

City of Owensboro
Comprehensive Annual Financial Report
for the
Fiscal Year Ended June 30, 2007



Issued by the
Department of Finance

James A. Fulkerson
Director of Finance

**COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE CITY OF OWENSBORO, KENTUCKY
YEAR ENDED JUNE 30, 2007**

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City of Owensboro Kentucky

F.O. BOX 10003
OWENSBORO, KENTUCKY 42302-9003

December 4, 2007

Honorable Mayor and City Commissioners, City Manager, and Citizens of Owensboro:

The Comprehensive Annual Financial Report of the City of Owensboro (the "City") for the fiscal year ended June 30, 2007, is hereby submitted. Responsibility for accuracy of the data and completeness and fairness of the presentation, including all disclosures, rests with the management of the City of Owensboro. To the best of our knowledge and belief, the enclosed data are accurate in all material respects and are reported in a manner designed to present fairly the financial position and results of operations of the various funds and component units of the City. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

LEGAL REQUIREMENT

This report has been prepared pursuant to and in compliance with the State Statutes of Kentucky, which require an annual audit of books of account, financial records and transactions of the City. In addition to meeting the requirements set forth in State Statutes, the audit is intended to meet the requirements of the federal Single Audit Act Amendments of 1996 and related OMB Circular A-133. The independent auditor's report on the basic financial statements is included in the financial section of this report. The independent auditor's reports related specifically to the single audit are published separately. To receive the Single Audit Report, direct a request to the City Finance Director.

Generally accepted accounting principles (GAAP) require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The City's MD&A can be found immediately following the report of the independent auditors.

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

REPORTING ENTITY

The City provides a wide range of municipal services and includes, for financial reporting purposes, all funds, agencies, boards, commissions, trusts and authorities involved in the provision of these services and for which, in the opinion of the City officials, the City is financially accountable. The City is financially accountable for the organizations that make up its legal entity. The City is financially accountable for legally separate organizations if its officials appoint a voting majority of an organization's governing body and it 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 specific financial burdens on, the primary government. The City is also financially accountable for fiscally dependent governmental organizations.

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:

Owensboro Municipal Utilities
Owensboro Riverport Authority

The following entities do not meet the financial accountability criteria discussed above and are not included in this report:

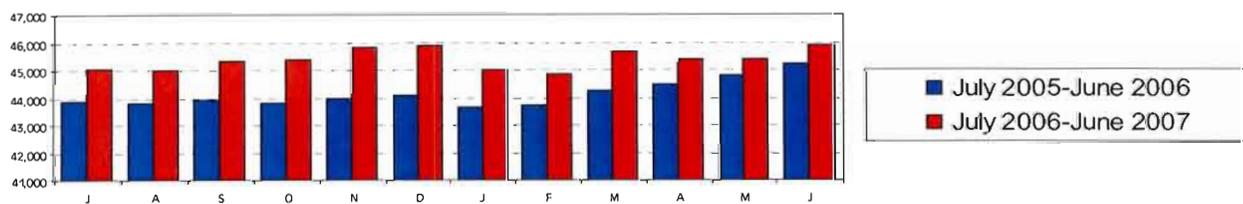
Owensboro Public Housing Authority
Owensboro-Daviess County Hospital Board
Owensboro-Daviess County Planning Commission
Regional Water Resource Agency

The Owensboro-Daviess County Regional Airport Board is a joint venture between the City and County governments. The City's equity interest in this joint venture is reflected in the Comprehensive Annual Financial Report.

The City provides a full range of municipal services, including public safety (police and fire), sanitation, street maintenance, transit, culture/recreation, and general administrative services.

ECONOMIC DEVELOPMENT AND OUTLOOK

Owensboro continues to grow and the City unemployment rate, as measured by the Kentucky Cabinet for Human Resources, continues to decline. Employment in the Owensboro Metropolitan Statistical Area (MSA) during the two-year period ended June 30, 2007, is shown below.



Source: KY Cabinet for Human Resources

The City continues to be actively involved in promoting economic development, as new developmental job growth is necessary to ensure the continued stability of the City's revenue base. Economic indicators and trends reflect improvement in the area's economy over the previous year. Area employment averaged 45,859, up over the prior 12-month period. The June 30, 2007 unemployment rate was 5.4%, below the state rate of 5.7% and slightly above the national rate of 4.7%, but down from the prior year. Active electric and water meters were up .79% and .32%, respectively. Residential construction permits were obtained for 138 units of single-family units; construction permits were obtained for 11 multi-family houses. The value of commercial and industrial permits was \$34,820,149.

SIGNIFICANT EVENTS AND INITIATIVES

The accomplishments by each department in Fiscal Year 2006-2007 embody each of the characteristics set forth in the City's mission statement. The City continues to form partnerships with other departments, outside state, federal, and local departments, and with the citizenry itself, to meet its goals and spend its tax dollars wisely. The City's response to recent storm-related crises continues to confirm that the goals of each department contribute to the higher mission statement of the City. An efficiently functioning City government was able to respond quickly to the needs of the citizens and to continue addressing those needs with high levels of commitment and standards of excellence. Refinement of department goals and the City mission statement have strengthened those commitments and standards.

