,933	2,107,769	2,393,856	2,429,609	2,665,082	2,793,255	2,940,533	3,269,514	3,235,220
Operating grants and contributions	-	-	-	-	-	-	-	93,820	96,160	98,560
<b>Total business-type activities program revenues</b>	<b>31,349,307</b>	<b>26,326,667</b>	<b>32,033,979</b>	<b>27,093,035</b>	<b>22,867,554</b>	<b>21,757,527</b>	<b>18,080,542</b>	<b>19,852,102</b>	<b>23,740,327</b>	<b>21,165,863</b>
<b>Total primary government program revenues</b>	<b>\$ 39,726,837</b>	<b>\$ 34,120,447</b>	<b>\$ 40,096,543</b>	<b>\$ 35,149,812</b>	<b>\$ 32,460,153</b>	<b>\$ 32,184,027</b>	<b>\$ 31,245,242</b>	<b>\$ 33,145,191</b>	<b>\$ 34,080,507</b>	<b>\$ 33,520,218</b>
<b>Net (Expense)Revenue</b>										
Governmental activities	\$ (16,433,097)	\$ (18,801,722)	\$ (19,061,104)	\$ (19,408,692)	\$ (20,582,033)	\$ (19,897,660)	\$ (19,281,246)	\$ (17,422,086)	\$ (22,063,232)	\$ (19,382,574)
Business-type activities	(19,540)	(645,052)	(354,097)	143,243	1,244,049	937,989	586,689	1,431,954	1,653,653	2,012,326
<b>Total primary government net expense</b>	<b>\$ (16,452,637)</b>	<b>\$ (19,446,774)</b>	<b>\$ (19,415,201)</b>	<b>\$ (19,265,449)</b>	<b>\$ (19,337,984)</b>	<b>\$ (18,959,671)</b>	<b>\$ (18,694,557)</b>	<b>\$ (15,990,132)</b>	<b>\$ (20,409,579)</b>	<b>\$ (17,370,248)</b>
<b>General Revenues and Other Changes in Net Position</b>										
<b>Governmental activities:</b>										
Taxes:										
Payroll and net profits	\$ 1,998,499	\$ 5,141,680	\$ 4,915,111	\$ 4,792,685	\$ 4,717,128	\$ 4,703,133	\$ 4,942,815	\$ 5,154,559	\$ 5,159,531	\$ 5,345,370
Property	4,355,360	4,753,013	5,250,283	5,593,273	6,571,652	6,664,192	7,177,659	7,654,195	7,838,056	8,137,120
Insurance	4,533,359	4,365,717	4,091,311	4,291,149	4,301,984	4,136,526	4,203,745	4,519,282	4,580,176	4,741,126
Other	627,676	624,842	746,004	672,452	656,896	694,413	810,567	824,073	821,493	828,934
Distributions from component units	1,128,727	1,444,724	1,444,724	1,644,734	1,644,724	1,644,724	1,644,724	1,644,724	1,644,724	1,644,724
Investment earnings	196,815	270,582	253,890	73,489	88,136	86,572	66,039	32,121	127,507	200,201
Extraordinary item	-	-	-	(554,720)	-	-	-	-	-	-
Transfers	2,400,000	1,300,000	1,400,000	1,400,000	1,193,000	1,206,000	1,400,000	1,400,000	1,400,000	1,400,000
<b>Total governmental activities</b>	<b>15,240,436</b>	<b>17,900,558</b>	<b>18,101,323</b>	<b>17,913,062</b>	<b>19,173,520</b>	<b>19,135,560</b>	<b>20,245,549</b>	<b>21,228,954</b>	<b>21,571,487</b>	<b>22,297,475</b>

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

	2006 (a)	2007	2008	2009	2010	2011	2012	2013	2014	2015 (b)
<b>Business-type activities:</b>										
Investment earnings	\$ 157,936	\$ 464,487	\$ 486,714	\$ 160,214	\$ 108,889	\$ 103,022	\$ 84,885	\$ 14,357	\$ 65,720	\$ 71,531
Extraordinary item	-	-	-	954,968	-	-	-	-	-	-
Transfers	(2,400,000)	(1,300,000)	(1,400,000)	(1,400,000)	(1,193,000)	(1,206,000)	(1,400,000)	(1,400,000)	(1,400,000)	(1,400,000)
<b>Total business-type activities</b>	<b>(2,242,064)</b>	<b>(835,513)</b>	<b>(913,286)</b>	<b>(284,818)</b>	<b>(1,084,111)</b>	<b>(1,102,978)</b>	<b>(1,315,115)</b>	<b>(1,385,643)</b>	<b>(1,334,280)</b>	<b>(1,328,469)</b>
<b>Total primary government</b>	<b>\$ 12,998,372</b>	<b>\$ 17,065,045</b>	<b>\$ 17,188,037</b>	<b>\$ 17,628,244</b>	<b>\$ 18,089,409</b>	<b>\$ 18,032,582</b>	<b>\$ 18,930,434</b>	<b>\$ 19,843,311</b>	<b>\$ 20,237,207</b>	<b>\$ 20,969,006</b>
<b>Change in Net Position</b>										
Governmental activities:	\$ (1,192,661)	\$ (901,164)	\$ (959,781)	\$ (1,495,630)	\$ (1,408,513)	\$ (762,100)	\$ 964,303	\$ 3,806,868	\$ (491,745)	\$ 2,914,901
Business-type activities:	(2,261,604)	(1,480,565)	(1,267,383)	(141,575)	159,938	(164,989)	(728,426)	46,311	319,373	683,857
<b>Total primary government</b>	<b>\$ (3,454,265)</b>	<b>\$ (2,381,729)</b>	<b>\$ (2,227,164)</b>	<b>\$ (1,637,205)</b>	<b>\$ (1,248,575)</b>	<b>\$ (927,089)</b>	<b>\$ 235,877</b>	<b>\$ 3,853,179</b>	<b>\$ (172,372)</b>	<b>\$ 3,598,758</b>

- (a) In fiscal year 2006, the City of Henderson fully implemented GASB 34.  
(b) In fiscal year 2015, the City of Henderson fully implemented GASB 68.

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

	2006 (a)	2007	2008	2009	2010	2011 (b)	2012	2013	2014	2015 (c)
<b>General Fund</b>										
Reserved	\$ -	\$ 850,000	\$ 590,000	\$ 590,000	\$ 1,095,872					
Unreserved	2,648,312	3,157,175	4,019,711	4,692,077	5,932,799					
Nonspendable						\$ 1,217,335	\$ 39,087	\$ 32,760	\$ 30,340	\$ 22,694
Restricted						-	-	-	-	-
Committed						955,573	1,130,781	2,095,480	2,767,296	2,199,379
Assigned						988,500	837,000	1,296,300	2,760,400	4,000,000
Unassigned						3,836,690	5,592,998	6,038,346	5,268,321	4,559,662
<b>Total general fund</b>	<b>\$ 2,648,312</b>	<b>\$ 4,007,175</b>	<b>\$ 4,609,711</b>	<b>\$ 5,282,077</b>	<b>\$ 7,028,671</b>	<b>\$ 6,998,098</b>	<b>\$ 7,599,866</b>	<b>\$ 9,462,886</b>	<b>\$ 10,826,357</b>	<b>\$ 10,781,735</b>
<b>All Other Governmental Funds</b>										
Reserved, reported in:										
Permanent funds	\$ 541,152	\$ 567,511	\$ 602,345	\$ -	\$ -					
Capital projects fund	-	261,792	-	-	-					
Debt service fund	-	104,965	189,964	139,515	706					
Special revenue funds	-	-	-	639,240	333,266					
Unreserved, reported in:										
Capital projects fund	-	-	(786,928)	(1,956,097)	(1,729,492)					
Special revenue funds	678,094	656,430	659,060	435,242	474,272					
Nonspendable										
Special revenue funds						\$ 23,120	\$ 24,852	\$ 26,408	\$ 26,023	\$ 21,851
Restricted										
Debt service fund						924	69,424	69,605	68,456	66,045
Capital projects fund						11,702,613	21,172,367	29,958,480	28,596,200	35,230,730
Special revenue funds						227,430	78,772	79,824	45,021	13,072
Committed										
Special revenue funds						566,741	300,912	181,774	166,710	119,669
Assigned						-	-	-	-	-
Unassigned										
Capital projects fund						(380,048)	(652,605)	(265,956)	(44,023)	(2,252,592)
Special revenue funds						(1,800)	(78,470)	(41,509)	(13,884)	(5,977)
<b>Total all other governmental funds</b>	<b>\$ 1,219,246</b>	<b>\$ 1,590,698</b>	<b>\$ 664,441</b>	<b>\$ (742,100)</b>	<b>\$ (921,248)</b>	<b>\$ 12,138,980</b>	<b>\$ 20,915,252</b>	<b>\$ 30,008,626</b>	<b>\$ 28,844,503</b>	<b>\$ 33,192,798</b>

- (a) In fiscal year 2006, the City of Henderson fully implemented GASB 34.  
(b) In fiscal year 2011, the City of Henderson fully implemented GASB 54.  
(c) In fiscal year 2015, the City of Henderson fully implemented GASB 68.

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

	2006 (a)	2007	2008	2009	2010	2011	2012	2013	2014	2015 (b)
<b>Revenues</b>										
Taxes	\$ 14,885,252	\$ 15,002,709	\$ 15,002,709	\$ 15,349,559	\$ 16,247,660	\$ 16,198,264	\$ 17,134,786	\$ 18,152,109	\$ 18,399,256	\$ 19,052,550
Charges for services	990,955	1,026,292	1,242,500	1,349,938	1,460,316	1,435,183	1,388,763	1,379,948	1,336,912	1,328,720
Investment income	175,858	248,288	241,715	69,672	86,892	85,107	64,712	30,176	126,233	198,706
Licenses and permits	194,993	101,080	86,230	73,827	88,624	102,046	77,643	81,091	84,349	79,519
Intergovernmental revenue	4,724,916	4,904,924	4,913,514	4,867,253	5,825,278	6,385,784	9,204,912	9,529,693	6,454,880	8,591,517
Distributions from component units	1,128,727	1,444,724	1,444,724	1,644,734	1,644,724	1,644,724	1,644,724	1,644,724	1,644,724	1,644,724
Other	370,979	268,234	317,790	262,959	506,111	252,000	275,645	320,790	453,188	277,774
<b>Total revenues</b>	<b>22,471,680</b>	<b>22,996,251</b>	<b>23,249,182</b>	<b>23,617,942</b>	<b>25,859,605</b>	<b>26,103,108</b>	<b>29,791,185</b>	<b>31,138,531</b>	<b>28,499,542</b>	<b>31,173,510</b>
<b>Expenditures</b>										
Administration	1,025,138	2,596,582	2,072,530	2,277,438	2,517,239	2,627,053	2,561,360	2,592,453	2,437,863	2,510,126
Finance	1,987,523	2,065,065	2,274,800	2,326,392	2,426,737	2,610,767	2,620,612	2,503,295	2,582,338	2,663,640
Public safety	10,685,174	10,268,009	10,630,489	10,626,785	11,192,621	11,865,141	12,124,460	11,348,620	11,679,053	12,279,748
Public works	3,122,916	3,241,802	3,006,808	3,225,161	3,207,831	3,439,486	3,476,855	3,414,197	3,798,028	3,998,578
Parks & recreation	1,424,947	1,473,393	1,526,873	1,555,361	1,607,810	1,616,671	1,730,432	1,620,578	1,833,413	1,847,588
Non-departmental	1,363,796	1,173,052	1,392,650	1,923,248	1,881,343	2,024,182	2,128,359	2,311,163	2,295,114	2,428,486
Mass transit	860,592	884,040	1,091,239	1,124,891	1,193,074	1,271,873	1,295,020	1,257,386	1,285,332	1,186,703
Capital outlay	2,001,662	3,322,931	2,044,193	1,282,849	793,698	1,562,152	4,703,361	3,614,507	781,413	6,239,160
Capital contributions to HWU	-	-	-	-	-	-	1,363,929	264,547	-	-
Debt service:										
Principal	423,755	2,391,669	652,137	557,508	358,303	360,000	955,000	1,460,000	1,895,000	1,910,000
Interest	220,711	269,917	281,184	297,764	306,503	439,480	750,582	925,391	1,102,740	1,205,808
Other charges	-	-	-	-	-	27,648	72,175	-	-	-
<b>Total expenditures</b>	<b>23,116,214</b>	<b>27,686,460</b>	<b>24,972,903</b>	<b>25,197,397</b>	<b>25,485,159</b>	<b>27,844,453</b>	<b>33,782,145</b>	<b>31,312,137</b>	<b>29,690,294</b>	<b>36,269,837</b>
Excess of revenues over (under) expenditures	(644,534)	(4,690,209)	(1,723,721)	(1,579,455)	374,446	(1,741,345)	(3,990,960)	(173,606)	(1,190,752)	(5,096,327)
<b>Other Financing Sources (Uses)</b>										
Transfers in	3,818,766	3,596,374	2,802,811	2,797,000	2,974,500	5,686,761	4,103,218	4,792,872	5,850,667	6,179,785
Transfers out	(1,418,766)	(2,296,374)	(1,402,811)	(1,397,000)	(1,781,500)	(4,480,761)	(2,703,218)	(3,392,872)	(4,450,667)	(4,779,785)
Insurance recovery	328,914	-	-	-	-	-	-	-	-	-
Proceeds from loans	325,422	5,237,981	-	-	-	13,730,000	12,080,000	9,730,000	-	8,000,000
Bond refundings	-	-	-	-	-	(1,310,000)	-	-	-	-
Sale of land	-	-	-	-	-	1,145,000	(111,000)	-	-	-
Other	124,044	-	-	-	-	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>3,178,380</b>	<b>6,537,981</b>	<b>1,400,000</b>	<b>1,400,000</b>	<b>1,193,000</b>	<b>14,771,000</b>	<b>13,369,000</b>	<b>11,130,000</b>	<b>1,400,000</b>	<b>9,400,000</b>
Extraordinary item	-	-	-	(554,720)	-	-	-	-	-	-
<b>Net change in fund balances</b>	<b>\$ 2,533,846</b>	<b>\$ 1,847,772</b>	<b>\$ (323,721)</b>	<b>\$ (734,175)</b>	<b>\$ 1,567,446</b>	<b>\$ 13,029,655</b>	<b>\$ 9,378,040</b>	<b>\$ 10,956,394</b>	<b>\$ 209,248</b>	<b>\$ 4,303,673</b>
Debt service as a percentage of noncapital expenditures	3.1%	10.9%	4.1%	3.6%	2.7%	3.0%	5.9%	8.6%	10.4%	10.4%

(a) In fiscal year 2006, the City of Henderson fully implemented GASB 34.  
(b) In fiscal year 2015, the City of Henderson fully implemented GASB 68.

**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
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	c) 628,633	117,371
2009	15,349,559	5,593,273	4,291,149	4,017,229	775,456	555,857	116,595
2010	16,247,660	6,571,652	d) 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	c) 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

- 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 taxes.
- c) The City of Henderson had several requests for large refunds of net profit taxes.
- d) Starting in fiscal 2010, the City of Henderson allocated 100% of property tax revenue to the General Fund.

**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
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
2010	1,071,441	144,539	510,373	1,726,353
2011	1,079,090	125,452	543,287	1,747,829
2012	1,095,301	131,246	544,520	1,771,067
2013	1,101,286	133,508	598,793	1,833,587
2014	1,107,275	135,468	601,357	1,844,100
2015	1,121,833	132,314	611,284	1,865,431

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
2006	\$ 647,525,285	\$ 2,660,120	\$ 276,198,707	\$ 9,374,258	\$ 64,505,692	\$ -	\$ 871,252,678	\$ 0.42700	\$ 3,720,249
2007	674,471,421	2,558,520	290,722,270	9,133,994	64,178,212	-	912,707,993	0.44400	4,052,423
2008	725,651,226	2,618,945	338,492,540	8,937,734	68,340,708	-	1,007,359,737	0.44000	4,432,383
2009	752,841,974	2,729,830	356,084,864	8,930,363	68,914,133	-	1,051,672,898	0.46000	4,837,695
2010	771,246,458	2,901,145	364,428,870	8,842,981	75,978,542	-	1,071,440,912	0.46600	4,992,915
2011	777,522,794	2,901,145	367,906,368	8,668,612	77,908,839	-	1,079,090,080	0.48600	5,244,378
2012	784,181,028	3,014,722	379,700,845	6,779,520	78,375,555	-	1,095,300,560	0.52100	5,706,516
2013	786,359,573	3,022,322	385,853,285	6,803,920	80,752,738	-	1,101,286,362	0.54200	5,968,972
2014	790,818,965	3,012,222	392,059,955	6,809,620	85,425,951	-	1,107,274,811	0.56100	6,211,812
2015	798,284,496	3,459,222	399,322,010	6,942,270	86,174,620	-	1,121,833,378	0.57700	6,472,979

**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
2006	\$ 49,849,312	\$ 49,057,365	\$ 15,398,780	\$ 559,614	\$ 3,831	\$ 3,614,793	\$ 118,483,695	\$ 0.53600	\$ 635,073
2007	51,543,336	41,904,742	11,919,031	195,469	149,888	3,387,361	109,099,827	0.63400	691,693
2008	51,130,945	46,560,846	12,511,973	1,125	-	3,076,904	113,281,793	0.66800	756,722
2009	59,221,937	40,850,867	16,689,747	106,095	-	3,142,261	120,010,907	0.68800	825,675
2010	57,986,626	57,503,339	21,538,243	1,056,284	2,457,177	3,997,125	144,538,794	0.59000	852,779
2011	56,439,817	53,952,590	11,762,126	152,327	66,739	3,078,617	125,452,216	0.71400	895,729
2012	52,850,006	46,594,388	12,820,482	13,737,384	1,385,767	3,858,178	131,246,205	0.74300	975,159
2013	52,091,144	53,770,713	12,519,762	8,528,020	1,484,755	5,113,377	133,507,771	0.75000	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	0.75000	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	0.80000	1,058,509

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.

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**

<b>Real property:</b>						<b>Overlapping</b>						<b>Total City Resident</b>
<b>Direct</b>						<b>Overlapping</b>						
<b>Year</b>	<b>Police and Firemen's Pension</b>	<b>Civil Service Pension</b>	<b>Debt</b>	<b>General Fund Operations</b>	<b>City</b>	<b>County Schools</b>	<b>State</b>	<b>County</b>	<b>Library</b>	<b>Health</b>	<b>Extension</b>	
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
2010	-	-	-	0.4660	0.4660	0.4770	0.1220	0.1180	0.0630	0.0260	0.0230	1.2950
2011	-	-	-	0.4860	0.4860	0.5000	0.1220	0.1180	0.0690	0.0260	0.0250	1.3460
2012	-	-	-	0.5210	0.5210	0.5170	0.1220	0.1180	0.0740	0.0260	0.0270	1.4050
2013	-	-	-	0.5420	0.5420	0.5300	0.1220	0.1180	0.0780	0.0260	0.0270	1.4430
2014	-	-	-	0.5610	0.5610	0.5290	0.1220	0.1180	0.0780	0.0260	0.0270	1.4610
2015	-	-	-	0.5770	0.5770	0.5300	0.1220	0.1180	0.0830	0.0260	0.0270	1.4830

<b>Personal property:</b>						<b>Overlapping</b>						<b>Total City Resident</b>
<b>Direct</b>						<b>Overlapping</b>						
<b>Year</b>	<b>Police and Firemen's Pension</b>	<b>Civil Service Pension</b>	<b>Debt</b>	<b>General Fund Operations</b>	<b>City</b>	<b>County Schools</b>	<b>State</b>	<b>County</b>	<b>Library</b>	<b>Health</b>	<b>Extension</b>	
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
2010	-	-	-	0.5900	0.5900	0.4770	0.4500	0.1750	0.0860	0.0260	0.0328	1.8368
2011	-	-	-	0.7140	0.7140	0.5000	0.4500	0.1750	0.0993	0.0260	0.0376	2.0019
2012	-	-	-	0.7430	0.7430	0.5170	0.4500	0.1750	0.1089	0.0260	0.0415	2.0614
2013	-	-	-	0.7500	0.7500	0.5300	0.4500	0.1750	0.1064	0.0260	0.0413	2.0787
2014	-	-	-	0.7500	0.7500	0.5290	0.4500	0.1750	0.1064	0.0260	0.0413	2.0777
2015	-	-	-	0.8000	0.8000	0.5300	0.4500	0.1750	0.1161	0.0260	0.0413	2.1384

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**

<b>Real property: Direct</b>		<b>Overlapping</b>						<b>Total City Resident</b>
<b>Year</b>	<b>City</b>	<b>County Schools</b>	<b>State</b>	<b>County</b>	<b>Library</b>	<b>Health</b>	<b>Extension</b>	
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
2010	0.4660	0.4770	0.1220	0.1180	0.0630	0.0260	0.0230	1.2950
2011	0.4860	0.5000	0.1220	0.1180	0.0690	0.0260	0.0250	1.3460
2012	0.5210	0.5170	0.1220	0.1180	0.0740	0.0260	0.0270	1.4050
2013	0.5420	0.5300	0.1220	0.1180	0.0780	0.0260	0.0270	1.4430
2014	0.5610	0.5290	0.1220	0.1180	0.0780	0.0260	0.0270	1.4610
2015	0.5770	0.5300	0.1220	0.1180	0.0830	0.0260	0.0270	1.4830
<b>Personal property:</b>								
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
2010	0.5900	0.4770	0.4500	0.1750	0.0860	0.0260	0.0328	1.8368
2011	0.7140	0.5000	0.4500	0.1750	0.0993	0.0260	0.0376	2.0019
2012	0.7430	0.5170	0.4500	0.1750	0.1089	0.0260	0.0415	2.0614
2013	0.7500	0.5300	0.4500	0.1750	0.1064	0.0260	0.0413	2.0787
2014	0.7500	0.5290	0.4500	0.1750	0.1064	0.0260	0.0413	2.0777
2015	0.8000	0.5300	0.4500	0.1750	0.1161	0.0260	0.0413	2.1384

Source: Kentucky Department of Revenue

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

<b>Company</b>	<b>Type of Tax</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>
Kentucky Farm Bureau Insurance	Insurance premium tax	\$ 387,260	\$ 399,568	\$ 410,043	\$ 425,793	\$ 456,374	\$ 486,160	\$ 521,020	\$ 549,560	\$ 547,449	\$ 541,415
State Farm Mutual Automobile Insurance	Insurance premium tax	173,236	172,002	161,049	175,243	176,025	192,829	225,066	256,612	290,678	326,137
Commonwealth of Kentucky - Telecom (a)	Franchise tax	-	315,994	316,101	315,991	316,068	316,044	311,957	307,895	307,879	307,851
State Farm Fire & Casualty Company	Insurance premium tax	112,343	114,716	114,810	116,277	127,469	144,505	163,885	211,115	248,677	270,705
Insight/Time Warner Cable (a)	911 tax/Franchise fees	236,649	-	225,568	192,960	214,889	237,779	232,997	198,050	252,574	234,094
Bellsouth Telecommunications / AT&T	911 tax/Franchise fees	270,679	200,665	280,409	283,255	277,972	285,083	281,144	274,277	226,985	196,631
Big Rivers Electric Corporation	Franchise tax	-	-	-	-	-	-	172,549	179,717	183,662	193,319
United Healthcare	Insurance premium tax	161,039	147,950	197,205	224,861	188,973	177,349	163,636	147,451	179,892	176,361
Wal-Mart Stores, Inc.	Property tax/Occupational tax	-	-	123,274	147,759	128,593	146,391	149,148	175,768	161,124	174,231
Cincinnati Insurance Company	Insurance premium tax	113,508	100,644	-	115,878	127,925	136,640	138,131	156,094	156,791	163,533
Progressive Casualty Insurance Company	Insurance premium tax	-	133,516	152,869	150,993	148,370	123,904	-	-	-	-
West American Insurance Company	Insurance premium tax	118,402	118,984	120,170	-	-	-	-	-	-	-
Grange Mutual	Insurance premium tax	131,073	122,680	-	-	-	-	-	-	-	-
Midland National Life Insurance Company	Insurance premium tax	199,991	-	-	-	-	-	-	-	-	-
<b>Total</b>		<b>\$ 1,904,179</b>	<b>\$ 1,826,719</b>	<b>\$ 2,101,498</b>	<b>\$ 2,149,010</b>	<b>\$ 2,162,657</b>	<b>\$ 2,246,684</b>	<b>\$ 2,359,533</b>	<b>\$ 2,456,538</b>	<b>\$ 2,555,712</b>	<b>\$ 2,584,277</b>

