

**CITY OF HENDERSON, KENTUCKY
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
JUNE 30, 2013**

Betty Smithhart, Photographer

CITY OF HENDERSON, KENTUCKY
COMPREHENSIVE ANNUAL FINANCIAL
REPORT

For the Fiscal Year Ended June 30, 2013



Prepared by the City of Henderson
Finance Department

**CITY OF HENDERSON, KENTUCKY
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 For the Fiscal Year Ended June 30, 2013**

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INTRODUCTORY SECTION

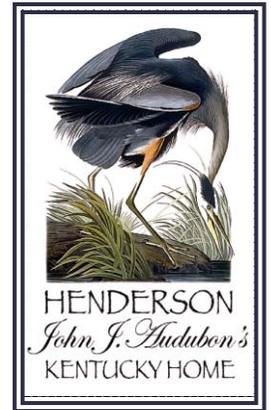


Steve Austin, Mayor

Commissioners:
Thomas E. Davis
Jan M. Hite
Robert M. Mills
Robert N. Pruitt

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
Carolyn Williams, City Clerk

November 26, 2013

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, 2013. 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 year ended June 30, 2013. 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 28,911 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. The economy for the City of Henderson and Henderson County continues to slowly recover from the global recession. Even though most areas of the country are still struggling with high unemployment, depressed property values, and an increase in demands on social programs, the City of Henderson continues to maintain a positive economic outlook. By 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 \$52,967 which was \$844 or 1.6% higher than the Kentucky family medium income of \$52,123. The estimated medium price of a single family home in the county was \$101,500. 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 2013A general obligation bonds.

Over the past ten years, the City has experienced a strong period of economic growth and investment. The real estate assessments have increased 35.8% or \$290.2 million from \$811.1 million in fiscal 2004 to \$1,101.3 million in fiscal 2013. Bank deposits have increased 34.2% or \$152.5 million from \$446.3 million to \$598.8 million over the same ten-year period.

The City of Henderson is a member of Northwest Kentucky Forward (NWKF), an economic development joint venture made up of the City of Henderson and four adjoining counties in the area. NWKF markets not only the City of Henderson but also the four-county region encompassing some 90,000 people. NWKF 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 from approximately \$7.6 million at June 30, 2012 to nearly \$9.5 million at June 30, 2013. The reserves consisted of cash, investments, and receivables. The \$1,852,812 increase in General Fund reserves was primarily the result of an increase in tax collections and the reduction in personnel expenses. Tax collections increased \$1,042,248 or 5.1% with growth in all three areas: property, insurance premium, and occupational taxes. Personnel expenses were down \$1,043,001 with health insurance accounting for \$733,367 of the decrease. The General Fund will have a cash and investment balance, net of cash due to component units, entering the fiscal year equal to 4.6 months operating expense and transfers to other funds. The Gas Fund's cash and investment balance will be equal to 2.4 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 General Fund and is working to meet that same goal in the Gas Fund with a rate increase under consideration by the Board of Commissioners.

For fiscal years 2004 through 2009, the Gas Fund had losses on average of \$632,000. For fiscal 2010, there was a gain of \$75,138 and for fiscal 2011, 2012, and 2013 the losses were \$247,780, \$593,253, and \$75,229 respectively. The average for the last three years was a loss of \$305,421. On May 12, 2009, the Henderson Board of Commissioners increased the monthly base rates from \$4.50 to \$12.00 and the rate per 1,000 cubic feet of natural gas from \$1.85 to \$2.25. The hope is that the rate increase currently under consideration will reduce the need of using Gas reserves.

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 annual consumption during the fiscal year, \$275,121 was returned to Henderson which is an increase of \$6,362 from the \$268,759 that was returned in fiscal 2012.

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

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

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

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

The plan also increases the contributions to the HRA Plan. Each employee that meets certain wellness criteria receive a credit in the amount of \$500 for a single participant and \$1,000 for a family coverage participant in the health insurance plan. At the end of a plan year, any unused benefits in an HRA Plan account is carried forward for use in the subsequent year.

Finally, in July of 2012, the City changed the third party administrator to UMR which is owned by United Healthcare. The City moved from a regional discounter to a national discounter with the potential of better pricing on health care. The changes to the health insurance plan seem to have worked. For fiscal 2013, the total health care cost dropped from \$6.4 million to \$5.6 million. The \$801,255 equates to a savings of 12.5%.

From a capital projects aspect, 2013 was another busy year. Some projects and improvements of note include:

Riverfront Development:

The City completed the first phase of the \$8.6 million riverfront improvements in fiscal 2012. It included a complete renovation of the Doc Hosbach Tennis Complex, the addition of restrooms at Sunset Park, riverbank stabilization, and contribution to Henderson Water Utility for improvements to its downtown infrastructure. Construction costs were approximately \$3.4 million for the year.

Fiscal 2013 included the completion of the extension of the existing Riverwalk from Red Banks Park to 12th Street. The project included beautiful overlooks of the Ohio River, charming seating, and attractive passive lighting. The Kentucky Chapter of the American Public Works Association named the Henderson Riverwalk as the “Project of the Year”. The Riverwalk also won the “Enterprise Cities Award” from the Kentucky League of Cities for 2013. The project was recognized for its “entrepreneurship, innovation, and excellence in local government.”

Future projects for the remaining funds will be considered and then submitted to the State of Kentucky in fiscal 2014.

Streets and Sidewalk Improvements:

North Green River Road is currently under a rehabilitation to widen the road in order to make it safer. This project is being done by the City of Henderson with proceeds coming from the State of Kentucky. Preliminary engineering was done in fiscal 2013 with construction starting in fiscal 2014.

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 2013, \$129,847 was spent on flood prevention projects.

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 2013, the County contribution was \$93,820. 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 also working together on the recycling programs throughout Henderson County. The Tri-County Recycling Center handles cardboard, aluminum, and the mulching of leaves, branches, and yard clippings. This joint venture won the “Spirit of Kentucky Award” at the Governors’ Local Issues Conference. The project was noted for its “use of creative, collaborative, and cost effective thinking to plan and implement a highly successful project.” The Tri-County Recycling Alliance utilized \$1.4 million in federal, state, and local funds for the construction of the center.

The City of Henderson and Henderson County are looking to improving the funding options for the emergency dispatch operations in the 911 center. The City of Henderson, Henderson County, and Methodist Hospital have formed a committee to address the Emergency Medical Services (EMS) needs of the community. The City of Henderson and Henderson County fund the operations of EMS equally. The focus of this committee is to review and discuss improvements to the ambulance service that is provided by Methodist Hospital. In fiscal 2012, the committee decided to move an ambulance that was housed at the hospital to the Starlite Fire Station. This saved the construction of another building and better utilized extra space at the Starlite Station. For fiscal 2014, the committee is pushing for an increase in the state fee for cellular service that is collected by the State and then remitted back to the local 911 center.

The City and County are working together to develop a new park in the East-end. Property was purchased in fiscal 2013. The City has applied for a state grant to help with the development.

Capital Building Projects:

Fiscal 2013 was the first full year that the City occupied the newly constructed Fire Station #4 on South Green Street. Vectren Corporation purchased the property where the old station was located to be used for the installation of a 345,000-volt electrical transmission line. The new location on South Green is a more suitable location that still provides fire protection coverage for

the industrial area while increasing coverage for residential property in the southwest area of the community. Construction costs were approximately \$1.82 million.

Downtown Infrastructure Rehabilitation:

Henderson Water Utility (HWU) continues with its massive \$42.9 million dollar set of projects. These projects when completed will: 1) replace much of the old infrastructure in a sixteen block space in the downtown area; 2) separate much of the combined wastewater and storm water system; 3) increase the amount of wastewater processed through the installation of new gravity sewer lines; and 4) increase the capacity and efficiency of the processing of wastewater at the North Wastewater Plant. These projects are part of HWU's long term control plan as mandated by the Environmental Protection Agency and the Kentucky Environmental & Public Protection Cabinet.

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

Other Developments:

During fiscal 2013, the City successfully completed a ninth year of the World Changers program, in conjunction with the North American Mission Board, which provided exterior renovations to 20 homes in the community.

Two new homes were constructed with CDBG and private funds. CDBG funds were also provided to the Shelter for Women and Children and police public services for enhanced patrols.

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 2014 budget includes \$4.6 million in capital projects which includes \$431,000 in rolling stock replacement.

During the last fiscal year, HMP&L spent \$906,036 in capital improvements and replacements in the existing system and \$3,070,255 in capital improvements and replacements of Station Two.

As with many other metropolitan areas, the economic dependency and interrelationship of the entire region is important as evidenced by the number of nonresident workers who commute

daily to work in Henderson County and the equivalent number of Henderson County residents who commute to work outside of the county. Consequently, economic activity in the entire Kentucky, Indiana, and Illinois tri-state area – no matter where it occurs - is of benefit to the Henderson local economy.

With all of the award-winning downtown improvements, the City/County collaborations, and East end redevelopment, it is a very exciting time for the community. The citizens, businesses, and employees of the City of Henderson have managed to endure a very trying time that not only has affected the local economy but one that has tested the global economy.

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 fiscal 2013 budget was adopted using \$787,000 of unassigned fund balance. However, these funds were not needed. The unassigned fund balance actually increased by \$435,140. The reserve policy also designates that 20% of annual surpluses be set aside for short-term payments on large vehicles and equipment; 40% of annual surpluses be set aside for long-term payments on major building projects or improvements; and the remaining 40% be placed in the unassigned fund balance.

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

The second 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, 2012. This was the fourteenth 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, 2012 and ending June 30, 2013. To qualify for the Distinguished Budget Presentation Award, the government's budget document had to be judged proficient as a policy document, a financial plan, an operations guide, and a communications device. The preparation of this report would not have been possible without the skill, effort, and dedication of the entire staff of the Finance and Administration Department. 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

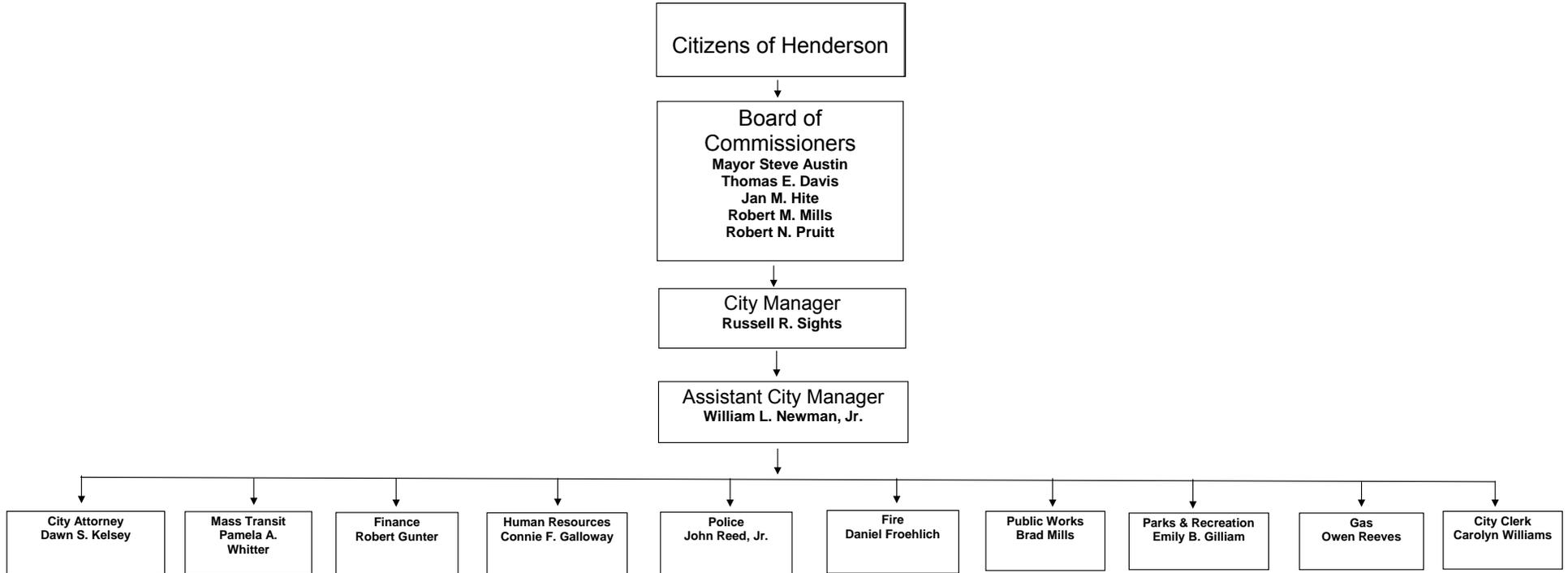
**City of Henderson
Kentucky**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2012

Executive Director/CEO

**CITY OF HENDERSON, KENTUCKY
Organizational Chart**



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

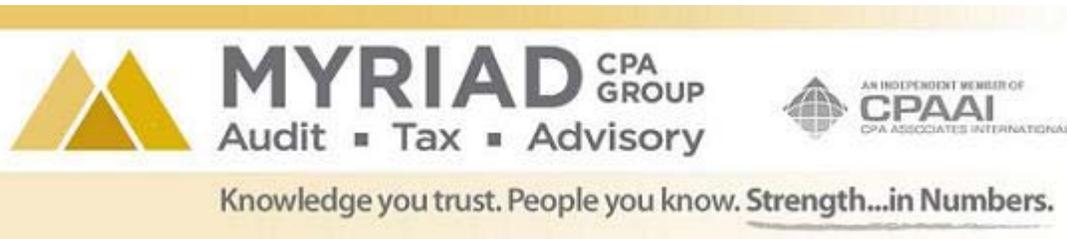
Elected Officials

Mayor	Steve Austin
Commissioner	Thomas E. Davis
Commissioner	Jan M. Hite
Commissioner	Robert M. Mills
Commissioner	Robert N. Pruitt

Appointed Officials

City Manager	Russell R. Sights
Assistant City Manager	William L. Newman, Jr.
City Attorney	Dawn S. Kelsey
City Clerk	Carolyn Williams
Finance Director	Robert Gunter
Fire Chief	Daniel Froehlich
Gas System Director	Owen Reeves
Human Resources Director	Connie F. Galloway
Mass Transit Director	Pamela A. Whitter
Parks & Recreation Director	Emily B. Gilliam
Police Chief	John Reed, Jr.
Public Works Director	Brad Mills

FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

To the Honorable Steve Austin, Mayor
and the Board of Commissioners of the City
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 City of Henderson, Kentucky, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements.

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. 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, 2013, and the respective changes in financial position

and, where applicable, cash flows thereof or 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 budgetary comparison information on pages 15 to 29 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.



Henderson, Kentucky
November 11, 2013

**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, 2013. 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 \$37.4 million at the close of fiscal 2013. Of this amount, \$10.8 million (unrestricted net position) may be used to meet the City's ongoing obligations.
- City governmental funds reported combined ending fund balances of \$39.5 million. Of this total, \$5.7 million is unassigned.
- In the City's business-type activities, income from operations increased from \$586,689 in fiscal 2012 to \$1,431,954 in fiscal 2013.
- The City's General Fund ended the year with a fund balance of \$9,462,886, an increase of \$1,852,812 or 24.4% from fiscal year 2012's balance of \$7,610,074.
- In the past four years, the General Fund's fund balance has increased 79.3% from \$5.3 million in 2009 to \$9.5 million in 2013.

Overview of Financial Statements

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

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

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

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

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

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

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

The government-wide financial statements can be found on pages 30-31 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 eleven (11) individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General Fund, Debt Service Fund, and Capital Projects Fund, which are considered to be major funds. Information from the other eight (8) 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 fund financial statements can be found on pages 32-36 of this report.

Proprietary Funds. The City of Henderson maintains two different types of proprietary funds. Enterprise fund are used to report the same functions presented as business-type activities in the government-wide financial statements. The City of Henderson uses enterprises 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 internal service funds to account for the management of its self-funded health insurance. Because this service predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide 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. The internal service fund is presented in the proprietary fund financial statements.

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 fund financial statements can be found on pages 37-39 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 fund financial statements can be found on pages 40-41 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 42-85 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 86-87 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 88-100 of this report.

Government-Wide Overall Financial Analysis

As noted earlier, net position over time, may serve as a useful indicator of a government’s financial position. In the case of the City of Henderson, assets exceeded liabilities by \$37,347,993 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, 2013.

City of Henderson’s – Net Position

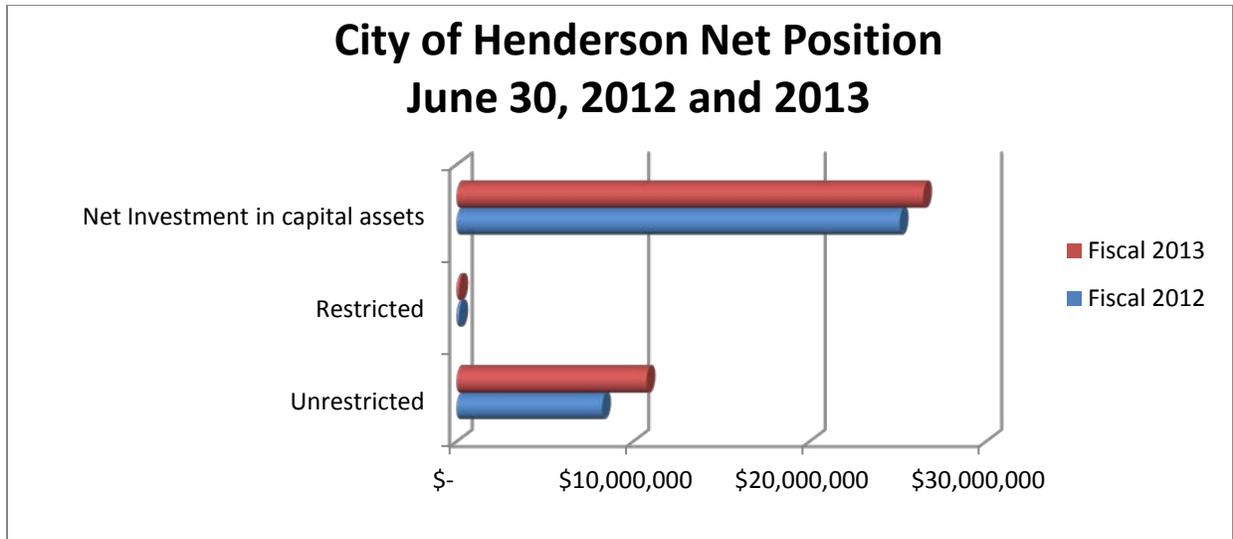
	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Current and other assets	\$ 44,241,815	\$ 34,472,216	\$ 8,448,443	\$ 7,896,194	\$ 52,690,258	\$ 42,368,410
Capital assets	30,963,595	30,146,869	3,096,911	2,911,634	34,060,506	33,058,503
Total assets	<u>\$ 75,205,410</u>	<u>\$ 64,619,085</u>	<u>\$ 11,545,354</u>	<u>\$ 10,807,828</u>	<u>\$ 86,750,764</u>	<u>\$ 75,426,913</u>
Long-term liabilities	\$ 39,203,876	\$ 30,933,773	\$ 3,450,000	\$ 3,450,000	\$ 42,653,876	\$ 34,383,773
Other liabilities	4,689,125	6,179,771	2,059,770	1,368,555	6,748,895	7,548,326
Total liabilities	<u>\$ 43,893,001</u>	<u>\$ 37,113,544</u>	<u>\$ 5,509,770</u>	<u>\$ 4,818,555</u>	<u>\$ 49,402,771</u>	<u>\$ 41,932,099</u>
Net position:						
Net investment in capital assets	\$ 23,527,075	\$ 22,194,236	\$ 2,911,911	\$ 2,911,634	\$ 26,438,986	\$ 25,105,870
Restricted for:						
Debt Service	69,605	69,424	-	-	69,605	69,424
Law enforcement	79,824	78,772	-	-	79,824	78,772
Unrestricted	7,635,905	5,163,109	3,123,673	3,077,639	10,759,578	8,240,748
Total net position	<u>\$ 31,312,409</u>	<u>\$ 27,505,541</u>	<u>\$ 6,035,584</u>	<u>\$ 5,989,273</u>	<u>\$ 37,347,993</u>	<u>\$ 33,494,814</u>

By far, the largest portion of the City of Henderson’s net position (70.8%) 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 (0.40%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$10,759,578 is unrestricted and may be used to meet the government’s ongoing obligations to its citizens and creditors.

At the end of the current fiscal year, the City of Henderson is able to report positive balances in all reported 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.



The City of Henderson’s overall net position increased \$3,853,179 from the prior fiscal year. The reasons for this overall increase 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 increased \$3,806,868 from the prior year for an ending balance of \$31,312,409. There were three key elements that attributed to the increase. Tax revenues increased by \$1,017,323 or 5.9% over the prior year. Secondly, the governmental activities expenses decreased by \$1,730,771 or 5.6%, and capital grants increased by \$673,400 or 22.6%.

