

City of Henderson, Kentucky
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2014

	Pension Trust Funds
ASSETS	
Cash	\$ 41,018
Receivables	5,455
Total assets	46,473
 LIABILITIES	
Accounts payable	14,312
Total liabilities	14,312
 NET POSITION	
Net position restricted for pensions	(7,994)
Net position restricted for health care	40,155
Total net position	\$ 32,161

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, 2014

	Pension Trust Funds
ADDITIONS	
Contributions:	
Employer	\$ 915,227
Employee	2,227
Total contributions	917,454
Interest income	305
Miscellaneous	618
Total additions	918,377
 DEDUCTIONS	
Benefits paid	1,013,320
Professional services	5,223
Total deductions	1,018,543
Net decrease in net position	(100,166)
Net position, beginning of year	132,327
Net position, end of year	\$ 32,161

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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

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

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

Henderson Water Utility
111 Fifth Street
Henderson, Kentucky 42420

B. Government-wide and Fund Financial Statements

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

CITY OF HENDERSON, KENTUCKY NOTES TO FINANCIAL STATEMENTS

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

Certain receipts from government agencies, utility service charges, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when the government receives cash.

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

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

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

- **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

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

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**

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

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. Net Position

Net position represents the difference between assets 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.

O. Property Taxes

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

P. Operating Revenues and Expenses

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

CITY OF HENDERSON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS

Q. Use of Estimates

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

CITY OF HENDERSON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS

2. INVESTMENTS

As of June 30, 2014, 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	\$ 1,499,939	\$ -	\$ 1,392,016	\$ 107,923
U.S. Government Money Market	1,115,913	1,115,913	-	-
Bank Certificates of Deposit	9,460,123	803,285	5,797,823	2,859,015
Total	<u>\$ 12,075,975</u>	<u>\$ 1,919,198</u>	<u>\$ 7,189,839</u>	<u>\$ 2,966,938</u>

Investments by Funds:

General Fund	\$ 7,870,718
Gas Fund	1,924,715
Sanitation Fund	<u>2,280,542</u>
Total per Statement of Net Position	<u>\$ 12,075,975</u>

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

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

Concentration of credit risk. The City places no limit on the amount it may invest in any one investment. More than five percent of the City's investments are in bonds issued by the Federal National Mortgage Association (FNMA), which are 9.44% 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, 2014, interfund receivables and payables and the composition of internal balances shown on the statement of net position consist of the following:

	Due From Other Funds	Due To Other Funds	Internal Balances
<u>Governmental Activities:</u>			
General Fund	\$ 140,189	\$ (1,128,629)	\$ (988,440)
Nonmajor Governmental Funds	-	(10,689)	(10,689)
Total Governmental Activities	\$ 140,189	\$ (1,139,318)	\$ (999,129)
<u>Business-type Activities:</u>			
Gas Fund	\$ 998,657	\$ -	\$ 998,657
Sanitation Fund	129,972	(129,500)	472
Total Business-type Activities	\$ 1,128,629	\$ (129,500)	\$ 999,129
 Total all funds	 \$ 1,268,818	 \$ (1,268,818)	

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

As of June 30, 2014, interfund transfers consist of the following:

	Transfers In Totals	Transfers Out		
		General Fund	Capital Projects Fund	Gas Fund
General Fund	\$ 1,428,387	\$ -	\$ (28,387)	\$ (1,400,000)
Debt Service Fund	2,139,280	(777,000)	(1,362,280)	-
Capital Projects Fund	325,000	(325,000)	-	-
Nonmajor Governmental Funds	1,958,000	(1,958,000)	-	-
Totals	\$ 5,850,667	\$ (3,060,000)	\$ (1,390,667)	\$ (1,400,000)

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, 2014 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Primary Government				
Governmental Activities:				
<u>Capital assets not being depreciated:</u>				
Land	\$ 3,522,408	\$ -	\$ (410,915)	\$ 3,111,493
Artwork	196,500	-	-	196,500
Total	<u>3,718,908</u>	<u>-</u>	<u>(410,915)</u>	<u>3,307,993</u>
<u>Capital assets being depreciated:</u>				
Buildings	11,693,048	-	-	11,693,048
Improvements	8,428,228	27,490	(342,089)	8,113,629
Vehicles, machinery, and equipment	11,695,106	232,330	(392,936)	11,534,500
Infrastructure	64,959,614	521,593	-	65,481,207
Total	<u>96,775,996</u>	<u>781,413</u>	<u>(735,025)</u>	<u>96,822,384</u>
<u>Less accumulated depreciation for:</u>				
Buildings	(3,360,663)	(234,965)	-	(3,595,628)
Improvements	(3,122,034)	(345,596)	257,220	(3,210,410)
Vehicles, machinery, and equipment	(9,811,193)	(624,140)	392,936	(10,042,397)
Infrastructure	(53,237,419)	(1,627,432)	-	(54,864,851)
Total	<u>(69,531,309)</u>	<u>(2,832,133)</u>	<u>650,156</u>	<u>(71,713,286)</u>
Total governmental activities, net	<u>\$ 30,963,595</u>	<u>\$ (2,050,720)</u>	<u>\$ (495,784)</u>	<u>\$ 28,417,091</u>
Business-type Activities:				
<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	1,537,292	110,763	(28,016)	1,620,039
Gas system, vehicles, and equipment	8,659,719	162,007	(52,531)	8,769,195
Total	<u>10,783,288</u>	<u>272,770</u>	<u>(80,547)</u>	<u>10,975,511</u>
<u>Less accumulated depreciation for:</u>				
Buildings	(406,721)	(22,207)	-	(428,928)
Vehicles, machinery, and equipment	(1,157,032)	(117,368)	28,016	(1,246,384)
Gas system, vehicles, and equipment	(6,237,439)	(209,347)	52,531	(6,394,255)
Total	<u>(7,801,192)</u>	<u>(348,922)</u>	<u>80,547</u>	<u>(8,069,567)</u>
Total business-type activities, net	<u>\$ 3,096,911</u>	<u>\$ (76,152)</u>	<u>\$ -</u>	<u>\$ 3,020,759</u>

CITY OF HENDERSON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS

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

Governmental activities:	
Administration	\$ 11,196
Finance	17,399
Mass transit	128,584
Parks and recreation	402,665
Police	201,431
Fire	222,466
Public works	1,848,392
Total depreciation expense, governmental activities	<u>\$ 2,832,133</u>

Business-type activities	
Gas	\$ 209,347
Sanitation	139,575
Total depreciation expense, business-type activities	<u>\$ 348,922</u>

Component units' capital asset activity was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Henderson Municipal Power & Light				
Utility plant and equipment	\$ 230,895,061	\$ 4,057,187	\$ (324,531)	\$ 234,627,717
Less accumulated depreciation	(166,984,741)	(5,085,827)	322,470	(171,748,098)
Capital assets, net	<u>\$ 63,910,320</u>	<u>\$ (1,028,640)</u>	<u>\$ (2,061)</u>	<u>\$ 62,879,619</u>
Henderson Water Utility				
Utility plant and equipment	\$ 115,532,540	\$ 6,395,004	\$ (21,085)	\$ 121,906,459
Less accumulated depreciation	(44,083,915)	(3,003,331)	21,085	(47,066,161)
Capital assets, net	<u>\$ 71,448,625</u>	<u>\$ 3,391,673</u>	<u>\$ -</u>	<u>\$ 74,840,298</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, 2014:

	Balance			Amounts	
Governmental Activities:	June 30, 2013	Additions	Reductions	Balance	Due in One
				June 30, 2014	Year
G. O. Bonds Series 2007	\$ 3,765,000	\$ -	\$ (275,000)	\$ 3,490,000	\$ 285,000
G. O. Bonds Series 2010A	9,285,000	-	(425,000)	8,860,000	430,000
G. O. Bonds Series 2010B	3,035,000	-	(285,000)	2,750,000	285,000
G. O. Bonds Series 2011A	2,000,000	-	(85,000)	1,915,000	85,000
G. O. Bonds Series 2012A	9,580,000	-	(415,000)	9,165,000	420,000
G. O. Bonds Series 2013A	9,730,000	-	(410,000)	9,320,000	405,000
Total bonds payable	37,395,000	-	(1,895,000)	35,500,000	1,910,000
Compensated absences	1,321,876	779,883	(719,836)	1,381,923	720,000
HRA Fund unfunded obligation	487,000	138,000	-	625,000	-
Total governmental activities	\$ 39,203,876	\$ 917,883	\$ (2,614,836)	\$ 37,506,923	\$ 2,630,000

As of June 30, 2014 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, 2014:

June 30th:	Principal	Interest	Total	Rates
2015	\$ 285,000	\$ 135,013	\$ 420,013	3.70%
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 to 2024	1,290,000	263,863	1,553,863	3.80% to 4.00%
2025 to 2027	645,000	52,000	697,000	4.00%
Totals	\$ 3,490,000	\$ 879,395	\$ 4,369,395	

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

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, 2014:

<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>
2015	\$ 430,000	\$ 380,108	\$ (133,038)	\$ 247,070	\$ 677,070	1.65%
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 to 2024	2,460,000	1,425,850	(499,047)	926,803	3,386,803	3.40% to 4.7%
2025 to 2029	2,885,000	767,387	(268,586)	498,801	3,383,801	5.50%
2030 to 2031	1,305,000	72,463	(25,362)	47,101	1,352,101	5.50%
Totals	<u>\$ 8,860,000</u>	<u>\$ 4,070,573</u>	<u>\$ (1,424,701)</u>	<u>\$ 2,645,872</u>	<u>\$ 11,505,872</u>	

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.

CITY OF HENDERSON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS

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, 2014:

<u>June 30th:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Interest Rates</u>
2015	\$ 285,000	\$ 68,974	\$ 353,974	2.00%
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 to 2024	1,240,000	90,009	1,330,009	2.75% to 3.5%
Totals	<u>\$ 2,750,000</u>	<u>\$ 373,102</u>	<u>\$ 3,123,102</u>	

CITY OF HENDERSON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS

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, 2014:

<u>June 30th:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Interest Rates</u>
2015	\$ 85,000	\$ 60,331	\$ 145,331	1.20%
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 to 2024	495,000	228,903	723,903	2.50% to 3.13%
2025 to 2029	580,000	139,528	719,528	3.25% to 4.00%
2030 to 2032	405,000	24,700	429,700	4.00%
Totals	<u>\$ 1,915,000</u>	<u>\$ 678,857</u>	<u>\$ 2,593,857</u>	

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

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, 2014:

<u>June 30th:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Interest Rates</u>
2015	\$ 420,000	\$ 228,233	\$ 648,233	1.00%
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 to 2024	2,400,000	847,032	3,247,032	2.00% to 2.50%
2025 to 2029	2,735,000	564,990	3,299,990	2.7% to 3.13%
2030 to 2032	1,860,000	41,755	1,901,755	3.20% to 3.30%
Totals	<u>\$ 9,165,000</u>	<u>\$ 2,527,752</u>	<u>\$ 11,692,752</u>	

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

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, 2014:

<u>June 30th:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Interest Rates</u>
2015	\$ 405,000	\$ 206,275	\$ 611,275	2.00%
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 to 2024	2,325,000	726,875	3,051,875	2.00% to 2.00%
2025 to 2029	2,580,000	472,718	3,052,718	2.00% to 2.50%
2030 to 2033	2,310,000	129,113	2,439,113	2.75% to 2.75%
Totals	<u>\$ 9,320,000</u>	<u>\$ 2,276,881</u>	<u>\$11,596,881</u>	

The following is an aggregate summary of debt service requirements for the City of Henderson as of June 30, 2014:

<u>June 30th:</u>	<u>Principal</u>	<u>Interest</u>	<u>IRS Direct Pay</u>	<u>Net Interest</u>	<u>Total</u>
2015	\$ 1,910,000	\$ 1,078,934	\$ (133,038)	\$ 945,896	\$ 2,855,896
2016	1,950,000	1,040,317	(130,274)	910,043	2,860,043
2017	1,990,000	996,594	(126,980)	869,614	2,859,614
2018	2,050,000	948,146	(123,004)	825,142	2,875,142
2019	2,085,000	895,383	(118,410)	776,973	2,861,973
2020 to 2024	10,210,000	3,582,532	(499,047)	3,083,485	13,293,485
2025 to 2029	9,425,000	1,996,623	(268,586)	1,728,037	11,153,037
2030 to 2033	5,880,000	268,031	(25,362)	242,669	6,122,669
Totals	<u>\$ 35,500,000</u>	<u>\$ 10,806,560</u>	<u>\$ (1,424,701)</u>	<u>\$ 9,381,859</u>	<u>\$ 44,881,859</u>

**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, 2014:

	<u>Balance May 31, 2013</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance May 31, 2014</u>	<u>Amounts due in One Year</u>
Revenue Bonds Series 2011A	\$ 10,930,000	\$ -	\$ (435,000)	\$ 10,495,000	\$ 445,000
Revenue Bonds Series 2011B	3,520,000	-	(150,000)	3,370,000	150,000
Total bonds payable	<u>\$ 14,450,000</u>	<u>\$ -</u>	<u>\$ (585,000)</u>	<u>\$ 13,865,000</u>	<u>\$ 595,000</u>

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

The following is a summary of the debt service requirements for Henderson Municipal Power & Light for its fiscal year ended May 31, 2014:

<u>May 31st:</u>	<u>Series 2011A</u>		<u>Series 2011B</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2015	\$ 445,000	\$ 385,931	\$ 150,000	\$ 104,856	\$ 1,085,787
2016	455,000	374,806	155,000	102,980	1,087,786
2017	465,000	363,430	155,000	101,044	1,084,474
2018	475,000	351,806	155,000	98,718	1,080,524
2019	490,000	339,930	160,000	95,618	1,085,548
2020 to 2024	2,685,000	1,459,046	870,000	415,386	5,429,432
2025 to 2029	3,210,000	920,888	1,020,000	262,841	5,413,729
2030 to 2032	2,270,000	206,320	705,000	58,405	3,239,725
Totals	<u>\$ 10,495,000</u>	<u>\$ 4,402,157</u>	<u>\$ 3,370,000</u>	<u>\$ 1,239,848</u>	<u>\$ 19,507,005</u>

**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, 2014:

	Balance June 30, 2013	Additions	Reductions	Balance June 30, 2014	Amounts due in One Year
Series 2004A Water and Sewer	\$ 1,160,000	\$ -	\$ (565,000)	\$ 595,000	\$ 595,000
Series 2006A Water and Sewer	3,725,000	-	(195,000)	3,530,000	205,000
Due to City of Henderson-2010A	9,285,000	-	(425,000)	8,860,000	430,000
Due to City of Henderson-2010B	1,363,480	-	(112,280)	1,251,200	110,470
Due to City of Henderson-2012A	9,580,000	-	(415,000)	9,165,000	420,000
Due to City of Henderson-2013A	-	9,730,000	(410,000)	9,320,000	405,000
Kentucky Infrastructure Authority Assistance Agreement	2,272,001	-	(128,114)	2,143,887	133,553
Total	<u>\$ 27,385,481</u>	<u>\$ 9,730,000</u>	<u>\$ (2,250,394)</u>	<u>\$ 34,865,087</u>	<u>\$ 2,299,023</u>

Principal and interest requirements to retire Henderson Water Utility's long-term obligations as of June 30, 2014 were as follows:

Fiscal year ended June 30th:	Principal	Interest	Total
2015	\$ 2,299,023	\$ 957,084	\$ 3,256,107
2016	1,737,712	911,735	2,649,447
2017	1,781,276	873,309	2,654,585
2018	1,819,902	830,949	2,650,851
2019	1,869,007	785,924	2,654,931
2020-2024	10,145,998	3,147,122	13,293,120
2025-2029	9,737,169	1,586,934	11,324,103
2030-2033	5,475,000	268,838	5,743,838
Totals	<u>\$ 34,865,087</u>	<u>\$ 9,361,895</u>	<u>\$ 44,226,982</u>

CITY OF HENDERSON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS

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

	Interest Rate	Final Maturity	Principal Balance	Security
Water and Sewer Refunding Revenue Bonds, Series 2004A	3.50%-3.75%	11/1/2014	\$ 595,000	Utility Revenue
Water and Sewer Refunding Revenue Bonds, Series 2006A	3.70%-4.375%	11/1/2026	\$ 3,530,000	Utility Revenue
Kentucky Infrastructure Authority Assistance Agreement B94-03	4.20%	12/1/2026	\$ 2,143,887	Utility Revenue
Due to City of Henderson-2010A	1.40%-5.50%	11/1/2030	\$ 8,860,000	Unsecured
Due to City of Henderson-2010B	2.00%-3.50%	11/1/2023	\$ 1,251,200	Unsecured
Due to City of Henderson-2012A	1.00%-3.30%	11/1/2031	\$ 9,165,000	Unsecured
Due to City of Henderson-2013A	2.00%-2.75%	11/1/2032	\$ 9,320,000	Unsecured

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, 2014:

<u>For the fiscal year ending June 30</u>	KADD 2005- Stormwater
2015	\$ 163,113
2016	169,512
2017	170,575
2018	166,525
2019	167,363
2020 to 2024	843,837
2025 to 2029	851,250
2030	<u>153,750</u>
Total minimum lease payments	2,685,925
Less amount representing interest*	<u>825,925</u>
Present value of future minimum lease payments	<u>\$ 1,860,000</u>

* 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**

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.

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, 2014, as recorded in the Capital Projects Fund:

<u>Restricted Assets</u>	<u>G.O. Bonds Payable Series 2010A</u>	<u>G.O. Bonds Payable Series 2010B</u>	<u>G.O. Bonds Payable Series 2012A</u>	<u>G.O. Bonds Payable Series 2013A</u>	<u>Total</u>
Receivable from HWU:					
Due in one year	\$ 430,000	\$ 110,470	\$ 420,000	\$ 405,000	\$ 1,365,470
Due after one year	8,430,000	1,140,730	8,745,000	8,915,000	27,230,730
Total	<u>\$ 8,860,000</u>	<u>\$ 1,251,200</u>	<u>\$ 9,165,000</u>	<u>\$ 9,320,000</u>	<u>\$ 28,596,200</u>

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

6. CONDUIT DEBT

From time to time the City has issued Industrial Revenue Bonds to provide financial assistance to private-sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The Bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Neither the City of Henderson, nor any of its political subdivisions are obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of June 30, 2014, there were three series of Industrial Revenue Bonds outstanding, with an aggregate principal amount payable of \$104,812,500.

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

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, 2014 these governmental activities liabilities included \$1,381,923 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, 2013, from its last audited financial statements made available to the City are:

Assets	\$ 749,133,785
Costs recoverable from members	\$ 58,725,216
Liabilities	\$ 745,303,802
Net position	\$ 3,829,983

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

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 1st, the beginning of the operating year of the Gas Fund. As of June 30, 2014, the estimated amount of this gas storage liability was \$618,500.

10. CONCENTRATION OF SALES

Henderson Municipal Gas

For the fiscal year ended June 30, 2014, five industrial customers accounted for \$8,569,599 in gas sales, which represents 42% of the operating revenues of the Gas Fund.

Henderson Municipal Power and Light

All of the sales generated by Station Two (\$22,555,014 for fiscal 2014) 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 \$10.4 million (28% of Existing System sales) for the fiscal year ended May 31, 2014.

Henderson Water Utility

For the fiscal year ended June 30, 2014, three industrial customers accounted for \$8,450,706 in sales and surcharges for approximately 48% 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, 2014, 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

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 \$3,660,000 at June 30, 2014, consists of \$2,590,000 in closure costs and \$1,070,000 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 62.9%. The estimated remaining life of the landfill is 10.5 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, 2014:

	Estimated Closure Liability	Estimated Post-Closure Liability	Total
June 30, 2013	<u>\$ 2,380,000</u>	<u>\$ 1,070,000</u>	<u>\$ 3,450,000</u>
Costs applied	-	-	-
Revision to estimate	<u>210,000</u>	<u>-</u>	<u>210,000</u>
June 30, 2014	<u><u>\$ 2,590,000</u></u>	<u><u>\$ 1,070,000</u></u>	<u><u>\$ 3,660,000</u></u>

CITY OF HENDERSON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS

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 \$614,000 and \$570,000, respectively, from HMPL and HWU for such services for the fiscal year ended June 30, 2014.

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, 2014.

The City owns certain real estate used by HMPL.

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

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, 2014:

	Beginning of Fiscal Year Liability	Current Year Claims & Changes In Estimates	Claim Payments	End of Fiscal Year Liability
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
2012-2013	\$ 776,140	\$ 4,582,787	\$ (4,721,111)	\$ 637,816
2013-2014	\$ 637,816	\$ 5,015,586	\$ (5,144,380)	\$ 509,022

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, 2014, 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.

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

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, 2014, the HRA Plan has an unfunded obligation of \$925,000, of which \$625,000 pertains to the City, and which will be funded in future fiscal periods.

17. RETIREMENT PLANS

The City of Henderson has two pension plans that it sponsors: the City of Henderson Civil Service Pension Plan, and the City of Henderson Police and Fire Pension Plan. The City of Henderson Civil Service Pension Plan was authorized under City Ordinance, and the Police and Fire Pension Plan 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. Pension administrative costs are financed by the General Fund, except for actuary fees, which are paid by the respective pension plans. The following is a brief description of each plan, along with required information:

A. Civil Service Pension Plan

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.

Management of the Civil Service Pension Plan 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.

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

B. Police and Fire Pension Plan

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.

Management of the Police and Fire Pension Plan is vested in the board of trustees, which consists of four members – the mayor, city finance director, one retired member of the police department, and one retired member of the fire department.

C. Plan Summary

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

	<u>Civil Service</u>	<u>Police and Fire</u>
Year established by governing authority	1946	1946
Determination of contribution requirements:		
Employer	5% covered payroll	7.65% covered payroll
Employee	5% covered payroll	7.65% covered payroll
Funding of administrative costs	Reimbursed by general fund	Reimbursed 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
Retirement benefit	50% of average monthly salary based on the last seven years of service	50% of final monthly salary plus 2% of final monthly salary per year of service between 20 and 25, plus 3% of final monthly salary per year of service between 25 and 30

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

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	9	20
Total	<u>10</u>	<u>20</u>

E. Net Pension Liability

	<u>Civil Service Pension Plan</u>	<u>Police & Fire Pension Plan</u>
The net pension liability of the plans at June 30, 2014 were as follows:		
Total pension liability	\$ 1,470,749	\$ 4,893,846
Plan fiduciary net position	4,453	(12,447)
City's net pension liability	<u>\$ 1,466,296</u>	<u>\$ 4,906,293</u>
Plan fiduciary net position as a percentage of the total pension liability	0.303%	-0.254%

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

F. Actuarial Assumptions

An actuarial study was performed on each plan of the City as of June 30, 2014. The actuarial cost 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 for Civil Service Pension and none for Police and Fire Pension. Mortality was determined using the RP-2000 Mortality Table projected to the valuation date. For the fiscal year ended June 30, 2014, the annual money-weighted rate of return on pension plan investments, net of investment expense, was 0.0% because the pension plans do not have investments. The following is a summary of key assumptions used for each plan:

	<u>Civil Service</u>	<u>Police and Fire</u>
Discount rate	5.0%	4.0%
Projected salary increases	5.0%	5.0%
Amortization method	Level Dollar	Level Dollar
Remaining amortization period	20 years/closed	15 years/closed
Inflation rate	None	None
Asset valuation method	Market	Market
Cost of living adjustment	2%	2%

G. Discount Rate

The discount rate used to measure the total pension liability was 5% for the Civil Service Pension Plan and 4% for the Police and Fire Pension Plan. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that City contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

Sensitivity of the net pension liability to changes in the discount rate.

The following presents the City's net pension liability for both 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.

	1% Decrease	Current Discount Rate	1% Increase
<u>Civil Service Pension Plan</u>			
Discount Rate	4.0%	5.0%	6.0%
City Net Pension Liability	<u>\$ 1,594,780</u>	<u>\$ 1,466,296</u>	<u>\$ 1,356,209</u>
<u>Police & Fire Pension Plan</u>			
Discount Rate	3.0%	4.0%	5.0%
City Net Pension Liability	<u>\$ 5,464,636</u>	<u>\$ 4,906,293</u>	<u>\$ 4,442,431</u>

CITY OF HENDERSON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS

H. 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>2012</u>	<u>2013</u>	<u>2014</u>
Actuarially determined contribution	\$ 116,436	\$ 127,470	\$ 111,630
Interest on NPO	1,727	(3,568)	(7,902)
Adjustment to actuarially determined contribution	(2,772)	5,726	12,679
Annual pension costs	<u>115,391</u>	<u>129,628</u>	<u>116,407</u>
Contributions made	<u>(221,287)</u>	<u>(216,307)</u>	<u>(196,454)</u>
Change in NPO	(105,896)	(86,679)	(80,047)
NPO, beginning of year	<u>34,540</u>	<u>(71,356)</u>	<u>(158,035)</u>
NPO, end of year	<u>\$ (71,356)</u>	<u>\$ (158,035)</u>	<u>\$ (238,082)</u>

2) Police and Fire Pension Plan:

	<u>2012</u>	<u>2013</u>	<u>2014</u>
Actuarially determined contribution	\$ 384,553	\$ 401,983	\$ 396,671
Interest on NPO	(6,985)	(7,974)	(8,217)
Adjustment to actuarially determined contribution	15,706	17,930	18,475
Annual pension costs	<u>393,274</u>	<u>411,939</u>	<u>406,929</u>
Contributions made	<u>(418,000)</u>	<u>(418,000)</u>	<u>(412,000)</u>
Change in NPO	(24,726)	(6,061)	(5,071)
NPO, beginning of year	<u>(174,626)</u>	<u>(199,352)</u>	<u>(205,413)</u>
NPO, end of year	<u>\$ (199,352)</u>	<u>\$ (205,413)</u>	<u>\$ (210,484)</u>

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

I. Three Year Trend Information

1) Civil Service Pension:

<u>Fiscal year Ending</u>	<u>Annual Pension Costs (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligations</u>
June 30, 2012	\$ 115,391	191.8 %	\$ (71,356)
June 30, 2013	\$ 129,628	166.9 %	\$ (158,035)
June 30, 2014	\$ 116,407	168.8 %	\$ (238,082)

2) Police and Fire Pension:

<u>Fiscal year Ending</u>	<u>Annual Pension Costs (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligations</u>
June 30, 2012	\$ 393,274	106.3 %	\$ (199,352)
June 30, 2013	\$ 411,939	101.5 %	\$ (205,413)
June 30, 2014	\$ 406,929	101.2 %	\$ (210,484)

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

J. 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, 2014.

**Combining Statement of Fiduciary Net Position - Pension Trust Funds
June 30, 2014**

	Civil Service Pension Fund	Police & Fire Pension Fund	HRA Fund	Total
ASSETS				
Cash	\$ 827	\$ 36	\$ 40,155	\$ 41,018
Receivables	5,455	-	-	5,455
Total assets	6,282	36	40,155	46,473
LIABILITIES				
Accounts payable	1,829	12,483	-	14,312
Total liabilities	1,829	12,483	-	14,312
NET POSITION				
Net position restricted for pensions	4,453	(12,447)	-	(7,994)
Net position restricted for health care	-	-	40,155	40,155
Total net position	\$ 4,453	\$ (12,447)	\$ 40,155	\$ 32,161

**Combining Statement of Changes in Fiduciary Net Position - Pension Trust Funds
For the Fiscal Year Ended June 30, 2014**

	Civil Service Pension Fund	Police & Fire Pension Fund	HRA Fund	Total
ADDITIONS				
Contributions:				
Employer	\$ 194,227	\$ 412,000	\$ 309,000	\$ 915,227
Employee	2,227	-	-	2,227
Total contributions	196,454	412,000	309,000	917,454
Interest income	4	5	296	305
Miscellaneous	258	360	-	618
Total additions	196,716	412,365	309,296	918,377
DEDUCTIONS				
Benefits paid	181,852	416,461	415,007	1,013,320
Professional services	2,441	2,782	-	5,223
Total deductions	184,293	419,243	415,007	1,018,543
Net increase (decrease) in net position	12,423	(6,878)	(105,711)	(100,166)
Net position, beginning of year	(7,970)	(5,569)	145,866	132,327
Net position, end of year	\$ 4,453	\$ (12,447)	\$ 40,155	\$ 32,161

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

K. 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 18.89% 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 35.70% 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, 2014, 2013 and 2012 were equal to the required contributions for each year and were as follows:

(HMPL May 31st)	City of Henderson	Henderson Municipal Power & Light	Henderson Water Utility
Year ended June 30th			
2014	\$ 4,261,856	\$ 536,125	\$ 670,271
2013	\$ 4,321,702	\$ 539,503	\$ 713,923
2012	\$ 4,218,400	\$ 518,504	\$ 908,102

CITY OF HENDERSON, KENTUCKY NOTES TO FINANCIAL STATEMENTS

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, 2014:

Fund Balances	General Fund	Debt Service Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable					
Inventories	\$ 30,340	\$ -	\$ -	\$ 26,023	\$ 56,363
	<u>30,340</u>	<u>-</u>	<u>-</u>	<u>26,023</u>	<u>56,363</u>
Restricted					
Debt service	-	68,456	-	-	68,456
HWU capital projects	-	-	28,596,200	-	28,596,200
Law enforcement	-	-	-	45,021	45,021
	<u>-</u>	<u>68,456</u>	<u>28,596,200</u>	<u>45,021</u>	<u>28,709,677</u>
Committed					
Major building projects	2,124,040	-	-	-	2,124,040
Major equipment buys	643,256	-	-	-	643,256
Public works	-	-	-	18,746	18,746
Mass transit	-	-	-	98,063	98,063
Law enforcement	-	-	-	49,901	49,901
	<u>2,767,296</u>	<u>-</u>	<u>-</u>	<u>166,710</u>	<u>2,934,006</u>
Assigned					
2015 Budget deficit	2,510,400	-	-	-	2,510,400
Newman park shelter	200,000	-	-	-	200,000
Wayfaring signage	50,000	-	-	-	50,000
	<u>2,760,400</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,760,400</u>
Unassigned	<u>5,268,321</u>	<u>-</u>	<u>(44,023)</u>	<u>(13,884)</u>	<u>5,210,414</u>
Total fund balances	<u>\$ 10,826,357</u>	<u>\$ 68,456</u>	<u>\$ 28,552,177</u>	<u>\$ 223,870</u>	<u>\$ 39,670,860</u>

19. HENDERSON MUNICIPAL POWER & LIGHT (HMPL)

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 NOTES TO FINANCIAL STATEMENTS

Joint Facilities Agreement

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

Power sales to the Station Two Operator under the agreement amounted to \$22,555,014 for the fiscal year ended May 31, 2014.

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.

CITY OF HENDERSON, KENTUCKY

NOTES TO FINANCIAL STATEMENTS

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.

Litigation:

Big Rivers and HMPL 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 judge assigned the dispute to arbitration. On May 30, 2012 the Arbitration Panel issued a final ruling in favor of HMPL. Big Rivers filed a motion with the Kentucky Court of Appeals requesting that the Arbitration Panel's ruling be vacated and set aside. The Appeals Court issued a final ruling on May 30, 2014 in favor of HMPL. On October 1, 2014, Big Rivers filed a motion for discretionary review with the Kentucky Supreme Court. This legal dispute may continue for several years.

In July 2012, HMPL entered into litigation with the Kentucky Department of Labor related to the application of prevailing wage rates at Station Two. The litigation went to trial in December 2012. The Circuit Court ruled in favor of the Labor Cabinet on May 24, 2013. HMPL filed an appeal in the Kentucky Court of Appeals, and oral arguments were heard on September 24, 2014. HMPL anticipates a ruling from the Appeals Court within the next six months.

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

20. 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, 2014 is \$8 million dollars.

21. SUBSEQUENT EVENT

In September 2014, The City issued General Obligation Bonds, Series 2014, in the amount of \$8,000,000, recorded in its Capital Projects Fund, which funds are to be loaned to HWU for various capital projects. The interest rates on the bonds vary between 2.0% and 3.5% with the bonds maturing at various dates through November 2034.

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

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

	2014*	2013
Total Pension Liability		
Service cost	\$ 5,277	\$ 4,030
Interest	62,596	71,715
Changes of benefit terms	-	-
Differences between expected and actual experience	22,478	(60,254)
Changes of assumptions*	227,405	-
Benefit Payments	(187,307)	(210,938)
Net change in total pension liability	<u>130,449</u>	<u>(195,447)</u>
Total pension liability--beginning	<u>1,340,300</u>	<u>1,535,747</u>
Total pension liability--ending (a)	<u>\$ 1,470,749</u>	<u>\$ 1,340,300</u>
Plan Fiduciary Net Position		
Contributions--Employer	\$ 194,227	\$ 214,154
Contributions--Employee	2,227	2,154
Net investment income	4	10
Benefit Payments	(181,852)	(218,006)
Administration expenses	(2,441)	(2,472)
Other	258	193
Net change in plan fiduciary net position	<u>12,423</u>	<u>(3,967)</u>
Plan fiduciary net position--beginning	<u>(7,970)</u>	<u>(4,003)</u>
Plan fiduciary net position--ending (b)	<u>\$ 4,453</u>	<u>\$ (7,970)</u>
Net Pension Liability (a) - (b)	<u>\$ 1,466,296</u>	<u>\$ 1,348,270</u>
Plan fiduciary net position as a percentage of the total pension liability	0.303%	-0.595%
Covered employee payroll	\$ 44,550	\$ 43,171
Net Pension Liability as a percentage of covered employee payroll	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 Police and Fire Pension Fund
Schedule of Required Supplementary Information
Schedule of Changes in the Net Pension Liability and Related Ratios
For the Fiscal Years Ended June 30,

	2014*	2013
Total Pension Liability		
Service cost	\$ -	\$ -
Interest	168,112	170,310
Changes of benefit terms	-	-
Differences between expected and actual experience	(138,211)	186,286
Changes of assumptions*	866,643	-
Benefit Payments	(411,006)	(412,077)
Net change in total pension liability	<u>485,538</u>	<u>(55,481)</u>
Total pension liability--beginning	<u>4,408,308</u>	<u>4,463,789</u>
Total pension liability--ending (a)	<u>\$ 4,893,846</u>	<u>\$ 4,408,308</u>
Plan Fiduciary Net Position		
Contributions---Employer	\$ 412,000	\$ 418,000
Contributions---Employee	-	-
Net investment income	5	7
Benefit Payments	(416,461)	(415,608)
Administration expenses	(2,782)	(2,782)
Other	360	431
Net change in plan fiduciary net position	<u>(6,878)</u>	<u>48</u>
Plan fiduciary net position--beginning	<u>(5,569)</u>	<u>(5,617)</u>
Plan fiduciary net position--ending (b)	<u>\$ (12,447)</u>	<u>\$ (5,569)</u>
Net Pension Liability (a) - (b)	<u>\$ 4,906,293</u>	<u>\$ 4,413,877</u>
Plan fiduciary net position as a percentage of the total pension liability	-0.254%	-0.126%
Covered employee payroll	\$ -	\$ -
Net Pension Liability as a percentage of covered employee payroll	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 Civil Service Pension Fund
Schedule of Required Supplementary Information
Schedule of Contributions
For the Fiscal Years Ended June 30,

	<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>	<u>2005</u>
Actuarially Determined Contribution	\$ 111,630	\$ 127,470	\$ 116,436	\$ 112,188	\$ 99,171	\$ 111,784	\$ 116,421	\$ 122,033	\$ 126,446	\$ 96,105
Contributions in relation to the actuarially determined contribution	196,454	216,307	221,287	152,624	12,586	271,333	238,636	136,257	102,465	98,138
Contribution deficiency (excess)	<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>	<u>\$ (2,033)</u>
Covered Payroll	\$ 44,550	\$ 43,171	\$ 42,867	\$ 36,899	\$ 36,005	\$ 35,277	\$ 41,424	\$ 29,702	\$ 25,702	\$ 114,920
Contribution as a percentage of covered employee payroll	440.97%	501.05%	516.22%	413.63%	34.96%	769.15%	576.08%	458.75%	398.67%	85.40%

* 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 Police and Fire Pension Fund
Schedule of Required Supplementary Information
Schedule of Contributions
For the Fiscal Years Ended June 30,

	<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>	<u>2005</u>
Actuarially Determined Contribution	\$ 396,671	\$ 401,983	\$ 384,553	\$ 405,070	\$ 385,099	\$ 370,618	\$ 375,317	\$ 363,343	\$ 356,298	\$ 243,939
Contributions in relation to the actuarially determined contribution	412,000	418,000	418,000	424,775	16,083	291,013	424,749	392,639	379,192	373,444
Contribution deficiency (excess)	<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>	<u>\$ (129,505)</u>
Covered Payroll	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contribution as a percentage of covered employee 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.

City of Henderson, Kentucky
Schedule of Required Supplementary Information
Schedule of Investment Returns
For the Fiscal Years Ended June 30,

	2014	2013
Civil Service Pension Fund		
Annual money-weighted rate of return on pension plan investments, net of investment expense	0.0%	0.0%
Police and Fire Pension Fund		
Annual money-weighted rate of return on pension plan investments, net of investment expense	0.0%	0.0%

The City's pension plans do not have investments.

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

Nonmajor Governmental Funds

Nonmajor Governmental Funds

For fiscal 2014, the nonmajor governmental funds of the City consist of seven special revenue funds as described below. This subsection contains combining financial statements whereby the special revenue funds are combined to present total amounts for the nonmajor governmental funds. Also presented are budget and actual schedules for the special revenue funds.

Special Revenue Funds

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

- Cemetery** The Cemetery Fund accounts for the funds used to operate the City's two cemeteries, Fernwood and Fairmont.

- PWI** The Public Way Improvement Fund accounts for funds that finance public works projects.

- HART** The Henderson Area Rapid Transit Fund accounts for funds that operate the City bus system.

- 911** The Emergency Communications Fund accounts for funds that operate the 911 emergency communications system.

- CDBG** The Community Development Block Grant Fund accounts for federal grant money used to rehabilitate low income housing and public facilities.

- HOME** The HOME Fund accounts for grants used similar to the CDBG Fund except that the funds are provided through an agency of the Commonwealth of Kentucky.

- Police Investigation** The Police Investigation Fund accounts for funds from property sold seized from criminal activities and expended on law enforcement activities.