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 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	
2006	\$ 4,301,575	\$ 4,247,636	98.7%	\$ 42,226	\$ 4,289,862	99.7%	\$ 11,713
2007	4,703,687	4,647,361	98.8%	42,188	4,689,549	99.7%	14,138
2008	5,136,683	5,064,159	98.6%	54,613	5,118,772	99.7%	17,911
2009	5,596,612	5,491,093	98.1%	75,403	5,566,496	99.5%	30,116
2010	5,785,819	5,692,217	98.4%	71,055	5,763,272	99.6%	22,547
2011	6,064,868	5,959,466	98.3%	74,928	6,034,394	99.5%	30,474
2012	6,534,535	6,446,468	98.7%	58,888	6,505,356	99.6%	29,179
2013	6,886,186	6,827,928	99.2%	22,113	6,850,041	99.5%	36,145
2014	7,141,098	7,071,501	99.0%	18,227	7,089,728	99.3%	51,370
2015	7,458,544	7,375,464	98.9%	N/A	7,375,464	98.9%	83,080

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

(b) Collections as of June 30, 2015

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

<b>Type of Customer</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>
Residential	613,872	513,033	558,863	622,342	566,728	589,839	519,927	455,233	613,973	623,158
Commercial	341,802	319,357	331,896	371,493	342,366	366,061	341,617	294,765	356,860	391,486
Industrial	1,579,765	1,807,274	1,881,901	2,147,867 c)	1,967,828	2,165,540	2,202,345	2,160,308	2,296,739	2,339,150
Municipal	-	-	6,428 a)	7,875	6,882	7,543	7,614	5,564	7,806	8,051
<b>Total Sold</b>	<b>2,535,439</b>	<b>2,639,664</b>	<b>2,779,088</b>	<b>3,149,577</b>	<b>2,883,804</b>	<b>3,128,983</b>	<b>3,071,503</b>	<b>2,915,870</b>	<b>3,275,378</b>	<b>3,361,845</b>
Delivered only	360,747	358,538	331,305	- c)	-	-	-	-	-	-
Pipeline distribution use (net of losses)	1,037	1,926	3,647 b)	1,733	4,628 d)	2,796	3,201	2,125	2,133	3,687
<b>Total Disposition</b>	<b>2,897,223</b>	<b>3,000,128</b>	<b>3,114,040</b>	<b>3,151,310</b>	<b>2,888,432</b>	<b>3,131,779</b>	<b>3,074,704</b>	<b>2,917,995</b>	<b>3,277,511</b>	<b>3,365,532</b>

- a) Prior to 2007, Municipal consumption was included in Commercial.
- b) The department reported a loss from leaks, migration, damage and/or accidents of 2,634.
- c) A transport customer is now a sales service customer and now reflected in industrial.
- d) 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)**

<b>Type of Customer</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>
Residential	\$ 8,064	\$ 6,421	\$ 6,594	\$ 7,715	\$ 5,925	\$ 6,142	\$ 5,286	\$ 4,356	\$ 4,413	\$ 6,246
Commercial	4,120	3,899	3,671	4,542	2,967	3,196	2,774	2,105	2,457	3,298
Industrial	16,702	16,612	15,147	22,049	10,524	11,460	10,907	8,294	10,121	12,132
Total Sold	\$ 28,886	\$ 26,932	\$ 25,413	\$ 34,306 a)	\$ 19,416 b)	\$ 20,798	\$ 18,967	\$ 14,755	\$ 16,991	\$ 21,676

- a) During 2008, the energy market experienced unusually high prices.
- b) 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
2006	\$ 4.50	\$ 1.85
2007	4.50	1.85
2008	4.50	1.85
2009	a) 12.00	2.25
2010	12.00	2.25
2011	12.00	2.25
2012	12.00	2.25
2013	12.00	2.25
2014	b) 12.50	2.30
2015	12.50	2.35

**Source:** Gas department

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

b) 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.

**CITY OF HENDERSON**  
**DIRECT and OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT**  
**As of JUNE 30, 2015**

<b>Governmental Unit</b>	<b><u>Debt Outstanding</u></b>	<b><u>Estimated Percentage Applicable (a)</u></b>	<b><u>Estimated Share of Overlapping Debt</u></b>
<b>Debt repaid with property taxes</b>			
Henderson County Schools (c)	\$ 22,870,027	52.42% (b)	\$ 11,988,468
Henderson County (d)			
Henderson County Public Properties Corp.	4,129,700	52.42% (b)	<u>2,164,789</u>
Subtotal, overlapping debt			\$ 14,153,257
<b>City direct debt</b>			<u>41,590,000</u>
<b>Total direct and overlapping debt</b>			<u><u>\$ 55,743,257</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 2015.
- 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	
				Principal	Interest	Total					Principal	Interest	Total		
2006	\$ 13,250	\$ 9,132	\$ 4,118	\$ 537	\$ 555	\$ 1,092	3.77	\$ 48,499	\$ 45,707	\$ 2,792	\$ -	\$ -	\$ -	N/A	
2007	14,657	9,946	4,711	546	528	1,074	4.39	42,978	38,097	4,881	-	-	-	N/A	
2008	14,723	10,416	4,307	700	500	1,200	3.59	56,938	52,500	4,438	-	-	-	N/A	
2009	14,688	10,604	4,084	739	651	1,390	2.94	56,575	50,788	5,787	-	-	-	N/A	
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	

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 <sup>c)</sup>	Per Capita	Per Capita Income	Percentage of Personal Income
	General Obligation Bonds	Actual Taxable Value of Property				Bond Anticipation Note	Capital Leases	Capital Leases				
2006	-	\$ 1,396,033,000	0.00%	27,666	N/A		\$ 4,534,667	-	\$ 4,534,667	\$ 164	\$ 26,232	0.62%
2007	\$ 5,230,000	1,423,495,000	0.37%	27,768	\$ 188		2,277,948	-	7,507,948 <sup>a)</sup>	270	26,232	1.03%
2008	5,005,000	1,486,361,000	0.34%	27,768	180		1,850,811	-	6,855,811	247	28,259	0.87%
2009	4,775,000	1,599,707,000	0.30%	27,933	171	\$ 1,583,737 <sup>b)</sup>	1,523,303	-	7,882,040	282	29,434	0.96%
2010	4,535,000	1,647,584,000	0.28%	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	1,771,066,893	1.64%	28,853	1,009	-	-	-	29,125,000	1,009	31,265	3.23%
2013	37,395,000	1,833,587,019	2.04%	28,911	1,293	-	-	-	37,395,000	1,293	32,311	4.00%
2014	35,500,000	1,771,067,333	2.00%	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%

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

a) In addition to \$2.3 million in capital leases, the City issued \$5.23 million in general obligation bonds in 2007.

b) In 2009, the City drew down \$1.6 million of a \$4.0 million bond anticipation note.

c) 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									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
<b>General Bonded</b>										
General bonded debt outstanding	\$ -	\$ -	\$ 5,230	\$ 5,005	\$ 4,775	\$ 18,000	\$ 29,125	\$ 37,395	\$ 35,500	\$ 41,590
Other bonded debt	-	-	-	-	1,584	-	-	-	-	-
Total	-	-	5,230	5,005	6,359	18,000	29,125	37,395	35,500	41,590
Estimated actual property value	\$ 1,396,033	\$ 1,423,495	\$ 1,486,361	\$ 1,599,707	\$ 1,647,584	\$ 1,747,829	\$ 1,771,067	\$ 1,833,587	\$ 1,844,100	\$ 1,865,431
Percentage of estimated actual property value	0%	0%	0.35%	0.31%	0.39%	1.03%	1.64%	2.04%	1.93%	2.23%
Population	27,666	27,666	27,768	27,768	27,933	28,757	28,853	28,911	28,832	28,900
Per capita	-	-	\$ 188	\$ 180	\$ 228	\$ 626	\$ 1,009	\$ 1,293	\$ 1,231	\$ 1,439
Less: Amounts set aside to repay general debt	-	-	-	269	1,018	918	1,131	1,725	2,124	1,979
Total net debt applicable to debt limit	-	-	\$ 5,230	\$ 4,736	\$ 5,341	\$ 17,082	\$ 27,994	\$ 35,670	\$ 33,376	\$ 39,611
Debt Limit	\$ 87,125	\$ 91,271	\$ 100,736	\$ 105,167	\$ 107,144	\$ 107,909	\$ 109,530	\$ 110,129	\$ 110,727	\$ 112,183
Total net debt applicable to limit	\$ 4,555	\$ 4,535	\$ 7,508	\$ 6,856	\$ 7,524	\$ 18,000	\$ 29,125	\$ 37,395	\$ 35,500	\$ 41,590
Legal Debt Limit a)	\$ 82,570	\$ 86,736	\$ 93,228	\$ 98,311	\$ 99,620	\$ 89,909	\$ 80,405	\$ 72,734	\$ 75,227	\$ 70,593
Legal Debt Margin b)	\$ 82,570	\$ 86,736	\$ 87,998	\$ 93,575	\$ 94,279	\$ 72,827	\$ 52,411	\$ 37,064	\$ 41,851	\$ 30,982
Legal debt margin as a percentage of the debt limit	100%	100%	94.4%	95.2%	94.6%	81.0%	65.2%	51.0%	55.6%	43.9%

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.

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	(c) Median Age	(d) School Enrollment	(b) Unemployment Rate
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%
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%

**Sources:**

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

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

Employer	2006 (a)			2007			2008			2009			2010		
	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	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%	1	\$ 467,415	11.84%
Henderson County Schools	3	111,294	7.86%	2	278,054	6.66%	2	297,595	7.10%	2	306,117	7.62%	2	321,754	8.15%
Gibbs	4	83,475	5.89%	4	201,997	4.84%	4	167,912	4.00%	4	152,176	3.79%	3	162,702	4.12%
Dana	2	121,608	8.59%	3	275,966	6.61%	3	249,417	5.95%	3	171,968	4.28%	5	133,290	3.38%
City of Henderson	5	47,119	3.33%	5	115,414	2.77%	5	118,877	2.84%	5	124,433	3.10%	4	161,027	4.08% (b)
Big Rivers	8	26,063	1.84%	8	66,309	1.59%	6	76,604	1.83%	6	84,017	2.09%	6	107,244	2.72%
Redbanks	13	-	0.00%	9	63,355	1.52%	10	64,275	1.53%	8	69,684	1.73%	8	73,480	1.86%
Henderson County	15	-	0.00%	12	-	0.00%	13	-	0.00%	11	-	0.00%	11	-	0.00%
Wal-Mart	18	-	0.00%	11	-	0.00%	8	70,954	1.69%	7	79,145	1.97%	7	80,982	2.05%
State of Kentucky	17	-	0.00%	14	-	0.00%	12	-	0.00%	9	64,760	1.61%	9	68,515	1.74%
Henderson Community College	9	23,867	1.69%	10	61,073	1.46%	9	65,096	1.55%	10	64,076	1.60%	10	64,660	1.64%
Sunspring America	6	44,200	3.12%	6	100,056	2.40%	7	75,034	1.79%	13	-	0.00%	25	-	0.00%
Vincent Plastics	7	24,779	1.75%	7	71,215	1.71%	11	-	0.00%	11	-	0.00%	N/A	-	0.00%
Spartan Staffing	10	22,830	1.61%	22	-	0.00%	15	-	0.00%	15	-	0.00%	17	-	0.00%
<b>Total</b>		<b>\$ 669,628</b>	<b>47.28%</b>		<b>\$ 1,640,132</b>	<b>39.31%</b>		<b>\$ 1,619,491</b>	<b>38.63%</b>		<b>\$ 1,584,496</b>	<b>39.44%</b>		<b>\$ 1,641,069</b>	<b>41.58%</b>

**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.

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

(b) Starting in fiscal 2010 the City's remittance included Henderson Water Utility

Source: City of Henderson Occupational License Office

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

Employer	2011			2012			2013			2014			2015		
	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	Rank	Payroll Tax	Percentage of Total Payroll Tax
Methodist Hospital	1	\$ 468,695	11.58%	1	\$ 509,135	12.14%	1	\$ 500,850	11.74%	1	\$ 524,256	11.97%	1	\$ 511,340	11.38%
Henderson County Schools	2	321,922	7.96%	2	328,197	7.82%	2	345,801	8.11%	2	359,414	8.20%	2	375,431	8.35%
Gibbs	3	165,136	4.08%	5	162,138	3.87%	5	151,889	3.56%	3	190,297	4.34%	3	229,051	5.10%
Dana	5	134,989	3.34%	3	174,305	4.16%	3	154,761	3.63%	5	156,249	3.57%	4	176,037	3.92%
City of Henderson	4	163,558	4.04%	4	165,130	3.94%	4	169,016	3.96%	4	164,760	3.76%	5	167,643	3.73%
Big Rivers	6	127,353	3.15%	6	119,522	2.85%	6	123,251	2.89%	6	120,992	2.76%	6	129,722	2.89%
Redbanks	8	77,667	1.92%	8	79,410	1.89%	8	80,413	1.89%	7	85,125	1.94%	7	88,840	1.98%
Henderson County	11		0.00%	10	67,396	1.61%	10	71,955	1.69%	9	76,481	1.75%	8	79,336	1.77%
Wal-Mart	7	78,704	1.95%	7	80,826	1.93%	7	75,616	1.77%	8	77,967	1.78%	9	78,710	1.75%
State of Kentucky	10	66,018	1.63%	11		0.00%	11		0.00%			0.00%	10	68,337	1.52%
Henderson Community College	9	68,000	1.68%	9	70,761	1.69%	9	72,025	1.69%	10	71,423	1.63%		-	0.00%
<b>Total</b>		<b>\$ 1,672,042</b>	<b>41.32%</b>		<b>\$ 1,756,820</b>	<b>41.88%</b>		<b>\$ 1,745,577</b>	<b>40.93%</b>		<b>\$ 1,826,964</b>	<b>41.70%</b>		<b>\$ 1,904,447</b>	<b>42.37%</b>

**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.

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

(b) Starting in fiscal 2010 the City's remittance included Henderson Water Utility

Source: City of Henderson Occupational License Office

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

<u>Function / Program</u>	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
<b>General Government</b>										
Administration	12.00 a	11.00	22.00 c	22.00	22.50 d	22.50	23.25	24.00	23.00	22.00
Finance	31.00	33.00 b	32.00	32.00	33.50 d	33.50	32.75	33.00	33.00	32.00
<b>Police</b>										
Officers	57.80	57.80	57.80	57.55	60.75 e	60.75	60.75	60.75	61.75	61.75
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	14.20	15.20	15.20	15.45	15.25	15.25	15.25	15.25	15.25	15.25
<b>Fire</b>										
Firefighters	58.00	58.00	58.00	58.00	58.00	58.00	58.00	58.00	60.00	60.00
Civilians	9.00 a	9.00	2.00 c	2.00	2.00	2.00	2.00	2.00	2.00	2.00
<b>Parks and Recreation</b>	14.00	14.00	13.00	13.00	13.00	13.00	13.00	13.00	14.00	14.00
<b>Mass Transit</b>	12.00	12.00	13.00	14.00	14.00	14.00	14.00	14.00	14.00	14.00
<b>Gas System</b>	30.00	27.00	28.00	28.00	28.00	28.00	28.00	27.00	26.00	26.00
<b>Sanitation</b>	18.50	18.50	18.50	18.50	18.50	18.50	18.50	18.50	18.50	18.50
<b>Cemetery</b>	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00
<b>Public Way Improvement</b>	37.50	37.50	35.50 c	35.50	35.50	35.50	35.50	35.50	35.50	35.50
<b>TOTAL</b>	306.00	305.00	307.00	308.00	313.00	313.00	313.00	313.00	315.00	313.00

Source: Applicable Departments

- a) The City moved Community Development from Administration to Fire.
- b) With the passage of the new payroll/net profits tax, the City added a tax collector and moved the Switchboard from Administration
- c) The City moved Codes, Community Development, and Engineering to Administration and added an Assistant City Manager with Administrative Secretary.
- d) Two positions from Henderson Water Utility were moved to the City.
- e) The City received funding from the Community Oriented Policing Service for three police officers.

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

<b>Function / Program</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>
<b>Public Way Improvement</b>										
Miles of streets paved	113	113	113	113	113	124	124	124	124	124
Miles of sidewalks	73	73	73	73	73	73	73	73	73	73
<b>Wastewater System</b>										
Miles of sanitary sewers	185	205	205	203	205	200	201	201	205	206
Miles of storm sewers	136	136	136	136	136	136	136	51	54	54
Number of service connections	11,156	10,792	10,793	10,782	10,846	10,884	10,884	10,893	10,862	10,848
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
<b>Water System</b>										
Miles of water mains	206	219	222	224	225	225	225	225	225	225
Number of service connections	11,156	10,792	10,793	10,782	10,846	10,844	10,844	10,893	10,862	10,862
Number of fire hydrants	939	988	1,007	1,020	1,030	1,084	1,095	1,112	1,119	1,130
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
<b>Electric System</b>										
Miles of transmission and primary distribution	208	208	208	208	208	208	208	208	208	208
Number of distribution stations	7	7	7	7	7	7	7	7	7	7
<b>Gas System</b>										
Miles of mains	241	243	244	245	247	249	251	253	254	256
Miles of service lines	129	129	129	129	129	129	138	139	140	140
Number of meters	10,030	10,008	10,000	9,652	9,532	9,470	9,422	9,421	9,391	9,392
<b>Parks and Recreation</b>										
Park acreage	231.7	231.7	231.7	231.7	231.7	231.7	231.7	231.7	231.7	231.7
Cemetery acreage	70	70	70	70	70	70	70	70	70	70
Swimming pools	1	1	1	1	1	1	1	1	1	1
Tennis courts (a)	14	14	14	14	14	14	14	14	14	12
Baseball/Softball fields	17	17	16	16	16	16	16	16	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	2	2	2	2	2	2	2	2	2	1
Skate parks (a)	1	1	1	1	1	1	1	1	1	2
Disc golf holes (b)	-	-	-	9	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.

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

<b>Function / Program</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>
<b>Police</b>										
Physical arrests	3,696	3,759	3,793	3,519	3,183	2,615	2,776	2,951	3,054	4,138
Traffic violations	3,086	2,697	2,073	1,458	2,315	2,854	2,455	3,505	2,889	3,596
Parking violations	5,195	3,867	4,492	4,387	2,425	4,075	4,088	4,137	4,307	4,565
Calls for service	25,987	23,600	22,335	17,658	18,582	17,633	17,827	17,454	17,519	17,928
<b>Fire</b>										
Fire	152	152	176	155	124	152	150	140	137	131
Overpressure Rupture, Explosion, Overheat	9	12	13	12	10	9	10	8	13	14
Rescue & Emergency Medical Service	1,029	1,213	1,182	1,246	1,297	1,216	1,513	1,757	1,736	1,769
Hazardous Condition (No Fire)	261	220	165	288	134	153	138	147	171	163
Service Call	62	67	57	74	73	76	66	64	73	57
Good Intent Call	128	141	153	167	144	169	158	140	166	173
False Alarm & False Call	195	188	191	188	204	246	207	198	292	269
Severe Weather & Natural Disaster	-	3	1	12	1	3	1	1	2	4
Special Incident Type	11	1	2	4	-	7	7	5	7	5
Number of inspections performed	709	1,238	1,210	781	733	772	788	749	712	602
<b>Mass Transit</b>										
Number of routes	*	5	5	5	5	5	5	5	5	5
Fixed Route Passengers	*	101,683	108,817	121,058	114,154	138,603	139,321	137,359	134,966	130,530
Para transit Passengers	*	16,653	17,529	17,298	15,736	18,161	16,357	15,339	14,020	12,804
Wheelchair Usage	*	6,728	4,900	4,758	4,729	6,411	7,915	6,601	6,837	6,524
Miles of Service	*	202,885	216,852	222,297	227,937	242,024	222,262	221,955	219,964	214,648
<b>Wastewater System</b>										
Average daily treatment in 1,000 gallons	8,800	10,185	9,970	9,648	9,506	8,979	8,672	8,993	11,390	8,153
<b>Water System</b>										
Average daily consumption in 1,000 gallons	10,500	10,469	8,316	8,034	7,847	7,669	9,030	9,151	9,260	8,893

Source: Applicable Departments

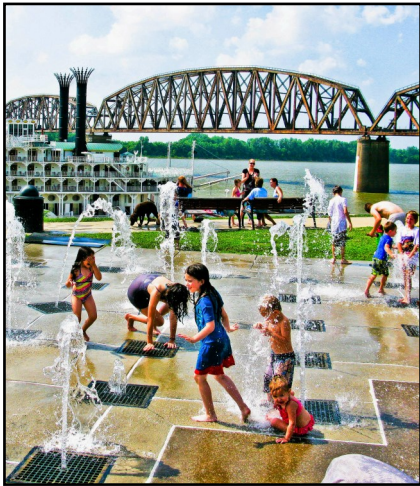
\* - Data not available



**Case No. 2019-00269**  
**Attachment 1 to BREC 1-31**  
**Pages 8**



Dax Clary Photography



***Service is our nature.***

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# POPULAR ANNUAL FINANCIAL REPORT

Fiscal Year ended June 30, 2017

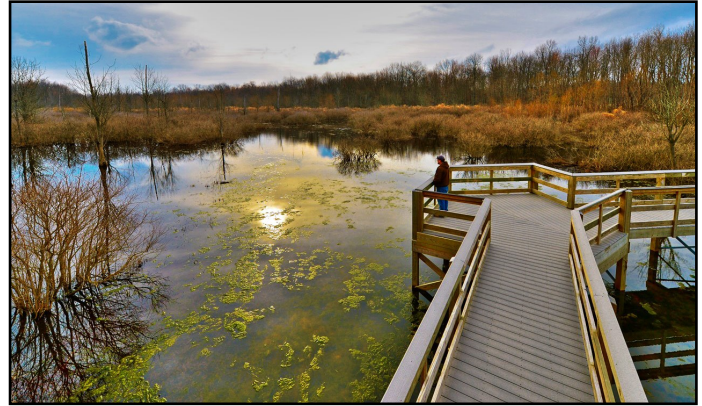




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For those seeking the comforts and connections of a small town, **Henderson** is a classic river town on the Ohio River where life is framed by nature’s resources so you feel inspired for new ideas.



**Henderson** is the county seat of Henderson County, Kentucky, and lies on the southern banks of the Ohio River in the



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

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

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

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

We have:

- A public school system with 8 elementary schools, 2 middle schools, 1 high school and 1 early learning (preschool) center).
- Henderson Community College (a part of the Kentucky Community and Technical College System) and regional campuses of Murray State University and Lindsey Wilson College;
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## From the City Manager ...

Dec. 31, 2017

Dear City Residents,

We are pleased to present the City of Henderson’s first **Popular Annual Financial Report (PAFR)** for the 2017 Fiscal Year.

This report is intended to present a condensed overview of the City’s financial position, financial practices and details outlining how City revenues were generated and spent. Financial information in this report is derived from the independently audited financial statements that are a part of the City of Henderson’s **Comprehensive Annual Financial Report (CAFR)** for the year ended June 30, 2017.

We are proud to report that the City has been awarded a Certificate of Achievement for Excellence in Financial Reporting by the Government Finance Officers Association the past 18 years.

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

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

Respectfully,

*Russell R. Sights*

City Manager



# Board of Commissioners

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



**Clockwise from lower left: 2018 Board — Commissioner Brad Staton, Commissioner Robert Pruitt, Commissioner Patti Bugg, Commissioners Austin Vowels, and Mayor Steve Austin.**

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.



## Introduction to the Popular Annual Financial Report

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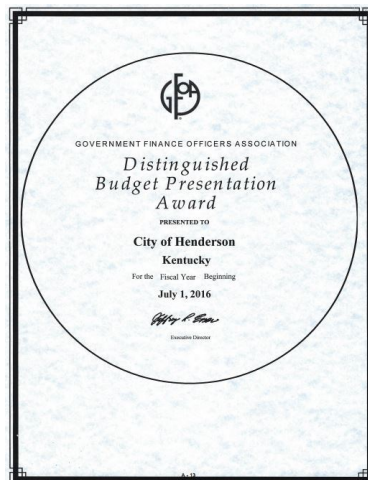
The City of Henderson was named "Community of the Year" at the annual meeting of the seven-county Green River Area Development District in 2017.



# Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a **Certificate of Achievement for Excellence in Financial Reporting** to the City of Henderson for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2016. This was the 18th consecutive year that the government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, the government had to publish an easily readable and efficiently organized CAFR that satisfied both generally accepted accounting principles and applicable program requirements.

The City of Henderson also received the GFOA's **Distinguished Budget Presentation Award** for its annual budget document beginning July 1, 2017, and ending June 30, 2018. To qualify for the Distinguished Budget Presentation Award, the government's budget document had to be judged proficient as a policy document, a financial plan, an operations guide, and a communications device.