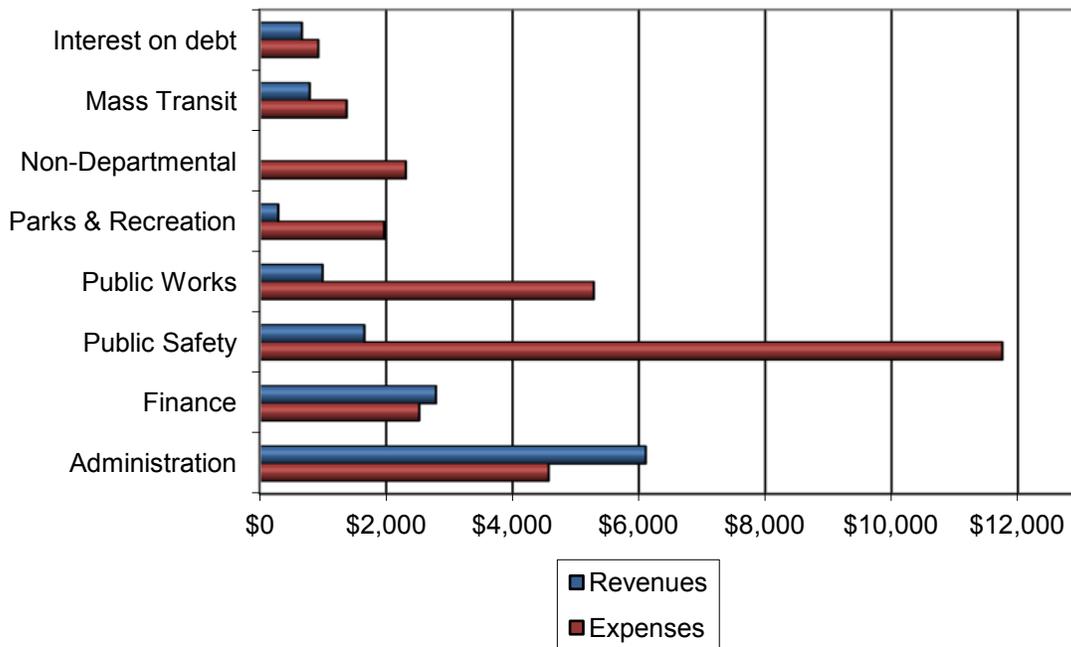
The governmental funds had an increase in fund balance of \$10,956,394 with the capital projects fund increasing \$9,172,762. Most of the increase was due to restricted assets applicable to Henderson Water Utility (HWU) for the issuance of debt on its behalf. Of the \$3,239,773 spent in Capital Projects Fund, \$2,799,131 or 86.4% was related to the riverfront. Another \$264,547 or 8.2% was distributed to Henderson Water Utility for system improvements.

The General Fund added to its reserves in the amount of \$1,852,812. Since fiscal 2009, the fund's balance has increased 79.3%. Based on the fiscal 2014 budgeted expenditures of \$26.5 million, the General Fund has approximately 4.3 months worth of reserves. The City has assigned \$1,296,300 of the fiscal 2013 fund balance with \$1,246,300 of that amount to fill the fiscal 2014 budget deficit leaving \$6,038,346 unassigned. If the City adopts a fiscal 2015 budget in the same amount as fiscal 2014, it would equate to 3.7 months worth of reserves.

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

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Revenues:						
Program revenues:						
Charges for services	\$ 6,218,137	\$ 6,504,842	\$19,758,282	\$17,989,009	\$25,976,419	\$24,493,851
Operating grants	3,427,690	3,685,996	93,820	91,533	3,521,510	3,777,529
Capital grants	3,647,262	2,973,862	-	-	3,647,262	2,973,862
General revenues:						
Taxes	18,152,109	17,134,786	-	-	18,152,109	17,134,786
Investment income	32,121	66,039	14,357	84,885	46,478	150,924
Distributions from component units	1,644,724	1,644,724	-	-	1,644,724	1,644,724
Total revenues	33,122,043	32,010,249	19,866,459	18,165,427	52,988,502	50,175,676
Expenses:						
Administration	4,571,652	5,800,427	-	-	4,571,652	5,800,427
Finance	2,522,369	2,715,668	-	-	2,522,369	2,715,668
Mass transit	1,373,897	1,379,552	-	-	1,373,897	1,379,552
Parks & recreation	1,968,902	1,931,317	-	-	1,968,902	1,931,317
Public safety	11,755,095	12,380,137	-	-	11,755,095	12,380,137
Public works	5,286,706	5,359,904	-	-	5,286,706	5,359,904
Nondepartmental	2,311,163	2,128,359	-	-	2,311,163	2,128,359
Interest on long-term debt	925,391	750,582	-	-	925,391	750,582
Gas	-	-	15,508,629	14,531,170	15,508,629	14,531,170
Sanitation	-	-	2,911,519	2,962,683	2,911,519	2,962,683
Total expenses	30,715,175	32,445,946	18,420,148	17,493,853	49,135,323	49,939,799
Increase/(Decrease) before transfers	2,406,868	(435,697)	1,446,311	671,574	3,853,179	235,877
Transfers	1,400,000	1,400,000	(1,400,000)	(1,400,000)	-	-
Increase (Decrease) in net position	3,806,868	964,303	46,311	(728,426)	3,853,179	235,877
Net position, beginning	27,505,541	26,541,238	5,989,273	6,717,699	33,494,814	33,258,937
Net position, ending	\$31,312,409	\$27,505,541	\$ 6,035,584	\$ 5,989,273	\$37,347,993	\$33,494,814

Expenses and Program Revenues - Governmental Activities (Thousands)



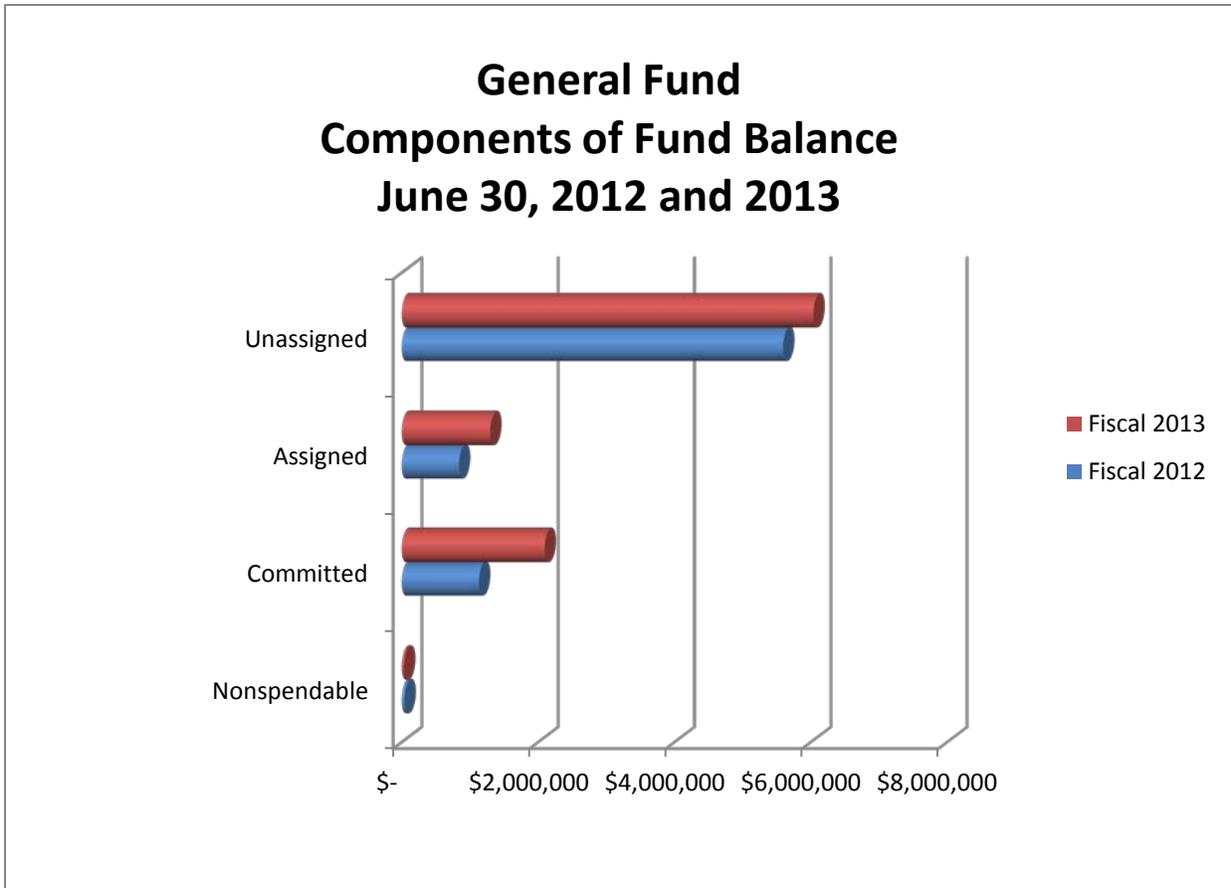
Business-type Activities. For the City of Henderson’s business-type activities, the results for the current fiscal year were positive in that overall net position increased to reach an ending balance of \$6,035,584. The total increase in net position for business-type activities (natural gas and sanitation) was \$46,311 or 0.8% from the prior fiscal year. The increase is attributable to growth in the sanitation fund rather than the natural gas fund. Refuse fees were up \$170,159 or 9.2%. The second of three \$1.00 increases in the residential sanitation rates went into effect on July 1, 2012. The rate increase accounting for approximately \$123,000 of the increase in refuse fees with the balance attributed to commercial customers. Landfill fees also had an increase over the prior fiscal with revenue up \$64,120 or 26.5%. An additional cause for the overall increase was the reduction in personnel expenses. These expenses were down \$40,533 or 3.8% with health insurance the largest contributor to the decrease. Health insurance expenses decreased \$53,674.

Financial Analysis of Governmental Funds

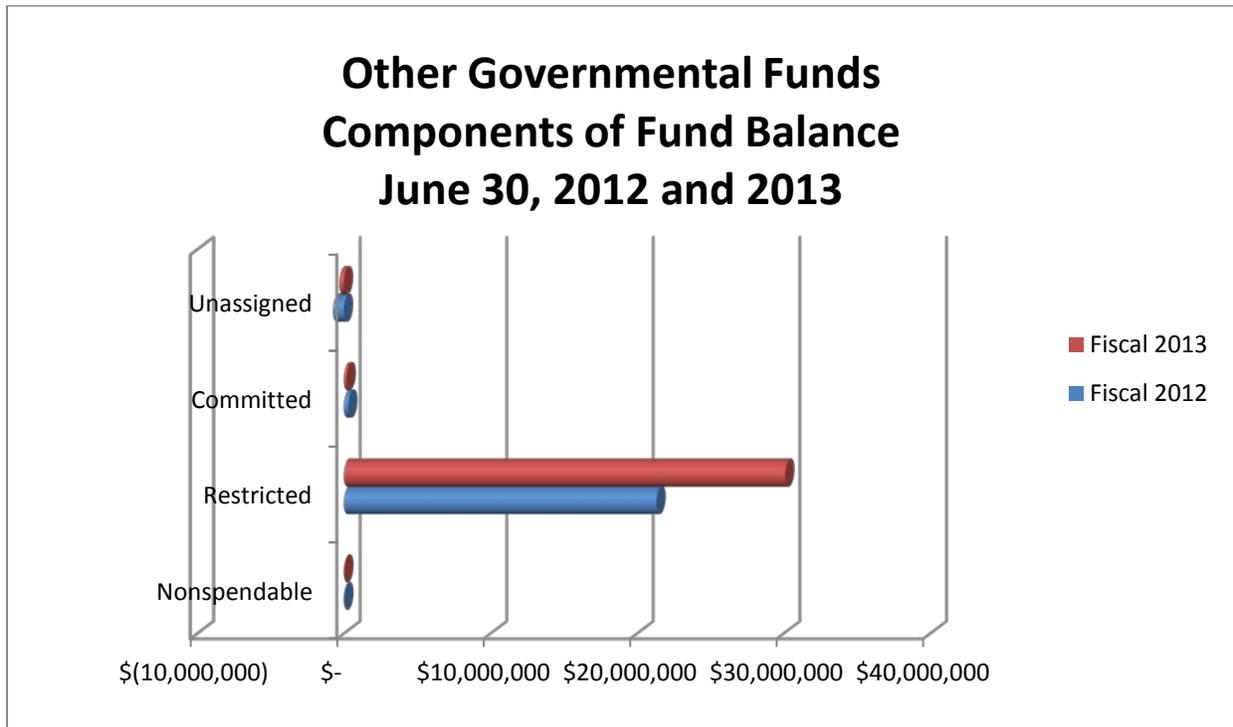
As noted earlier, the City of Henderson uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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, 2013, the City of Henderson’s governmental funds reported combined fund balance of \$39,471,512, an increase of \$10,956,394 in comparison with the prior fiscal year. Approximately 14.5% of this amount (\$5,730,881) constitutes unassigned fund balance, which is available for spending at the government’s discretion. Nearly 76.3% or \$30.1 million of the fund balance was restricted for debt, capital projects and other special purposes. There was also \$59,168 that was classified as “nonspendable” because it is for inventories. A total of \$2,277,254 was committed for long-term debt payments and another \$1,296,300 assigned to fill the fiscal 2014 budget deficit (\$1,246,300) and set aside for the future construction of a Newman Park shelter (\$50,000).



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 \$6,038,346, while total fund balance increased to \$9,462,886. 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 22.8 percent of total 2014 fiscal year general fund expenditures, while total fund balance represents approximately 35.7 percent of that same amount.



The fund balance of the City of Henderson's general fund increased by \$1,852,812 during the current fiscal year. Factors contributing to this increase include:

- Taxes increased by \$1,017,323 or 5.9% with property taxes up \$383,542. There was a small increase (\$0.021 per \$100 of fair market assessment) in the real property tax rate due to the City taking the compensating property tax rate. There was also moderate growth in the occupational (\$211,844 or 4.3%) and insurance (\$315,537 or 7.5%) tax collections.
- Personnel expenses decreased by \$1,043,001 or 6.2%. Fiscal 2013 expenses included a cost of living increase of 1% plus a maximum of 1% merit increase based on job performance. The fund benefited from a reduction in health insurance costs of \$733,367 or 21% from the prior fiscal year. The reduction in the health insurance costs are mostly attributable to switching to a new third party administrator that was able to negotiate better discounts with providers.

The Capital Projects Fund ended the fiscal year with a fund balance of \$29,692,524 which is an improvement of \$9,172,762 from the prior year. During fiscal 2013, the City of Henderson issued \$9,730,000 in general obligation bonds. The proceeds from the bond sale will ultimately be used by Henderson Municipal Water for various system improvements. The City received federal funding on the riverfront project in the amount of \$3,464,605 during the fiscal year which included the reimbursement of capital expenditures.

The Debt Service Fund, the remaining major governmental fund, had an increase in fund balance during the current year of \$181 to bring the year end fund balance to \$69,605. The increase essentially resulted from rounding the transfers from the general fund to the nearest \$1,000 minus payments on the general obligation bonds.

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

Unrestricted net position of the Natural Gas Fund at the end of the year was \$4,216,829 and for the Sanitation Fund was (\$1,093,156). The total growth (decrease) in net position for both funds was (\$75,229) and \$121,540, respectively. As noted earlier in the discussion of business-type activities, the increase for the Sanitation Fund was attributed to the second of three \$1.00 increases in the residential sanitation rates that went into effect on July 1, 2012. The rate increase accounting for approximately \$123,000 of the increase in refuse fees with the balance attributed to commercial customers.

The Sanitation Fund's statement of net position reflects the landfill closure and post closure costs of \$3,450,000. Of this total, approximately \$2.38 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 \$2.26 million in a trust account that will be used for the landfill closure. It is also estimated that approximately \$1.07 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.

Due to a more typical winter, the Gas Fund's income from operations increased \$553,003 or 73.1% from the prior fiscal year. After investment income and transfers to the general fund, the change in net position was (\$75,229). Since 2009, the cumulative change in the net position for the Gas Fund has been a decrease of \$841,124 or 11.2%. Based on the 2014 fiscal year's budgeted expenditures and net of invested in capital assets, the Gas Fund has approximately 2.7 months worth of reserves.

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 \$25,825,000. The first amendment increased the general fund budget to \$26,304,000. The fire department received a grant in the amount of \$59,000 for laptops. Another amendment was \$209,000 for police cars

that were ordered in fiscal 2012 but were not delivered until fiscal 2013. There were also major repairs to Kimmel Park play equipment and the water feature on the riverfront. The other amendments were small and varied.

The second amendment was done late in the fiscal year and increased the total general fund appropriation to \$26,418,000. The amendment included \$39,000 in camera and radio equipment for police cars and \$75,000 in additional transfers to the Public Way Fund to cover fiscal 2012 paying projects that did not get paid until early fiscal 2013.

The amended fiscal 2013 budget was approved with anticipated expenses exceeding anticipated revenue by \$1,299,500. The difference was to come from reserves. The General Fund's actual revenue and transfers were \$25,470,913 or 101.4% of the approved budget of \$25,118,500 or a difference of \$352,413. The General Fund's actual expenses and transfers were \$23,618,101 or 89.4% of approved budget of \$26,418,000 or a difference of \$2,799,899.

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	\$4,190,000	\$4,519,282	\$ 329,282
Net Profits Tax	\$ 740,000	\$ 889,492	\$ 149,492
Federal Grant	\$ 410,000	\$ 206,497	\$(203,503)
State Grant	\$ 188,500	\$ 40,659	\$(147,841)

The insurance premium tax is a 10% tax on most insurance policies in the City of Henderson. Due to recent natural disasters across the country, insurance companies are increasing premiums and the tax has followed. The net profits tax had a higher than expected increase because the City received a one-time bump from a company that had a large extraordinary item. The City has participated in the federal community oriented policing services (COPS) program and exhausted the funding earlier than budgeted. And finally, the shortfall in state grants was due to requested projects (i.e. a skate park, walking trail project) that were not awarded or spent.

<u>Expense</u>	<u>Estimated Expense</u>	<u>Actual Expense</u>	<u>Difference</u>
Health Insurance	\$3,442,500	\$2,759,125	\$ 683,375
Salaries – Operational	\$6,025,690	\$5,664,046	\$ 361,644
Police & Fire Pension	\$2,117,470	\$1,982,337	\$ 135,133
Special Projects	\$ 569,130	\$ 188,879	\$ 380,251

A review of actual expenditures compared to the appropriation in the final budget yields some rewarding numbers. The City of Henderson has been working diligently to control costs in all departments and across all categories. Health insurance costs that usually had large increases in prior years actually had an impressive improvement. As noted earlier, the City of Henderson switched third party administrator for the health insurance plan. With the City getting bigger discounts, health insurance came in 80.2% of budget. Due to open positions in several departments, operating salaries were \$361,644 below budget or 94.0% of anticipated expenses.

The police and fire pension expense also benefited from several open positions. The costs for this line item were \$135,133 below estimated or 93.6% of budget.

The special projects estimated expense item included \$175,800 for a walking trail that was not able to get state funding and the City opted not to move forward. This account also included the City's match on a state drainage grant that has progressed slower than expected but should be well under way in fiscal 2014.

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, 2013, amounts to \$34,060,506 (net of accumulated depreciation). This investment in capital assets includes land, buildings, machinery and equipment, gas system improvements, park facilities, vehicles, sculptures, and infrastructure. The total increase in capital assets for the current fiscal year was approximately 3.0%.

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

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Land	\$ 3,522,408	\$ 3,502,408	\$ 114,815	\$ 114,815	\$ 3,637,223	\$ 3,617,223
Artwork	196,500	196,500	-	-	196,500	196,500
Buildings	8,332,385	8,571,000	179,556	176,047	8,511,941	8,747,047
Improvements	5,306,194	2,778,371	-	-	5,306,194	2,778,371
Vehicles	1,173,134	944,308	276,912	193,359	1,450,046	1,137,667
Natural Gas System	-	-	2,234,807	2,293,402	2,234,807	2,293,402
Equipment	710,779	808,097	290,821	134,011	1,001,600	942,108
Infrastructure	11,722,195	13,346,185	-	-	11,722,195	13,346,185
Total	<u>\$ 30,963,595</u>	<u>\$ 30,146,869</u>	<u>\$ 3,096,911</u>	<u>\$ 2,911,634</u>	<u>\$ 34,060,506</u>	<u>\$ 33,058,503</u>

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

- Construction of an extension of the Riverwalk at a cost of approximately \$2,142,500 with funds provided by a federal grant.
- Completion of the reconstruction of Doc Hosbach Tennis Complex at a cost of approximately \$634,500 with subsidies coming from the same federal grant.
- Nearly \$276,000 spent on 10 new fully equipped police cars.

Additional information on the City of Henderson's capital assets may be found in Note 4 in the notes to the financial statements on pages 54-55 of this report.

Long-Term Debt. At the end of the current fiscal year, the City of Henderson had total bonded debt outstanding of \$37,395,000. All of the \$37,395,000 is backed by the full faith and credit of the City.