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

**City of Henderson, Kentucky
Combining Balance Sheet
Special Revenue Funds
June 30, 2014**

	Cemetery	PWI	HART	911	CDBG	HOME	Police Investigation	Totals
ASSETS								
Cash	\$ 70	\$ 439	\$ 53,348	\$ 9,372	\$ -	\$ -	\$ -	\$ 63,229
Receivables	-	99,460	86,495	62,186	53,290	-	-	301,431
Inventories	-	-	26,023	-	-	-	-	26,023
Restricted assets:								
Cash	-	-	-	-	-	-	121,617	121,617
Total assets	\$ 70	\$ 99,899	\$ 165,866	\$ 71,558	\$ 53,290	\$ -	\$ 121,617	\$ 512,300
LIABILITIES								
Accounts payable	\$ 3,002	\$ 71,301	\$ 26,345	\$ 7,789	\$ 49,540	\$ -	\$ 76,596	\$ 234,573
Accrued wages	4,013	9,852	15,435	13,868	-	-	-	43,168
Due to other funds	-	-	-	-	10,689	-	-	10,689
Total liabilities	7,015	81,153	41,780	21,657	60,229	-	76,596	288,430
FUND BALANCES								
Nonspendable	-	-	26,023	-	-	-	-	26,023
Restricted	-	-	-	-	-	-	45,021	45,021
Committed	-	18,746	98,063	49,901	-	-	-	166,710
Unassigned	(6,945)	-	-	-	(6,939)	-	-	(13,884)
Total fund balances	(6,945)	18,746	124,086	49,901	(6,939)	-	45,021	223,870
Total liabilities and fund balances	\$ 70	\$ 99,899	\$ 165,866	\$ 71,558	\$ 53,290	\$ -	\$ 121,617	\$ 512,300

City of Henderson, Kentucky
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Special Revenue Funds
For the Fiscal Year Ended June 30, 2014

	Cemetery	PWI	HART	911	CDBG	HOME	Police Investigation	Totals
REVENUES								
Intergovernmental	\$ -	\$ 920,460	\$ 618,659	\$ 93,963	\$ 123,460	\$ -	\$ 38,035	\$ 1,794,577
Service charges and fees	161,699	6,466	38,636	593,310	-	-	-	800,111
Investment income	10	234	189	83	-	-	437	953
Miscellaneous	459	217	14,640	-	-	-	-	15,316
Total revenues	<u>162,168</u>	<u>927,377</u>	<u>672,124</u>	<u>687,356</u>	<u>123,460</u>	<u>-</u>	<u>38,472</u>	<u>2,610,957</u>
EXPENDITURES								
Administration	-	-	-	-	93,627	-	-	93,627
Mass transit	-	-	1,285,332	-	-	-	-	1,285,332
Parks and recreation	365,081	-	-	-	-	-	-	365,081
Police	-	-	-	970,013	-	-	63,375	1,033,388
Public works	-	1,745,135	-	-	-	-	-	1,745,135
Capital outlays	-	-	52,826	-	6,295	-	-	59,121
Total expenditures	<u>365,081</u>	<u>1,745,135</u>	<u>1,338,158</u>	<u>970,013</u>	<u>99,922</u>	<u>-</u>	<u>63,375</u>	<u>4,581,684</u>
Excess (deficiency) of revenues over expenditures	<u>(202,913)</u>	<u>(817,758)</u>	<u>(666,034)</u>	<u>(282,657)</u>	<u>23,538</u>	<u>-</u>	<u>(24,903)</u>	<u>(1,970,727)</u>
OTHER FINANCING SOURCES								
Transfers in from General Fund	207,000	811,000	640,000	300,000	-	-	-	1,958,000
Total other financing sources	<u>207,000</u>	<u>811,000</u>	<u>640,000</u>	<u>300,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,958,000</u>
Net change in fund balances	4,087	(6,758)	(26,034)	17,343	23,538	-	(24,903)	(12,727)
Fund balances, beginning of year	<u>(11,032)</u>	<u>25,504</u>	<u>150,120</u>	<u>32,558</u>	<u>(30,477)</u>	<u>-</u>	<u>69,924</u>	<u>236,597</u>
Fund balances, end of year	<u>\$ (6,945)</u>	<u>\$ 18,746</u>	<u>\$ 124,086</u>	<u>\$ 49,901</u>	<u>\$ (6,939)</u>	<u>\$ -</u>	<u>\$ 45,021</u>	<u>\$ 223,870</u>

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, 2014

	<u>Budget</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental	\$ -	\$ -	\$ -	\$ -
Service charges and fees	191,900	191,900	161,699	(30,201)
Investment income	100	100	10	(90)
Miscellaneous	-	-	459	459
Total revenues	<u>192,000</u>	<u>192,000</u>	<u>162,168</u>	<u>(29,832)</u>
EXPENDITURES				
Administration	-	-	-	-
Mass transit	-	-	-	-
Parks and recreation	413,000	413,000	365,081	47,919
Police	-	-	-	-
Public works	-	-	-	-
Capital outlays	-	-	-	-
Total expenditures	<u>413,000</u>	<u>413,000</u>	<u>365,081</u>	<u>47,919</u>
Excess (deficiency) of revenues over expenditures	<u>(221,000)</u>	<u>(221,000)</u>	<u>(202,913)</u>	<u>18,087</u>
OTHER FINANCING SOURCES				
Transfers in from General Fund	<u>221,000</u>	<u>221,000</u>	<u>207,000</u>	<u>(14,000)</u>
Total other financing sources	<u>221,000</u>	<u>221,000</u>	<u>207,000</u>	<u>(14,000)</u>
Net change in fund balance	-	-	4,087	4,087
Fund balance, beginning of year	<u>(11,032)</u>	<u>(11,032)</u>	<u>(11,032)</u>	<u>-</u>
Fund balance, end of year	<u>\$ (11,032)</u>	<u>\$ (11,032)</u>	<u>\$ (6,945)</u>	<u>\$ 4,087</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, 2014

	<u>Budget</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental	\$ 785,700	\$ 835,700	\$ 920,460	\$ 84,760
Service charges and fees	-	-	6,466	6,466
Investment income	300	300	234	(66)
Miscellaneous	-	-	217	217
Total revenues	<u>786,000</u>	<u>836,000</u>	<u>927,377</u>	<u>91,377</u>
EXPENDITURES				
Administration	-	-	-	-
Mass transit	-	-	-	-
Parks and recreation	-	-	-	-
Police	-	-	-	-
Public works	1,563,000	1,767,000	1,745,135	21,865
Capital outlays	-	-	-	-
Total expenditures	<u>1,563,000</u>	<u>1,767,000</u>	<u>1,745,135</u>	<u>21,865</u>
Excess (deficiency) of revenues over expenditures	<u>(777,000)</u>	<u>(931,000)</u>	<u>(817,758)</u>	<u>113,242</u>
OTHER FINANCING SOURCES				
Transfers in from General Fund	<u>777,000</u>	<u>931,000</u>	<u>811,000</u>	<u>(120,000)</u>
Total other financing sources	<u>777,000</u>	<u>931,000</u>	<u>811,000</u>	<u>(120,000)</u>
Net change in fund balance	-	-	(6,758)	(6,758)
Fund balance, beginning of year	<u>25,504</u>	<u>25,504</u>	<u>25,504</u>	<u>-</u>
Fund balance, end of year	<u>\$ 25,504</u>	<u>\$ 25,504</u>	<u>\$ 18,746</u>	<u>\$ (6,758)</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, 2014

	<u>Budget</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental	\$ 830,000	\$ 1,036,000	\$ 618,659	\$ (417,341)
Service charges and fees	40,000	40,000	38,636	(1,364)
Investment income	-	-	189	189
Miscellaneous	-	-	14,640	14,640
Total revenues	<u>870,000</u>	<u>1,076,000</u>	<u>672,124</u>	<u>(403,876)</u>
EXPENDITURES				
Administration	-	-	-	-
Mass transit	1,371,500	1,371,500	1,285,332	86,168
Parks and recreation	-	-	-	-
Police	-	-	-	-
Public works	-	-	-	-
Capital outlays	45,500	251,500	52,826	198,674
Total expenditures	<u>1,417,000</u>	<u>1,623,000</u>	<u>1,338,158</u>	<u>284,842</u>
Excess (deficiency) of revenues over expenditures	<u>(547,000)</u>	<u>(547,000)</u>	<u>(666,034)</u>	<u>(119,034)</u>
OTHER FINANCING SOURCES				
Transfers in from General Fund	547,000	547,000	640,000	93,000
Total other financing sources	<u>547,000</u>	<u>547,000</u>	<u>640,000</u>	<u>93,000</u>
Net change in fund balance	-	-	(26,034)	(26,034)
Fund balance, beginning of year	<u>150,120</u>	<u>150,120</u>	<u>150,120</u>	<u>-</u>
Fund balance, end of year	<u>\$ 150,120</u>	<u>\$ 150,120</u>	<u>\$ 124,086</u>	<u>\$ (26,034)</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, 2014

	<u>Budget</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental	\$ 128,000	\$ 128,000	\$ 93,963	\$ (34,037)
Service charges and fees	595,000	595,000	593,310	(1,690)
Investment income	-	-	83	83
Miscellaneous	-	-	-	-
Total revenues	<u>723,000</u>	<u>723,000</u>	<u>687,356</u>	<u>(35,644)</u>
EXPENDITURES				
Administration	-	-	-	-
Mass transit	-	-	-	-
Parks and recreation	-	-	-	-
Police	1,080,700	1,080,700	970,013	110,687
Public works	-	-	-	-
Capital outlays	26,300	26,300	-	26,300
Total expenditures	<u>1,107,000</u>	<u>1,107,000</u>	<u>970,013</u>	<u>136,987</u>
Excess (deficiency) of revenues over expenditures	<u>(384,000)</u>	<u>(384,000)</u>	<u>(282,657)</u>	<u>101,343</u>
OTHER FINANCING SOURCES				
Transfers in from General Fund	384,000	384,000	300,000	(84,000)
Total other financing sources	<u>384,000</u>	<u>384,000</u>	<u>300,000</u>	<u>(84,000)</u>
Net change in fund balance	-	-	17,343	17,343
Fund balance, beginning of year	<u>32,558</u>	<u>32,558</u>	<u>32,558</u>	<u>-</u>
Fund balance, end of year	<u>\$ 32,558</u>	<u>\$ 32,558</u>	<u>\$ 49,901</u>	<u>\$ 17,343</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, 2014

	<u>Budget</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental	\$ 362,000	\$ 362,000	\$ 123,460	\$ (238,540)
Service charges and fees	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
Total revenues	<u>362,000</u>	<u>362,000</u>	<u>123,460</u>	<u>(238,540)</u>
EXPENDITURES				
Administration	362,000	362,000	93,627	268,373
Mass transit	-	-	-	-
Parks and recreation	-	-	-	-
Police	-	-	-	-
Public works	-	-	-	-
Capital outlays	-	-	6,295	(6,295)
Total expenditures	<u>362,000</u>	<u>362,000</u>	<u>99,922</u>	<u>262,078</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>-</u>	<u>23,538</u>	<u>23,538</u>
OTHER FINANCING SOURCES				
Transfers in from General Fund	-	-	-	-
Total other financing sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	-	-	23,538	23,538
Fund balance, beginning of year	<u>(30,477)</u>	<u>(30,477)</u>	<u>(30,477)</u>	<u>-</u>
Fund balance, end of year	<u>\$ (30,477)</u>	<u>\$ (30,477)</u>	<u>\$ (6,939)</u>	<u>\$ 23,538</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, 2014

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

City of Henderson, Kentucky
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Police Investigation Fund
For the Fiscal Year Ended June 30, 2014

	<u>Budget</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental	\$ 5,800	\$ 5,800	\$ 38,035	\$ 32,235
Service charges and fees	-	-	-	-
Investment income	200	200	437	237
Miscellaneous	-	-	-	-
Total revenues	<u>6,000</u>	<u>6,000</u>	<u>38,472</u>	<u>32,472</u>
EXPENDITURES				
Administration	-	-	-	-
Mass transit	-	-	-	-
Parks and recreation	-	-	-	-
Police	58,000	96,000	63,375	32,625
Public works	-	-	-	-
Capital outlays	-	-	-	-
Total expenditures	<u>58,000</u>	<u>96,000</u>	<u>63,375</u>	<u>32,625</u>
Excess (deficiency) of revenues over expenditures	<u>(52,000)</u>	<u>(90,000)</u>	<u>(24,903)</u>	<u>65,097</u>
OTHER FINANCING SOURCES				
Transfers in from General Fund	-	-	-	-
Total other financing sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	(52,000)	(90,000)	(24,903)	65,097
Fund balance, beginning of year	<u>69,924</u>	<u>69,924</u>	<u>69,924</u>	<u>-</u>
Fund balance, end of year	<u>\$ 17,924</u>	<u>\$ (20,076)</u>	<u>\$ 45,021</u>	<u>\$ 65,097</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, 2014

	<u>Budget</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental	\$ 857,200	\$ 857,200	\$ 857,016	\$ (184)
Investment income	1,500	1,500	87	(1,413)
Miscellaneous	-	-	208	208
Total revenues	<u>858,700</u>	<u>858,700</u>	<u>857,311</u>	<u>(1,389)</u>
EXPENDITURES				
Debt service:				
Principal	1,895,000	1,895,000	1,895,000	-
Interest	1,104,000	1,104,000	1,102,740	1,260
Total expenditures	<u>2,999,000</u>	<u>2,999,000</u>	<u>2,997,740</u>	<u>1,260</u>
Excess (deficiency) of revenues over expenditures	<u>(2,140,300)</u>	<u>(2,140,300)</u>	<u>(2,140,429)</u>	<u>(129)</u>
OTHER FINANCING SOURCES				
Transfers in from General Fund	778,000	778,000	777,000	(1,000)
Transfers in from Capital Projects Fund	1,362,300	1,362,300	1,362,280	(20)
Total other financing sources	<u>2,140,300</u>	<u>2,140,300</u>	<u>2,139,280</u>	<u>(1,020)</u>
Net change in fund balance	-	-	(1,149)	(1,149)
Fund balance, beginning of year	<u>69,605</u>	<u>69,605</u>	<u>69,605</u>	<u>-</u>
Fund balance, end of year	<u>\$ 69,605</u>	<u>\$ 69,605</u>	<u>\$ 68,456</u>	<u>\$ (1,149)</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, 2014

	<u>Budget</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental	\$ 3,148,000	\$ 3,148,000	\$ 524,906	\$ (2,623,094)
Investment income	-	-	25,880	25,880
Total revenues	<u>3,148,000</u>	<u>3,148,000</u>	<u>550,786</u>	<u>(2,597,214)</u>
EXPENDITURES				
Administration	-	-	103,873	(103,873)
Capital outlays	3,566,000	3,609,000	521,593	3,087,407
Capital contributions to HWU	6,000,000	6,000,000	-	6,000,000
Total expenditures	<u>9,566,000</u>	<u>9,609,000</u>	<u>625,466</u>	<u>8,983,534</u>
Excess (deficiency) of revenues over expenditures	<u>(6,418,000)</u>	<u>(6,461,000)</u>	<u>(74,680)</u>	<u>6,386,320</u>
OTHER FINANCING SOURCES (USES)				
Transfers in from General Fund	418,000	461,000	325,000	(136,000)
Transfers out to General Fund	-	-	(28,387)	(28,387)
Transfers out to Debt Service Fund	(1,363,000)	(1,363,000)	(1,362,280)	720
Bonds issuance	6,000,000	6,000,000	-	(6,000,000)
Total other financing sources (uses)	<u>5,055,000</u>	<u>5,098,000</u>	<u>(1,065,667)</u>	<u>(6,163,667)</u>
Net change in fund balance	(1,363,000)	(1,363,000)	(1,140,347)	222,653
Fund balance, beginning of year	<u>29,692,524</u>	<u>29,692,524</u>	<u>29,692,524</u>	<u>-</u>
Fund balance, end of year	<u>\$28,329,524</u>	<u>\$28,329,524</u>	<u>\$28,552,177</u>	<u>\$ 222,653</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.

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Revenue Capacity These schedules contain information to help the reader assess the City's most significant local revenue sources	114
Debt Capacity These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	124
Demographic and Economic Information These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.	128
Operating Information These schedules contain service and infrastructures data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.	131

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 eleventh 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)

	2005	2006 a)	2007	2008	2009	2010	2011	2012	2013	2014
Governmental activities										
Net investment in capital assets	\$ 5,648,894	\$ 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
Restricted	530,138	541,152	934,268	5,381	778,755	311,144	228,354	148,196	149,429	113,477
Unrestricted	2,908,310	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
Total governmental activities net position	\$ 9,087,342	\$ 32,068,426	\$ 31,167,262	\$ 30,207,481	\$ 28,711,851	\$ 27,303,338	\$ 26,541,238	\$ 27,505,541	\$ 31,312,409	\$ 30,820,664
Business-type activities										
Net investment in capital assets	\$ 2,901,711	\$ 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
Unrestricted	7,822,166	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
Total business-type activities net position	\$ 10,723,877	\$ 9,564,273	\$ 8,131,708	\$ 6,864,325	\$ 6,722,750	\$ 6,882,688	\$ 6,717,699	\$ 5,989,273	\$ 6,035,584	\$ 6,354,957
Primary government										
Net investment in capital assets	\$ 8,550,605	\$ 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
Restricted	530,138	541,152	934,268	5,381	778,755	311,144	228,354	148,196	149,429	113,477
Unrestricted	10,730,476	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
Total primary government net position	\$ 19,811,219	\$ 41,632,699	\$ 39,298,970	\$ 37,071,806	\$ 35,434,601	\$ 34,186,026	\$ 33,258,937	\$ 33,494,814	\$ 37,347,993	\$ 37,175,621

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

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

	2005	2006 a)	2007	2008	2009	2010	2011	2012	2013	2014
Expenses										
Governmental activities:										
Administration	\$ 2,852,944	\$ 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
Finance	2,026,423	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
Mass transit	954,634	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
Parks and recreation	1,454,021	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
Public safety	10,352,496	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
Public works	3,107,277	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
Nondepartmental	1,453,683	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
Interest on long-term debt	230,231	220,711	269,917	281,184	297,764	306,503	439,480	750,582	925,391	1,102,740
Total governmental activities expenses	22,431,709	24,810,627	26,595,502	27,123,668	27,465,469	30,174,632	30,324,160	32,445,946	30,715,175	32,403,412
Business-type activities:										
Gas	21,517,615	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
Sanitation	1,997,939	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
Total business-type activities expenses	23,515,554	31,368,847	26,971,719	32,388,076	26,949,792	21,623,505	20,819,538	17,493,853	18,420,148	22,086,674
Total primary government expenses	\$ 45,947,263	\$ 56,179,474	\$ 53,567,221	\$ 59,511,744	\$ 54,415,261	\$ 51,798,137	\$ 51,143,698	\$ 49,939,799	\$ 49,135,323	\$ 54,490,086
Program Revenues										
Governmental activities:										
Charges for services										
Administration	\$ 1,892,931	\$ 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
Finance	221,444	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
Mass transit	34,370	35,091	38,508	45,814	35,781	48,129	43,305	49,456	42,103	53,276
Parks and recreation	306,672	306,829	301,957	310,938	312,951	331,928	362,825	280,165	291,143	235,609
Public safety	413,814	716,936	481,805	761,937	919,361	953,804	1,167,236	912,513	862,244	881,418
Public works	64,503	466,240	80,196	95,649	111,668	169,680	175,876	91,228	104,714	102,259
Operating grants and contributions	3,322,409	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
Capital grants and contributions	1,254,164	886,861	105,300	244,931	161,409	795,477	734,901	2,973,862	3,647,262	630,540
Total governmental activities program revenues	7,510,307	8,377,530	7,793,780	8,062,564	8,056,777	9,592,599	10,426,500	13,164,700	13,293,089	10,340,180

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

	2005	2006 a)	2007	2008	2009	2010	2011	2012	2013	2014
Business-type activities:										
Charges for services										
Gas	\$ 22,160,449	\$ 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
Sanitation	1,589,366	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
Operating grants and contributions	-	-	-	-	-	-	-	-	93,820	96,160
Total business-type activities program revenues	23,749,815	31,349,307	26,326,667	32,033,979	27,093,035	22,867,554	21,757,527	18,080,542	19,852,102	23,740,327
Total primary government program revenues	\$ 31,260,122	\$ 39,726,837	\$ 34,120,447	\$ 40,096,543	\$ 35,149,812	\$ 32,460,153	\$ 32,184,027	\$ 31,245,242	\$ 33,145,191	\$ 34,080,507
Net (Expense)Revenue										
Governmental activities	\$ (14,921,402)	\$ (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)
Business-type activities	234,261	(19,540)	(645,052)	(354,097)	143,243	1,244,049	937,989	586,689	1,431,954	1,653,653
Total primary government net expense	\$ (14,687,141)	\$ (16,452,637)	\$ (19,446,774)	\$ (19,415,201)	\$ (19,265,449)	\$ (19,337,984)	\$ (18,959,671)	\$ (18,694,557)	\$ (15,990,132)	\$ (20,409,579)
General Revenues and Other Changes in Net Position										
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	\$ 5,154,559	\$ 5,159,531
Property	4,202,727	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
Insurance	4,531,904	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
Other	655,649	627,676	624,842	746,004	672,452	656,896	694,413	810,567	824,073	821,493
Occupational licenses	610,539	-	-	-	-	-	-	-	-	-
Distributions from component units	3,500,000	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
Investment earnings	185,238	196,815	270,582	253,890	73,489	88,136	86,572	66,039	32,121	127,507
Miscellaneous	789,335	-	-	-	-	-	-	-	-	-
Extraordinary item	-	-	-	-	(554,720)	-	-	-	-	-
Transfers	1,400,000	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
Total governmental activities	15,875,392	15,240,436	17,900,558	18,101,323	17,913,062	19,173,520	19,135,560	20,245,549	21,228,954	21,571,487

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

	2005	2006 a)	2007	2008	2009	2010	2011	2012	2013	2014
Business-type activities:										
Investment earnings	\$ 516,048	\$ 157,936	\$ 464,487	\$ 486,714	\$ 160,214	\$ 108,889	\$ 103,022	\$ 84,885	\$ 14,357	\$ 65,720
Extraordinary item	-	-	-	-	954,968	-	-	-	-	-
Transfers	(1,400,000)	(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)
Total business-type activities	(883,952)	(2,242,064)	(835,513)	(913,286)	(284,818)	(1,084,111)	(1,102,978)	(1,315,115)	(1,385,643)	(1,334,280)
Total primary government	\$ 14,991,440	\$ 12,998,372	\$ 17,065,045	\$ 17,188,037	\$ 17,628,244	\$ 18,089,409	\$ 18,032,582	\$ 18,930,434	\$ 19,843,311	\$ 20,237,207
Change in Net Position										
Governmental activities:	\$ 953,990	\$ (1,192,661)	\$ (901,164)	\$ (959,781)	\$ (1,495,630)	\$ (1,408,513)	\$ (762,100)	\$ 964,303	\$ 3,806,868	\$ (491,745)
Business-type activities:	(649,691)	(2,261,604)	(1,480,565)	(1,267,383)	(141,575)	159,938	(164,989)	(728,426)	46,311	319,373
Total primary government	\$ 304,299	\$ (3,454,265)	\$ (2,381,729)	\$ (2,227,164)	\$ (1,637,205)	\$ (1,248,575)	\$ (927,089)	\$ 235,877	\$ 3,853,179	\$ (172,372)

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)

	2005	2006 a)	2007	2008	2009	2010	2011 b)	2012	2013	2014
General Fund										
Reserved	\$ -	\$ -	\$ 850,000	\$ 590,000	\$ 590,000	\$ 1,095,872				
Unreserved	3,377,314	2,648,312	3,157,175	4,019,711	4,692,077	5,932,799				
Nonspendable										
Restricted							\$ 1,217,335	\$ 39,087	\$ 32,760	\$ 30,340
Committed							955,573	1,130,781	2,095,480	2,767,296
Assigned							988,500	837,000	1,296,300	2,760,400
Unassigned							3,836,690	5,592,998	6,038,346	5,268,321
Total general fund	\$ 3,377,314	\$ 2,648,312	\$ 4,007,175	\$ 4,609,711	\$ 5,282,077	\$ 7,028,671	\$ 6,998,098	\$ 7,599,866	\$ 9,462,886	\$ 10,826,357
All Other Governmental Funds										
Reserved, reported in:										
Permanent funds	\$ 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	796,618	678,094	656,430	659,060	435,242	474,272				
Nonspendable										
Special revenue funds							\$ 23,120	\$ 24,852	\$ 26,408	\$ 26,023
Restricted										
Debt service fund							924	69,424	69,605	68,456
Capital projects fund							11,702,613	21,172,367	29,958,480	28,596,200
Special revenue funds							227,430	78,772	79,824	45,021
Committed										
Special revenue funds							566,741	300,912	181,774	166,710
Assigned							-	-	-	-
Unassigned										
Capital projects fund							(380,048)	(652,605)	(265,956)	(44,023)
Special revenue funds							(1,800)	(78,470)	(41,509)	(13,884)
Total all other governmental funds	\$ 1,326,756	\$ 1,219,246	\$ 1,590,698	\$ 664,441	\$ (742,100)	\$ (921,248)	\$ 12,138,980	\$ 20,915,252	\$ 30,008,626	\$ 28,844,503

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)

	2005	2006 a)	2007	2008	2009	2010	2011	2012	2013	2014
Revenues										
Taxes	\$ 11,514,894	\$ 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
Charges for services	663,766	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
Investment income	178,720	175,858	248,288	241,715	69,672	86,892	85,107	64,712	30,176	126,233
Licenses and permits	706,375	194,993	101,080	86,230	73,827	88,624	102,046	77,643	81,091	84,349
Intergovernmental revenue	4,576,573	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
Distributions from component units	3,500,000	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
Other	178,587	370,979	268,234	317,790	262,959	506,111	252,000	275,645	320,790	453,188
Total revenues	21,318,915	22,471,680	22,996,251	23,249,182	23,617,942	25,859,605	26,103,108	29,791,185	31,138,531	28,499,542
Expenditures										
Administration	1,007,131	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
Finance	1,884,715	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
Public safety	9,811,606	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
Public works	2,957,253	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
Parks & recreation	1,326,786	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
Non-departmental	1,453,683	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
Mass transit	886,039	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
Capital outlay	1,170,700	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
Capital contributions to HWU	-	-	-	-	-	-	-	1,363,929	264,547	-
Debt service:										
Principal	300,000	423,755	2,391,669	652,137	557,508	358,303	360,000	955,000	1,460,000	1,895,000
Interest	230,231	220,711	269,917	281,184	297,764	306,503	439,480	750,582	925,391	1,102,740
Other charges	-	-	-	-	-	-	27,648	72,175	-	-
Total expenditures	21,028,144	23,116,214	27,686,460	24,972,903	25,197,397	25,485,159	27,844,453	33,782,145	31,312,137	29,690,294
Excess of revenues over (under) expenditures	290,771	(644,534)	(4,690,209)	(1,723,721)	(1,579,455)	374,446	(1,741,345)	(3,990,960)	(173,606)	(1,190,752)
Other Financing Sources (Uses)										
Transfers in	3,290,783	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
Transfers out	(1,890,783)	(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)
Insurance recovery	-	328,914	-	-	-	-	-	-	-	-
Proceeds from loans	-	325,422	5,237,981	-	-	-	13,730,000	12,080,000	9,730,000	-
Bond refundings	-	-	-	-	-	-	(1,310,000)	-	-	-
Sale of land	-	-	-	-	-	-	1,145,000	(111,000)	-	-
Other	-	124,044	-	-	-	-	-	-	-	-
Total other financing sources (uses)	1,400,000	3,178,380	6,537,981	1,400,000	1,400,000	1,193,000	14,771,000	13,369,000	11,130,000	1,400,000
Extraordinary item	-	-	-	-	(554,720)	-	-	-	-	-
Net change in fund balances	\$ 1,690,771	\$ 2,533,846	\$ 1,847,772	\$ (323,721)	\$ (734,175)	\$ 1,567,446	\$ 13,029,655	\$ 9,378,040	\$ 10,956,394	\$ 209,248
Debt service as a percentage of noncapital expenditures	2.7%	3.1%	10.9%	4.1%	3.6%	2.7%	3.0%	5.9%	8.6%	10.4%

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
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
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

- 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
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
2013	1,101,286	133,508	598,793	1,833,587
2014	1,107,275	135,468	601,357	1,844,100

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	Estimated Actual Tax Value
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
2013	786,359,573	3,022,322	385,853,285	6,803,920	80,752,738	-	1,101,286,362	0.00542	5,968,972
2014	790,818,965	3,012,222	392,059,955	6,809,620	85,425,951	-	1,107,274,811	0.00561	6,211,812

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
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
2013	52,091,144	53,770,713	12,519,762	8,528,020	1,484,755	5,113,377	133,507,771	0.00750	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	0.00750	1,016,008

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**

Real property:						Overlapping						Total City Resident
Direct			General Fund City			County Schools	State	County	Library	Health	Extension	
Year	Police and Firemen's Pension	Civil Service Pension	Debt	Operations	City							
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
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

Personal property:						Overlapping						Total City Resident
Direct			General Fund City			County Schools	State	County	Library	Health	Extension	
Year	Police and Firemen's Pension	Civil Service Pension	Debt	Operations	City							
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
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

Source: Kentucky Department of Revenue

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

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

Real property: Direct		Overlapping						Total City Resident
Year	City	County Schools	State	County	Library	Health	Extension	
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
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
Personal property:								
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
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

Source: Kentucky Department of Revenue

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

Company	Type of Tax	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Kentucky Farm Bureau Insurance	Insurance premium tax	\$ 400,515	\$ 387,260	\$ 399,568	\$ 410,043	\$ 425,793	\$ 456,374	\$ 486,160	\$ 521,020	\$ 549,560	\$ 547,449
Commonwealth of Kentucky - Telecom (a)	Franchise tax	-	-	315,994	316,101	315,991	316,068	316,044	311,957	307,895	307,879
State Farm Mutual Automobile Insurance	Insurance premium tax	172,297	173,236	172,002	161,049	175,243	176,025	192,829	225,066	256,612	290,678
Insight/Time Warner Cable (a)	911 tax/Franchise fees	325,312	236,649	-	225,568	192,960	214,889	237,779	232,997	198,050	252,574
State Farm Fire & Casualty Company	Insurance premium tax	-	-	114,716	114,810	116,277	127,469	144,505	163,885	211,115	248,677
Bellsouth Telecommunications / AT&T	911 tax/Franchise fees	203,391	270,679	200,665	280,409	283,255	277,972	285,083	281,144	274,277	226,985
Big Rivers Electric Corporation	Franchise tax	-	-	-	-	-	-	-	172,549	179,717	183,662
United Healthcare	Insurance premium tax	145,257	161,039	147,950	197,205	224,861	188,973	177,349	163,636	147,451	179,892
Wal-Mart Stores, Inc.	Property tax/Occupational tax	-	-	-	123,274	147,759	128,593	146,391	149,148	175,768	161,124
Cincinnati Insurance Company	Insurance premium tax	-	113,508	100,644	-	115,878	127,925	136,640	138,131	156,094	156,791
Progressive Casualty Insurance Company	Insurance premium tax	-	-	133,516	152,869	150,993	148,370	123,904	-	-	-
West American Insurance Company	Insurance premium tax	116,083	118,402	118,984	120,170	-	-	-	-	-	-
Grange Mutual	Insurance premium tax	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	-	-	-	-	-	-	-	-	-
Total		\$ 1,818,422	\$ 1,791,836	\$ 1,826,719	\$ 2,101,498	\$ 2,149,010	\$ 2,162,657	\$ 2,246,684	\$ 2,359,533	\$ 2,456,538	\$ 2,555,712

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	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2005	\$ 4,173,288	\$ 4,122,781	98.8%	\$ 40,835	\$ 4,163,616	99.8%
2006	4,301,758	4,247,636	98.7%	42,021	4,289,657	99.7%
2007	4,703,877	4,647,361	98.8%	41,915	4,689,276	99.7%
2008	5,136,785	5,064,159	98.6%	54,227	5,118,386	99.6%
2009	5,596,612	5,491,093	98.1%	74,422	5,565,515	99.4%
2010	5,785,819	5,692,217	98.4%	68,931	5,761,149	99.6%
2011	6,064,892	5,959,466	98.3%	69,805	6,029,271	99.4%
2012	6,534,561	6,446,468	98.7%	51,817	6,498,285	99.4%
2013	6,905,543	6,827,927	98.9%	28,779	6,856,707	99.3%
2014	7,160,301	7,071,501	98.8%	N/A	7,071,501	98.8%

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

(b) Collections as of June 30, 2014

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

Type of Customer	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Residential	611,354	613,872	513,033	558,863	622,342	566,728	589,839	519,927	455,233	613,973
Commercial	337,788	341,802	319,357	331,896	371,493	342,366	366,061	341,617	294,765	356,860
Industrial	1,844,269	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
Municipal	-	-	-	6,428 a)	7,875	6,882	7,543	7,614	5,564	7,806
Total Sold	2,793,411	2,535,439	2,639,664	2,779,088	3,149,577	2,883,804	3,128,983	3,071,503	2,915,870	3,275,378
Delivered only	399,848	360,747	358,538	331,305	- c)	-	-	-	-	-
Pipeline distribution use (net of losses)	1,352	1,037	1,926	3,647 b)	1,733	4,628 d)	2,796	3,201	2,125	2,133
Total Disposition	3,194,611	2,897,223	3,000,128	3,114,040	3,151,310	2,888,432	3,131,779	3,074,704	2,917,995	3,277,511

- 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)**

Type of Customer	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Residential	\$ 6,028	\$ 8,064	\$ 6,421	\$ 6,594	\$ 7,715	\$ 5,925	\$ 6,142	\$ 5,286	\$ 4,356	\$ 4,413
Commercial	3,023	4,120	3,899	3,671	4,542	2,967	3,196	2,774	2,105	2,457
Industrial	12,704	16,702	16,612	15,147	22,049	10,524	11,460	10,907	8,294	10,121
Total Sold	\$ 21,755	\$ 28,886	\$ 26,932	\$ 25,413	\$ 34,306 a)	\$ 19,416 b)	\$ 20,798	\$ 18,967	\$ 14,755	\$ 16,991

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
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
2013	12.00	2.25
2014	b) 12.50	2.30

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, 2014

Governmental Unit	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable (a)</u>	<u>Estimated Share of Overlapping Debt</u>
Debt repaid with property taxes			
Henderson County Schools (c)	\$ 20,910,000	52.42% (b)	\$ 10,961,022
Henderson County (d) Henderson County Public Properties Corp.	2,572,440	52.42% (b)	<u>1,348,473</u>
Subtotal, overlapping debt			\$ 12,309,495
City direct debt			<u>35,500,000</u>
Total direct and overlapping debt			<u><u>\$ 47,809,495</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 2014.
- 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		
2005	\$ 11,617	\$ 8,896	\$ 2,721	\$ 568	\$ 549	\$ 1,117	2.44	\$ 40,141	\$ 36,584	\$ 3,557	\$ -	\$ -	\$ -	N/A	
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	

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 ^{d)}	Per Capita	Per Capita Income	Percentage of Personal Income
	General Obligation Bonds	Actual Taxable Value of Property				Bond Anticipation Note	Capital Leases	Capital Leases				
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 ^{b)}	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 ^{c)}	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	1,844,099,929	1.93%	28,832	1,231	-	-	-	35,500,000	1,231	33,351	3.69%

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									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
General Bonded										
General bonded debt outstanding	\$ -	\$ -	\$ -	\$ 5,230	\$ 5,005	\$ 4,775	\$ 18,000	\$ 29,125	\$ 37,395	\$ 35,500
Other bonded debt	-	-	-	-	-	1,584	-	-	-	-
Total	-	-	-	5,230	5,005	6,359	18,000	29,125	37,395	35,500
Estimated actual property value	\$ 1,374,606	\$ 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
Percentage of estimated actual property value	0%	0%	0%	0.35%	0.31%	0.39%	1.03%	1.64%	2.04%	1.93%
Population	27,542	27,666	27,666	27,768	27,768	27,933	28,757	28,853	28,911	28,832
Per capita	-	-	-	\$ 188	\$ 180	\$ 228	\$ 626	\$ 1,009	\$ 1,293	\$ 1,231
Less: Amounts set aside to repay general debt	-	-	-	-	269	1,018	918	1,131	1,725	2,124
Total net debt applicable to debt limit	-	-	-	\$ 5,230	\$ 4,736	\$ 5,341	\$ 17,082	\$ 27,994	\$ 35,670	\$ 33,376
Debt Limit	\$ 84,424	\$ 87,125	\$ 91,271	\$ 100,736	\$ 105,167	\$ 107,144	\$ 107,909	\$ 109,530	\$ 110,129	\$ 110,727
Total net debt applicable to limit	\$ 4,855	\$ 4,555	\$ 4,535	\$ 7,508	\$ 6,856	\$ 7,524	\$ 18,000	\$ 29,125	\$ 37,395	\$ 35,500
Legal Debt Limit a)	\$ 79,569	\$ 82,570	\$ 86,736	\$ 93,228	\$ 98,311	\$ 99,620	\$ 89,909	\$ 80,405	\$ 72,734	\$ 75,227
Legal Debt Margin b)	\$ 79,569	\$ 82,570	\$ 86,736	\$ 87,998	\$ 93,575	\$ 94,279	\$ 72,827	\$ 52,411	\$ 37,064	\$ 41,851
Legal debt margin as a percentage of the debt limit	100%	100%	100%	94.4%	95.2%	94.6%	81.0%	65.2%	51.0%	55.6%

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
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%
2013	28,911	934,143	32,311	39.0	7,555	8.1%
2014	28,832	961,576	33,351	39.8	7,581	6.9%

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 NINE 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%
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)
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%
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%
Wal-Mart	18	-	0.00%	11	-	0.00%	8	70,954	1.69%	7	79,145	1.97%	7	80,982	2.05%
Redbanks	13	-	0.00%	9	63,355	1.52%	10	64,275	1.53%	8	69,684	1.73%	8	73,480	1.86%
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%	-	-	0.00%
Vincent Plastics	7	24,779	1.75%	7	71,215	1.71%	11	-	0.00%	11	-	0.00%	-	-	0.00%
Spartan Staffing	10	22,830	1.61%	22	-	0.00%	15	-	0.00%	15	-	0.00%	-	-	0.00%
Total		\$ 669,628	47.28%		\$ 1,640,132	39.31%		\$ 1,619,491	38.63%		\$ 1,584,496	39.44%		\$ 1,641,069	41.58%

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 NINE FISCAL YEARS**

Employer	2011			2012			2013			2014		
	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%
Henderson County Schools	2	321,922	7.96%	2	328,197	7.82%	2	345,801	8.11%	2	359,414	8.20%
Gibbs	3	165,136	4.08%	5	162,138	3.87%	5	151,889	3.56%	3	190,297	4.34%
City of Henderson	4	163,558	4.04%	4	165,130	3.94%	4	169,016	3.96%	4	164,760	3.76%
Dana	5	134,989	3.34%	3	174,305	4.16%	3	154,761	3.63%	5	156,249	3.57%
Big Rivers	6	127,353	3.15%	6	119,522	2.85%	6	123,251	2.89%	6	120,992	2.76%
Redbanks	8	77,667	1.92%	8	79,410	1.89%	8	80,413	1.89%	7	85,125	1.94%
Wal-Mart	7	78,704	1.95%	7	80,826	1.93%	7	75,616	1.77%	8	77,967	1.78%
Henderson County	11		0.00%	10	67,396	1.61%	10	71,955	1.69%	9	76,481	1.75%
Henderson Community College	9	68,000	1.68%	9	70,761	1.69%	9	72,025	1.69%	10	71,423	1.63%
State of Kentucky	10	66,018	1.63%	11		0.00%	11		0.00%			0.00%
Total		\$ 1,606,024	39.69%		\$ 1,756,820	41.88%		\$ 1,745,577	40.93%		\$ 1,826,964	41.70%

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									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
General Government										
Administration	15.00	12.00 a	11.00	22.00 c	22.00	22.50 d	22.50	23.25	24.00	23.00
Finance	31.00	31.00	33.00 b	32.00	32.00	33.50 d	33.50	32.75	33.00	33.00
Police										
Officers	57.50	57.80	57.80	57.80	57.55	60.75 e	60.75	60.75	60.75	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	14.50	14.20	15.20	15.20	15.45	15.25	15.25	15.25	15.25	15.25
Fire										
Firefighters	58.00	58.00	58.00	58.00	58.00	58.00	58.00	58.00	58.00	60.00
Civilians	7.00	9.00 a	9.00	2.00 c	2.00	2.00	2.00	2.00	2.00	2.00
Parks and Recreation	14.00	14.00	14.00	13.00	13.00	13.00	13.00	13.00	13.00	14.00
Mass Transit	12.00	12.00	12.00	13.00	14.00	14.00	14.00	14.00	14.00	14.00
Gas System	30.00	30.00	27.00	28.00	28.00	28.00	28.00	28.00	27.00	26.00
Sanitation	18.50	18.50	18.50	18.50	18.50	18.50	18.50	18.50	18.50	18.50
Cemetery	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00
Public Way Improvement	37.50	37.50	37.50	35.50 c	35.50	35.50	35.50	35.50	35.50	35.50
TOTAL	307.00	306.00	305.00	307.00	308.00	313.00	313.00	313.00	313.00	315.00

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**

Function / Program	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Public Way Improvement										
Miles of streets paved	111	113	113	113	113	113	124	124	124	124
Miles of sidewalks	73	73	73	73	73	73	73	73	73	73
Wastewater System										
Miles of sanitary sewers	206	185	205	205	203	205	200	201	201	205
Miles of storm sewers	136	136	136	136	136	136	136	136	51	54
Number of service connections	11,156	11,156	10,792	10,793	10,782	10,846	10,884	10,884	10,893	10,862
Maximum daily capacity of treatment in 1,000 gallons	19,000	19,000	19,000	19,000	19,000	19,000	19,000	19,000	19,000	19,000
Water System										
Miles of water mains	223	206	219	222	224	225	225	225	225	225
Number of service connections	11,156	11,156	10,792	10,793	10,782	10,846	10,844	10,844	10,893	10,862
Number of fire hydrants	939	939	988	1,007	1,020	1,030	1,084	1,095	1,112	1,119
Maximum daily capacity of plant in 1,000 gallons	16,000	16,000	16,000	16,000	16,000	16,000	16,000	16,000	16,000	16,000
Electric System										
Miles of transmission and primary distribution	206	208	208	208	208	208	208	208	208	208
Number of distribution stations	7	7	7	7	7	7	7	7	7	7
Gas System										
Miles of mains	236	241	243	244	245	247	249	251	253	254
Miles of service lines	129	129	129	129	129	129	129	138	139	140
Number of meters	10,095	10,030	10,008	10,000	9,652	9,532	9,470	9,422	9,421	9,391
Parks and Recreation										
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	14	14	14	14	14	14	14	14	14	14
Baseball/Softball fields	16	17	17	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	2
Disc golf holes (a)	-	-	-	-	9	18	18	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.