# Capital Expenditures, Major Projects

Major projects in the next fiscal year will be the renovations of the new Municipal Service Center, acceptance of the new aerial fire truck and completion of the riverfront improvements. A number of other capital projects and initiatives are also included in this year's General Fund operating budget which will serve to enhance the City's ability to operate effectively, as well as, serve the citizens responsibly.

## The Budget Process

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

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

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



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Some highlights:

## Public Safety

- Complete the replacement of the CAD software for 911 Emergency Communications
- Complete the installation of new communication towers and radios
- Upgrade water hydrants with quick connectors

## Technology

- Nineteen (19) personal computers are proposed for replacement. This will continue the program of replacing older, slower computers with newer computers.
- Upgrade the phone system at the Peabody Building to a voice over internet protocol (VoIP).
- Update the financial software. This project was started in fiscal 2016 and will be completed in fiscal 2018.



**The new Municipal Service Center housing the Public Works Department, Henderson Municipal Gas utility and Special Projects Office has been in the works for many years.**

## Public Works

- Repave 21 different sections of streets
- Complete the transfer of operations from the old facility to the new Municipal Service Center.

## Recreation

- Install a sidewalk and handicap parking at the dog park
- Install new fencing at East End Park
- Install new sidewalk and steps at Sunset Park
- Install "Funbrella" at Atkinson Pool

In addition to the above capital items and initiatives, a total of 16 vehicles and pieces of heavy equipment are scheduled to be purchased, including: 1 mid-size sedan for Codes; 1 small pickup for Accounting/meter reading; 107-foot aerial truck for Fire; 1 Greens mower for Golf ; 4 marked Police vehicles and one unmarked vehicle; Large truck, van, and a pickup for Gas; 1 small utility cart for Cemetery; 1 cutaway van for HART; 1 rear-loading truck for the Sanitation collection; 1 material handler for the Landfill.

# General Financial Information

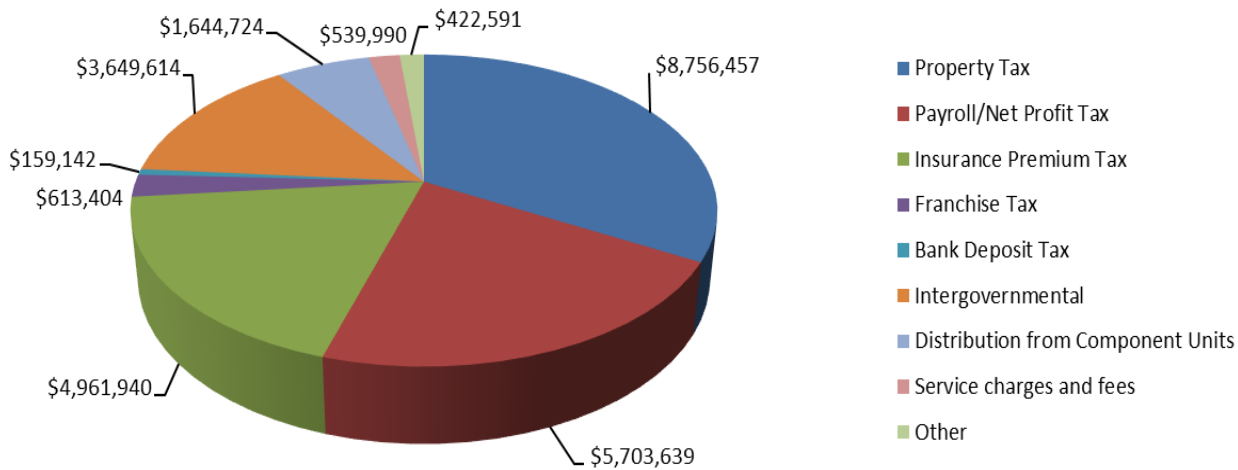
- Primary Government assets exceeded liabilities by \$5.0 million at the close of fiscal 2017. Due to pension obligations, the unrestricted net position is a negative \$19.1 million.
- City governmental funds reported combined ending fund balances of \$49.7 million. Of this total, \$5.1 million is unassigned.
- In the City’s business-type activities, income from operations increased from \$1,266,863 in fiscal 2016 to \$2,286,843 in fiscal 2017.
- The City’s General Fund ended the year with a fund balance of \$10,905,145, a decrease of \$621,958 or 5.4% from fiscal year 2016’s balance of \$11,527,103.
- In the past five years, the General Fund’s fund balance has increased 43.4% from \$7.6 million in 2012 to \$10.9 million in 2017.



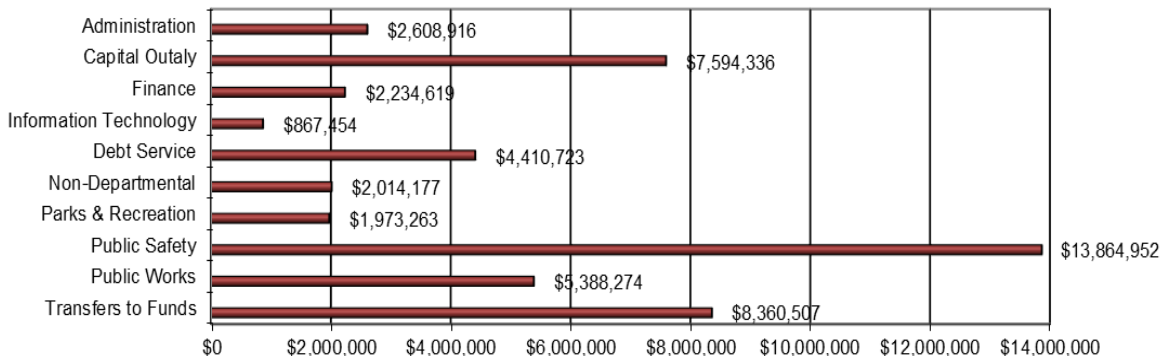
## Quick Fact

Henderson has been the home of four Kentucky governors and two lieutenant governors, the artist/naturalist John James Audubon and “Father of the Blues” W.C. Handy.

### General Fund Revenue



### 2017 Governmental Expenses By Function



# General Fund Components

## Unassigned Fund Balance

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

## Assigned Fund Balance

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

## Committed Fund Balance

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

## Non-spendable Fund Balance

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



## Long-Term Debt

At the end of the current fiscal year, the City of Henderson had total bonded debt outstanding of \$54,745,000. All of the \$54,745,000 is backed by the full faith and credit of the City.

## Bond Rating

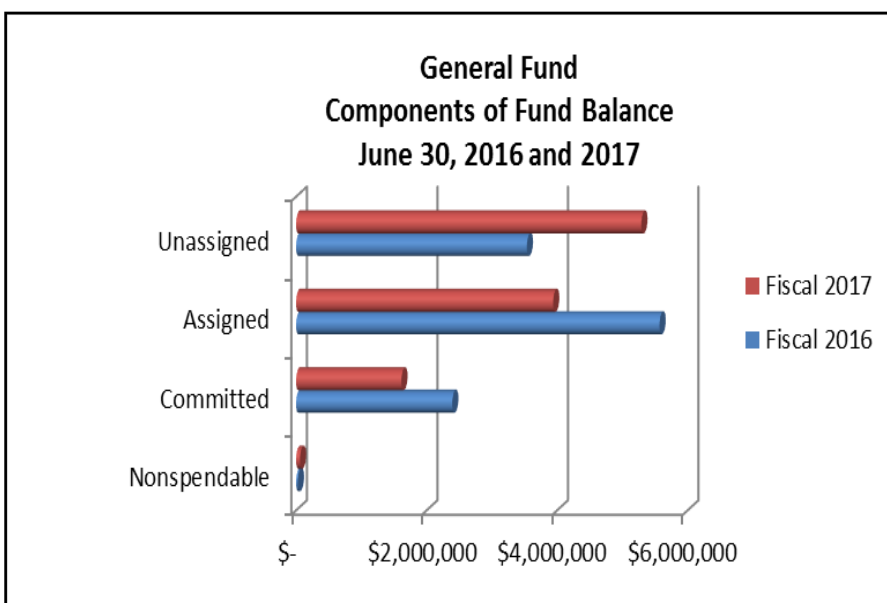
Due to strong fiscal management, stable financial position, strong reserves, healthy liquidity and stable tax base, the City of Henderson received a credit rating of Aa3 from Moody's Investor Service on its 2017 general obligation bonds.

## Growth in the City

Real estate assessments have increased 26.4 percent or \$240.7 million from \$912.7 million at the start of fiscal 2008 to \$1,153.5 million at the end of fiscal 2017. This equates to a 2.4 percent annual increase.

## Bank Deposits

Bank deposits have increased 39.8 percent or \$185 million from \$465 million to \$650 million over the same 10-year-period.





# Economic Factors & Next Year's Budget

The City of Henderson was able to fund the fiscal 2018 Budget with existing resources and the use of reserves from the General, Gas, and Sanitation Funds. Modest growth in occupational tax receipts and holding increases in operating expenses to a minimum will enable the City to continue to meet its needs.

— Effective July 1, 2017, the Board of Commissioner reduced the property tax rate from \$0.611 per \$100 of fair market assessment to \$0.490. To compensate, the payroll tax component of the occupational license tax was increased from 1.0% to 1.29%. It is anticipated that the changes will generate the same total revenue.

— For fiscal 2017, there were 238 construction permits issued with a total value of \$24,928,733.

— There were 11 single family units, and 1 multi-family (4 units) for a total of 15 units approved. The total value for new housing was \$2,996,447.

— There were 10 new commercial developments with a total value of \$14,176,060. There were 16 permits issued for demolition of substandard residential structures.

— The unemployment rate for the City of Henderson in June 2017 was approximately 4.9 percent which was slightly higher than the national rate of 4.4 percent but lower than the Kentucky rate of 5.1 percent.

— Renovations to the new municipal service center were completed in August 2017. This facility includes natural gas, sanitation, and city garage operations.

— The 24-months from July 1, 2016 to June 30, 2018 will be one of the most dynamic periods for the City of Henderson. During that span, the City will dedicate the opening of the new Municipal Service Center, finish the upgrades to the public safety communication system, see the delivery of a new fire aerial ladder truck, implement a new 911 CAD system, change the landfill operations, and many other exciting projects.



**In the works for 2018: A new aerial ladder truck for the Henderson Fire Department.**

## Capital Assets

The City of Henderson's investment in capital assets for its governmental and business-type activities as of June 30, 2017, amounts to \$40,387,181 (net of accumulated depreciation).

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

The total increase in capital assets for the current fiscal year was approximately 11.9 percent.

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

- Nearly \$5.1 million in renovations to the new municipal service center.
- \$137,704 in new playground equipment for Newman and Central Parks.
- Over \$90,463 was spent on new sidewalks.
- Another \$660,156 on new radio equipment.
- \$338,000 for a new CAD system in the 911 dispatch center.
- Property for a new fire station in the amount of \$629,025.

## Quick Fact

**During the 2015 fiscal year, the City purchased 124 acres at the end of Borax Drive with federal highway and transportation grant funds. It will be used for economic development.**



# Henderson By The Numbers



**28,841**

Population of Henderson

**1810**

Incorporated as a Town

**1904**

Public Library Built

**24**

Parks & Public Spaces

**Jan. 31, 1937**

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

**\$34,879**

Family Medium Income

**34 to 5,026**

Central Park Memorial Day cross display started with 34 tributes in 1947. In 2017 there were 5,026.

**10,500**

Weekly Residential Sanitation Pickups

## Teamwork:

### City-County Joint Ventures

- Flood Mitigation Board oversees funds dedicated to addressing flooding problems in the community.
- Solid waste disposal issues and options reviewed by City-County Cooperative Study Team.
- Emergency Dispatch Operations in the 911 Center, including upgrading the CAD system.
- Emergency Medical Services (EMS) needs of the community.
- New park for Henderson's East End.



## Request for Information

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

### Top Local Employers

Employer	Number of Employees
Methodist Hospital	1,548
Tyson Foods	1,515
Henderson County Schools	1,114
Gibbs Die Casting	861
Century Aluminum	515
Big Rivers	500
<b>City of Henderson</b> (with utilities)	460
Audubon Metals	250
Brenntag Mid-South	244
Dana	235
Accuride Corp.	159
Sitex Corp.	135
Azteca Milling	117
Pittsburg Tank & Tower Co.	115
Henderson Community College	114
Sonoco	110
Service Tool & Plastics	108
Allstate Tower Inc.	106
Shamrock Technologies Inc.	90
Columbia Sportswear Co.	89
International Paper	82
Cresline Plastic Pipe Co.	67
Matrix Composites	65
Hercules Manufacturing Co.	60
Taubensee Steel & Wire Co.	59



**Case No. 2019-00269**  
**Attachment 1 to BREC 1-31**  
**Pages 8**



*Service is our nature.*

## **INSIDE**

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*On the river, but never in it*

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*Commission, Awards*

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*Looking to the Future*

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*General Fund Components*

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*Henderson By The Numbers*

# **POPULAR ANNUAL FINANCIAL REPORT**

Fiscal Year ended June 30, 2018





# On the Ohio, but never in it

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We have:

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- Henderson Community College (a part of the Kentucky Community and Technical College System) and regional campuses of Murray State University and Lindsey Wilson College.
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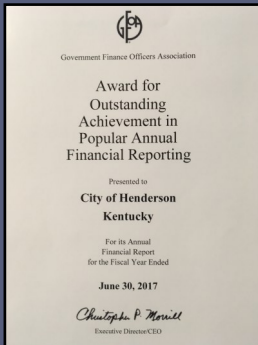
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I am grateful to those employees in the City’s Finance Department whose hard work and professionalism made those distinctions possible.

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

Respectfully,

William L. “Buzzy” Newman  
City Manager



## Our location in Kentucky



**ON THE COVER:** Henderson Riverfront (top) with the American Queen in port; (middle) the 1904 Henderson County Public Library; (bottom) the award-winning W.C. Handy Blues & Barbecue Festival. **ABOVE:** Fisherman on the Ohio River.

# Board of Commissioners

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## Community awards

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

—The Perch, a new “pocket park” in downtown honored by Kentucky Recreation and Parks Society for community collaboration.

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

—Henderson Housing Authority Executive Director Bobbie Jarrett received Lifetime Achievement Award from Kentucky Housing Association.

—W.C. Handy Blues & Barbecue Festival named Kentucky's “Best Festival” by Kentucky Living Magazine for third consecutive year. The community received 8 other awards in the “Best of Kentucky” poll.

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

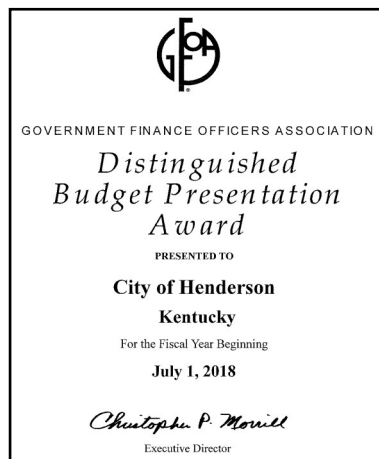
—Tourist Commission staff win four Traverse Awards at Kentucky Travel Industry Association annual conference.

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

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## Capital Expenditures, Major Projects

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Some highlights:

### Public Safety

- Complete the replacement of the CAD software for 911 Emergency Communications.
- Complete the installation of new communication towers and radios.

### Technology

- Nineteen personal computers are proposed for replacement. Included in the nineteen are three laptops and two rugged computers. This will continue the program of replacing older, slower computers with newer computers.
- Upgrade the phone system at the Municipal Building to a voice over internet protocol (VoIP).

### Public Works

- Repave 31 different sections of streets.
- Repair the gutter system in the Municipal Service Center (MSC).
- Add a new wash bay at the MSC.

In addition to the above capital items and initiatives, a total of 16 vehicles and pieces of heavy equipment are scheduled to be purchased, including:

One small pickup for Accounting/meter reading; One fire service pickup; Small utility cart for Golf ; Five marked Police vehicles and one unmarked vehicle; Service truck for Traffic Control; One pickup for Gas Distribution; Trencher for Gas Distribution ; One bus and one cutaway van for Henderson Area Rapid Transit (HART); Two pickups for HART .



**The Municipal Service Center housing the Public Works Department, Henderson Municipal Gas utility and Special Projects Office was in the works for many years and finally opened in 2017. A new gutter system and wash bay are the next planned improvements.**

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

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



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

# General Financial Information

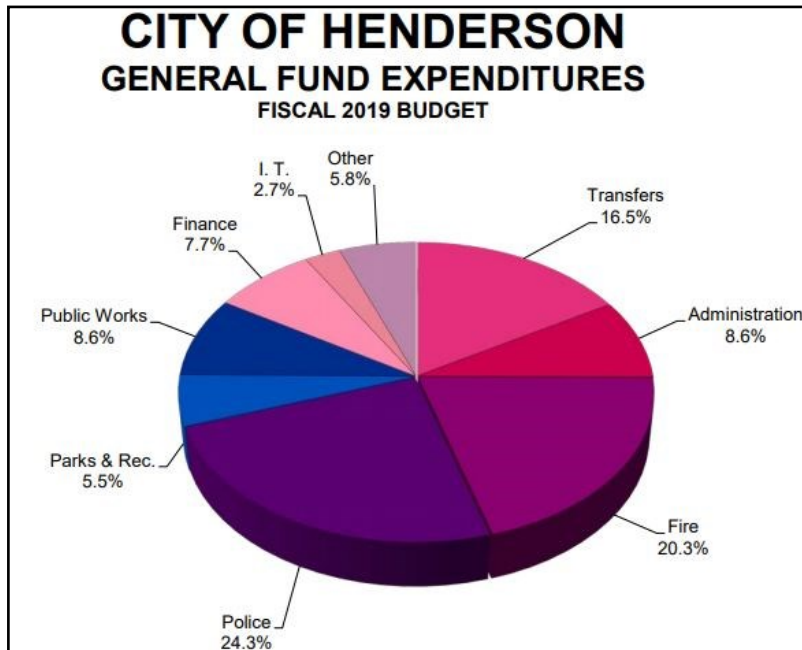
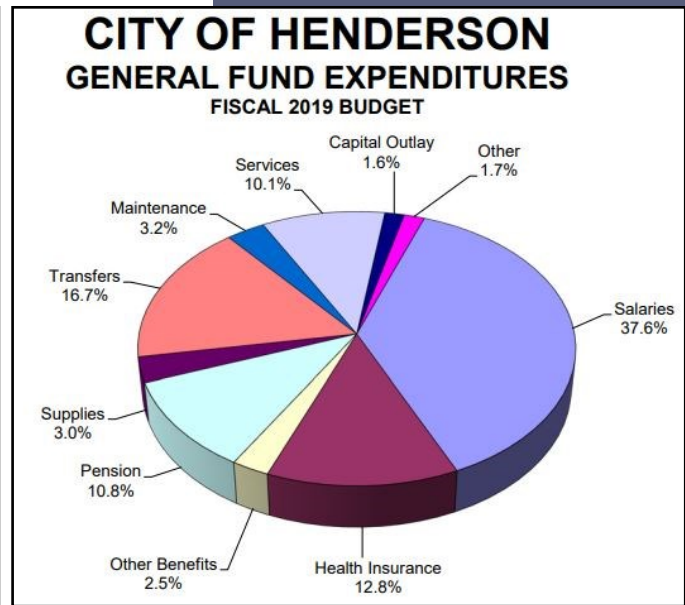
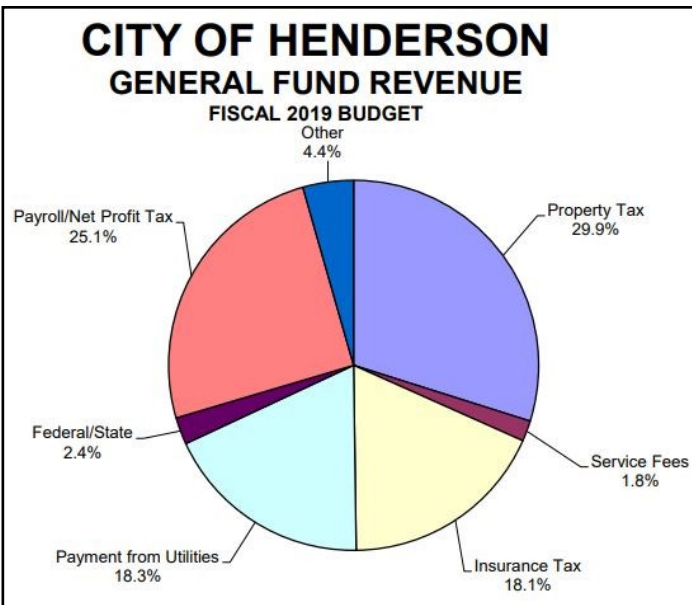
- Primary Government liabilities exceeded assets by \$10.6 million at the close of fiscal 2018. Due to pension obligations, the unrestricted net position is a negative \$34 million.
- City governmental funds reported combined ending fund balances of \$46.2 million. Of this total, \$5.2 million is unassigned.
- In the City’s business-type activities, income from operations decreased from \$2,286,843 in fiscal 2017 to \$1,692,796 in fiscal 2018.
- The City’s General Fund ended the year with a fund balance of \$10,202,736, a decrease of \$702,409 or 6.5 percent from fiscal year 2017’s balance of \$10,905,145.
- In the past five years, the General Fund’s fund balance has increased 7.4 percent from \$9.5 million in 2013 to \$10.2 million in 2018.

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



## Quick Fact

Henderson has been the home of four Kentucky governors and two lieutenant governors, the artist/naturalist John James Audubon and “Father of the Blues” W.C. Handy.



## Quick Fact

Henderson County Public Library, built in 1904 with assistance from philanthropist Andrew Carnegie, will undergo an expansion that is scheduled to be completed in 2020. The expansion will add new space for the library’s collections of various media and will include new community meeting spaces.

# General Fund Components

## Unassigned Fund Balance

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

## Assigned Fund Balance

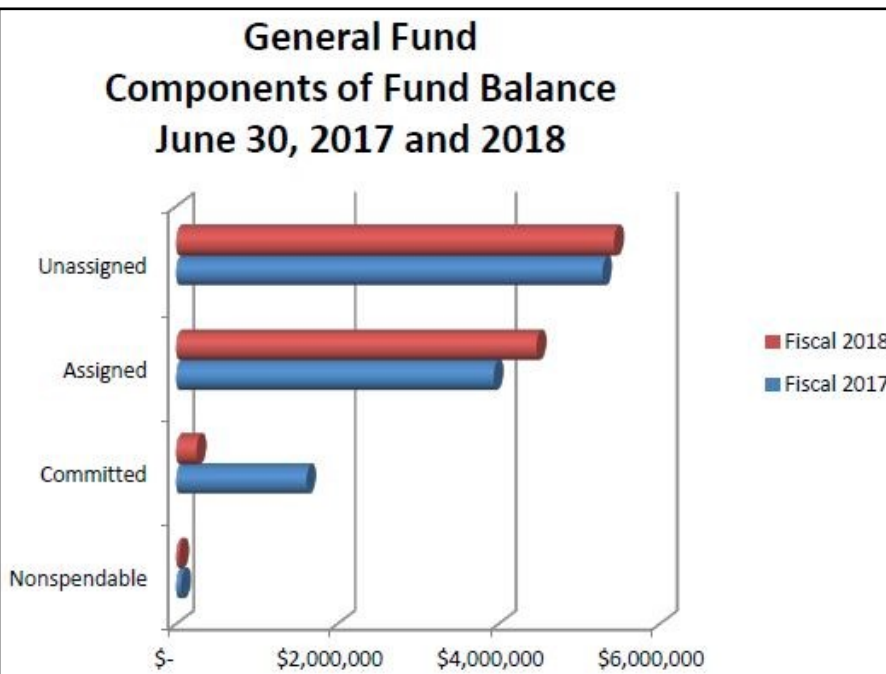
The assigned fund balance classification includes amounts constrained by the City's **intent** to be used for specific purposes, but are neither restricted nor committed. Intent is expressed by either the Board of Commissioners or the City Manager or any other body or official which they have delegated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

## Committed Fund Balance

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

## Non-spendable Fund Balance

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



## Long-Term Debt

At the end of the current fiscal year, the City of Henderson had total bonded debt outstanding of \$51,365,000. All of the \$51,365,000 is backed by the full faith and credit of the City.

## Bond Rating

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

## Growth in the City

Real estate assessments have increased 17.8 percent or \$179.2 million from \$1,008.4 million at the start of fiscal 2009 to \$1,186.6 million at the end of fiscal 2018. This equates to a 1.7 percent annual increase.