**City of Henderson’s Outstanding Debt
(net of depreciation)**

	Governmental Activities		Business-Type Activities		Total	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
General Obligations						
Bonds	\$ 37,395,000	\$ 29,125,000	\$ -	\$ -	\$ 37,395,000	\$ 29,125,000

Debt Description

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

Henderson Water Utility Downtown Project - During the year ended June 30, 2011, the City issued \$10,125,000 Build America Bonds to pay a portion of the costs of acquisition, construction, and installation of additions and improvements to the City’s combined and consolidated municipal water, sanitary sewer, and storm sewer system, including the installation of new water and sanitary sewer lines and the conversion of existing sanitary sewer lines to storm sewer lines in downtown Henderson, Kentucky and to pay other allowable expenditures including issuance costs.

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

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

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

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

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

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

The City of Henderson's total debt increased by \$8,270,000, (28.4%) during the current fiscal year. The reason for the increase was the new debt issuance for the combined and consolidated municipal water, sanitary sewer and storm sewer system. The new issuance was general obligation bonds with a total face value of \$9,730,000.

The City of Henderson has maintained an Aa3 rating from Moody's Investors Service for general obligation 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 \$110,129,000, which is significantly in excess of the current outstanding general obligation debt of \$37,395,000.

Additional information on the City of Henderson's long-term debt may be found in Note 5 on pages 56-61 of this report.

Economic Factors and Next Year's Budget and Rates

The City of Henderson was able to fund the fiscal 2014 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 2013, the Board of Commissioner passed a modest increase (\$0.019 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.

For fiscal 2013, there were 246 construction permits issued with a total value of \$14,355,452. There were 10 single family units, 4 duplexes (8 units), and 10 multi-family (65 units) for a total of 83 units approved. The total value for new housing was \$4,937,500.

There were 8 new commercial developments with a total value of \$3,380,000. There were 31 permits issued for demolition of substandard residential structures.

The unemployment rate for the City of Henderson in June 2013 was 8.1% which was higher than the national rate of 7.6% but lower than the Kentucky rate of 8.4%.

Interest rates are expected to remain at record low levels throughout the 2014 fiscal year. The City of Henderson plans to issue additional general obligation bonds in the amount of \$6.0 million on behalf of Henderson Water Utility.

If suitable property is located and purchased, the City of Henderson will consider the construction of a new public works facility that will include natural gas, sanitation, and city garage operations.

With the passage of Senate Bill 2 by the Kentucky Legislature that addresses the state pension plans, the pension costs should see smaller increases or even slight decreases going forward.

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, 2013

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	Henderson Municipal Power & Light	Henderson Water Utility
ASSETS					
Cash	\$ 8,830,712	\$ 1,568,359	\$ 10,399,071	\$ 905,429	\$ 2,513,571
Investments	4,319,973	4,507,220	8,827,193	17,742,287	2,087,955
Receivables	1,103,565	1,474,762	2,578,327	5,165,823	1,419,700
Internal balances	(737,739)	737,739	-	-	-
Inventories	59,168	160,363	219,531	6,033,216	944,305
Prepaid expenses	-	-	-	57,261	33,232
Restricted assets:					
Cash	10,074,208	-	10,074,208	-	188,842
Investments	-	-	-	6,913,225	1,449,529
Receivable from HWU:					
Due in one year	952,280	-	952,280	-	-
Due after one year	19,276,200	-	19,276,200	-	-
Land and other nondepreciable capital assets	3,718,908	114,815	3,833,723	1,235,451	862,879
Capital assets, net of accumulated depreciation	27,244,687	2,982,096	30,226,783	62,674,869	70,585,746
Other assets	363,448	-	363,448	464,081	370,934
Total assets	\$ 75,205,410	\$ 11,545,354	\$ 86,750,764	\$ 101,191,642	\$ 80,456,693
LIABILITIES					
Accounts payable and accrued liabilities	\$ 1,993,946	\$ 1,301,484	\$ 3,295,430	\$ 9,497,474	\$ 2,393,326
Deposits payable	-	278,986	278,986	633,973	73,764
Due to component units	2,695,179	-	2,695,179	-	-
Gas storage liability	-	479,300	479,300	-	-
Noncurrent liabilities:					
Due in one year	2,600,000	-	2,600,000	585,000	2,380,121
Due after one year	36,603,876	3,450,000	40,053,876	13,865,000	27,524,548
Total liabilities	43,893,001	5,509,770	49,402,771	24,581,447	32,371,759
NET POSITION					
Net investment in capital assets	23,527,075	2,911,911	26,438,986	49,460,320	42,200,708
Restricted for:					
Debt service	69,605	-	69,605	6,913,225	561,129
Law enforcement	79,824	-	79,824	-	-
Unrestricted	7,635,905	3,123,673	10,759,578	20,236,650	5,323,097
Total net position	31,312,409	6,035,584	37,347,993	76,610,195	48,084,934
Total liabilities and net position	\$ 75,205,410	\$ 11,545,354	\$ 86,750,764	\$ 101,191,642	\$ 80,456,693

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, 2013

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position				
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Component Units	
					Governmental Activities	Business-type Activities	Total	Henderson Municipal Power & Light
Primary government								
Governmental activities:								
Administration	\$ 4,571,652	\$ 2,129,121	\$ 362,017	\$ 3,617,381	\$ 1,536,867	\$ -	\$ 1,536,867	
Finance	2,522,369	2,788,812	-	-	266,443	-	266,443	
Mass transit	1,373,897	42,103	716,936	29,881	(584,977)	-	(584,977)	
Parks and recreation	1,968,902	291,143	-	-	(1,677,759)	-	(1,677,759)	
Police	6,332,611	856,244	502,093	-	(4,974,274)	-	(4,974,274)	
Fire	5,422,484	6,000	290,877	-	(5,125,607)	-	(5,125,607)	
Public works	5,286,706	104,714	889,817	-	(4,292,175)	-	(4,292,175)	
Nondepartmental	2,311,163	-	-	-	(2,311,163)	-	(2,311,163)	
Interest on long-term debt	925,391	-	665,950	-	(259,441)	-	(259,441)	
Total governmental activities	<u>30,715,175</u>	<u>6,218,137</u>	<u>3,427,690</u>	<u>3,647,262</u>	<u>(17,422,086)</u>	<u>-</u>	<u>(17,422,086)</u>	
Business-type activities:								
Gas	15,508,629	16,817,749	-	-	-	1,309,120	1,309,120	
Sanitation	2,911,519	2,940,533	93,820	-	-	122,834	122,834	
Total business-type activities	<u>18,420,148</u>	<u>19,758,282</u>	<u>93,820</u>	<u>-</u>	<u>-</u>	<u>1,431,954</u>	<u>1,431,954</u>	
Total primary government	<u>\$ 49,135,323</u>	<u>\$ 25,976,419</u>	<u>\$ 3,521,510</u>	<u>\$ 3,647,262</u>	<u>(17,422,086)</u>	<u>1,431,954</u>	<u>(15,990,132)</u>	
Component units								
Henderson Municipal Power & Light	\$ 68,130,994	\$ 64,041,087	\$ -	\$ -			\$ (4,089,907)	\$ -
Henderson Water Utility	<u>15,491,533</u>	<u>17,116,729</u>	<u>-</u>	<u>264,547</u>			<u>-</u>	<u>1,889,743</u>
Total component units	<u>\$ 83,622,527</u>	<u>\$ 81,157,816</u>	<u>\$ -</u>	<u>\$ 264,547</u>			<u>(4,089,907)</u>	<u>1,889,743</u>
General revenues:								
Taxes:								
Property					7,654,195	-	7,654,195	-
Payroll and net profits					5,154,559	-	5,154,559	-
Insurance					4,519,282	-	4,519,282	-
Franchise					677,113	-	677,113	-
Bank deposits					146,960	-	146,960	-
Distributions from component units					1,644,724	-	1,644,724	-
Investment income					32,121	14,357	46,478	29,702
Transfers					1,400,000	(1,400,000)	-	-
Total general revenues and transfers					<u>21,228,954</u>	<u>(1,385,643)</u>	<u>19,843,311</u>	<u>29,702</u>
Change in net position					3,806,868	46,311	3,853,179	(4,060,205)
Net position, beginning of year					<u>27,505,541</u>	<u>5,989,273</u>	<u>33,494,814</u>	<u>80,670,400</u>
Net position, end of year					<u>\$ 31,312,409</u>	<u>\$ 6,035,584</u>	<u>\$ 37,347,993</u>	<u>\$ 76,610,195</u>
								<u>\$ 48,084,934</u>

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

**City of Henderson, Kentucky
Balance Sheet
Governmental Funds
June 30, 2013**

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash	\$ 8,504,913	\$ -	\$ 3,022	\$ 2,218	\$ 8,510,153
Investments	4,319,973	-	-	-	4,319,973
Receivables	458,238	-	239,590	370,750	1,068,578
Due from other funds	635,858	-	-	-	635,858
Inventories	32,760	-	-	26,408	59,168
Restricted assets:					
Cash	-	69,605	9,848,183	156,420	10,074,208
Receivable from HWU:					
Due in one year	-	-	952,280	-	952,280
Due after one year	-	-	19,276,200	-	19,276,200
Total assets	<u>\$ 13,951,742</u>	<u>\$ 69,605</u>	<u>\$ 30,319,275</u>	<u>\$ 555,796</u>	<u>\$ 44,896,418</u>
LIABILITIES					
Accounts payable	\$ 736,094	\$ -	\$ 134,208	\$ 193,692	\$ 1,063,994
Accrued wages	253,027	-	-	39,109	292,136
Due to other funds	922,739	-	374,360	76,498	1,373,597
Due to component units	<u>2,576,996</u>	<u>-</u>	<u>118,183</u>	<u>-</u>	<u>2,695,179</u>
Total liabilities	<u>4,488,856</u>	<u>-</u>	<u>626,751</u>	<u>309,299</u>	<u>5,424,906</u>
FUND BALANCES					
Nonspendable	32,760	-	-	26,408	59,168
Restricted	-	69,605	29,958,480	79,824	30,107,909
Committed	2,095,480	-	-	181,774	2,277,254
Assigned	1,296,300	-	-	-	1,296,300
Unassigned	<u>6,038,346</u>	<u>-</u>	<u>(265,956)</u>	<u>(41,509)</u>	<u>5,730,881</u>
Total fund balances	<u>9,462,886</u>	<u>69,605</u>	<u>29,692,524</u>	<u>246,497</u>	<u>39,471,512</u>
Total liabilities and fund balances	<u>\$ 13,951,742</u>	<u>\$ 69,605</u>	<u>\$ 30,319,275</u>	<u>\$ 555,796</u>	<u>\$ 44,896,418</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, 2013

Total fund balances of governmental funds per balance sheet \$ 39,471,512

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. 30,963,595

Other assets in governmental activities, which consist of negative net pension obligations for the City's two pension plans, are not current financial resources and, therefore, are not reported in the governmental funds. 363,448

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. (282,270)

Long-term debt and other liabilities were not currently due and payable in the fiscal year ended June 30, 2013, and, therefore, were not reported in the governmental funds.

Long-term debt payable	\$ (37,395,000)	
Accrued compensated absences	(1,321,876)	
HRA Fund unfunded obligation	(487,000)	
		(39,203,876)

Total net position of governmental activities per statement of net position \$ 31,312,409

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, 2013

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES					
Taxes:					
Property	\$ 7,654,195	\$ -	\$ -	\$ -	\$ 7,654,195
Payroll and net profits	5,154,559	-	-	-	5,154,559
Insurance	4,519,282	-	-	-	4,519,282
Franchise	677,113	-	-	-	677,113
Bank deposits	146,960	-	-	-	146,960
Intergovernmental	3,319,013	665,950	3,617,381	1,927,349	9,529,693
Distributions from component units	1,644,724	-	-	-	1,644,724
Service charges and fees	529,074	-	-	850,874	1,379,948
Rents, concessions, and other services	125,723	-	-	-	125,723
Fines, finance charges, and penalties	81,595	-	-	-	81,595
Licenses and permits	81,091	-	-	-	81,091
Investment income	4,859	983	23,026	1,308	30,176
Miscellaneous	110,250	242	-	2,980	113,472
Total revenues	<u>24,048,438</u>	<u>667,175</u>	<u>3,640,407</u>	<u>2,782,511</u>	<u>31,138,531</u>
EXPENDITURES					
Current:					
Administration	2,198,994	-	147,120	246,339	2,592,453
Finance	2,503,295	-	-	-	2,503,295
Mass transit	-	-	-	1,257,386	1,257,386
Parks and recreation	1,255,537	-	-	365,041	1,620,578
Police	5,254,689	-	-	891,283	6,145,972
Fire	5,194,542	-	8,106	-	5,202,648
Public works	1,949,290	-	-	1,464,907	3,414,197
Nondepartmental	2,311,163	-	-	-	2,311,163
Debt service:					
Principal	-	1,460,000	-	-	1,460,000
Interest	-	925,391	-	-	925,391
Capital outlays	515,591	-	2,820,000	278,916	3,614,507
Capital contributions to HWU	-	-	264,547	-	264,547
Total expenditures	<u>21,183,101</u>	<u>2,385,391</u>	<u>3,239,773</u>	<u>4,503,872</u>	<u>31,312,137</u>
Excess (deficiency) of revenues over expenditures	<u>2,865,337</u>	<u>(1,718,216)</u>	<u>400,634</u>	<u>(1,721,361)</u>	<u>(173,606)</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	1,422,475	1,718,397	-	1,652,000	4,792,872
Transfers out	(2,435,000)	-	(957,872)	-	(3,392,872)
Bond issuance	-	-	9,730,000	-	9,730,000
Total other financing sources (uses)	<u>(1,012,525)</u>	<u>1,718,397</u>	<u>8,772,128</u>	<u>1,652,000</u>	<u>11,130,000</u>
Net change in fund balances	1,852,812	181	9,172,762	(69,361)	10,956,394
Fund balances, beginning of year	<u>7,610,074</u>	<u>69,424</u>	<u>20,519,762</u>	<u>315,858</u>	<u>28,515,118</u>
Fund balances, end of year	<u>\$ 9,462,886</u>	<u>\$ 69,605</u>	<u>\$ 29,692,524</u>	<u>\$ 246,497</u>	<u>\$ 39,471,512</u>

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

**City of Henderson, Kentucky
Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balances of Governmental Funds
To the Statement of Activities
For the Fiscal Year Ended June 30, 2013**

Net change in fund balances of governmental funds	\$ 10,956,394
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives and reported as depreciation expense.	
Capital outlays	3,614,507
Depreciation expense	(2,797,781)
Governmental funds report the repayment of the principal on long-term debt as an expenditure, while the statement of activities does not report such repayment as an expense.	
Principal paid on long-term debt	1,460,000
Governmental funds report the issuance of long-term debt as other financing sources, while the statement of activities does not report such issuance as revenues.	
Bond issuance	(9,730,000)
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.	
Decrease in accrued compensated absences	2,897
Increase in negative net civil service pension obligation	86,679
Increase in negative net police & fire pension obligation	6,061
Increase in HRA Fund unfunded obligation	(3,000)
The Health Insurance Fund, an internal service fund, is used to charge health insurance costs to individual funds and other entities. The statement of activities includes the net income of this fund.	
Net income of Health Insurance Fund	211,111
Change in net position of governmental activities	\$ 3,806,868

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, 2013

	<u>Budget</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes:				
Property	\$ 7,477,700	\$ 7,477,700	\$ 7,654,195	\$ 176,495
Payroll and net profits	4,940,000	4,940,000	5,154,559	214,559
Insurance	4,190,000	4,190,000	4,519,282	329,282
Franchise	612,000	612,000	677,113	65,113
Bank deposits	135,000	135,000	146,960	11,960
Intergovernmental	3,758,300	3,818,300	3,319,013	(499,287)
Distributions from component units	1,644,700	1,644,700	1,644,724	24
Service charges and fees	531,600	531,600	529,074	(2,526)
Rents, concessions, and other services	130,600	130,600	125,723	(4,877)
Fines, finance charges, and penalties	63,100	63,100	81,595	18,495
Licenses and permits	80,000	80,000	81,091	1,091
Investment income	55,000	55,000	4,859	(50,141)
Miscellaneous	20,000	40,500	110,250	69,750
Total revenues	<u>23,638,000</u>	<u>23,718,500</u>	<u>24,048,438</u>	<u>329,938</u>
EXPENDITURES				
Current:				
Administration	2,357,510	2,407,510	2,198,994	208,516
Finance	2,700,090	2,700,090	2,503,295	196,795
Parks and recreation	1,342,910	1,428,410	1,255,537	172,873
Police	6,020,830	6,031,850	5,254,689	777,161
Fire	5,260,990	5,276,990	5,194,542	82,448
Public works	2,122,290	2,122,290	1,949,290	173,000
Nondepartmental	2,921,300	2,969,800	2,311,163	658,637
Capital outlays	486,080	777,060	515,591	261,469
Total expenditures	<u>23,212,000</u>	<u>23,714,000</u>	<u>21,183,101</u>	<u>2,530,899</u>
Excess (deficiency) of revenues over expenditures	<u>426,000</u>	<u>4,500</u>	<u>2,865,337</u>	<u>2,860,837</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	1,400,000	1,400,000	1,422,475	22,475
Transfers out	<u>(2,613,000)</u>	<u>(2,704,000)</u>	<u>(2,435,000)</u>	<u>269,000</u>
Total other financing sources (uses)	<u>(1,213,000)</u>	<u>(1,304,000)</u>	<u>(1,012,525)</u>	<u>291,475</u>
Net change in fund balance	(787,000)	(1,299,500)	1,852,812	3,152,312
Fund balance, beginning of year	<u>7,610,074</u>	<u>7,610,074</u>	<u>7,610,074</u>	<u>-</u>
Fund balance, end of year	<u>\$ 6,823,074</u>	<u>\$ 6,310,574</u>	<u>\$ 9,462,886</u>	<u>\$ 3,152,312</u>

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

**City of Henderson, Kentucky
Statement of Net Position
Proprietary Funds
June 30, 2013**

	Business-type Activities Enterprise Funds			Governmental Activities- Internal Service Fund
	Gas Fund	Sanitation Fund	Total Enterprise Funds	Health Insurance Fund
ASSETS				
Current assets:				
Cash	\$ 1,448,006	\$ 120,353	\$ 1,568,359	\$ 320,559
Investments	2,254,949	-	2,254,949	-
Receivables	1,278,876	195,886	1,474,762	34,987
Due from other funds	872,175	50,564	922,739	-
Inventories	160,363	-	160,363	-
Total current assets	<u>6,014,369</u>	<u>366,803</u>	<u>6,381,172</u>	<u>355,546</u>
Noncurrent assets:				
Investments, designated for landfill closure costs	-	2,252,271	2,252,271	-
Land	-	114,815	114,815	-
Capital assets, net of accumulated depreciation	2,422,280	559,816	2,982,096	-
Total noncurrent assets	<u>2,422,280</u>	<u>2,926,902</u>	<u>5,349,182</u>	<u>-</u>
Total assets	<u>\$ 8,436,649</u>	<u>\$ 3,293,705</u>	<u>\$ 11,730,354</u>	<u>\$ 355,546</u>
LIABILITIES				
Current liabilities:				
Accounts payable	\$ 1,013,215	\$ 247,695	\$ 1,260,910	\$ 637,816
Deposits payable	278,986	-	278,986	-
Accrued wages	26,039	14,535	40,574	-
Due to other funds	-	185,000	185,000	-
Gas storage liability	479,300	-	479,300	-
Total current liabilities	<u>1,797,540</u>	<u>447,230</u>	<u>2,244,770</u>	<u>637,816</u>
Noncurrent liabilities:				
Estimated landfill closure costs	-	3,450,000	3,450,000	-
Total noncurrent liabilities	<u>-</u>	<u>3,450,000</u>	<u>3,450,000</u>	<u>-</u>
Total liabilities	<u>1,797,540</u>	<u>3,897,230</u>	<u>5,694,770</u>	<u>637,816</u>
NET POSITION				
Net investment in capital assets	2,422,280	489,631	2,911,911	-
Unrestricted	4,216,829	(1,093,156)	3,123,673	(282,270)
Total net position	<u>6,639,109</u>	<u>(603,525)</u>	<u>6,035,584</u>	<u>(282,270)</u>
Total liabilities and net position	<u>\$ 8,436,649</u>	<u>\$ 3,293,705</u>	<u>\$ 11,730,354</u>	<u>\$ 355,546</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, 2013