The City had much to be proud of in 2006-2007. The City's commitment to public safety, stormwater management, and street repair was emphasized in the previous fiscal year, as it is in the current budget. Other accomplishments include:

1. Broke ground on 3rd phase of English Park Riverfront Development - Scenic Overlook and Boat Ramp.
2. Secured agreement with National Guard for 99-year lease of 1.73 acres of Armory property located adjacent to the Owensboro Sportscenter; appropriated \$3,300,000 in City funds and secured a \$1,000,000 commitment from Daviess County Fiscal Court to fund construction of a new Ice Arena.
3. Implemented financial modeling program to assist in determining the value of property annexations.
4. Cooperated with Kentucky League of Cities, Mayors, City Managers and State legislators to develop legislation for consolidating local governments and solidifying support for revamping the Kentucky Retirement System.
5. Annexed 134 acres.
6. Received both the Government Finance Officers Association (GFOA) Certificate of Achievement for Excellence in Financial Reporting and the GFOA Distinguished Budget Presentation Award.
7. Prepared 2007-2008 balanced budget despite confronting 145% increase in retirement system employer contributions over the last 5 years, in accordance with GFOA budget preparation criteria.
8. Community Development completed 18 Single-Family Homes that will be sold to low to moderate income individuals under the Housing and Urban Development HOME program.
9. Delivered professional first responder services/targeted high crime areas to meet community needs.
10. Developed a stronger working relationship with the Federal Drug Enforcement Agency, KY State Police and the KY National Guard utilizing their assets and resources to assist narcotics investigation within the City.
11. Joined the KY State Police-sponsored program Internet Crimes Against Children (ICAC) in reference to cyber crimes; upgraded juvenile interview room with DVD recording capabilities for better clarification of interviews.
12. Developed an emergency plan to inform the public about where to go and how to obtain assistance in the event of an extreme emergency where all communication is interrupted in the community.
13. Medical training for EMTs has been expanded. We have added 8 CPR instructors and 2 EMT instructors. The EMS curriculum has been expanded to focus on medical emergencies in addition to traumatic injuries.
14. Completed Phase II of the Goetz Ditch Drainage Project; completed design of Phase III of Goetz Ditch and Phase 1(c) of the Harsh Ditch Project; completed reconstruction of West Fifth Street Road and the Jack Fisher Park Entrance; completed design and construction of Frederica Street Widening Project; began right-of-way acquisition for Southtown Boulevard Widening Project; completed design/construction of Allen Street Sidewalk Project; completed 2nd stage of Dugan Best Sidewalk Project; started the conceptual design of the Fourth Street/Castlen Street Realignment Project.
15. Purchased salt brine and began pre-treating streets as an aid to snow clearing; installed 510 snow emergency route signs throughout the City.
16. Participated in a table-top disaster exercise to test disaster preparedness.
17. Completed a full ditch reconnaissance and photographed all ditches within the city.
18. Sanitation reviewed and estimated longevity of current \$12.00 rate structure, finding that the City continues to project potential solvency until 2013-14.
19. Investigated timber harvesting at the landfill to supplement fund revenue.
20. Computer modeled subdivisions under construction and ascertained that the system is able to absorb new customers without changes to organization or equipment.
21. Owensboro Youth Council: implemented three Community-Wide Service Projects for youth 12-18; planned, implemented and hosted Kid's Fest, partnering with local agencies.
22. Worked with the Youth Sports Council to provide CPR/ First Aid Training for every coach.
23. Received National Recreation Parks and Recreation "Sticks for Kids" Grant for Hillcrest Golf Course.
24. Developed a comprehensive plan for becoming ACA accredited for our Summer Day Camp.
25. Researched feasibility of implementing a Holiday and Spring Break Camp; implemented an Adult Flag Football League.
26. Hosted successful Mixed Double State Tennis Tournament by increasing team numbers by 10%; bid on hosting the 2008 and 2009 USA League Tennis State Senior Tournament.
27. Offered a Youth Basketball League for children 12 and under at Brister Court in Legion Park.
28. Developed a Comprehensive Plan for a Pre-school Program.

ACCOUNTING SYSTEM, INTERNAL CONTROLS AND BUDGETARY CONTROLS

Accounting System

The Finance Department is responsible for providing to the City all financial services, including accounting and reporting, payroll, accounts payable, cash and investment management, debt management, budgeting and purchasing. The City has computerized systems of accounting and reporting, and payroll/personnel.

Internal Controls

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

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

As a part of the City's single audit, tests are made to determine the adequacy of the internal control structure, including that portion related to federal financial assistance programs, as well as to determine that the City has complied with applicable laws and regulations. The results of the City's single audit for the fiscal year ended June 30, 2007, disclosed no instances of material weaknesses in the internal control structure or significant violations of applicable laws and regulations.

Budgetary Controls

The City additionally maintains budgetary controls. The object of the controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the City Commission. Activities of the General Fund and certain Special Revenue Funds are included in the annual appropriated budget. The level of budgetary control (this 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.

GENERAL GOVERNMENTAL FUNCTIONS

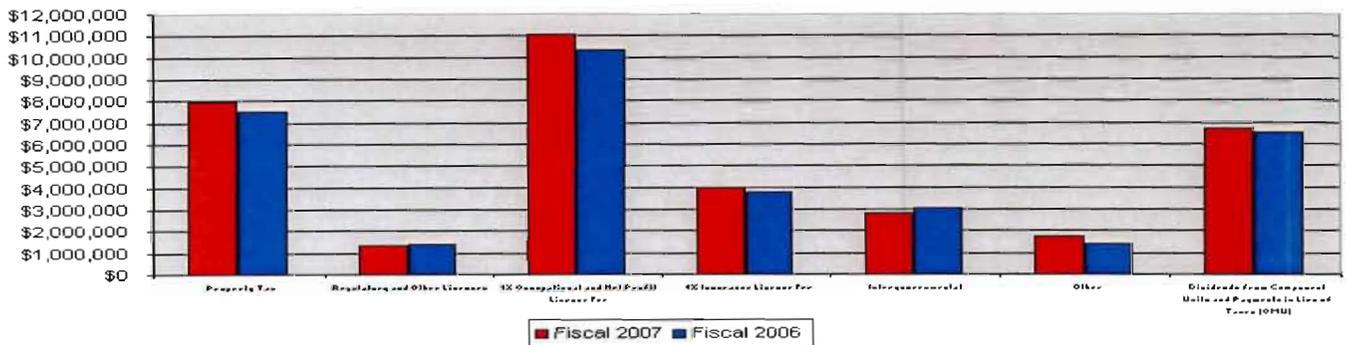
Information regarding all City funds, including enterprise, internal service, capital projects, debt service, and special revenue, is contained in the MD&A at pages 14-23 of the audit report.