## Bank Deposits

Over the same 10-year period, bank deposits have increased 36.5 percent, or \$174,790.





# Economic Factors, Trends, & Next Year's Budget

## Capital Assets

The City of Henderson's investment in capital assets for its governmental and business-type activities as of June 30, 2018, amounts to \$38,779,052 (net of accumulated depreciation).

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

The total increase in capital assets for the current fiscal year was approximately 4 percent.

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

- \$1.03 million for a new aerial fire truck.
- More than \$583,000 on vehicles including police pursuit cruisers, and \$210,000 for a street sweeper.
- \$166,275 in machinery and equipment including a new severe weather siren and greens mower.
- Another \$90,300 on new radio equipment.
- \$47,000 for a new parklet in the Central Business District.
- \$90,000 on new sidewalks.
- \$119,300 to add air conditioning to the garage area at the MSC.
- \$116,709 for rear-end loader and \$252,700 for material handler at the landfill.

The City of Henderson was able to fund the fiscal 2019 Budget with existing resources and the use of reserves from the General, Gas, and Sanitation Funds. Modest growth in occupational tax receipts and holding increases in operating expenses to a minimum will enable the City to continue to meet its needs.

— Effective July 1, 2017, the Board of Commissioner reduced the property tax rate from \$0.611 per \$100 of fair market assessment to \$0.490. To compensate, the payroll tax component of the occupational license tax was increased from 1.0% to 1.29%. The net difference resulted in an increase of \$115,320 in 2018 and it is anticipated that the changes will generate an increase in total tax revenue in future years.

— For fiscal 2018, there were 190 construction permits issued with a total value of \$7,067,007.

— There were 13 single family units, and 1 multi-family (2 units) for a total of 15 units approved. The total value for new housing was \$1,647,850.

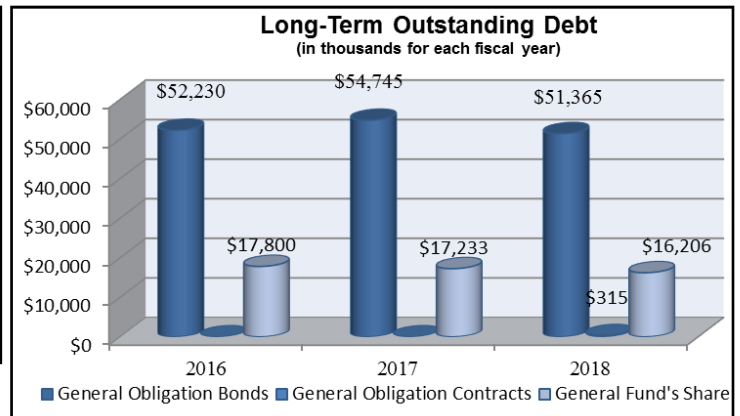
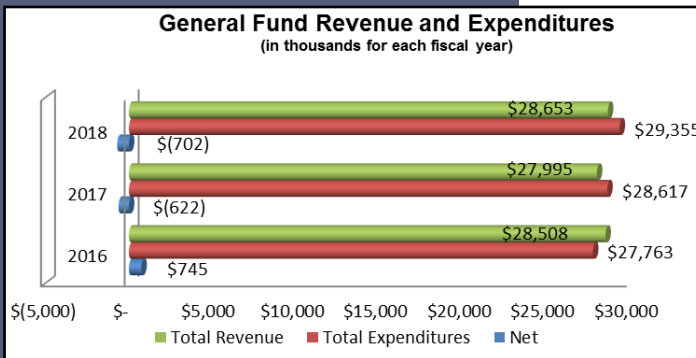
— There were three new commercial developments with a total value of \$846,000. There were 27 permits issued for demolition of substandard residential structures.

— The unemployment rate for the City of Henderson in June 2018 was approximately 4.4 percent which was slightly higher than the national rate of 4 percent and slightly higher than the Kentucky rate of 4.2 percent.

— The 24-month time period from July 1, 2016 to June 30, 2018 was one of the most dynamic periods for the City of Henderson. During that span, the City dedicated the opening of the new Municipal Service Center, finished the upgrades to the public safety communication system, saw the delivery of a new fire aerial ladder truck, implemented a new 911 CAD system, changed the landfill operations, and experienced many other exciting projects.

## Quick Fact

During the 2015 fiscal year, the City purchased 124 acres at the end of Borax Drive with federal highway and transportation grant funds. It will be used for economic development. Infrastructure improvements have begun.





# Henderson By The Numbers

**29,108**

Population of Henderson

**1810**

Incorporated as a Town

**1904**

Public Library Built

## Teamwork:

### City-County Joint Ventures

- Flood Mitigation Board oversees funds dedicated to addressing flooding problems in the community.
- Solid waste disposal issues and options reviewed by City-County Cooperative Study Team.
- Emergency Dispatch Operations in the 911 Center, including replacing the CAD system.
- Emergency Medical Services (EMS) needs of the community.
- Park in Henderson's East End, which added a student-created mural in 2017 and a small shelter funded by community grants in 2018.



## Request for Information

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



**25**

Parks & Public Spaces

**Jan. 31, 1937**

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

**\$34,793**

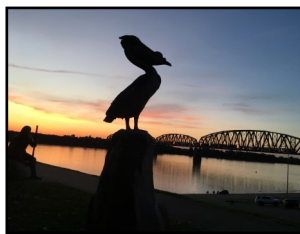
Family Medium Income

**5,026**

Central Park Memorial Day cross display started with 34 tributes in 1947. In 2017 there were 5,026.

**10,500**

Weekly Residential Sanitation Pickups



**15**

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

**21,200**

Christmas bulbs to keep maintained.

**Aug. 15, 1896**

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

## 15 Top Local Employers

Tyson Foods	1,416
Henderson County Schools	1,114
Methodist Hospital	986
Gibbs Die Casting	906
Century Aluminum	499
<b>City of Henderson</b> (including HWU)	<b>470</b>
Big Rivers	465
Pittsburg Tank & Tower Co.	366
Audubon Metals	332
Brenntag Mid-South	305
Dana	249
Accuride Corp.	187
Sitex Corp.	135
Azteca Milling	117
Henderson Community College	114

**260**

Miles of natural gas mains in our system.

**1** Gravel street (Van Wyck Road)

**86 percent**

Of 911 calls, 33,654 (or 86 percent) came from mobile phones. Only 5,440 came from landlines.

**1,152**

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

**Case No. 2019-00269**  
**Attachment 1 to BREC 1-31**  
**Pages 8**



***Service is our nature.***

## **INSIDE**

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*On the river, but never in it*

**Page 3**

*Commission, awards*

**Page 4**

*Capital expenditures, major projects*

**Page 5**

*General financial information*

**Page 6**

*General fund components*

**Page 7**

*Looking to the future*

**Page 8**

*Henderson By The Numbers*

# **POPULAR ANNUAL FINANCIAL REPORT**

**Fiscal Year ended June 30, 2019**





## From the City Manager ...

Dec. 31, 2019

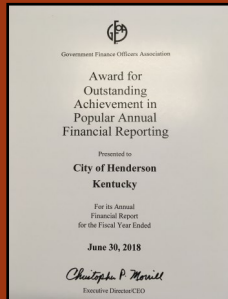
Dear City Residents,

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

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

We are proud to report that the City has been awarded a Certificate of Achievement for Excellence in Financial Reporting by the Government Finance Officers Association the past 20 years.

The City was also presented with an Award for Outstanding Achievement for its second Popular Annual Financial Report we produced for Fiscal Year 2018. That report has been available in the lobby of our Municipal Center, on our web site, at the Henderson County Public Library, at Kyndle (Economic Development/ Chamber office) and was distributed at the annual State of the City Address by Mayor Steve Austin.



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

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

Respectfully,

*William L "Buzzy" Newman*

City Manager

CityManager@CityOfHendersonKy.org



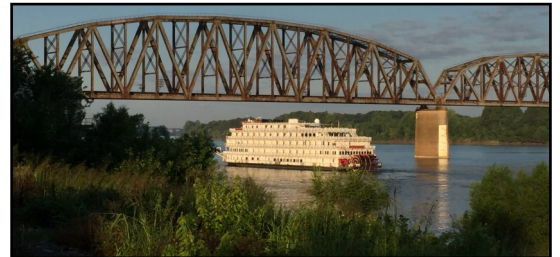
# On the Ohio, but never in it

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

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

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

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



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

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

We have:

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



## Our location in Kentucky

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

# Board of Commissioners

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

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

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



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



## Introduction to the Popular Annual Financial Report

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

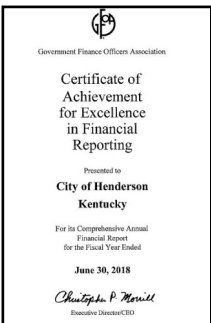
## Awards and Acknowledgements

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

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

The City of Henderson also received the GFOA's **Distinguished Budget Presentation Award** for its annual budget document beginning July 1, 2019, and ending June 30, 2020. This was the 11th consecutive year

that the government has achieved this prestigious award. To qualify for the Distinguished Budget Presentation Award, the government's budget document had to be judged proficient as a policy document, a financial plan, an operations guide, and a communications device. For the second year, the City of Henderson received the **Popular Annual Financial Reporting Award** for its June 30, 2018, presentation. Henderson is one of only three cities in Kentucky to be awarded all three awards for the most recent year.



### CAFR

Find our reports at [www.cityofhendersonky.org/165/Audit-Financial-Reports](http://www.cityofhendersonky.org/165/Audit-Financial-Reports)

## Community awards

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

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

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

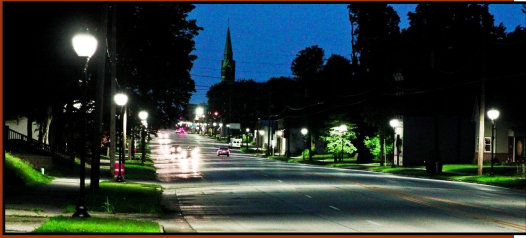
—Our three major music festivals listed on Southeast Tourism Society's Top 20 Events.

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

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

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

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



# Capital Expenditures, Major Projects

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

Some highlights of things to come:

## The Budget Process

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



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

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

## Public Safety

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

## Technology

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

## Public Works

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

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

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

## Quick Fact

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



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

# General Financial Information

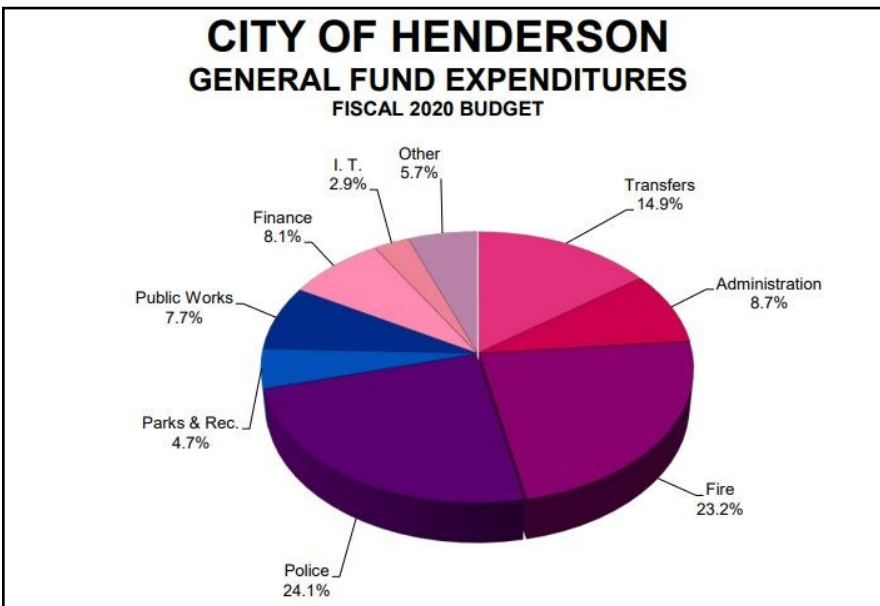
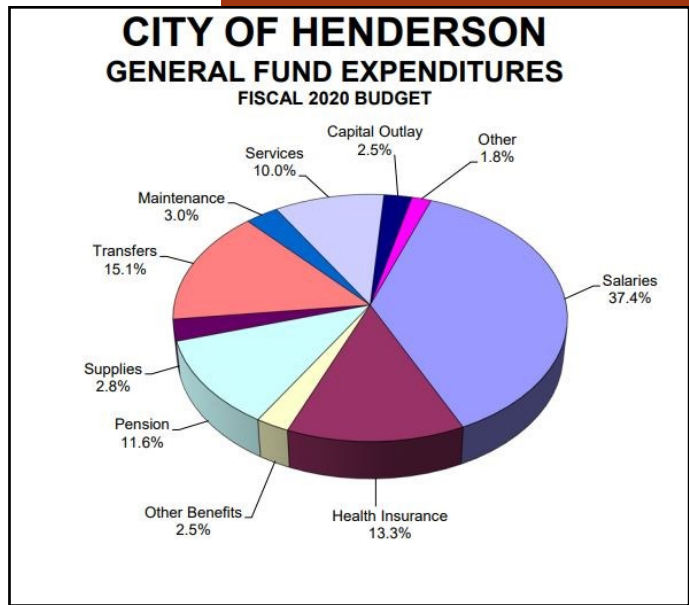
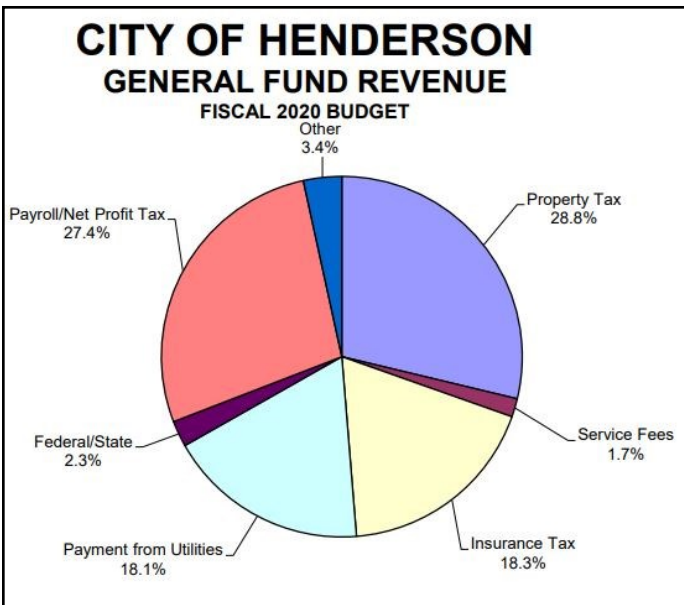
- Primary Government liabilities exceeded assets by \$18.9 million at the close of fiscal 2019. Due to pension and other post-employment obligations, the unrestricted net position is a negative \$41.6 million.
- City governmental funds reported combined ending fund balances of \$42.2 million. Of this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

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



## Quick Fact

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



## Quick Fact

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



# General Fund Components

## Unassigned Fund Balance

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

## Assigned Fund Balance

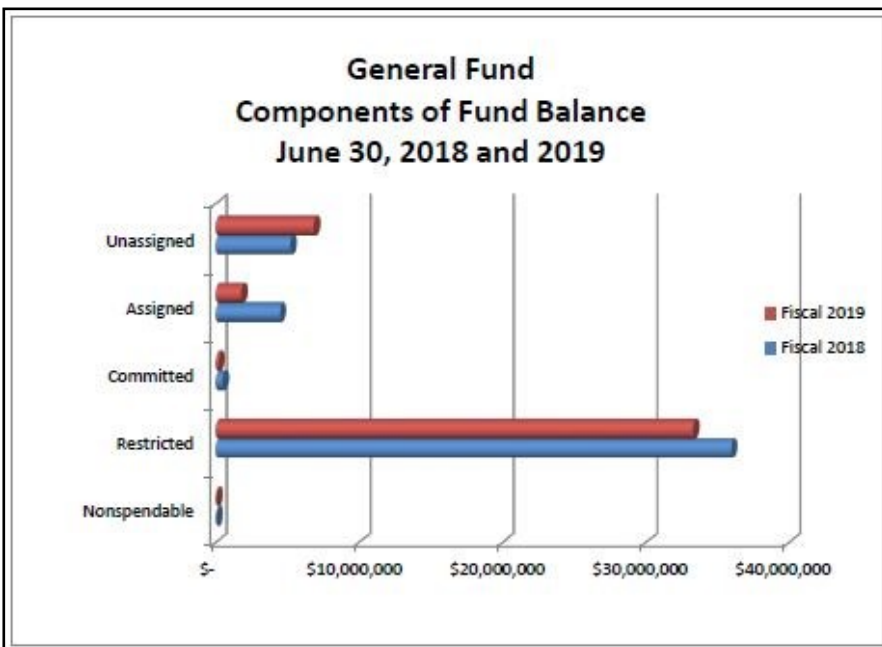
The assigned fund balance classification includes amounts constrained by the City's **intent** to be used for specific purposes, but are neither restricted nor committed. Intent is expressed by either the Board of Commissioners or the City Manager or any other body or official which they have delegated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

## Committed Fund Balance

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

## Non-spendable Fund Balance

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



## Long-Term Debt

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

## Bond Rating

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

## Growth in the City

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

## Bank Deposits

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



# Economic Factors, Trends, & Next Year's Budget

## Capital Assets

The City of Henderson's investment in capital assets for its governmental and business-type activities as of June 30, 2019, amounts to \$37,312,859 (net of accumulated depreciation).

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

The total increase in capital assets for the current fiscal year was approximately 3.8 percent.

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

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

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

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

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

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

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

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

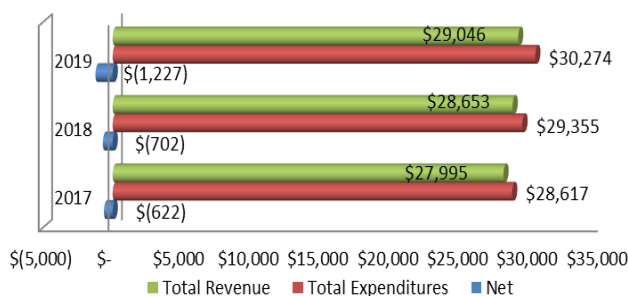
—A significant change during Fiscal 2019 was the pension liability as determined by the County Employee Retirement System (CERS). Due to revised actuarial assumptions, the liability for the City of Henderson increased by \$3,327,057 or 7.9 percent.

## Quick Fact

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

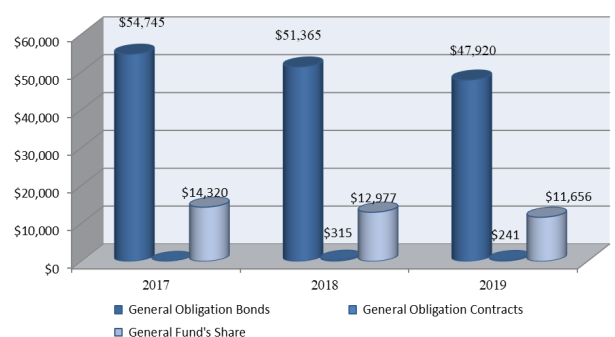
### General Fund Revenue and Expenditures

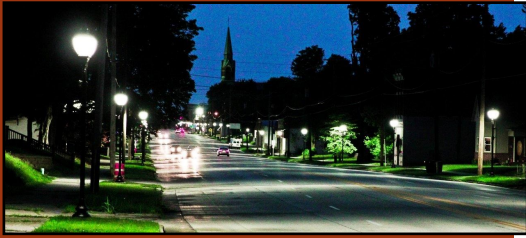
(in thousands for each fiscal year and includes "transfers in" and "transfers out")



### Long-Term Outstanding Debt

(in thousands for each fiscal year)





## Teamwork:

### City-County Joint Ventures

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



### Request for Information

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

# Henderson By The Numbers

**28,832**

Population of Henderson

**1810**

Incorporated as a Town

**1904**

Public Library Built

**25**

Parks & Public Spaces

**Jan. 31, 1937**

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

**\$43,458**

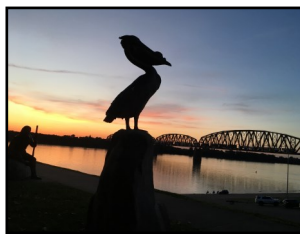
Family Medium Income

**5,526**

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

**10,200**

Weekly Residential Sanitation Pickups



**15**

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

**21,200**

Christmas bulbs to maintain.

**Aug. 15, 1896**

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

### 15 Top Local Employers

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

**119,258**

Total ridership on Henderson Area Rapid Transit in FY 2019

**1** Gravel street (Van Wyck Road)

**86.01 percent**

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

**1,182**

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

**Case No. 2019-00269**  
**Attachment 1 to BREC 1-31**  
**Pages 12**



# OUR YEAR IN REVIEW

Fiscal Year ended June 30, 2019



*Service is our nature.*

## INSIDE

### Page 2

*'On the river, but never in it'*

### Page 3

*Commission, awards*

### Page 4

*Capital expenditures, major projects*

### Page 5-8

*Our city departments at work*

### Page 9

*General financial information*

### Page 10

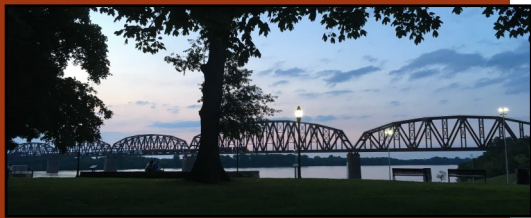
*General fund components*

### Page 11

*Looking to the future*

### Page 12

*Henderson by the numbers*



# 'On the river, but never in it'

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

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

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



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

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

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

We have:

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

## From the City Manager ...

Dec. 31, 2019

We are pleased to present *Our Year In Review* in coordination with the preparations for the City of Henderson's third *Popular Annual Financial Report (PAFR)* for the 2019 Fiscal Year.

In addition to presenting a condensed overview of the City's financial position, financial practices and details outlining how City revenues were generated and spent, *Our Year In Review* highlights the individual departments' efforts and accomplishments in achieving their Fiscal Year goals. Financial information in this report is derived from the independently audited financial statements that are a part of the City of Henderson's *Comprehensive Annual Financial Report (CAFR)* for the year ended June 30, 2019.

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

I am grateful to the City of Henderson employees whose hard work and professionalism are imperative in making our goal of providing excellence in City services a reality.

As you review this *Our Year In Review*, please feel free to share any questions, concerns or recommendations that you may have with us.

Respectfully,

*William L "Buzzy" Newman*

City Manager

CityManager@CityOfHendersonKy.org



## Our location in Kentucky

**ON THE COVER:** (Top) Local students are honored in our annual Arbor Day Celebration, which includes a coloring contest. Our City has been named a Tree City USA for 24 consecutive years. (Middle) Fire Department personnel working on their training goals. HFD staff completed 12,612 hours of training in 218. (Bottom) Maintenance work on one of our 1,182 hydrants.



# Board of Commissioners

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



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

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.

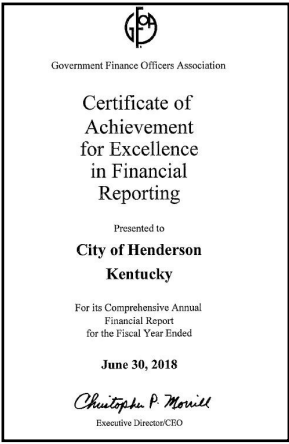


## Introduction to Our Year In Review

The City of Henderson’s Department Heads and divisional leaders were asked to outline their Top 5 accomplishments for the Fiscal Year that ended June 30, 2019. Some projects were launched in FY2019 but were still ongoing in the new Fiscal Year that started July 1, 2019, so they were included for the record. It is important to note that many projects required collaboration across departments and could be listed by more than one City Department. **See their accomplishments list on Page 4-8.**

## Awards and Acknowledgements

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



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

The City of Henderson also received the GFOA’s **Distinguished Budget Presentation Award** for its annual budget document beginning July 1, 2019, and ending June 30, 2020. This was the 11th consecutive year that the government has

achieved this prestigious award. To qualify for the Distinguished Budget Presentation Award, the government’s budget document had to be judged proficient as a policy document, a financial plan, an operations guide, and a communications device.

For the second year, the City of Henderson received the **Popular Annual Financial Reporting Award** for its June 30, 2018, presentation. Henderson is one of only three cities in Kentucky to be awarded all three awards for the most recent year.

## Community awards

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

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

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

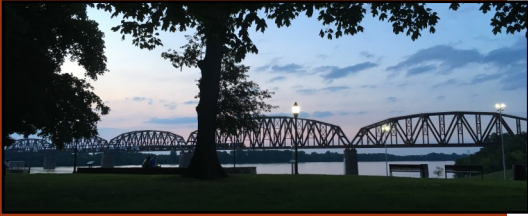
—Our three major music festivals listed on Southeast Tourism Society’s Top 20 Events.