	Business-type Activities			Governmental
	Enterprise Funds			Activities- Internal Service Fund
	Gas Fund	Sanitation Fund	Total Enterprise Funds	Health Insurance Fund
OPERATING REVENUES				
Gas sales	\$ 16,657,230	\$ -	\$ 16,657,230	\$ -
Sanitation fees	-	2,978,059	2,978,059	-
Other income	160,519	56,294	216,813	-
Health insurance premiums:				
City of Henderson	-	-	-	3,853,867
Henderson Municipal Power & Light	-	-	-	511,982
Henderson Water Utility	-	-	-	1,064,867
Other	-	-	-	404,718
Total operating revenues	<u>16,817,749</u>	<u>3,034,353</u>	<u>19,852,102</u>	<u>5,835,434</u>
OPERATING EXPENSES				
Gas administration	1,417,701	-	1,417,701	-
Gas distribution	13,873,190	-	13,873,190	-
Sanitation expenses	-	2,808,015	2,808,015	-
Depreciation	217,738	103,504	321,242	-
HRA Fund contributions	-	-	-	429,000
Health insurance administration	-	-	-	614,481
Health insurance claims	-	-	-	4,582,787
Total operating expenses	<u>15,508,629</u>	<u>2,911,519</u>	<u>18,420,148</u>	<u>5,626,268</u>
Income from operations	1,309,120	122,834	1,431,954	209,166
NONOPERATING REVENUES				
Investment income (expense)	<u>15,651</u>	<u>(1,294)</u>	<u>14,357</u>	<u>1,945</u>
Income before transfers	1,324,771	121,540	1,446,311	211,111
Transfers out to General Fund	<u>(1,400,000)</u>	<u>-</u>	<u>(1,400,000)</u>	<u>-</u>
Change in net position	(75,229)	121,540	46,311	211,111
Net position, beginning of year	<u>6,714,338</u>	<u>(725,065)</u>	<u>5,989,273</u>	<u>(493,381)</u>
Net position, end of year	<u>\$ 6,639,109</u>	<u>\$ (603,525)</u>	<u>\$ 6,035,584</u>	<u>\$ (282,270)</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, 2013

	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	\$ 16,068,235	\$ 2,966,595	\$ 19,034,830	\$ 5,800,492
Payments for goods and services	(13,045,301)	(1,737,082)	(14,782,383)	(589,377)
Payments for employees	(1,618,166)	(1,017,497)	(2,635,663)	-
Payments for HRA Fund contributions	-	-	-	(429,000)
Payments for health insurance claims	-	-	-	(4,721,111)
Net cash provided (used) by operating activities	<u>1,404,768</u>	<u>212,016</u>	<u>1,616,784</u>	<u>61,004</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers to General Fund	(1,400,000)	-	(1,400,000)	-
Net cash provided (used) by noncapital financing activities	<u>(1,400,000)</u>	<u>-</u>	<u>(1,400,000)</u>	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Purchases of capital assets	(154,699)	(351,820)	(506,519)	-
Loan from General Fund	-	222,000	222,000	-
Loan repayments to General Fund	-	(37,000)	(37,000)	-
Net cash provided (used) by capital and related financing activities	<u>(154,699)</u>	<u>(166,820)</u>	<u>(321,519)</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from sales and maturities of investments	609,705	1,708,354	2,318,059	-
Purchases of investments	(643,403)	(1,733,280)	(2,376,683)	-
Investment fees paid	(1,356)	(1,360)	(2,716)	-
Interest received	40,147	26,777	66,924	1,945
Net cash provided (used) by investing activities	<u>5,093</u>	<u>491</u>	<u>5,584</u>	<u>1,945</u>
Net increase (decrease) in cash	(144,838)	45,687	(99,151)	62,949
Cash, beginning of year	<u>1,592,844</u>	<u>74,666</u>	<u>1,667,510</u>	<u>257,610</u>
Cash, end of year	<u>\$ 1,448,006</u>	<u>\$ 120,353</u>	<u>\$ 1,568,359</u>	<u>\$ 320,559</u>
Reconciliation of income from operations to net cash provided (used) by operating activities				
Income from operations	\$ 1,309,120	\$ 122,834	\$ 1,431,954	\$ 209,166
Reconciling items:				
Depreciation expense	217,738	103,504	321,242	-
Receivables (increase) decrease	(408,036)	(59,514)	(467,550)	(34,942)
Due from other funds (increase) decrease	(349,029)	(8,244)	(357,273)	-
Inventories (increase) decrease	(2,804)	-	(2,804)	-
Prepaid insurance (increase) decrease	-	-	-	25,104
Accounts and deposits payable increase (decrease)	382,620	53,174	435,794	(138,324)
Accrued wages increase (decrease)	(841)	262	(579)	-
Gas storage liability increase (decrease)	256,000	-	256,000	-
Net cash provided (used) by operating activities	<u>\$ 1,404,768</u>	<u>\$ 212,016</u>	<u>\$ 1,616,784</u>	<u>\$ 61,004</u>
Noncash investing activities:				
Decrease in fair value of investments	<u>\$ 24,109</u>	<u>\$ 31,106</u>	<u>\$ 55,215</u>	<u>\$ -</u>

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

**City of Henderson, Kentucky
Statement of Net Position
Fiduciary Funds
June 30, 2013**

	Pension Trust Funds
ASSETS	
Cash	\$ 150,695
	150,695
LIABILITIES	
Accounts payable	18,368
	18,368
NET POSITION	
Held in trust for pension benefits	(13,539)
Held in trust for health care benefits	145,866
	132,327
Total net position	\$ 132,327

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

City of Henderson, Kentucky
Statement of Changes in Net Position
Fiduciary Funds
For the Fiscal Year Ended June 30, 2013

	Pension Trust Funds
ADDITIONS	
Contributions:	
Employer	\$ 1,061,154
Employee	2,154
Total contributions	1,063,308
Interest income	422
Miscellaneous	624
Total additions	1,064,354
 DEDUCTIONS	
Benefits paid	1,034,982
Professional services	5,254
Total deductions	1,040,236
Change in net position	24,118
Net position, beginning of year	108,209
Net position, end of year	\$ 132,327

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

2) Proprietary Funds

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

Enterprise Funds

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

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; cash and a receivable of the Capital Projects Fund, which funds came from the issuance of general obligations bonds of the City, which were loaned or to be loaned to Henderson Water Utility for capital projects; and cash of certain nonmajor governmental funds 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:

Item	Governmental Activities	Business-type Activities
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 statement only to the extent that they are due for payment during the current year. Capital leases and long-term loans are recognized as a liability in the fund financial statements when due.

N. Net 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, 2013, 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	\$1,256,016	\$ -	\$1,143,132	\$ 112,884
U.S. Government Money Market	2,117,793	2,117,793	-	-
Bank Certificates of Deposit	5,453,384	1,559,218	2,939,597	954,569
Total	<u>\$8,827,193</u>	<u>\$3,677,011</u>	<u>\$4,082,729</u>	<u>\$1,067,453</u>

Investments by Funds:

General Fund	\$4,319,973
Gas Fund	2,254,949
Sanitation Fund	2,252,271
Total per Statement of Net Position	<u>\$8,827,193</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 12.95% 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, 2013, 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	\$ 635,858	\$ (922,739)	\$ (286,881)
Capital Projects Fund	-	(374,360)	(374,360)
Nonmajor Governmental Funds	-	(76,498)	(76,498)
Total Governmental Activities	<u>\$ 635,858</u>	<u>\$ (1,373,597)</u>	<u>\$ (737,739)</u>
<u>Business-type Activities:</u>			
Gas Fund	\$ 872,175	\$ -	\$ 872,175
Sanitation Fund	50,564	(185,000)	(134,436)
Total Business-type Activities	<u>\$ 922,739</u>	<u>\$ (185,000)</u>	<u>\$ 737,739</u>
 Total all funds	 <u>\$ 1,558,597</u>	 <u>\$ (1,558,597)</u>	

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

As of June 30, 2013, interfund transfers consist of the following:

	<u>Transfers In</u>	<u>Transfers Out</u>		
		General Fund	Capital Projects Fund	Gas Fund
	Totals			
General Fund	\$ 1,422,475	\$ -	\$ (22,475)	\$ (1,400,000)
Debt Service Fund	1,718,397	(783,000)	(935,397)	-
Nonmajor Governmental Funds	1,652,000	(1,652,000)	-	-
Totals	<u>\$ 4,792,872</u>	<u>\$ (2,435,000)</u>	<u>\$ (957,872)</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, 2013 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	\$ 3,502,408	\$ 20,000	\$ -	\$ 3,522,408
Artwork	196,500	-	-	196,500
Total	<u>3,698,908</u>	<u>20,000</u>	<u>-</u>	<u>3,718,908</u>
<u>Capital assets being depreciated:</u>				
Buildings	11,693,048	-	-	11,693,048
Improvements	5,612,862	2,815,366	-	8,428,228
Vehicles, machinery, and equipment	11,190,771	779,141	(274,806)	11,695,106
Infrastructure	64,959,614	-	-	64,959,614
Total	<u>93,456,295</u>	<u>3,594,507</u>	<u>(274,806)</u>	<u>96,775,996</u>
<u>Less accumulated depreciation for:</u>				
Buildings	(3,122,048)	(238,615)	-	(3,360,663)
Improvements	(2,834,491)	(287,543)	-	(3,122,034)
Vehicles, machinery, and equipment	(9,438,366)	(647,633)	274,806	(9,811,193)
Infrastructure	(51,613,429)	(1,623,990)	-	(53,237,419)
Total	<u>(67,008,334)</u>	<u>(2,797,781)</u>	<u>274,806</u>	<u>(69,531,309)</u>
Total governmental activities, net	<u>\$ 30,146,869</u>	<u>\$ 816,726</u>	<u>\$ -</u>	<u>\$ 30,963,595</u>
Business-type Activities:				
<u>Capital assets not being depreciated:</u>				
Land	\$ 114,815	\$ -	\$ -	\$ 114,815
<u>Capital assets being depreciated:</u>				
Buildings	561,065	25,212	-	586,277
Vehicles, machinery, and equipment	1,548,628	326,608	(337,944)	1,537,292
Gas system, vehicles, and equipment	8,537,972	154,699	(32,952)	8,659,719
Total	<u>10,647,665</u>	<u>506,519</u>	<u>(370,896)</u>	<u>10,783,288</u>
<u>Less accumulated depreciation for:</u>				
Buildings	(385,018)	(21,703)	-	(406,721)
Vehicles, machinery, and equipment	(1,413,175)	(81,801)	337,944	(1,157,032)
Gas system, vehicles, and equipment	(6,052,653)	(217,738)	32,952	(6,237,439)
Total	<u>(7,850,846)</u>	<u>(321,242)</u>	<u>370,896</u>	<u>(7,801,192)</u>
Total business-type activities, net	<u>\$ 2,911,634</u>	<u>\$ 185,277</u>	<u>\$ -</u>	<u>\$ 3,096,911</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	\$ 12,572
Finance	19,074
Mass transit	123,944
Parks and recreation	350,585
Police	192,942
Fire	219,836
Public works	<u>1,878,828</u>
Total depreciation expense, governmental activities	<u>\$ 2,797,781</u>

Business-type activities

Gas	\$ 217,738
Sanitation	<u>103,504</u>
Total depreciation expense, business-type activities	<u>\$ 321,242</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	\$ 226,918,770	\$ 3,976,291	\$ -	\$ 230,895,061
Less accumulated depreciation	<u>(161,929,900)</u>	<u>(5,054,841)</u>	-	<u>(166,984,741)</u>
Capital assets, net	<u>\$ 64,988,870</u>	<u>\$ (1,078,550)</u>	<u>\$ -</u>	<u>\$ 63,910,320</u>
Henderson Water Utility				
Utility plant and equipment	\$ 99,513,196	\$ 16,167,120	\$ (147,776)	\$ 115,532,540
Less accumulated depreciation	<u>(41,666,555)</u>	<u>(2,565,136)</u>	<u>147,776</u>	<u>(44,083,915)</u>
Capital assets, net	<u>\$ 57,846,641</u>	<u>\$ 13,601,984</u>	<u>\$ -</u>	<u>\$ 71,448,625</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, 2013:

Governmental Activities:	Balance			Balance	Amounts Due in One Year
	June 30, 2012	Additions	Reductions		
G. O. Bonds Series 2007	\$ 4,030,000	\$ -	\$ (265,000)	\$ 3,765,000	\$ 275,000
G. O. Bonds Series 2010A	9,705,000	-	(420,000)	9,285,000	425,000
G. O. Bonds Series 2010B	3,310,000	-	(275,000)	3,035,000	285,000
G.O. Bonds Series 2011A	2,085,000	-	(85,000)	2,000,000	85,000
G.O. Bonds Series 2012A	9,995,000	-	(415,000)	9,580,000	415,000
G.O. Bonds Series 2013A	-	9,730,000	-	9,730,000	410,000
Total bonds payable	29,125,000	9,730,000	(1,460,000)	37,395,000	1,895,000
Compensated absences	1,324,773	718,019	(720,916)	1,321,876	705,000
HRA Fund unfunded obligation	484,000	3,000	-	487,000	-
Total governmental activities	\$ 30,933,773	\$ 10,451,019	\$ (2,180,916)	\$ 39,203,876	\$ 2,600,000

As of June 30, 2013 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, 2013:

June 30th:	Principal	Interest	Total	Interest Rates
2014	\$ 275,000	\$ 145,050	\$ 420,050	3.65%
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 to 2023	1,425,000	319,306	1,744,306	3.80% to 4.00%
2024 to 2027	845,000	85,800	930,800	4.00%
Totals	\$ 3,765,000	\$ 1,024,445	\$ 4,789,445	

**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, 2013:

<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>
2014	\$ 425,000	\$ 386,630	\$ (135,320)	\$ 251,310	\$ 676,310	1.40%
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 to 2023	2,395,000	1,521,495	(532,523)	988,972	3,383,972	3.00% to 4.4%
2024 to 2028	2,785,000	921,232	(322,431)	598,801	3,383,801	4.70% to 5.50%
2029 to 2031	1,925,000	161,288	(56,451)	104,837	2,029,837	5.50%
Totals	<u>\$ 9,285,000</u>	<u>\$ 4,457,203</u>	<u>\$ (1,560,021)</u>	<u>\$ 2,897,182</u>	<u>\$ 12,182,182</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, 2013:

<u>June 30th:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Interest Rates</u>
2014	\$ 285,000	\$ 74,674	\$ 359,674	2.00%
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 to 2023	1,350,000	129,385	1,479,385	2.75% to 3.38%
2024	<u>205,000</u>	<u>3,587</u>	<u>208,587</u>	3.50%
Totals	<u>\$ 3,035,000</u>	<u>\$ 447,776</u>	<u>\$ 3,482,776</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, 2013:

<u>June 30th:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Interest Rates</u>
2014	\$ 85,000	\$ 61,266	\$ 146,266	1.00%
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 to 2023	480,000	242,758	722,758	2.20% to 3.00%
2024 to 2028	560,000	160,604	720,604	3.13% to 4.00%
2029 to 2032	530,000	43,400	573,400	4.00%
Totals	<u>\$ 2,000,000</u>	<u>\$ 740,123</u>	<u>\$ 2,740,123</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, 2013:

<u>June 30th:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Interest Rates</u>
2014	\$ 415,000	\$ 232,407	\$ 647,407	1.00%
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 to 2023	2,350,000	898,219	3,248,219	2.00% to 2.38%
2024 to 2028	2,655,000	661,540	3,316,540	2.5% to 3.00%
2029 to 2032	<u>2,440,000</u>	<u>92,625</u>	<u>2,532,625</u>	3.13% to 3.30%
Totals	<u>\$ 9,580,000</u>	<u>\$ 2,760,159</u>	<u>\$ 12,340,159</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, 2013:

<u>June 30th:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Interest Rates</u>
2014	\$ 410,000	\$ 202,713	\$ 612,713	0.30%
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 to 2023	2,280,000	772,925	3,052,925	2.00% to 2.00%
2024 to 2028	2,525,000	529,018	3,054,018	2.00% to 2.50%
2029 to 2033	2,850,000	199,388	3,049,388	2.50% to 2.75%
Totals	<u>\$ 9,730,000</u>	<u>\$ 2,479,594</u>	<u>\$ 12,209,594</u>	

The following is an aggregate summary of debt service requirements for the City of Henderson as of June 30, 2013:

<u>June 30th:</u>	<u>Principal</u>	<u>Interest</u>	<u>IRS Direct Pay</u>	<u>Net Interest</u>	<u>Total</u>
2014	\$ 1,895,000	\$ 1,102,740	\$ (135,320)	\$ 967,420	\$ 2,862,420
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	996,593	(126,980)	869,613	2,859,613
2018	2,050,000	948,146	(123,004)	825,142	2,875,142
2019 to 2023	10,280,000	3,884,088	(532,523)	3,351,565	13,631,565
2024 to 2028	9,575,000	2,361,781	(322,431)	2,039,350	11,614,350
2029 to 2033	7,745,000	496,701	(56,451)	440,250	8,185,250
Totals	<u>\$ 37,395,000</u>	<u>\$ 11,909,300</u>	<u>\$ (1,560,021)</u>	<u>\$ 10,349,279</u>	<u>\$ 47,744,279</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, 2013:

	<u>Balance May 31, 2012</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance May 31, 2013</u>	<u>Amounts due in One Year</u>
Revenue Bonds Series 2011A	\$11,350,000	\$ -	\$ (420,000)	\$10,930,000	\$ 435,000
Revenue Bonds Series 2011B	3,670,000	-	(150,000)	3,520,000	150,000
Total bonds payable	<u>\$15,020,000</u>	<u>\$ -</u>	<u>\$ (570,000)</u>	<u>\$14,450,000</u>	<u>\$ 585,000</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, 2013:

<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>	
2014	\$ 435,000	\$ 396,806	\$ 150,000	\$ 106,731	\$ 1,088,537
2015	445,000	385,931	150,000	104,856	1,085,787
2016	455,000	374,806	155,000	102,981	1,087,787
2017	465,000	363,431	155,000	101,044	1,084,475
2018	475,000	351,806	155,000	98,719	1,080,525
2019 to 2023	2,605,000	1,543,417	845,000	438,093	5,431,510
2024 to 2028	3,085,000	1,045,332	985,000	298,277	5,413,609
2029 to 2032	2,965,000	337,448	925,000	95,885	4,323,333
Totals	<u>\$ 10,930,000</u>	<u>\$ 4,798,977</u>	<u>\$ 3,520,000</u>	<u>\$ 1,346,586</u>	<u>\$ 20,595,563</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, 2013:

	Balance June 30, 2012	Additions	Reductions	Balance June 30, 2013	Amounts due in One Year
Series 2004A Water and Sewer	\$ 1,710,000	\$ -	\$ (550,000)	\$ 1,160,000	\$ 565,000
Series 2006A Water and Sewer	3,915,000	-	(190,000)	3,725,000	195,000
Due to City of Henderson-2010A	9,705,000	-	(420,000)	9,285,000	425,000
Due to City of Henderson-2010B	1,472,367	-	(108,887)	1,363,480	112,280
Due to City of Henderson-2012A	706,201	9,995,000	(1,121,201)	9,580,000	415,000
Kentucky Infrastructure Authority Assistance Agreement	2,394,901	-	(122,900)	2,272,001	128,115
Total	<u>19,903,469</u>	<u>9,995,000</u>	<u>(2,512,988)</u>	<u>27,385,481</u>	<u>\$ 1,840,395</u>
Less: Unamortized deferred loss on defeasance of bonds	(108,197)	-	30,633	(77,564)	
Total long-term debt	<u>\$ 19,795,272</u>	<u>\$ 9,995,000</u>	<u>\$ (2,482,355)</u>	<u>\$ 27,307,917</u>	

Principal and interest requirements to retire Henderson Water Utility's long-term obligations as of June 30, 2013 were as follows:

Fiscal year ended June 30th:	Principal	Interest	Total
2014	\$ 1,840,395	\$ 796,007	\$ 2,636,402
2015	1,894,023	750,809	2,644,832
2016	1,327,712	713,610	2,041,322
2017	1,361,275	683,484	2,044,759
2018	1,389,902	649,624	2,039,526
2019-2023	7,586,462	2,647,308	10,233,770
2024-2028	7,620,712	1,373,184	8,993,896
2029-2032	4,365,000	266,994	4,631,994
Totals	<u>\$ 27,385,481</u>	<u>\$ 7,881,020</u>	<u>\$ 35,266,501</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	\$1,160,000	Utility Revenue
Water and Sewer Refunding Revenue Bonds, Series 2006A	3.70% - 4.375%	11/1/2026	\$3,725,000	Utility Revenue
Kentucky Infrastructure Authority Assistance Agreement B94-03	4.20%	12/1/2026	\$2,272,001	Utility Revenue
Due to City of Henderson-2010A	1.40% - 5.50%	11/1/2030	\$9,285,000	Unsecured
Due to City of Henderson-2010B	2.00% - 3.50%	11/1/2023	\$1,363,480	Unsecured
Due to City of Henderson-2012A	1.00% - 3.30%	11/1/2031	\$9,580,000	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.

CITY OF HENDERSON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS

The following is a summary of future lease payments required as of June 30, 2013:

<u>For the fiscal year ending June 30</u>	<u>KADD 2005- Stormwater</u>
2014	\$ 171,600
2015	163,113
2016	169,512
2017	170,575
2018	166,525
2019 to 2023	839,575
2024 to 2028	851,375
2029 to 2030	<u>325,250</u>
Total minimum lease payments	2,857,525
Less amount representing interest*	<u>(917,525)</u>
Present value of future minimum lease payments	<u>\$ 1,940,000</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.

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 to be loaned to HWU to fund capital projects. As of June 30, 2013, the face amount along with net bond premiums totaled \$9,848,183, such amount being held in a restricted cash bank account and will be subsequently transferred to HWU after fiscal year end.