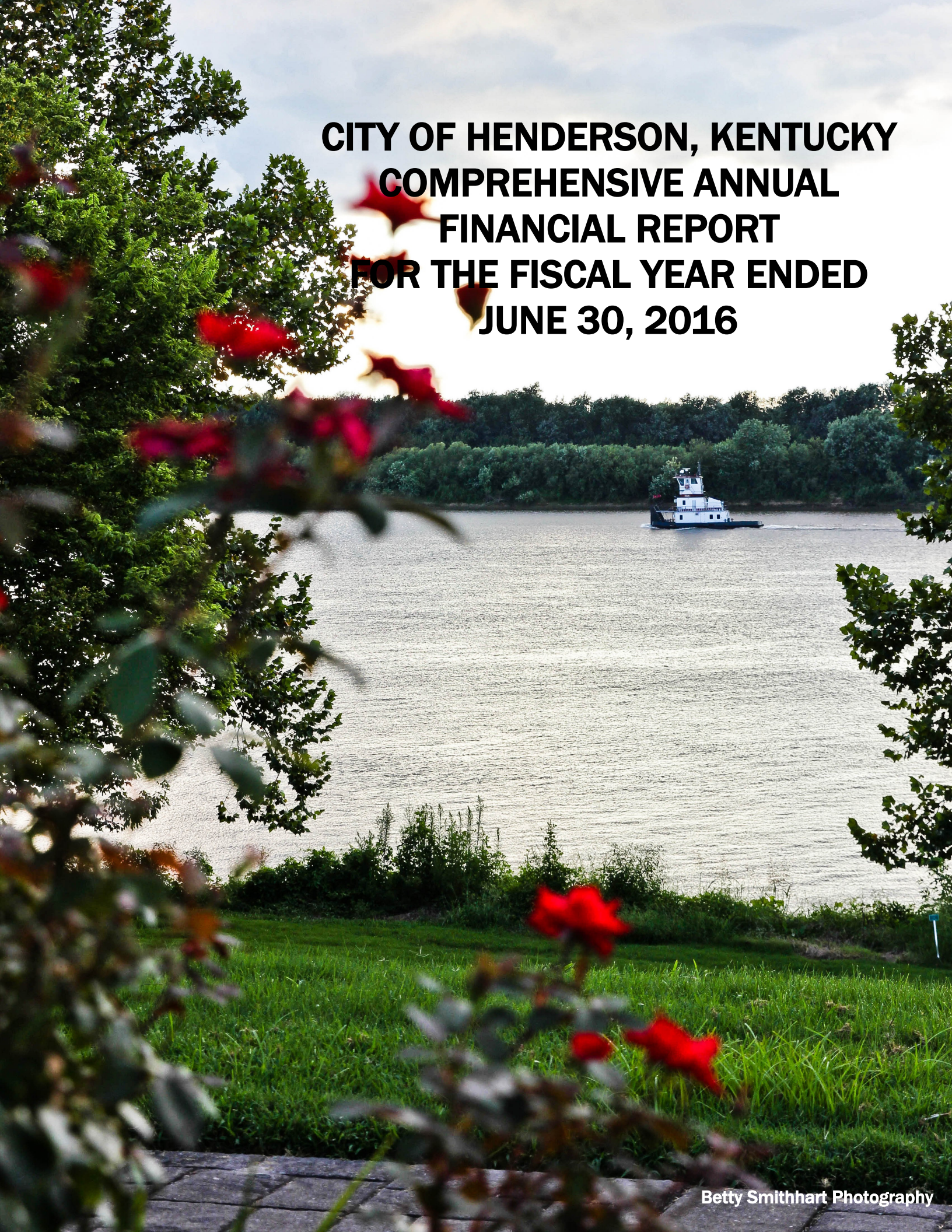
**CITY OF HENDERSON, KENTUCKY
OPERATING INDICATORS by FUNCTION / PROGRAM
LAST TEN FISCAL YEARS**

Function / Program	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Police										
Physical arrests	3,827	3,696	3,759	3,793	3,519	3,183	2,615	2,776	2,951	3,054
Traffic violations	2,166	3,086	2,697	2,073	1,458	2,315	2,854	2,455	3,505	2,889
Parking violations	5,746	5,195	3,867	4,492	4,387	2,425	4,075	4,088	4,137	4,307
Calls for service	24,525	25,987	23,600	22,335	17,658	18,582	17,633	17,827	17,454	17,519
Fire										
Fire	152	152	152	176	155	124	152	150	140	137
Overpressure Rupture, Explosion, Overheat	8	9	12	13	12	10	9	10	8	13
Rescue & Emergency Medical Service	985	1,029	1,213	1,182	1,246	1,297	1,216	1,513	1,757	1,736
Hazardous Condition (No Fire)	399	261	220	165	288	134	153	138	147	171
Service Call	63	62	67	57	74	73	76	66	64	73
Good Intent Call	177	128	141	153	167	144	169	158	140	166
False Alarm & False Call	170	195	188	191	188	204	246	207	198	292
Severe Weather & Natural Disaster	-	-	3	1	12	1	3	1	1	2
Special Incident Type	14	11	1	2	4	-	7	7	5	7
Number of inspections performed	604	709	1,238	1,210	781	733	772	788	749	712
Mass Transit										
Number of routes	*	*	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
Para transit Passengers	*	*	16,653	17,529	17,298	15,736	18,161	16,357	15,339	14,020
Wheelchair Usage	*	*	6,728	4,900	4,758	4,729	6,411	7,915	6,601	6,837
Miles of Service	*	*	202,885	216,852	222,297	227,937	242,024	222,262	221,955	219,964
Wastewater System										
Average daily treatment in 1,000 gallons	9,800	8,800	10,185	9,970	9,648	9,506	8,979	8,672	8,993	11,390
Water System										
Average daily consumption in 1,000 gallons	11,836	10,500	10,469	8,316	8,034	7,847	7,669	9,030	9,151	9,260

Source: Applicable Departments

* - Data not available

Case No. 2019-00269
Attachment 1 to BREC 1-31
Pages 154

A scenic view of a river with a tugboat, framed by trees and red flowers in the foreground. The text is overlaid on the upper portion of the image.

**CITY OF HENDERSON, KENTUCKY
COMPREHENSIVE ANNUAL
FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
JUNE 30, 2016**

CITY OF HENDERSON, KENTUCKY
COMPREHENSIVE ANNUAL FINANCIAL
REPORT

For the Fiscal Year Ended June 30, 2016



Prepared by:

Finance Department

**CITY OF HENDERSON, KENTUCKY
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 For the Fiscal Year Ended June 30, 2016**

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INTRODUCTORY SECTION



Steve Austin, Mayor

Commissioners:

Jan M. Hite

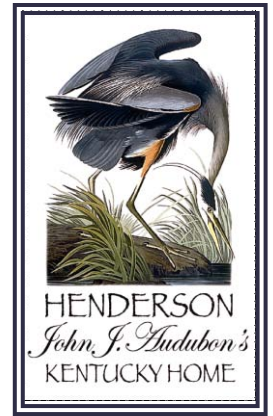
Jesse L. Johnston IV

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 27, 2016

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, 2016. 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, 2016. 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 28,890 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 1st to the Board of Commissioners for the fiscal year commencing July 1. The budget includes appropriations for expenditures and means of financing them. The level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) is at the departmental level within an individual fund. The City also maintains an encumbrance accounting system as one technique of accomplishing budgetary control.

Local economy

Henderson is located in the Evansville, IN-KY Metropolitan Statistical Area (MSA). This geographical region covers approximately 2,367 square miles and is the 142nd largest MSA in the United States. Based on 2015 estimates, Henderson is the 12th 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 \$35,725 which was \$7,617 or 17.6% lower than the Kentucky family medium income of \$43,342. The estimated medium price of a single family home in the city was \$95,000. 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 2016 general obligation bonds.

Over the past ten years, the City has experienced steady economic growth and investment. The real estate assessments have increased 30.8% or \$268.3 million from \$871.3 million at the start of fiscal 2007 to \$1,139.5 million at the end of fiscal 2016. This equates to a 2.7% annual increase. Bank deposits have increased 45.7% or \$198.0 million from \$433.8 million to \$629.8 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 increased to a total of approximately \$11.5 million at June 30, 2016 with an increase of \$745,368 from the prior year. The reserves consisted of cash, investments, and receivables. The increase in General Fund reserves was primarily the result of a growth in tax collections and the sale of surplus property. Tax collections increased \$875,213 or 4.6% with growth in all three areas: property, insurance premium, and occupational taxes. Personnel expenses were \$626,249 under budget with salaries accounting for \$358,305 or 57.2% 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 5.0 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.

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, \$319,228 was returned to Henderson which is an increase of \$34,551 from the \$284,677 that was returned in fiscal 2015.

Staff strongly recommends that 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.

Each employee that meets certain wellness criteria receives a HRA 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. For fiscal 2016, the total health care cost was \$6,846,355 which is an increase of \$418,833 from the \$6,427,523 spent in fiscal 2012. This equates to an annualized increase of 1.6% or an increase of 6.5% since fiscal 2012.

To promote healthier lifestyle and to encourage the wellness program the City will offer a near-site clinic. The clinic will be available to covered employees and dependents. The clinic will offer 30 hours a week with staggered times to accommodate employees' schedules. There will be a "zero" co-pay for the visit and a zero co-pay on nine basic lab tests. In addition to these basic services, the clinic will provide a customized reduced service fee schedule for labs in general.

From a capital projects aspect, fiscal 2016 was another busy year. Some projects and improvements of note include:

New Municipal Service Center:

A new facility was purchased during the 2015 fiscal year at a cost of \$1.92 million. Architectural designs were drawn for the facility that will include natural gas, sanitation, and city garage operations. The project calls for the renovation of the interior and exterior of the buildings to be used for offices, training space, work areas, and storage space for the various divisions. It will provide renovations to the parking areas and the construction of new structures and site improvements in the complex. Also included in the renovation work is space for a backup emergency dispatch center. Total cost for the project is approximately \$6.5 million.

Streets and Sidewalk Improvements:

The Second Street corridor was rehabilitated to improve sidewalks, lighting, curbs, and gutters as it transitions to the new entryway to downtown. The renovations included installation of 42 decorative lamp posts from N. Alvasia Street to N. Adams Street. The antique-style lights line both sides of the street and compliment those in the downtown business district and those along Elm Street.

In fiscal 2016, the City completed phase III of the Long Range Enhancement Projects. This included new sidewalks on Letcher Street, Barrett Court, and Sand Lane.

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 2016, \$310,892 was spent on flood prevention projects and another \$861,000 included in fiscal 2017.

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 2016, the County contribution was \$101,016. 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 the funding options for the emergency dispatch operations in the 911 center. The City of Henderson, Henderson County, and Methodist Hospital 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 2017, 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 also worked together to develop a new park in the East-end. Property was purchased in fiscal 2013. Playground equipment that includes an interactive water splash pad was installed. The park also includes a set of restrooms and landscaping.

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 approximately \$144,000 have already been awarded with the potential of another \$175,000 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) has completed a massive \$43.6 million set of projects. These projects: 1) replaced much of the old infrastructure in a sixteen block space in the downtown area; 2) separated much of the combined wastewater and storm water system; 3) increased the amount of wastewater processed through the installation of new gravity sewer lines; and 4) increased 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, was required to be no later than December 21, 2017.

Economic Development:

During the 2015 fiscal year, the City purchased 124 acres at the end of Borax Drive. The property was purchased with federal highway and transportation grant funds. It will be used for economic development. There is \$537,500 in additional funds in fiscal 2017 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 2017 budget includes \$12.6 million in capital projects which includes \$1.6 million in rolling stock replacement.

During the last fiscal year, HMP&L spent \$656,006 in capital improvements and replacements in the existing system and \$1,435,171 in capital improvements and replacements at Station Two. HWU added \$6,535,607 in capital projects during fiscal 2016.

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

With all of the various improvements, the City/County collaborations, and US Highway 41 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 2016 budget was adopted using \$4,836,000 of unassigned fund balance. However, none of these funds were needed and there was a \$745,368 surplus instead. The reserve policy designates that 20% of annual surpluses be set aside for short-term payments on large vehicles and equipment. At the end of the fiscal year there was nearly \$370,000 set aside. The reserve policy also designates that 40% of annual surpluses be set aside for long-term payments on major building projects or improvements. At the end of the fiscal year end there was over \$2.0 million set aside. The remaining 40% of the annual surplus was placed in the unassigned fund balance. At the end of fiscal 2016, the unassigned fund balance was \$3.5 million.

Having these funds set aside has enabled the City to purchase a new aerial fire truck in fiscal 2016 and have funds available to make the next payments on the general obligation bonds.

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

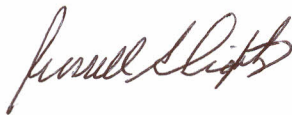
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Henderson for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2015. This was the seventeenth 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, 2016 and ending June 30, 2017. To qualify for the Distinguished Budget Presentation Award, the government's budget document had to be judged proficient as a policy document, a financial plan, an operations guide, and a communications device. The preparation of this report would not have been possible without the skill, effort, and dedication of the entire staff including those of the Finance and Administration Departments.

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 unflinching 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

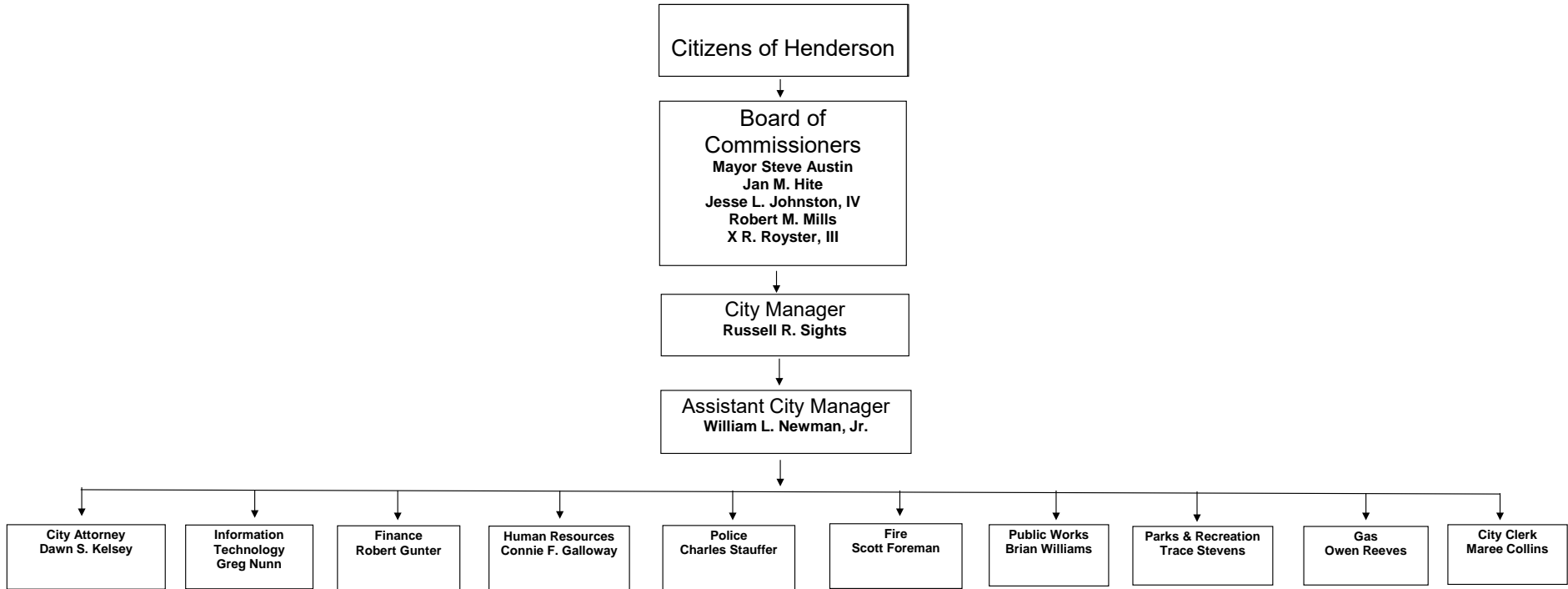
**City of Henderson
Kentucky**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2015

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



Independent Auditors' Report

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Henderson, Kentucky as of and for the year ended June 30, 2016 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.

Auditors' 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, 2016, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and pension schedules on pages 16 through 32 and 96 through 101 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.

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 December 8, 2016, 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.

Myriad CPA Group, LLC

Henderson, Kentucky
December 8, 2016

**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, 2016. 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 \$9.7 million at the close of fiscal 2016. Due to pension obligations, the unrestricted net position is a negative \$16.7 million.
- City governmental funds reported combined ending fund balances of \$52.7 million. Of this total, \$2.25 million is unassigned.
- In the City's business-type activities, income from operations decreased from \$2,012,326 in fiscal 2015 to \$1,266,963 in fiscal 2016.
- The City's General Fund ended the year with a fund balance of \$11,527,103, an increase of \$745,368 or 6.9% from fiscal year 2015's balance of \$10,781,735.
- In the past five years, the General Fund's fund balance has increased 64.3% from \$7.0 million in 2011 to \$11.5 million in 2016.

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, information technology and nondepartmental. The business-type activities of the City of Henderson include the natural gas and sanitation operations.

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

The government-wide financial statements can be found on pages 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, Bond Fund, and Construction 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 45-95 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 96-101 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 102-113 of this report.

Government-Wide Overall Financial Analysis

As noted earlier, net position over time, may serve as a useful indicator of a government's financial position. In the case of the City of Henderson's General Fund, assets exceeded liabilities by \$11,527,103 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, 2016.

City of Henderson's – Net Position

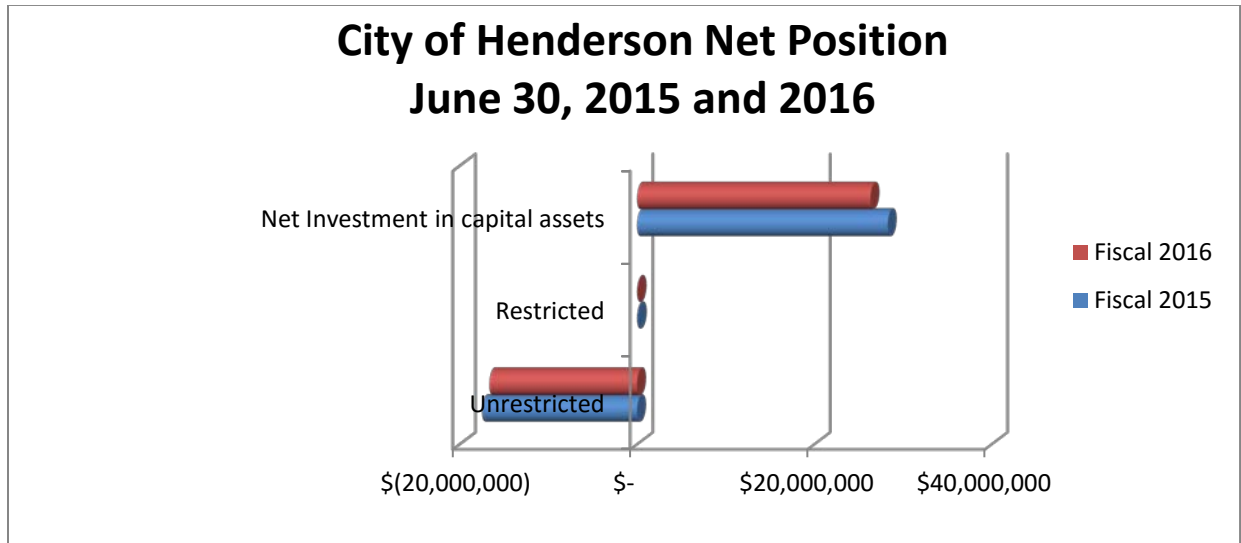
	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Current and other assets	\$59,432,442	\$50,623,870	\$ 9,738,185	\$ 9,757,400	\$ 69,170,627	\$60,381,270
Capital assets	33,361,605	31,757,474	2,745,162	2,869,943	36,106,767	34,627,417
Total assets	\$92,794,047	\$82,381,344	\$12,483,347	\$12,627,343	\$105,277,394	\$95,008,687
Long-term liabilities	\$90,074,325	\$72,451,953	\$ 4,170,000	\$ 3,860,000	\$ 94,244,325	\$76,311,953
Other liabilities	6,806,158	3,106,741	1,274,937	1,728,529	8,081,095	4,835,270
Total liabilities	\$96,880,483	\$75,558,694	\$ 5,444,937	\$ 5,588,529	\$102,325,420	\$81,147,223
Net position:						
Net investment in capital assets	\$23,579,158	\$25,398,204	\$ 2,745,162	\$ 2,869,943	\$ 26,324,320	\$28,268,147
Restricted for:						
Debt Service	472	66,045	-	-	472	66,045
Law enforcement	52,650	13,072	-	-	52,650	13,072
Unrestricted	(20,955,314)	(21,650,658)	4,293,248	4,168,871	(16,662,066)	(17,481,787)
Total net position	\$ 2,676,966	\$ 3,826,663	\$ 7,038,410	\$ 7,038,814	\$ 9,715,376	\$10,865,477

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 (0.55%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$(16,662,066) is unrestricted. Any positive balances would be used to meet the government’s ongoing obligations to its citizens and creditors. However, the negative number reflected is due to a governmental accounting standard concerning pension 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 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 \$1,150,101 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 \$1,149,697 from the prior year for an ending balance of \$2,676,966. There were two primary reasons. Public safety expenses increased by \$2,080,588 with \$579,414 of the public safety increase related to a new computer aided dispatch system and another \$1,311,760 related to a new radio system. The Health insurance benefit was another factor with an increase of \$704,796 from the prior year. Total general revenues and transfers increased \$1,012,167 or 4.5% from the prior year. However, that increase was outpaced by the general activities expenses which increased by \$4,113,003 or 13.0%.

The governmental funds had an increase in fund balance of \$8,730,460 with the General Fund increasing \$745,368. Most of the increase was due to restricted assets applicable to bonds issued for the construction of a new municipal service center and on behalf of Henderson Water Utility

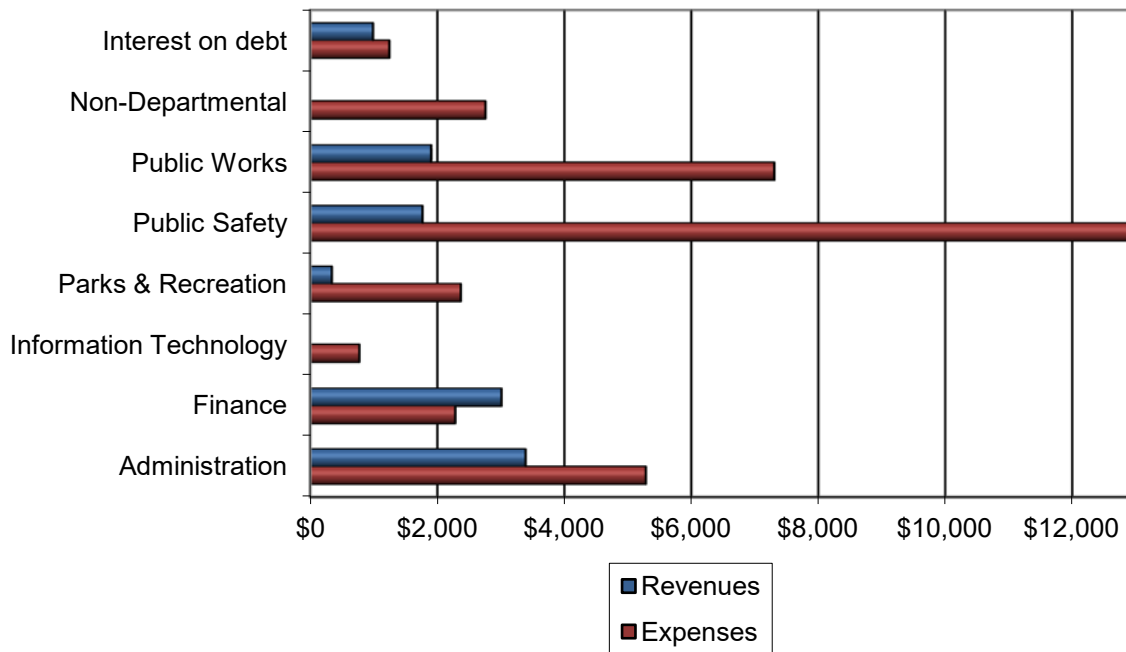
(HWU). Of the \$6,082,696 spent or used in the Construction Fund, \$1,898,491 or 31.2% was related to the transfers to the Bond Fund for payment on outstanding bonds. Nearly \$4.1 million was spent on capital items that included \$2.0 million for renovations to a new building, \$1.3 million for office equipment for the 911 Center, nearly \$529,000 on new streets, \$221,000 for land acquisition, and \$43,000 spent on riverfront improvements.

The General Fund added to its reserves in the amount of \$745,368. Since fiscal 2011, the fund's balance has increased 64.7%. Based on the fiscal 2017 budgeted expenditures of \$32.65 million, the General Fund has approximately 4.2 months worth of reserves. The City has assigned \$5.57 million of the fiscal 2016 fund balance with \$4.67 million of that amount to fill the fiscal 2017 budget deficit leaving \$3.54 million unassigned.

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

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Revenues:						
Program revenues:						
Charges for services	\$ 6,853,617	\$ 6,420,931	\$16,639,426	\$21,067,303	\$23,493,043	\$27,488,234
Operating grants	3,068,003	3,149,680	-	98,560	3,068,003	3,248,240
Capital grants	1,468,973	2,783,744	101,016	-	1,569,989	2,783,744
General revenues:						
Taxes	19,927,763	19,052,550	-	-	19,927,763	19,052,550
Investment income	337,155	200,201	132,733	71,531	469,888	271,732
Distributions from component units	1,644,724	1,644,724	-	-	1,644,724	1,644,724
Total revenues	33,300,235	33,251,830	16,873,175	21,237,394	50,173,410	54,489,224
Expenses:						
Administration	5,284,527	4,274,319	-	-	5,284,527	4,274,319
Finance	2,282,224	2,576,906	-	-	2,282,224	2,576,906
Information technology	770,940	-	-	-	770,940	-
Parks & recreation	2,368,382	2,200,256	-	-	2,368,382	2,200,256
Public safety	13,832,913	11,752,325	-	-	13,832,913	11,752,325
Public works	7,308,765	6,967,925	-	-	7,308,765	6,967,925
Nondepartmental	2,758,245	2,759,390	-	-	2,758,245	2,759,390
Interest on long-term debt	1,243,936	1,205,808	-	-	1,243,936	1,205,808
Gas	-	-	11,943,349	15,896,878	11,943,349	15,896,878
Sanitation	-	-	3,530,230	3,256,659	3,530,230	3,256,659
Total expenses	35,849,932	31,736,929	15,473,579	19,153,537	51,323,511	50,890,466
Increase/(Decrease) before transfers	(2,549,697)	1,514,901	1,399,596	2,083,857	(1,150,101)	3,598,758
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	(1,149,697)	(26,994,001)	(404)	683,857	(1,150,101)	(26,310,144)
Net position, beginning	3,826,663	30,820,664	7,038,814	6,354,957	10,865,477	37,175,621
Net position, ending	\$ 2,676,966	\$ 3,826,663	\$ 7,038,410	\$ 7,038,814	\$ 9,715,376	\$10,865,477

Expenses and Program Revenues - Governmental Activities (Thousands)



Business-type Activities. For the City of Henderson’s business-type activities, the results for the current fiscal year were negative in that overall net position decreased to reach an ending balance of \$7,038,410. The total decrease in net position for business-type activities (natural gas and sanitation) was only \$404 or less than one-tenth of 1% from the prior fiscal year. The decrease is attributable to a warmer than normal winter that affected sales in the natural gas fund. The gas fund had a decrease in net position of \$92,747. The reduction in sales caused the gross profits to decreased \$475,198 or 9.9%. The sanitation fund had an increase in net position of \$92,343. Services fees increased \$151,192 or 4.7%. The cost of fuel was down \$26,244 or 39.7%. Contractual and professional expenses, including those for recycling, were up \$63,212 or 20.8% and landfill closure and post-closure monitoring cost estimates increased \$310,000.

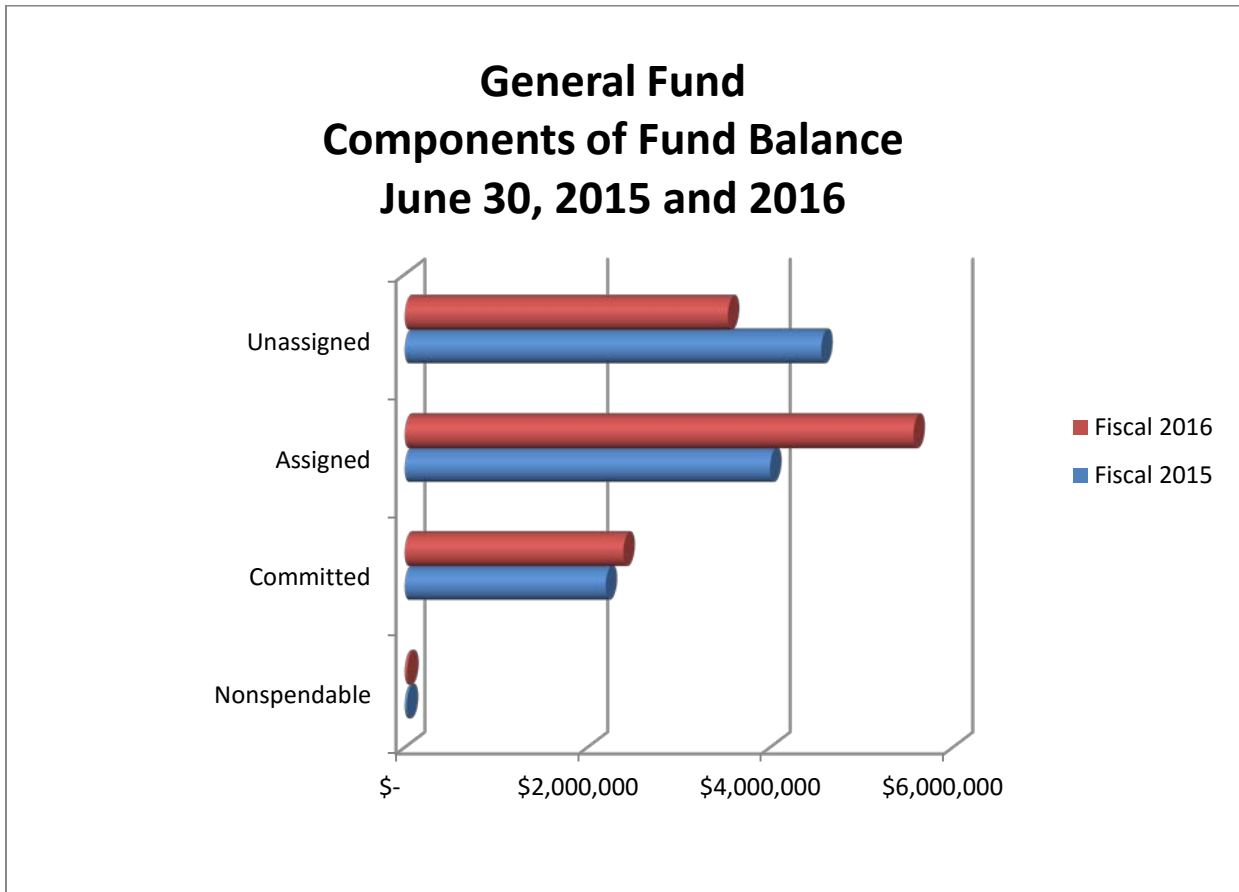
Financial Analysis of Governmental Funds

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,

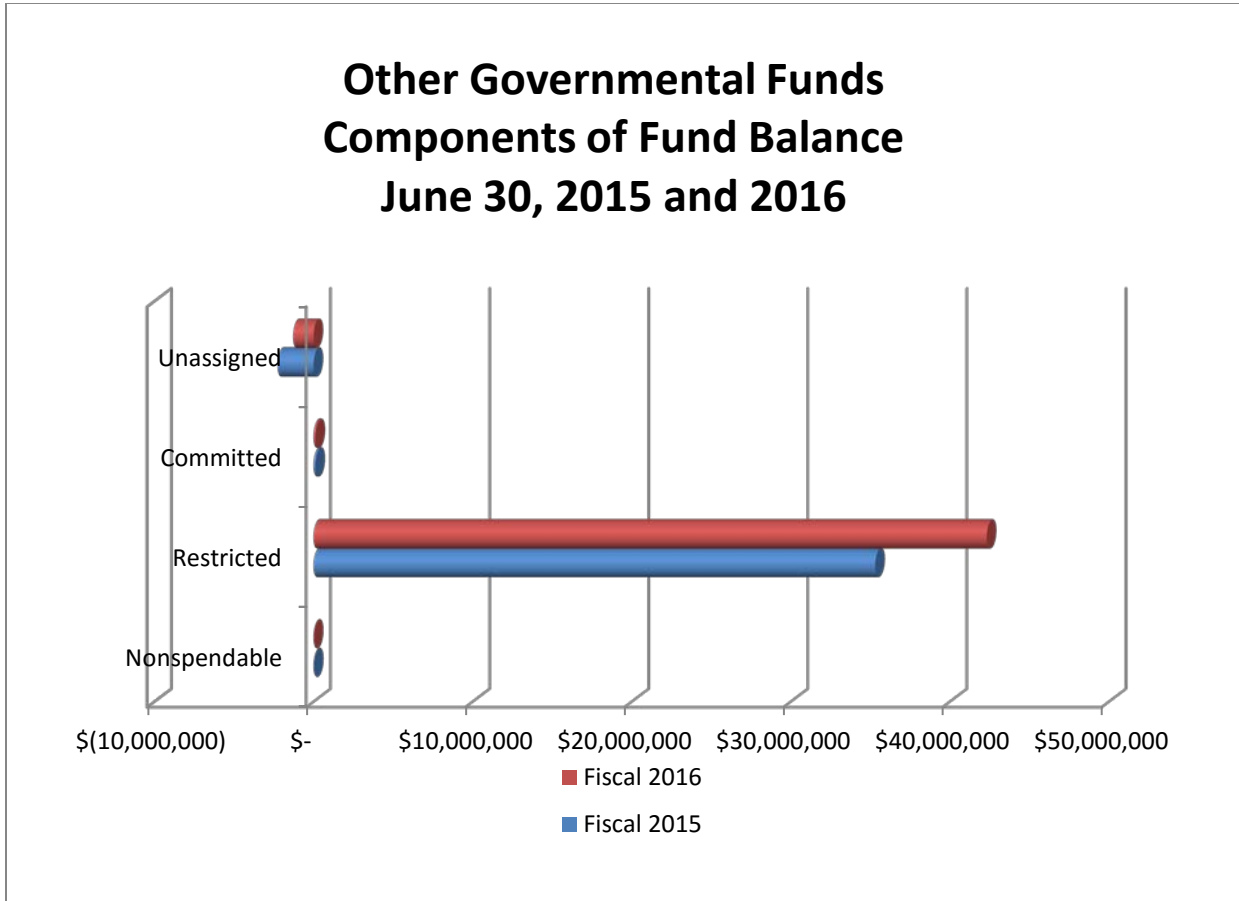
unassigned fund balance may serve as a useful measure of a government’s net resources available for discretionary use as they represent the portion of fund balance which has not yet been limited to use for a particular purpose by either an external party, the City of Henderson itself, or a group or individual 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, 2016, the City of Henderson’s governmental funds reported a combined fund balance of \$52,704,993, an increase of \$8,730,460 in comparison with the prior fiscal year. Approximately 4.3% of this amount or \$2,253,376 constitutes unassigned fund balance, which is available for spending at the government’s discretion. Nearly 80.3% or \$42.3 million of the fund balance was restricted for debt, capital projects and other special purposes. There was also \$43,345 that was classified as “nonspendable” because it is for inventories. A total of \$2,393,464 was committed for long-term debt payments and \$125,332 was for other purposes. Another \$5,570,000 was assigned to fill the fiscal 2017 budget deficit of \$4,670,000, \$700,000 set aside for the future construction of a recreation/sports facility, 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 \$3,536,794, while total fund balance increased to \$11,527,103. 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 10.8 percent of total 2017 fiscal year general fund expenditures, while total fund balance represents approximately 35.3 percent of that same amount.