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

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

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

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



# Capital Expenditures, Major Projects

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

Some highlights of things to come in Fiscal Year 2020:

## The Budget Process

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



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

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

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

## Public Safety

- New Fire Department pumper truck.
- Three pursuit vehicles for Police Department.
- One new replacement ambulance.

## Technology

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

## Public Works

- Repaving 27 different sections of streets.
- Design work for Green River Road sidewalks.
- Design work for Wathen Lane road improvements.
- Replacing Wathen Lane bridge.
- Updating the Gathering Place bathrooms.
- North Elm Street improvements.
- Solid waste and recycling tonnage issues

## Quick Fact

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

In addition to the above capital items and initiatives, a total of four vehicles and pieces of heavy equipment are scheduled to be purchased, including: One sanitation rear compacting truck; one pickup truck for Henderson Municipal Gas; one bus for Henderson Area Rapid Transit; and one pickup truck for Henderson Area Rapid Transit.



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



# Our Top Fiscal Year 2019 projects

## BOARD OF COMMISSIONERS/CITY MANAGER

- Hired a new Chief of Police (Heath Cox).
- Planning for the creation of a new 911 department and hiring a director.
- Purchased property and entered into agreement that created Bridges Golf Course of Henderson.
- Mayor Steve Austin received Elected Official of the Year from Kentucky League of Cities.
- Development of utility infrastructure for Henderson Technology & Industry Park, located in a census tract designated as an “Opportunity Zone” in 2018.



- Completed and dedicated the City’s first “pocket park,” dubbed The Perch, located in the 200 block of Second Street; project that included the first public mural was a collaboration with several community organizations and individuals.
- Transferred two City-Owned Letcher Street lots to Habitat for Humanity of Henderson for a small housing redevelopment project across from East End Park.
- Completed a project getting brown attractions signs installed at Zion Road interchange.

- Became 11<sup>th</sup> Kentucky City to adopt a “Fairness Ordinance.”
- Approved a needle exchange program proposed by the Green River District Health Department.
- Approved an agreement with Kentucky Transportation Cabinet for the Wathen Lane Bridge Replacement Project and upgrade of Wathen Lane.
- Redefined and expanded areas in downtown where a special event with alcohol can take place.
- Collaborative efforts with community partners.



## CITY ATTORNEY

- Launched proceedings for a mass foreclosure.
- Institution of payment for Open Records requests.
- Support for Kentucky League of Cities initiatives.



## PUBLIC INFORMATION OFFICE

- Published weekly newsletters for City employees; completed design and planning for bimonthly community newsletter “42420.”
- Achieved Outstanding Achievement award for the Popular Annual Financial Report.
- Planning for staff retreat; writing and design for strategic plan as a result of retreat.
- Collaboration with community partners on Downtown Master Plan and Vision Plan.
- Maintaining and improving participation in Community Calendar Hub.

## CITY CLERK

- Multi-year document-scanning project (more than 30 boxes) to digitize records from City Manager, Assistant City Manager and City Clerk divisions.
- Recycling of captured records as well as old agenda packets from the 1990s.

## HUMAN RESOURCES

- Evaluation of the effectiveness of the near-site clinic.
- Revised recruitment/hiring process to fill police officer positions. Partnered with Police Department to implement lateral police hiring process.
- Absorption of part of Henderson Water Utility safety/training coordinator duties.
- Completed the annual benefits open-enrollment process.



## PERSONNEL By Department

### ADMINISTRATION

- City Manager
- Administrative Liaison
- Community Relations Manager/  
Public Information Officer
- Senior Secretary (Part Time)
- City Clerk
- City Attorney
- Legal Secretary
- Human Resources Director
- Human Resources Specialist
- Benefits Coordinator (2)
- Human Resources Generalist
- Safety & Training Coordinator
- Code Administrator
- Code Inspector
- Property Maintenance Inspector
- Community Development Specialist
- Secretary
- Special Projects Manager
- Administrative Secretary
- Engineer
- Seasonal Engineering Intern

### FINANCE

- Finance Director
- Administrative Secretary
- Administrative Clerk
- Assistant Finance Director
- Occupational License Tax Administrator
- Occupational License Tax Representative (Part Time)
- Occupational License Temporary Account Technician Senior (1 .25)
- Payables Account Technician Senior (1.75)
- Accounting Manager
- Utility Billing Supervisor
- Account Technician (2)
- Utilities Servicer (3)
- Meter Reader (4)
- Revenue Supervisor
- Receivables Account Technician (1)
- Account Representative (5)
- Account Representative Part-Time (2)
- Office Assistant/Switchboard



# Our Top Fiscal Year 2019 projects

## PERSONNEL By Department

### PARKS & RECREATION

- Parks & Recreation Director
- Secretary Senior
- Recreation Program Manager
- Recreation Facilities Supervisor
- Recreation Center Worker
- Recreation Center Worker (2 Part Time)
- Custodial Worker
- Seasonal Head Lifeguard
- Seasonal Senior Lifeguard
- Seasonal Lifeguard (15)
- Seasonal Cashier (2)
- Seasonal Concession Worker (2)
- Parks & Cemeteries Superintendent
- Cemeteries Equipment Operator (2)
- Ground Maintenance Worker (5)
- Landscape Technician (2)

### POLICE DEPARTMENT

- Police Chief
- Deputy Police Chief
- Administrative Secretary
- Traffic & Patrol Major
- Lieutenants (3)
- Sergeants (4)
- Police Officer (35)
- DARE Police Officer
- School Resource Police Officer (2)
- Meter Enforcement
- School Crossing Guard (3)
- Emergency Response Team
- Canine Police Officer (2)
- Reserve Police Officer (4)
- Support Services Major
- Secretary Senior
- Investigations Lieutenant
- Investigations Sergeant
- Detective Police Officer (6)
- Crime Scene Unit Police Officer
- Property Room Police Officer
- Training Sergeant
- Secretary
- Data Entry Operator
- System Administrator (2)
- Records Technician
- Office Assistant

### CODE ENFORCEMENT

- Alley Clean-up Initiative targeting six-eight problem alleys that are always dumping grounds for the public.
- Positive strides in transforming office to a customer-oriented department in regard to response time and openness in working with the community on permits, plan reviews, inspection timeliness and answering technical building and zoning questions in an easily understood way.
- Removed 10 blighted, abandoned or dilapidated properties.
- Positive progress in property maintenance inspections and Code Enforcement Board Ordinance. Report for July 2018-June 2019 shows 390 citations. Process of citation with fines continues to be a positive motivator.
- Utilizing in building development chain (project concept to early planning/zoning, plan reviews, permitting, building inspections, certificate of occupancy) to be economic development advocates and ambassadors for our community. One result: \$7.5-million, three-story affordable senior housing project on previous site of Audubon School.



### SPECIAL PROJECTS OFFICE



- Construction of wash bay at Municipal Service Center.
- Boardwalk project overlooking Sunset Park to connect the Water Street sidewalks.
- New sidewalk on South Main Street.
- Planning for Wathen Lane widening project.
- Planning for Wathen Lane bridge replacement.
- Green River Road sidewalks.
- Two blocks of concrete street repairs on North Elm Street.

- Oversight at Bridge Golf Course of Henderson rehabilitation.
- Construction of detention basin in Lakeland neighborhood funded by FEMA.
- Joint City-County planning for Ohio Drive widening project
- Coordination of The Perch and "Discover Your Nature" mural project.



### FINANCE

- Transitioned to new utility billing software that offers more information to customers.
- Received the Certificate of Achievement for Excellence in Financial Reporting from the Governmental Finance Officers Association for the 20th consecutive year.
- Received the Distinguished Budget Presentation Award from the GFOA for the 10th consecutive year.
- Increased the number of utility customers using Automated Clearing House (ACH) from 2,154 in June 2018 to 2,319 in June 2019, an increase of 165 (7.7 percent).
- Increased the number of utility customers receiving an email instead of a paper bill from 126 in June 2018 to 194 in June 2019, an increase of 68 (53.7 percent).

# Our Top Fiscal Year 2019 projects

## FIRE DEPARTMENT

--"Stop the Bleed" kits for educational classrooms (365); personnel became certified to teach the "Stop the Bleed" curriculum.



- Acquired truck-mounted mobile computer terminals for each frontline apparatus, allowing crews to log times on the CAD program as well as providing ability to search for information pertaining to emergency calls.
- Improved Alert Report Management System.
- Replacement of wrecked apparatus with a new state of the art Seagrave Fire Engine. (See photo on Page 4).
- Formation of Honor Guard to give proper respect to the fallen and to celebrate events.
- Trained personnel and implemented Yoga for First Responders.
- Acquired \$51,000 grant for training ground improvements.

## POLICE DEPARTMENT

- Reduction in reported crime by 12 percent (goal was 5 percent).
- Created a lateral officer program.
- Created a new supervisor training program
- Revamped communication officer training manual
- Created a recruitment and retention plan
- In the works: retired officer program, officer wellness program, Angel program.

## PUBLIC WORKS

- Spring cleanup program collected more than 300 tons of debris in more than 100 loads.
- Leaf pickup program operated from the first of November through the end of January.
- Watson Lane ditch rehabilitation project from Wildwood Creek to Stonegate.
- Fine-tuning of slope behind Peabody Building after Kentucky Transportation Cabinet completed its work to clear the slope (10 days of work involving six workers).
- Riverfront cleanup: Removed silt both ramps and the middle; rehabbed the rest of the riverfront riprap where high water had eroded it. (10 days of work involving six workers.)



## PERSONNEL By Department

### 911 COMMUNICATIONS

- 911 Communications Director
- 911 Communications Supervisor
- Lead Communications Officer (2)
- Communications Officer (12)
- On-Call Communications Officer (4)

### FIRE DEPARTMENT

- Fire Chief
- Administrative Secretary
- Secretary
- Assistant Chief (3)
- Captain Fire Inspector
- Captain Training & Safety
- Lieutenant (12)
- Fire Driver-Engineer (18)
- Firefighter (24)

### PUBLIC WORKS

- Public Works Director
- Traffic Control/Public Way Improvement Street Superintendent
- Senior Secretary
- Traffic Control Supervisor
- Equipment Operator Senior (2)
- Crew Worker Senior (4)
- Crew Worker (6)
- Heavy Equipment Operator Senior
- Heavy Equipment Operator (2)
- Sanitation Collection/Disposal Superintendent
- Equipment Operator (4)
- Sanitation Worker Senior (2)
- Sanitation Worker (7)
- Seasonal Sanitation Worker (3)
- Solid Waste Scale Operator/Landfill Scale Operator
- Landfill Heavy Equipment Operator
- Central Garage Superintendent
- Account Clerk
- Vehicle Mechanic (4)
- Vehicle Servicer
- Vehicle Servicer Helper
- Municipal Facilities Superintendent
- Municipal Facilities Worker Senior (3)
- Municipal Facilities Worker
- Municipal Facilities Assistant



# Our Top Fiscal Year 2019 projects

## PERSONNEL By Department

### MASS TRANSIT

- Transit Superintendent
- Transit Mechanic Supervisor
- Fixed Route Bus Operator (7)
- Fixed Route Bus Operator (Part Time)
- Bus Preventive Technician
- Para-Transit Bus Operator (2)
- On-Call Fixed Route Bus Operator (2)
- Office Assistant

### INFORMATION TECHNOLOGY

- Information Technology Director
- Network Administrator II
- Network Administrator I
- Applications Programming Manager
- Programmer/Analyst
- IT Support Specialist

### GAS SYSTEM DEPARTMENT

- Gas System Director
- Administrative Secretary
- Gas System Analyst
- Gas Operations Manager
- Secretary
- Gas Measurement Technician Leader
- Gas Measurement Technician (2)
- Gas Distribution Technician
- Gas Servicer (2)
- Inventory Control Technician
- Gas Distribution Superintendent
- Gas Construction Supervisor
- Gas Distribution Crew Leader (3)
- Gas System Equipment Operator (3)
- Gas System Worker (3)
- Seasonal Gas System Worker (2)
- Maintenance Welder

### PARKS & RECREATION

- Management of more than 50 volunteer organizations, six sponsoring organizations and nearly 2,000 participants and four city departments for the East End Halloween Extravaganza.
- Completion of East End Park with the construction of the shelter funded by two local civic organizations (Partnership of Women! and Henderson Rotary Club).
- Hosting the American Drug Free Powerlifting Association Competition at the John F. Kennedy Community Center with more than 100 participants from multiple countries in the North America and Europe.
- Renovation of Community Park restrooms; completion in May 2019.



### INFORMATION TECHNOLOGY

- Managed Tyler New World Utility Management Release for: Custom Reports Website, Consumption Reports, Major Data Fix.
- Reduced telephone bill. Major AT&T was reduced from \$4,200 per month to \$1,600 per month for a cost savings of \$32,100 per year.
- Avaya phone system connected to Henderson Water Utility for four-digit dialing.
- Added SAN (Storage Area Network) to 911 datacenter.
- City website improvements (recycling, public newsletter, Police Department and Parks & Recreation.)

### GAS SYSTEM

- Ohio Drive project work, including intermediate system conversion and high-pressure PA12 installation (first PA12 application in the nation since new rule).
- Director Owen Reeves completes APGA chairmanship.
- Successful Public Service Commission of Kentucky inspection with no deficiencies.
- Adams Lane 175 PSIG high-pressure six-inch steel exposure remediation.
- North Main Street replacement project via horizontal directional drilling with lateral locating.
- Regulator station work at new addition for Henderson County Public Library (new) and Audubon Mill Park (retired).
- Holloway Lane and Rucker Road No. 1 main extension (one mile).
- Two-year safety record.
- Merritt Drive main extension and first cut regulator removal reducing pressure in mains that serve customers in this area.



# General Financial Information

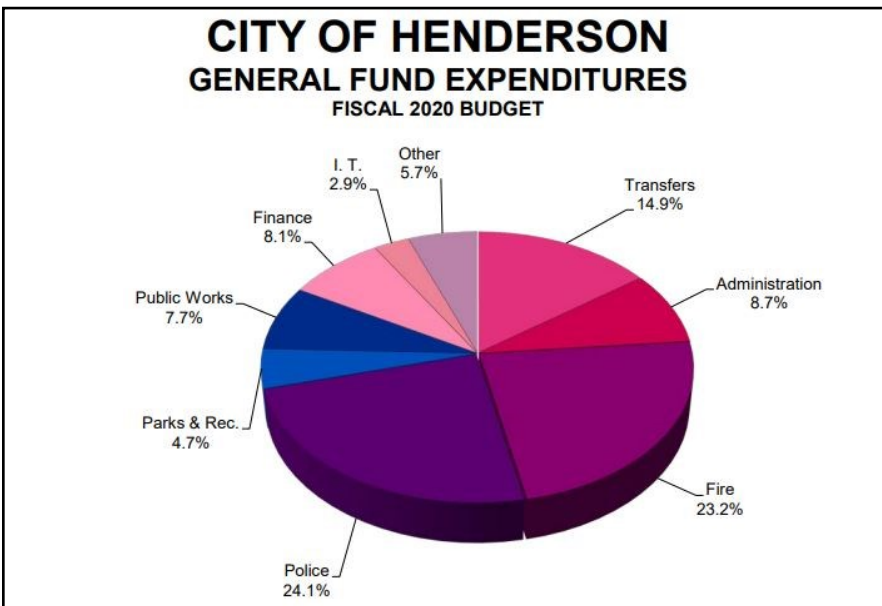
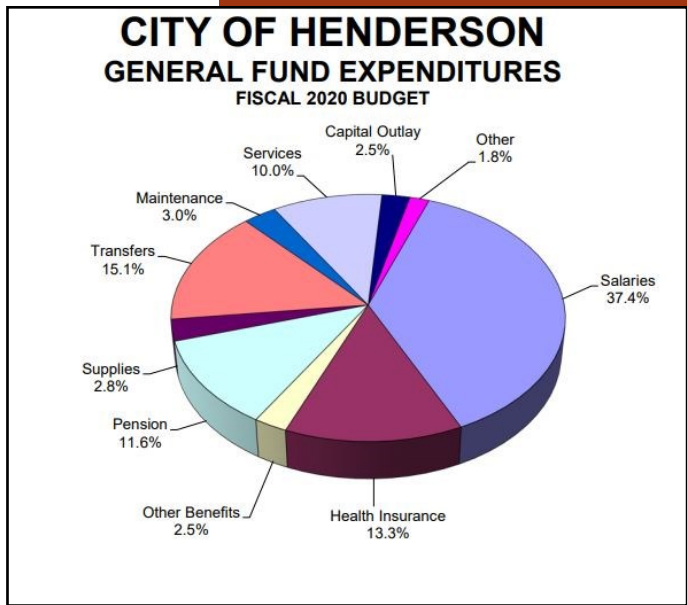
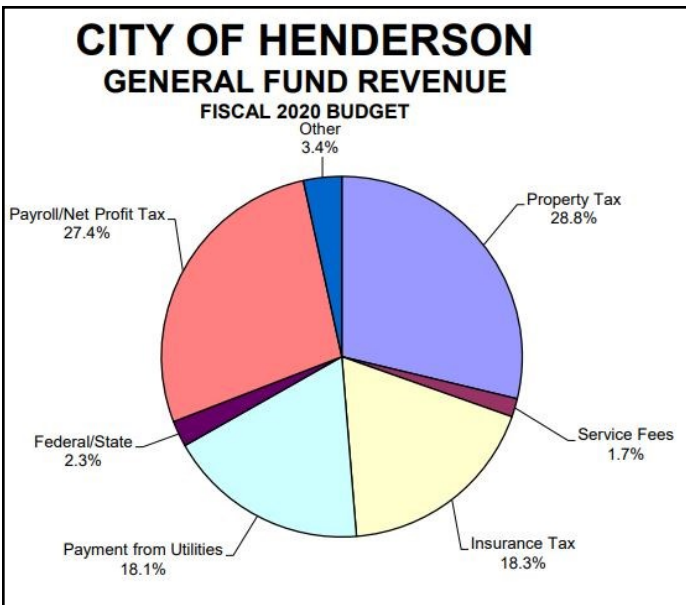
- Primary Government liabilities exceeded assets by \$10.6 million at the close of fiscal 2018. Due to pension obligations, the unrestricted net position is a negative \$34 million.
- City governmental funds reported combined ending fund balances of \$42.2 million. Of this total, \$6.9 million is unassigned.
- In the City’s business-type activities, income from operations decreased from \$1,692,796 in fiscal 2018 to \$1,297,766 in fiscal 2019.
- The City’s General Fund ended the year with a fund balance of \$8,975,382, a decrease of \$1,227,354, or 12 percent, from fiscal year 2018’s balance of \$10,202,736.
- In the past five years, the General Fund’s fund balance has increased 18.4 percent from \$7.6 million in 2012 to \$9 million in 2019.

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



## Quick Fact

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



## Quick Fact

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

# General Fund Components

## Unassigned Fund Balance

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

## Assigned Fund Balance

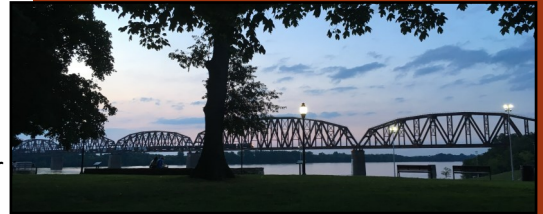
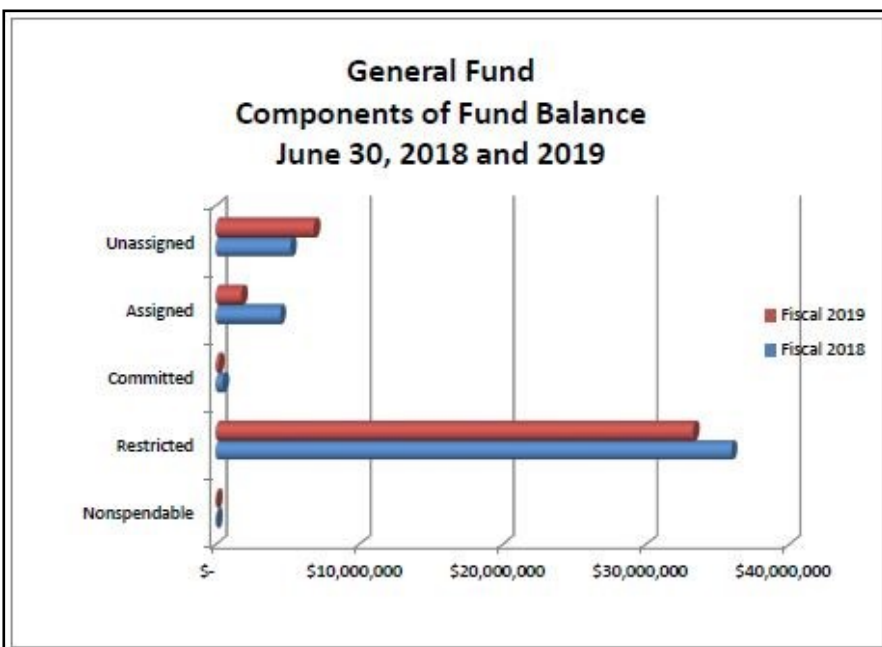
The assigned fund balance classification includes amounts constrained by the City's **intent** to be used for specific purposes, but are neither restricted nor committed. Intent is expressed by either the Board of Commissioners or the City Manager or any other body or official which they have delegated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

## Committed Fund Balance

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

## Non-spendable Fund Balance

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



## Long-Term Debt

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

## Bond Rating

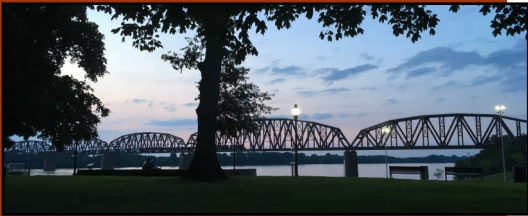
Due to strong fiscal management, stable financial position, strong reserves, healthy liquidity and stable tax base, the City of Henderson received a credit rating of Aa3 from Moody's Investor Service on its 2017 general obligation bonds.

## Growth in the City

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

## Bank Deposits

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



# Economic Factors, Trends, & Next Year's Budget

## Capital Assets

The City of Henderson's investment in capital assets for its governmental and business-type activities as of June 30, 2019, amounts to \$37,312,859 (net of accumulated depreciation).

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

The total increase in capital assets for the current fiscal year was approximately 3.8 percent.

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

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

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

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

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

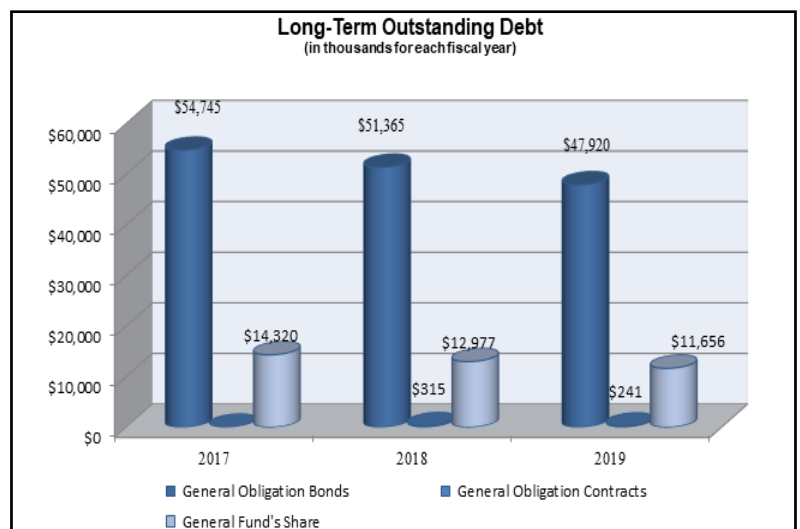
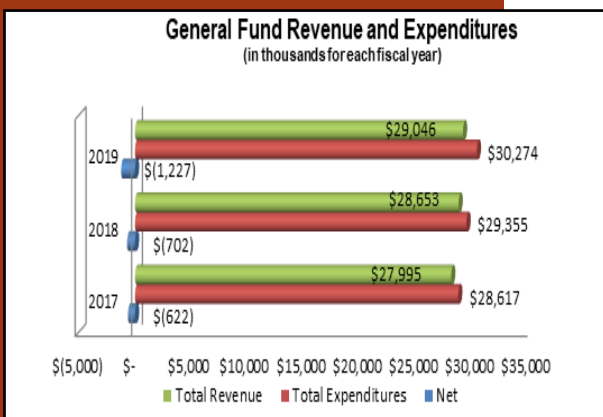
—There were six new commercial developments with a total value of \$8,681,000. There were 34 permits issued for demolition of substandard residential structures.