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

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, 2013, 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>
Cash	\$ -	\$ -	\$ -	\$ 9,848,183	\$ 9,848,183
Receivable from HWU:					
Due in one year	425,000	112,280	415,000	-	952,280
Due after one year	8,860,000	1,251,200	9,165,000	-	19,276,200
Total	<u>\$ 9,285,000</u>	<u>\$ 1,363,480</u>	<u>\$ 9,580,000</u>	<u>\$ 9,848,183</u>	<u>\$ 30,076,663</u>

6. CONDUIT DEBT

From time to time the City has issued Industrial Revenue Bonds to provide financial assistance to private-sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The Bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Neither the City of Henderson, nor any of its political subdivisions are obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of June 30, 2013, there were three series of Industrial Revenue Bonds outstanding, with an aggregate principal amount payable of \$104,812,500.

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

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.

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, 2013 these governmental activities liabilities included \$1,321,876 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.

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

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, 2012, from its last audited financial statements made available to the City are:

Assets	\$ 973,297,291
Costs recoverable from members	\$ 69,178,366
Liabilities	\$ 970,311,409
Net position	\$ 2,985,882

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, 2013, the estimated amount of this gas storage liability was \$479,300.

10. CONCENTRATION OF SALES

Henderson Municipal Gas

For the fiscal year ended June 30, 2013, five industrial customers accounted for \$7,276,563 in gas sales, which represents 43.3% of the operating revenues of the Gas Fund.

Henderson Municipal Power and Light

All of the sales generated by Station Two (\$25,097,121 for fiscal 2013) 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 \$11.7 million (31% of Existing System sales) for the fiscal year ended May 31, 2013.

Henderson Water Utility

For the fiscal year ended June 30, 2013, three industrial customers accounted for \$8,164,670 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, 2013, 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 \$3,450,000 at June 30, 2013, consists of \$2,380,000 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 63.3%. The estimated remaining life of the landfill is 6.9 years.

No costs were incurred towards the related liability, nor were revisions needed for the closure costs estimate because the City's consulting engineers determined that the landfill was in compliance and there was no immediate work necessary.

The estimated liability consists of the following at June 30, 2013:

	Estimated Closure Liability	Estimated Post-Closure Liability	Total
June 30, 2012	\$ 2,380,000	\$ 1,070,000	\$ 3,450,000
Costs applied	-	-	-
Revision to estimate	-	-	-
June 30, 2013	<u>\$ 2,380,000</u>	<u>\$ 1,070,000</u>	<u>\$ 3,450,000</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 \$583,000 and \$547,000, respectively, from HMPL and HWU for such services for the fiscal year ended June 30, 2013.

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, 2013.

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, 2013:

	Beginning of Fiscal Year Liability	Current Year Claims & Changes In Estimates	Claim Payments	End of Fiscal Year Liability
2003-2004	\$ 876,684	\$ 4,541,901	\$ (4,719,970)	\$ 698,615
2004-2005	\$ 698,615	\$ 5,121,768	\$ (4,994,685)	\$ 825,698
2005-2006	\$ 825,698	\$ 4,458,456	\$ (4,677,761)	\$ 606,393
2006-2007	\$ 606,393	\$ 4,470,924	\$ (4,464,673)	\$ 612,644
2007-2008	\$ 612,644	\$ 4,617,270	\$ (4,411,052)	\$ 818,862
2008-2009	\$ 818,862	\$ 4,285,935	\$ (4,258,617)	\$ 846,180
2009-2010	\$ 846,180	\$ 6,403,384	\$ (6,175,740)	\$ 1,073,824
2010-2011	\$ 1,073,824	\$ 6,176,637	\$ (6,310,101)	\$ 940,360
2011-2012	\$ 940,360	\$ 5,678,476	\$ (5,842,696)	\$ 776,140
2012-2013	\$ 776,140	\$ 4,582,787	\$ (4,721,111)	\$ 637,816

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, 2013, 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, 2013, the HRA Plan has an unfunded obligation of \$719,000, of which \$487,000 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 Plan, and the City of Henderson Police and Fire Pension Fund. The City of Henderson Civil Service Plan was authorized under City Ordinance, and the Police and Fire Pension Fund is authorized under Kentucky Revised Statutes (KRS). Due to the fact that a vast majority of City employees elected in 1987 to transfer participation from each of these plans to the County Employees Retirement System (CERS), there is only one active participant remaining in the City sponsored plans. The plans do not issue separate financial statements. Contributions to the plans are made in accordance with legal requirements and benefits and refunds are paid in accordance with the plan requirements. 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 Fund

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

B. Police and Fire Pension Fund

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

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

C. Plan Summary

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

	<u>Civil Service</u>	<u>Police and Fire</u>
Year established by governing authority	1946	1946
Determination of contribution requirements:		
Employer	5% covered payroll	7.65% covered payroll
Employee	5% covered payroll	7.65% covered payroll
Funding of administrative costs	Absorbed by general fund	Absorbed by general fund
Period required vesting	20 years	20 years
Post-retirement benefit increases	Increases must be approved by the Pension Board	Increases must be approved by the Pension Board
Eligibility for distribution	20 years credited service and 60 years of age, pre 1980 hires, age 62 post 1980 hire	20 years credited service regardless of age
Provision for:		
Disability benefits	Yes	Yes
Death benefits	Yes	Yes

**CITY OF HENDERSON, KENTUCKY
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	11	22
Total	<u>12</u>	<u>22</u>

E. Funded Status and Funding Progress

	<u>Civil Service Pension Plan</u>	<u>Police & Fire Pension Plan</u>
The funded status of the plans as of June 30, 2013, were as follows:		
Actuarial value of plan assets (a)	\$ -	\$ -
Actuarial accrued liability (AAL) (b)	\$ 1,340,932	\$ 4,408,308
Unfunded actuarial accrued liability (UAAL) (b) - (a)	\$ 1,340,932	\$ 4,408,308
Funded ratio (a) / (b)	0.00%	0.00%
Covered payroll (active plan members)	\$ 43,171	\$ -
UAAL as a percentage of covered payroll	3106.09%	Not applicable

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

CITY OF HENDERSON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS

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

The net pension obligations are liquidated primarily by the General Fund. The following is a schedule of annual pension costs and net pension obligations (NPO) for the two pension plans of the City:

1) Civil Service Pension Plan:

	<u>2011</u>	<u>2012</u>	<u>2013</u>
Actuarially determined contribution	\$ 112,188	\$ 116,436	\$ 127,470
Interest on NPO	3,866	1,727	(3,568)
Adjustment to actuarially determined contribution	<u>(6,203)</u>	<u>(2,772)</u>	<u>5,726</u>
Annual pension costs	109,851	115,391	129,628
Contributions made	<u>(152,624)</u>	<u>(221,287)</u>	<u>(216,307)</u>
Change in NPO	<u>(42,773)</u>	<u>(105,896)</u>	<u>(86,679)</u>
NPO, beginning of year	<u>77,313</u>	<u>34,540</u>	<u>(71,356)</u>
NPO, end of year	<u><u>\$ 34,540</u></u>	<u><u>\$ (71,356)</u></u>	<u><u>\$ (158,035)</u></u>

2) Police and Fire Pension Plan:

	<u>2011</u>	<u>2012</u>	<u>2013</u>
Actuarially determined contribution	\$ 405,070	\$ 384,553	\$ 401,983
Interest on NPO	(6,523)	(6,985)	(7,974)
Adjustment to actuarially determined contribution	<u>14,666</u>	<u>15,706</u>	<u>17,930</u>
Annual pension costs	413,213	393,274	411,939
Contributions made	<u>(424,775)</u>	<u>(418,000)</u>	<u>(418,000)</u>
Change in NPO	<u>(11,562)</u>	<u>(24,726)</u>	<u>(6,061)</u>
NPO, beginning of year	<u>(163,064)</u>	<u>(174,626)</u>	<u>(199,352)</u>
NPO, end of year	<u><u>\$ (174,626)</u></u>	<u><u>\$ (199,352)</u></u>	<u><u>\$ (205,413)</u></u>

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

G. 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, 2011	\$ 109,850	138.9 %	\$ 34,540
June 30, 2012	\$ 115,391	191.8 %	\$ (71,356)
June 30, 2013	\$ 129,628	166.9 %	\$ (158,035)

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, 2011	\$ 413,213	102.8 %	\$ (174,626)
June 30, 2012	\$ 393,274	106.3 %	\$ (199,352)
June 30, 2013	\$ 411,939	101.5 %	\$ (205,413)

H. Actuarial Assumptions

An actuarial study was performed on each plan of the City as of June 30, 2013. The method of valuation used for each plan was “entry age normal”. The termination rate used was determined using Scale T-3 from the Actuary’s Pension Handbook. Mortality was determined using the UP 1994 Group Annuity Mortality Table projected to 2002. The following is a summary of key assumptions used for each plan:

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

CITY OF HENDERSON, KENTUCKY

NOTES TO FINANCIAL STATEMENTS

I. Financial Information-Pension Trust Funds

Financial information for the City of Henderson's two pension trust funds and the HRA trust fund is reported below for the fiscal year ended June 30, 2013.

Combining Statement of Net Position - Pension Trust Funds
June 30, 2013

	Civil Service Pension Fund	Police & Fire Pension Fund	HRA Fund	Total
ASSETS				
Cash	\$ 277	\$ 361	\$ 150,057	\$ 150,695
Total assets	<u>277</u>	<u>361</u>	<u>150,057</u>	<u>150,695</u>
LIABILITIES				
Accounts payable	<u>8,247</u>	<u>5,930</u>	<u>4,191</u>	<u>18,368</u>
Total liabilities	<u>8,247</u>	<u>5,930</u>	<u>4,191</u>	<u>18,368</u>
NET POSITION				
Held in trust for pension benefits	(7,970)	(5,569)	-	(13,539)
Held in trust for health care benefits	<u>-</u>	<u>-</u>	<u>145,866</u>	<u>145,866</u>
Total net position	<u>\$ (7,970)</u>	<u>\$ (5,569)</u>	<u>\$ 145,866</u>	<u>\$ 132,327</u>

Combining Statement of Changes in Net Position - Pension Trust Funds
For the Fiscal Year Ended June 30, 2013

	Civil Service Pension Fund	Police & Fire Pension Fund	HRA Fund	Total
ADDITIONS				
Contributions:				
Employer	\$ 214,154	\$ 418,000	\$ 429,000	\$ 1,061,154
Employee	<u>2,154</u>	<u>-</u>	<u>-</u>	<u>2,154</u>
Total contributions	<u>216,308</u>	<u>418,000</u>	<u>429,000</u>	<u>1,063,308</u>
Interest income	<u>10</u>	<u>7</u>	<u>405</u>	<u>422</u>
Miscellaneous	<u>193</u>	<u>431</u>	<u>-</u>	<u>624</u>
Total additions	<u>216,511</u>	<u>418,438</u>	<u>429,405</u>	<u>1,064,354</u>
DEDUCTIONS				
Benefits paid	218,006	415,608	401,368	1,034,982
Professional services	<u>2,472</u>	<u>2,782</u>	<u>-</u>	<u>5,254</u>
Total deductions	<u>220,478</u>	<u>418,390</u>	<u>401,368</u>	<u>1,040,236</u>
Change in net position	(3,967)	48	28,037	24,118
Net position, beginning of year	<u>(4,003)</u>	<u>(5,617)</u>	<u>117,829</u>	<u>108,209</u>
Net position, end of year	<u>\$ (7,970)</u>	<u>\$ (5,569)</u>	<u>\$ 145,866</u>	<u>\$ 132,327</u>

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

J. County Employees Retirement System, (CERS)

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

Funding Policy

Plan members hired prior to September 1, 2008 contribute 5% of their annual creditable compensation, those hired after September 1, 2008 contribute 6%, and the City contributes 19.55% 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 37.60% 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, 2013, 2012 and 2011 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			
2013	\$ 4,321,702	\$ 539,503	\$ 713,923
2012	\$ 4,218,400	\$ 518,504	\$ 908,102
2011	\$ 3,811,690	\$ 459,118	\$ 794,962

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, 2013:

Fund Balances	General Fund	Debt Service Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable					
Inventories	\$ 32,760	\$ -	\$ -	\$ 26,408	\$ 59,168
	32,760	-	-	26,408	59,168
Restricted					
Debt service	-	69,605	-	-	69,605
HWU capital projects	-	-	29,958,480	-	29,958,480
Law enforcement	-	-	-	79,824	79,824
	-	69,605	29,958,480	79,824	30,107,909
Committed					
Major building projects	1,724,917	-	-	-	1,724,917
Major equipment buys	370,563	-	-	-	370,563
Public works	-	-	-	25,504	25,504
Mass transit	-	-	-	123,712	123,712
Law enforcement	-	-	-	32,558	32,558
	2,095,480	-	-	181,774	2,277,254
Assigned					
2014 Budget deficit	1,246,300	-	-	-	1,246,300
Newman park shelter	50,000	-	-	-	50,000
	1,296,300	-	-	-	1,296,300
Unassigned					
	6,038,346	-	(265,956)	(41,509)	5,730,881
Total fund balances	\$ 9,462,886	\$ 69,605	\$ 29,692,524	\$ 246,497	\$ 39,471,512

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 \$25,097,121 for the fiscal year ended May 31, 2013.

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 parties are currently waiting on the Court's ruling. 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 has filed an appeal in the Kentucky Court of Appeals.

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, 2013 is \$14.65 million dollars.

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

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

I. Schedules of Funding Progress

Civil Service Pension Plan

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
6/30/04	\$498,728	\$1,905,991	\$1,407,263	26.2 %	\$105,410	1,335.0 %
6/30/05	403,188	1,955,745	1,552,557	20.6 %	114,920	1,351.0 %
6/30/06	316,617	1,898,132	1,581,515	16.7 %	29,702	5,324.6 %
6/30/07	238,758	1,746,550	1,507,792	13.7 %	29,702	5,076.4 %
6/30/08	235,035	1,677,673	1,442,638	14.0 %	41,424	3,482.6 %
6/30/09	292,282	1,571,137	1,278,855	18.6 %	35,277	3,625.2 %
6/30/10	74,663	1,523,056	1,448,393	4.9 %	36,005	4,022.8 %
6/30/11	-	1,498,608	1,498,608	0.0 %	36,899	4,061.4 %
6/30/12	-	1,535,747	1,535,747	0.0 %	42,867	3,582.6 %
6/30/13	-	1,340,932	1,340,932	0.0 %	43,171	3,106.1 %

Police and Fire Pension Plan

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) -Entry age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
6/30/04	\$ 260,570	\$4,434,100	\$4,173,529	5.9 %	\$37,543	11,116.7 %
6/30/05	331,833	4,451,738	4,119,905	7.5 %	39,641	10,393.0 %
6/30/06	402,328	4,603,711	4,201,383	8.7 %	- 0 -	Not applicable
6/30/07	469,739	4,809,574	4,339,835	9.8 %	- 0 -	Not applicable
6/30/08	495,824	4,781,321	4,285,497	10.4 %	- 0 -	Not applicable
6/30/09	380,205	4,833,147	4,452,942	7.9 %	- 0 -	Not applicable
6/30/10	-	4,671,290	4,671,290	0.0 %	- 0 -	Not applicable
6/30/11	-	4,437,007	4,437,007	0.0 %	- 0 -	Not applicable
6/30/12	-	4,463,789	4,463,789	0.0 %	- 0 -	Not applicable
6/30/13	-	4,408,308	4,408,308	0.0 %	- 0 -	Not applicable

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

II. Schedules of Employer Contributions

Civil Service Pension Plan

Fiscal Year Ending	Annual Pension Costs (APC)	City Contributions	Percentage of APC Contributions	Net Pension Obligation	Annual Required Contribution (ARC)	Percentage Contributed
6/30/04	\$ 82,311	\$88,911	108.0 %	\$300,553	\$ 85,023	105.0 %
6/30/05	91,582	98,138	107.2 %	293,997	96,105	102.1 %
6/30/06	117,555	102,465	87.2 %	309,087	126,446	81.0 %
6/30/07	112,685	136,257	120.9 %	285,515	122,033	111.7 %
6/30/08	107,786	238,636	221.4 %	154,665	116,421	205.0 %
6/30/09	107,107	271,333	253.3 %	(9,561)	111,784	242.7 %
6/30/10	99,460	12,586	12.7 %	77,313	99,171	12.7 %
6/30/11	109,851	152,624	138.9 %	34,540	112,188	136.0 %
6/30/12	115,391	221,287	191.8 %	(71,356)	116,436	190.1 %
6/30/13	129,628	216,307	166.9 %	(158,035)	127,470	169.7 %

Police and Fire Pension Plan

Fiscal Year Ending	Annual Pension Costs (APC)	City Contributions	Percentage of APC Contributions	Net Pension Obligation	Annual Required Contribution (ARC)	Percentage Contributed
6/30/04	\$ 242,539	\$359,532	148.2 %	\$(551,260)	\$ 238,705	150.6 %
6/30/05	253,768	373,444	147.2 %	(670,936)	243,939	153.1 %
6/30/06	389,806	379,192	97.3 %	(660,322)	356,298	106.4 %
6/30/07	396,320	392,639	99.1 %	(656,641)	363,343	108.1 %
6/30/08	408,110	424,749	104.1 %	(673,280)	375,317	113.2 %
6/30/09	404,243	291,013	72.0 %	(560,050)	370,618	78.5 %
6/30/10	413,069	16,083	3.9 %	(163,064)	385,099	4.2 %
6/30/11	413,213	424,775	102.8 %	(174,626)	405,070	104.9 %
6/30/12	393,274	418,000	106.3 %	(199,352)	384,553	108.7 %
6/30/13	411,939	418,000	101.5 %	(205,413)	401,983	103.9 %

Nonmajor Governmental Funds

Nonmajor Governmental Funds

For fiscal 2013, the nonmajor governmental funds of the City consist of eight special revenue funds as described below. This subsection contains combining financial statements whereby the special revenue funds are combined to present total amounts for the nonmajor governmental funds. Also presented are budget and actual schedules for the special revenue funds.

Special Revenue Funds

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

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

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

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

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

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

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

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

- JAG** The Justice Assistance Grant Fund accounts for federal grant money provided for local law enforcement activities.