General Fund

General Fund revenue and other financing sources totaled \$36,067,717 in fiscal year 2006-2007, an increase of 4.1% over fiscal year 2005-2006. Expenditures and transfers out totaled \$33,882,537, an increase of 3.1%. The City's general fund unreserved fund balance of \$5,661,884 gives the City a strong financial posture. For further information on the General Fund, please see MD&A, pages 19-20.

GENERAL FUND MAJOR REVENUE CATEGORIES

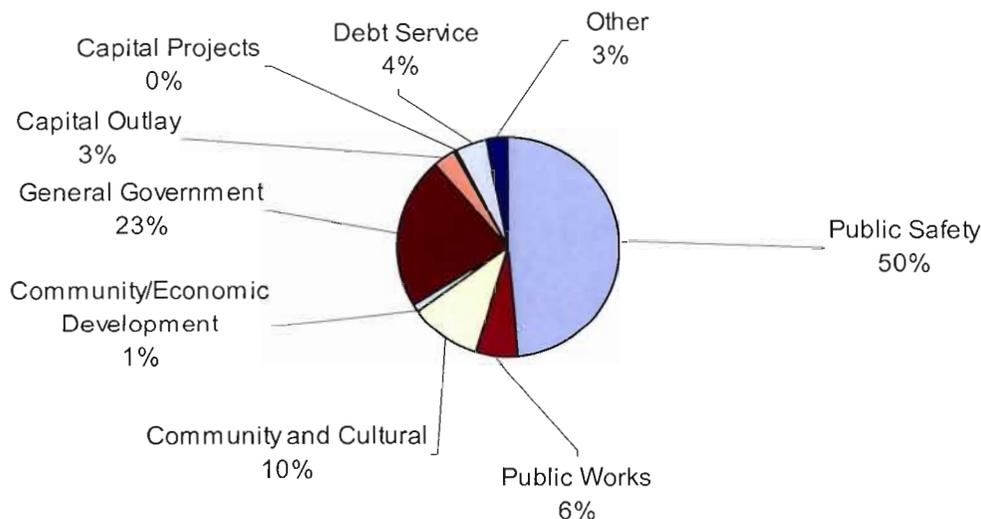
Category	Fiscal 2007	Fiscal 2006	Difference In Amount	%
Property Tax	\$ 7,961,663	\$ 7,531,520	\$ 430,143	6%
Regulatory and Other Licenses	1,345,086	1,435,166	(90,080)	-6%
1% Occupational and Net Profit License Fee	11,077,094	10,330,308	746,786	7%
4% Insurance License Fee	3,993,924	3,798,730	195,194	5%
Intergovernmental	2,821,214	3,082,989	(245,004)	-8%
Other	1,751,736	1,412,264	339,472	24%
Dividends from Component Units and Payments in Lieu of Taxes (OMU)	6,724,119	6,576,042	148,077	2%
Total	\$35,674,836	\$34,167,019	\$1,524,588	4%



Uses of General Fund resources are also depicted on the following chart and table:

USE OF GENERAL FUND REVENUE RESOURCES

Category	Fiscal 2007	Fiscal 2006	Difference in Amount	%
Public Safety	\$16,484,921	\$16,337,753	\$147,168	1%
Public Works	2,085,514	2,068,594	16,920	1%
Community and Cultural	3,437,353	3,303,781	133,572	4%
Community/Economic Development	366,466	361,015	5,451	2%
General Government	7,666,545	7,371,075	295,470	4%
Capital Outlay	1,138,926	935,138	203,788	22%
Transfers Out:				
Capital Projects	146,525	375,000	(228,475)	-61%
Debt Service	1,506,950	1,198,583	308,367	26%
Other	1,049,337	911,233	138,104	15%
Total	\$ 33,882,537	\$ 32,862,172	\$ 1,020,365	3%



Capital Projects Fund

Expenditures for the Capital Projects Funds totaled \$4,288,645. Major projects included the Riverfront project and design, and the Stormwater Master Plan.

Special Revenue Fund

Special Revenue funds are restricted to use by federal government and other external requirements. Revenues for these funds decreased by 45% over the prior year and amounted to \$6,829,556.

Debt Service Fund

The Debt Service Fund is used to account for payment of bond principal and interest. These payments totaled \$2,761,847 for the fiscal year ended June 30, 2007. Lease payments (operating transfers) from the General Fund of the City of Owensboro and various civic organizations finance this fund.

ENTERPRISE FUNDS

These funds include the City's enterprise funds as well as certain component units that provide electric, water, and riverport services. City pension funds and non-expendable trust funds are excluded from the analysis. Enterprise funds are used to account for operations:

- that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs of providing goods and 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 determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

The City's four enterprise funds provide parking garage operations, sanitation, recreation, and transit services. With the exception of sanitation, which is self-supporting, the other enterprises receive subsidy from the General Fund. The following table summarizes the City's enterprise funds at June 30, 2007:

Summary of City Enterprise Funds

Enterprise	Net Income (Loss)		Fund Equity (Deficit)		Total Assets	
	Fiscal 2007	Increase/ (Decrease) from 2006	Fiscal 2007	Increase/ (Decrease) from 2006	Fiscal 2007	Increase/ (Decrease) from 2006
Sanitation	\$1,521,240	\$156,457	\$ 9,528,838	\$1,521,240	\$ 9,760,414	\$1,398,267
Other Enterprise Funds	60,531	72,057	1,370,109	60,531	1,622,250	81,259
Total	\$1,581,771	\$228,514	\$10,898,947	\$1,581,771	\$11,382,664	\$1,479,526

The City's component unit enterprises include the Riverport Authority and Owensboro Municipal Utilities (OMU), which provides the electric, light and power system and the water works system. The chart below depicts a summary of component unit enterprise activity as of June 30, 2007.