During the fiscal year, the fund balance for the City of Henderson’s general fund increased by \$745,368. Factors contributing to this increase include:

- Taxes collections were up \$875,213
- Surplus land was sold for \$700,144.
- Intergovernmental revenue from federal, state, and local agencies increased by \$205,518 or 6.2%.

The Construction Fund ended the fiscal year with a fund balance of \$41,270,695 which is an improvement of \$8,292,557 from the prior year. During fiscal 2016, the City of Henderson issued \$13.1 million in five different general obligation bonds. With two of the bond issues, the proceeds will be used in the renovation of the new municipal service center and the construction of the new radio system. The other three bond issues will benefit the Henderson Water Utility to refund two loans and a prior general obligation bond issued on its behalf.

The City received federal funding on the riverfront project in the amount of \$196,923 during the fiscal year which included the reimbursement of capital expenditures. The fund also received \$285,957 from Henderson County as reimbursement for its share of capital expenditures. The Construction Fund transferred \$1,898,491 to the Bond Fund to retire debt.

The Bond Fund, the remaining major governmental fund, had a decrease in fund balance during the current year of \$65,573 to bring the year end fund balance to \$472. The decrease essentially resulted from using available cash to pay down debt 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 \$5,244,106 and for the Sanitation Fund was (\$950,858). The total decrease in net position for both funds was \$(92,747) and \$92,343, respectively.

As noted earlier in the discussion of business-type activities, the decrease for the Natural Gas Fund was attributed to a warmer than normal winter where gross margins for natural gas decreased \$475,198 or 9.9%. The Gas Fund's income from operations decreased \$699,643 or 36.2% from the prior fiscal year. After investment income and transfers to the general fund, the change in net position was \$(92,747). Since 2010, the cumulative change in the net position for the Gas Fund has been a decrease of \$67,124 or a negative nine-tenths of one percent. Based on the amended 2017 fiscal year's budgeted expenditures and net of invested in capital assets, the Gas Fund has approximately 3.8 months worth of reserves. This is an increase from the 3.7 months of the prior year. The Gas fund invested \$128,647 in fixed assets for the fiscal year compared to \$177,497 in the prior year. Another \$35,978 in labor costs were capitalized during fiscal 2016 compared to only \$10,262 in fiscal 2015.

The engineer's estimate related to closing and monitoring the landfill increased by \$310,000; however, this expense was partially offset by higher operating revenues of \$227,751 and investment income of \$61,042. 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 \$4,170,000. Of this total, approximately \$2.82 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 \$2.78 million in a trust account that will be used for the landfill closure. It is also estimated that approximately \$1.35 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 \$30,600,000. The first amendment increased the general fund budget to \$31,093,000. Using reserve funds, the City

increased appropriations in the amount of \$40,000 for repairs to the downtown water feature and \$97,000 for milling and paving of N. Adams. There was also \$48,000 added in the finance department for staffing, printing, and supplies required to administer Henderson County's occupational tax and another \$32,600 for a comprehensive vision plan and finally \$170,400 for the Cooper Park drainage improvements.

Some projects that were included in the prior year's budget were delayed and required inclusion in fiscal 2016. Those projects included \$25,000 for the final payment on a new skate park, \$62,000 for equipment, decals, and lights for police pursuit vehicles, and \$18,000 for police ammunition.

The second amendment was done after a mid-year review and increased the total general fund appropriation to \$31,911,000. Additional appropriations included \$24,000 for professional services in the city attorney's office, \$65,500 for various projects and repairs in the fire department, \$518,000 for computer hardware and software for the information technology department, \$64,000 for repairs and new construction in the parks department, and \$30,000 for mowing of the Hwy 41 and Hwy 60 interchange. There other amendments were small and varied and brought the total adjustment to \$818,000.

The third amendment was done late in the fiscal year and increased the total general fund appropriations to \$32,005,000. There were two amendments that totaled \$94,000. Due to an insurance reimbursement, the clothing expense in the fire department was increased by \$9,000 and due to additional concrete street repairs; the transfer to the PWI fund was increased by \$85,000.

The amended fiscal 2016 budget was approved with anticipated expenses exceeding anticipated revenue by \$4,921,000. The difference was to come from reserves. The General Fund's actual revenue and transfers in were \$28,508,188 or 105.3% of the approved budget of \$27,084,000 or a difference of \$1,424,188. The General Fund's actual expenses and transfers out were \$27,762,821 or 86.8% of approved budget of \$32,005,000 or a difference of \$4,242,179.

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>
Insurance Premium Tax	\$4,681,400	\$4,932,647	\$ 251,247
Payroll and Net Profits Tax	\$5,428,000	\$5,714,865	\$ 286,865
Sale of Land	\$ 0	\$ 700,144	\$ 700,144
Investment Income	\$ 112,840	\$ 309,410	\$ 196,570

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 this approach to avoid budget shortfalls. The actual revenues for the insurance premium tax came in at 105.4% while the actual for payroll and net profits tax came in at 105.3%.

<u>Expense</u>	<u>Estimated Expense</u>	<u>Actual Expense</u>	<u>Difference</u>
Salaries	\$10,843,820	\$10,485,515	\$ 358,305
Fuel	\$ 292,420	\$ 165,425	\$ 126,995
Special Projects	\$ 738,160	\$ 411,283	\$ 326,876
Reserve for Contingency	\$ 71,960	\$ 263,819	\$(191,859)
Radio Equipment	\$ 910,730	\$ 529,694	\$ 381,036
Data Processing Equip.	\$ 538,100	\$ 307,627	\$ 230,473
Municipal Center Improve.	\$ 160,000	\$ 0	\$ 160,000

In addition to the major revenue collections exceeding budget, several of the large expense items were below budget. As in all years, the City of Henderson works diligently to control costs in all departments and across all categories. Several vacant positions allowed salaries to come in under budget. Total salaries were \$358,305 below budget or 96.7% of anticipated expenses. Due to a depressed energy market, fuel costs came in \$126,995 below estimates.

The special projects account included \$200,000 for a drainage project that has progressed slower than expected with only \$24,800 spent. However, it should be well under way in fiscal 2017. This account also included \$70,000 in funding for the City's match on a grant that only \$19,400 was spent in fiscal 2016. The balance was deferred to fiscal 2017. Another \$35,000 in funding for directional signs and were also deferred until next year.

The reserve for contingency account exceeded budget due to the City remitting five years' worth of contributions from the Housing Authority to various taxing entities. The radio equipment, data processing equipment, and municipal center improvements were all started in fiscal 2016 but construction was not completed until fiscal 2017.

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, 2016, amounts to \$36,106,767 (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 4.3%.

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

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Land	\$ 3,761,483	\$ 4,421,493	\$ 114,815	\$ 114,815	\$ 3,876,298	\$ 4,536,308
Artwork	196,500	196,500	-	-	196,500	196,500
Buildings	11,406,522	9,666,802	112,938	135,143	11,519,460	9,801,945
Improvements	4,403,890	4,549,976	-	-	4,403,890	4,549,976
Vehicles	1,248,682	1,293,926	292,623	295,089	1,541,305	1,589,015
Natural Gas System	-	-	2,020,475	2,089,471	2,020,475	2,089,471
Equipment	2,854,821	982,092	204,311	235,425	3,059,132	1,217,517
Infrastructure	9,489,707	10,646,685	-	-	9,489,707	10,646,685
Total	<u>\$ 33,361,605</u>	<u>\$ 31,757,474</u>	<u>\$ 2,745,162</u>	<u>\$ 2,869,943</u>	<u>\$ 36,106,767</u>	<u>\$ 34,627,417</u>

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

- Purchased a building and property for \$1,976,000 to be used for a new municipal service center.
- Over \$528,000 was spent on new streets, lights, and sidewalks.
- Another \$1.3 million on a new radio system.
- Property for a new fire station in the amount of \$210,000.
- New splash pad for the Parks Department in the amount of \$115,700.

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 \$52,230,000. All of the \$52,230,000 is backed by the full faith and credit of the City.

City of Henderson’s Outstanding Debt

	Governmental Activities		Business-Type Activities		Total	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
General Obligation Bonds	<u>\$ 52,230,000</u>	<u>\$ 41,590,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 52,230,000</u>	<u>\$ 41,590,000</u>

Debt Description

Series 2007: 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.

Series 2010B: Refunding of Prior Debt - During the year ended June 30, 2011, the City issued \$3,605,000 to currently refund and redeem the outstanding City of Ewing, Kentucky, Kentucky Area Development Districts Financing Trust, Lease Acquisition Program Revenue Bonds, Fixed Rate Series 2000H (funding for the City of Henderson, Kentucky), dated July 20, 2000 (the “2000H Obligations”), being bonds maturing on December 1, 2011 – 2016 and term bonds maturing on December 1, 2022, in the total principal amount of \$1,310,000, by providing for the City’s prepayment of its lease rental payments pursuant to two lease agreements between the Kentucky Area Development Districts Financing Trust and the City securing the 2000H Obligations, in order to derive debt service savings. This debt was recorded in the records of the City as KADD-Riverfront lease payable and KADD-Police Station lease payable.

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

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

Series 2011A: Fire Station - During the year ended June 30, 2012, the City issued \$2,085,000 non-taxable bonds to pay costs of the acquisition, construction and equipping of a new municipal fire station within the City, including the costs of the land upon which the fire station is to be located, architectural fees, and other allowable expenditures.

Series 2012A: Combined and Consolidated Municipal Water, Sanitary Sewer and Storm Sewer System - During the year ended June 30, 2012, the City issued \$9,995,000 in non-taxable bonds to pay a portion of the costs of the acquisition, construction and installation of additions and improvements to the City’s combined and consolidated municipal water, sanitary sewer and storm sewer system (the “System”), including (1) the renovation and upgrading of the City’s North Wastewater Treatment Plant and (2) the construction of a new 12 MGD North Fork Pump Station and approximately 2,400 feet of related 42” gravity sewer lines.

Series 2013A: Combined and Consolidated Municipal Water, Sanitary Sewer and Storm Sewer System - During the year ended June 30, 2013, the City issued \$9,730,000 in non-taxable bonds to pay a portion of the costs of the acquisition, construction and installation of additions and improvements to the City’s combined and consolidated municipal water, sanitary sewer and storm sewer system (the “System”), including (1) the renovation and upgrading of a new headworks structure, a third final clarifier, waste and return activated sludge pumping, ultraviolet disinfection, and internal plant piping at the City’s North Wastewater Treatment Plant, such additions and improvements to increase the capacity of the Plant from 15 million to 25.5 million gallons per day.

Series 2014: Combined and Consolidated Municipal Water, Sanitary Sewer and Storm Sewer System - During the year ended June 30, 2015, the City issued \$8,000,000 non-taxable bonds to pay a portion of the costs of the acquisition, construction, installation, and equipping of new municipal water, sanitary sewer, and storm sewer improvements and additions to the City's combined and consolidated municipal water, sanitary sewer, and storm sewer system.

Series 2015A: Municipal Service Center and 911 System

During the year ended June 30, 2016, the City issued \$7,790,000 non-taxable bonds to pay costs of issuance, to pay a portion of the costs of the acquisition; construction, renovation, and equipping of new municipal service center and a new 911 computer assisted dispatch (CAD) and radio tower system.

This obligation matures in September 2035. Interest rates range from 2.0% to 3.75%. Interest is due in semi-annual installments. The obligation is secured by the full taxing authority of the City of Henderson.

Series 2015B: Refunding of Prior Debt

During the year ended June 30, 2016, the City issued \$1,870,000 non-taxable bonds to pay costs of issuance and for the purpose of currently refunding an outstanding assistance agreement dated as of May 1, 1996 between the Kentucky Infrastructure Authority and the City, the proceeds of which were used to finance the costs of the acquisition, construction, installation, and equipping of certain improvements to the City's municipal water, sanitary sewer, and storm sewer system.

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

Series 2015C: Refunding of Prior Debt

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

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

Series 2016A: Municipal Service Center

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

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

Series 2016B: Refunding of Prior Debt

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

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

The City of Henderson's total debt increased by \$10,640,000 or 25.6% during the current fiscal year. The reason for the increase was that the City of Henderson issued debt for a new municipal service center and additional general obligation debt on behalf of Henderson Municipal Water Utility.

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

Kentucky statutes limit the amount of general obligation debt a governmental entity may issue to 10% of the value of the taxable property therein, to be estimated by the last assessment previous to the incurring of the indebtedness, unless in case of emergency, the public health or safety should so require. The current debt limit for the City of Henderson is approximately \$113,954,000, which is significantly in excess of the current outstanding general obligation debt of \$52,230,000.

Additional information on the City of Henderson's long-term debt may be found in Note 5 on pages 60-72 of this report.

Economic Factors and Next Year's Budget and Rates

The City of Henderson was able to fund the fiscal 2017 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 2016, the Board of Commissioner passed a modest increase (\$0.020 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 \$315,000 in tax revenue.

For fiscal 2016, there were 225 construction permits issued with a total value of \$32,018,806. There were 11 single family units, 2 duplexes, and 3 multi-family (91 units) for a total of 104 units approved. The total value for new housing was \$12,707,000.

There were 4 new commercial developments with a total value of \$7,068,000. There were 21 permits issued for demolition of substandard residential structures.

The unemployment rate for the City of Henderson in June 2016 was approximately 5.1% which was slightly higher than the national rate of 4.9% and the Kentucky rate of 5.0%.

Interest rates are expected to remain low throughout the 2017 fiscal year. The City of Henderson is issuing new and refunding general obligation bonds with some of the refunding to benefit Henderson Water Utility.

Renovations to the new municipal service center are nearing completion. This facility 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.

Basic Financial Statements

City of Henderson, Kentucky
Statement of Net Position
June 30, 2016

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	Henderson Municipal Power & Light	Henderson Water Utility
ASSETS					
Cash	\$ 7,339,703	\$ 2,177,061	\$ 9,516,764	\$ 439,456	\$ 8,374,950
Investments	9,504,939	5,726,129	15,231,068	13,237,676	35,776
Receivables	751,851	988,473	1,740,324	7,628,125	1,166,105
Internal balances	(654,949)	654,949	-	-	-
Inventories	43,345	191,573	234,918	5,708,765	1,030,522
Prepaid expenses	-	-	-	60,935	47,282
Restricted assets:					
Cash	5,525,314	-	5,525,314	-	-
Investments	-	-	-	3,500,107	535,000
Receivable from HWU:					
Due in one year	2,026,146	-	2,026,146	-	-
Due after one year	34,896,093	-	34,896,093	-	-
Land and other nondepreciable capital assets	3,761,483	114,815	3,876,298	1,235,451	1,466,482
Capital assets, net of accumulated depreciation	29,600,122	2,630,347	32,230,469	58,414,972	80,220,490
Other assets	-	-	-	-	16,015
Total assets	92,794,047	12,483,347	105,277,394	90,225,487	92,892,622
DEFERRED OUTFLOWS OF RESOURCES					
Deferred outflows of resources-pensions	7,367,759	-	7,367,759	1,051,102	1,340,953
Total assets and deferred outflows of resources	\$ 100,161,806	\$ 12,483,347	\$ 112,645,153	\$ 91,276,589	\$ 94,233,575
LIABILITIES					
Accounts payable and accrued liabilities	\$ 3,971,074	\$ 807,703	\$ 4,778,777	\$ 7,025,041	\$ 2,049,915
Deposits payable	-	285,034	285,034	645,119	85,204
Due to component units	2,835,084	-	2,835,084	-	-
Gas storage liability	-	182,200	182,200	-	-
Noncurrent liabilities:					
Due in one year	3,740,000	-	3,740,000	620,000	2,623,113
Due after one year	86,334,325	4,170,000	90,504,325	17,418,974	44,752,381
Total liabilities	96,880,483	5,444,937	102,325,420	25,709,134	49,510,613
DEFERRED INFLOWS OF RESOURCES					
Deferred inflows of resources-pensions	604,357	-	604,357	-	-
NET POSITION					
Net investment in capital assets	23,579,158	2,745,162	26,324,320	46,990,423	41,760,364
Restricted for:					
Debt service	472	-	472	3,500,107	288,279
Law enforcement	52,650	-	52,650	-	-
Unrestricted	(20,955,314)	4,293,248	(16,662,066)	15,076,925	2,674,319
Total net position	2,676,966	7,038,410	9,715,376	65,567,455	44,722,962
Total liabilities, deferred inflows, and net position	\$ 100,161,806	\$ 12,483,347	\$ 112,645,153	\$ 91,276,589	\$ 94,233,575

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, 2016**

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position				
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Units	
					Governmental Activities	Business-type Activities	Total	Henderson Municipal Power & Light	Henderson Water Utility
Primary government									
Governmental activities:									
Administration	\$ 5,284,527	\$ 2,481,476	\$ 620,869	\$ 285,957	\$ (1,896,225)	\$ -	\$ (1,896,225)		
Finance	2,282,224	3,010,323	-	-	728,099	-	728,099		
Information technology	770,940	-	-	-	(770,940)	-	(770,940)		
Parks and recreation	2,368,382	337,411	-	-	(2,030,971)	-	(2,030,971)		
Police	7,712,111	842,035	680,448	-	(6,189,628)	-	(6,189,628)		
Fire	6,120,802	4,000	238,666	-	(5,878,136)	-	(5,878,136)		
Public works	7,308,765	178,372	1,528,020	196,923	(5,405,450)	-	(5,405,450)		
Nondepartmental	2,758,245	-	-	-	(2,758,245)	-	(2,758,245)		
Interest on long-term debt	1,243,936	-	-	986,093	(257,843)	-	(257,843)		
Total governmental activities	35,849,932	6,853,617	3,068,003	1,468,973	(24,459,339)	-	(24,459,339)		
Business-type activities:									
Gas	11,943,349	13,178,911	-	-	-	1,235,562	1,235,562		
Sanitation	3,530,230	3,460,515	-	101,016	-	31,301	31,301		
Total business-type activities	15,473,579	16,639,426	-	101,016	-	1,266,863	1,266,863		
Total primary government	\$ 51,323,511	\$ 23,493,043	\$ 3,068,003	\$ 1,569,989	(24,459,339)	1,266,863	(23,192,476)		
Component units									
Henderson Municipal Power & Light	\$ 60,830,513	\$ 60,240,420	\$ -	\$ -			\$ (590,093)	\$ -	
Henderson Water Utility	18,236,297	18,237,184	-	195,008			-	195,895	
Total component units	\$ 79,066,810	\$ 78,477,604	\$ -	\$ 195,008			(590,093)	195,895	
General revenues:									
Taxes:									
Property					8,469,519	-	8,469,519	-	
Payroll and net profits					5,714,865	-	5,714,865	-	
Insurance					4,932,647	-	4,932,647	-	
Franchise					655,937	-	655,937	-	
Bank deposits					154,795	-	154,795	-	
Distributions from component units					1,644,724	-	1,644,724	-	
Investment income					337,155	132,733	469,888	87,580	
Transfers					1,400,000	(1,400,000)	-	-	
Total general revenues and transfers					23,309,642	(1,267,267)	22,042,375	87,580	
Change in net position					(1,149,697)	(404)	(1,150,101)	(502,513)	
Net position, beginning of year					3,826,663	7,038,814	10,865,477	66,069,968	
Net position, end of year					\$ 2,676,966	\$ 7,038,410	\$ 9,715,376	\$ 65,567,455	

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

City of Henderson, Kentucky
Balance Sheet
Governmental Funds
June 30, 2016

	General Fund	Debt Service Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS					
Cash	\$ 6,801,239	\$ -	\$ 3,053	\$ 34,245	\$ 6,838,537
Investments	9,504,939	-	-	-	9,504,939
Receivables	424,434	-	29,286	298,131	751,851
Due from other funds	29,286	-	-	-	29,286
Inventories	26,845	-	-	16,500	43,345
Restricted assets:					
Cash	-	472	5,344,115	180,727	5,525,314
Receivable from HWU:					
Due in one year	-	-	2,026,146	-	2,026,146
Due after one year	-	-	34,896,093	-	34,896,093
Total assets	<u>\$ 16,786,743</u>	<u>\$ 472</u>	<u>\$ 42,298,693</u>	<u>\$ 529,603</u>	<u>\$ 59,615,511</u>
LIABILITIES					
Accounts payable	\$ 1,342,649	\$ -	\$ 998,712	\$ 564,188	\$ 2,905,549
Accrued wages	426,958	-	-	58,691	485,649
Due to other funds	654,949	-	29,286	-	684,235
Due to component units	2,835,084	-	-	-	2,835,084
Total liabilities	<u>5,259,640</u>	<u>-</u>	<u>1,027,998</u>	<u>622,879</u>	<u>6,910,517</u>
FUND BALANCES					
Nonspendable	26,845	-	-	16,500	43,345
Restricted	-	472	42,266,354	52,650	42,319,476
Committed	2,393,464	-	-	125,332	2,518,796
Assigned	5,570,000	-	-	-	5,570,000
Unassigned	3,536,794	-	(995,659)	(287,758)	2,253,377
Total fund balances	<u>11,527,103</u>	<u>472</u>	<u>41,270,695</u>	<u>(93,276)</u>	<u>52,704,994</u>
Total liabilities and fund balances	<u>\$ 16,786,743</u>	<u>\$ 472</u>	<u>\$ 42,298,693</u>	<u>\$ 529,603</u>	<u>\$ 59,615,511</u>

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

City of Henderson, Kentucky
Reconciliation of the Balance Sheet of Governmental Funds
To the Statement of Net Position
June 30, 2016

Total fund balances of governmental funds per balance sheet \$ 52,704,994

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. 33,361,605

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	7,367,759
Deferred inflows of resources-pensions	(604,357)

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. (78,710)

Long-term debt and other liabilities were not currently due and payable in the fiscal year ended June 30, 2016, and, therefore, were not reported in the governmental funds.

Long-term debt payable	\$ (52,230,000)
Accrued compensated absences	(1,503,100)
HRA Fund unfunded obligation	(662,000)
Net pension liability	(35,679,225)
	(90,074,325)

Total net position of governmental activities per statement of net position \$ 2,676,966

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, 2016

	General Fund	Debt Service Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES					
Taxes:					
Property	\$ 8,469,519	\$ -	\$ -	\$ -	\$ 8,469,519
Payroll and net profits	5,714,865	-	-	-	5,714,865
Insurance	4,932,647	-	-	-	4,932,647
Franchise	655,937	-	-	-	655,937
Bank deposits	154,795	-	-	-	154,795
Intergovernmental	3,518,609	923,663	482,880	2,286,365	7,211,517
Distributions from component units	1,644,724	-	-	-	1,644,724
Service charges and fees	552,470	-	-	817,074	1,369,544
Rents, concessions, and other services	179,966	-	-	-	179,966
Licenses and permits	102,971	-	-	-	102,971
Fines, finance charges, and penalties	70,478	-	-	-	70,478
Investment income	309,410	45	23,788	1,832	335,075
Miscellaneous	80,858	164	-	13,899	94,921
Total revenues	26,387,249	923,872	506,668	3,119,170	30,936,959
EXPENDITURES					
Current:					
Administration	2,358,039	-	11,350	353,822	2,723,211
Finance	2,240,291	-	-	-	2,240,291
Information technology	741,710	-	-	-	741,710
Parks and recreation	1,591,407	-	-	390,639	1,982,046
Police	6,402,484	-	-	957,804	7,360,288
Fire	5,697,252	-	-	-	5,697,252
Public works	2,058,529	-	-	3,023,696	5,082,225
Nondepartmental	2,428,100	-	-	-	2,428,100
Debt service:					
Principal	-	2,465,000	-	-	2,465,000
Interest	-	1,243,936	-	-	1,243,936
Bond issuance costs	-	-	82,156	-	82,156
Capital outlays	831,008	-	4,069,905	609,100	5,510,013
Total expenditures	24,348,820	3,708,936	4,163,411	5,335,061	37,556,228
Excess (deficiency) of revenues over expenditures	2,038,429	(2,785,064)	(3,656,743)	(2,215,891)	(6,619,269)
OTHER FINANCING SOURCES (USES)					
Transfers in	1,420,795	2,719,491	619,000	1,974,000	6,733,286
Transfers out	(3,414,000)	-	(1,919,286)	-	(5,333,286)
Sale of land	700,144	-	-	-	700,144
Bond premium	-	-	144,586	-	144,586
Bond issuance	-	-	21,100,000	-	21,100,000
Bond redemption	-	-	(7,995,000)	-	(7,995,000)
Total other financing sources (uses)	(1,293,061)	2,719,491	11,949,300	1,974,000	15,349,730
Net change in fund balances	745,368	(65,573)	8,292,557	(241,891)	8,730,461
Fund balances, beginning of year	10,781,735	66,045	32,978,138	148,615	43,974,533
Fund balances, end of year	\$ 11,527,103	\$ 472	\$ 41,270,695	\$ (93,276)	\$ 52,704,994

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, 2016

Net change in fund balances of governmental funds \$ 8,730,461

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	5,510,013
Depreciation expense	(3,035,872)
Deleted capital assets	(870,010)

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	2,465,000
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Governmental funds report the issuance and redemption of long-term debt as other financing sources (uses), while the statement of activities does not report such issuance or redemption as revenues or expenses.

Bond issuance	(21,100,000)
Bond redemption	7,995,000

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	(49,200)
Increase in HRA Fund unfunded obligation	(10,000)
Pension contributions paid after the measurement date	3,169,447
Pension expense	(3,778,511)

The Health Insurance Fund, an internal service fund, is used to charge health insurance costs to individual funds and other entities. The statement of activities includes the net loss of this fund.

Net loss of Health Insurance Fund	<u>(176,025)</u>
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Change in net position of governmental activities \$ (1,149,697)

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, 2016

	<u>Budget</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes:				
Property	\$ 8,456,300	\$ 8,456,300	\$ 8,469,519	\$ 13,219
Payroll and net profits	5,380,000	5,428,000	5,714,865	286,865
Insurance	4,681,400	4,681,400	4,932,647	251,247
Franchise	689,000	689,000	655,937	(33,063)
Bank deposits	152,600	152,600	154,795	2,195
Intergovernmental	3,397,070	3,567,470	3,518,609	(48,861)
Distributions from component units	1,644,700	1,644,700	1,644,724	24
Service charges and fees	543,550	543,550	552,470	8,920
Rents, concessions, and other services	142,600	142,600	179,966	37,366
Licenses and permits	79,900	79,900	102,971	23,071
Fines, finance charges, and penalties	70,500	70,500	70,478	(22)
Investment income	112,840	112,840	309,410	196,570
Miscellaneous	49,540	115,140	80,858	(34,282)
Total revenues	<u>25,400,000</u>	<u>25,684,000</u>	<u>26,387,249</u>	<u>703,249</u>
EXPENDITURES				
Current:				
Administration	2,551,930	2,575,930	2,358,039	217,891
Finance	2,160,010	2,208,010	2,240,291	(32,281)
Information Technology	710,240	749,640	741,710	7,930
Parks and recreation	1,539,060	1,605,060	1,591,407	13,653
Police	6,063,190	6,081,190	6,402,484	(321,294)
Fire	5,552,250	5,599,750	5,697,252	(97,502)
Public works	2,199,080	2,229,080	2,058,529	170,551
Nondepartmental	2,855,990	3,080,490	2,428,100	652,390
Capital outlays	1,877,250	2,552,850	831,008	1,721,842
Total expenditures	<u>25,509,000</u>	<u>26,682,000</u>	<u>24,348,820</u>	<u>2,333,180</u>
Excess (deficiency) of revenues over expenditures	<u>(109,000)</u>	<u>(998,000)</u>	<u>2,038,429</u>	<u>3,036,429</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	1,400,000	1,400,000	1,420,795	20,795
Transfers out	(5,091,000)	(5,323,000)	(3,414,000)	1,909,000
Sale of land	-	-	700,144	700,144
Total other financing sources (uses)	<u>(3,691,000)</u>	<u>(3,923,000)</u>	<u>(1,293,061)</u>	<u>2,629,939</u>
Net change in fund balance	(3,800,000)	(4,921,000)	745,368	5,666,368
Fund balance, beginning of year	<u>10,781,735</u>	<u>10,781,735</u>	<u>10,781,735</u>	<u>-</u>
Fund balance, end of year	<u>\$ 6,981,735</u>	<u>\$ 5,860,735</u>	<u>\$ 11,527,103</u>	<u>\$ 5,666,368</u>

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

City of Henderson, Kentucky
Statement of Net Position
Proprietary Funds
June 30, 2016

	Business-type Activities Enterprise Funds			Governmental Activities- Internal Service Fund
	Gas Fund	Sanitation Fund	Total Enterprise Funds	Health Insurance Fund
ASSETS				
Current assets:				
Cash	\$ 1,871,806	\$ 305,255	\$ 2,177,061	\$ 501,166
Investments	2,913,486	-	2,913,486	-
Receivables	737,091	251,382	988,473	-
Due from other funds	614,263	40,686	654,949	-
Inventories	191,573	-	191,573	-
Total current assets	<u>6,328,219</u>	<u>597,323</u>	<u>6,925,542</u>	<u>501,166</u>
Noncurrent assets:				
Investments, designated for landfill closure costs	-	2,812,643	2,812,643	-
Land	-	114,815	114,815	-
Capital assets, net of accumulated depreciation	2,244,141	386,206	2,630,347	-
Total noncurrent assets	<u>2,244,141</u>	<u>3,313,664</u>	<u>5,557,805</u>	<u>-</u>
Total assets	<u>\$ 8,572,360</u>	<u>\$ 3,910,987</u>	<u>\$ 12,483,347</u>	<u>\$ 501,166</u>
LIABILITIES				
Current liabilities:				
Accounts payable	\$ 576,502	\$ 168,106	\$ 744,608	\$ 579,876
Deposits payable	285,034	-	285,034	-
Accrued wages	40,377	22,718	63,095	-
Gas storage liability	182,200	-	182,200	-
Total current liabilities	<u>1,084,113</u>	<u>190,824</u>	<u>1,274,937</u>	<u>579,876</u>
Noncurrent liabilities:				
Estimated landfill closure costs	-	4,170,000	4,170,000	-
Total noncurrent liabilities	<u>-</u>	<u>4,170,000</u>	<u>4,170,000</u>	<u>-</u>
Total liabilities	<u>1,084,113</u>	<u>4,360,824</u>	<u>5,444,937</u>	<u>579,876</u>
NET POSITION				
Net investment in capital assets	2,244,141	501,021	2,745,162	-
Unrestricted	5,244,106	(950,858)	4,293,248	(78,710)
Total net position	<u>7,488,247</u>	<u>(449,837)</u>	<u>7,038,410</u>	<u>(78,710)</u>
Total liabilities and net position	<u>\$ 8,572,360</u>	<u>\$ 3,910,987</u>	<u>\$ 12,483,347</u>	<u>\$ 501,166</u>

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, 2016

	Business-type Activities Enterprise Funds			Governmental Activities- Internal Service Fund
	Gas Fund	Sanitation Fund	Total Enterprise Funds	Health Insurance Fund
OPERATING REVENUES				
Gas sales	\$ 13,053,328	\$ -	\$ 13,053,328	\$ -
Sanitation fees	-	3,459,599	3,459,599	-
Other income	125,583	101,932	227,515	-
Health insurance premiums:				
City of Henderson	-	-	-	4,369,484
Henderson Municipal Power & Light	-	-	-	599,200
Henderson Water Utility	-	-	-	1,320,850
Other	-	-	-	378,716
Total operating revenues	<u>13,178,911</u>	<u>3,561,531</u>	<u>16,740,442</u>	<u>6,668,250</u>
 OPERATING EXPENSES				
Gas administration	1,576,564	-	1,576,564	-
Gas distribution	10,142,528	-	10,142,528	-
Sanitation expenses	-	3,077,781	3,077,781	-
Landfill closure cost	-	310,000	310,000	-
Depreciation	224,257	142,449	366,706	-
HRA Fund contributions	-	-	-	480,000
Health insurance administration	-	-	-	651,833
Health insurance claims	-	-	-	5,714,522
Total operating expenses	<u>11,943,349</u>	<u>3,530,230</u>	<u>15,473,579</u>	<u>6,846,355</u>
 Income (loss) from operations	 1,235,562	 31,301	 1,266,863	 (178,105)
 NONOPERATING REVENUES				
Investment income	<u>71,691</u>	<u>61,042</u>	<u>132,733</u>	<u>2,080</u>
 Income (loss) before transfers	 1,307,253	 92,343	 1,399,596	 (176,025)
 Transfers out to General Fund	 <u>(1,400,000)</u>	 <u>-</u>	 <u>(1,400,000)</u>	 <u>-</u>
 Change in net position	 (92,747)	 92,343	 (404)	 (176,025)
 Net position, beginning of year	 <u>7,580,994</u>	 <u>(542,180)</u>	 <u>7,038,814</u>	 <u>97,315</u>
 Net position, end of year	 <u>\$ 7,488,247</u>	 <u>\$ (449,837)</u>	 <u>\$ 7,038,410</u>	 <u>\$ (78,710)</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, 2016

	Business-type Activities Enterprise Funds			Governmental Activities- Internal Service Fund
	Gas Fund	Sanitation Fund	Total Enterprise Funds	Health Insurance Fund
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers and users	\$ 13,484,705	\$ 3,505,161	\$ 16,989,866	\$ 6,699,000
Payments for goods and services	(10,514,755)	(2,032,399)	(12,547,154)	(651,127)
Payments for employees	(1,657,922)	(1,035,447)	(2,693,369)	-
Payments for HRA Fund contributions	-	-	-	(480,000)
Payments for health insurance claims	-	-	-	(5,669,435)
Net cash provided (used) by operating activities	<u>1,312,028</u>	<u>437,315</u>	<u>1,749,343</u>	<u>(101,562)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers to General Fund	(1,400,000)	-	(1,400,000)	-
Loans to General Fund	(1,200,000)	(300,000)	(1,500,000)	-
Loan repayments from General Fund	1,200,000	300,000	1,500,000	-
Net cash provided (used) by noncapital financing activities	<u>(1,400,000)</u>	<u>-</u>	<u>(1,400,000)</u>	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Purchases of capital assets	(128,647)	(113,278)	(241,925)	-
Loan repayments to General Fund	-	(66,600)	(66,600)	-
Net cash provided (used) by capital and related financing activities	<u>(128,647)</u>	<u>(179,878)</u>	<u>(308,525)</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from investments	1,460,042	648,434	2,108,476	-
Purchases of investments	(1,994,460)	(998,279)	(2,992,739)	-
Interest received	46,087	37,950	84,037	2,080
Investment fees paid	(1,615)	(1,634)	(3,249)	-
Net cash provided (used) by investing activities	<u>(489,946)</u>	<u>(313,529)</u>	<u>(803,475)</u>	<u>2,080</u>
Net increase (decrease) in cash	(706,565)	(56,092)	(762,657)	(99,482)
Cash, beginning of year	<u>2,578,371</u>	<u>361,347</u>	<u>2,939,718</u>	<u>600,648</u>
Cash, end of year	<u>\$ 1,871,806</u>	<u>\$ 305,255</u>	<u>\$ 2,177,061</u>	<u>\$ 501,166</u>
Reconciliation of income from operations to net cash provided (used) by operating activities				
Income (loss) from operations	\$ 1,235,562	\$ 31,301	\$ 1,266,863	\$ (178,105)
Reconciling items:				
Depreciation expense	224,257	142,449	366,706	-
Landfill closure cost	-	310,000	310,000	-
Receivables (increase) decrease	236,015	(115,305)	120,710	30,750
Due from other funds (increase) decrease	90,516	58,935	149,451	-
Inventories (increase) decrease	(10,795)	-	(10,795)	-
Accounts and deposits payable increase (decrease)	(234,757)	5,940	(228,817)	45,793
Accrued wages increase (decrease)	6,880	3,995	10,875	-
Gas storage liability increase (decrease)	(235,650)	-	(235,650)	-
Net cash provided (used) by operating activities	<u>\$ 1,312,028</u>	<u>\$ 437,315</u>	<u>\$ 1,749,343</u>	<u>\$ (101,562)</u>
Noncash investing activities:				
(Increase) decrease in fair value of investments	<u>\$ (43,040)</u>	<u>\$ (38,150)</u>	<u>\$ (81,190)</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, 2016**

	Pension Trust Funds
ASSETS	
Cash	<u>\$ 120,053</u>
Total assets	<u>120,053</u>
LIABILITIES	
Accounts payable	<u>13,147</u>
Total liabilities	<u>13,147</u>
NET POSITION	
Total net position	<u><u>\$ 106,906</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, 2016

	Pension Trust Funds
ADDITIONS	
Contributions:	
Employer	\$ 1,041,316
Employee	2,316
Total contributions	1,043,632
Interest income	471
Miscellaneous	299
Total additions	1,044,402
DEDUCTIONS	
Benefits paid	1,021,714
Professional services	7,068
Total deductions	1,028,782
Net increase in net position	15,620
Net position, beginning of year	91,286
Net position, end of year	\$ 106,906

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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

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

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

Henderson Water Utility
111 Fifth Street
Henderson, Kentucky 42420

B. Government-wide and Fund Financial Statements

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

CITY OF HENDERSON, KENTUCKY NOTES TO FINANCIAL STATEMENTS

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

Certain receipts from government agencies, utility service charges, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when the government receives cash.

D. Fund Accounting

The City uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. There are three categories of funds: 1) Governmental, 2) Proprietary, and 3) Fiduciary.

1) Governmental Funds

Governmental funds are those through which most governmental functions are typically financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the City's major governmental funds.