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

**City of Henderson, Kentucky
Combining Balance Sheet
Special Revenue Funds
June 30, 2013**

	Cemetery	PWI	HART	911	CDBG	HOME	Police Investigation	JAG	Totals
ASSETS									
Cash	\$ 60	\$ 960	\$ 314	\$ 884	\$ -	\$ -	\$ -	\$ -	\$ 2,218
Receivables	26	74,646	158,057	50,117	87,904	-	-	-	370,750
Inventories	-	-	26,408	-	-	-	-	-	26,408
Restricted assets:									
Cash	-	-	-	-	-	-	146,520	9,900	156,420
Total assets	\$ 86	\$ 75,606	\$ 184,779	\$ 51,001	\$ 87,904	\$ -	\$ 146,520	\$ 9,900	\$ 555,796
LIABILITIES									
Accounts payable	\$ 7,705	\$ 40,652	\$ 20,590	\$ 6,266	\$ 41,883	\$ -	\$ 76,596	\$ -	\$ 193,692
Accrued wages	3,413	9,450	14,069	12,177	-	-	-	-	39,109
Due to other funds	-	-	-	-	76,498	-	-	-	76,498
Total liabilities	11,118	50,102	34,659	18,443	118,381	-	76,596	-	309,299
FUND BALANCES									
Nonspendable	-	-	26,408	-	-	-	-	-	26,408
Restricted	-	-	-	-	-	-	69,924	9,900	79,824
Committed	-	25,504	123,712	32,558	-	-	-	-	181,774
Unassigned	(11,032)	-	-	-	(30,477)	-	-	-	(41,509)
Total fund balances	(11,032)	25,504	150,120	32,558	(30,477)	-	69,924	9,900	246,497
Total liabilities and fund balances	\$ 86	\$ 75,606	\$ 184,779	\$ 51,001	\$ 87,904	\$ -	\$ 146,520	\$ 9,900	\$ 555,796

City of Henderson, Kentucky
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Special Revenue Funds
For the Fiscal Year Ended June 30, 2013

	Cemetery	PWI	HART	911	CDBG	HOME	Police Investigation	JAG	Totals
REVENUES									
Intergovernmental	\$ -	\$ 876,024	\$ 746,817	\$ 74,863	\$ 215,862	\$ -	\$ 13,783	\$ -	\$ 1,927,349
Service charges and fees	233,049	-	39,571	578,254	-	-	-	-	850,874
Investment income	142	410	165	80	-	-	473	38	1,308
Miscellaneous	-	448	2,532	-	-	-	-	-	2,980
Total revenues	<u>233,191</u>	<u>876,882</u>	<u>789,085</u>	<u>653,197</u>	<u>215,862</u>	<u>-</u>	<u>14,256</u>	<u>38</u>	<u>2,782,511</u>
EXPENDITURES									
Administration	-	-	-	-	246,339	-	-	-	246,339
Mass transit	-	-	1,257,386	-	-	-	-	-	1,257,386
Parks and recreation	365,041	-	-	-	-	-	-	-	365,041
Police	-	-	-	878,041	-	-	13,242	-	891,283
Public works	-	1,464,907	-	-	-	-	-	-	1,464,907
Capital outlays	28,916	-	250,000	-	-	-	-	-	278,916
Total expenditures	<u>393,957</u>	<u>1,464,907</u>	<u>1,507,386</u>	<u>878,041</u>	<u>246,339</u>	<u>-</u>	<u>13,242</u>	<u>-</u>	<u>4,503,872</u>
Excess (deficiency) of revenues over expenditures	<u>(160,766)</u>	<u>(588,025)</u>	<u>(718,301)</u>	<u>(224,844)</u>	<u>(30,477)</u>	<u>-</u>	<u>1,014</u>	<u>38</u>	<u>(1,721,361)</u>
OTHER FINANCING SOURCES									
Transfers in from General Fund	46,000	692,000	695,000	219,000	-	-	-	-	1,652,000
Total other financing sources	<u>46,000</u>	<u>692,000</u>	<u>695,000</u>	<u>219,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,652,000</u>
Net change in fund balances	(114,766)	103,975	(23,301)	(5,844)	(30,477)	-	1,014	38	(69,361)
Fund balances, beginning of year	<u>103,734</u>	<u>(78,471)</u>	<u>173,421</u>	<u>38,402</u>	<u>-</u>	<u>-</u>	<u>68,910</u>	<u>9,862</u>	<u>315,858</u>
Fund balances, end 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>\$ 9,900</u>	<u>\$ 246,497</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, 2013

	<u>Budget</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental	\$ -	\$ -	\$ -	\$ -
Service charges and fees	197,000	197,000	233,049	36,049
Investment income	1,000	1,000	142	(858)
Miscellaneous	-	-	-	-
Total revenues	<u>198,000</u>	<u>198,000</u>	<u>233,191</u>	<u>35,191</u>
EXPENDITURES				
Administration	-	-	-	-
Mass transit	-	-	-	-
Parks and recreation	411,500	411,500	365,041	46,459
Police	-	-	-	-
Public works	-	-	-	-
Capital outlays	<u>32,500</u>	<u>32,500</u>	<u>28,916</u>	<u>3,584</u>
Total expenditures	<u>444,000</u>	<u>444,000</u>	<u>393,957</u>	<u>50,043</u>
Excess (deficiency) of revenues over expenditures	<u>(246,000)</u>	<u>(246,000)</u>	<u>(160,766)</u>	<u>85,234</u>
OTHER FINANCING SOURCES				
Transfers in from General Fund	<u>126,000</u>	<u>126,000</u>	<u>46,000</u>	<u>(80,000)</u>
Total other financing sources	<u>126,000</u>	<u>126,000</u>	<u>46,000</u>	<u>(80,000)</u>
Net change in fund balance	(120,000)	(120,000)	(114,766)	5,234
Fund balance, beginning of year	<u>103,734</u>	<u>103,734</u>	<u>103,734</u>	<u>-</u>
Fund balance, end of year	<u>\$ (16,266)</u>	<u>\$ (16,266)</u>	<u>\$ (11,032)</u>	<u>\$ 5,234</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, 2013

	<u>Budget</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental	\$ 777,700	\$ 777,700	\$ 876,024	\$ 98,324
Service charges and fees	-	-	-	-
Investment income	300	300	410	110
Miscellaneous	-	-	448	448
Total revenues	<u>778,000</u>	<u>778,000</u>	<u>876,882</u>	<u>98,882</u>
EXPENDITURES				
Administration	-	-	-	-
Mass transit	-	-	-	-
Parks and recreation	-	-	-	-
Police	-	-	-	-
Public works	1,479,000	1,554,000	1,464,907	89,093
Capital outlays	-	-	-	-
Total expenditures	<u>1,479,000</u>	<u>1,554,000</u>	<u>1,464,907</u>	<u>89,093</u>
Excess (deficiency) of revenues over expenditures	<u>(701,000)</u>	<u>(776,000)</u>	<u>(588,025)</u>	<u>187,975</u>
OTHER FINANCING SOURCES				
Transfers in from General Fund	<u>701,000</u>	<u>776,000</u>	<u>692,000</u>	<u>(84,000)</u>
Total other financing sources	<u>701,000</u>	<u>776,000</u>	<u>692,000</u>	<u>(84,000)</u>
Net change in fund balance	-	-	103,975	103,975
Fund balance, beginning of year	<u>(78,471)</u>	<u>(78,471)</u>	<u>(78,471)</u>	<u>-</u>
Fund balance, end of year	<u>\$ (78,471)</u>	<u>\$ (78,471)</u>	<u>\$ 25,504</u>	<u>\$ 103,975</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, 2013

	<u>Budget</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental	\$ 799,000	\$ 1,008,000	\$ 746,817	\$ (261,183)
Service charges and fees	40,000	40,000	39,571	(429)
Investment income	-	-	165	165
Miscellaneous	-	-	2,532	2,532
Total revenues	<u>839,000</u>	<u>1,048,000</u>	<u>789,085</u>	<u>(258,915)</u>
EXPENDITURES				
Administration	-	-	-	-
Mass transit	1,380,000	1,380,000	1,257,386	122,614
Parks and recreation	-	-	-	-
Police	-	-	-	-
Public works	-	-	-	-
Capital outlays	7,000	232,000	250,000	(18,000)
Total expenditures	<u>1,387,000</u>	<u>1,612,000</u>	<u>1,507,386</u>	<u>104,614</u>
Excess (deficiency) of revenues over expenditures	<u>(548,000)</u>	<u>(564,000)</u>	<u>(718,301)</u>	<u>(154,301)</u>
OTHER FINANCING SOURCES				
Transfers in from General Fund	548,000	564,000	695,000	131,000
Total other financing sources	<u>548,000</u>	<u>564,000</u>	<u>695,000</u>	<u>131,000</u>
Net change in fund balance	-	-	(23,301)	(23,301)
Fund balance, beginning of year	<u>173,421</u>	<u>173,421</u>	<u>173,421</u>	<u>-</u>
Fund balance, end of year	<u>\$ 173,421</u>	<u>\$ 173,421</u>	<u>\$ 150,120</u>	<u>\$ (23,301)</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, 2013

	<u>Budget</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental	\$ 129,000	\$ 129,000	\$ 74,863	\$ (54,137)
Service charges and fees	597,000	597,000	578,254	(18,746)
Investment income	-	-	80	80
Miscellaneous	-	-	-	-
Total revenues	<u>726,000</u>	<u>726,000</u>	<u>653,197</u>	<u>(72,803)</u>
EXPENDITURES				
Administration	-	-	-	-
Mass transit	-	-	-	-
Parks and recreation	-	-	-	-
Police	1,089,700	1,089,700	878,041	211,659
Public works	-	-	-	-
Capital outlays	22,300	22,300	-	22,300
Total expenditures	<u>1,112,000</u>	<u>1,112,000</u>	<u>878,041</u>	<u>233,959</u>
Excess (deficiency) of revenues over expenditures	<u>(386,000)</u>	<u>(386,000)</u>	<u>(224,844)</u>	<u>161,156</u>
OTHER FINANCING SOURCES				
Transfers in from General Fund	386,000	386,000	219,000	(167,000)
Total other financing sources	<u>386,000</u>	<u>386,000</u>	<u>219,000</u>	<u>(167,000)</u>
Net change in fund balance	-	-	(5,844)	(5,844)
Fund balance, beginning of year	<u>38,402</u>	<u>38,402</u>	<u>38,402</u>	<u>-</u>
Fund balance, end of year	<u>\$ 38,402</u>	<u>\$ 38,402</u>	<u>\$ 32,558</u>	<u>\$ (5,844)</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, 2013

	<u>Budget</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental	\$ 397,000	\$ 397,000	\$ 215,862	\$ (181,138)
Service charges and fees	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
Total revenues	<u>397,000</u>	<u>397,000</u>	<u>215,862</u>	<u>(181,138)</u>
EXPENDITURES				
Administration	397,000	397,000	246,339	150,661
Mass transit	-	-	-	-
Parks and recreation	-	-	-	-
Police	-	-	-	-
Public works	-	-	-	-
Capital outlays	-	-	-	-
Total expenditures	<u>397,000</u>	<u>397,000</u>	<u>246,339</u>	<u>150,661</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>-</u>	<u>(30,477)</u>	<u>(30,477)</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	-	-	(30,477)	(30,477)
Fund balance, beginning of year	-	-	-	-
Fund balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (30,477)</u>	<u>\$ (30,477)</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, 2013

	<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, 2013

	<u>Budget</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental	\$ 6,800	\$ 6,800	\$ 13,783	\$ 6,983
Service charges and fees	-	-	-	-
Investment income	200	200	473	273
Miscellaneous	-	-	-	-
Total revenues	<u>7,000</u>	<u>7,000</u>	<u>14,256</u>	<u>7,256</u>
EXPENDITURES				
Administration	-	-	-	-
Mass transit	-	-	-	-
Parks and recreation	-	-	-	-
Police	80,000	80,000	13,242	66,758
Public works	-	-	-	-
Capital outlays	-	-	-	-
Total expenditures	<u>80,000</u>	<u>80,000</u>	<u>13,242</u>	<u>66,758</u>
Excess (deficiency) of revenues over expenditures	<u>(73,000)</u>	<u>(73,000)</u>	<u>1,014</u>	<u>74,014</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	(73,000)	(73,000)	1,014	74,014
Fund balance, beginning of year	<u>68,910</u>	<u>68,910</u>	<u>68,910</u>	<u>-</u>
Fund balance, end of year	<u>\$ (4,090)</u>	<u>\$ (4,090)</u>	<u>\$ 69,924</u>	<u>\$ 74,014</u>

City of Henderson, Kentucky
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Justice Assistance Grant (JAG) Fund
For the Fiscal Year Ended June 30, 2013

	<u>Budget</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental	\$ -	\$ -	\$ -	\$ -
Service charges and fees	-	-	-	-
Investment income	-	-	38	38
Miscellaneous	-	-	-	-
Total revenues	<u>-</u>	<u>-</u>	<u>38</u>	<u>38</u>
EXPENDITURES				
Administration	-	-	-	-
Mass transit	-	-	-	-
Parks and recreation	-	-	-	-
Police	-	-	-	-
Public works	-	-	-	-
Capital outlays	13,000	13,000	-	13,000
Total expenditures	<u>13,000</u>	<u>13,000</u>	<u>-</u>	<u>13,000</u>
Excess (deficiency) of revenues over expenditures	<u>(13,000)</u>	<u>(13,000)</u>	<u>38</u>	<u>13,038</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	(13,000)	(13,000)	38	13,038
Fund balance, beginning of year	<u>9,862</u>	<u>9,862</u>	<u>9,862</u>	<u>-</u>
Fund balance, end of year	<u>\$ (3,138)</u>	<u>\$ (3,138)</u>	<u>\$ 9,900</u>	<u>\$ 13,038</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, 2013

	<u>Budget</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental	\$ 665,950	\$ 665,950	\$ 665,950	\$ -
Investment income	1,160	1,160	983	(177)
Miscellaneous	-	-	242	242
Total revenues	<u>667,110</u>	<u>667,110</u>	<u>667,175</u>	<u>65</u>
EXPENDITURES				
Debt service:				
Principal	1,460,000	1,460,000	1,460,000	-
Interest	926,000	926,000	925,391	609
Total expenditures	<u>2,386,000</u>	<u>2,386,000</u>	<u>2,385,391</u>	<u>609</u>
Excess (deficiency) of revenues over expenditures	<u>(1,718,890)</u>	<u>(1,718,890)</u>	<u>(1,718,216)</u>	<u>674</u>
OTHER FINANCING SOURCES				
Transfers in from General Fund	775,000	775,000	783,000	8,000
Transfers in from Capital Projects Fund	943,890	943,890	935,397	(8,493)
Total other financing sources	<u>1,718,890</u>	<u>1,718,890</u>	<u>1,718,397</u>	<u>(493)</u>
Net change in fund balance	-	-	181	181
Fund balance, beginning of year	<u>69,424</u>	<u>69,424</u>	<u>69,424</u>	<u>-</u>
Fund balance, end of year	<u>\$ 69,424</u>	<u>\$ 69,424</u>	<u>\$ 69,605</u>	<u>\$ 181</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, 2013

	<u>Budget</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental	\$ 6,520,000	\$ 6,520,000	\$ 3,617,381	\$ (2,902,619)
Investment income	-	-	23,026	23,026
Total revenues	<u>6,520,000</u>	<u>6,520,000</u>	<u>3,640,407</u>	<u>(2,879,593)</u>
EXPENDITURES				
Administration	-	-	147,120	(147,120)
Fire	-	-	8,106	(8,106)
Capital outlays	6,520,000	6,520,000	2,820,000	3,700,000
Capital contributions to HWU	-	-	264,547	(264,547)
Total expenditures	<u>6,520,000</u>	<u>6,520,000</u>	<u>3,239,773</u>	<u>3,280,227</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>-</u>	<u>400,634</u>	<u>400,634</u>
OTHER FINANCING SOURCES (USES)				
Transfers out to General Fund	-	-	(22,475)	(22,475)
Transfers out to Debt Service Fund	(944,000)	(944,000)	(935,397)	8,603
Bond issuance	9,919,600	9,919,600	9,730,000	(189,600)
Total other financing sources (uses)	<u>8,975,600</u>	<u>8,975,600</u>	<u>8,772,128</u>	<u>(203,472)</u>
Net change in fund balance	8,975,600	8,975,600	9,172,762	197,162
Fund balance, beginning of year	<u>20,519,762</u>	<u>20,519,762</u>	<u>20,519,762</u>	<u>-</u>
Fund balance, end of year	<u>\$29,495,362</u>	<u>\$29,495,362</u>	<u>\$29,692,524</u>	<u>\$ 197,162</u>

STATISTICAL SECTION

Statistical Section

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

<u>Contents</u>	<u>Page</u>
General Information	102
Financial Trends These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	105
Revenue Capacity These schedules contain information to help the reader assess the City's most significant local revenue sources	111
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.	121
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.	125
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.	128
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 is also the home of four governors and two lieutenant governors.

Location



Henderson is the county seat of Henderson County, Kentucky, and lies on the southern banks of the Ohio River, one of the nation’s major waterways, in the western Kentucky coal field region. Henderson is located 10 miles south of Evansville, Indiana, and is 140 miles north of Nashville, Tennessee, 128 miles southwest of Louisville, Kentucky and 196 miles southeast of St. Louis, Missouri. Henderson sits on a bluff; more than 70 feet above the Ohio River’s low water mark, overlooking the river. For years the local slogan has been “On the Ohio, but never in it”. Henderson covers 17.9 square miles and is 400 feet above sea level.

Industry

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

Churches and Schools

Henderson has over 63 churches representing many major religious denominations.

The county and parochial school systems provide elementary, middle, and secondary school students with a quality education. The school systems also have an excellent student-teacher ratio of 16:1. The school system has eight elementary schools, two junior high schools, one high school, and one special education center.

Henderson Community College, a part of the Kentucky Community and Technical College System, offers two year Associate of Arts and Science degrees. The College also offers many adult continuing educational programs as well as providing support to area businesses and industry through special educational workshops tailored to meet the respective businesses' needs.

Medical Facilities

Henderson is fortunate to have an excellent, 192 bed Methodist Hospital that is staffed by 24 physicians and over 1,000 employees. The facility includes a Level II Neonatal Intensive Care (NICU), birthing center, ICU, 24-hour physician covered ER, and a comprehensive rehabilitation center. Four nursing homes are located in the City as well as a state maintained county health department. Serving the medical needs of Henderson citizens are approximately 75 physicians and 15 dentists.

Recreation and Culture

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



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



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

Community activities include music, theatre, and art. Cultural activities play a major role in the lives of Hendersonians. The 1,000 seat Henderson Fine Arts Center located at the Henderson Community College provides quality entertainment with many of the top acts in the United States performing on a regular basis.



The summer is highlighted with the W.C. Handy Blues and Barbecue Festival. The Festival is held to honor the life of W.C. Handy who is known as the “Father of the Blues”. Handy lived in Henderson and it is in Henderson where he honed his musical skills. Many of the top names in jazz and blues perform at the event. The celebration is traditionally ended with a dazzling display of fireworks.

Henderson County High School participates in all major team sports offered by the Kentucky High School Athletic Association. The school is continually in contention for state titles in several sports. The recently expanded Henderson Public Library is one of the finest libraries in the area with well in excess of 112,000 volumes. The library was built in the early 1900’s by a grant provided by Andrew Carnegie. Ellis Park offers live horse racing in the summer and simulcasting nearly year round.

Government



Henderson operates under a city manager form of government. The Henderson Board of Commissioners consists of a mayor and four commissioners elected by the citizens on a non-partisan ballot. The mayor is elected for a term of four years, while the commissioners are elected for a term of two years. The mayor and commissioners have equal voting power.

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

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

	2004	2005	2006 a)	2007	2008	2009	2010	2011	2012	2013
Governmental activities										
Net investment in capital assets	\$ 5,311,939	\$ 5,648,894	\$ 28,992,905	\$ 26,557,865	\$ 26,382,562	\$ 25,443,524	\$ 22,333,017	\$ 21,669,525	\$ 22,194,236	\$ 23,527,075
Restricted	517,312	530,138	541,152	934,268	5,381	778,755	311,144	228,354	148,196	149,429
Unrestricted	2,304,101	2,908,310	2,534,369	3,675,129	3,819,538	2,489,572	4,659,177	4,643,359	5,163,109	7,635,905
Total governmental activities net position	\$ 8,133,352	\$ 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
Business-type activities										
Net investment in capital assets	\$ 2,991,253	\$ 2,901,711	\$ 3,000,351	\$ 2,901,469	\$ 2,971,746	\$ 3,068,422	\$ 3,097,074	\$ 3,045,705	\$ 2,911,634	\$ 2,911,911
Unrestricted	8,382,315	7,822,166	6,563,922	5,230,239	3,892,579	3,654,328	3,785,614	3,671,994	3,077,639	3,123,673
Total business-type activities net position	\$ 11,373,568	\$ 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
Primary government										
Net investment in capital assets	\$ 8,303,192	\$ 8,550,605	\$ 31,993,256	\$ 29,459,334	\$ 29,354,308	\$ 28,511,946	\$ 25,430,091	\$ 24,715,230	\$ 25,105,870	\$ 26,438,986
Restricted	517,312	530,138	541,152	934,268	5,381	778,755	311,144	228,354	148,196	149,429
Unrestricted	10,686,416	10,730,476	9,098,291	8,905,368	7,712,117	6,143,900	8,444,791	8,315,353	8,240,748	10,759,578
Total primary government net position	\$ 19,506,920	\$ 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

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)

	2004	2005	2006 a)	2007	2008	2009	2010	2011	2012	2013
Expenses										
Governmental activities:										
Administration	\$ 3,504,510	\$ 2,852,944	\$ 2,347,787	\$ 4,199,901	\$ 4,007,520	\$ 3,645,774	\$ 5,605,945	\$ 4,481,821	\$ 5,800,427	\$ 4,571,652
Finance	1,669,625	2,026,423	2,130,334	2,259,418	2,417,412	2,407,749	2,452,338	2,663,586	2,715,668	2,522,369
Mass transit	1,127,693	954,634	902,655	952,890	1,164,952	1,200,824	1,331,320	1,373,343	1,379,552	1,373,897
Parks and recreation	1,052,019	1,454,021	1,594,334	1,656,495	1,733,640	1,752,936	1,830,649	1,827,515	1,931,317	1,968,902
Public safety	9,309,616	10,352,496	11,334,251	11,018,065	11,179,873	11,097,829	11,631,711	12,171,884	12,380,137	11,755,095
Public works	2,388,391	3,107,277	4,916,759	5,065,764	4,946,437	5,139,345	5,134,823	5,342,349	5,359,904	5,286,706
Nondepartmental	1,308,577	1,453,683	1,363,796	1,173,052	1,392,650	1,923,248	1,881,343	2,024,182	2,128,359	2,311,163
Interest on long-term debt	239,639	230,231	220,711	269,917	281,184	297,764	306,503	439,480	750,582	925,391
Total governmental activities expenses	20,600,070	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
Business-type activities:										
Gas	19,159,759	21,517,615	28,993,461	24,583,655	30,026,696	24,380,948	19,015,757	18,002,896	14,531,170	15,508,629
Sanitation	1,960,497	1,997,939	2,375,386	2,388,064	2,361,380	2,568,844	2,607,748	2,816,642	2,962,683	2,911,519
Total business-type activities expenses	21,120,256	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
Total primary government expenses	\$ 41,720,326	\$ 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
Program Revenues										
Governmental activities:										
Charges for services										
Administration	\$ 2,873,618	\$ 1,892,931	\$ 1,799,730	\$ 1,620,290	\$ 1,663,236	\$ 1,780,138	\$ 2,269,632	\$ 2,193,280	\$ 2,378,914	\$ 2,129,121
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
Mass transit	-	34,370	35,091	38,508	45,814	35,781	48,129	43,305	49,456	42,103
Parks and recreation	217,242	306,672	306,829	301,957	310,938	312,951	331,928	362,825	280,165	291,143
Public safety	85,764	413,814	716,936	481,805	761,937	919,361	953,804	1,167,236	912,513	862,244
Public works	35,484	64,503	466,240	80,196	95,649	111,668	169,680	175,876	91,228	104,714
Operating grants and contributions	964,976	3,322,409	2,262,836	3,056,723	2,616,045	2,366,703	2,617,657	3,081,379	3,685,996	3,427,690
Capital grants and contributions	901,449	1,254,164	886,861	105,300	244,931	161,409	795,477	734,901	2,973,862	3,647,262
Total governmental activities program revenues	5,078,533	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