Summary of Component Unit Enterprises

Enterprise	Net Income		Fund Equity		Total Assets	
	Fiscal 2007	Increase/ (Decrease) from 2006	Fiscal 2007	Increase/ (Decrease) from 2006	Fiscal 2007	Increase/ (Decrease) from 2006
Electric (OMU)	\$ 1,125,958	\$(1,523,277)	\$117,763,558	\$ 1,125,958	\$327,995,168	\$(6,866,956)
Water (OMU)	726,320	(410,039)	28,639,241	726,320	51,583,428	(617,192)
Riverport	868,843	(896,853)	17,450,593	868,843	26,487,893	67,498
Total	\$ 2,721,121	\$(2,830,169)	\$163,853,392	\$ 2,721,121	\$406,066,489	\$(7,416,650)

PENSION FUND MANAGEMENT

City of Owensboro employees are covered by one of three retirement systems: 1) Police and Firefighters' Retirement Fund; 2) City Employees' Pension Fund; and 3) County Employees' Retirement System (CERS).

The Police and Firefighters' Retirement Fund is a contributory defined benefit plan created by ordinance under state statute. Members contributed 8% of their earnings. A board of trustees manages the investments of this fund, which uses J.P. Morgan as its advisor. Monthly reports are received and quarterly meetings are held with the professional managers to review progress and objectives of the fund. The actuarial report showed assets were less than projected liabilities by \$132,718 as of June 30, 2007. There were no active members and 69 pensioners as of June 30, 2007.

The City Employees' Pension Fund is a contributory defined benefit plan created by ordinance under state statute. The 2007 actuarial report reported that the plan covered no active employees and 63 retirees as of June 30, 2007. The actuarial report showed assets in excess of projected plan liabilities of \$1,731,778. J.P. Morgan is financial advisor to the board of trustees.

The County Employees Retirement System is a multiple-employer, cost-sharing, defined benefit plan administered by the Kentucky Retirement System. All future full-time City employees will be members of the County Employees Retirement System (CERS). All employees previously covered by the City's plan, except for 7 active members, converted to CERS in October 1986. On August 1, 1988, all current police and firefighters had the option of changing from the present plan to the County Employees Retirement System. All but 6 active members chose the County Employees Retirement System. Each employee now participating in CERS contributes 5% if non-hazardous and 8% if hazardous. The City contributed 13.19% for non-hazardous and 28.21% for hazardous employees during the year ended June 30, 2007.

DEBT ADMINISTRATION

The City of Owensboro's long-term bonds and other long-term obligations amounted to \$23,704,826 at June 30, 2007. Changes in the City's general long-term debt are as follows:

	Balance June 30, 2006	Additions	Reductions	Balance June 30, 2007	Due Within One Year
Governmental activities:					
Bonds and notes payable:					
Lease revenue bonds:					
Series 1989	\$ 640,000	\$ -	\$ (55,000)	\$ 585,000	\$ 60,000
Floating indebtedness bonds:					
Series 2005	242,000	-	(110,000)	132,000	10,000
General obligation bonds:					
Series 1999	425,000	-	(65,000)	360,000	65,000
Series 1999B	430,000	-	(135,000)	295,000	145,000
Series 2001	1,445,000	-	(460,000)	985,000	480,000
Series 2002A	2,850,000	-	(125,000)	2,725,000	130,000
Series 2002B	6,105,000	-	(275,000)	5,830,000	285,000
Series 2003A	2,790,000	-	(215,000)	2,575,000	219,000
Series 2006	4,100,000	-	(140,000)	3,960,000	145,000
Series 2006 Refunding	2,335,000	-	(225,000)	2,110,000	230,000
Notes payable:					
OMIC	36,400	-	(36,400)	-	-
Other	870,000	-	-	870,000	-
	<u>22,268,400</u>	<u>-</u>	<u>(1,841,400)</u>	<u>20,427,000</u>	<u>1,769,000</u>
Less deferred amounts:					
Series 2006 Refunding	2,335,000	-	(225,000)	2,110,000	230,000
For issuance discounts	(78,308)	-	12,335	(65,973)	-
On refunding:					
Series 2002B	(159,810)	-	31,962	(127,848)	-
Series 2003A	(279,702)	-	27,970	(251,732)	-
Series 2006 Refunding	(128,113)	-	13,140	(114,973)	-
Total bonds and notes payable	<u>21,622,467</u>	<u>-</u>	<u>(1,755,993)</u>	<u>19,866,474</u>	<u>1,769,000</u>
Compensated absences	<u>3,444,487</u>	<u>1,885,306</u>	<u>(1,687,301)</u>	<u>3,642,492</u>	<u>220,404</u>
Total Governmental	<u>\$25,066,954</u>	<u>\$1,885,306</u>	<u>\$(3,443,294)</u>	<u>\$23,508,966</u>	<u>\$1,989,404</u>
Business-type activities:					
Compensated absences	<u>\$ 222,504</u>	<u>\$ 133,877</u>	<u>\$ (160,521)</u>	<u>\$ 195,860</u>	<u>\$ 13,826</u>

CASH MANAGEMENT

The City of Owensboro, Kentucky, sponsors an external investment pool. The internal portion of this fund is allocated to the City's funds participating and the external portion is accounted for in the Investment Trust Fund of the City's reporting entity. The pool is not registered with the SEC as an investment company. The pool is not subject to regulatory oversight. The pool investments are reported at fair value. Investments are valued at the market quotation on the last business day of the fiscal year. Market quotations are obtained from brokers or available published services. Participants' shares sold and redeemed are determined using specific identification of the participant's cost basis in the investment pool. The City's policy is to fully insure or collateralize its deposits and investments, thereby minimizing credit and market risk.