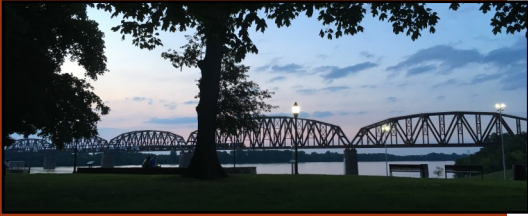
—The unemployment rate for the City of Henderson in June 2019 was approximately 4.4 percent, which was slightly higher than the national rate of 3.7 percent and the Kentucky rate of 4.1 percent.

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

## Quick Fact

During the 2015 fiscal year, the City purchased 124 acres at the end of Borax Drive with federal highway and transportation grant funds. It will be used for economic development. There is \$166,000 in additional funds in fiscal 2020 to complete infrastructure improvements that include roads and utilities.





# Henderson By The Numbers

**28,832**

Population of Henderson

**1810**

Incorporated as a Town

**1904**

Public Library Built

## Teamwork:

### City-County Joint Ventures

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



### Request for Information

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

**25**

Parks & Public Spaces

**Jan. 31, 1937**

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

**\$43,458**

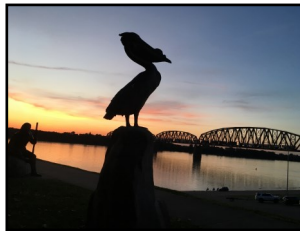
Family Medium Income

**5,526**

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

**10,200**

Weekly Residential Sanitation Pickups



**15**

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

**21,200**

Christmas bulbs to maintain.

**Aug. 15, 1896**

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

### 15 Top Local Employers

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

**119,258**

Total ridership on Henderson Area Rapid Transit in FY 2019

**1** Gravel street (Van Wyck Road)

**86.01 percent**

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

**1,182**

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





**City of Henderson, Kentucky Utility  
Commission - (Henderson Municipal Power  
& Light)**

**REPORT ON AUDITED FINANCIAL STATEMENTS**  
For the fiscal years ended May 31, 2011 and 2010

Case No: 2019-00269  
Attachment 1 to BREC 1-31  
HMPL Audits 2011-2019

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# **CITY OF HENDERSON UTILITY COMMISSION- HENDERSON MUNICIPAL POWER & LIGHT MANAGEMENT'S DISCUSSION AND ANALYSIS**

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The City of Henderson Utility Commission (HMP&L) is in the business of providing electricity and internet communication services for residential, commercial, and industrial customers within the incorporated territory of the City of Henderson, Kentucky. The Commission also provides electricity and internet communication services to customers in a few areas outside of the incorporated territory of Henderson. The following discussion and analysis of HMP&L's financial performance provides an overview of the Utility's financial activities for fiscal year ended May 31, 2011.

## **Overview of the Financial Statements:**

This annual financial report consists of three parts: 1) Management's Discussion and Analysis, 2) Financial Statements, and 3) Supplemental Additional Information. The Financial Statements also include notes that explain in more detail some of the information in the financial statements. The statements are followed by a section of supplemental information that further explains and supports the information in the basic financial statements. The Supplemental schedules present the financial position and results of operations for the Existing System and Station Two. The Consolidated Financial Statements report information about HMP&L using accounting methods similar to those used by private sector companies, except for the reporting of contributions in aid of construction, equity capital, and retained earnings. (Refer to the Summary of Significant Accounting Policies in the footnotes to the Financial Statements relating to the adoption of Statement No. 34 of the Governmental Accounting Standard Board (GASB 34).

The Statement of Net Assets, successor to the Balance Sheet, includes all of the Utility's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and the obligations to HMP&L's creditors (liabilities). It also provides the basis for evaluating the capital structure of HMP&L and assessing the liquidity and financial flexibility of HMP&L.

All of the current year's revenues and expenses are accounted for in the Statement of Revenues, Expenses, and Changes in Net Assets, successor to the Income Statement. This statement measures the success of the Utility's operations over the past year and can be used to determine whether the Utility has successfully recovered all of its costs through the sale of electricity, communications, and other charges, and has earned a reasonable return on investment, as well as, maintained a sound financial position.

The final required financial statement is the Statement of Cash Flows. The primary purpose of this statement is to provide information about the Utility's cash receipts, cash payments, and net changes in cash resulting from operations, investing and financing activities, and provides information on the sources and uses of cash and the changes in cash balances during the year.

**CITY OF HENDERSON UTILITY COMMISSION-  
HENDERSON MUNICIPAL POWER & LIGHT  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

---

**Financial Statements continued:**

- HMP&L's total assets decreased from \$103,346,288 at May 31, 2010 to \$103,017,068 at May 31, 2011. This decrease is primarily attributable to the decreased balances in investment securities and property and equipment.
- Operating revenues for HMP&L Existing System increased by approximately \$3,325,000 or 10% from \$31,052,372 to \$34,277,707. The increase in existing system sales was primarily due to increase power demand over that of the previous year. Internet revenue also increased by \$80,000.

<b><u>Existing System:</u></b>	<b>2011</b>	<b>2010</b>	<b>Increase Decrease</b>	<b>Percentage Change</b>
Sale of electricity	\$ 32,651	\$ 29,595	\$ 3,056	10%
Communication services	1,062	982	80	8%
Other	564	475	89	19%
Total operating revenues	<u>\$ 34,277</u>	<u>\$ 31,052</u>	<u>\$ 3,225</u>	<u>10%</u>

Note: All amounts presented in thousands -000's omitted

- Operating expenses for HMP&L Existing System increased by approximately \$3,340,000 or 12%. The following table represents the changes in the expenses for the Existing System:

<b><u>Existing System:</u></b>	<b>2011</b>	<b>2010</b>	<b>Increase Decrease</b>	<b>Percentage Change</b>
Production of electricity	\$ 22,891	\$ 20,246	\$ 2,645	13%
Other Operating Expenses	6,305	5,766	539	9%
Depreciation	984	828	156	19%
Total operating expenses	<u>\$ 30,180</u>	<u>\$ 26,840</u>	<u>\$ 3,340</u>	<u>12%</u>

Note: All amounts presented in thousands -000's omitted

**CITY OF HENDERSON UTILITY COMMISSION-  
HENDERSON MUNICIPAL POWER & LIGHT  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

---

**Financial Statements continued:**

- Operating revenues for Station Two decreased approximately \$498,000 over that of the previous year. The Station Two agreement is not designed to generate a profit for each of the participants in the venture, but rather to break-even on a cash flow basis. Operating expenses decreased for Station Two.

<b><u>Station Two:</u></b>	<b><u>2011</u></b>	<b><u>2010</u></b>	<b><u>Change</u></b>
Sales - BREC	\$ 21,148	\$ 22,271	(1,123)
Sales - HMPL	8,113	7,446	667
Sale of emmission allowances and other	-	-	-
	-	42	(42)
Total operating revenues	<u>29,261</u>	<u>29,759</u>	<u>(498)</u>
<b><u>Expenses:</u></b>			
Production of Electricity	29,389	30,872	(1,483)
Depreciation	4,046	4,008	38
Administrative			-
Total operating expenses	<u>33,435</u>	<u>34,880</u>	<u>(1,445)</u>
Income from operations	\$ (4,174)	\$ (5,121)	\$ 947
Interest income	<u>1</u>	<u>2</u>	<u>(1)</u>
Net income before transfers	<u>\$ (4,173)</u>	<u>\$ (5,119)</u>	<u>\$ 946</u>

Note: All amounts in thousands, 000's omitted

Upon the consolidation of the financial statements for each system, transactions between Henderson Municipal Power and Light and Station Two Operator are eliminated.

**Statement of Net Assets:**

Net assets of HMP&L decreased by \$2,675,249 for the fiscal year ended May 31, 2011, while net assets increased by \$13,808,900 in the fiscal year ended May 31, 2010.

Cash and cash equivalents decreased by \$149,000 and Investment Securities decreased by \$2,759,731 from 2010.

**Statement of Net Assets continued:**

Cash and cash equivalents decreased by \$149,000 for the fiscal year ended May 31, 2011 versus a decrease of \$449,000 over that of the previous fiscal year ended.

**CITY OF HENDERSON UTILITY COMMISSION-  
HENDERSON MUNICIPAL POWER & LIGHT  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

A summary of the assets of the Commission for the previous three years is as follows:

<b>Assets:</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>
Cash and cash equivalents	\$ 94	\$ 243	\$ 692
Investment securities	20,332	23,092	6,324
Accounts receivable and unbilled revenue	5,786	4,687	4,813
Accounts receivable Station Two Operator	2,855	1,591	298
Inventories	7,703	5,168	5,652
Prepaid expenses	63	63	97
Total current assets	<u>36,833</u>	<u>34,844</u>	<u>17,876</u>
Utility, plant, and equipment, net	<u>66,184</u>	<u>68,502</u>	<u>67,787</u>
Total assets	<u>\$ 103,017</u>	<u>\$ 103,346</u>	<u>\$ 85,663</u>

Note: All amounts in thousands, 000's omitted

Current liabilities decreased by \$197,000. Accounts payable increased \$1.1 million over the previous year mainly due to the increase price of coal.

A summary of the liabilities section of the Statement of Net Assets is as follows:

<b>Liabilities</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>
Accounts payable and accrued expenses	\$ 6,378	\$ 5,245	\$ 5,917
Accounts payable - construction	1,222	1,758	-
Asset retirement obligation	1,431	1,513	1,512
Accounts payable - Station Two Operator	-	732	-
Short-term debt - line of credit	-	-	1,200
Customer deposits	654	633	585
Total Current Liabilities	<u>\$ 9,685</u>	<u>\$ 9,881</u>	<u>\$ 9,214</u>
Long Term Debt			
Bond anticipation notes	<u>7,976</u>	<u>5,433</u>	<u>2,226</u>
Total Liabilities	<u>\$ 17,661</u>	<u>\$ 15,314</u>	<u>\$ 11,440</u>

Note: All amounts in thousands, 000's omitted

**CITY OF HENDERSON UTILITY COMMISSION-  
HENDERSON MUNICIPAL POWER & LIGHT  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

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**Statement of Revenues, Expenses, and Changes in Net Assets:**

Operating Revenues for the entire entity increased by \$2,160,305 over that of the previous year, and as mentioned above, the increase is related to Existing System sales. Sales for HMP&L Station Two decreased by \$1.12 million or 5% while Sales Existing System increased by \$3.33 million or 10.70%.

Operating Expenses increased by \$1.8 million. This was due to increased operating costs incurred with the operation of the Existing System related to the cost of coal and lime.

The Net Operating Income of the Existing System, after interest expense and interest income, was \$4 million. Transfers were made to the City of Henderson in the amount of \$1.2 million for the fiscal year ended, the value of power furnished to the City of Henderson at no charge was \$376,704, and the value of communication services provided to the City of Henderson and other governmental agencies, at no charge, was \$420,000.

Station Two had a net operating loss of \$4.17 million, however, the net loss relates primarily to depreciation expense which is a non-cash item.

<b><u>Summary of Changes in Net Assets:</u></b>	<b><u>Existing System</u></b>	<b><u>Station Two</u></b>	<b><u>Elimination</u></b>	<b><u>Total</u></b>
Income (loss) before transfers	\$ 4,039	\$ (4,173)	\$ -	\$ (134)
<u>Non-operating items:</u>				
Contributed capital-net of HMPL	600	1,053	(2,153)	(500)
Transfers to City of Henderson	(1,245)	-	-	(1,245)
Communication services provided to the City and other governmental agencies	(420)	-	-	(420)
Power furnished to City of Henderson	(376)	-	-	(376)
	<hr/>	<hr/>	<hr/>	<hr/>
Increase (decrease) in net assets	\$ 2,598	\$ (3,120)	\$ (2,153)	\$ (2,675)

All amounts in thousands 000's omitted

**CITY OF HENDERSON UTILITY COMMISSION-  
HENDERSON MUNICIPAL POWER & LIGHT  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

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**Statement of Cash Flows:**

Cash generated from operating activities decreased by \$3.9 million over the level from 2010.

Cash Flows from non-capital financing activities include the funds transferred to the City of Henderson. For the fiscal year ended May 31, 2011, \$1.2 million was transferred.

Cash used by capital and related financing activities was \$842,000.

Cash and cash equivalents for the year, which consist primarily of checking and money market accounts of HMP&L, decreased by \$149,000.

<b><u>Cash Flow Summary</u></b>	<b><u>2011</u></b>	<b><u>2010</u></b>	<b><u>2009</u></b>
Net cash generated by operations	\$ (927)	\$ 3,043	\$ 3,007
Cash transferred to City of Henderson	(1,244)	(1,244)	(1,244)
Distribution from former Station Two Operator.	-	17,379	
Net cash used by capital and related financing	(842)	(4,318)	(4,188)
Investing activities	2,864	(15,308)	1,662
Increase (decrease) in cash equivalents	(149)	(448)	(763)
Cash equivalents beginning of year	243	691	1,454
Cash equivalents, end of year	<u>\$ 94</u>	<u>\$ 243</u>	<u>\$ 691</u>

Note: All amounts in thousands,000's omitted

The following is a summary of cash and investment balances as of May 31, 2009, to 2011:

	<b><u>2011</u></b>	<b><u>2010</u></b>	<b><u>2009</u></b>
Cash and cash equivalents	\$ 94	\$ 243	\$ 691
Investments	20,332	23,092	6,324
	<u>\$ 20,426</u>	<u>\$ 23,335</u>	<u>\$ 7,015</u>

Note: All amounts in thousands, 000's omitted



# **CITY OF HENDERSON UTILITY COMMISSION- HENDERSON MUNICIPAL POWER & LIGHT MANAGEMENT'S DISCUSSION AND ANALYSIS**

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## **Capital Assets:**

As noted in the footnotes to this report, HMP&L has 18,189 sulfur dioxide emission allowances from the Existing System and Station Two available as of May 31, 2011. The value of the allowances is not reflected in the financial statements due to the fact that the Commission has no cost basis in the allowances. The estimated current market value of these allowances at May 31, 2011, is approximately \$54,567.

## **Debt Administration:**

HMP&L entered into two Bond Anticipation Notes with Fifth Third Bank on December 22, 2008, a non-taxable series 2008A in the amount of \$3,500,000 and a taxable series 2008B in the amount of \$9,000,000. The series 2008A will be used for capital improvements to the City's retail electric system. The taxable series 2008B will be used to make capital improvements to the City's Station Two generating plant. As of May 31, 2011 the amount drawn on the series 2008A note was \$3.4 million and the amount drawn on the series 2008B was \$4.5 million. Both notes must be replaced by new Bond Anticipation Notes or repaid within 36 months from the issuance date. HMP&L entered into an additional Bond Anticipation Note with Fifth Third Bank on March 25, 2010, a non-taxable series 2010A in the amount of \$1,500,000. This note must be replaced by a new Bond Anticipation Note or repaid at the same time as the series 2008A note. The amount which was drawn on the series 2010A note as of May 31, 2011 was \$51,062.

On January 29, 2009, the City Commission approved an Ordinance increasing electric rates by 3.855 percent for all customer rate classifications. The purpose of the rate increase was to provide additional revenue to make the principal and interest payments on the short-term Bond Anticipation Notes and the long-term Bonds to be issued in the future to replace the Bond Anticipation Notes. HMP&L set up a separate Bond Payment Account and, as of May 31, 2011, HMP&L had accrued \$2,019,000 for future principal and interest payments for the Bonds.

## **System Improvements and Replacement of Capital Assets:**

During the period of June 1, 2010, through May 31, 2011, HMP&L made a number of improvements to the electric and communication facilities and replaced certain assets. The improvements to the facilities and asset replacements increased service reliability and extended the useful-life of certain existing assets.

During the FY2010-2011, HMP&L made \$1,722,413 in capital improvements and replacements in the Existing System and \$989,420 in capital improvements and replacements of Station Two.

**CITY OF HENDERSON UTILITY COMMISSION-  
HENDERSON MUNICIPAL POWER & LIGHT  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

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**System Improvements and Replacement of Capital Assets continued:**

On September 14, 2008, the remnants of Hurricane Ike hit the Henderson area with 75 mph winds. Extensive damage to HMP&L facilities was caused by trees and tree limbs falling. A large number of customers were without power initially and total service restoration was completed within a couple of days. As a result of the storm related damage, HMP&L requested \$118,677.88 in FEMA assistance. In July 2009, HMP&L received \$66,478 from FEMA and the remaining balance is expected to be paid by FEMA.

On January 27, 2009, a major ice storm struck Kentucky, including the Henderson area. The weight of the large amount of ice caused major damage to HMP&L's entire transmission and distribution facilities. Initially, more than 80 percent of all customers were without power. Outside contract line crews were hired to help repair damages and restore service. Gradually, all service was restored within seven days. As a result of the storm related damage, HMP&L requested \$932,206.37 in storm related FEMA assistance. In July 2009, HMP&L received \$856,354 from FEMA and the remaining balance of \$75,852 is expected to be paid by FEMA.

**Economic Factors:**

The current down turn in the local economy has impacted HMP&L kilowatt hour sales. The decline in HMP&L sales began in December 2008 and leveled off in the summer of 2010. As the depressed economy continues, HMP&L anticipates static kilowatt hour sales. However, based upon monthly sales data subsequent to June 1, 2010, it appears the decline in gross sales has stabilized and sales now appear to be increasing due to seasonal weather fluctuations.

**Station Two – Future Expenditures:**

In 1998, HMP&L and Big Rivers Electric Corporation entered into contracts with Western Kentucky Energy Corporation for the operation of the HMP&L Station Two Power Plant and other Big Rivers Electric Corporation Generation Plants. As of June, 2009, Big Rivers Electric Corporation and Western Kentucky Energy Corporation were in discussions to unwind the original 1998 contracts and return operational control of the Station Two Power Plant and the other Plants to Big Rivers Electric Corporation. The Unwind Transaction closed on July 16, 2009, and Big Rivers, thereafter, resumed operation of the Station Two generating plant. Big Rivers Electric Corporation identified a number of facility upgrades and maintenance projects for the Station Two Power Plant subsequent to FY2009-2010. These projects indicate HMP&L will incur an additional \$18 million to \$21 million in maintenance expenses at Station Two. Big Rivers and HMP&L are currently involved in litigation concerning the Excess Henderson Energy at Station Two. The litigation was heard in the Henderson County Circuit Court and the

**CITY OF HENDERSON UTILITY COMMISSION-  
HENDERSON MUNICIPAL POWER & LIGHT  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

---

**Station Two – Future Expenditures continued:**

judge assigned the dispute to arbitration. Depending upon the outcome of the arbitration, this legal dispute may continue until early 2012. On November 12, 2010, a Petition for Declaratory Judgment was filed by HMP&L stating that it is not in violation of the provisions of KRC Chapter 337 relating to Prevailing Wages at Station Two as alleged by the Kentucky Labor Cabinet. HMP&L is requesting the Court issue a decision concerning the applicability of the Prevailing Wage Statute to future projects at Station Two. As of May 31, 2011, no judgment or decision has been issued by the Court.

In the recent three year period, HMP&L has increased its reserved capacity at Station Two. The reserve capacity for FY2010-2011 was 105 megawatts and for FY 2011-2012 is 110 megawatts; HMP&L intends to continue increasing its reserved capacity by 5 megawatt increments each year until HMP&L's reserve capacity is equal to the historical system peak demand. Each megawatt increase in the reserved capacity at Station Two will cost HMP&L approximately \$150,000/year. The actual annual cost of reserved capacity, however, is based upon the Station Two budget which varies each year.

**Closing of Station One:**

The Utility Commission considered Station One to no longer be a viable generating facility because of increasing federal and state restrictions for new air emissions and the increasing costs of maintenance and fuel for the facility. Therefore, Station One was closed effective December 31, 2008. Upon closing, Station One employed 13 full-time and 2 temporary personnel of which nine were placed internally, one was placed externally, one retired, three were laid off and one temporary employee was terminated. As of May 31, 2011 no decision has been made concerning the future use of the Station One assets.

# **CITY OF HENDERSON UTILITY COMMISSION- HENDERSON MUNICIPAL POWER & LIGHT MANAGEMENT'S DISCUSSION AND ANALYSIS**

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## **Southeastern Power Administration (SEPA):**

The Southeastern Power Administration (SEPA) has contracted with HMP&L to provide HMP&L a total of 18,000 megawatt hours of hydroelectric energy each year. The 18,000 megawatt hours represent approximately 3 percent of HMP&L's annual megawatt hour requirements. HMP&L is restricted to not more than 12 megawatt hours during any one hour period. The hydroelectric power is provided from SEPA generation units on the Cumberland River System Project.

In the fall of 2006, SEPA informed all contract project participants that the Wolf Creek Dam near Jamestown, Kentucky, had been inspected and serious seepage problems existed in the earthen dam. The seepage problems at the dam date back to 1968 and the US Army Corp of Engineers implemented various repairs since that time; however, the seepage became critical to the safety of the Wolf Creek Dam and surrounding communities. In an effort to respond to these safety concerns and make the needed repairs to the dam, SEPA reduced and curtailed electric service to the contract project participants. This reduction and curtailment of SEPA electric service began in early 2007.

In response to SEPA's past actions, during FY2011-2012, HMP&L budgeted expenses for purchases of energy from the open market to offset the loss of the SEPA energy. The SEPA Cumberland River Hydroelectric Power System may not return to normal operations until 2013 or 2014.

## **Regulatory Compliance:**

The North American Electric Reliability Corporation (NERC) adopted new electric system reliability standards for all electric utilities in the United States. NERC adopted and began enforcement of the new standards beginning in June 2007. The new standards were approved by the Federal Energy Regulatory Commission (FERC). HMP&L is required to comply with the new reliability standards and HMP&L will incur administrative expenses related to NERC compliance. HMP&L established an internal committee to address NERC Compliance Standards. Also, HMP&L retained an external consulting firm to assist, support, and facilitate HMP&L's compliance with NERC Standards. In November 2008, SERC audited HMP&L for compliance with NERC Standards. Subsequent to the November audit, a number of formal and informal discussions took place between HMP&L and SERC to settle some non-compliance issues. HMP&L and SERC reached an agreement concerning non-compliance issues identified during the audit; a final settlement agreement was approved by both parties. In November 2010, HMP&L hired a full-time internal Reliability Compliance Manager who is responsible for NERC/SERC compliance. Federal air quality and emission standards continue to be increasingly more stringent. The current standards and proposed new standards will increase the cost of energy production at Station Two.

**CITY OF HENDERSON UTILITY COMMISSION-  
HENDERSON MUNICIPAL POWER & LIGHT  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

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**Transfer to City:**

In FY2010-2011, HMP&L's cash transfer to the City was \$1.24 million. HMP&L has budgeted this same level of cash transfer to the City for FY2011-2012 and subsequent budget periods. HMP&L also pays the City \$546,750 for internal service fees and HMP&L provides the City free electric service valued at \$376,704 and communication services valued at \$420,000 annually. Excluding the annual fuel adjustment revenue and expense, the annual cash transfer payments, internal service fees, and value of the free electric and communication services represent 9.90 percent of estimated gross electric revenue in FY2010-2011.



Independent Auditor's Report

To the Board of Commissioners  
City of Henderson, Kentucky  
Utility Commission  
Henderson, Kentucky

We have audited the accompanying statement of net assets of the City of Henderson, Kentucky Utility Commission (a component unit of the City of Henderson, Kentucky) as of May 31, 2011 and 2010 and the related statements of revenue, expenses and changes in net assets, and statement of cash flows for the fiscal years then ended. These financial statements are the responsibility of the Commission's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the City of Henderson, Kentucky Utility Commission as of May 31, 2011 and 2010 and the results of its operations and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages 1 to 12 is not a required part of the component unit financial statements, but are supplemental information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted primarily of inquiries of management regarding the methods of measurement and presentation of the supplemental information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued a report dated November 17, 2011, on our consideration of the City of Henderson, Kentucky Utility Commission's internal control over financial reporting and our tests of its compliance with laws, regulations and 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.

Our audit was performed for the purpose of forming an opinion on the financial statements of the City of Henderson, Kentucky Utility Commission of the City of Henderson, Kentucky, taken as a whole. The accompanying supplemental information on pages 30 to 32, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements, and in our opinion, is fairly stated, in all material respects, in relation to the financial statement.