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

	2004	2005	2006 a)	2007	2008	2009	2010	2011	2012	2013
Business-type activities:										
Charges for services										
Gas	\$ 20,065,081	\$ 22,160,449	\$ 29,861,306	\$ 24,739,734	\$ 29,926,210	\$ 24,699,179	\$ 20,437,945	\$ 19,092,445	\$ 15,287,287	\$ 16,817,749
Sanitation	1,594,648	1,589,366	1,488,001	1,586,933	2,107,769	2,393,856	2,429,609	2,665,082	2,793,255	2,940,533
Operating grants and contributions	-	-	-	-	-	-	-	-	-	93,820
Total business-type activities	21,659,729	23,749,815	31,349,307	26,326,667	32,033,979	27,093,035	22,867,554	21,757,527	18,080,542	19,852,102
Total primary government	\$ 26,738,262	\$ 31,260,122	\$ 39,726,837	\$ 34,120,447	\$ 40,096,543	\$ 35,149,812	\$ 32,460,153	\$ 32,184,027	\$ 31,245,242	\$ 33,145,191
Net (Expense)Revenue										
Governmental activities	\$ (15,521,537)	\$ (14,921,402)	\$ (16,433,097)	\$ (18,801,722)	\$ (19,061,104)	\$ (19,408,692)	\$ (20,582,033)	\$ (19,897,660)	\$ (19,281,246)	\$ (17,422,086)
Business-type activities	539,473	234,261	(19,540)	(645,052)	(354,097)	143,243	1,244,049	937,989	586,689	1,431,954
Total primary government net expense	\$ (14,982,064)	\$ (14,687,141)	\$ (16,452,637)	\$ (19,446,774)	\$ (19,415,201)	\$ (19,265,449)	\$ (19,337,984)	\$ (18,959,671)	\$ (18,694,557)	\$ (15,990,132)
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
Property	3,983,611	4,202,727	4,355,360	4,753,013	5,250,283	5,593,273	6,571,652	6,664,192	7,177,659	7,654,195
Insurance	4,442,749	4,531,904	4,533,359	4,365,717	4,091,311	4,291,149	4,301,984	4,136,526	4,203,745	4,519,282
Other	837,737	655,649	627,676	624,842	746,004	672,452	656,896	694,413	810,567	824,073
Occupational licenses	682,582	610,539	-	-	-	-	-	-	-	-
Distributions from component units	3,500,000	3,500,000	1,128,727	1,444,724	1,444,724	1,644,734	1,644,724	1,644,724	1,644,724	1,644,724
Intergovernmental	1,263,360	-	-	-	-	-	-	-	-	-
Investment earnings	30,192	185,238	196,815	270,582	253,890	73,489	88,136	86,572	66,039	32,121
Miscellaneous	295,682	789,335	-	-	-	-	-	-	-	-
Extraordinary item	-	-	-	-	-	(554,720)	-	-	-	-
Transfers	1,937,957	1,400,000	2,400,000	1,300,000	1,400,000	1,400,000	1,193,000	1,206,000	1,400,000	1,400,000
Total governmental activities	16,973,870	15,875,392	15,240,436	17,900,558	18,101,323	17,913,062	19,173,520	19,135,560	20,245,549	21,228,954

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

	2004	2005	2006 a)	2007	2008	2009	2010	2011	2012	2013
Business-type activities:										
Investment earnings	\$ 18,876	\$ 516,048	\$ 157,936	\$ 464,487	\$ 486,714	\$ 160,214	\$ 108,889	\$ 103,022	\$ 84,885	\$ 14,357
Extraordinary item	-	-	-	-	-	954,968	-	-	-	-
Transfers	(1,937,957)	(1,400,000)	(2,400,000)	(1,300,000)	(1,400,000)	(1,400,000)	(1,193,000)	(1,206,000)	(1,400,000)	(1,400,000)
Total business-type activities	(1,919,081)	(883,952)	(2,242,064)	(835,513)	(913,286)	(284,818)	(1,084,111)	(1,102,978)	(1,315,115)	(1,385,643)
Total primary government	\$ 15,054,789	\$ 14,991,440	\$ 12,998,372	\$ 17,065,045	\$ 17,188,037	\$ 17,628,244	\$ 18,089,409	\$ 18,032,582	\$ 18,930,434	\$ 19,843,311
Change in Net Position										
Governmental activities:	\$ 1,452,333	\$ 953,990	\$ (1,192,661)	\$ (901,164)	\$ (959,781)	\$ (1,495,630)	\$ (1,408,513)	\$ (762,100)	\$ 964,303	\$ 3,806,868
Business-type activities:	(1,379,608)	(649,691)	(2,261,604)	(1,480,565)	(1,267,383)	(141,575)	159,938	(164,989)	(728,426)	46,311
Total primary government	\$ 72,725	\$ 304,299	\$ (3,454,265)	\$ (2,381,729)	\$ (2,227,164)	\$ (1,637,205)	\$ (1,248,575)	\$ (927,089)	\$ 235,877	\$ 3,853,179

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)

	2004	2005	2006 a)	2007	2008	2009	2010	2011 b)	2012	2013
General Fund										
Reserved	\$ 30,168	\$ -	\$ -	\$ 850,000	\$ 590,000	\$ 590,000	\$ 1,095,872			
Unreserved	3,821,230	3,377,314	2,648,312	3,157,175	4,019,711	4,692,077	5,932,799			
Nonspendable								\$ 1,217,335	\$ 39,087	\$ 32,760
Restricted								-	-	-
Committed								955,573	1,130,781	2,095,480
Assigned								988,500	837,000	1,296,300
Unassigned								3,836,690	5,592,998	6,038,346
Total general fund	\$ 3,851,398	\$ 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
All Other Governmental Funds										
Reserved, reported in:										
Permanent funds	\$ 517,312	\$ 530,138	\$ 541,152	\$ 567,511	\$ 602,345	\$ -	\$ -			
Capital projects fund	-	-	-	261,792	-	-	-			
Debt service fund	-	-	-	104,965	189,964	139,515	706			
Special revenue funds	-	-	-	-	-	639,240	333,266			
Unreserved, reported in:										
Capital projects fund	-	-	-	-	(786,928)	(1,956,097)	(1,729,492)			
Special revenue funds	531,591	796,618	678,094	656,430	659,060	435,242	474,272			
Nonspendable								\$ 23,120	\$ 24,852	\$ 26,408
Special revenue funds										
Restricted										
Debt service fund								924	69,424	69,605
Capital projects fund								11,702,613	21,172,367	29,958,480
Special revenue funds								227,430	78,772	79,824
Committed										
Special revenue funds								566,741	300,912	181,774
Assigned								-	-	-
Unassigned										
Capital projects fund								(380,048)	(652,605)	(265,956)
Special revenue funds								(1,800)	(78,470)	(41,509)
Total all other governmental funds	\$ 1,048,903	\$ 1,326,756	\$ 1,219,246	\$ 1,590,698	\$ 664,441	\$ (742,100)	\$ (921,248)	\$ 12,138,980	\$ 20,915,252	\$ 30,008,626

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)

	2004	2005	2006 a)	2007	2008	2009	2010	2011	2012	2013
Revenues										
Taxes	\$ 9,390,280	\$ 11,514,894	\$ 14,885,252	\$ 15,002,709	\$ 15,002,709	\$ 15,349,559	\$ 16,247,660	\$ 16,198,264	\$ 17,134,786	\$ 18,152,109
Charges for services	556,876	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
Investment income	30,192	178,720	175,858	248,288	241,715	69,672	86,892	85,107	64,712	30,176
Licenses and permits	682,582	706,375	194,993	101,080	86,230	73,827	88,624	102,046	77,643	81,091
Intergovernmental revenue	4,274,985	4,576,573	4,724,916	4,904,924	4,913,514	4,867,253	5,825,278	6,385,784	9,204,912	9,529,693
Distributions from component units	3,500,000	3,500,000	1,128,727	1,444,724	1,444,724	1,644,734	1,644,724	1,644,724	1,644,724	1,644,724
Other	375,346	178,587	370,979	268,234	317,790	262,959	506,111	252,000	275,645	320,790
Total revenues	18,810,261	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
Expenditures										
Administration	1,431,563	1,007,131	1,025,138	2,596,582	2,072,530	2,277,438	2,517,239	2,627,053	2,561,360	2,592,453
Finance	1,579,727	1,884,715	1,987,523	2,065,065	2,274,800	2,326,392	2,426,737	2,610,767	2,620,612	2,503,295
Public safety	8,934,903	9,811,606	10,685,174	10,268,009	10,630,489	10,626,785	11,192,621	11,865,141	12,124,460	11,348,620
Public works	2,308,424	2,957,253	3,122,916	3,241,802	3,006,808	3,225,161	3,207,831	3,439,486	3,476,855	3,414,197
Parks & recreation	895,704	1,326,786	1,424,947	1,473,393	1,526,873	1,555,361	1,607,810	1,616,671	1,730,432	1,620,578
Non-departmental	1,308,577	1,453,683	1,363,796	1,173,052	1,392,650	1,923,248	1,881,343	2,024,182	2,128,359	2,311,163
Mass transit	1,127,693	886,039	860,592	884,040	1,091,239	1,124,891	1,193,074	1,271,873	1,295,020	1,257,386
Capital outlay	3,397,583	1,170,700	2,001,662	3,322,931	2,044,193	1,282,849	793,698	1,562,152	4,703,361	3,614,507
Capital contributions to HWU	-	-	-	-	-	-	-	-	1,363,929	264,547
Debt service:										
Interest	239,639	230,231	220,711	269,917	281,184	297,764	306,503	439,480	750,582	925,391
Principal	593,680	300,000	423,755	2,391,669	652,137	557,508	358,303	360,000	955,000	1,460,000
Other charges	-	-	-	-	-	-	-	27,648	72,175	-
Total expenditures	21,817,493	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
Excess of revenues over (under) expenditures	(3,007,232)	290,771	(644,534)	(4,690,209)	(1,723,721)	(1,579,455)	374,446	(1,741,345)	(3,990,960)	(173,606)
Other Financing Sources (Uses)										
Transfers in	3,452,761	3,290,783	3,818,766	3,596,374	2,802,811	2,797,000	2,974,500	5,686,761	4,103,218	4,792,872
Transfers out	(1,514,805)	(1,890,783)	(1,418,766)	(2,296,374)	(1,402,811)	(1,397,000)	(1,781,500)	(4,480,761)	(2,703,218)	(3,392,872)
Insurance recovery	-	-	328,914	-	-	-	-	-	-	-
Proceeds from loans	800,000	-	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)	2,737,956	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
Extraordinary item	-	-	-	-	-	(554,720)	-	-	-	-
Net change in fund balances	\$ (269,276)	\$ 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
Debt service as a percentage of noncapital expenditures	4.5%	2.7%	3.1%	10.9%	4.1%	3.6%	2.7%	3.0%	5.9%	8.6%

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

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

Fiscal Year	Total	Real & Personal Property	Insurance Premiums	Payroll	Net Profits	Franchise	Bank Deposits
2004	\$ 9,005,832	\$ 3,983,611	\$ 4,442,749			\$ 470,138	\$ 109,334
2005	9,390,280	4,202,727	4,531,904			548,838	106,811
a) 2006	11,514,894	4,355,360	4,533,359	\$ 1,416,329	\$ 582,169	521,405	106,271
2007	14,885,252	4,753,013	4,365,717	4,172,189	969,491	511,027	113,815
2008	15,002,709	5,250,283	4,091,311	b) 4,192,856	722,255	c) 628,633	117,371
2009	15,349,559	5,593,273	4,291,149	4,017,229	775,456	555,857	116,595
2010	16,247,660	6,571,652	d) 4,301,984	3,946,880	770,248	531,854	125,042
2011	16,198,264	6,664,192	4,136,526	4,046,269	656,864	c) 561,308	133,105
2012	17,134,786	7,177,659	4,203,745	4,194,962	747,853	677,159	133,408
2013	18,152,109	7,654,195	4,519,282	4,265,067	889,492	677,113	146,960

- 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
2004	\$ 811,082	\$ 117,263	\$ 446,261	\$ 1,374,606
2005	844,235	115,836	435,962	1,396,033
2006	871,253	118,484	433,758	1,423,495
2007	912,708	109,100	464,553	1,486,361
2008	1,007,360	113,282	479,065	1,599,707
2009	1,051,673	120,011	475,900	1,647,584
2010	1,071,441	144,539	510,373	1,726,353
2011	1,079,090	125,452	543,287	1,747,829
2012	1,095,301	131,246	544,520	1,771,067
2013	1,101,286	133,508	598,793	1,833,587

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
2004	\$ 594,270,664	\$ 2,245,720	\$ 265,361,382	\$ 9,785,685	\$ 60,581,405	\$ -	\$ 811,082,046	\$ 0.00413	\$ 3,349,769
2005	620,601,136	2,473,520	272,039,540	9,772,693	60,651,490	-	844,235,399	0.00426	3,596,443
2006	647,525,285	2,660,120	276,198,707	9,374,258	64,505,692	-	871,252,678	0.00427	3,720,249
2007	674,471,421	2,558,520	290,722,270	9,133,994	64,178,212	-	912,707,993	0.00444	4,052,423
2008	725,651,226	2,618,945	338,492,540	8,937,734	68,340,708	-	1,007,359,737	0.00440	4,432,383
2009	752,841,974	2,729,830	356,084,864	8,930,363	68,914,133	-	1,051,672,898	0.00460	4,837,695
2010	771,246,458	2,901,145	364,428,870	8,842,981	75,978,542	-	1,071,440,912	0.00466	4,992,915
2011	777,522,794	2,901,145	367,906,368	8,668,612	77,908,839	-	1,079,090,080	0.00486	5,244,378
2012	784,181,028	3,014,722	379,700,845	6,779,520	78,375,555	-	1,095,300,560	0.00521	5,706,516
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

Personal

Fiscal Year	Furniture/Fixtures	Merchant's Inventory	Manufacturer's Finished Goods	Goods Stored in Warehouse	Work In Progress	Other	Total Taxable Personal Property	Total Direct Personal Tax Rate	Estimated Actual Tax Value
2004	\$ 52,752,060	\$ 45,010,218	\$ 14,941,575	\$ 151,318	\$ 29,443	\$ 4,378,296	\$ 117,262,910	\$ 0.00497	\$ 582,797
2005	50,321,823	45,058,181	17,133,371	553,833	29,443	2,738,982	115,835,633	0.00540	625,512
2006	49,849,312	49,057,365	15,398,780	559,614	3,831	3,614,793	118,483,695	0.00536	635,073
2007	51,543,336	41,904,742	11,919,031	195,469	149,888	3,387,361	109,099,827	0.00634	691,693
2008	51,130,945	46,560,846	12,511,973	1,125	-	3,076,904	113,281,793	0.00668	756,722
2009	59,221,937	40,850,867	16,689,747	106,095	-	3,142,261	120,010,907	0.00688	825,675
2010	57,986,626	57,503,339	21,538,243	1,056,284	2,457,177	3,997,125	144,538,794	0.00590	852,779
2011	56,439,817	53,952,590	11,762,126	152,327	66,739	3,078,617	125,452,216	0.00714	895,729
2012	52,850,006	46,594,388	12,820,482	13,737,384	1,385,767	3,858,178	131,246,205	0.00743	975,159
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

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: Direct						Overlapping						Total City Resident
Year	Police and Firemen's Pension	Civil Service Pension	Debt	General Fund Operations	City	County Schools	State	County	Library	Health	Extension	
2004	0.0329	0.0101	-	0.3717	0.4147	0.4450	0.1330	0.0980	0.0450	0.0260	0.0170	1.1787
2005	0.0337	0.0086	-	0.3837	0.4260	0.4500	0.1310	0.1010	0.0470	0.0260	0.0180	1.1990
2006	0.0337	0.0086	-	0.3847	0.4270	0.4620	0.1310	0.1060	0.0490	0.0260	0.0190	1.2200
2007	0.0337	0.0116	-	0.3987	0.4440	0.4650	0.1280	0.1110	0.0520	0.0260	0.0200	1.2460
2008	0.0325	0.0185	0.0384	0.3506	0.4400	0.4640	0.1240	0.1150	0.0550	0.0260	0.0210	1.2450
2009	0.0210	0.0210	0.0290	0.3890	0.4600	0.4700	0.1220	0.1180	0.0590	0.0260	0.0220	1.2770
2010	-	-	-	0.4660	0.4660	0.4770	0.1220	0.1180	0.0630	0.0260	0.0230	1.2950
2011	-	-	-	0.4860	0.4860	0.5000	0.1220	0.1180	0.0690	0.0260	0.0250	1.3460
2012	-	-	-	0.5210	0.5210	0.5170	0.1220	0.1180	0.0740	0.0260	0.0270	1.4050
2013	-	-	-	0.5420	0.5420	0.5300	0.1220	0.1180	0.0780	0.0260	0.0270	1.4430

Personal property: Direct						Overlapping						Total City Resident
Year	Police and Firemen's Pension	Civil Service Pension	Debt	General Fund Operations	City	County Schools	State	County	Library	Health	Extension	
2004	0.0396	0.0084	-	0.4473	0.4953	0.4450	0.4500	0.1070	0.0523	0.0260	0.0206	1.5962
2005	0.0337	0.0086	-	0.4977	0.5400	0.4500	0.4500	0.1230	0.0611	0.0260	0.0244	1.6745
2006	0.0337	0.0086	-	0.4937	0.5360	0.4620	0.4500	0.1330	0.0660	0.0260	0.0267	1.6997
2007	0.0337	0.0116	-	0.5887	0.6340	0.4650	0.4500	0.1580	0.0793	0.0260	0.0318	1.8441
2008	0.0325	0.0185	0.0384	0.5786	0.6680	0.4660	0.4500	0.1750	0.0897	0.0260	0.0357	1.9104
2009	0.0210	0.0210	0.0290	0.6170	0.6880	0.4700	0.4500	0.1750	0.0910	0.0260	0.0354	1.9354
2010	-	-	-	0.5900	0.5900	0.4770	0.4500	0.1750	0.0860	0.0260	0.0328	1.8368
2011	-	-	-	0.7140	0.7140	0.5000	0.4500	0.1750	0.0993	0.0260	0.0376	2.0019
2012	-	-	-	0.7430	0.7430	0.5170	0.4500	0.1750	0.1089	0.0260	0.0415	2.0614
2013	-	-	-	0.7500	0.7500	0.5300	0.4500	0.1750	0.1064	0.0260	0.0413	2.0787

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	
2004	0.4130	0.4450	0.1330	0.0980	0.0450	0.0260	0.0170	1.1770
2005	0.4260	0.4500	0.1310	0.1010	0.0470	0.0260	0.0180	1.1990
2006	0.4270	0.4620	0.1310	0.1060	0.0490	0.0260	0.1900	1.3910
2007	0.4440	0.4650	0.1280	0.1110	0.0520	0.0260	0.0200	1.2460
2008	0.4400	0.4640	0.1240	0.1150	0.0550	0.0260	0.0210	1.2450
2009	0.4600	0.4700	0.1220	0.1180	0.0590	0.0260	0.0220	1.2770
2010	0.4660	0.4770	0.1220	0.1180	0.0630	0.0260	0.0230	1.2950
2011	0.4860	0.5000	0.1220	0.1180	0.0690	0.0260	0.0250	1.3460
2012	0.5210	0.5170	0.1220	0.1180	0.0740	0.0260	0.0270	1.4050
2013	0.5420	0.5300	0.1220	0.1180	0.0780	0.0260	0.0270	1.4430
Personal property:								
2004	0.4970	0.4450	0.4500	0.1070	0.0523	0.0260	0.0206	1.5979
2005	0.5400	0.4500	0.4500	0.1230	0.0611	0.0260	0.0244	1.6745
2006	0.5360	0.4620	0.4500	0.1330	0.0660	0.0260	0.0267	1.6997
2007	0.6340	0.4650	0.4500	0.1580	0.0793	0.0260	0.0318	1.8441
2008	0.6680	0.4660	0.4500	0.1750	0.0897	0.0260	0.0357	1.9104
2009	0.6880	0.4700	0.4500	0.1750	0.0910	0.0260	0.0354	1.9354
2010	0.5900	0.4770	0.4500	0.1750	0.0860	0.0260	0.0328	1.8368
2011	0.7140	0.5000	0.4500	0.1750	0.0993	0.0260	0.0376	2.0019
2012	0.7430	0.5170	0.4500	0.1750	0.1089	0.0260	0.0415	2.0614
2013	0.7500	0.5300	0.4500	0.1750	0.1064	0.0260	0.0413	2.0787