RISK MANAGEMENT

The City uses various risk control techniques to minimize accident-related losses, with the major emphasis on employee accident prevention training. The City continued a comprehensive study of all insurance programs in Fiscal 2006-2007.

CERTIFICATE OF ACHIEVEMENT FOR EXCELLENCE IN FINANCIAL REPORTING

The Government Finance Officers Association (GFOA) of the United States and Canada awarded the City a Certificate of Achievement for Excellence in Financial Reporting for fiscal year ended June 30, 2006, the 26th year Owensboro has received this prestigious award.

In order to be awarded this Certificate, the City published an easily readable and efficiently organized comprehensive annual financial report, the contents of which conform to program standards. This report satisfied both generally accepted accounting principles and applicable legal requirements.

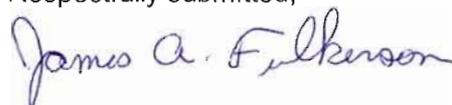
The Certificate is valid for a period of one year only. We believe our current report continues to conform to program requirements and will submit it to GFOA to determine its eligibility for another certificate.

In addition, the City also received the GFOA Distinguished Budget Presentation Award for its annual budget document for the 7th year. In order to qualify for the Distinguished Budget Presentation Award, the government's budget document was judged to be proficient in several categories, including as a policy document, a financial plan, an operations guide, and a communications device.

ACKNOWLEDGMENTS

Preparation of this report on a timely basis could not be accomplished without the efficient and dedicated services of the entire Finance Department staff. We wish to express our appreciation to all department members who assisted and contributed to its preparation, with special thanks to Riney, Hancock & Co., PSC. We also thank the Mayor, the City Commissioners, and the City Manager for their interest, support, and integrity in directing the City's financial operations in a responsible, progressive manner.

Respectfully submitted,



James A. Fulkerson
Director of Finance

DIRECTORY OF PUBLIC OFFICIALS

ELECTED OFFICIALS - BOARD OF COMMISSIONERS

Mayor Tom Watson

Commissioner Al Mattingly, Jr. (Mayor Pro-Tem)
Commissioner Candance Brake

Commissioner David Johnson
Commission Cathy Armour

APPOINTED OFFICIALS AND DEPARTMENT HEADS

City Manager Bob Whitmer
Operations Manager Tony Cecil
City Attorney David Fowler
City Clerk Carol Blake
City Engineer Joe Schepers
Community Development..... Keith Free
Facilities Maintenance Superintendent..... Lelan Hancock
Director of Finance/TreasurerJim Tony Fulkerson
Fire Chief Ronnie Heep
Garage Superintendent..... Eddie Buchanan
Information Services Director..... Harvey Sopher
Parks & Recreation Director Cyndi Sturgeon
Personnel Director Danielle Woodward
Police Chief..... John Kazlauskas
Purchasing Manager..... Joey Beatty
Sanitation/Street Superintendent..... Bill Parrish
Transit System Manager Louis Lindsay

City of Owensboro

Organization Chart



Our Values

- ★ We promote an enthusiastic partnership with the community, elected officials, and City employees to achieve our vision and our goals.
- ★ We care about those served.
- ★ We pursue excellence.
- ★ We encourage creativity and innovation.

Certificate of Achievement for Excellence in Financial Reporting

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Kentucky

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Financial Report
for the Fiscal Year Ended
June 30, 2006

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



President

Executive Director



Riney, Hancock & Co., PSC

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INDEPENDENT AUDITORS' REPORT

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The Honorable Tom Watson, Mayor
and Board of Commissioners
City of Owensboro, Kentucky

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Owensboro, Kentucky, as of and for the year ended June 30, 2007, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the management of the City of Owensboro, Kentucky. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the component units were not audited in accordance with *Government Auditing Standards*. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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 Owensboro, Kentucky, as of June 30, 2007, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 27, 2007, on our consideration of the City of Owensboro, Kentucky's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis, pension schedules, and budgetary comparison schedules are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

Owensboro, Kentucky
November 27, 2007

Riney, Hancock & Co., PSC



MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Owensboro ("City") offers Management's Discussion and Analysis to provide a narrative overview and analysis of City financial activities for fiscal year ended June 30, 2007. To fully understand the entire scope of the City's financial activities, this information should be read in conjunction with the letter of transmittal (pages 1-9) and the financial statements (pages 24-101) provided in this document.

I. Financial Highlights

- Assets exceeded liabilities by \$75.7 million at the close of the 2006-2007 fiscal year. Of this amount, \$23.3 million (unrestricted net assets) may be used to meet City government's ongoing obligations to citizens and creditors.
- Total net assets increased by \$12,849,409.
- At fiscal year end, City governmental funds reported a combined ending fund balance of \$13.2 million. Approximately \$6.8 million (51%) of this total amount is unreserved and available for spending at the City's discretion.
- At the end of the current fiscal year, unreserved general fund balance was \$5.66 million, 18.1% of total general fund expenditures.

II. Overview of Financial Statements

This discussion and analysis serves as an introduction to the City's basic financial statements, which consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

A. Government-Wide Financial Statements

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

The Statement of Net Assets presents information on all City assets and liabilities, with the difference between assets and liabilities reported as net assets. Monitoring increases and/or decreases in net assets over time helps the City to recognize whether its financial position is deteriorating, stagnating, or improving.

The Statement of Activities shows how City net assets changed during the past fiscal year. All net asset changes are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Revenues and expenses are reported in the Statement of Activities for some items that will only result in cash flows in the future (e.g., uncollected taxes and earned but unused vacation leave).