*Myriad CPA Group, LLC*

Henderson, Kentucky  
November 17, 2011



**CITY OF HENDERSON, KENTUCKY UTILITY COMMISSION**  
**STATEMENT OF NET ASSETS**  
**As of May 31, 2011 and 2010**

<b>ASSETS</b>	<b>2011</b>	<b>2010</b>
<b>Current assets</b>		
Cash and cash equivalents	\$ 93,919	\$ 243,156
Investment securities	20,332,325	23,092,056
Accounts receivable, net of allowance for uncollectible	3,462,462	2,472,378
Accounts receivable, Station Two Operator	2,854,800	1,590,547
Accrued interest receivable	30,901	39,828
Accrued revenue	2,292,277	2,174,100
Inventory and supplies	7,702,632	5,168,630
Prepaid expenses	63,558	63,602
<b>Total current assets</b>	<b>36,832,874</b>	<b>34,844,297</b>
<b>Property plant and equipment</b>		
Utility plant, net of accumulated depreciation	66,184,194	68,501,991
<b>Total property plant and equipment</b>	<b>66,184,194</b>	<b>68,501,991</b>
<b>TOTAL ASSETS</b>	<b>\$ 103,017,068</b>	<b>\$ 103,346,288</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable and accrued expenses	\$ 6,377,930	\$ 5,244,823
Accounts payable-Construction in progress Station Two	1,222,100	1,758,217
Accounts payable-Station Two Operator	-	732,500
Asset retirement obligation	1,430,771	1,512,793
Customer deposits	654,081	632,815
<b>Total current liabilities</b>	<b>9,684,882</b>	<b>9,881,148</b>
<b>Long-Term Debt</b>		
Bond anticipation notes	7,975,535	5,433,241
<b>Total liabilities</b>	<b>17,660,417</b>	<b>15,314,389</b>
<b>Net assets</b>		
Unrestricted	27,147,992	24,963,149
Investment in plant assets, net of related debt	58,208,659	63,068,750
<b>Total net assets</b>	<b>85,356,651</b>	<b>88,031,899</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 103,017,068</b>	<b>\$ 103,346,288</b>



**CITY OF HENDERSON, KENTUCKY UTILITY COMMISSION**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS**  
For the fiscal years ended May 31, 2011 and 2010

	2011	2010
<b>REVENUES</b>		
Sale of electricity-Existing System	\$ 32,651,935	\$ 29,595,616
Sale of electricity-Station Two	21,148,276	22,271,306
Communication services	1,062,343	982,637
Other	563,429	516,119
<b>TOTAL REVENUES</b>	<b>55,425,983</b>	<b>53,365,678</b>
<b>OPERATING EXPENSES</b>		
Production of electricity	40,968,460	40,863,973
Operating expenses	9,503,126	8,574,307
Depreciation	5,030,003	4,836,522
<b>TOTAL OPERATING EXPENSES</b>	<b>55,501,589</b>	<b>54,274,802</b>
<b>INCOME (LOSS) FROM OPERATIONS</b>	<b>(75,606)</b>	<b>(909,124)</b>
<b>INTEREST AND DEBT EXPENSE</b>		
Interest income	114,041	285,556
Interest expense	(172,255)	(105,458)
<b>TOTAL INTEREST AND DEBT EXPENSE</b>	<b>(58,214)</b>	<b>180,098</b>
<b>INCOME (LOSS) BEFORE TRANSFERS</b>	<b>(133,820)</b>	<b>(729,026)</b>
<b>NON-OPERATING</b>		
Gain on sale of emission allowances	-	6,545
Capital contributions(distributions)-Station Two,net	(500,000)	(828,380)
Transfers to City of Henderson	(1,244,724)	(1,244,724)
Power furnished to City of Henderson	(376,704)	(354,336)
Communication services provided to the City of Henderson and other local government agencies	(420,000)	(420,000)
<b>TOTAL NON-OPERATING ITEMS</b>	<b>(2,541,428)</b>	<b>(2,840,895)</b>
<b>CHANGE IN NET ASSETS BEFORE EXTRAORDINARY ITEM</b>	<b>(2,675,248)</b>	<b>(3,569,921)</b>
<b>EXTRAORDINARY ITEM</b>		
Settlement from Previous Station Two Operator	-	17,378,818
<b>INCREASE (DECREASE) IN NET ASSETS</b>	<b>(2,675,248)</b>	<b>13,808,897</b>
Net assets, beginning of year	88,031,899	74,223,002
<b>NET ASSETS, END OF YEAR</b>	<b>\$ 85,356,651</b>	<b>\$ 88,031,899</b>

**CITY OF HENDERSON, KENTUCKY UTILITY COMMISSION**  
**STATEMENT OF CASH FLOWS**  
For the fiscal years ended May 31, 2011 and 2010

	2011	2010
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from customers	\$ 54,435,899	\$ 52,750,264
Payments to suppliers and employees	(55,363,080)	(49,706,347)
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b>(927,181)</b>	<b>3,043,917</b>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>		
Distribution from Former Station Two Operator	-	17,378,818
Distributions to the City of Henderson	(1,244,724)	(1,244,734)
<b>NET CASH PROVIDED (USED) BY NON-CAPITAL FINANCING ACTIVITIES</b>	<b>(1,244,724)</b>	<b>16,134,084</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Acquisition and construction of capital assets	(2,712,205)	(5,392,710)
Principal payments on line of credit	-	(1,200,000)
Distribution to Station Two Operator	(500,000)	(828,380)
Interest payments on line of credit and bond anticipation notes	(172,255)	(105,458)
Proceeds from bond anticipation notes	2,542,284	3,207,919
<b>NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<b>(842,176)</b>	<b>(4,318,629)</b>
<b>CASH FLOWS PROVIDED BY INVESTING ACTIVITIES</b>		
Proceeds from sale of emission allowances	-	6,545
Proceeds from sale and maturities of investments	2,759,731	6,245,920
Investment income	105,114	325,284
Purchases of investments	-	(21,885,856)
<b>NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES</b>	<b>2,864,845</b>	<b>(15,308,107)</b>
Increase (decrease) in cash and cash equivalents	(149,236)	(448,735)
<b>Cash and cash equivalents, beginning of year</b>	<b>243,156</b>	<b>691,891</b>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b>\$ 93,920</b>	<b>\$ 243,156</b>

**CITY OF HENDERSON, KENTUCKY UTILITY COMMISSION**  
**STATEMENT OF CASH FLOWS**  
For the fiscal years ended May 31, 2011 and 2010

	<i>2011</i>	<i>2010</i>
<b>OPERATING ACTIVITIES</b>		
Operating income (loss)	\$ (133,820)	\$ (909,124)
Adjustments to reconcile operating income (loss) to net cash provided by operations		
Depreciation	5,030,003	4,836,523
Power furnished to the City of Henderson	(376,704)	(354,336)
Communication services provided at no charge	(420,000)	(420,000)
Other items	(5,856)	-
Changes in operating assets and liabilities:		
Accounts receivable	(990,084)	(325,381)
Due from Station Two Operator	(1,264,253)	(1,292,095)
Accrued revenue	(118,177)	158,921
Inventory and supplies	(2,534,002)	(483,641)
Prepaid expenses and other assets	(44)	(33,099)
Accounts payable-construction	(536,117)	1,758,217
Accounts payable and accrued expenses	1,133,107	(672,046)
Customer deposits	21,266	47,479
Due to Station Two Operator	(732,500)	732,499
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>(927,181)</b>	<b>3,043,917</b>

# NOTES TO FINANCIAL STATEMENTS

## City of Henderson, Kentucky Utility Commission

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### 1. ORGANIZATION AND CONTRACTS

The City of Henderson Utility Commission is organized under the provisions of Section 96.530 of the Kentucky Revised Statutes to operate, manage, and control the Henderson Municipal Power & Light System. The members of the Utility Commission are appointed by the Mayor and are approved by the City Commissioners of the City of Henderson, Kentucky (City). The Mayor and the City Commission authorize all rates and bond issues of the Utility Commission. As a municipal entity, the Utility Commission is exempt from all federal and state income taxes. Certain real estate utilized by the Utility Commission is owned by the City of Henderson.

The Utility Commission operates the "Existing System" and pursuant to certain contracts and agreements described as follows, reserves power from "Station Two" which is owned by the Commission, 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.

The Commission provides retail electric service to the residents of the City of Henderson within its service territory. The Commission 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. Effective July 9, 2009, Big Rivers resumed its role as operator of Station Two as part of the "Unwind Transaction".

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

#### **A. 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 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.

#### **B. 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 2023. 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.

# NOTES TO FINANCIAL STATEMENTS

City of Henderson, Kentucky Utility Commission

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## 1. ORGANIZATION AND CONTRACTS

### C. *Joint Facilities Agreement*

This agreement provides for the continuing joint use by the Commission and 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 the Commission 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 \$21,148,276 and \$22,271,306 for the fiscal years ended May 31, 2011 and 2010, respectively.

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 sale of sulfur dioxide emission allowances (Emission allowances) will be divided between the Commission 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.

The Commission 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 the Commission. Differences, if any, between amounts originally charged as allocable by the Station Two Operator and amounts accepted by the Utility Commission 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.

Station Two became commercially operable and construction was substantially completed during 1974. A certificate of completion from the consulting engineers has been filed with the Trustee.

# NOTES TO FINANCIAL STATEMENTS

City of Henderson, Kentucky Utility Commission

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## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Commission is a component unit of the City of Henderson, Kentucky (the primary government), due to its financial accountability to the City Commission.

The financial statements of the Commission have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Commission applies all Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. The more significant of the Commission's accounting policies are described below:

### ***A. Cash and Cash Equivalents***

Cash and cash equivalents consist of certificates of deposit and repurchase agreements with an original maturity of three months or less from the date of purchase. The carrying amount of each of these instruments approximates fair value.

### ***B. Investment Securities***

Investments are recorded at fair value based on quoted market prices. Any gains or losses are reflected in the statement of revenues, expenses and changes in net assets in accordance with GASB No.31," Accounting and Reporting For Certain Investments and For Internal Investment Pools." Kentucky Revised Statute 66.480 limits the types of securities that a municipal entity may invest in to obligations of the United States Treasury and Agencies, certain Federal securities, repurchase agreements, commercial bank's certificates of deposit, and the Commonwealth of Kentucky Investment Pool.

### ***C. Accounts Receivable and Unbilled Revenue***

The Commission has entered into an agreement with the City of Henderson to perform its billing and collection services. All monies due to the Utility Commission are collected and deposited in the City of Henderson's Utility Clearing Fund and are remitted to the Utility Commission on a weekly basis. The amount included in accounts receivable due from the Utility Clearing Fund was \$2,390,567 and \$2,022,843 as of May 31, 2011 and 2010 respectively.

### ***D. Inventories***

Coal inventories of the Existing System and Station Two are stated at cost using the first-in-first-out method. Materials and supplies are stated at the weighted average cost.

# NOTES TO FINANCIAL STATEMENTS

City of Henderson, Kentucky Utility Commission

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## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### ***E. Utility Plant and Equipment***

The utility plant is carried at cost, which includes interest capitalized, aggregating \$15,342,300, which was capitalized during the period of construction. No interest was capitalized during the fiscal years ended May 31, 2011 and 2010. The Commission's policy is to provide for depreciation over its utility plant and equipment as follows:

Production plant and structures	33 ½ years
Transmission and distribution	25 years
Automotive equipment	6 years
Wireless internet equipment	5 years
Other equipment	10 years

### ***F. Use of Estimates***

The preparation of financial statements in conformity with generally accepted accounting principles requires that management make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at May 31, 2011 and 2010, as well as revenues and expenses for the years then ended. Actual results could differ from the estimates and assumptions used.

### ***G. Compensated Absences***

Employees of the Commission are entitled to paid vacations and sick-leave. The Commission's policy is to recognize these costs when earned under the accrual method of accounting in accordance with GASB No.16 "Accounting For Compensated Absences."

### ***H. Emission Allowances***

The Commission does not record the value of emission allowances granted by the Environmental Protection Agency for sulfur dioxide and nitrous oxide on its financial statements as there is no cost basis in these allowances.

## 3. CASH AND CASH EQUIVALENTS

As of May 31, 2011, the City of Henderson Utility Commission maintained deposits with several local financial institutions. Of the bank balance, all was insured by the Federal Depositor's Insurance Corporation and excess of FDIC was secured by pledged United States Government securities.

# NOTES TO FINANCIAL STATEMENTS

City of Henderson, Kentucky Utility Commission

## 4. INVESTMENT SECURITIES

Investments are included in the statement of net assets under the caption "Investments Securities." A summary of investments held by the City of Henderson Utility Commission along with the scheduled maturities is presented below:

Investment Type:	Fair Value	Less Than One	One to Five	Six to Ten
		Year	Years	Years
U.S. Government Treasury	\$ 14,974,306	\$ 14,974,306	\$ -	\$ -
Certificate of Deposits and Money				
Markets	5,358,019	5,358,019	-	-
Totals	\$ 20,332,325	\$ 20,332,325	\$ -	\$ -

### A. Interest Rate Risk

The City of Henderson Utility Commission has a formal investment policy that limits investment maturities as a means to manage its exposure to fair value losses resulting from increasing interest rates.

### B. Credit Risk

The City of Henderson Utility Commission limits its investments to those allowed by Kentucky Revised Statute 66.480. Kentucky Revised Statute 66.480 limits investments to U.S. Government Treasury and Agency securities, certificates of deposit, securities issued by a state or local government rated in one of the three highest categories by a nationally recognized credit agency.

### C. Custodial Credit Risk

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



# NOTES TO FINANCIAL STATEMENTS

City of Henderson, Kentucky Utility Commission

## 5. UTILITY PLANT AND EQUIPMENT

Utility plant and equipment consisted of the following as of May 31, 2011:

	Beginning Balance	Additions	Deletions	Ending Balance
<b>Existing System:</b>				
Vehicles	\$ 2,271,792	\$ 172,520	\$ -	\$ 2,444,312
Asset Retirement Obligation	295,331	1,462		296,793
Transmission Plant	9,079,341	10,925	-	9,090,266
Distribution Plant	21,483,906	1,417,695	-	22,901,601
Land and Land Rights	1,235,451	-	-	1,235,451
Telecommunications, internet and fiber optics	5,395,538	119,512	-	5,515,050
General Plant	11,065,582	299	-	11,065,881
	50,826,941	1,722,413	-	52,549,354
Accumulated depreciation- Asset Retirement Obligation	(283,757)	(2,726)	-	(286,483)
Accumulated depreciation	(40,990,905)	(981,041)	-	(41,971,946)
<b>Total Station One</b>	<b>\$ 9,552,279</b>			<b>\$ 10,290,925</b>
<b>Station Two:</b>				
General Plant	\$ 169,764,707	\$ 989,420	\$ -	\$ 170,754,127
Accumulated depreciation	(110,814,995)	(4,045,863)	-	(114,860,858)
<b>Total Station Two</b>	<b>\$ 58,949,712</b>	<b>\$ (3,056,443)</b>	<b>-</b>	<b>\$ 55,893,269</b>
<b>Totals</b>	<b>\$ 68,501,991</b>	<b>\$ -</b>		<b>\$ 66,184,194</b>

Depreciation expense for the fiscal years ended May 31, 2011 and 2010 was \$5,030,002 and \$4,836,523 respectively

## 6. RETIREMENT PLAN

All Commission employees participate in the County Employees Retirement System (CERS), a multi-employer defined benefit retirement plan sponsored by the City of Henderson and administered by the Commonwealth of Kentucky. Under the plan, employees contribute 5% of their gross salary to the plan. The Commission also contributes a percentage of the employee's gross salary to the plan. The Commission's contribution rate into the plan is determined on an annual basis by the Kentucky General Assembly.

## NOTES TO FINANCIAL STATEMENTS

City of Henderson, Kentucky Utility Commission

### 6. RETIREMENT PLAN

Contributions and the related percentages for the previous three fiscal years ended was as follows:

<b>Fiscal year ended May 31</b>	<b>Amount</b>	<b>Matching percentage</b>
2011	\$ 459,118	16.89%
2010	420,197	16.16%
2009	435,888	13.50%

A copy of the annual report for the County Employees Retirement System can be obtained from the County Employees Retirement System 1260 Louisville Road, Frankfort, Kentucky 40601, or by calling 1.502.564.4646.

### 7. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts payable and accrued expenses consisted of the following as of May 31, 2011 and 2010:

	<b>2011</b>	<b>2010</b>
Accounts payable and accrued expenses -		
Existing System	\$ 2,602,904	\$ 1,761,641
Accounts payable and accrued liabilities -		
Station Two	3,775,026	2,823,049
SCR Settlement Liability	-	660,133
<b>Total</b>	<b>\$ 6,377,930</b>	<b>\$ 5,244,823</b>

### 8. 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 the Commission and the Station Two Operator based upon the Station Two capacity allocations. As of May 31, 2011, and 2010, there were remaining sulfur dioxide emission allowances of 18,189 and 16,982 respectively.

The remaining allowances had a market value as of May 31, 2011 and 2010 of approximately \$54,567 and \$407,568, respectively and are held by the Commission for future sale or to satisfy emission requirements of the Clean Air Act. Emission allowances attributable to Station Two are shared proportionally between HMP&L and the Station Two Operator based on megawatt hours as per the respective contract.

# NOTES TO FINANCIAL STATEMENTS

City of Henderson, Kentucky Utility Commission

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## 9. RISK MANAGEMENT

The Commission 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 Commission carries commercial insurance for these types of risk of loss, including workers' compensation. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

## 10. RELATED PARTY

The Commission incurred the following transactions with the City of Henderson, Kentucky for the fiscal years ended May 31, 2011 and 2010:

Paid the City \$546,750 and \$509,717 each year, respectively, for data processing and other services related to billings and collections.

Paid the City \$1,244,724 and \$1,244,724 May 31, 2011 and 2010 of the fiscal years ended, respectively.

Paid the City \$695,422 and \$523,039 for participation in the City of Henderson's self-insured employee health insurance plan for the fiscal years ended May 31, 2011 and 2010 respectively. Risk is minimized in this area by the purchase of re-insurance for amounts in excess of the \$125,000 stop loss limit. Charges are based on estimated amounts determined by the City of Henderson's insurance coordinator as necessary to fund claims as they become due and payable.

Provided the City of Henderson with power for the fiscal years ended May 31, 2011 and 2010 in the amount of \$376,704 and \$354,336 respectively. The City of Henderson was also provided significantly reduced communication service fees totaling approximately \$205,484 for the fiscal years ended.

## 11. SALES SIGNIFICANT CUSTOMERS

All of the sales generated by Station Two are exclusively to the Station Two Operator as per the respective contracts in force. Three industrial customers from the Existing System accounted for sales in the amount of \$8,741,000 (28% of sales) and \$9,445,000 (32% of sales) for the fiscal years ended May 31, 2011 and 2010, respectively.

# NOTES TO FINANCIAL STATEMENTS

City of Henderson, Kentucky Utility Commission

## 12. BOND ANTICIPATION NOTES

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

City of Henderson, Kentucky Bond Anticipation Note Series 2008A; maximum advance of \$3,500,00; or the outstanding principal, whichever is less is 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 1st, and December 1st.	\$ 3,395,021
City of Henderson, Kentucky Bond Anticipation Note Taxable Series 2008B; maximum advance of \$9,000,000; or the outstanding principal, whichever is less is 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 1st, and December 1st.	\$ 4,529,452
City of Henderson, Kentucky Bond Anticipation Note Taxable Series 2010A; maximum advance of \$1,500,000; or the outstanding principal, whichever is less is due semiannually. Interest shall accrue based on the 30 Day LIBOR, plus 1.75%, with the rate adjustable on a monthly basis. Interest is due on June 1st, and December 1st	\$ 51,062
<b>Balance, May 31, 2011</b>	<b>\$ 7,975,535</b>

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

## 13. DISCOUNTED Internet AND BROADBAND SERVICES

The Utility Commission provided internet and broadband services to local governmental, educational, and religious organizations at substantially discounted rates. Discounted services provided were as follows for the fiscal year ended May 31, 2011:

<u>Customer</u>	<u>Discounted Amount</u>
Henderson County GIS System	\$ 98,568
Henderson Water Utility	106,395
City of Henderson	205,484
Various other organizations	9,553
	<u>\$ 420,000</u>

# NOTES TO FINANCIAL STATEMENTS

City of Henderson, Kentucky Utility Commission

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## 14. COMMITMENT AND CONTINGENCIES

### A. Southeastern Power Administration (SEPA)

The Southeastern Power Administration (SEPA) has contracted with the Commission to provide it a total of 18,000 megawatt hours of hydroelectric power each year. The 18,000 megawatt hours represent approximately 3 % of the Commission's annual megawatt hour requirements. Henderson Municipal Power & Light is restricted to not more than 12 megawatt hours during any hour, and not more than 2,640 megawatts during any month.

In the Fall of 2006, SEPA informed all participants that the Wolf Creek Dam near Jamestown, Kentucky, had been inspected and serious seepage problems existed. In an effort to respond to these safety concerns and make the needed repairs to the dam, SEPA reduced and curtailed electric service to the project participants. This reduction and curtailment of electric service began in early 2007 and is expected to continue for an extended period of time until repairs are completed.

In response to SEPA's actions, for the next fiscal year, the Commission has budgeted for additional purchases of power from the open market to offset the loss of the SEPA power. The SEPA Cumberland River Hydroelectric Power System may not return to normal operations for several years.

During the year ended May 31, 2011 and 2010, the Commission purchase power on the spot market to supply the needs of its customers. Purchased power for the fiscal year ended May 31, 2011 was \$269,200 versus \$621,020 during 2010.

### B. Regulatory Compliance

The North American Electric Reliability Corporation (NERC) adopted new electric system reliability standards for all electric utilities in the United States. NERC has adopted and began enforcement of the new standards effective June of 2007. The new standards have been approved by the Federal Energy Regulatory Commission (FERC). The Commission must comply with the new standards and will incur administrative expenses related to NERC compliance.

Federal air quality and emission standards have become more stringent. The current standards and proposed standards resulted in the cost of compliance being excessive to operate Station One. As a result of the new regulations, the Commission approved the cessation of operations at Station One on August 25, 2008, and Station One was taken out of service in December of 2008.

# NOTES TO FINANCIAL STATEMENTS

City of Henderson, Kentucky Utility Commission

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## 14. COMMITMENT AND CONTINGENCIES

### A. Unwind Transaction – Station Two

In 1998, HMP&L, Big Rivers Electric Corporation, and Western Kentucky Energy Corporation entered into contracts (for the operation of the HMP&L Station Two Power Plant and other Big Rivers Electric Corporation Generation Plants. On July 16, 2009, Big Rivers Electric Corporation 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 returned to Big Rivers Electric Corporation. As part of this agreement E.ON paid the Commission approximately \$17.4 million to settle claims concerning the condition of the Station Two power plant and related matters.

HMP&L and Big Rivers Electric Corporation have identified a number of facility upgrades and maintenance projects for the Station Two Power Plant during the next five year period. Big Rivers Electric Corporation has developed Work Plans for the five years period 2009 to 2014. These preliminary Work Plans estimate that HMP&L will incur additional maintenance expenses at Station Two during the five year period.

### B. Pending Litigation

The Commission is currently engaged in litigation with the Station Two Operator, Big Rivers Electric Corporation, related to which party has the rights to certain surplus generation capacity of the Commission's Station Two Facility. Big Rivers has filed a petition in Henderson County, Kentucky Circuit Court requesting binding arbitration over the matter. It is the assertion of the Commission that it has the right to all surplus power from the facility related to its reserved capacity.

### C. Annual Operating Settlement-Station Two Operator

The Commission is also engaged in negotiations over the amount due to or from the Station Two Operator, for the fiscal year ended May 31, 2011. The amount due to HMPL is estimated to be \$1,318,969 per HMP&L's calculations.

## 15. SUBSEQUENT EVENTS

Subsequent events have been evaluated through November 17, 2011.

During September of 2011, the Henderson City Utility Commission issued revenue bonds, payable over a twenty year term, in the amount of \$15 million.