Source: Kentucky Department of Revenue

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

Company	Type of Tax	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Kentucky Farm Bureau Insurance	Insurance premium tax	\$ 392,174	\$ 400,515	\$ 387,260	\$ 399,568	\$ 410,043	\$ 425,793	\$ 456,374	\$ 486,160	\$ 521,020	\$ 549,560
Commonwealth of Kentucky - Telecom (a)	Franchise tax	-	-	-	315,994	316,101	315,991	316,068	316,044	311,957	307,895
Bellsouth Telecommunications / AT&T	911 tax/Franchise fees	158,529	203,391	270,679	200,665	280,409	283,255	277,972	285,083	281,144	274,277
State Farm Mutual Automobile Insurance	Insurance premium tax	171,549	172,297	173,236	172,002	161,049	175,243	176,025	192,829	225,066	256,612
State Farm Fire & Casualty Company	Insurance premium tax	-	-	-	114,716	114,810	116,277	127,469	144,505	163,885	211,115
Insight Communications (a)	911 tax/Franchise fees	285,073	325,312	236,649	-	225,568	192,960	214,889	237,779	232,997	198,050
Big Rivers Electric Corporation	Franchise tax	-	-	-	-	-	-	-	-	172,549	179,717
Cincinnati Insurance Company	Insurance premium tax	102,818	-	113,508	100,644	96,125	115,878	127,925	136,640	138,131	156,094
United Healthcare	Insurance premium tax	143,431	145,257	161,039	147,950	197,205	224,861	188,973	177,349	163,636	147,451
Anthem Life & Health Insurance Company	Insurance premium tax	-	-	-	-	-	-	-	-	-	112,956
Progressive Casualty Insurance Company	Insurance premium tax	-	-	-	133,516	152,869	150,993	148,370	123,904	108,966	-
West American Insurance Company	Insurance premium tax	106,617	116,083	118,402	118,984	120,170	110,157	103,134	95,201	-	-
Grange Mutual	Insurance premium tax	134,139	137,350	131,073	122,680	-	-	-	-	-	-
Midland National Life Insurance Company	Insurance premium tax	-	-	199,991	-	-	-	-	-	-	-
West Coast Life Insurance Company	Insurance premium tax	-	200,573	-	-	-	-	-	-	-	-
HCC Life Insurance Company	Insurance premium tax	-	117,644	-	-	-	-	-	-	-	-
Progressive Northern Insurance Co.	Insurance premium tax	109,319	-	-	-	-	-	-	-	-	-
Allstate Insurance Company	Insurance premium tax	108,017	-	-	-	-	-	-	-	-	-
Total		\$ 1,711,666	\$ 1,818,422	\$ 1,791,836	\$ 1,826,719	\$ 2,074,348	\$ 2,111,408	\$ 2,137,198	\$ 2,195,494	\$ 2,319,351	\$ 2,393,727

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
2004	\$ 3,900,800	N/A	N/A	N/A	\$ 3,889,975	99.7%
2005	4,173,261	\$ 4,122,781	98.8%	\$ 40,579	4,163,360	99.8%
2006	4,301,791	4,247,636	98.7%	41,515	4,289,151	99.7%
2007	4,703,911	4,647,361	98.8%	41,618	4,688,979	99.7%
2008	5,136,824	5,064,159	98.6%	53,873	5,118,032	99.6%
2009	5,596,653	5,491,093	98.1%	72,282	5,563,375	99.4%
2010	5,785,861	5,692,217	98.4%	66,111	5,758,329	99.5%
2011	6,065,067	5,959,466	98.3%	60,689	6,020,155	99.3%
2012	6,555,992	6,446,468	98.3%	58,862	6,505,330	99.2%
2013	6,908,481	6,827,927	98.8%	-	6,827,927	98.8%

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

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

(b) Collections as of June 30, 2013

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

Type of Customer	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Residential	708,087	611,354	613,872	513,033	558,863	622,342	566,728	589,839	519,927	455,233
Commercial	338,998	337,788	341,802	319,357	331,896	371,493	342,366	366,061	341,617	294,765
Industrial	1,690,014	1,844,269	1,579,765	1,807,274	1,881,901	2,147,867 d)	1,967,828	2,165,540	2,202,345	2,160,308
Municipal	-	-	-	-	6,428 b)	7,875	6,882	7,543	7,614	5,564
Total Sold	2,737,099	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
Delivered only	356,232	399,848	360,747	358,538	331,305	- d)	-	-	-	-
Pipeline distribution use (net of losses)	(2,302) a)	1,352	1,037	1,926	3,647 c)	1,733	4,628 e)	2,796	3,201	2,125
Total Disposition	3,091,029	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

- a) The department reported a loss from leaks, migration, damage and/or accidents of 2,780.
- b) Prior to 2007, Municipal consumption was included in Commercial.
- c) The department reported a loss from leaks, migration, damage and/or accidents of 2,634.
- d) A transport customer is now a sales service customer and now reflected in industrial.
- e) The department reported a loss from a ice storm of 2,250.

Source: Gas Department

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

<u>Type of Customer</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Residential	\$ 6,595	\$ 6,028	\$ 8,064	\$ 6,421	\$ 6,594	\$ 7,715	\$ 5,925	\$ 6,142	\$ 5,286	\$ 4,356
Commercial	2,972	3,023	4,120	3,899	3,671	4,542	2,967	3,196	2,774	2,105
Industrial	10,913	12,704	16,702	16,612	15,147	22,049	10,524	11,460	10,907	8,294
Total Sold	\$ 20,480	\$ 21,755	\$ 28,886	\$ 26,932	\$ 25,413	\$ 34,306 a) \$ 19,416 b)	\$ 20,798	\$ 18,967	\$ 14,755	

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
2004	\$ 4.50	\$ 1.85
2005	4.50	1.85
2006	4.50	1.85
2007	4.50	1.85
2008	4.50	1.85
2009	a) 12.00	2.25
2010	12.00	2.25
2011	12.00	2.25
2012	12.00	2.25
2013	12.00	2.25

Source: Gas department

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

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

CITY OF HENDERSON
DIRECT and OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
As of JUNE 30, 2013

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)	\$ 21,490,000	52.42% (b)	\$ 11,265,058
Henderson County (d) Henderson County Public Properties Corp.	4,314,650	52.42% (b)	<u>2,261,740</u>
Subtotal, overlapping debt			\$ 13,526,798
City direct debt			<u>37,395,000</u>
Total direct and overlapping debt			<u><u>\$ 50,921,798</u></u>

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

- a) For debt repaid with property taxes, the percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of another governmental unit's taxable assessed value that is within Henderson's boundaries and dividing it by each unit's total taxable assessed value.
- b) Determined by the ratio of assessed valuation of property subject to taxation in the City of Henderson to the value of property in the overlapping units.
- c) Obtained from audit of the Henderson County Board of Education for fiscal year 2013.
- d) Obtained from the Henderson County Treasurer's Office, does not include Judicial Center.

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

Water and Sewer Revenue Bonds								Electric Revenue Bonds							
Fiscal Year	Utility Operating Revenues	Less: Operating Expenses	Net Available Revenue	Debt Service Requirements			Coverage	Operating Revenues	Operating Expenses	Net Available Revenue	Debt Service Requirements			Coverage	Fiscal Year
				Principal	Interest	Total					Principal	Interest	Total		
2004	\$ 11,378	\$ 8,247	\$ 3,131	\$ 522	\$ 632	\$ 1,154	2.71	\$ 39,163	\$ 36,559	\$ 2,604	\$ -	\$ -	\$ -	N/A	2004
2005	11,617	8,896	2,721	568	549	1,117	2.44	40,141	36,584	3,557	-	-	-	N/A	2005
2006	13,250	9,132	4,118	537	555	1,092	3.77	48,499	45,707	2,792	-	-	-	N/A	2006
2007	14,657	9,946	4,711	546	528	1,074	4.39	42,978	38,097	4,881	-	-	-	N/A	2007
2008	14,723	10,416	4,307	700	500	1,200	3.59	56,938	52,500	4,438	-	-	-	N/A	2008
2009	14,688	10,604	4,084	739	651	1,390	2.94	56,575	50,788	5,787	-	-	-	N/A	2009
2010	14,747	10,789	3,958	763	613	1,376	2.88	53,365	49,438	3,927	-	-	-	N/A	2010
2011	16,108	11,740	4,368	812	696	1,508	2.90	55,426	50,472	4,954	-	-	-	N/A	2011
2012	15,734	11,883	3,851	1,313	886	2,199	1.75	60,033	57,245	2,788	-	452	452	6.17	2012
2013	17,025	11,522	5,503	2,482	957	3,439	1.60	64,041	60,662	3,379	570	510	1,080	3.13	2013

Note: Operating expenses do not include interest, depreciation, or amortization expenses.

**CITY OF HENDERSON , KENTUCKY
RATIOS of OUTSTANDING DEBT by TYPE
LAST TEN FISCAL YEARS**

Year	General Bonded Debt		Percentage of Actual Taxable Value of Property			Other Governmental Activities Debt		Business-Type Activities	Total Primary Government ^{d)} Per Capita		Per Capita Income	Percentage of Personal Income
	General Obligation Bonds	Actual Taxable Value of Property	Actual Taxable Value of Property	Population	Per Capita	Bond Anticipation Note	Capital Leases	Capital Leases	Per Capita	Per Capita	Income	Income
2004	-	\$ 1,356,348,000	0.00%	27,542	N/A		\$ 4,855,000 ^{a)}	\$ 106,690	\$ 4,961,690	\$ 180	\$ 25,356	0.71%
2005	-	1,374,606,000	0.00%	27,666	N/A		4,555,000	54,218	4,609,218	167	26,232	0.64%
2006	-	1,396,033,000	0.00%	27,666	N/A		4,534,667	-	4,534,667	164	26,232	0.62%
2007	\$ 5,230,000	1,423,495,000	0.37%	27,768	\$ 188		2,277,948	-	7,507,948 ^{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%

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									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
General Bonded										
General bonded debt outstanding	\$ -	\$ -	\$ -	\$ -	\$ 5,230	\$ 5,005	\$ 4,775	\$ 18,000	\$ 29,125	\$ 37,395
Other bonded debt	-	-	-	-	-	-	1,584	-	-	-
Total	-	-	-	-	5,230	5,005	6,359	18,000	29,125	37,395
Estimated actual property value	\$ 1,374,606	\$ 1,374,606	\$ 1,396,033	\$ 1,423,495	\$ 1,486,361	\$ 1,599,707	\$ 1,647,584	\$ 1,747,829	\$ 1,771,067	\$ 1,833,587
Percentage of estimated actual property value	0%	0%	0%	0%	0.35%	0.31%	0.39%	1.03%	1.64%	2.04%
Population	27,502	27,542	27,666	27,666	27,768	27,768	27,933	28,757	28,853	28,911
Per capita	-	-	-	-	\$ 188	\$ 180	\$ 228	\$ 626	\$ 1,009	\$ 1,293
Less: Amounts set aside to repay general debt	-	-	-	-	-	269	1,018	918	1,131	1,725
Total net debt applicable to debt limit	-	-	-	-	\$ 5,230	\$ 4,736	\$ 5,341	\$ 17,082	\$ 27,994	\$ 35,670
Debt Limit	\$ 81,108	\$ 84,424	\$ 87,125	\$ 91,271	\$ 100,736	\$ 105,167	\$ 107,144	\$ 107,909	\$ 109,530	\$ 110,129
Total net debt applicable to limit	\$ 4,649	\$ 4,855	\$ 4,555	\$ 4,535	\$ 7,508	\$ 6,856	\$ 7,524	\$ 18,000	\$ 29,125	\$ 37,395
Legal Debt Limit a)	\$ 76,459	\$ 79,569	\$ 82,570	\$ 86,736	\$ 93,228	\$ 98,311	\$ 99,620	\$ 89,909	\$ 80,405	\$ 72,734
Legal Debt Margin b)	\$ 76,459	\$ 79,569	\$ 82,570	\$ 86,736	\$ 87,998	\$ 93,575	\$ 94,279	\$ 72,827	\$ 52,411	\$ 37,064
Legal debt margin as a percentage of the debt limit	100%	100%	100%	100%	94.4%	95.2%	94.6%	81.0%	65.2%	51.0%

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
2004	27,542	\$ 698,355	\$ 25,356	37.0	6,638	4.4%
2005	27,666	725,735	26,232	37.0	6,767	5.5%
2006	27,666	725,735	26,232	37.0	6,861	5.3%
2007	27,768	728,410	26,232	37.0	6,858	4.8%
2008	27,768	784,696	28,259	37.0	6,893	5.3%
2009	27,933	822,180	29,434	36.5	6,876	11.0%
2010	27,952	873,919	31,265	38.2	6,895	10.2%
2011	28,757	899,088	31,265	38.3	6,969	8.9%
2012	28,853	902,089	31,265	38.3	7,546	7.6%
2013	28,911	934,143	32,311	39.0	7,555	8.1%

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 EIGHT FISCAL YEARS**

Employer	2006 (a)			2007			2008			2009		
	Rank	Payroll Tax	Percentage of Total Payroll Tax	Rank	Payroll Tax	Percentage of Total Payroll Tax	Rank	Payroll Tax	Percentage of Total Payroll Tax	Rank	Payroll Tax	Percentage of Total Payroll Tax
Methodist Hospital	1	\$ 164,393	11.61%	1	\$ 406,693	9.75%	1	\$ 433,727	10.34%	1	\$ 468,120	11.16%
Henderson County Schools	3	111,294	7.86%	2	278,054	6.66%	2	297,595	7.10%	2	306,117	7.30%
Gibbs	4	83,475	5.89%	4	201,997	4.84%	4	167,912	4.00%	4	152,176	3.63%
City of Henderson	5	47,119	3.33%	5	115,414	2.77%	5	118,877	2.84%	5	124,433	2.97%
Dana	2	121,608	8.59%	3	275,966	6.61%	3	249,417	5.95%	3	171,968	4.10%
Big Rivers	8	26,063	1.84%	8	66,309	1.59%	6	76,604	1.83%	6	84,017	2.00%
Wal-Mart	18	-	0.00%	11	-	0.00%	8	70,954	1.69%	7	79,145	1.89%
Redbanks	13	-	0.00%	9	63,355	1.52%	10	64,275	1.53%	8	69,684	1.66%
State of Kentucky	17	-	0.00%	14	-	0.00%	12	-	0.00%	9	64,760	1.54%
Henderson Community College	9	23,867	1.69%	10	61,073	1.46%	9	65,096	1.55%	10	64,076	1.53%
Sunspring America	6	44,200	3.12%	6	100,056	2.40%	7	75,034	1.79%	13	-	0.00%
Vincent Plastics	7	24,779	1.75%	7	71,215	1.71%	11	-	0.00%	11	-	0.00%
Spartan Staffing	10	22,830	1.61%	22	-	0.00%	15	-	0.00%	15	-	0.00%
Total		\$ 669,628	47.28%		\$ 1,640,132	39.31%		\$ 1,619,491	38.63%		\$ 1,584,496	37.79%

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 EIGHT FISCAL YEARS**

Employer	2010			2011			2012			2013		
	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	\$ 467,415	11.84%	1	\$ 468,695	11.58%	1	\$ 509,135	12.14%	1	\$ 500,850	11.74%
Henderson County Schools	2	321,754	8.15%	2	321,922	7.96%	2	328,197	7.82%	2	345,801	8.11%
City of Henderson	4	161,027	4.08%	4	163,558	4.04% (b)	4	165,130	3.94% (b)	4	169,016	3.96%
Dana	5	133,290	3.38%	5	134,989	3.34%	3	174,305	4.16%	3	154,761	3.63%
Gibbs	3	162,702	4.12%	3	165,136	4.08%	5	162,138	3.87%	5	151,889	3.56%
Big Rivers	6	107,244	2.72%	6	127,353	3.15%	6	119,522	2.85%	6	123,251	2.89%
Redbanks	8	73,480	1.86%	8	77,667	1.92%	8	79,410	1.89%	8	80,413	1.89%
Wal-Mart	7	80,982	2.05%	7	78,704	1.95%	7	80,826	1.93%	7	75,616	1.77%
Henderson Community College	10	64,660	1.64%	9	68,000	1.68%	9	70,761	1.69%	9	72,025	1.69%
Henderson County	11	-	0.00%	11	-	0.00%	10	67,396	1.61%	10	71,955	1.69%
State of Kentucky	9	68,515	1.74%	10	66,018	1.63%	11	-	0.00%	11	-	0.00%
Total		\$ 1,572,554	39.84%		\$ 1,606,024	39.69%		\$ 1,756,820	41.88%		\$ 1,745,577	40.93%

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									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
General Government										
Administration	15.00	15.00	12.00 a	11.00	22.00 c	22.00	22.50 d	22.50	23.25	24.00
Finance	31.00	31.00	31.00	33.00 b	32.00	32.00	33.50 d	33.50	32.75	33.00
Police										
Officers	57.50	57.50	57.80	57.80	57.80	57.55	60.75 e	60.75	60.75	60.75
Civilians	8.00	8.00	8.00	8.00	8.00	8.00	8.00	8.00	8.00	8.00
9-1-1 Communications	14.50	14.50	14.20	15.20	15.20	15.45	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	58.00
Civilians	7.00	7.00	9.00 a	9.00	2.00 c	2.00	2.00	2.00	2.00	2.00
Parks and Recreation	14.00	14.00	14.00	14.00	13.00	13.00	13.00	13.00	13.00	13.00
Mass Transit	12.00	12.00	12.00	12.00	13.00	14.00	14.00	14.00	14.00	14.00
Gas System	30.00	30.00	30.00	27.00	28.00	28.00	28.00	28.00	28.00	27.00
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	37.50	35.50 c	35.50	35.50	35.50	35.50	35.50
TOTAL	307.00	307.00	306.00	305.00	307.00	308.00	313.00	313.00	313.00	313.00

Source: Applicable Departments

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

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

Function / Program	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Public Way Improvement										
Miles of streets paved	111	111	113	113	113	113	113	124	124	124
Miles of sidewalks	73	73	73	73	73	73	73	73	73	73
Wastewater System										
Miles of sanitary sewers	151	206	185	205	205	203	205	200	201	201
Miles of storm sewers	136	136	136	136	136	136	136	136	136	51
Number of service connections	10,136	11,156	11,156	10,792	10,793	10,782	10,846	10,884	10,884	10,893
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	203	223	206	219	222	224	225	225	225	225
Number of service connections	10,649	11,156	11,156	10,792	10,793	10,782	10,846	10,844	10,844	10,893
Number of fire hydrants	1,087	939	939	988	1,007	1,020	1,030	1,084	1,095	1,112
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	206	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	234	236	241	243	244	245	247	249	251	253
Miles of service lines	128	129	129	129	129	129	129	129	138	139
Number of meters	10,150	10,095	10,030	10,008	10,000	9,652	9,532	9,470	9,422	9,421
Parks and Recreation										
Park acreage	210	210	210	210	210	210	210	210	210	211
Swimming pools	1	1	1	1	1	1	1	1	1	1
Tennis courts	14	14	14	14	14	14	14	14	14	14
Baseball fields	16	16	17	17	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

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	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Police										
Physical arrests	5,776	3,827	3,696	3,759	3,793	3,519	3,183	2,615	2,776	2,951
Traffic violations	3,932	2,166	3,086	2,697	2,073	1,458	2,315	2,854	2,455	3,505
Parking violations	5,870	5,746	5,195	3,867	4,492	4,387	2,425	4,075	4,088	4,137
Calls for service	29,179	24,525	25,987	23,600	22,335	17,658	18,582	17,633	17,827	17,454
Fire										
Fire	160	152	152	152	176	155	124	152	150	140
Overpressure Rupture, Explosion, Overheat	9	8	9	12	13	12	10	9	10	8
Rescue & Emergency Medical Service	801	985	1,029	1,213	1,182	1,246	1,297	1,216	1,513	1,757
Hazardous Condition (No Fire)	386	399	261	220	165	288	134	153	138	147
Service Call	70	63	62	67	57	74	73	76	66	64
Good Intent Call	178	177	128	141	153	167	144	169	158	140
False Alarm & False Call	146	170	195	188	191	188	204	246	207	198
Severe Weather & Natural Disaster	-	-	-	3	1	12	1	3	1	1
Special Incident Type	9	14	11	1	2	4	-	7	7	5
Number of inspections performed	18	604	709	1,238	1,210	781	733	772	788	749
Mass Transit										
Number of routes	*	*	*	5	5	5	5	5	5	5
Fixed Route Passengers	*	*	*	101,683	108,817	121,058	114,154	138,603	139,321	137,359
Para transit Passengers	*	*	*	16,653	17,529	17,298	15,736	18,161	16,357	15,339
Wheelchair Usage	*	*	*	6,728	4,900	4,758	4,729	6,411	7,915	6,601
Miles of Service	*	*	*	202,885	216,852	222,297	227,937	242,024	222,262	221,955
Wastewater System										
Average daily treatment in 1,000 gallons	9,800	9,800	8,800	10,185	9,970	9,648	9,506	8,979	8,672	8,993
Water System										
Average daily consumption in 1,000 gallons	11,836	11,836	10,500	10,469	8,316	8,034	7,847	7,669	9,030	9,151

Source: Applicable Departments

* - Data not available