General Fund

The General Fund is the general operating fund of the City. It is used to account for all general tax revenues and other revenues not allocated by law, ordinance, or other agreement to another fund. From this fund are paid the general operating expenditures, the fixed charges, and the capital improvement costs, not paid by other funds.

Debt Service Fund

The Debt Service Fund accounts for the resources accumulated and payments made for principal and interest on long-term debt of governmental funds.

CITY OF HENDERSON, KENTUCKY

NOTES TO FINANCIAL STATEMENTS

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

- **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

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

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

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

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

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

R. Property Taxes

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

S. Operating Revenues and Expenses

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

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**

2. INVESTMENTS

As of June 30, 2016, 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	\$ 757,735	\$ -	\$ 757,735	\$ -
U.S. Government Money Market	1,398,439	1,398,439	-	-
Bank Certificates of Deposit	13,074,894	1,441,184	11,015,081	618,629
Total	\$ 15,231,068	\$ 2,839,623	\$ 11,772,816	\$ 618,629

Investments by Funds:

General Fund	\$ 9,504,939
Gas Fund	2,913,486
Sanitation Fund	2,812,643
Total per Statement of Net Position	\$ 15,231,068

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. No single investment exceeds five percent 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, 2016, interfund receivables and payables and the composition of internal balances shown on the statement of net position consist of the following:

	Due From Other Funds	Due To Other Funds	Internal Balances
<u>Governmental Activities:</u>			
General Fund	\$ 29,286	\$ (654,949)	\$ (625,663)
Capital Projects Fund	-	(29,286)	(29,286)
Total Governmental Activities	<u>\$ 29,286</u>	<u>\$ (684,235)</u>	<u>\$ (654,949)</u>
<u>Business-type Activities:</u>			
Gas Fund	\$ 614,263	\$ -	\$ 614,263
Sanitation Fund	40,686	-	40,686
Total Business-type Activities	<u>\$ 654,949</u>	<u>\$ -</u>	<u>\$ 654,949</u>
Total all funds	<u>\$ 684,235</u>	<u>\$ (684,235)</u>	

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

As of June 30, 2016, interfund transfers consist of the following:

	Transfers In	Transfers Out		
	Totals	General Fund	Capital Projects Fund	Gas Fund
General Fund	\$ 1,420,795	\$ -	\$ (20,795)	\$ (1,400,000)
Debt Service Fund	2,719,491	(821,000)	(1,898,491)	-
Capital Projects Fund	619,000	(619,000)	-	-
Nonmajor Governmental Funds	1,974,000	(1,974,000)	-	-
Totals	<u>\$ 6,733,286</u>	<u>\$ (3,414,000)</u>	<u>\$ (1,919,286)</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, 2016 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Primary Government				
Governmental Activities:				
<u>Capital assets not being depreciated:</u>				
Land	\$ 4,421,493	\$ 210,000	\$ (870,010)	\$ 3,761,483
Artwork	196,500	-	-	196,500
Total	<u>4,617,993</u>	<u>210,000</u>	<u>(870,010)</u>	<u>3,957,983</u>
<u>Capital assets being depreciated:</u>				
Buildings	13,492,892	1,976,000	-	15,468,892
Improvements	8,082,839	158,966	-	8,241,805
Vehicles, machinery, and equipment	12,532,628	2,636,172	(460,293)	14,708,507
Infrastructure	67,169,672	528,875	-	67,698,547
Total	<u>101,278,031</u>	<u>5,300,013</u>	<u>(460,293)</u>	<u>106,117,751</u>
<u>Less accumulated depreciation for:</u>				
Buildings	(3,826,090)	(236,280)	-	(4,062,370)
Improvements	(3,532,863)	(305,052)	-	(3,837,915)
Vehicles, machinery, and equipment	(10,256,610)	(808,687)	460,293	(10,605,004)
Infrastructure	(56,522,987)	(1,685,853)	-	(58,208,840)
Total	<u>(74,138,550)</u>	<u>(3,035,872)</u>	<u>460,293</u>	<u>(76,714,129)</u>
Total governmental activities, net	<u>\$ 31,757,474</u>	<u>\$ 2,474,141</u>	<u>\$ (870,010)</u>	<u>\$ 33,361,605</u>
Business-type Activities:				
<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	1,624,853	113,278	(88,669)	1,649,462
Gas system, vehicles, and equipment	8,868,974	128,647	(23,000)	8,974,621
Total	<u>11,080,104</u>	<u>241,925</u>	<u>(111,669)</u>	<u>11,210,360</u>
<u>Less accumulated depreciation for:</u>				
Buildings	(451,134)	(22,205)	-	(473,339)
Vehicles, machinery, and equipment	(1,344,619)	(120,244)	88,669	(1,376,194)
Gas system, vehicles, and equipment	(6,529,223)	(224,257)	23,000	(6,730,480)
Total	<u>(8,324,976)</u>	<u>(366,706)</u>	<u>111,669</u>	<u>(8,580,013)</u>
Total business-type activities, net	<u>\$ 2,869,943</u>	<u>\$ (124,781)</u>	<u>\$ -</u>	<u>\$ 2,745,162</u>

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

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

Governmental activities:	
Administration	\$ 9,923
Finance	24,758
Information technology	24,545
Parks and recreation	374,911
Police	253,440
Fire	335,043
Public works	2,013,252
Total depreciation expense, governmental activities	<u>\$ 3,035,872</u>

Business-type activities	
Gas	\$ 224,257
Sanitation	142,449
Total depreciation expense, business-type activities	<u>\$ 366,706</u>

Component units' capital asset activity was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<u>Henderson Municipal Power & Light</u>				
Utility plant and equipment	\$ 228,495,385	\$ 2,091,177	\$ (996,604)	\$ 229,589,958
Less accumulated depreciation	<u>(165,762,078)</u>	<u>(5,122,049)</u>	<u>944,592</u>	<u>(169,939,535)</u>
Capital assets, net	<u>\$ 62,733,307</u>	<u>\$ (3,030,872)</u>	<u>\$ (52,012)</u>	<u>\$ 59,650,423</u>
<u>Henderson Water Utility</u>				
Utility plant and equipment	\$ 128,594,770	\$ 6,535,607	\$ (377,731)	\$ 134,752,646
Less accumulated depreciation	<u>(50,336,148)</u>	<u>(3,098,401)</u>	<u>368,875</u>	<u>(53,065,674)</u>
Capital assets, net	<u>\$ 78,258,622</u>	<u>\$ 3,437,206</u>	<u>\$ (8,856)</u>	<u>\$ 81,686,972</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, 2016:

Governmental Activities:	Balance June 30, 2015	Additions	Reductions	Balance June 30, 2016	Amounts Due in One Year
G. O. Bonds Series 2007	\$ 3,205,000	\$ -	\$ (300,000)	\$ 2,905,000	\$ 310,000
G. O. Bonds Series 2010A	8,430,000	-	(8,430,000)	-	-
G. O. Bonds Series 2010B	2,465,000	-	(295,000)	2,170,000	300,000
G. O. Bonds Series 2011A	1,830,000	-	(85,000)	1,745,000	85,000
G. O. Bonds Series 2012A	8,745,000	-	(425,000)	8,320,000	435,000
G. O. Bonds Series 2013A	8,915,000	-	(410,000)	8,505,000	420,000
G. O. Bonds Series 2014	8,000,000	-	(320,000)	7,680,000	325,000
G. O. Bonds Series 2015A	-	7,790,000	-	7,790,000	310,000
G. O. Bonds Series 2015B	-	1,870,000	(160,000)	1,710,000	155,000
G. O. Bonds Series 2015C	-	1,700,000	-	1,700,000	110,000
G. O. Bonds Series 2016A	-	1,725,000	-	1,725,000	75,000
G. O. Bonds Series 2016B	-	8,015,000	(35,000)	7,980,000	465,000
Total bonds payable	41,590,000	21,100,000	(10,460,000)	52,230,000	2,990,000
Compensated Absences	1,453,900	781,546	(732,346)	1,503,100	750,000
HRA Fund Unfunded Obligation	652,000	10,000	-	662,000	-
Net Pension Liability	28,756,053	6,923,172	-	35,679,225	-
Total governmental activities	\$ 72,451,953	\$ 28,814,718	\$ (11,192,346)	\$ 90,074,325	\$ 3,740,000

The following is an aggregate summary of debt service requirements for the City of Henderson as of June 30, 2016:

June 30th:	Principal	Interest	Total
2017	\$ 2,990,000	\$ 1,317,001	\$ 4,307,001
2018	3,055,000	1,253,262	4,308,262
2019	3,110,000	1,186,497	4,296,497
2020	3,180,000	1,116,869	4,296,869
2021	3,250,000	1,044,106	4,294,106
2022 to 2026	15,230,000	4,138,537	19,368,537
2027 to 2031	14,580,000	2,204,266	16,784,266
2032 to 2036	6,835,000	463,760	7,298,760
Totals	\$ 52,230,000	\$ 12,724,298	\$ 64,954,298

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

As of June 30, 2016 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, 2016:

<u>June 30th:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Rates</u>
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	360,000	62,950	422,950	3.88%
2022 to 2026	1,005,000	167,600	1,172,600	4.00%
2027	<u>220,000</u>	<u>8,800</u>	<u>228,800</u>	4.00%
Totals	<u>\$ 2,905,000</u>	<u>\$ 619,915</u>	<u>\$ 3,524,915</u>	

CITY OF HENDERSON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS

B. 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, 2016:

**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>
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	330,000	24,881	354,881	3.00%
2022 to 2024	590,000	30,897	620,897	3.25% to 3.5%
Totals	\$ 2,170,000	\$ 240,954	\$ 2,410,954	

C. 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, 2016:

<u>June 30th:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Interest Rates</u>
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	95,000	48,841	143,841	3.00%
2022 to 2026	525,000	197,536	722,536	3.00% to 3.60%
2027 to 2031	625,000	92,500	717,500	4.00% to 4.00%
2032	140,000	2,800	142,800	4.00%
Totals	\$ 1,745,000	\$ 559,554	\$ 2,304,554	

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

D. 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, 2016:

June 30th:	Principal	Interest	Total	Interest Rates
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	470,000	180,207	650,207	2.00%
2022 to 2026	2,515,000	731,114	3,246,114	2.13% to 2.90%
2027 to 2031	2,910,000	342,388	3,252,388	3.00% to 3.25%
2032	640,000	10,560	650,560	3.30%
Totals	\$ 8,320,000	\$ 2,076,149	\$ 10,396,149	

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

E. 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, 2016:

<u>June 30th:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Interest Rates</u>
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	455,000	154,775	609,775	2.00%
2022 to 2026	2,425,000	631,559	3,056,559	2.00% to 2.13%
2027 to 2031	2,705,000	345,803	3,050,803	2.13% to 2.75%
2032 to 2033	1,185,000	32,794	1,217,794	2.75% to 2.75%
Totals	\$ 8,505,000	\$ 1,872,481	\$ 10,377,481	

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

F. 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, 2016:

June 30th:	Principal	Interest	Total	Interest Rates
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	350,000	179,225	529,225	2.00%
2022 to 2026	1,875,000	780,269	2,655,269	2.00% to 2.50%
2027 to 2031	2,135,000	513,269	2,648,269	2.75% to 3.25%
2032 to 2035	1,980,000	140,987	2,120,987	3.25% to 3.50%
Totals	\$ 7,680,000	\$ 2,398,950	\$ 10,078,950	

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

G. General Obligation Bonds – Series 2015A

During the year ended June 30, 2016, the City issued \$7,790,000 non-taxable bonds to pay costs of issuance, to pay a portion of the costs of the acquisition; construction, renovation, and equipping of new municipal service center and a new 911 computer assisted dispatch (CAD) and radio tower system.

This obligation matures in September 2035. Interest rates range from 2.0% to 3.75%. Interest is due in semi-annual installments. The obligation is secured by the full taxing authority of the City of Henderson. The following is a summary of scheduled payments as of June 30, 2016:

<u>June 30th:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Interest Rates</u>
2017	\$ 310,000	\$ 210,483	\$ 520,483	2.00%
2018	315,000	204,232	519,232	2.00%
2019	320,000	197,883	517,883	2.00%
2020	330,000	191,382	521,382	2.00%
2021	335,000	184,733	519,733	2.00%
2022 to 2026	1,780,000	819,228	2,599,228	2.00% to 2.10%
2027 to 2031	2,020,000	583,050	2,603,050	2.75% to 3.25%
2032 to 2035	2,380,000	223,319	2,603,319	3.25% to 3.75%
Totals	\$ 7,790,000	\$ 2,614,310	\$ 10,404,310	

H. General Obligation Bonds – Series 2015B

During the year ended June 30, 2016, the City issued \$1,870,000 non-taxable bonds to pay costs of issuance and for the purpose of currently refunding an outstanding assistance agreement dated as of May 1, 1996 between the Kentucky Infrastructure Authority and the City, the proceeds of which were used to finance the costs of the acquisition, construction, installation, and equipping of certain improvements to the City's municipal water, sanitary sewer, and storm sewer system.

This obligation matures in November 2026. Interest rates range from 1.0% to 2.5%. Interest is due in semi-annual installments. The obligation is secured by the full taxing authority of the City of Henderson. The following is a summary of scheduled payments as of June 30, 2016:

<u>June 30th:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Interest Rates</u>
2017	\$ 155,000	\$ 28,399	\$ 183,399	1.00%
2018	155,000	26,849	181,849	1.00%
2019	155,000	25,221	180,221	1.10%
2020	160,000	23,369	183,369	1.25%
2021	160,000	21,169	181,169	1.50%
2022 to 2026	855,000	57,115	912,115	2.00% to 2.50%
2027	70,000	875	70,875	2.50%
Totals	\$ 1,710,000	\$ 182,997	\$ 1,892,997	

CITY OF HENDERSON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS

I. General Obligation Bonds – Series 2015C

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

This obligation matures in November 2029. Interest rates range from 2.0% to 2.75%. Interest is due in semi-annual installments. The obligation is secured by the full taxing authority of the City of Henderson. The following is a summary of scheduled payments as of June 30, 2016:

<u>June 30th:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Interest Rates</u>
2017	\$ 110,000	\$ 36,875	\$ 146,875	2.00%
2018	105,000	34,725	139,725	2.00%
2019	110,000	32,575	142,575	2.00%
2020	110,000	30,375	140,375	2.00%
2021	115,000	28,125	143,125	2.00%
2022 to 2026	615,000	104,194	719,194	2.00% to 2.25%
2027 to 2030	535,000	28,406	563,406	2.50% to 2.75%
Totals	\$ 1,700,000	\$ 295,275	\$ 1,995,275	

J. General Obligation Bonds – Series 2016A

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

This obligation matures in March 2036. Interest rates range from 1.0% to 3.5%. Interest is due in semi-annual installments. The obligation is secured by the full taxing authority of the City of Henderson. The following is a summary of scheduled payments as of June 30, 2016:

<u>June 30th:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Interest Rates</u>
2017	\$ 75,000	\$ 41,725	\$ 116,725	1.00%
2018	75,000	40,975	115,975	1.00%
2019	75,000	40,225	115,225	1.25%
2020	75,000	39,288	114,288	1.25%
2021	75,000	38,350	113,350	1.50%
2022 to 2026	395,000	170,525	565,525	2.00% to 2.50%
2027 to 2031	445,000	122,550	567,550	2.50% to 3.00%
2032 to 2036	510,000	53,300	563,300	3.00% to 3.50%
Totals	\$ 1,725,000	\$ 546,938	\$ 2,271,938	

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

K. General Obligation Bonds – Series 2016B

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

This obligation matures in November 2030. Interest rates range from 2.0% to 2.5%. Interest is due in semi-annual installments. The obligation is secured by the full taxing authority of the City of Henderson. The following is a summary of scheduled payments as of June 30, 2016:

June 30th:	Principal	Interest	Total	Interest Rates
2017	\$ 465,000	\$ 159,450	\$ 624,450	2.00%
2018	475,000	150,050	625,050	2.00%
2019	480,000	140,500	620,500	2.00%
2020	490,000	130,800	620,800	2.00%
2021	505,000	120,850	625,850	2.00%
2022 to 2026	2,650,000	448,500	3,098,500	2.00%
2027 to 2031	2,915,000	166,625	3,081,625	2.00% to 2.50%
Totals	\$ 7,980,000	\$ 1,316,775	\$ 9,296,775	

**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, 2016:

	Balance May 31, 2015	Additions	Reductions	Balance May 31, 2016	Amounts due in One Year
Revenue Bonds Series 2011A	\$ 10,050,000	\$ -	\$ (455,000)	\$ 9,595,000	\$ 465,000
Revenue Bonds Series 2011B	3,220,000	-	(155,000)	3,065,000	155,000
Total bonds payable	\$ 13,270,000	\$ -	\$ (610,000)	\$ 12,660,000	\$ 620,000

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, 2016:

May 31st:	Series 2011A		Series 2011B		Totals
	Principal	Interest	Principal	Interest	
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	520,000	310,082	170,000	88,138	1,088,220
2022 to 2026	2,870,000	1,268,324	920,000	362,116	5,420,440
2027 to 2031	3,480,000	647,082	1,095,000	184,238	5,406,320
2032	790,000	35,550	245,000	10,044	1,080,594
Totals	\$ 9,595,000	\$ 3,641,440	\$ 3,065,000	\$ 1,032,014	\$ 17,333,454

**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, 2016:

	Balance June 30, 2015	Additions	Reductions	Balance June 30, 2016	Amounts due in One Year
Series 2006A Water and Sewer	\$ 3,325,000	\$ -	\$ (215,000)	\$ 3,110,000	\$ 225,000
Due to City of Henderson-2010A	8,430,000	-	(8,430,000)	-	-
Due to City of Henderson-2010B	1,140,730	-	(113,491)	1,027,239	116,146
Due to City of Henderson-2012A	8,745,000	-	(425,000)	8,320,000	435,000
Due to City of Henderson-2013A	8,915,000	-	(410,000)	8,505,000	420,000
Due to City of Henderson-2014	8,000,000	-	(320,000)	7,680,000	325,000
Due to City of Henderson-2015B	-	1,870,000	(160,000)	1,710,000	155,000
Due to City of Henderson-2015C	-	1,700,000	-	1,700,000	110,000
Due to City of Henderson-2016B	-	8,015,000	(35,000)	7,980,000	465,000
Kentucky Infrastructure Authority Assistance Agreement	2,010,333	-	(2,010,333)	-	-
Total	<u>\$ 40,566,063</u>	<u>\$ 11,585,000</u>	<u>\$ (12,118,824)</u>	<u>\$ 40,032,239</u>	<u>\$ 2,251,146</u>

Principal and interest requirements to retire Henderson Water Utility's long-term obligations as of June 30, 2016 were as follows:

<u>Fiscal year ended June 30th:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 2,251,146	\$ 991,409	\$ 3,242,555
2018	2,283,613	942,943	3,226,556
2019	2,341,297	892,842	3,234,139
2020	2,389,090	840,916	3,230,006
2021	2,451,671	787,019	3,238,690
2022-2026	12,885,422	3,023,932	15,909,354
2027-2031	11,625,000	1,405,131	13,030,131
2032-2035	3,805,000	184,341	3,989,341
Totals	<u>\$ 40,032,239</u>	<u>\$ 9,068,533</u>	<u>\$ 49,100,772</u>

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

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

	<u>Interest Rate</u>	<u>Maturity</u>	<u>Balance</u>	<u>Security</u>
Water and Sewer Refunding Revenue Bonds, Series 2006A	3.70% - 4.375%	11/1/2026	\$ 3,110,000	Utility Revenue
Due to City of Henderson-2010B	2.00% - 3.50%	11/1/2023	\$ 1,027,239	Unsecured
Due to City of Henderson-2012A	1.00% - 3.30%	11/1/2031	\$ 8,320,000	Unsecured
Due to City of Henderson-2013A	2.00% - 2.75%	11/1/2032	\$ 8,505,000	Unsecured
Due to City of Henderson-2014	2.00% - 2.50%	11/1/2034	\$ 7,680,000	Unsecured
Due to City of Henderson-2015B	1.00% - 2.50%	11/1/2026	\$ 1,710,000	Unsecured
Due to City of Henderson-2015C	2.00% - 2.75%	11/1/2029	\$ 1,700,000	Unsecured
Due to City of Henderson-2016B	2.00% - 2.50%	11/1/2030	\$ 7,980,000	Unsecured
			<u>\$ 40,032,239</u>	

Restricted Assets Applicable To HWU

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

The City issued certain General Obligation Bonds and loaned the proceeds to HWU for various purposes as previously described.

HWU will repay the loans from the City by paying the City the underlying G.O. Bonds debt service payments until the bonds are retired.

The following is a summary of restricted assets applicable to HWU for the fiscal year ended June 30, 2016, as recorded in the Capital Projects Fund:

<u>G.O. Bonds Series</u>	<u>Due In One Year</u>	<u>Due After One Year</u>	<u>Total Receivable from HWU</u>
2010B	\$ 116,146	\$ 911,093	\$ 1,027,239
2012A	435,000	7,885,000	8,320,000
2013A	420,000	8,085,000	8,505,000
2014	325,000	7,355,000	7,680,000
2015B	155,000	1,555,000	1,710,000
2015C	110,000	1,590,000	1,700,000
2016B	465,000	7,515,000	7,980,000
Total	<u>\$ 2,026,146</u>	<u>\$ 34,896,093</u>	<u>\$ 36,922,239</u>

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

6. CONDUIT DEBT

From time to time the City has issued Industrial Revenue Bonds to provide financial assistance to private-sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The Bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Neither the City of Henderson, nor any of its political subdivisions are obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of June 30, 2016, 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

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, 2016 these governmental activities liabilities included \$1,503,100 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, 2016, from its last audited financial statements made available to the City are:

Assets	\$ 106,524,470
Liabilities	\$ 101,906,584
Net position	\$ 4,617,886

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

9. GAS STORAGE LIABILITY

The City has the right to withdraw 270,000 MMBtu's of natural gas from the gas storage reserves belonging to the City's gas transmission pipeline company. Any gas so withdrawn by the City must be replaced by November 1st, the beginning of the operating year of the Gas Fund. As of June 30, 2016, the estimated amount of this gas storage liability was \$182,200.

10. CONCENTRATION OF SALES

Henderson Municipal Gas

For the fiscal year ended June 30, 2016, five industrial customers accounted for \$5,727,907 in gas sales, which represents 43% of the operating revenues of the Gas Fund.

Henderson Municipal Power and Light

All of the sales generated by Station Two (\$19,894,731 for fiscal 2016) 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 \$11.8 million (30% of Existing System sales) for the fiscal year ended May 31, 2016.

Henderson Water Utility

For the fiscal year ended June 30, 2016, three customers accounted for \$7,585,239 in sales and surcharges for approximately 42% of HWU's total operating revenues.

11. LANDFILL CLOSURE AND POST CLOSURE COSTS

On July 1, 1998, the City Commission transferred the primary responsibility for operations of the City's solid waste landfill from the General Fund to the Sanitation Fund, and the related liability for landfill closure and post closure costs. As of June 30, 2016, 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

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 \$4,170,000 at June 30, 2016, consists of \$2,820,000 in closure costs and \$1,350,000 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 73.9%. The estimated remaining life of the landfill is 6.4 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, 2016:

	<u>Closure Liability</u>	<u>Post-Closure Liability</u>	<u>Total</u>
June 30, 2015	\$ 2,740,000	\$ 1,120,000	\$ 3,860,000
Costs applied	-	-	-
Revision to estimate	<u>80,000</u>	<u>230,000</u>	<u>310,000</u>
June 30, 2016	<u>\$ 2,820,000</u>	<u>\$ 1,350,000</u>	<u>\$ 4,170,000</u>

CITY OF HENDERSON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS

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 \$644,000 and \$599,000, respectively, from HMPL and HWU for such services for the fiscal year ended June 30, 2016.

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, 2016.

The City owns certain real estate used by HMPL.

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

15. HEALTH INSURANCE PLAN

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

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

Amounts payable for claims are based on estimates as calculated by the City's third-party administrator. The Plan established liabilities based on the estimates of the ultimate cost of claims that have been reported but not settled, and of claims that have been incurred but not reported, based on historical experience. The following represents a summary of changes in the liability for the last ten fiscal years including the year ended June 30, 2016:

	Beginning of Fiscal Year Liability	Current Year Claims & Changes In Estimates	Claim Payments	End of Fiscal Year Liability
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
2015-2016	\$ 533,748	\$ 5,714,522	\$ (5,669,435)	\$ 578,835

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, 2016, 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.

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

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, 2016, the HRA Plan has an unfunded obligation of \$994,000, of which \$662,000 pertains to the City, and which will be funded in future fiscal periods.

CITY OF HENDERSON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS

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 (KRS), 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, 2016, 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, 2016, the plan had eighteen members, all of whom are inactive participants receiving benefits.

CITY OF HENDERSON, KENTUCKY

NOTES TO FINANCIAL STATEMENTS

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 17.06% of annual covered payroll for fiscal year 2016. 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 32.95% of annual covered payroll for fiscal 2016. 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 \$1,237,716 for nonhazardous employees, \$1,931,731 for hazardous employees, for total contributions of \$3,169,447 for the fiscal year ended June 30, 2016.

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 \$175,316 for the fiscal year ended June 30, 2016.

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 \$386,000 for the fiscal year ended June 30, 2016.

CITY OF HENDERSON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS

Pension Liabilities

CERS

At June 30, 2016, the City reported a liability of \$29,738,207 for its proportionate share of the net pension liability, with \$12,643,513 for nonhazardous pensions and \$17,094,694 for hazardous pensions. The net pension liability was measured as of 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 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, 2015, the City's proportion was .29407% for nonhazardous pensions and 1.11358% for hazardous pensions.

CSPP

CSPP net pension liability was \$1,402,940 at June 30, 2016, 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 \$4,538,078 at June 30, 2016, 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.

	Net Pension Liability
City of Henderson:	
CERS:	
Nonhazardous	\$ 12,643,513
Hazardous	<u>17,094,694</u>
	29,738,207
CSPP	1,402,940
PFPP	<u>4,538,078</u>
	\$ 35,679,225
Component Units:	
HMPL	<u>\$ 5,378,974</u>
HWU	<u>\$ 6,734,694</u>

CITY OF HENDERSON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS

Actuarial Assumptions

CERS

The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.25%
Salary increases	4.00%, average, including inflation
Investment rate of return	7.50%, net of pension plan expense, including inflation

Further information regarding the mortality tables used by CERS can be found in the CERS actuarial reports on the KRS website.

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, 2008 to June 30, 2013.

CSPP and PFPP

The total pension liability was determined by an actuarial valuation as of June 30, 2016, 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-2015 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, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2015 to June 30, 2016.

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 2008 through 2013, is outlined in a report dated April 30, 2014. 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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Combined Equity	44%	5.40%
Combined Fixed Income	19%	1.50%
Real Return (Diversified Inflation Strategies)	10%	3.50%
Real Estate	5%	4.50%
Absolute Return (Diversified Hedge Funds)	10%	4.25%
Private Equity	10%	8.50%
Cash Equivalent	2%	-0.25%
Total	<u>100%</u>	

CITY OF HENDERSON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS

Discount Rate

The discount rate used to measure the total pension liability was 7.50% 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>
<u>CERS Nonhazardous</u>			
Discount Rate	6.50%	7.50%	8.50%
Proportionate Share NPL	<u>\$ 16,141,102</u>	<u>\$ 12,643,513</u>	<u>\$ 9,648,213</u>
<u>CERS Hazardous</u>			
Discount Rate	6.50%	7.50%	8.50%
Proportionate Share NPL	<u>\$ 21,881,780</u>	<u>\$ 17,094,694</u>	<u>\$ 13,128,475</u>
<u>CSPP</u>			
Discount Rate	4%	5%	6%
NPL	<u>\$ 1,527,577</u>	<u>\$ 1,402,940</u>	<u>\$ 1,304,920</u>
<u>PFPP</u>			
Discount Rate	3%	4%	5%
NPL	<u>\$ 5,020,096</u>	<u>\$ 4,538,078</u>	<u>\$ 4,108,330</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

Changes in the Net Pension Liability
Single-Employer Plans

	CSP	PFPP
Total Pension Liability		
Service cost	\$ 4,596	\$ (3,658)
Interest	69,926	183,171
Changes of benefit terms	-	-
Differences between expected and actual experience	15,113	(38,869)
Changes of assumptions	-	-
Benefit Payments	<u>(175,554)</u>	<u>(382,823)</u>
Net change in total pension liability	(85,919)	(242,179)
Total pension liability--beginning, 6-30-2015	<u>1,486,307</u>	<u>4,770,687</u>
Total pension liability--ending, 6-30-2016 (a)	<u><u>\$ 1,400,388</u></u>	<u><u>\$ 4,528,508</u></u>
Plan Fiduciary Net Position		
Contributions---Employer	\$ 175,316	\$ 386,000
Contributions---Employee	2,316	-
Net investment income	3	2
Miscellaneous income	111	188
Benefit Payments	(175,554)	(382,823)
Administration expenses	<u>(3,410)</u>	<u>(3,658)</u>
Net change in plan fiduciary net position	(1,218)	(291)
Plan fiduciary net position--beginning, 6-30-2015	<u>(1,334)</u>	<u>(9,279)</u>
Plan fiduciary net position--ending, 6-30-2016 (b)	<u><u>\$ (2,552)</u></u>	<u><u>\$ (9,570)</u></u>
Net Pension Liability (a) - (b)	<u><u>\$ 1,402,940</u></u>	<u><u>\$ 4,538,078</u></u>

CITY OF HENDERSON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS

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

For the fiscal year ended June 30, 2016, the City recognized total pension expense of **\$3,778,511**, which consists of \$1,498,381 CERS Nonhazardous, \$1,949,985 CERS Hazardous, \$92,439 CSPP, and \$237,706 PFPP. The City's Component Units recognized CERS Nonhazardous pension expense of \$407,982 for HMPL and \$965,568 for HWU, for their respective fiscal years.

At June 30, 2016, the City reported deferred outflows of resourced and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience		
CERS Nonhazardous	\$ 105,072	\$ -
CERS Hazardous	966,600	-
CSPP	116,215	16,519
PFPP	37,511	587,838
	<u>1,225,398</u>	<u>604,357</u>
Net difference between projected and actual earnings on pension plan investments		
CERS Nonhazardous	113,339	-
CERS Hazardous	107,354	-
	<u>220,693</u>	<u>-</u>
Change of assumptions		
CERS Nonhazardous	1,274,960	-
CERS Hazardous	1,477,261	-
	<u>2,752,221</u>	<u>-</u>
City contributions subsequent to the measurement date		
CERS Nonhazardous	1,237,716	-
CERS Hazardous	1,931,731	-
	<u>3,169,447</u>	<u>-</u>
Total	<u><u>\$ 7,367,759</u></u>	<u><u>\$ 604,357</u></u>

CITY OF HENDERSON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS

\$3,169,447 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, 2017. 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:

2017	\$ 1,026,703
2018	1,026,703
2019	757,299
2020	1,098,093
2021	(33,947)
Thereafter	<u>(280,896)</u>
	<u>\$ 3,593,955</u>

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

Postemployment Healthcare Benefits

Plan description: In addition to the pension benefits described above, KRS provides postemployment healthcare benefits through the Kentucky Retirement Systems Insurance Fund (Insurance Fund). The Insurance Fund was established to provide hospital and medical insurance for those receiving benefits from the Kentucky Employees Retirement System (KERS), the County Employees Retirement System (CERS), and the State Police Retirement System (SPRS). The Insurance Fund pays a prescribed contribution for whole or partial payment of required premiums to purchase hospital and medical insurance. For the fiscal year ended June 30, 2015 (the date of the latest available information), insurance premiums withheld from benefit payments for these benefits from CERS were \$22.6 million and \$1.7 million for non-hazardous and hazardous employees, respectively. The Insurance Fund pays the same proportion of hospital and medical insurance premiums for the spouse and dependents of retired hazardous employees killed in the line of duty. As of June 30, 2015, the Insurance Fund had 108,952 retirees and beneficiaries for whom benefits were available.

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

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

As a result of House Bill 290 (2004 Kentucky General Assembly), medical insurance benefits are calculated differently for those who began participating on or after July 1, 2003. Once employees reach a minimum vesting period of ten years, non-hazardous employees whose participation began on or after July 1, 2003 earn \$10 per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. Hazardous employees whose participation began on or after July 1, 2003 earn \$15 per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. Upon death of a hazardous employee, the employee's spouse receives \$10 per month for insurance benefits for each year of the deceased employee's earned hazardous service. This dollar amount is subject to adjustment annually based on the retiree COLA, which is updated annually due to changes in the Consumer Price Index for all urban consumers. This benefit is not protected under the inviolable contract provisions of Kentucky Revised Statute 16.652, 61.692, and 78.852. The Kentucky General Assembly reserves the right to suspend or reduce this benefit if, in its judgment, the welfare of the Commonwealth so demands.

CITY OF HENDERSON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS

Funding policy: In prior years, the employer's required medical insurance contribution rate was being increased annually by a percentage that would result in advance-funding the medical liability on an actuarially determined basis using the entry age normal method within a 20 year period measured from 1987. In November 1992, the Board adopted a fixed percentage rate and suspended future increases under the current medical premium funding policy until the next experience study could be performed. In May 1996, the Board adopted a policy to increase the insurance contribution rate by the amount needed to achieve the target rate for full entry age normal funding within 20 years.

On August 6, 2012, the Board voted to cease self-funding of healthcare benefits for most medicare eligible retirees. The Board elected to contract with Humana Insurance Company to provide healthcare benefits to retirees through a fully insured Medicare Advantage Plan. The Humana Medicare Advantage Plan became effective January 1, 2013.

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, 2016.

Combining Statement of Fiduciary Net Position - Pension Trust Funds
June 30, 2016

	Civil Service Pension Fund	Police & Fire Pension Fund	HRA Fund	Total
ASSETS				
Cash	\$ 292	\$ 733	\$ 119,028	\$ 120,053
Total assets	292	733	119,028	120,053
LIABILITIES				
Accounts payable	2,844	10,303	-	13,147
Total liabilities	2,844	10,303	-	13,147
NET POSITION				
Total net position	\$ (2,552)	\$ (9,570)	\$ 119,028	\$ 106,906

Combining Statement of Changes in Fiduciary Net Position-Pension Trust Funds
For the Fiscal Year Ended June 30, 2016

	Civil Service Pension Fund	Police & Fire Pension Fund	HRA Fund	Total
ADDITIONS				
Contributions:				
Employer	\$ 175,316	\$ 386,000	\$ 480,000	\$ 1,041,316
Employee	2,316	-	-	2,316
Total contributions	177,632	386,000	480,000	1,043,632
Interest income	3	2	466	471
Miscellaneous	111	188	-	299
Total additions	177,746	386,190	480,466	1,044,402
DEDUCTIONS				
Benefits paid	175,554	382,823	463,337	1,021,714
Professional services	3,410	3,658	-	7,068
Total deductions	178,964	386,481	463,337	1,028,782
Net increase (decrease) in net position	(1,218)	(291)	17,129	15,620
Net position, beginning of year	(1,334)	(9,279)	101,899	91,286
Net position, end of year	\$ (2,552)	\$ (9,570)	\$ 119,028	\$ 106,906

CITY OF HENDERSON, KENTUCKY NOTES TO FINANCIAL STATEMENTS

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, 2016:

Fund Balances	General Fund	Debt Service Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable					
Inventories	\$ 26,845	\$ -	\$ -	\$ 16,500	\$ 43,345
	<u>26,845</u>	<u>-</u>	<u>-</u>	<u>16,500</u>	<u>43,345</u>
Restricted					
Debt service	-	472	-	-	472
Capital projects	-	-	42,266,354	-	42,266,354
Law enforcement	-	-	-	52,650	52,650
	<u>-</u>	<u>472</u>	<u>42,266,354</u>	<u>52,650</u>	<u>42,319,476</u>
Committed					
Major building projects	2,023,720	-	-	-	2,023,720
Major equipment buys	369,744	-	-	-	369,744
Public works	-	-	-	81,312	81,312
Law enforcement	-	-	-	44,020	44,020
	<u>2,393,464</u>	<u>-</u>	<u>-</u>	<u>125,332</u>	<u>2,518,796</u>
Assigned					
2017 Budget deficit	4,670,000	-	-	-	4,670,000
Newman park shelter	200,000	-	-	-	200,000
Recreation/Sports Facility	700,000	-	-	-	700,000
	<u>5,570,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,570,000</u>
Unassigned	<u>3,536,794</u>	<u>-</u>	<u>(995,659)</u>	<u>(287,758)</u>	<u>2,253,377</u>
Total fund balances	<u>\$ 11,527,103</u>	<u>\$ 472</u>	<u>\$ 41,270,695</u>	<u>\$ (93,276)</u>	<u>\$ 52,704,994</u>

CITY OF HENDERSON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS

19. SUBSEQUENT EVENTS

In January 2017, the City intends to issue approximately \$3,155,000 of General Obligation Bonds, Series 2017A; \$2,530,000 of General Obligation Refunding Bonds, Series 2017B; and \$2,330,000 of General Obligation Refunding Bonds, Series 2017C.

Further information on the proposed bonds issuance may be obtained from the applicable Official Statements.