These two government-wide financial statements separate City functions primarily supported by taxes and intergovernmental revenues (governmental activities) from other City functions that are intended to recover all or a significant portion of expenses through user fees and charges (business-type activities). City governmental activities include general government, public safety, public works, community and economic development, and community and cultural. Business-type activities of the City include sanitation, transit, recreation, and parking garage operations.

Government-wide financial statements include not only the City (the primary government), but also a legally separate Owensboro Municipal Utilities and Owensboro Riverport Authority for which the City is financially accountable (component units). Financial information for the component units is reported separately from the financial information presented for the primary government itself.

The government-wide financial statements can be found on pages 24-25 of this report.

B. Fund Financial Statements

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

1) Governmental Funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. Unlike government-wide financial statements, however, governmental fund financial statements focus on near-term inflow and outflows of spendable resources, as well as on balances of spendable resources available at fiscal year-end. This information can help the City when it evaluates near-term financing requirements.

The City maintains eleven individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Debt Service Fund, and Capital Improvements Fund, all of which are considered to be major funds. Data from the other eight (8) governmental funds are combined into a single aggregated presentation. Individual fund data for each non-major governmental fund is provided in the form of combining statements elsewhere in this report.

Readers may better understand the long-term impact of the City near-term financing decision by comparing the narrow-focus government funds financial statements with governmental activities in the government-wide financial statements. The governmental fund balance sheet (pages 26-27) and the statement of revenues, expenditures and changes in fund balances (pages 28-29) provide a reconciliation to ease comparison between governmental funds and governmental activities.

2) Proprietary Funds. The City maintains two different types of proprietary funds:

a. **Enterprise funds**. Enterprise funds report the same functions presented as business-type activities in the government-wide financial statements and are used to account for operations:

- that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges; or
- where the governing body decided periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

The City uses four enterprise funds to account for Transit, Sanitation, Recreation and Parking Garage operations, as well as certain component units that provide electric, water, and riverport services. These component units, which each have their own board of directors, are also Enterprise Funds. With the exception of Sanitation and the component units, which are self-supporting, the other enterprises receive subsidy from the General Fund.

The City's component unit enterprises are Owensboro Municipal Utilities (OMU), which provides the electric, light and power system and the water works system, and the Owensboro Riverport.

- b. **Internal Service funds** are used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for its Insurance, Garage, Facilities Maintenance (buildings and grounds), and Fleet and Facilities Maintenance (fleet and long-term buildings and vehicle expenses) operations. Internal Service Funds have been included within governmental activities in the government-wide financial statements because these funds predominantly benefit governmental functions versus business-type functions.

Proprietary funds provide the same kind of information as government-wide financial statements, but in greater detail. Individual data for the proprietary fund financial statements is presented in the form of combining statements at pages 30-32 of this report. Individual data for the internal service fund financial statements are likewise presented in the form of combining statements at pages 90-92 of this report.

- 3) **Fiduciary Funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the government and are not reflected in government-wide financial statements because those resources are not available to support City programs. Individual data for the City's four fiduciary funds (City Employees Pension, Police and Firefighters Retirement, Court Occupational Tax, and School District Tax) are presented in the form of combining statements at pages 93-96 of this report.

C. Notes to the Financial Statements

These notes provide additional information crucial to fully understanding data provided in the government-wide and fund financial statements. Notes to the financial statements can be found at pages 37-74 of this report.

D. Other Information

In addition to basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning City funding of its obligation to provide pension benefits to its employees and budgetary comparison schedules for the general fund. The General Fund is the budgeted major general fund. Required supplementary information can be found on pages 75-79 of this report.

The combining statements referred to earlier in connection with non-major governmental funds and internal service funds are presented immediately following the required supplementary information on pensions. Combining and individual fund statements and schedules can be found on pages 80-98 of this report.

III. Government-Wide Financial Analysis

As previously indicated, net assets may serve over time as a useful indicator of the City's financial position. City assets exceeded liabilities by \$75.7 million at June 30, 2007.

The largest portion of the City's net assets (59.1%) reflects its investment in capital assets (i.e., land, buildings, machinery, and equipment) less outstanding related debt used to acquire those assets. The City uses these capital assets to provide service to citizens and as a result, these assets are not available for future spending. The City's capital assets investment is reported net of related debt, but the resources to pay this debt must be provided from other sources since the capital assets cannot be used to liquidate the liabilities.

An additional portion of City net assets (10.1%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$23.3 million) may be used to meet the City's ongoing obligations to citizens and creditors.

At the end of the last fiscal year, the City was able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

City of Owensboro Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2006	2007	2006	2007	2006	2007
Current and other assets	\$32,812,929	\$40,520,377	\$ 7,956,308	\$ 9,608,517	\$40,769,237	\$ 50,128,894
Capital assets	52,256,598	56,425,443	2,059,230	1,959,205	54,315,828	58,384,648
Total assets	<u>\$85,069,527</u>	<u>\$96,945,820</u>	<u>\$10,015,538</u>	<u>\$11,567,722</u>	<u>\$95,085,065</u>	<u>\$108,513,542</u>
Long-term liabilities						
outstanding	\$25,066,954	\$23,508,966	\$ 222,504	\$ 195,860	\$25,289,458	\$ 23,704,826
Other liabilities	9,239,844	8,893,417	284,393	178,086	9,524,237	9,071,503
Total liabilities	<u>\$34,306,798</u>	<u>\$32,402,383</u>	<u>\$ 506,897</u>	<u>\$ 373,946</u>	<u>\$34,813,695</u>	<u>\$ 32,776,329</u>
Net assets:						
Invested in capital assets, net of related debt	\$33,144,429	\$42,842,237	\$ 2,059,230	\$ 1,959,205	\$35,203,659	\$ 44,801,442
Restricted	6,321,540	7,638,119	-	-	6,321,540	7,638,119
Unrestricted	11,296,760	14,063,081	7,449,411	9,234,571	18,746,171	23,297,652
Total net assets	<u>\$50,762,729</u>	<u>\$64,543,437</u>	<u>\$ 9,508,641</u>	<u>\$11,193,776</u>	<u>\$60,271,370</u>	<u>\$ 75,737,213</u>