**CITY OF HENDERSON, KENTUCKY UTILITY COMMISSION**  
**COMBINING STATEMENT OF NET ASSETS - BY SYSTEM**  
**As of May 31, 2011 and 2010**

ASSETS	May 31, 2011				May 31, 2010			
	Existing System	Station Two	Elimination	Total	Existing System	Station Two	Elimination	Total
<b>CURRENT ASSETS</b>								
Cash and cash equivalents	\$ 43,399	\$ 50,520	\$ -	\$ 93,919	\$ 48,732	\$ 194,424	\$ -	\$ 243,156
Investment securities	20,332,325	-	-	20,332,325	22,592,056	500,000	-	23,092,056
Accounts receivable, net of allowance for uncollectible	2,453,908	1,008,554	-	3,462,462	2,151,006	321,372	-	2,472,378
Accounts receivable-Station Two Operator	2,854,800	-	-	2,854,800	1,590,547	-	-	1,590,547
Accrued interest receivable	30,901	-	-	30,901	39,828	-	-	39,828
Accrued revenue	2,292,277	-	-	2,292,277	2,174,100	-	-	2,174,100
Inventory and supplies	4,994,443	2,708,189	-	7,702,632	2,769,142	2,399,488	-	5,168,630
Prepaid expenses	63,558	-	-	63,558	63,602	-	-	63,602
<b>TOTAL CURRENT ASSETS</b>	<b>33,065,611</b>	<b>3,767,263</b>	<b>-</b>	<b>36,832,874</b>	<b>31,429,013</b>	<b>3,415,284</b>	<b>-</b>	<b>34,844,297</b>
Utility plant, net of accumulated depreciation	10,290,925	55,893,269	-	66,184,194	9,552,279	58,949,712	-	68,501,991
Investment in Station Two	31,058,999	-	(31,058,999)	-	28,906,103	-	(28,906,103)	-
<b>TOTAL ASSETS</b>	<b>\$ 74,415,535</b>	<b>\$ 59,660,532</b>	<b>\$ (31,058,999)</b>	<b>\$ 103,017,068</b>	<b>\$ 69,887,395</b>	<b>\$ 62,364,996</b>	<b>\$ (28,906,103)</b>	<b>\$ 103,346,288</b>

**CITY OF HENDERSON, KENTUCKY UTILITY COMMISSION**  
**COMBINING STATEMENT OF NET ASSETS - BY SYSTEM**  
**As of May 31, 2011 and 2010**

LIABILITIES AND NET ASSETS	May 31, 2011				May 31, 2010			
	Existing System	Station Two	Elimination	Total	Existing System	Station Two	Elimination	Total
<b>Current Liabilities</b>								
Accounts payable and accrued expenses	\$ 2,602,904	\$ 3,775,026	\$ -	\$ 6,377,930	\$ 2,421,774	\$ 2,823,049	\$ -	\$ 5,244,823
Accounts payable-Construction in progress - Station Two	-	1,222,100	-	1,222,100	-	1,758,217	-	1,758,217
Asset retirement obligation	1,430,771	-	-	1,430,771	1,512,793	-	-	1,512,793
Accounts payable-Station Two Operator	-	-	-	-	732,500	-	-	732,500
Short-term note payable	-	-	-	-	-	-	-	-
Customer deposits	654,081	-	-	654,081	632,815	-	-	632,815
<b>Total current liabilities</b>	<b>4,687,756</b>	<b>4,997,126</b>	<b>-</b>	<b>9,684,882</b>	<b>5,299,882</b>	<b>4,581,266</b>	<b>-</b>	<b>9,881,148</b>
<b>Long-Term Debt</b>								
Bond anticipation notes	7,975,535	-	-	7,975,535	5,433,241	-	-	5,433,241
<b>Net Assets:</b>								
Unrestricted	59,436,854	(1,229,863)	(31,058,999)	27,147,992	55,035,234	(1,165,982)	(28,906,103)	24,963,149
Investment in plant assets , net of related debt	2,315,390	55,893,269	-	58,208,659	4,119,038	58,949,712	-	63,068,750
<b>Total net assets</b>	<b>61,752,244</b>	<b>54,663,406</b>	<b>(31,058,999)</b>	<b>85,356,651</b>	<b>59,154,272</b>	<b>57,783,730</b>	<b>(28,906,103)</b>	<b>88,031,899</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 74,415,535</b>	<b>\$ 59,660,532</b>	<b>\$ (31,058,999)</b>	<b>\$ 103,017,068</b>	<b>\$ 69,887,395</b>	<b>\$ 62,364,996</b>	<b>\$ (28,906,103)</b>	<b>\$ 103,346,288</b>



**CITY OF HENDERSON, KENTUCKY UTILITY COMMISSION**  
**COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS-BY SYSTEM**  
**As of May 31, 2011 and 2010**

	May 31, 2011				May 31, 2010			
	Existing System	Station Two	Elimination	Consolidated Total	Existing System	Station Two	Elimination	Consolidated Total
<b>REVENUES</b>								
Sale of electricity	\$ 32,651,935	\$ 29,226,631	\$ (8,113,355)	\$ 53,765,211	\$ 29,595,616	\$ 29,717,488	\$ (7,446,182)	\$ 51,866,922
Communication services	1,062,343	-	-	1,062,343	982,637	-	-	982,637
Other	563,429	35,000	-	598,429	474,119	42,000	-	516,119
<b>TOTAL REVENUES</b>	<b>34,277,707</b>	<b>29,261,631</b>	<b>(8,113,355)</b>	<b>55,425,983</b>	<b>31,052,372</b>	<b>29,759,488</b>	<b>(7,446,182)</b>	<b>53,365,678</b>
<b>OPERATING EXPENSES</b>								
Production of electricity	22,890,647	26,191,168	(8,113,355)	40,968,460	20,245,914	28,064,241	(7,446,182)	40,863,973
Operating, general and administrative	6,304,809	3,198,318	-	9,503,127	5,765,984	2,808,323	-	8,574,307
Depreciation	984,140	4,045,862	-	5,030,002	828,485	4,008,037	-	4,836,522
<b>TOTAL OPERATING EXPENSES</b>	<b>30,179,596</b>	<b>33,435,348</b>	<b>(8,113,355)</b>	<b>55,501,589</b>	<b>26,840,383</b>	<b>34,880,601</b>	<b>(7,446,182)</b>	<b>54,274,802</b>
<b>INCOME (LOSS) FROM OPERATIONS</b>	<b>4,098,111</b>	<b>(4,173,717)</b>	<b>-</b>	<b>(75,606)</b>	<b>4,211,989</b>	<b>(5,121,113)</b>	<b>-</b>	<b>(909,124)</b>
<b>INTEREST AND DEBT EXPENSE</b>								
Investment income	113,544	497	-	114,041	283,731	1,825	-	285,556
Interest expense	(172,255)	-	-	(172,255)	(105,458)	-	-	(105,458)
<b>TOTAL INTEREST AND DEBT EXPENSE</b>	<b>(58,711)</b>	<b>497</b>	<b>-</b>	<b>(58,214)</b>	<b>178,273</b>	<b>1,825</b>	<b>-</b>	<b>180,098</b>
<b>INCOME (LOSS) BEFORE TRANSFERS</b>	<b>4,039,400</b>	<b>(4,173,220)</b>	<b>-</b>	<b>(133,820)</b>	<b>4,390,262</b>	<b>(5,119,288)</b>	<b>-</b>	<b>(729,026)</b>
<b>NON-OPERATING</b>								
Gain on sale of emission allowances	-	-	-	-	-	6,545	-	6,545
Capital contributions-distributions, net	600,000	1,052,896	(2,152,896)	(500,000)	-	1,677,293	(2,505,673)	(828,380)
Transfers to City of Henderson	(1,244,724)	-	-	(1,244,724)	(1,244,724)	(400,000)	400,000	(1,244,724)
Power furnished to City of Henderson	(376,704)	-	-	(376,704)	(354,336)	-	-	(354,336)
Communication services provided to the City of Henderson and local governmental agencies	(420,000)	-	-	(420,000)	(420,000)	-	-	(420,000)
<b>INCREASE (DECREASE) IN NET ASSETS BEFORE EXTRAORDINARY ITEM</b>	<b>2,597,972</b>	<b>(3,120,324)</b>	<b>(2,152,896)</b>	<b>(2,675,248)</b>	<b>2,371,202</b>	<b>(3,835,450)</b>	<b>(2,105,673)</b>	<b>(3,569,921)</b>
<b>EXTRAORDINARY ITEM</b>								
Settlement from Previous Station Two Operator	-	-	-	-	17,378,818	-	-	17,378,818
<b>INCREASE (DECREASE) IN NET ASSETS</b>	<b>2,597,972</b>	<b>(3,120,324)</b>	<b>(2,152,896)</b>	<b>(2,675,248)</b>	<b>19,750,020</b>	<b>(3,835,450)</b>	<b>(2,105,673)</b>	<b>13,808,897</b>
Net assets, beginning of year	59,154,272	57,783,730	(28,906,103)	88,031,899	39,404,252	61,619,180	(26,800,430)	74,223,002
<b>NET ASSETS, END OF YEAR</b>	<b>\$ 61,752,244</b>	<b>\$ 54,663,406</b>	<b>\$ (31,058,999)</b>	<b>\$ 85,356,651</b>	<b>\$ 59,154,272</b>	<b>\$ 57,783,730</b>	<b>\$ (28,906,103)</b>	<b>\$ 88,031,899</b>

The accompanying notes are an integral part of these financial statements



**Independent Auditors' Report on Internal Control Over Financial Reporting, Compliance and Other Matters Based on an Audit of Primary Government Financial Statements Performed in Accordance with *Government Auditing Standards***

Dr. William Smith, Chairman  
and the Board of Commissioners  
City of Henderson, Kentucky Utility Commission  
Henderson, Kentucky

We have audited the financial statements of the City of Henderson, Kentucky Utility Commission as of and for the year ended May 31, 2011, and have issued our report thereon dated November 17, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the City of Henderson, Kentucky Utility Commission's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Henderson, Kentucky Commission's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Henderson, Kentucky Utility Commission's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as a result of our audit procedures we did not note any items that constitute significant deficiencies.

*A deficiency in internal control over compliance* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A material weakness in internal control is a deficiency, significant deficiency, or combination of control deficiencies, that adversely affects the City of Henderson, Kentucky Utility Commission's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles, such that there is more than a remote likelihood that a misstatement of the organization's financial statements that is more than inconsequential will not be prevented or detected by the City of Henderson, Kentucky Utility Commission's internal control. We consider

## NOTES TO FINANCIAL STATEMENTS

City of Henderson, Kentucky Utility Commission

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the deficiency noted on the following page to be significant deficiencies in internal control over financial reporting.

- Improvement and Enhancement of Audit Trail in the Station Two Financial Reporting Process (2011-1)

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City of Henderson, Kentucky Utility Commission's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the City of Henderson, Kentucky Utility Commission in a separate letter dated November 17, 2011.

This report is intended solely for the information and use of management, the audit committee, Board of Commissioners, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Henderson, Kentucky  
November 17, 2011



**City of Henderson, Kentucky Utility Commission –  
Henderson Municipal Power & Light**

Report on Audited Financial Statements

For the fiscal years ended May 31, 2012 and 2011

**Case No: 2019-00269  
Attachment 1 to BREC 1-31  
HMPL Audits 2011-2019**

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**City of Henderson, Kentucky Utility Commission –  
Henderson Municipal Power & Light  
Management’s Discussion and Analysis**

The City of Henderson Utility Commission (HMP&L) is in the business of providing electricity and internet communication services for residential, commercial, and industrial customers within the incorporated territory of the City of Henderson, Kentucky. The Commission also provides electricity and internet communication services to customers in a few areas outside of the incorporated territory of Henderson. The following discussion and analysis of HMP&L’s financial performance provides an overview of the Utility’s financial activities for fiscal year ended May 31, 2012.

**Overview of the Financial Statements:**

This annual financial report consists of three parts: 1) Management’s Discussion and Analysis, 2) Financial Statements, and 3) Supplemental Additional Information. The Financial Statements also include notes that explain in more detail some of the information in the financial statements. The statements are followed by a section of supplemental information that further explains and supports the information in the basic financial statements. The Supplemental schedules present the financial position and results of operations for the Existing System and Station Two. The Consolidated Financial Statements report information about HMP&L using accounting methods similar to those used by private sector companies, except for the reporting of contributions in aid of construction, equity capital, and retained earnings. (Refer to the Summary of Significant Accounting Policies in the footnotes to the Financial Statements relating to the adoption of Statement No. 34 of the Governmental Accounting Standard Board (GASB 34).

The Statement of Net Assets, successor to the Balance Sheet, includes all of the Utility’s assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and the obligations to HMP&L’s creditors (liabilities). It also provides the basis for evaluating the capital structure of HMP&L and assessing the liquidity and financial flexibility of HMP&L.

All of the current year’s revenues and expenses are accounted for in the Statement of Revenues, Expenses, and Changes in Net Assets, successor to the Income Statement. This statement measures the success of the Utility’s operations over the past year and can be used to determine whether the Utility has successfully recovered all of its costs through the sale of electricity, communications, and other charges, and has earned a reasonable profit, as well as, maintained a sound financial position.

The final required financial statement is the Statement of Cash Flows. The primary purpose of this statement is to provide information about the Utility’s cash receipts, cash payments, and net changes in cash resulting from operations, investing and financing activities, and provides information on the sources and uses of cash and the changes in cash balances during the year.

**Financial Statements:**

- HMP&L’s total assets increased from \$103,017,068 at May 31, 2011 to \$107,105,125 at May 31, 2012. This increase is primarily attributable to the increased balances in investment securities and restricted assets per bond ordinance.
- Operating revenues for HMP&L Existing System increased by approximately \$4,019,000 or 12% from \$34,277,707 to \$38,295,369. The increase in Existing System sales was primarily due to increased power demand over that of the previous year. Internet revenue decreased by \$77,000.

**City of Henderson, Kentucky Utility Commission –  
Henderson Municipal Power & Light  
Management’s Discussion and Analysis**

**Financial Statements, continued:**

<b><u>Existing System:</u></b>	<b><u>2012</u></b>	<b><u>2011</u></b>	<b><u>Change</u></b>	<b><u>Percentage Change</u></b>
Sale of electricity	\$ 36,972	\$ 32,651	\$ 4,321	13%
Internet service	985	1,062	(77)	-7%
Other	338	563	(225)	-40%
<b>Total operating revenues</b>	<b>\$ 38,295</b>	<b>\$ 34,276</b>	<b>\$ 4,019</b>	<b>12%</b>

Note: All amounts presented in thousands-000's omitted

- Operating expenses for HMP&L Existing System increased by approximately \$7,266,000 or 24%. The following table represents the changes in the expenses for the Existing System:

<b><u>Existing System:</u></b>	<b><u>2012</u></b>	<b><u>2011</u></b>	<b><u>Increase Decrease</u></b>	<b><u>Percentage Change</u></b>
Production of electricity	\$ 29,299	\$ 22,891	\$ 6,408	28%
Other operating expenses	7,143	6,305	838	13%
Depreciation	1,004	984	20	2%
<b>Total operating expenses</b>	<b>\$ 37,446</b>	<b>\$ 30,180</b>	<b>\$ 7,266</b>	<b>24%</b>

Note: All amounts presented in thousands -000's omitted

**City of Henderson, Kentucky Utility Commission –  
Henderson Municipal Power & Light  
Management’s Discussion and Analysis**

**Financial Statements, continued:**

- Operating revenues for Station Two increased approximately \$3,910,000 over that of the previous year. The Station Two agreement is not designed to generate a profit for each of the participants in the venture, but rather to break-even on a cash flow basis. Operating expenses increased for Station Two.

<b>Station Two:</b>	<b><u>2012</u></b>	<b><u>2011</u></b>	<b><u>Change</u></b>
Sales-BREC	\$ 21,737	\$ 21,113	\$ 624
Sales-HMPL	11,434	8,113	3,321
Sale of emission allowances and other	-	35	(35)
Total operating revenues	<u>\$ 33,171</u>	<u>\$ 29,261</u>	<u>\$ 3,910</u>
<b>Expenses:</b>			
Production of electricity	\$ 32,237	\$ 29,389	\$ 2,848
Depreciation	4,016	4,046	(30)
Administrative	-	-	-
Total operating expenses	<u>\$ 36,253</u>	<u>\$ 33,435</u>	<u>\$ 2,818</u>
Income from operations	(3,082)	(4,174)	1,092
Interest income	<u>1</u>	<u>1</u>	<u>-</u>
Net income before transfers	<u>\$ (3,081)</u>	<u>\$ (4,173)</u>	<u>\$ 1,092</u>

Note: All amounts in thousands, 000's omitted

Upon the consolidation of the financial statements for each system, transactions between Henderson Municipal Power and Light and Station Two Operator are eliminated.

**Statement of Net Assets:**

Net assets of HMP&L decreased by \$4,686,251 for the fiscal year ended May 31, 2012, while net assets decreased by \$2,675,248 in the fiscal year ended May 31, 2011.

Investment securities decreased by \$3,590,146 over that of Fiscal 2011, as some securities were reclassified as restricted due to the bond ordinance requirements.

Cash and cash equivalents increased by \$1,292,000 for the fiscal year ended May 31, 2012 versus a decrease of \$149,000 over that of the previous fiscal year ended.



**City of Henderson, Kentucky Utility Commission –  
Henderson Municipal Power & Light  
Management’s Discussion and Analysis**

**Statement of Net Assets, continued:**

A summary of the assets of the Commission for the previous three years is as follows:

<b><u>Assets:</u></b>	<b><u>2012</u></b>	<b><u>2011</u></b>	<b><u>2010</u></b>
Cash and cash equivalents	\$ 1,386	\$ 94	\$ 243
Investment securities	16,742	20,332	23,092
Restricted assets	8,737	-	-
Accounts receivable and unbilled revenue	3,122	3,494	4,687
Accounts receivable Station Two Operator	1,446	2,855	1,591
Accrued revenue	2,683	2,292	
Inventories	7,452	7,703	5,168
Prepaid expenses	58	63	63
Total current assets	<u>\$ 41,626</u>	<u>\$ 36,833</u>	<u>\$ 34,844</u>
Utility, plant, and equipment, net	64,989	66,184	68,502
Bond issue cost	490	-	-
Total assets	<u>\$ 107,105</u>	<u>\$ 103,017</u>	<u>\$ 103,346</u>

Note: All amounts in thousands, 000's omitted

Current liabilities increased by \$2,300,000. Accounts payable increased \$676,000 over the previous year mainly due to the increased price of coal.

A summary of the liabilities section of the Statement of Net Assets is as follows:

<b><u>Liabilities:</u></b>	<b><u>2012</u></b>	<b><u>2011</u></b>	<b><u>2010</u></b>
Accounts payable and accrued expenses	\$ 7,054	\$ 6,378	\$ 5,245
Accounts payable construction	2,308	1,222	1,758
Asset retirement obligation	1,431	1,431	1,513
Accounts payable Station Two Op.	-	-	732
Current portion bonds payable	570	-	-
Customer deposits	622	654	633
Total current liabilities	<u>\$ 11,985</u>	<u>\$ 9,685</u>	<u>\$ 9,881</u>
Bond anticipation notes	-	7,976	5,433
Long term portion bond payable	14,450	-	-
Total liabilities	<u>\$ 26,435</u>	<u>\$ 17,661</u>	<u>\$ 15,314</u>

Note: All amounts in thousands, 000's omitted

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**Statement of Revenues, Expenses, and Changes in Net Assets:**

Operating Revenues for the entire entity increased by \$4,606,644 over that of the previous year. Sales for HMP&L Station Two increased by \$588,982 or 2.70% while Sales Existing System increased by \$4,017,662 or 12%.

Operating Expenses increased by \$6.8 million. This was due to increased operating costs incurred with the operation of the Existing System related to the cost of coal and lime.

The Net Operating Income of the Existing System, after interest expense and interest income, was \$403,574. Transfers were made to the City of Henderson in the amount of \$1.2 million for the fiscal year ended, the value of power furnished to the City of Henderson at no charge was \$386,142, and the value of communication services provided to the City of Henderson and other governmental agencies, at no charge, was \$378,000.

Station Two had a net operating loss of \$3.08 million, however, the net loss relates primarily to depreciation expense which is a non-cash item.

<b><u>Summary of Changes in Net Assets:</u></b>	<b><u>Existing System</u></b>	<b><u>Station Two</u></b>	<b><u>Total</u></b>
Income (loss) before transfers	\$ 403,574	\$ (3,081,091)	\$ (2,677,517)
Non-operating items:			
Extraordinary item			
Contributed capital-net of HMP&L	-	-	-
Transfer to City		-	-
Gain on sale of emission allowances	-	132	132
Transfers to City of Henderson	(1,244,724)	-	(1,244,724)
Communication services provided to the City and other governmental agencies	(378,000)	-	(378,000)
Power furnished to City of Henderson	(386,142)	-	(386,142)
 Increase (decrease) in net assets	 <u>\$ (1,605,292)</u>	 <u>\$ (3,080,959)</u>	 <u>\$ (4,686,251)</u>

**Statement of Cash Flows:**

Net cash provided from operating activities was \$5,367,000, an increase of \$6,294,000 over the level from Fiscal 2011.

Cash Flows from non-capital financing activities include the funds transferred to the City of Henderson. For the fiscal year ended May 31, 2012, \$1.2 million was transferred.

Cash used by capital and related financing activities was \$2.3 million.

Cash and cash equivalents for the year, which consist primarily of checking and money market accounts of HMP&L, increased by \$1,292,000.

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**Statement of Cash Flows, continued:**

<b><u>Cash Flow Summary</u></b>	<b><u>2012</u></b>	<b><u>2011</u></b>	<b><u>2010</u></b>
Net cash generated by operations	\$ 5,368	\$ (927)	\$ 3,043
Cash transferred to City of Henderson	(1,245)	(1,244)	(1,244)
Distribution from former Station Two Operator.	-	-	17,379
Net cash used by capital and related financing	2,278	(842)	(4,318)
Investing activities	<u>(5,109)</u>	<u>2,864</u>	<u>(15,308)</u>
Increase (decrease) in cash equivalents	1,292	(149)	(448)
Cash equivalents beginning of year	<u>94</u>	<u>243</u>	<u>691</u>
Cash equivalents, end of year	<u>\$ 1,386</u>	<u>\$ 94</u>	<u>\$ 243</u>

Note: All amounts in thousands,000's omitted

The following is a summary of cash and investment balances as of May 31, 2010, to 2012:

	<b><u>2012</u></b>	<b><u>2011</u></b>	<b><u>2010</u></b>
Cash and cash equivalents	\$ 1,386	\$ 94	\$ 243
Investments	16,742	20,332	23,092
Restricted investments	<u>8,736</u>	<u>-</u>	<u>-</u>
	<u>\$ 26,864</u>	<u>\$ 20,426</u>	<u>\$ 23,335</u>

Note: All amounts presented in thousands, 000's omitted

**Capital Assets:**

As noted in the footnotes to this report, HMP&L has 18,189 sulfur dioxide emission allowances from the Existing System and Station Two available as of May 31, 2012. The value of the allowances is not reflected in the financial statements due to the fact that the Commission has no cost basis in the allowances. The estimated current market value of these allowances at May 31, 2012, is approximately \$18,189.

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**Debt Administration:**

HMP&L entered into two Bond Anticipation Notes with Fifth Third Bank on December 22, 2008, a non-taxable series 2008A in the amount of \$3,500,000 and a taxable series 2008B in the amount of \$9,000,000. The series 2008A was used for capital improvements to the City’s retail electric system. The taxable series 2008B was used to make capital improvements to the City’s Station Two generating plant. As of July 31, 2011 the amount drawn on the series 2008A note was \$3.5 million and the amount drawn on the series 2008B was \$5.3 million. HMP&L entered into an additional Bond Anticipation Note with Fifth Third Bank on March 25, 2010, a non-taxable series 2010A in the amount of \$1,500,000. This note was repaid at the same time as the series 2008A note. The amount which was drawn on the series 2010A note as of July 31, 2011 was \$170,000.

In September of 2011 HMP&L issued Revenue Bonds in the amount of \$15,020,000 and retired all outstanding Bond Anticipation Notes.

On January 29, 2009, the City Commission approved an Ordinance increasing electric rates by 3.855 percent for all customer rate classifications. The purpose of the rate increase was to provide additional revenue to make the principal and interest payments on the short-term Bond Anticipation Notes and the long-term Bonds issued to replace the Bond Anticipation Notes. HMP&L set up a separate Bond Payment Account and, as of May 31, 2012, HMP&L had accrued \$1,647,886 for future principal and interest payments for the Bonds.

**System Improvements and Replacement of Capital Assets:**

During the period of June 1, 2011, through May 31, 2012, HMP&L made a number of improvements to the electric and communication facilities and replaced certain assets. The improvements to the facilities and asset replacements increased service reliability and extended the useful-life of certain existing assets.

During the FY2011-2012, HMP&L made \$1,808,879 in capital improvements and replacements in the Existing System and \$2,120,936 in capital improvements and replacements of Station Two.

**Economic Factors:**

The current economic recession has impacted HMP&L kilowatt hour sales. The decline in HMP&L sales began in December 2008 and has leveled off through the end of May 2010. As the depressed economy continues, HMP&L anticipates static kilowatt hour sales. However, based upon monthly sales data subsequent to June 1, 2010, it appears the decline in gross sales has stabilized and sales now appear to be increasing due to seasonal weather fluctuations.