**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,

	2016	2015
Nonhazardous		
City's proportion of the net pension liability	0.29407%	0.30166%
City's proportionate share of the net pension liability	\$ 12,643,513	\$ 9,786,816
City's covered payroll	\$ 7,306,385	\$ 7,236,290
City's proportionate share of the net pension liability as a percentage of its covered payroll	173.05%	135.25%
Plan fiduciary net position as a percentage of the total pension liability	59.97%	66.80%
Hazardous		
City's proportion of the net pension liability	1.11358%	1.05686%
City's proportionate share of the net pension liability	\$ 17,094,694	\$ 12,701,630
City's covered payroll	\$ 5,984,273	\$ 5,854,676
City's proportionate share of the net pension liability as a percentage of its covered payroll	285.66%	216.95%
Plan fiduciary net position as a percentage of the total pension liability	57.52%	63.46%

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,

	2016	2015	2014*	2013
Total Pension Liability				
Service cost	\$ 4,596	\$ 5,423	\$ 5,277	\$ 4,030
Interest	69,926	69,155	62,596	71,715
Changes of benefit terms	-	-	-	-
Differences between expected and actual experience	15,113	116,277	22,478	(60,254)
Changes of assumptions*	-	-	227,405	-
Benefit Payments	(175,554)	(175,297)	(187,307)	(210,938)
Net change in total pension liability	<u>(85,919)</u>	<u>15,558</u>	<u>130,449</u>	<u>(195,447)</u>
Total pension liability--beginning	<u>1,486,307</u>	<u>1,470,749</u>	<u>1,340,300</u>	<u>1,535,747</u>
Total pension liability--ending (a)	<u><u>\$ 1,400,388</u></u>	<u><u>\$ 1,486,307</u></u>	<u><u>\$ 1,470,749</u></u>	<u><u>\$ 1,340,300</u></u>
Plan Fiduciary Net Position				
Contributions---Employer	\$ 175,316	\$ 170,363	\$ 194,227	\$ 214,154
Contributions---Employee	2,316	2,363	2,227	2,154
Net investment income	3	3	4	10
Miscellaneous income	111	191	258	193
Benefit Payments	(175,554)	(175,297)	(181,852)	(218,006)
Administration expenses	(3,410)	(3,410)	(2,441)	(2,472)
Net change in plan fiduciary net position	<u>(1,218)</u>	<u>(5,787)</u>	<u>12,423</u>	<u>(3,967)</u>
Plan fiduciary net position--beginning	<u>(1,334)</u>	<u>4,453</u>	<u>(7,970)</u>	<u>(4,003)</u>
Plan fiduciary net position--ending (b)	<u><u>\$ (2,552)</u></u>	<u><u>\$ (1,334)</u></u>	<u><u>\$ 4,453</u></u>	<u><u>\$ (7,970)</u></u>
Net Pension Liability (a) - (b)	<u><u>\$ 1,402,940</u></u>	<u><u>\$ 1,487,641</u></u>	<u><u>\$ 1,466,296</u></u>	<u><u>\$ 1,348,270</u></u>
Plan fiduciary net position as a percentage of the total pension liability	-0.182%	-0.090%	0.303%	-0.595%
Covered employee payroll	\$ 46,415	\$ 47,357	\$ 44,550	\$ 43,171
Net Pension Liability as a percentage of covered employee payroll	3022.60%	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,

	2016	2015	2014*	2013
Total Pension Liability				
Service cost	\$ (3,658)	\$ (3,720)	\$ -	\$ -
Interest	183,171	187,904	168,112	170,310
Changes of benefit terms	-	-	-	-
Differences between expected and actual experience	(38,869)	85,141	(138,211)	186,286
Changes of assumptions*	-	-	866,643	-
Benefit Payments	(382,823)	(392,484)	(411,006)	(412,077)
Net change in total pension liability	<u>(242,179)</u>	<u>(123,159)</u>	<u>485,538</u>	<u>(55,481)</u>
Total pension liability--beginning	<u>4,770,687</u>	<u>4,893,846</u>	<u>4,408,308</u>	<u>4,463,789</u>
Total pension liability--ending (a)	<u><u>\$ 4,528,508</u></u>	<u><u>\$ 4,770,687</u></u>	<u><u>\$ 4,893,846</u></u>	<u><u>\$ 4,408,308</u></u>
Plan Fiduciary Net Position				
Contributions---Employer	\$ 386,000	\$ 399,000	\$ 412,000	\$ 418,000
Contributions---Employee	-	-	-	-
Net investment income	2	2	5	7
Miscellaneous income	188	370	360	431
Benefit Payments	(382,823)	(392,484)	(416,461)	(415,608)
Administration expenses	(3,658)	(3,720)	(2,782)	(2,782)
Net change in plan fiduciary net position	<u>(291)</u>	<u>3,168</u>	<u>(6,878)</u>	<u>48</u>
Plan fiduciary net position--beginning	<u>(9,279)</u>	<u>(12,447)</u>	<u>(5,569)</u>	<u>(5,617)</u>
Plan fiduciary net position--ending (b)	<u><u>\$ (9,570)</u></u>	<u><u>\$ (9,279)</u></u>	<u><u>\$ (12,447)</u></u>	<u><u>\$ (5,569)</u></u>
Net Pension Liability (a) - (b)	<u><u>\$ 4,538,078</u></u>	<u><u>\$ 4,779,966</u></u>	<u><u>\$ 4,906,293</u></u>	<u><u>\$ 4,413,877</u></u>
Plan fiduciary net position as a percentage of the total pension liability	-0.211%	-0.195%	-0.254%	-0.126%
Covered employee payroll	\$ -	\$ -	\$ -	\$ -
Net Pension Liability as a percentage of covered employee payroll	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.

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>2016</u>	<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>
Contractually required contributions	\$ 3,169,447	\$ 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
Contributions in relation to the contractually required contributions	3,169,447	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
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	\$ 13,290,658	\$ 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
Contributions as a percentage of covered payroll	23.85%	24.84%	25.34%	26.63%	25.53%	23.81%	22.43%	20.47%	23.37%	19.72%

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>2016</u>	<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>
Actuarially determined contributions	\$ 105,328	\$ 107,411	\$ 111,630	\$ 127,470	\$ 116,436	\$ 112,188	\$ 99,171	\$ 111,784	\$ 116,421	\$ 122,033
Contributions in relation to the actuarially determined contributions	175,316	170,363	196,454	216,307	221,287	152,624	12,586	271,333	238,636	136,257
Contributions deficiency (excess)	<u>\$ (69,988)</u>	<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>
Covered payroll	\$ 46,415	\$ 47,357	\$ 44,550	\$ 43,171	\$ 42,867	\$ 36,899	\$ 36,005	\$ 35,277	\$ 41,424	\$ 29,702
Contributions as a percentage of covered payroll	377.71%	359.74%	440.97%	501.05%	516.22%	413.63%	34.96%	769.15%	576.08%	458.75%

* 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>2016</u>	<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>
Actuarially determined contributions	\$ 355,293	\$ 362,840	\$ 396,671	\$ 401,983	\$ 384,553	\$ 405,070	\$ 385,099	\$ 370,618	\$ 375,317	\$ 363,343
Contributions in relation to the actuarially determined contributions	386,000	399,000	412,000	418,000	418,000	424,775	16,083	291,013	424,749	392,639
Contributions deficiency (excess)	<u>\$ (30,707)</u>	<u>\$ (36,160)</u>	<u>\$ (15,329)</u>	<u>\$ (16,017)</u>	<u>\$ (33,447)</u>	<u>\$ (19,705)</u>	<u>\$ 369,016</u>	<u>\$ 79,605</u>	<u>\$ (49,432)</u>	<u>\$ (29,296)</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.

Cemetery	The Cemetery Fund accounts for the funds used to operate the City's two cemeteries, Fernwood and Fairmont.
PWI	The Public Way Improvement Fund accounts for funds that finance public works projects.
HART	The Henderson Area Rapid Transit Fund accounts for funds that operate the City bus system.
911	The Emergency Communications Fund accounts for funds that operate the 911 emergency communications system.
CDBG	The Community Development Block Grant Fund accounts for federal grant money used to rehabilitate low income housing and public facilities.
HOME	The HOME Fund accounts for grants used similar to the CDBG Fund except that the funds are provided through an agency of the Commonwealth of Kentucky.
Police Investigation	The Police Investigation Fund accounts for funds from property sold seized from criminal activities and expended on law enforcement activities.

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

City of Henderson, Kentucky
Combining Balance Sheet
Special Revenue Funds
June 30, 2016

	Cemetery	PWI	HART	911	CDBG	HOME	Police Investigation	Totals
ASSETS								
Cash	\$ 28	\$ 422	\$ 1,186	\$ 405	\$ 32,204	\$ -	\$ -	\$ 34,245
Receivables	4,508	73,219	111,981	88,499	19,924	-	-	298,131
Inventories	-	-	16,500	-	-	-	-	16,500
Restricted assets:								
Cash	-	-	-	-	-	-	180,727	180,727
Total assets	\$ 4,536	\$ 73,641	\$ 129,667	\$ 88,904	\$ 52,128	\$ -	\$ 180,727	\$ 529,603
LIABILITIES								
Accounts payable	\$ 11,764	\$ 336,402	\$ 12,406	\$ 23,411	\$ 52,128	\$ -	\$ 128,077	\$ 564,188
Accrued wages	5,398	12,371	19,449	21,473	-	-	-	58,691
Total liabilities	17,162	348,773	31,855	44,884	52,128	-	128,077	622,879
FUND BALANCES								
Nonspendable	-	-	16,500	-	-	-	-	16,500
Restricted	-	-	-	-	-	-	52,650	52,650
Committed	-	-	81,312	44,020	-	-	-	125,332
Unassigned	(12,626)	(275,132)	-	-	-	-	-	(287,758)
Total fund balances	(12,626)	(275,132)	97,812	44,020	-	-	52,650	(93,276)
Total liabilities and fund balances	\$ 4,536	\$ 73,641	\$ 129,667	\$ 88,904	\$ 52,128	\$ -	\$ 180,727	\$ 529,603

City of Henderson, Kentucky
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Special Revenue Funds
For the Fiscal Year Ended June 30, 2016

	Cemetery	PWI	HART	911	CDBG	HOME	Police Investigation	Totals
REVENUES								
Intergovernmental	\$ -	\$ 697,452	\$ 812,334	\$ 358,919	\$ 353,822	\$ -	\$ 63,838	\$ 2,286,365
Service charges and fees	228,469	877	35,939	551,789	-	-	-	817,074
Investment income	18	419	368	406	-	-	621	1,832
Miscellaneous	189	-	13,710	-	-	-	-	13,899
Total revenues	228,676	698,748	862,351	911,114	353,822	-	64,459	3,119,170
EXPENDITURES								
Administration	-	-	-	-	353,822	-	-	353,822
Parks and recreation	390,639	-	-	-	-	-	-	390,639
Police	-	-	-	932,923	-	-	24,881	957,804
Public works	-	1,848,613	1,175,083	-	-	-	-	3,023,696
Capital outlays	29,686	-	-	579,414	-	-	-	609,100
Total expenditures	420,325	1,848,613	1,175,083	1,512,337	353,822	-	24,881	5,335,061
Excess (deficiency) of revenues over expenditures	(191,649)	(1,149,865)	(312,732)	(601,223)	-	-	39,578	(2,215,891)
OTHER FINANCING SOURCES								
Transfers in from General Fund	185,000	851,000	339,000	599,000	-	-	-	1,974,000
Total other financing sources	185,000	851,000	339,000	599,000	-	-	-	1,974,000
Net change in fund balances	(6,649)	(298,865)	26,268	(2,223)	-	-	39,578	(241,891)
Fund balances, beginning of year	(5,977)	23,733	71,544	46,243	-	-	13,072	148,615
Fund balances, end of year	\$ (12,626)	\$ (275,132)	\$ 97,812	\$ 44,020	\$ -	\$ -	\$ 52,650	\$ (93,276)

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, 2016

	<u>Budget</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental	\$ -	\$ -	\$ -	\$ -
Service charges and fees	187,000	187,000	228,469	41,469
Investment income	-	-	18	18
Miscellaneous	-	-	189	189
Total revenues	<u>187,000</u>	<u>187,000</u>	<u>228,676</u>	<u>41,676</u>
EXPENDITURES				
Administration	-	-	-	-
Parks and recreation	409,000	409,000	390,639	18,361
Police	-	-	-	-
Public works	-	-	-	-
Capital outlays	40,000	40,000	29,686	10,314
Total expenditures	<u>449,000</u>	<u>449,000</u>	<u>420,325</u>	<u>28,675</u>
Excess (deficiency) of revenues over expenditures	<u>(262,000)</u>	<u>(262,000)</u>	<u>(191,649)</u>	<u>70,351</u>
OTHER FINANCING SOURCES				
Transfers in from General Fund	262,000	262,000	185,000	(77,000)
Total other financing sources	<u>262,000</u>	<u>262,000</u>	<u>185,000</u>	<u>(77,000)</u>
Net change in fund balance	-	-	(6,649)	(6,649)
Fund balance, beginning of year	<u>(5,977)</u>	<u>(5,977)</u>	<u>(5,977)</u>	<u>-</u>
Fund balance, end of year	<u>\$ (5,977)</u>	<u>\$ (5,977)</u>	<u>\$ (12,626)</u>	<u>\$ (6,649)</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, 2016

	<u>Budget</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental	\$ 674,000	\$ 674,000	\$ 697,452	\$ 23,452
Service charges and fees	-	-	877	877
Investment income	-	-	419	419
Miscellaneous	-	-	-	-
Total revenues	<u>674,000</u>	<u>674,000</u>	<u>698,748</u>	<u>24,748</u>
EXPENDITURES				
Administration	-	-	-	-
Parks and recreation	-	-	-	-
Police	-	-	-	-
Public works	1,810,000	2,042,000	1,848,613	193,387
Capital outlays	-	-	-	-
Total expenditures	<u>1,810,000</u>	<u>2,042,000</u>	<u>1,848,613</u>	<u>193,387</u>
Excess (deficiency) of revenues over expenditures	<u>(1,136,000)</u>	<u>(1,368,000)</u>	<u>(1,149,865)</u>	<u>218,135</u>
OTHER FINANCING SOURCES				
Transfers in from General Fund	1,136,000	1,271,000	851,000	(420,000)
Total other financing sources	<u>1,136,000</u>	<u>1,271,000</u>	<u>851,000</u>	<u>(420,000)</u>
Net change in fund balance	-	(97,000)	(298,865)	(201,865)
Fund balance, beginning of year	<u>23,733</u>	<u>23,733</u>	<u>23,733</u>	<u>-</u>
Fund balance, end of year	<u>\$ 23,733</u>	<u>\$ (73,267)</u>	<u>\$ (275,132)</u>	<u>\$ (201,865)</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, 2016

	<u>Budget</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental	\$ 1,110,000	\$ 1,110,000	\$ 812,334	\$ (297,666)
Service charges and fees	40,000	40,000	35,939	(4,061)
Investment income	-	-	368	368
Miscellaneous	-	-	13,710	13,710
Total revenues	<u>1,150,000</u>	<u>1,150,000</u>	<u>862,351</u>	<u>(287,649)</u>
EXPENDITURES				
Administration	-	-	-	-
Parks and recreation	-	-	-	-
Police	-	-	-	-
Public works	1,365,530	1,365,530	1,175,083	190,447
Capital outlays	230,470	230,470	-	230,470
Total expenditures	<u>1,596,000</u>	<u>1,596,000</u>	<u>1,175,083</u>	<u>420,917</u>
Excess (deficiency) of revenues over expenditures	<u>(446,000)</u>	<u>(446,000)</u>	<u>(312,732)</u>	<u>133,268</u>
OTHER FINANCING SOURCES				
Transfers in from General Fund	446,000	446,000	339,000	(107,000)
Total other financing sources	<u>446,000</u>	<u>446,000</u>	<u>339,000</u>	<u>(107,000)</u>
Net change in fund balance	-	-	26,268	26,268
Fund balance, beginning of year	<u>71,544</u>	<u>71,544</u>	<u>71,544</u>	<u>-</u>
Fund balance, end of year	<u>\$ 71,544</u>	<u>\$ 71,544</u>	<u>\$ 97,812</u>	<u>\$ 26,268</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, 2016

	<u>Budget</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental	\$ 365,000	\$ 365,000	\$ 358,919	\$ (6,081)
Service charges and fees	564,000	564,000	551,789	(12,211)
Investment income	-	-	406	406
Miscellaneous	-	-	-	-
Total revenues	<u>929,000</u>	<u>929,000</u>	<u>911,114</u>	<u>(17,886)</u>
EXPENDITURES				
Administration	-	-	-	-
Parks and recreation	-	-	-	-
Police	1,276,000	1,276,000	932,923	343,077
Public works	-	-	-	-
Capital outlays	750,000	750,000	579,414	170,586
Total expenditures	<u>2,026,000</u>	<u>2,026,000</u>	<u>1,512,337</u>	<u>513,663</u>
Excess (deficiency) of revenues over expenditures	<u>(1,097,000)</u>	<u>(1,097,000)</u>	<u>(601,223)</u>	<u>495,777</u>
OTHER FINANCING SOURCES				
Transfers in from General Fund	1,097,000	1,097,000	599,000	(498,000)
Total other financing sources	<u>1,097,000</u>	<u>1,097,000</u>	<u>599,000</u>	<u>(498,000)</u>
Net change in fund balance	-	-	(2,223)	(2,223)
Fund balance, beginning of year	<u>46,243</u>	<u>46,243</u>	<u>46,243</u>	<u>-</u>
Fund balance, end of year	<u>\$ 46,243</u>	<u>\$ 46,243</u>	<u>\$ 44,020</u>	<u>\$ (2,223)</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, 2016

	<u>Budget</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental	\$ 321,000	\$ 400,000	\$ 353,822	\$ (46,178)
Service charges and fees	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
Total revenues	<u>321,000</u>	<u>400,000</u>	<u>353,822</u>	<u>(46,178)</u>
EXPENDITURES				
Administration	321,000	400,000	353,822	46,178
Parks and recreation	-	-	-	-
Police	-	-	-	-
Public works	-	-	-	-
Capital outlays	-	-	-	-
Total expenditures	<u>321,000</u>	<u>400,000</u>	<u>353,822</u>	<u>46,178</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
OTHER FINANCING SOURCES				
Transfers in from General Fund	-	-	-	-
Total other financing sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	-	-	-	-
Fund balance, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

City of Henderson, Kentucky
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
HOME Fund
For the Fiscal Year Ended June 30, 2016

	<u>Budget</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental	\$ 198,000	\$ 198,000	\$ -	\$ (198,000)
Service charges and fees	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
Total revenues	<u>198,000</u>	<u>198,000</u>	<u>-</u>	<u>(198,000)</u>
EXPENDITURES				
Administration	198,000	198,000	-	198,000
Parks and recreation	-	-	-	-
Police	-	-	-	-
Public works	-	-	-	-
Capital outlays	-	-	-	-
Total expenditures	<u>198,000</u>	<u>198,000</u>	<u>-</u>	<u>198,000</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
OTHER FINANCING SOURCES				
Transfers in from General Fund	-	-	-	-
Total other financing sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

City of Henderson, Kentucky
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Police Investigation Fund
For the Fiscal Year Ended June 30, 2016

	<u>Budget</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental	\$ 4,800	\$ 4,800	\$ 63,838	\$ 59,038
Service charges and fees	-	-	-	-
Investment income	200	200	621	421
Miscellaneous	-	-	-	-
Total revenues	<u>5,000</u>	<u>5,000</u>	<u>64,459</u>	<u>59,459</u>
EXPENDITURES				
Administration	-	-	-	-
Parks and recreation	-	-	-	-
Police	22,000	22,000	24,881	(2,881)
Public works	-	-	-	-
Capital outlays	-	-	-	-
Total expenditures	<u>22,000</u>	<u>22,000</u>	<u>24,881</u>	<u>(2,881)</u>
Excess (deficiency) of revenues over expenditures	<u>(17,000)</u>	<u>(17,000)</u>	<u>39,578</u>	<u>56,578</u>
OTHER FINANCING SOURCES				
Transfers in from General Fund	17,000	17,000	-	(17,000)
Total other financing sources	<u>17,000</u>	<u>17,000</u>	<u>-</u>	<u>(17,000)</u>
Net change in fund balance	-	-	39,578	39,578
Fund balance, beginning of year	<u>13,072</u>	<u>13,072</u>	<u>13,072</u>	<u>-</u>
Fund balance, end of year	<u>\$ 13,072</u>	<u>\$ 13,072</u>	<u>\$ 52,650</u>	<u>\$ 39,578</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, 2016

	<u>Budget</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental	\$ 1,038,000	\$ 1,233,000	\$ 923,663	\$ (309,337)
Investment income	-	-	45	45
Miscellaneous	-	-	164	164
Total revenues	<u>1,038,000</u>	<u>1,233,000</u>	<u>923,872</u>	<u>(309,128)</u>
EXPENDITURES				
Debt service:				
Principal	2,270,000	2,465,000	2,465,000	-
Interest	1,385,000	1,385,000	1,243,936	141,064
Total expenditures	<u>3,655,000</u>	<u>3,850,000</u>	<u>3,708,936</u>	<u>141,064</u>
Excess (deficiency) of revenues over expenditures	<u>(2,617,000)</u>	<u>(2,617,000)</u>	<u>(2,785,064)</u>	<u>(168,064)</u>
OTHER FINANCING SOURCES				
Transfers in from General Fund	914,000	914,000	821,000	(93,000)
Transfers in from Capital Projects Fund	1,703,000	1,703,000	1,898,491	195,491
Total other financing sources	<u>2,617,000</u>	<u>2,617,000</u>	<u>2,719,491</u>	<u>102,491</u>
Net change in fund balance	-	-	(65,573)	(65,573)
Fund balance, beginning of year	<u>66,045</u>	<u>66,045</u>	<u>66,045</u>	<u>-</u>
Fund balance, end of year	<u>\$ 66,045</u>	<u>\$ 66,045</u>	<u>\$ 472</u>	<u>\$ (65,573)</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, 2016

	<u>Budget</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental	\$ 848,000	\$ 848,000	\$ 482,880	\$ (365,120)
Investment income	-	-	23,788	23,788
Total revenues	<u>848,000</u>	<u>848,000</u>	<u>506,668</u>	<u>(341,332)</u>
EXPENDITURES				
Administration	-	-	11,350	(11,350)
Bond issuance costs	330,000	330,000	82,156	247,844
Capital outlays	7,406,000	10,858,000	4,069,905	6,788,095
Total expenditures	<u>7,736,000</u>	<u>11,188,000</u>	<u>4,163,411</u>	<u>7,024,589</u>
Excess (deficiency) of revenues over expenditures	<u>(6,888,000)</u>	<u>(10,340,000)</u>	<u>(3,656,743)</u>	<u>6,683,257</u>
OTHER FINANCING SOURCES (USES)				
Transfers in from General Fund	811,000	811,000	619,000	(192,000)
Transfers out to General Fund	(1,923,000)	(1,923,000)	(20,795)	1,902,205
Transfers out to Debt Service Fund	(1,703,000)	(1,703,000)	(1,898,491)	(195,491)
Bond premium	-	-	144,586	144,586
Bond issuance	8,000,000	8,000,000	21,100,000	13,100,000
Bond redemption	-	-	(7,995,000)	(7,995,000)
Total other financing sources (uses)	<u>5,185,000</u>	<u>5,185,000</u>	<u>11,949,300</u>	<u>6,764,300</u>
Net change in fund balance	(1,703,000)	(5,155,000)	8,292,557	13,447,557
Fund balance, beginning of year	<u>32,978,138</u>	<u>32,978,138</u>	<u>32,978,138</u>	<u>-</u>
Fund balance, end of year	<u>\$31,275,138</u>	<u>\$27,823,138</u>	<u>\$41,270,695</u>	<u>\$ 13,447,557</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.

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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 15:1. 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

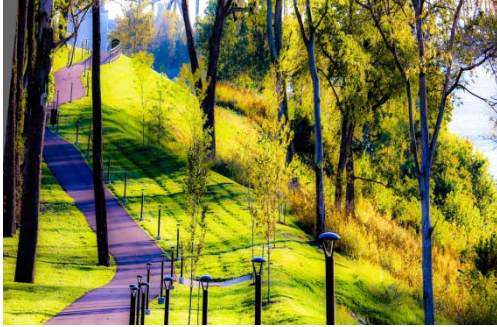
Henderson is fortunate to have an excellent, 192 bed Methodist Hospital that is staffed by 172 physicians (65 active staff and 107 courtesy staff), 40 Advance Nursing (ARNP, CRNA, etc) and over 1,336 employees. The facility includes a Level II Neonatal Intensive Care (NICU), birthing center, ICU, 24-hour 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. The Henderson's Park & Recreation Department won the 2016 Outstanding Department Award in its class from the Kentucky Recreation & Parks Society.

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)

	2007	2008	2009	2010	2011	2012	2013	2014	2015 (a)	2016
Governmental activities										
Net investment in capital assets	\$ 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	\$ 23,579,158
Restricted	934,268	5,381	778,755	311,144	228,354	148,196	149,429	113,477	79,117	53,122
Unrestricted	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)	(20,955,314)
Total governmental activities net position	\$ 31,167,262	\$ 30,207,481	\$ 28,711,851	\$ 27,303,338	\$ 26,541,238	\$ 27,505,541	\$ 31,312,409	\$ 30,820,664	\$ 3,826,663	\$ 2,676,966
Business-type activities										
Net investment in capital assets	\$ 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	\$ 2,745,162
Unrestricted	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	4,293,248
Total business-type activities net position	\$ 8,131,708	\$ 6,864,325	\$ 6,722,750	\$ 6,882,688	\$ 6,717,699	\$ 5,989,273	\$ 6,035,584	\$ 6,354,957	\$ 7,038,814	\$ 7,038,410
Primary government										
Net investment in capital assets	\$ 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	\$ 26,324,320
Restricted	934,268	5,381	778,755	311,144	228,354	148,196	149,429	113,477	79,117	53,122
Unrestricted	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)	(16,662,066)
Total primary government net position	\$ 39,298,970	\$ 37,071,806	\$ 35,434,601	\$ 34,186,026	\$ 33,258,937	\$ 33,494,814	\$ 37,347,993	\$ 37,175,621	\$ 10,865,477	\$ 9,715,376

(a) 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)

	2007	2008	2009	2010	2011	2012	2013	2014	2015 (a)	2016
Expenses										
Governmental activities:										
Administration	\$ 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	\$ 5,284,527
Finance (b)	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	2,282,224
Information technology (b)	-	-	-	-	-	-	-	-	-	770,940
Parks and recreation	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	2,368,382
Public safety	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	13,832,913
Public works (b)	6,018,654	6,111,389	6,340,169	6,466,143	6,715,692	6,739,456	6,660,603	7,055,802	6,967,925	7,308,765
Nondepartmental	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	2,758,245
Interest on long-term debt	269,917	281,184	297,764	306,503	439,480	750,582	925,391	1,102,740	1,205,808	1,243,936
Total governmental activities expenses	26,595,502	27,123,668	27,465,469	30,174,632	30,324,160	32,445,946	30,715,175	32,403,412	31,736,929	35,849,932
Business-type activities:										
Gas	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	11,943,349
Sanitation	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	3,530,230
Total business-type activities expenses	26,971,719	32,388,076	26,949,792	21,623,505	20,819,538	17,493,853	18,420,148	22,086,674	19,153,537	15,473,579
Total primary government expenses	\$ 53,567,221	\$ 59,511,744	\$ 54,415,261	\$ 51,798,137	\$ 51,143,698	\$ 49,939,799	\$ 49,135,323	\$ 54,490,086	\$ 50,890,466	\$ 51,323,511
Program Revenues										
Governmental activities:										
Charges for services										
Administration	\$ 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	\$ 2,481,476
Finance (b)	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	3,010,323
Parks and recreation	301,957	310,938	312,951	331,928	362,825	280,165	291,143	235,609	307,188	337,411
Public safety	481,805	761,937	919,361	953,804	1,167,236	912,513	862,244	881,418	1,348,379	846,035
Public works (b)	118,704	141,463	147,449	217,809	219,181	140,684	146,817	155,534	689,626	178,372
Operating grants and contributions	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	3,068,003
Capital grants and contributions	105,300	244,931	161,409	795,477	734,901	2,973,862	3,647,262	630,540	969,748	1,468,973
Total governmental activities program revenues	7,793,780	8,062,564	8,056,777	9,592,599	10,426,500	13,164,700	13,293,089	10,340,179	12,354,355	11,390,593

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

	2007	2008	2009	2010	2011	2012	2013	2014	2015 (a)	2016
Business-type activities:										
Charges for services										
Gas	\$ 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	\$ 13,178,911
Sanitation	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	3,460,515
Operating grants and contributions	-	-	-	-	-	-	93,820	96,160	98,560	101,016
Total business-type activities	26,326,667	32,033,979	27,093,035	22,867,554	21,757,527	18,080,542	19,852,102	23,740,327	21,165,863	16,740,442
Total primary government	\$ 34,120,447	\$ 40,096,543	\$ 35,149,812	\$ 32,460,153	\$ 32,184,027	\$ 31,245,242	\$ 33,145,191	\$ 34,080,506	\$ 33,520,218	\$ 28,131,035
Net (Expense)Revenue										
Governmental activities	\$ (18,801,722)	\$ (19,061,104)	\$ (19,408,692)	\$ (20,582,033)	\$ (19,897,660)	\$ (19,281,246)	\$ (17,422,086)	\$ (22,063,233)	\$ (19,382,574)	\$ (24,459,339)
Business-type activities	(645,052)	(354,097)	143,243	1,244,049	937,989	586,689	1,431,954	1,653,653	2,012,326	1,266,863
Total primary government net expense	\$ (19,446,774)	\$ (19,415,201)	\$ (19,265,449)	\$ (19,337,984)	\$ (18,959,671)	\$ (18,694,557)	\$ (15,990,132)	\$ (20,409,580)	\$ (17,370,248)	\$ (23,192,476)
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes:										
Payroll and net profits	\$ 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	\$ 5,714,865
Property	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	8,469,519
Insurance	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	4,932,647
Other	624,842	746,004	672,452	656,896	694,413	810,567	824,073	821,493	828,934	810,732
Distributions from component units	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	1,644,724
Investment earnings	270,582	253,890	73,489	88,136	86,572	66,039	32,121	127,507	200,201	337,155
Extraordinary item	-	-	(554,720)	-	-	-	-	-	-	-
Transfers	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	1,400,000
Total governmental activities	17,900,558	18,101,323	17,913,062	19,173,520	19,135,560	20,245,549	21,228,954	21,571,487	22,297,475	23,309,642

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

	2007	2008	2009	2010	2011	2012	2013	2014	2015 (a)	2016
Business-type activities:										
Investment earnings	\$ 464,487	\$ 486,714	\$ 160,214	\$ 108,889	\$ 103,022	\$ 84,885	\$ 14,357	\$ 65,720	\$ 71,531	\$ 132,733
Extraordinary item	-	-	954,968	-	-	-	-	-	-	-
Transfers	(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)	(1,400,000)
Total business-type activities	(835,513)	(913,286)	(284,818)	(1,084,111)	(1,102,978)	(1,315,115)	(1,385,643)	(1,334,280)	(1,328,469)	(1,267,267)
Total primary government	\$ 17,065,045	\$ 17,188,037	\$ 17,628,244	\$ 18,089,409	\$ 18,032,582	\$ 18,930,434	\$ 19,843,311	\$ 20,237,207	\$ 20,969,006	\$ 22,042,375
Change in Net Position										
Governmental activities:	\$ (901,164)	\$ (959,781)	\$ (1,495,630)	\$ (1,408,513)	\$ (762,100)	\$ 964,303	\$ 3,806,868	\$ (491,746)	\$ 2,914,901	\$ (1,149,697)
Business-type activities:	(1,480,565)	(1,267,383)	(141,575)	159,938	(164,989)	(728,426)	46,311	319,373	683,857	(404)
Total primary government	\$ (2,381,729)	\$ (2,227,164)	\$ (1,637,205)	\$ (1,248,575)	\$ (927,089)	\$ 235,877	\$ 3,853,179	\$ (172,373)	\$ 3,598,758	\$ (1,150,101)

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

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

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

	2007	2008	2009	2010	2011 (a)	2012	2013	2014	2015 (b)	2016
General Fund										
Reserved	\$ 850,000	\$ 590,000	\$ 590,000	\$ 1,095,872						
Unreserved	3,157,175	4,019,711	4,692,077	5,932,799						
Nonspendable					\$ 1,217,335	\$ 39,087	\$ 32,760	\$ 30,340	\$ 22,694	\$ 26,845
Restricted					-	-	-	-	-	-
Committed					955,573	1,130,781	2,095,480	2,767,296	2,199,379	2,393,464
Assigned					988,500	837,000	1,296,300	2,760,400	4,000,000	5,570,000
Unassigned					3,836,690	5,592,998	6,038,346	5,268,321	4,559,662	3,536,794
Total general fund	\$ 4,007,175	\$ 4,609,711	\$ 5,282,077	\$ 7,028,671	\$ 6,998,098	\$ 7,599,866	\$ 9,462,886	\$ 10,826,357	\$ 10,781,735	\$ 11,527,103
All Other Governmental Funds										
Reserved, reported in:										
Permanent funds	\$ 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	656,430	659,060	435,242	474,272						
Nonspendable										
Special revenue funds					\$ 23,120	\$ 24,852	\$ 26,408	\$ 26,023	\$ 21,851	\$ 16,500
Restricted										
Debt service fund					924	69,424	69,605	68,456	66,045	472
Capital projects fund					11,702,613	21,172,367	29,958,480	28,596,200	35,230,730	42,266,354
Special revenue funds					227,430	78,772	79,824	45,021	13,072	52,650
Committed										
Special revenue funds					566,741	300,912	181,774	166,710	119,669	125,332
Assigned					-	-	-	-	-	-
Unassigned										
Capital projects fund					(380,048)	(652,605)	(265,956)	(44,023)	(2,252,592)	(995,659)
Special revenue funds					(1,800)	(78,470)	(41,509)	(13,884)	(5,977)	(287,758)
Total all other governmental funds	\$ 1,590,698	\$ 664,441	\$ (742,100)	\$ (921,248)	\$ 12,138,980	\$ 20,915,252	\$ 30,008,626	\$ 28,844,503	\$ 33,192,798	\$ 41,177,891

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

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

	2007	2008	2009	2010	2011	2012	2013	2014	2015 (a)	2016
Revenues										
Taxes	\$ 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	\$ 19,927,763
Charges for services	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	1,369,544
Investment income	248,288	241,715	69,672	86,892	85,107	64,712	30,176	126,233	198,706	335,075
Licenses and permits	101,080	86,230	73,827	88,624	102,046	77,643	81,091	84,349	79,519	102,971
Intergovernmental revenue	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	7,211,517
Distributions from component units	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	1,644,724
Other	268,234	317,790	262,959	506,111	252,000	275,645	320,790	453,188	277,774	345,365
Total revenues	22,996,251	23,249,182	23,617,942	25,859,605	26,103,108	29,791,185	31,138,531	28,499,542	31,173,510	30,936,959
Expenditures										
Administration	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	2,723,211
Finance (b)	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	2,240,291
Information technology (b)	-	-	-	-	-	-	-	-	-	741,710
Public safety	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	13,057,540
Public works (b)	4,125,842	4,098,047	4,350,052	4,400,905	4,711,359	4,771,875	4,671,583	5,083,360	5,185,281	5,082,225
Parks & recreation	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	1,982,046
Non-departmental	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	2,428,100
Capital outlay	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	5,510,013
Capital contributions to HWU	-	-	-	-	-	1,363,929	264,547	-	-	-
Debt service:										
Principal	2,391,669	652,137	557,508	358,303	360,000	955,000	1,460,000	1,895,000	1,910,000	2,465,000
Interest	269,917	281,184	297,764	306,503	439,480	750,582	925,391	1,102,740	1,205,808	1,243,936
Other charges	-	-	-	-	27,648	72,175	-	-	-	82,156
Total expenditures	27,686,460	24,972,903	25,197,397	25,485,159	27,844,453	33,782,145	31,312,137	29,690,294	36,269,837	37,556,228
Excess of revenues over (under) expenditures	(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)	(6,619,269)
Other Financing Sources (Uses)										
Transfers in	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	6,733,286
Transfers out	(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)	(5,333,286)
Bond issuance	5,237,981	-	-	-	13,730,000	12,080,000	9,730,000	-	8,000,000	21,100,000
Bond premium	-	-	-	-	-	-	-	-	-	144,586
Bond refundings	-	-	-	-	(1,310,000)	-	-	-	-	(7,995,000)
Sale of land	-	-	-	-	1,145,000	(111,000)	-	-	-	700,144
Total other financing sources (uses)	6,537,981	1,400,000	1,400,000	1,193,000	14,771,000	13,369,000	11,130,000	1,400,000	9,400,000	15,349,730
Extraordinary item	-	-	(554,720)	-	-	-	-	-	-	-
Net change in fund balances	\$ 1,847,772	\$ (323,721)	\$ (734,175)	\$ 1,567,446	\$ 13,029,655	\$ 9,378,040	\$ 10,956,394	\$ 209,248	\$ 4,303,673	\$ 8,730,461
Debt service as a percentage of noncapital expenditures	10.9%	4.1%	3.6%	2.7%	3.0%	5.9%	8.6%	10.4%	10.4%	11.6%

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

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

**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
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 a)	4,192,856	722,255 b)	628,633	117,371
2009	15,349,559	5,593,273	4,291,149	4,017,229	775,456	555,857	116,595
2010	16,247,660	6,571,652 c)	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 b)	561,308	133,105
2012	17,134,786	7,177,659	4,203,745	4,194,962	747,853	677,159	133,408
2013	18,152,109	7,654,195	4,519,282	4,265,067	889,492	677,113	146,960
2014	18,399,256	7,838,056	4,580,176	4,380,908	778,623	674,160	147,333
2015	19,052,550	8,137,120	4,741,126	4,494,725	850,645	679,169	149,765
2016	19,927,763	8,469,519	4,932,647	4,825,752	889,113	655,937	154,795

a) The City of Henderson had several requests for large refunds of insurance premium taxes.

b) The City of Henderson had several requests for large refunds of net profit taxes.

c) 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	Increase over prior year
2007	\$ 912,708	\$ 109,100	\$ 464,553	\$ 1,486,361	\$ 62,866
2008	1,007,360	113,282	479,065	1,599,707	113,346
2009	1,051,673	120,011	475,900	1,647,584	47,877
2010	1,071,441	144,539	510,373	1,726,353	78,769
2011	1,079,090	125,452	543,287	1,747,829	21,476
2012	1,095,301	131,246	544,520	1,771,067	23,238
2013	1,101,286	133,508	598,793	1,833,587	62,520
2014	1,107,275	135,468	601,357	1,844,100	10,513
2015	1,121,833	132,314	611,284	1,865,431	21,331
2016	1,139,538	135,349	631,816	1,906,703	41,272

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
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
2016	808,757,469	3,805,200	409,692,048	6,599,470	89,315,951	-	1,139,538,236	0.59100	6,734,671

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
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
2016	57,695,019	50,589,895	9,625,717	10,975,898	809,979	5,652,346	135,348,854	0.81300	1,100,386

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**

Real property:						Overlapping						Total City Resident
Direct						Overlapping						
Year	Police and Firemen's Pension	Civil Service Pension	Debt	General Fund Operations	City	County Schools	State	County	Library	Health	Extension	
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
2016	-	-	-	0.5910	0.5910	0.5850	0.1220	0.1280	0.0870	0.0260	0.0290	1.5680

Personal property:						Overlapping						Total City Resident
Direct						Overlapping						
Year	Police and Firemen's Pension	Civil Service Pension	Debt	General Fund Operations	City	County Schools	State	County	Library	Health	Extension	
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
2016	-	-	-	0.8130	0.8130	0.5850	0.4500	0.1840	0.1180	0.0260	0.0430	2.2190

Source: Kentucky Department of Revenue

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

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

Real property: Direct		Overlapping						Total City Resident
Year	City	County Schools	State	County	Library	Health	Extension	
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
2016	0.5910	0.5850	0.1220	0.1280	0.0870	0.0260	0.0290	1.5680
Personal property:								
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
2016	0.8130	0.5850	0.4500	0.1840	0.1180	0.0260	0.0430	2.2190