A. Analysis of the City's Operations

The following table summarizes City operations for the year ended June 30, 2007. Governmental activities increased City net assets by \$11.2 million, accounting for approximately 86.9% of the total increase in net assets. This increase was the result of large increases in revenue along with a very small increase in non-capital spending. Business-type activities increased City net assets by \$1.7 million, 13.1% of the total increase in City net assets. The Sanitation Fund continues to build reserves by maintaining costs.

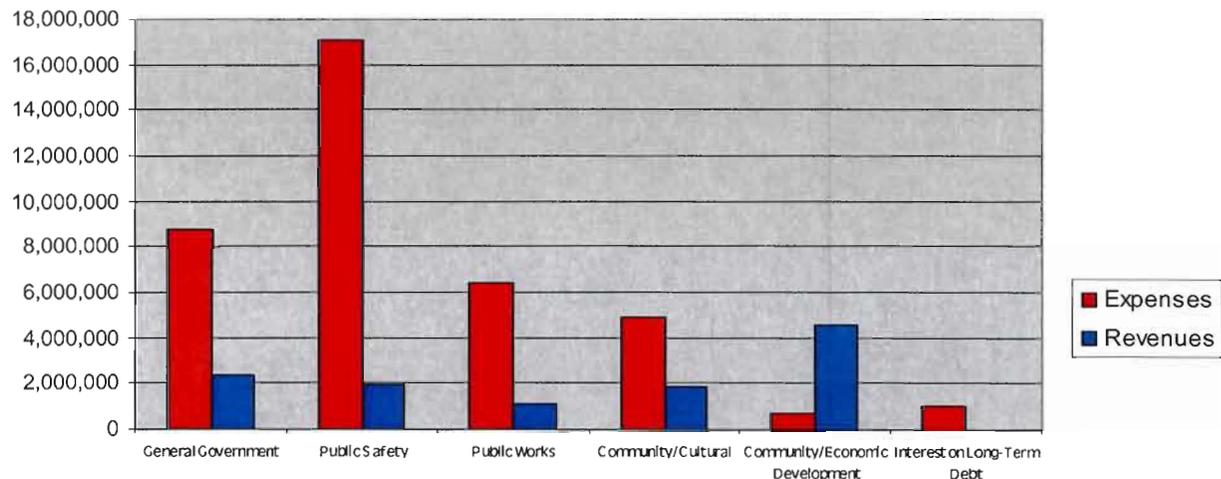
City of Owensboro – Changes in Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2006	2007	2006	2007	2006	2007
Revenues:						
Program revenues:						
Charges for services	\$3,635,090	\$ 3,730,504	\$6,287,072	\$ 6,272,188	\$ 9,922,162	\$10,002,692
Operating grants/ contributions	5,152,432	3,470,861	652,332	407,877	5,804,764	3,878,738
Capital grants/contributions	3,142,387	4,533,823	-	420,237	3,142,387	4,954,060
General revenues:						
Property taxes	7,758,532	8,129,079	-	-	7,758,532	8,129,079
Occupational & Net Profit Licenses	14,425,547	15,930,482	-	-	14,425,547	15,930,482
Regulatory licenses	4,722,033	4,815,086	-	-	4,722,033	4,815,086
Payment in lieu of taxes	1,480,187	1,399,301	-	-	1,480,187	1,399,301
Gain on sale of capital assets	127,727	584	142,184	115,938	269,911	116,522
Interest income	373,234	885,309	166,231	410,982	539,465	1,296,291
Intergovernmental revenues	6,172,509	5,768,103	-	-	6,172,509	5,768,103
Investment in joint venture	464,514	1,909,755	-	-	464,514	1,909,755
Other	357,791	465,070	-	-	357,791	465,070
Total revenues	<u>\$47,811,983</u>	<u>\$51,037,957</u>	<u>\$7,247,819</u>	<u>\$7,627,222</u>	<u>\$55,059,802</u>	<u>\$58,665,179</u>
Expenses:						
General government	\$ 8,644,720	\$ 8,793,519	\$ -	\$ -	\$ 8,644,720	\$ 8,793,519
Public safety	19,513,418	17,055,086	-	-	19,513,418	17,055,086
Public works	9,278,026	6,395,367	-	-	9,278,026	6,395,367