Source: Kentucky Department of Revenue

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

Company	Type of Tax	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Kentucky Farm Bureau Insurance	Insurance premium tax	\$ 399,568	\$ 410,043	\$ 425,793	\$ 456,374	\$ 486,160	\$ 521,020	\$ 549,560	\$ 547,449	\$ 541,415	\$ 564,029
State Farm Mutual Automobile Insurance	Insurance premium tax	172,002	161,049	175,243	176,025	192,829	225,066	256,612	290,678	326,137	350,240
Commonwealth of Kentucky - Telecom	Franchise tax	315,994	316,101	315,991	316,068	316,044	311,957	307,895	307,879	307,851	307,845
State Farm Fire & Casualty Company	Insurance premium tax	114,716	114,810	116,277	127,469	144,505	163,885	211,115	248,677	270,705	276,513
Insight Communications	911 tax/Franchise fees	-	225,568	192,960	214,889	237,779	232,997	198,050	252,574	234,094	235,406
Anthem Insurance Companies	Insurance premium tax	-	-	-	-	-	-	-	-	-	214,939
United Healthcare	Insurance premium tax	147,950	197,205	224,861	188,973	177,349	163,636	147,451	179,892	176,361	194,822
Big Rivers Electric Corporation	Franchise tax	-	-	-	-	-	172,549	179,717	183,662	193,319	188,673
Wal-Mart Stores, Inc.	Property tax/Occupational tax	-	123,274	147,759	128,593	146,391	149,148	175,768	161,124	174,231	168,380
Bellsouth Telecommunications / AT&T	911 tax/Franchise fees	200,665	280,409	283,255	277,972	285,083	281,144	274,277	226,985	196,631	155,924
Cincinnati Insurance Company	Insurance premium tax	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	118,984	120,170	-	-	-	-	-	-	-	-
Grange Mutual	Insurance premium tax	122,680	-	-	-	-	-	-	-	-	-
Total		\$ 1,826,719	\$ 2,101,498	\$ 2,149,010	\$ 2,162,657	\$ 2,246,684	\$ 2,359,533	\$ 2,456,538	\$ 2,555,712	\$ 2,584,277	\$ 2,656,771

**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	
2007	\$ 4,703,542	\$ 4,647,361	98.8%	\$ 42,463	\$ 4,689,824	99.7%	\$ 13,718
2008	5,136,470	5,064,159	98.6%	55,165	5,119,324	99.7%	17,146
2009	5,596,105	5,491,093	98.1%	76,173	5,567,266	99.5%	28,838
2010	5,785,254	5,692,217	98.4%	73,176	5,765,393	99.7%	19,862
2011	6,064,231	5,959,466	98.3%	79,973	6,039,439	99.6%	24,792
2012	6,533,852	6,446,468	98.7%	65,394	6,511,862	99.7%	21,990
2013	6,885,308	6,827,928	99.2%	30,898	6,858,826	99.6%	26,482
2014	7,138,566	7,071,501	99.1%	32,454	7,103,955	99.5%	34,611
2015	7,455,935	7,375,464	98.9%	31,780	7,407,244	99.3%	48,691
2016	7,765,085	7,676,994	98.9%	N/A	7,676,994	98.9%	88,091

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

(b) Collections as of June 30, 2016

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

Type of Customer	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Residential	513,033	558,863	622,342	566,728	589,839	519,927	455,233	613,973	623,158	540,243
Commercial	319,357	331,896	371,493	342,366	366,061	341,617	294,765	356,860	391,486	341,309
Industrial	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	2,273,942
Municipal	-	6,428 a)	7,875	6,882	7,543	7,614	5,564	7,806	8,051	6,548
Total Sold	2,639,664	2,779,088	3,149,577	2,883,804	3,128,983	3,071,503	2,915,870	3,275,378	3,361,845	3,162,042
Delivered only	358,538	331,305	- c)	-	-	-	-	-	-	-
Pipeline distribution use (net of losses)	1,926	3,647 b)	1,733	4,628 d)	2,796	3,201	2,125	2,133	3,687	2,297
Total Disposition	3,000,128	3,114,040	3,151,310	2,888,432	3,131,779	3,074,704	2,917,995	3,277,511	3,365,532	3,164,339

- 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)**

Type of Customer	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Residential	\$ 6,421	\$ 6,594	\$ 7,715	\$ 5,925	\$ 6,142	\$ 5,286	\$ 4,356	\$ 4,413	\$ 6,246	\$ 4,800
Commercial	3,899	3,671	4,542	2,967	3,196	2,774	2,105	2,457	3,298	2,340
Industrial	<u>16,612</u>	<u>15,147</u>	<u>22,049</u>	<u>10,524</u>	<u>11,460</u>	<u>10,907</u>	<u>8,294</u>	<u>10,121</u>	<u>12,132</u>	<u>8,499</u>
Total Sold	\$ 26,932	\$ 25,413	\$ 34,306 a)	\$ 19,416 b)	\$ 20,798	\$ 18,967	\$ 14,755	\$ 16,991	\$ 21,676	\$ 15,640

- 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
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
2016	12.50	2.40

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, 2016

Governmental Unit	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable (a)</u>	<u>Estimated Share of Overlapping Debt</u>
Debt repaid with property taxes			
Henderson County Schools (c)	\$ 21,135,027	54.22% (b)	\$ 11,459,412
Henderson County (d) Henderson County Public Properties Corp.	7,656,050	54.22% (b)	<u>4,151,110</u>
Subtotal, overlapping debt			\$ 15,610,522
City direct debt			<u>52,230,000</u>
Total direct and overlapping debt			<u><u>\$ 67,840,522</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 2016.
- 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		
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	
2016	18,197	13,551	4,646	2,253	1,172	3,425	1.36	60,240	53,075	7,165	610	471	1,081	6.63	

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 ^{c)}	Per Capita	Per Capita Income	Percentage of Personal Income
	General Obligation Bonds	Actual Taxable Value of Property				Bond Anticipation Note	Capital Leases					
2007	\$ 5,230,000	\$ 1,486,361,000	0.35%	27,768	\$ 188		\$ 2,277,948	-	\$ 7,507,948 ^{a)}	\$ 270	\$ 26,232	1.03%
2008	5,005,000	1,599,707,000	0.31%	27,768	180		1,850,811	-	6,855,811	247	28,259	0.87%
2009	4,775,000	1,647,584,000	0.29%	27,933	171	\$ 1,583,737 ^{b)}	1,523,303	-	7,882,040	282	29,434	0.96%
2010	4,535,000	1,726,353,000	0.26%	27,952	162	1,583,737	1,405,000	-	7,523,737	269	31,265	0.86%
2011	18,000,000	1,747,829,333	1.03%	28,757	626	-	-	-	18,000,000	626	31,265	2.00%
2012	29,125,000	1,771,067,333	1.64%	28,853	1,009	-	-	-	29,125,000	1,009	31,265	3.23%
2013	37,395,000	1,833,587,019	2.04%	28,911	1,293	-	-	-	37,395,000	1,293	32,311	4.00%
2014	35,500,000	1,844,099,929	1.93%	28,832	1,231	-	-	-	35,500,000	1,231	33,351	3.69%
2015	41,590,000	1,865,430,988	2.23%	28,900	1,439	-	-	-	41,590,000	1,439	34,958	4.12%
2016	52,230,000	1,906,703,477	2.74%	28,890	1,808	-	-	-	52,230,000	1,808	34,671	5.21%

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
GENERAL BONDED DEBT OUTSTANDING and LEGAL DEBT LIMIT
LAST TEN FISCAL YEARS
(in thousands of dollars)

Company	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General Bonded										
General bonded debt outstanding	\$ 5,230	\$ 5,005	\$ 4,775	\$ 4,535	\$ 18,000	\$ 29,125	\$ 37,395	\$ 35,500	\$ 41,590	\$ 52,230
Other bonded debt	-	-	1,584	1,584	-	-	-	-	-	-
Total bonded debt	5,230	5,005	6,359	6,119	18,000	29,125	37,395	35,500	41,590	52,230
Debt not bonded	\$ 2,278	\$ 1,851	\$ 1,523	\$ 1,405	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Debt	\$ 7,508	\$ 6,856	\$ 7,882	\$ 7,524	\$ 18,000	\$ 29,125	\$ 37,395	\$ 35,500	\$ 41,590	\$ 52,230
Estimated actual property value	\$ 1,486,361	\$ 1,599,707	\$ 1,647,584	\$ 1,726,353	\$ 1,747,829	\$ 1,771,067	\$ 1,833,587	\$ 1,844,100	\$ 1,865,431	\$ 1,906,703
Percentage of estimated actual property value	0.51%	0.43%	0.48%	0.44%	1.03%	1.64%	2.04%	1.93%	2.23%	2.74%
Population	27,768	27,768	27,933	27,952	28,757	28,853	28,911	28,832	28,900	28,890
Per capita	\$ 188	\$ 180	\$ 228	\$ 219	\$ 626	\$ 1,009	\$ 1,293	\$ 1,231	\$ 1,439	\$ 1,808
Less: Amounts set aside to repay general debt	-	-	269	1,018	918	1,131	1,725	2,124	1,979	2,024
Total net debt applicable to debt limit	\$ 7,508	\$ 6,856	\$ 7,613	\$ 6,506	\$ 17,082	\$ 27,994	\$ 35,670	\$ 33,376	\$ 39,611	\$ 50,206
Legal Debt Limit (a)	\$ 91,271	\$ 100,736	\$ 105,167	\$ 107,144	\$ 107,909	\$ 109,530	\$ 110,129	\$ 110,727	\$ 112,183	\$ 113,954
Remaining debt limit	\$ 83,763	\$ 93,880	\$ 97,554	\$ 100,638	\$ 90,827	\$ 81,536	\$ 74,459	\$ 77,351	\$ 72,572	\$ 63,748
Percentage of remaining net debt limit	91.8%	93.2%	92.8%	93.9%	84.2%	74.4%	67.6%	69.9%	64.7%	55.9%
Percentage of net debt exhausted	8.2%	6.8%	7.2%	6.1%	15.8%	25.6%	32.4%	30.1%	35.3%	44.1%

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

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

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

Fiscal Year	(a) Population	(b) Personal Income (thousands of dollars)	(b) Per Capita Income	(c) Median Age	(d) School Enrollment	(b) Unemployment Rate
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%
2016	28,890	1,001,645	34,671	39.4	7,521	5.1%

Sources:

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

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

Employer	2007			2008			2009			2010			2011		
	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	\$ 406,693	9.75%	1	\$ 433,727	10.34%	1	\$ 468,120	11.65%	1	\$ 467,415	11.84%	1	\$ 468,695	11.58%
Henderson County Schools	2	278,054	6.66%	2	297,595	7.10%	2	306,117	7.62%	2	321,754	8.15%	2	321,922	7.96%
Gibbs	4	201,997	4.84%	4	167,912	4.00%	4	152,176	3.79%	3	162,702	4.12%	3	165,136	4.08%
Dana	3	275,966	6.61%	3	249,417	5.95%	3	171,968	4.28%	5	133,290	3.38%	5	134,989	3.34%
City of Henderson	5	115,414	2.77%	5	118,877	2.84%	5	124,433	3.10%	4	161,027	4.08%	4	163,558	4.04% (a)
Big Rivers	8	66,309	1.59%	6	76,604	1.83%	6	84,017	2.09%	6	107,244	2.72%	6	127,353	3.15%
Redbanks	9	63,355	1.52%	10	64,275	1.53%	8	69,684	1.73%	8	73,480	1.86%	8	77,667	1.92%
Wal-Mart	11	-	0.00%	8	70,954	1.69%	7	79,145	1.97%	7	80,982	2.05%	7	78,704	1.95%
State of Kentucky	14	-	0.00%	12	-	0.00%	9	64,760	1.61%	9	68,515	1.74%	10	66,018	1.63%
Henderson Community College	10	61,073	1.46%	9	65,096	1.55%	10	64,076	1.60%	10	64,660	1.64%	9	68,000	1.68%
Sunspring America	6	100,056	2.40%	7	75,034	1.79%	13	-	0.00%	25	-	0.00%	N/A	-	0.00%
Vincent Plastics	7	71,215	1.71%	11	-	0.00%	11	-	0.00%	N/A	-	0.00%	N/A	-	0.00%
Total		\$ 1,640,132	39.31%		\$ 1,619,491	38.63%		\$ 1,584,496	39.44%		\$ 1,641,069	41.58%		\$ 1,672,042	41.32%

Note:

All businesses within the City are required to withhold a 1% payroll tax from all employees.

(a) 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	2012			2013			2014			2015			2016		
	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	\$ 509,135	12.14%	1	\$ 500,850	11.74%	1	\$ 524,256	11.97%	1	\$ 511,340	11.38%	1	\$ 541,333	11.22%
Henderson County Schools	2	328,197	7.82%	2	345,801	8.11%	2	359,414	8.20%	2	375,431	8.35%	2	296,667	6.15%
Gibbs	5	162,138	3.87%	5	151,889	3.56%	3	190,297	4.34%	3	229,051	5.10%	3	252,132	5.22%
City of Henderson	4	165,130	3.94%	4	169,016	3.96%	4	164,760	3.76%	5	167,643	3.73%	4	171,626	3.56%
Dana	3	174,305	4.16%	3	154,761	3.63%	5	156,249	3.57%	4	176,037	3.92%	5	141,431	2.93%
Big Rivers	6	119,522	2.85%	6	123,251	2.89%	6	120,992	2.76%	6	129,722	2.89%	6	129,936	2.69%
Redbanks	8	79,410	1.89%	8	80,413	1.89%	7	85,125	1.94%	7	88,840	1.98%	7	80,784	1.67%
Wal-Mart	7	80,826	1.93%	7	75,616	1.77%	8	77,967	1.78%	9	78,710	1.75%	8	79,232	1.64%
State of Kentucky	11	-	0.00%	11	-	0.00%	11	-	0.00%	10	68,337	1.52%	9	69,669	1.44%
International Paper	12	-	0.00%	12	-	0.00%	12	-	0.00%	12	-	0.00%	10	64,663	1.34%
Henderson County	10	67,396	1.61%	10	71,955	1.69%	9	76,481	1.75%	8	79,336	1.77%	15	-	0.00%
Henderson Community College	9	70,761	1.69%	9	72,025	1.69%	10	71,423	1.63%	11	-	0.00%	12	-	0.00%
Total		\$ 1,756,820	41.88%		\$ 1,745,577	40.93%		\$ 1,826,964	41.70%		\$ 1,904,447	42.37%		\$ 1,827,473	37.87%

Note:

All businesses within the City are required to withhold a 1% payroll tax from all employees.

(a) 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									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General Government										
Administration	11.00	22.00 b	22.00	22.50 c	22.50	23.25	24.00	23.00	22.00	23.00
Finance	33.00 a	32.00	32.00	33.50 c	33.50	32.75	33.00	33.00	32.00	28.00 e
Information Technology										6.00 e
Police										
Officers	57.80	57.80	57.55	60.75 d	60.75	60.75	60.75	61.75	61.75	61.75
Civilians	8.00	8.00	8.00	8.00	8.00	8.00	8.00	8.00	8.00	8.00
9-1-1 Communications	15.20	15.20	15.45	15.25	15.25	15.25	15.25	15.25	15.25	16.25
Fire										
Firefighters	58.00	58.00	58.00	58.00	58.00	58.00	58.00	60.00	60.00	60.00
Civilians	9.00	2.00 b	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
Parks and Recreation	14.00	13.00	13.00	13.00	13.00	13.00	13.00	14.00	14.00	14.00
Mass Transit	12.00	13.00	14.00	14.00	14.00	14.00	14.00	14.00	14.00	13.00
Gas System	27.00	28.00	28.00	28.00	28.00	28.00	27.00	26.00	26.00	26.00
Sanitation	18.50	18.50	18.50	18.50	18.50	18.50	18.50	18.50	18.50	18.50
Cemetery	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00
Public Way Improvement	37.50	35.50 b	35.50	35.50	35.50	35.50	35.50	35.50	35.50	36.50
TOTAL	305.00	307.00	308.00	313.00	313.00	313.00	313.00	315.00	313.00	317.00

Source: Applicable Departments

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

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

<u>Function / Program</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Public Way Improvement										
Miles of streets paved	113	113	113	113	124	124	124	124	124	124
Miles of sidewalks	73	73	73	73	73	73	73	73	73	73
Wastewater System										
Miles of sanitary sewers	205	205	203	205	200	201	201	205	206	202
Miles of storm sewers	136	136	136	136	136	136	51	54	54	55
Number of service connections	10,792	10,793	10,782	10,846	10,884	10,884	10,893	10,862	10,848	10,909
Maximum daily capacity of treatment in 1,000 gallons	19,000	19,000	19,000	19,000	19,000	19,000	19,000	19,000	19,000	19,000
Water System										
Miles of water mains	219	222	224	225	225	225	225	225	225	225
Number of service connections	10,792	10,793	10,782	10,846	10,844	10,844	10,893	10,862	10,862	10,921
Number of fire hydrants	988	1,007	1,020	1,030	1,084	1,095	1,112	1,119	1,130	1,134
Maximum daily capacity of plant in 1,000 gallons	16,000	16,000	16,000	16,000	16,000	16,000	16,000	16,000	16,000	16,000
Electric System										
Miles of transmission and primary distribution	208	208	208	208	208	208	208	208	208	209
Number of distribution stations	7	7	7	7	7	7	7	7	7	7
Gas System										
Miles of mains	243	244	245	247	249	251	253	254	255	255
Miles of service lines	129	129	129	129	129	138	139	140	139	139
Number of meters	10,008	10,000	9,652	9,532	9,470	9,422	9,421	9,391	9,392	9,367
Parks and Recreation										
Park acreage	231.7	231.7	231.7	231.7	231.7	231.7	231.7	231.7	231.7	232.0
Cemetery acreage	70	70	70	70	70	70	70	70	70	70
Baseball/Softball fields	17	16	16	16	16	16	16	16	16	16
Playgrounds	10	10	10	10	10	10	10	10	11	12
Tennis courts (a)	14	14	14	14	14	14	14	14	12	12
Rental Facilities/Shelters	3	3	3	3	3	3	3	3	3	3
Swimming pools	1	1	1	1	1	1	1	1	1	1
Golf courses - 9 holes	1	1	1	1	1	1	1	1	1	1
Boat Ramps	3	3	3	3	3	3	3	3	3	3
Soccer fields	4	4	4	4	4	4	4	4	4	4
Water Features/Fountains	2	2	2	2	2	2	2	2	2	2
Walking trails	2	2	2	2	2	2	2	2	3	3
Basketball courts	3	3	3	3	3	3	3	3	3	3
Skate parks (a)	1	1	1	1	1	1	1	1	2	2
Disc golf holes (b)	-	-	9	18	18	18	18	18	18	18

Source: Applicable Departments


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

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

Function / Program	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Police										
Physical arrests	3,759	3,793	3,519	3,183	2,615	2,776	2,951	3,054	4,138	3,537
Traffic violations	2,697	2,073	1,458	2,315	2,854	2,455	3,505	2,889	3,596	3,203
Parking violations	3,867	4,492	4,387	2,425	4,075	4,088	4,137	4,307	4,565	2,517
Calls for service	23,600	22,335	17,658	18,582	17,633	17,827	17,454	17,519	17,928	18,080
Fire										
Fire	152	176	155	124	152	150	140	137	131	128
Overpressure Rupture, Explosion, Overheat	12	13	12	10	9	10	8	13	14	16
Rescue & Emergency Medical Service	1,213	1,182	1,246	1,297	1,216	1,513	1,757	1,736	1,769	1,741
Hazardous Condition (No Fire)	220	165	288	134	153	138	147	171	163	167
Service Call	67	57	74	73	76	66	64	73	57	79
Good Intent Call	141	153	167	144	169	158	140	166	173	176
False Alarm & False Call	188	191	188	204	246	207	198	292	269	273
Severe Weather & Natural Disaster	3	1	12	1	3	1	1	2	4	1
Special Incident Type	1	2	4	-	7	7	5	7	5	8
Number of inspections performed	1,238	1,210	781	733	772	788	749	712	602	738
Mass Transit										
Number of routes	5	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	123,865
Para transit Passengers	16,653	17,529	17,298	15,736	18,161	16,357	15,339	14,020	12,804	12,302
Wheelchair Usage	6,728	4,900	4,758	4,729	6,411	7,915	6,601	6,837	6,524	6,109
Miles of Service	202,885	216,852	222,297	227,937	242,024	222,262	221,955	219,964	214,648	210,012
Wastewater System										
Average daily treatment in 1,000 gallons	10,185	9,970	9,648	9,506	8,979	8,672	8,993	11,390	8,153	9,494
Water System										
Average daily consumption in 1,000 gallons	10,469	8,316	8,034	7,847	7,669	9,030	9,151	9,260	8,893	9,046
Solid Waste Disposal										
Transfer Station in tons	17,095	17,219	18,073	21,395	23,617	23,553	24,897	30,823	27,925	35,667
Construction & Demolition Debris (CD&D) in 1	15,918	15,328	21,800	15,549	20,261	17,371	20,376	18,135	19,294	13,535

Source: Applicable Departments

Case No. 2019-00269
Attachment 1 to BREC 1-31
Pages 154



**CITY OF HENDERSON, KENTUCKY
COMPREHENSIVE ANNUAL
FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
JUNE 30, 2017**

CITY OF HENDERSON, KENTUCKY
COMPREHENSIVE ANNUAL FINANCIAL
REPORT

For the Fiscal Year Ended June 30, 2017



Prepared by:

Finance Department

CITY OF HENDERSON, KENTUCKY
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Fiscal Year Ended June 30, 2017

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INTRODUCTORY SECTION

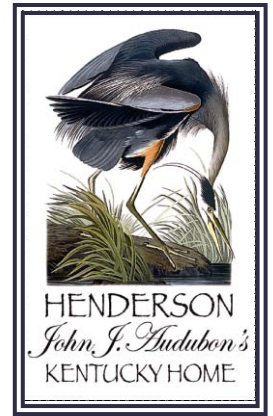


Steve Austin, Mayor

Commissioners:
Patti Bugg
Robert N. Pruitt Sr.
Bradley S. Staton
Austin P. Vowels

The City of Henderson

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



Russell R. Sights, City Manager
Dawn S. Kelsey, City Attorney
Maree Collins, City Clerk
Donna Stinnett, Public Information Officer

December 15, 2017

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, 2017. 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 unmodified ("clean") opinion on the City of Henderson's financial statements for the fiscal year ended June 30, 2017. 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 28,841 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 1st to the Board of Commissioners for the fiscal year commencing July 1. The budget includes appropriations for expenditures and means of financing them. The level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) is at the departmental level within an individual fund. The City also maintains an encumbrance accounting system as one technique of accomplishing budgetary control.

Local economy

Henderson is located in the Evansville, IN-KY Metropolitan Statistical Area (MSA). This geographical region covers approximately 2,367 square miles and is the 158th largest MSA in the United States. Based on 2015 estimates, Henderson is the 12th largest city in Kentucky. The economy for the City of Henderson and Henderson County continues a modest growth and the City continues to maintain a positive economic outlook.

Per the U.S. Census Bureau the family medium income for the City of Henderson for the past 12 months was \$34,879 which was \$8,861 or 20.3% lower than the Kentucky family medium income of \$43,740. The estimated medium price of a single family home in the city was \$98,900. Due to its strong fiscal management, stable financial position, strong reserves, healthy liquidity, and stable tax base, the City of Henderson received a credit rating of Aa3 from Moody's Investor Service on its 2017 general obligation bonds.

Over the past ten years, the City has experienced steady economic growth and investment. The real estate assessments have increased 26.4% 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% annual increase. Bank deposits have increased 39.8% or \$0.185 million from \$0.465 million to \$0.650 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 decreased slightly to a total of approximately \$10.9 million at June 30, 2017 with a decrease of \$621,958 from the prior year. The reserves consisted of cash, investments, and receivables. The decrease in General Fund reserves was primarily the result of higher personnel expenses and transfers to other funds. Personnel expenses increased by \$790,327 or 4.6%. Transfers to other funds increased by \$568,623 or 14.3%. Tax collections increased \$266,819 or 1.3% with growth in property and insurance premium taxes and a slight decrease in occupational license taxes. Despite the increase, personnel expenses were still \$732,362 under budget and transfers finished \$1,097,377 under budget. The General Fund will have a cash and investment balance, net of cash due to component units, entering the fiscal year equal to 5.0 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.

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 allowed an increase of \$0.05 per 1,000 cubic feet for fiscal 2015, 2016, and 2017. The current rate per 1,000 cubic feet of natural gas is \$2.45. 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, \$996,241 was returned to Henderson which is an increase of \$677,013 from the \$319,228 that was returned in fiscal 2016. Approximately \$566,000 of the increase was due to the "end of project" of a British Petroleum deal initiated 10 years ago.

As in the past, staff will monitor rates to determine if "cost of living adjustments" are needed 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 2016, the total health care cost was \$6,474,442 which is an increase of only \$46,919 from the \$6,427,523 spent in fiscal 2012. This equates to an annualized increase of 0.15% or an increase of 0.73% since fiscal 2012. Several changes were made to the health insurance plan in fiscal 2012 and comparisons are made against that year to determine if those changes were successful.

The health insurance plan requires a premium in the amount \$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.

Each employee that meets certain wellness criteria receives a HRA 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 are carried forward for use in the subsequent year.

To promote healthier lifestyle and to encourage the wellness program the City offers a near-site clinic. The clinic is available to covered employees and dependents. The clinic offers 30 hours a week with staggered times to accommodate employees' schedules. There is a "zero" co-pay for the visit and a zero co-pay on nine basic lab tests. In addition to these basic services, the clinic provides a customized reduced service fee schedule for labs in general.

From a capital projects aspect, fiscal 2017 was a very busy year. Some projects and improvements of note include:

New Municipal Service Center:

A new facility was purchased during the 2015 fiscal year at a cost of \$1.92 million. Architectural designs were drawn for the facility that will include natural gas, sanitation, and city garage operations. The project called for the renovation of the interior and exterior of the buildings to be used for offices, training space, work areas, and storage space for the various divisions. It will provide renovations to the parking areas and the construction of new structures and site improvements in the complex. Also included in the renovation work was space for a backup emergency dispatch center. Total cost for the project was approximately \$7.2 million.

Streets and Sidewalk Improvements:

In fiscal 2017, the City completed phase IV of the Long Range Enhancement Projects. This included new sidewalks on Second and Water streets. Work to replace a bridge on Wathen Lane was started with expected completion in fiscal 2018. A total of \$90,463 was spent on these projects in fiscal 2017.

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 2017, \$97,142 was spent on flood prevention projects and another \$882,000 included in fiscal 2018.

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 2017, the County contribution was \$103,536. 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 the funding options for the emergency dispatch operations in the 911 center. The City of Henderson, Henderson County, and Methodist Hospital formed a committee to address the Emergency Medical Services (EMS) needs of the community. The hospital covers 25% of the cost of the service with the City of Henderson and Henderson County equally funding the remaining 75% of operations. The focus of this committee is to review and discuss improvements to the ambulance service that is provided by Methodist Hospital.

Effective January 1, 2017, Kentucky retailers are required to collect an additional \$0.93 flat fee on calling cards, cellular phones with preloaded minutes or units, and recharging of minutes. The proceeds of this new fee will be used to improve 911 services throughout the state. For fiscal 2018, 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 also worked together to develop a new park in the East-end. Property was purchased in fiscal 2013 and dedicated in fiscal 2017. Playground equipment that includes an interactive water splash pad was installed. The park also includes a set of restrooms and landscaping.

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 approximately \$144,000 have already been awarded and received with another \$175,000 from the Kentucky Commercial Mobile Radio Service Board awarded in fiscal 2018.

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.

Economic Development:

During the 2015 fiscal year, the City purchased 124 acres at the end of Borax Drive. The property was purchased with federal highway and transportation grant funds. It will be used for economic development. There is \$324,000 in additional funds in fiscal 2018 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 2018 budget includes \$7.5 million in capital projects which includes \$1.7 million in rolling stock replacement.

During the last fiscal year, HMP&L spent \$756,077 in capital improvements and replacements in the existing system and \$1,248,855 in capital improvements and replacements at Station Two. HWU added \$4.3 million in capital projects during fiscal 2017.

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

With all of the various improvements, the City/County collaborations, and US Highway 41 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 2017 budget

was adopted using \$5,103,000 of unassigned fund balance. However, only a fraction of these funds were used and \$4,481,042 or 87.8% was not needed.

The reserve policy designates that 20% of annual surpluses be set aside for short-term payments on large vehicles and equipment. At the end of the fiscal year there was nearly \$370,000 set aside. The City will use the \$370,000 on the purchase a new aerial fire truck in fiscal 2018 with a cost that will exceed \$1.1 million.

The reserve policy also designates that 40% of annual surpluses be set aside for long-term payments on major building projects or improvements. At the end of the fiscal year end there was over \$1.2 million set aside. The General Fund's general obligation bonds payments for fiscal 2018 are estimated to be \$1.3 million. The fund has 92.3% of the payments already on hand.

The remaining 40% of the annual surplus was placed in the unassigned fund balance. At the end of fiscal 2017, the unassigned fund balance was \$5.3 million.

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, 2016. This was the eighteenth 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, 2016 and ending June 30, 2017. To qualify for the Distinguished Budget Presentation Award, the government's budget document had to be judged proficient as a policy document, a financial plan, an operations guide, and a communications device. The preparation of this report would not have been possible without the skill, effort, and dedication of the entire staff including those of the Finance and Administration Departments.

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

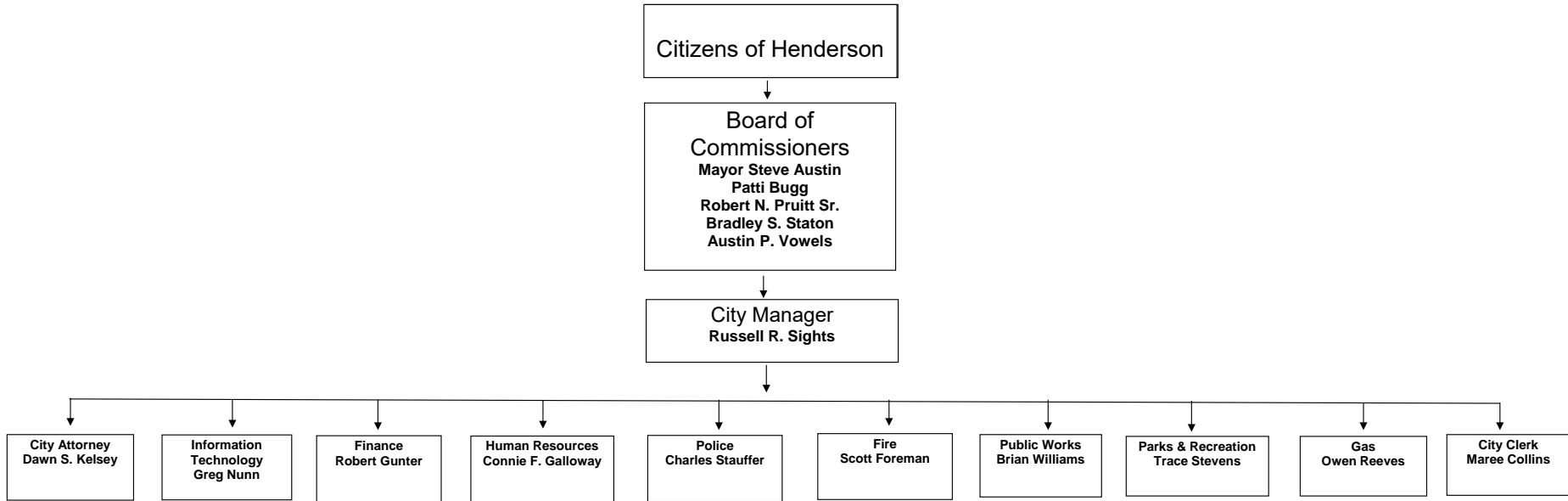
**City of Henderson
Kentucky**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2016

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	Patti Bugg
Commissioner	Robert N. Pruitt Sr.
Commissioner	Bradley S. Staton
Commissioner	Austin P. Vowels

Appointed Officials

City Manager	Russell R. Sights
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



Independent Auditors' Report

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Henderson, Kentucky as of and for the year ended June 30, 2017 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.

Auditors' 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, 2017, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and pension schedules on pages 16 through 34 and 97 through 102 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.

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 December 14, 2017, 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.

Myriad CPA Group, LLC

Henderson, Kentucky
December 14, 2017

**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, 2017. 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 \$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.

Overview of Financial Statements

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

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

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

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

Both of the governmental-wide financial statements distinguish functions of the City of Henderson that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City of Henderson include administration, finance, mass transit, parks and recreation, police, fire, public works, information technology and nondepartmental. The business-type activities of the City of Henderson include the natural gas and sanitation operations.

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

The government-wide financial statements can be found on pages 35-36 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, Bond Fund, and Construction 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 37-41 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 42-44 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 45-46 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 47-96 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 97-102 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 103-114 of this report.

Government-Wide Overall Financial Analysis

As noted earlier, net position over time, may serve as a useful indicator of a government's financial position. In the case of the City of Henderson's General Fund, assets exceeded liabilities by \$10,905,145 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, 2017.

City of Henderson's – Net Position

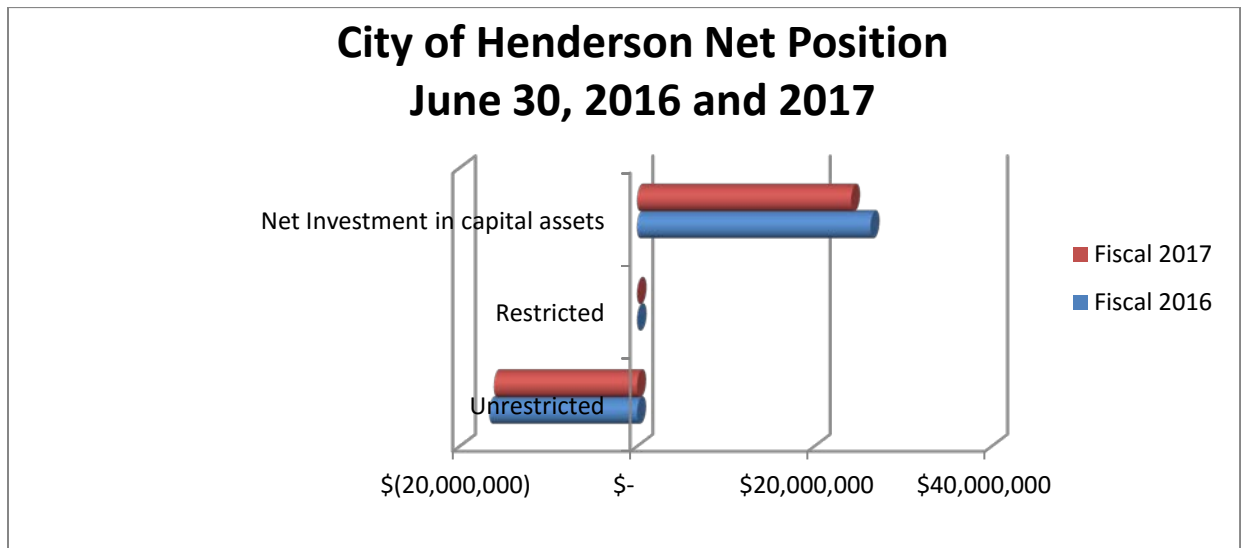
	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Current and other assets	\$ 55,915,094	\$ 59,432,442	\$10,951,884	\$ 9,738,185	\$ 66,866,978	\$ 69,170,627
Capital assets	37,825,286	33,361,605	2,561,895	2,745,162	40,387,181	36,106,767
Total assets	\$ 93,740,380	\$ 92,794,047	\$13,513,779	\$12,483,347	\$ 107,254,159	\$105,277,394
Deferred outflows	\$ 8,180,485	\$ 7,367,759	\$ -	\$ -	\$ 8,180,485	\$ 7,367,759
Total assets and deferred outflows	\$ 101,920,865	\$100,161,806	\$13,513,779	\$12,483,347	\$ 115,434,644	\$112,645,153
Long-term liabilities	\$ 97,643,708	\$ 90,074,325	\$ -	\$ 4,170,000	\$ 97,643,708	\$ 94,244,325
Other liabilities	6,140,281	6,806,158	-	1,274,937	6,140,281	8,081,095
Total liabilities	\$ 103,783,989	\$ 96,880,483	\$ -	\$ 5,444,937	\$ 103,783,989	\$102,325,420
Deferred inflows	\$ 831,298	\$ 604,357	\$ -	\$ -	\$ 831,298	\$ 604,357
Net position:						
Net investment in capital assets	\$ 21,576,830	\$ 23,579,158	\$ 2,561,895	\$ 2,745,162	\$ 24,138,725	\$ 26,324,320
Restricted for:						
Debt Service	988	472	-	-	988	472
Law enforcement	44,950	52,650	-	-	44,950	52,650
Unrestricted	(24,317,190)	(20,955,314)	5,173,958	4,293,248	(19,143,232)	(16,662,066)
Total net position	\$ (2,694,422)	\$ 2,676,966	\$ 7,735,853	\$ 7,038,410	\$ 5,041,431	\$ 9,715,376

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 (0.92%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of (\$19,143,232) is unrestricted. Any positive balances would be used to meet the government’s ongoing obligations to its citizens and creditors. However, the negative number reflected is due to a governmental accounting standard concerning pension obligations that will be paid over several years.

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 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 \$4,673,945 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 \$5,371,388 from the prior year for an ending balance of (\$2,694,422). There were two primary reasons. Public safety expenses increased by \$3,312,680 with \$338,000 of the

public safety expenses related to a new computer aided dispatch system and another \$660,156 related to a new radio system. Total general revenues and transfers increased \$183,894 or 0.8% from the prior year. However, that increase was outpaced by the general activities expenses which increased by \$4,039,405 or 11.3%.

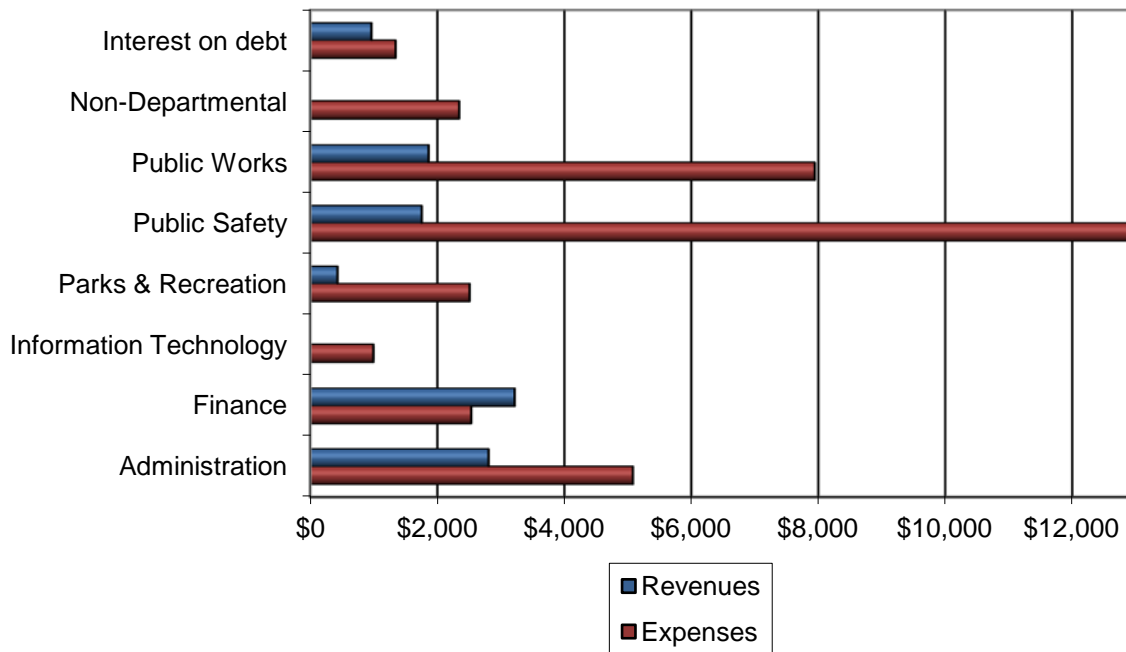
The governmental funds had a decrease in fund balance of \$3,037,717 with the General Fund decreasing \$621,958. Most of the decrease was due to restricted assets applicable to cash from bonds issued for the construction of a new municipal service center. Of the \$11,059,954 spent or used in the Construction Fund, \$4,340,767 or 39.2% was related to the transfers to the Bond Fund for payment on outstanding bonds. Over \$6.6 million was spent on capital items that included \$5.2 million for renovations to a new building, nearly \$672,000 for office equipment for the 911 Center, \$629,025 for land and buildings for a new fire station, and nearly \$95,000 spent on riverfront improvements.

The General Fund depleted its reserves in the amount of \$621,958. Since fiscal 2012, the fund's balance has increased 43.5%. Based on the fiscal 2018 budgeted expenditures of \$30.94 million, the General Fund has approximately 4.2 months worth of reserves. The City has assigned \$3.94 million of the fiscal 2017 fund balance with \$2.79 million of that amount to fill the fiscal 2018 budget deficit leaving \$5.3 million unassigned.

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

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Revenues:						
Program revenues:						
Charges for services	\$ 7,142,736	\$ 6,853,617	\$18,056,153	\$16,639,426	\$25,198,889	\$23,493,043
Operating grants	2,765,809	3,068,003	-	-	2,765,809	3,068,003
Capital grants	1,115,868	1,468,973	103,536	101,016	1,219,404	1,569,989
General revenues:						
Taxes	20,194,582	19,927,763	-	-	20,194,582	19,927,763
Investment income	50,222	337,155	14,608	132,733	64,830	469,888
Distributions from component units	1,644,724	1,644,724	-	-	1,644,724	1,644,724
Total revenues	32,913,941	33,300,235	18,174,297	16,873,175	51,088,238	50,173,410
Expenses:						
Administration	5,079,404	5,284,527	-	-	5,079,404	5,284,527
Finance	2,532,294	2,282,224	-	-	2,532,294	2,282,224
Information technology	992,304	770,940	-	-	992,304	770,940
Parks & recreation	2,508,094	2,368,382	-	-	2,508,094	2,368,382
Public safety	17,145,593	13,832,913	-	-	17,145,593	13,832,913
Public works	7,946,176	7,308,765	-	-	7,946,176	7,308,765
Nondepartmental	2,344,322	2,758,245	-	-	2,344,322	2,758,245
Interest on long-term debt	1,341,150	1,243,936	-	-	1,341,150	1,243,936
Gas	-	-	12,716,926	11,943,349	12,716,926	11,943,349
Sanitation	-	-	3,155,920	3,530,230	3,155,920	3,530,230
Total expenses	39,889,337	35,849,932	15,872,846	15,473,579	55,762,183	51,323,511
Increase/(Decrease) before transfers	(6,975,396)	(2,549,697)	2,301,451	1,399,596	(4,673,945)	(1,150,101)
Transfers	1,604,008	1,400,000	(1,604,008)	(1,400,000)	-	-
Increase (Decrease) in net position	(5,371,388)	(1,149,697)	697,443	(404)	(4,673,945)	(1,150,101)
Net position, beginning	2,676,966	3,826,663	7,038,410	7,038,814	9,715,376	10,865,477
Net position, ending	\$ (2,694,422)	\$ 2,676,966	\$ 7,735,853	\$ 7,038,410	\$ 5,041,431	\$ 9,715,376

Expenses and Program Revenues - Governmental Activities (Thousands)



Business-type Activities. For the City of Henderson’s business-type activities, the results for the current fiscal year were positive in that overall net position increased to reach an ending balance of \$7,735,853. The total increase in net position for business-type activities (natural gas and sanitation) was \$697,443 or up 9.9% from the prior fiscal year. The increase is attributable to a one-time payment from PEAK due to the expiration of a B.P. natural gas deal and a decrease in the landfill closure costs. The gas fund had an increase in net position of \$335,204. Due to a warmer winter there was a reduction in sales which caused the gross profits to decreased \$147,242 or 3.4%. The sanitation fund had an increase in net position of \$362,239. Services fees increased \$105,912 or 3.1%. The cost of vehicle repairs was down \$46,536 or 48.5% and landfill closure and post-closure monitoring cost estimates decreased by \$2,000.

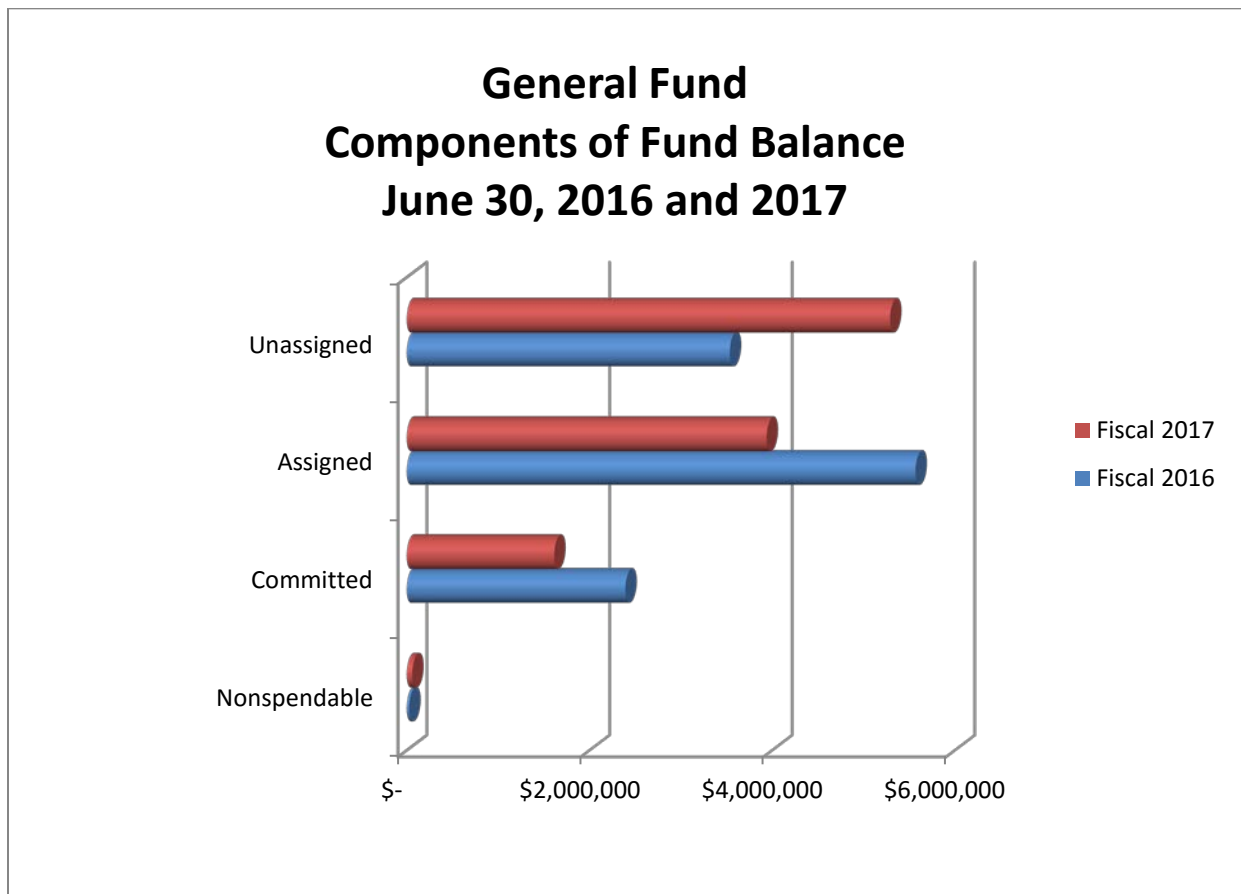
Financial Analysis of Governmental Funds

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

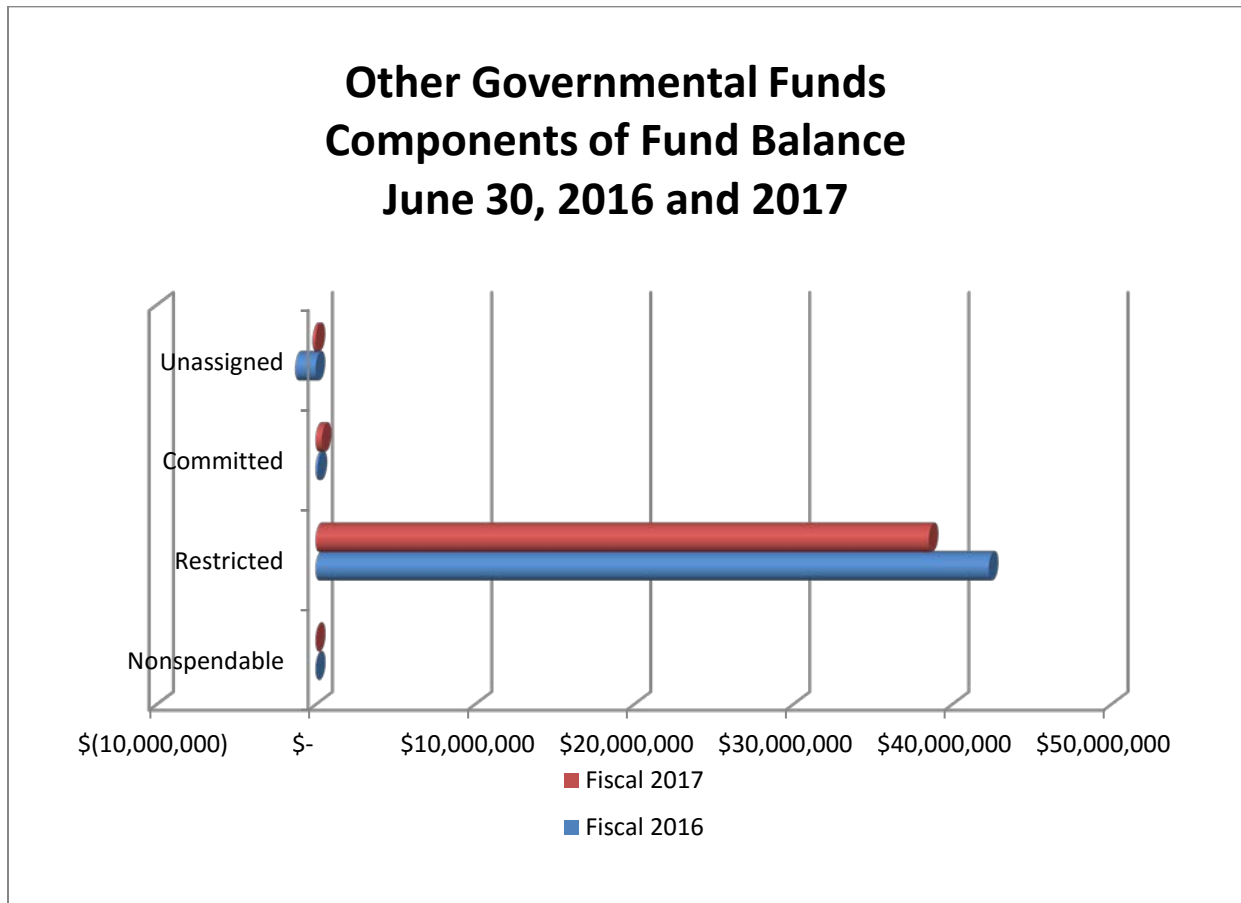
Governmental Funds. The focus of the City of Henderson’s *governmental funds* is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City of Henderson’s financing requirements. In particular,

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, 2017, the City of Henderson’s governmental funds reported a combined fund balance of \$49,667,277, a decrease of \$3,037,717 in comparison with the prior fiscal year. Approximately 10.3% of this amount or \$5,100,515 constitutes unassigned fund balance, which is available for spending at the government’s discretion. Nearly 77.6% or \$38.5 million of the fund balance was restricted for debt, capital projects and other special purposes. There was also \$77,112 that was classified as “nonspendable” because it is for inventories. A total of \$1,613,986 was committed for long-term debt payments and \$393,182 was for other purposes. Another \$3,940,000 was assigned to fill the fiscal 2018 budget deficit of \$2,790,000, \$700,000 set aside for the future construction of a recreation/sports facility, \$200,000 set aside for the future construction of a Newman Park shelter, and \$250,000 assigned to be used for drainage in the Countryview subdivision.



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 \$5,291,247, while total fund balance decreased to \$10,905,145. 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 17.1 percent of total 2018 fiscal year general fund expenditures, while total fund balance represents approximately 35.3 percent of that same amount.



During the fiscal year, the fund balance for the City of Henderson's general fund decreased by \$621,958. Factors contributing to this decrease include:

- Taxes collections were up only \$266,819
- Personnel services were up \$790,327 or 4.6%
- Transfers to the PWI Fund were up \$383,000 or 45.0%
- Transfers to the HART Fund were up \$278,000 or 82.0%

The Construction Fund ended the fiscal year with a fund balance of \$38,311,087 which is a deterioration of \$2,959,608 from the prior year. During fiscal 2017, the City of Henderson issued \$7.8 million in three different general obligation bonds. With two of the bond issues, the

proceeds were used in the refinancing prior debt. The third issue was used on the new municipal service center and the construction of the new radio system.

The City received federal funding on the riverfront project in the amount of \$79,489 during the fiscal year which included the reimbursement of capital expenditures. The Construction Fund transferred \$4,340,767 to the Bond Fund to retire debt.

The Bond Fund, the remaining major governmental fund, had an increase in fund balance during the current year of \$516 to bring the year end fund balance to \$988. The increase essentially resulted from interest earned on bank funds before being transferred to the paying agent.

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 \$5,680,605 and for the Sanitation Fund was (\$506,647). The total increase in net position for both funds was \$335,204 and \$362,239, respectively.

As noted earlier in the discussion of business-type activities, the increase for the Natural Gas Fund was attributable to a one-time payment from PEAK due to the expiration of a B.P. natural gas deal; however, this was reduced slightly by a warmer than normal winter where gross margins for natural gas decreased \$147,242 or 3.4%. The Gas Fund's income from operations increased \$614,853 or 50.8% from the prior fiscal year. After investment income and transfers to the general fund, the change in net position was \$335,204. Since 2010, the cumulative change in the net position for the Gas Fund has been an increase of \$268,080 or a 3.6%. Based on the 2018 fiscal year's budgeted expenditures and net of invested in capital assets, the Gas Fund has approximately 3.9 months worth of reserves. This is an increase from the 3.8 months of the prior year. The Gas fund invested \$119,008 in fixed assets for the fiscal year compared to \$128,647 in the prior year. Another \$44,949 in labor costs were capitalized during fiscal 2017 compared to \$35,978 in fiscal 2016.

The engineer's estimate related to closing and monitoring the landfill decreased by \$2,000. Landfill and transfer station fees were up a combined \$109,296 over last year. 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 \$4,168,000. Of this total, approximately \$2.82 million is for landfill closure costs that will include placing a low-permeability cap on the landfill. The City has investments in the amount of approximately \$3.13 million in a trust account that will be used for the landfill closure. It is also estimated that approximately \$1.35 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. Due to several pay adjustments, fiscal 2017 had seven amendments. The original budget was adopted with expenditures set at \$31,930,000.

The first amendment increased the general fund budget to \$32,401,000. Using reserve funds, the City increased appropriations in the amount of \$18,000 for supplies in the Fire Department; \$227,000 for supplies, furnishing, equipment, phone system and other items for the new Municipal Service Center; \$20,000 for signage throughout the City; \$67,000 for paving of 3rd and Martin Luther King streets; \$68,000 for sidewalks on Green River Rd.; and \$71,000 for furniture for the 911 main and backup dispatch centers.

The second amendment was done in November 2016 and increased the total general fund appropriation to \$32,650,000. Using reserve funds, the City increase the appropriation for salaries by \$20,000; and another \$6,000 for protective netting at the girls' softball fields. There were also two increases in transfers. The first was to the Construction Fund in the amount of \$13,000 for work on Braxton Drive and the second was to the 911 Fund in the amount of \$280,000 for a new phone system.

The third amendment was done in December in the amount of \$106,000 to increase the pay and benefits of hazardous-pay positions in the Police Department. The fourth was in the amount of \$77,000 to increase the pay and benefits of hazardous-pay positions in the Fire Department. The fifth budget amendment was in the amount of \$96,000 and was used to increase the appropriation of the fire aerial truck. After this amendment, the total General Fund budget had increased to \$32,929,000.

After a mid-year budget review, \$54,000 was added to the Fire Department for dive & rescue equipment; \$9,000 was added to the Central Garage for soil testing and an A-frame jack; and \$87,000 was added to the ambulance service to replace a damaged vehicle. The seventh and final budget amendment was done in June and made the final General Fund budget \$33,217,000. The final amendment included \$45,000 for repairs to Fire Station #4; \$50,000 for additional vehicle repairs in the Fire Department; \$10,000 for additional mowing in the Parks Department; and \$33,000 for the replacement of the roof on the old Fire Station #3.

The amended fiscal 2017 budget was approved with anticipated expenses exceeding anticipated revenue by \$5,103,000. The difference was to come from reserves. The General Fund's actual revenue and transfers in were \$27,995,152 or 99.6% of the approved budget of \$28,114,000 or a difference of \$118,848. The General Fund's actual expenses and transfers out were \$28,617,110 or 86.2% of approved budget of \$33,217,000 or a difference of \$4,599,890.

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>
Delinquent Property Tax	\$ 66,400	\$ 79,572	\$ 13,172
Insurance Premium Tax	\$4,891,400	\$4,961,940	\$ 70,540
Payroll Tax Rebates	\$ (30,000)	\$ (100,447)	\$ (70,447)
Investment Income	\$ 122,060	\$ 24,297	\$ (97,763)
Governmental Service Chg.	\$2,718,000	\$2,636,007	\$ (81,993)

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 this approach to avoid budget shortfalls. The actual revenues for the delinquent property tax came in at 119.8% while the insurance premium tax came in at 101.5%.

One of the goals for fiscal 2017 was to put more emphasis on the collection of delinquent property taxes. The City filed a mass-foreclosure lawsuit against some of the largest delinquent property owners. Due to a decrease in market values for bonds, the City recognized a loss of \$179,078. This was offset by interest income of \$203,376. Governmental service charges came in \$81,993 because the City delayed the implementation of new utility software and moved the project to the next year. The nearly \$82,000 is included in fiscal 2018.

<u>Expense</u>	<u>Estimated Expense</u>	<u>Actual Expense</u>	<u>Difference</u>
Salaries	\$11,232,530	\$10,971,086	\$ 261,444
Fuel	\$ 289,900	\$ 158,881	\$ 131,019
Special Projects	\$ 729,000	\$ 129,716	\$ 479,707
Motor Vehicles	\$ 1,446,800	\$ 105,784	\$1,341,122
Data Processing Equip.	\$ 320,990	\$ 121,241	\$ 199,749
Transfers	\$ 5,639,000	\$ 4,541,623	\$1,097,377

Several of the large expense items were below budget. As in all years, the City of Henderson works diligently to control costs in all departments and across all categories. Vacant positions allowed salaries to come in under budget. Total salaries were \$261,444 below budget or 97.7% of anticipated expenses.

Due to a depressed energy market, fuel costs came in over \$131,000 below estimates. The special projects account included \$250,000 Countryview drainage special project was delayed; however, the funds were set aside to be done in the future.

A \$1.1 million fire aerial truck was ordered in fiscal 2017 but will not be delivered until January 2018. The radio equipment, data processing equipment, and municipal center improvements were all started in fiscal 2016 but construction was not completed until fiscal 2018. With the extended implementation schedule for the data processing equipment, the transfers to the 911 Fund were \$481,000 less than budgeted. Transfers to the Construction Fund were \$434,000 under budget.

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, 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%.

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

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Land	\$ 3,961,483	\$ 3,761,483	\$ 114,815	\$ 114,815	\$ 4,076,298	\$ 3,876,298
Artwork	196,500	196,500	-	-	196,500	196,500
Buildings	16,659,345	11,406,522	120,860	112,938	16,780,205	11,519,460
Improvements	4,416,902	4,403,890	-	-	4,416,902	4,403,890
Vehicles	1,059,499	1,248,682	225,286	292,623	1,284,785	1,541,305
Natural Gas System	-	-	1,980,677	2,020,475	1,980,677	2,020,475
Equipment	3,644,981	2,854,821	120,257	204,311	3,765,238	3,059,132
Infrastructure	7,886,576	9,489,707	-	-	7,886,576	9,489,707
Total	<u>\$ 37,825,286</u>	<u>\$ 33,361,605</u>	<u>\$ 2,561,895</u>	<u>\$ 2,745,162</u>	<u>\$ 40,387,181</u>	<u>\$ 36,106,767</u>

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.

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

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

City of Henderson’s Outstanding Debt

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
General Obligation Bonds	<u>\$ 54,745,000</u>	<u>\$ 52,230,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 54,745,000</u>	<u>\$ 52,230,000</u>

Debt Description

Series 2007: 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. These bonds were partially refunded in fiscal 2017.

Series 2010B: Refunding of Prior Debt - During the year ended June 30, 2011, the City issued \$3,605,000 to currently refund and redeem the outstanding City of Ewing, Kentucky, Kentucky Area Development Districts Financing Trust, Lease Acquisition Program Revenue Bonds, Fixed Rate Series 2000H (funding for the City of Henderson, Kentucky), dated July 20, 2000 (the “2000H Obligations”), being bonds maturing on December 1, 2011 – 2016 and term bonds maturing on December 1, 2022, in the total principal amount of \$1,310,000, by providing for the City’s prepayment of its lease rental payments pursuant to two lease agreements between the Kentucky Area Development Districts Financing Trust and the City securing the 2000H Obligations, in order to derive debt service savings. This debt was recorded in the records of the City as KADD-Riverfront lease payable and KADD-Police Station lease payable.

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

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

Series 2011A: Fire Station - During the year ended June 30, 2012, the City issued \$2,085,000 non-taxable bonds to pay costs of the acquisition, construction and equipping of a new municipal fire station within the City, including the costs of the land upon which the fire station is to be located, architectural fees, and other allowable expenditures.

Series 2012A: Combined and Consolidated Municipal Water, Sanitary Sewer and Storm Sewer System - During the year ended June 30, 2012, the City issued \$9,995,000 in non-taxable bonds to pay a portion of the costs of the acquisition, construction and installation of additions and improvements to the City's combined and consolidated municipal water, sanitary sewer and storm sewer system (the "System"), including (1) the renovation and upgrading of the City's North Wastewater Treatment Plant and (2) the construction of a new 12 MGD North Fork Pump Station and approximately 2,400 feet of related 42" gravity sewer lines.

Series 2013A: Combined and Consolidated Municipal Water, Sanitary Sewer and Storm Sewer System - During the year ended June 30, 2013, the City issued \$9,730,000 in non-taxable bonds to pay a portion of the costs of the acquisition, construction and installation of additions and improvements to the City's combined and consolidated municipal water, sanitary sewer and storm sewer system (the "System"), including (1) the renovation and upgrading of a new headworks structure, a third final clarifier, waste and return activated sludge pumping, ultraviolet disinfection, and internal plant piping at the City's North Wastewater Treatment Plant, such additions and improvements to increase the capacity of the Plant from 15 million to 25.5 million gallons per day.

Series 2014: Combined and Consolidated Municipal Water, Sanitary Sewer and Storm Sewer System - During the year ended June 30, 2015, the City issued \$8,000,000 non-taxable bonds to pay a portion of the costs of the acquisition, construction, installation, and equipping of new municipal water, sanitary sewer, and storm sewer improvements and additions to the City's combined and consolidated municipal water, sanitary sewer, and storm sewer system.

Series 2015A: Municipal Service Center and 911 System

During the year ended June 30, 2016, the City issued \$7,790,000 non-taxable bonds to pay costs of issuance, to pay a portion of the costs of the acquisition; construction, renovation, and equipping of new municipal service center and a new 911 computer assisted dispatch (CAD) and radio tower system.

This obligation matures in September 2035. Interest rates range from 2.0% to 3.75%. Interest is due in semi-annual installments. The obligation is secured by the full taxing authority of the City of Henderson.

Series 2015B: Refunding of Prior Debt

During the year ended June 30, 2016, the City issued \$1,870,000 non-taxable bonds to pay costs of issuance and for the purpose of currently refunding an outstanding assistance agreement dated as of May 1, 1996 between the Kentucky Infrastructure Authority and the City, the proceeds of which were used to finance the costs of the acquisition, construction, installation, and equipping of certain improvements to the City's municipal water, sanitary sewer, and storm sewer system.

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

Series 2015C: Refunding of Prior Debt

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

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

Series 2016A: Municipal Service Center

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

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

Series 2016B: Refunding of Prior Debt

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

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

Series 2017A: Municipal Service Center

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

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

Series 2017B: Refunding of Prior Debt

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

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

Series 2017C: Refunding of Prior Debt

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

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

During the fiscal year, the City of Henderson's total debt increased by \$2,515,000 or 4.8%. The reason for the increase was that the City of Henderson issued debt for a new municipal service center and additional general obligation debt on behalf of Henderson Municipal Water Utility.

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

Kentucky statutes limit the amount of general obligation debt a governmental entity may issue to 10% of the value of the taxable property therein, to be estimated by the last assessment previous to the incurring of the indebtedness, unless in case of emergency, the public health or safety should so require. The current debt limit for the City of Henderson is approximately \$115,339,000, which is significantly in excess of the current outstanding general obligation debt of \$54,745,000.

Additional information on the City of Henderson's long-term debt may be found in Note 5 on pages 62-75 of this report.

Economic Factors and Next Year's Budget and Rates

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% which was slightly higher than the national rate of 4.4% but lower than the Kentucky rate of 5.1%.

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.

Requests for Information

This financial report is designed to provide a general financial overview for citizens, taxpayers, and customers of the City of Henderson. Questions or requests for additional financial information may be sent to Robert Gunter, Finance Director, City of Henderson, 222 First Street, PO Box 716, Henderson, KY 42419-0716, or visit our website at: www.cityofhendersonky.org.

Basic Financial Statements

City of Henderson, Kentucky
Statement of Net Position
June 30, 2017

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	Henderson Municipal Power & Light	Henderson Water Utility
ASSETS					
Cash	\$ 7,461,946	\$ 2,617,459	\$ 10,079,405	\$ 2,348,311	\$ 6,787,165
Investments	9,478,590	6,027,974	15,506,564	12,921,612	55,741
Receivables	1,107,422	1,232,193	2,339,615	8,930,927	1,446,130
Internal balances	(872,046)	872,046	-	-	-
Inventories	77,112	202,212	279,324	6,747,640	937,974
Prepaid expenses	-	-	-	82,571	64,146
Restricted assets:					
Cash	1,375,977	-	1,375,977	-	-
Investments	-	-	-	2,322,123	-
Receivable from HWU:					
Due in one year	2,253,613	-	2,253,613	-	-
Due after one year	35,032,480	-	35,032,480	-	-
Land and other nondepreciable capital assets	4,157,983	114,815	4,272,798	1,235,451	1,466,482
Capital assets, net of accumulated depreciation	33,667,303	2,447,080	36,114,383	55,427,677	80,877,708
Total assets	93,740,380	13,513,779	107,254,159	90,016,312	91,635,346
DEFERRED OUTFLOWS OF RESOURCES					
Deferred outflows of resources-pensions	8,180,485	-	8,180,485	1,322,051	2,052,846
Total assets and deferred outflows of resources	\$ 101,920,865	\$ 13,513,779	\$ 115,434,644	\$ 91,338,363	\$ 93,688,192
LIABILITIES					
Accounts payable and accrued liabilities	\$ 2,797,052	\$ 1,083,835	\$ 3,880,887	\$ 7,309,542	\$ 1,422,112
Deposits payable	-	281,341	281,341	652,901	86,998
Due to component units	3,343,229	-	3,343,229	-	-
Gas storage liability	-	244,750	244,750	-	-
Noncurrent liabilities:					
Due in one year	4,680,000	-	4,680,000	630,000	2,660,339
Due after one year	92,963,708	4,168,000	97,131,708	17,404,076	43,426,556
Total liabilities	103,783,989	5,777,926	109,561,915	25,996,519	47,596,005
DEFERRED INFLOWS OF RESOURCES					
Deferred inflows of resources-pensions	831,298	-	831,298	90,173	-
NET POSITION					
Net investment in capital assets	21,576,830	2,561,895	24,138,725	44,623,128	45,084,740
Restricted for:					
Debt service	988	-	988	2,322,123	-
Law enforcement	44,950	-	44,950	-	-
Unrestricted	(24,317,190)	5,173,958	(19,143,232)	18,306,420	1,007,447
Total net position	(2,694,422)	7,735,853	5,041,431	65,251,671	46,092,187
Total liabilities, deferred inflows, and net position	\$ 101,920,865	\$ 13,513,779	\$ 115,434,644	\$ 91,338,363	\$ 93,688,192

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, 2017**

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position				
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Units	
					Governmental Activities	Business-type Activities	Total	Henderson Municipal Power & Light	Henderson Water Utility
Primary government									
Governmental activities:									
Administration	\$ 5,079,404	\$ 2,360,009	\$ 331,881	\$ 113,664	\$ (2,273,850)	\$ -	\$ (2,273,850)		
Finance	2,532,294	3,217,470	-	-	685,176	-	685,176		
Information technology	992,304	-	-	-	(992,304)	-	(992,304)		
Parks and recreation	2,508,094	384,802	-	40,350	(2,082,942)	-	(2,082,942)		
Police	9,485,562	850,219	550,078	-	(8,085,265)	-	(8,085,265)		
Fire	7,660,031	10,161	342,797	-	(7,307,073)	-	(7,307,073)		
Public works	7,946,176	320,075	1,541,053	-	(6,085,048)	-	(6,085,048)		
Nondepartmental	2,344,322	-	-	-	(2,344,322)	-	(2,344,322)		
Interest on long-term debt	1,341,150	-	-	961,854	(379,296)	-	(379,296)		
Total governmental activities	39,889,337	7,142,736	2,765,809	1,115,868	(28,864,924)	-	(28,864,924)		
Business-type activities:									
Gas	12,716,926	14,567,341	-	-	-	1,850,415	1,850,415		
Sanitation	3,155,920	3,488,812	103,536	-	-	436,428	436,428		
Total business-type activities	15,872,846	18,056,153	103,536	-	-	2,286,843	2,286,843		
Total primary government	\$ 55,762,183	\$ 25,198,889	\$ 2,869,345	\$ 1,115,868	(28,864,924)	2,286,843	(26,578,081)		
Component units									
Henderson Municipal Power & Light	\$ 67,543,696	\$ 67,120,019	\$ -	\$ -			\$ (423,677)	\$ -	
Henderson Water Utility	19,343,914	19,093,671	-	1,536,856			-	1,286,613	
Total component units	\$ 86,887,610	\$ 86,213,690	\$ -	\$ 1,536,856			(423,677)	1,286,613	
General revenues:									
Taxes:									
Property					8,756,457	-	8,756,457	-	-
Payroll and net profits					5,703,639	-	5,703,639	-	-
Insurance					4,961,940	-	4,961,940	-	-
Franchise					613,404	-	613,404	-	-
Bank deposits					159,142	-	159,142	-	-
Distributions from component units					1,644,724	-	1,644,724	-	-
Investment income					50,222	14,608	64,830	107,893	82,612
Transfers					1,604,008	(1,604,008)	-	-	-
Total general revenues and transfers					23,493,536	(1,589,400)	21,904,136	107,893	82,612
Change in net position					(5,371,388)	697,443	(4,673,945)	(315,784)	1,369,225
Net position, beginning of year					2,676,966	7,038,410	9,715,376	65,567,455	44,722,962
Net position, end of year					\$ (2,694,422)	\$ 7,735,853	\$ 5,041,431	\$ 65,251,671	\$ 46,092,187

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

City of Henderson, Kentucky
Balance Sheet
Governmental Funds
June 30, 2017

	General Fund	Debt Service Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS					
Cash	\$ 6,673,579	\$ -	\$ 1,872	\$ 50,177	\$ 6,725,628
Investments	9,478,590	-	-	-	9,478,590
Receivables	483,935	-	-	623,187	1,107,122
Due from other funds	105,377	-	-	-	105,377
Inventories	59,912	-	-	17,200	77,112
Restricted assets:					
Cash	-	988	1,210,451	164,538	1,375,977
Receivable from HWU:					
Due in one year	-	-	2,253,613	-	2,253,613
Due after one year	-	-	35,032,480	-	35,032,480
Total assets	<u>\$ 16,801,393</u>	<u>\$ 988</u>	<u>\$ 38,498,416</u>	<u>\$ 855,102</u>	<u>\$ 56,155,899</u>
LIABILITIES					
Accounts payable	\$ 1,199,466	\$ -	\$ 81,952	\$ 337,118	\$ 1,618,536
Accrued wages	481,507	-	-	67,927	549,434
Due to other funds	872,046	-	105,377	-	977,423
Due to component units	3,343,229	-	-	-	3,343,229
Total liabilities	<u>5,896,248</u>	<u>-</u>	<u>187,329</u>	<u>405,045</u>	<u>6,488,622</u>
FUND BALANCES					
Nonspendable	59,912	-	-	17,200	77,112
Restricted	-	988	38,496,544	44,950	38,542,482
Committed	1,613,986	-	-	393,182	2,007,168
Assigned	3,940,000	-	-	-	3,940,000
Unassigned	5,291,247	-	(185,457)	(5,275)	5,100,515
Total fund balances	<u>10,905,145</u>	<u>988</u>	<u>38,311,087</u>	<u>450,057</u>	<u>49,667,277</u>
Total liabilities and fund balances	<u>\$ 16,801,393</u>	<u>\$ 988</u>	<u>\$ 38,498,416</u>	<u>\$ 855,102</u>	<u>\$ 56,155,899</u>

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

City of Henderson, Kentucky
Reconciliation of the Balance Sheet of Governmental Funds
To the Statement of Net Position
June 30, 2017

Total fund balances of governmental funds per balance sheet \$ 49,667,277

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. 37,825,286

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	8,180,485
Deferred inflows of resources-pensions	(831,298)

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. 107,536

Long-term debt and other liabilities were not currently due and payable in the fiscal year ended June 30, 2017, and, therefore, were not reported in the governmental funds.

Long-term debt payable	\$ (54,745,000)
Accrued compensated absences	(1,468,900)
HRA Fund unfunded obligation	(682,000)
Net pension liability	<u>(40,747,808)</u>
	<u>(97,643,708)</u>

Total net position of governmental activities per statement of net position \$ (2,694,422)

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, 2017

	General Fund	Debt Service Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES					
Taxes:					
Property	\$ 8,756,457	\$ -	\$ -	\$ -	\$ 8,756,457
Payroll and net profits	5,703,639	-	-	-	5,703,639
Insurance	4,961,940	-	-	-	4,961,940
Franchise	613,404	-	-	-	613,404
Bank deposits	159,142	-	-	-	159,142
Intergovernmental	3,649,614	880,920	79,489	2,001,999	6,612,022
Distributions from component units	1,644,724	-	-	-	1,644,724
Service charges and fees	539,990	-	-	1,053,676	1,593,666
Rents, concessions, and other services	125,966	-	-	-	125,966
Licenses and permits	77,553	-	-	-	77,553
Fines, finance charges, and penalties	73,029	-	-	-	73,029
Investment income	24,297	727	18,727	2,284	46,035
Miscellaneous	121,746	244	-	4,525	126,515
Total revenues	26,451,501	881,891	98,216	3,062,484	30,494,092
EXPENDITURES					
Current:					
Administration	2,369,229	-	-	239,687	2,608,916
Finance	2,234,619	-	-	-	2,234,619
Information technology	867,454	-	-	-	867,454
Parks and recreation	1,597,851	-	-	375,412	1,973,263
Police	6,708,820	-	-	1,062,353	7,771,173
Fire	6,093,779	-	-	-	6,093,779
Public works	2,412,230	-	15,757	2,960,287	5,388,274
Nondepartmental	2,014,177	-	-	-	2,014,177
Debt service:					
Principal	-	3,010,000	-	-	3,010,000
Interest	-	1,341,150	-	-	1,341,150
Bond issuance costs	-	-	59,573	-	59,573
Capital outlays	319,328	-	6,623,740	651,268	7,594,336
Total expenditures	24,617,487	4,351,150	6,699,070	5,289,007	40,956,714
Excess (deficiency) of revenues over expenditures	1,834,014	(3,469,259)	(6,600,854)	(2,226,523)	(10,462,622)
OTHER FINANCING SOURCES (USES)					
Transfers in	1,420,117	5,739,775	66,623	2,738,000	9,964,515
Transfers out	(3,999,623)	-	(4,360,884)	-	(8,360,507)
Insurance recovery	123,534	-	-	31,856	155,390
Bond premium	-	-	140,507	-	140,507
Bond issuance	-	-	7,795,000	-	7,795,000
Bond redemption	-	(2,270,000)	-	-	(2,270,000)
Total other financing sources (uses)	(2,455,972)	3,469,775	3,641,246	2,769,856	7,424,905
Net change in fund balances	(621,958)	516	(2,959,608)	543,333	(3,037,717)
Fund balances, beginning of year	11,527,103	472	41,270,695	(93,276)	52,704,994
Fund balances, end of year	\$ 10,905,145	\$ 988	\$ 38,311,087	\$ 450,057	\$ 49,667,277

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