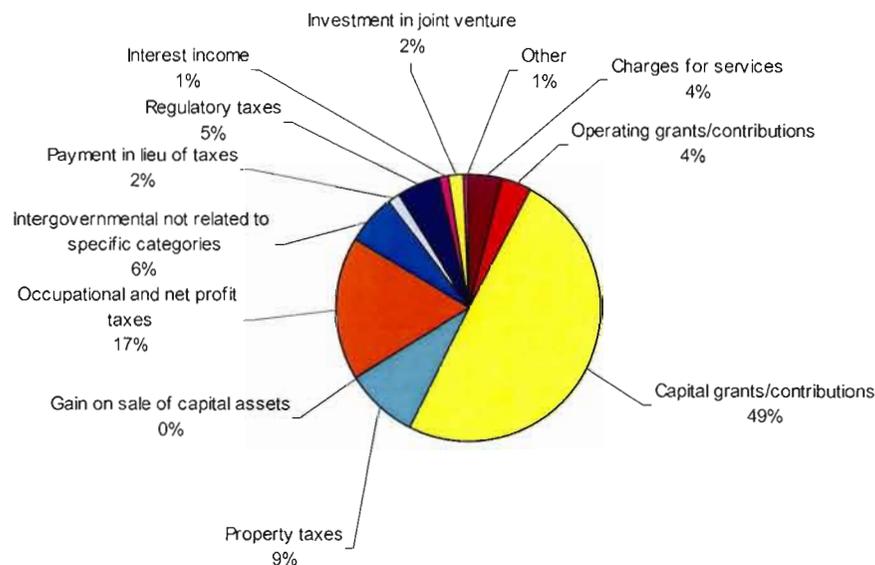
Community and cultural	4,457,954	4,886,150	-	-	4,457,954	4,886,150
Community/economic development	1,113,760	703,557	-	-	1,113,760	703,557
Interest on long-term debt	926,657	1,015,349	-	-	926,657	1,015,349
Sanitation	-	-	4,013,954	4,047,686	4,013,954	4,047,686
Other enterprise funds	-	-	2,787,178	2,919,056	2,787,178	2,919,056
Total expenses	\$43,934,535	\$38,849,028	\$6,801,132	\$ 6,966,742	\$50,735,667	\$45,815,770
Increase in net assets before transfers	\$ 3,877,448	\$12,188,929	\$ 446,687	\$ 660,480	\$ 4,324,135	\$12,849,409
Transfers	(888,986)	(1,024,655)	888,986	1,024,655	-	-
Increase in net assets	2,988,462	11,164,274	1,335,673	1,685,135	4,324,135	12,849,409
Net assets restated – beginning of year	47,774,267	53,379,163	8,172,968	9,508,641	55,947,235	62,887,804
Net assets – end of year	\$50,762,729	\$64,543,437	\$9,508,641	\$11,193,776	\$60,271,370	\$75,737,213

B. Governmental Activities

Expenses and Program Revenues - Governmental Activities

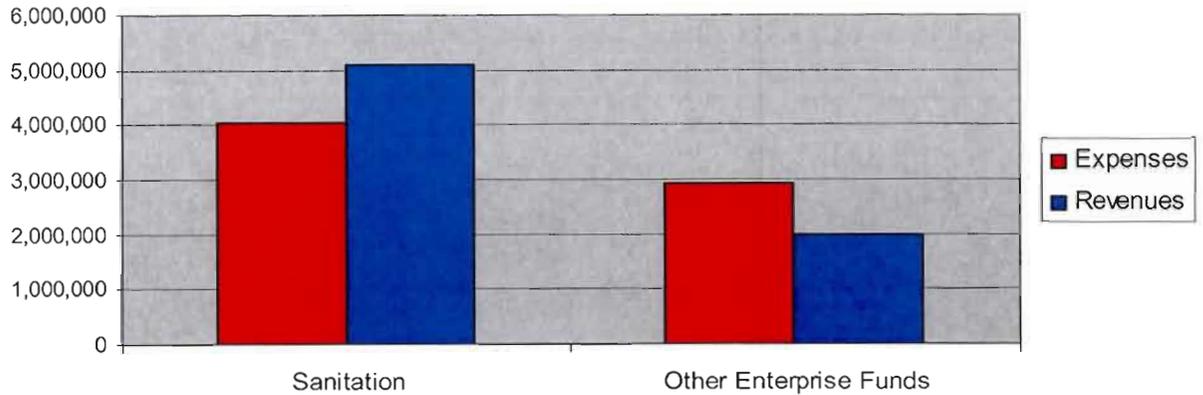


Revenue by Source - Governmental Activities

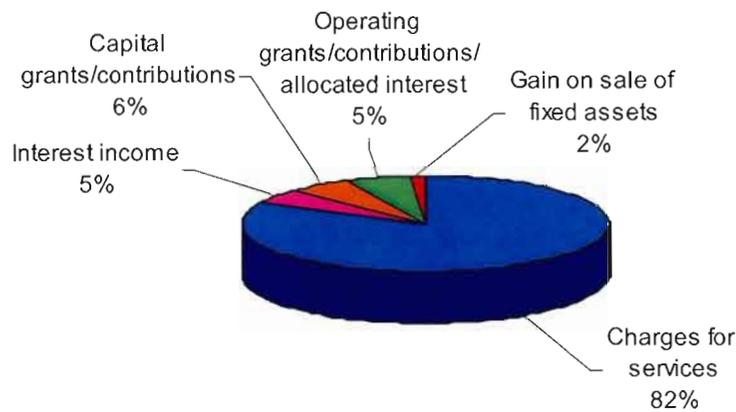


C. Business-Type Activities

Expenses and Revenues - Business-Type Activities



Revenue by Source - Business-Type Activities



IV. Financial Analysis of the City's Funds

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

A. Governmental Funds

The focus of the City's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources, which is useful in determining the City's financing requirements. Unreserved fund balance serves as a useful measure of the City's net resources available for spending at the end of the fiscal year.

At the end of the fiscal year, the City governmental funds reported combined ending fund balances of \$13.2 million. Approximately 51% of this total amount, \$6.8 million, is unreserved fund balance, which is available for spending at the government's discretion. The remainder of fund balance is reserved to indicate it is not available for new spending because it has already been committed 1) to liquidate contracts and purchase orders of the prior period (\$5.9 million), 2) to pay debt service (\$553 thousand), and 3) to provide for inventory (\$16 thousand).

The general fund is the chief operating fund of the City. At the end of the 2006-2007 fiscal year, the general fund unreserved fund balance was \$5,661,884, while total fund balance was \$5,929,148. As a measure of general fund liquidity, readers may compare both unreserved fund balance and total fund balance to total general fund expenditures. Unreserved fund balance represents 18.2% and total fund balance represents 19.0% of total general fund expenditures (\$31.2 million).

The City's general fund balance increased by \$2.2 million during the 2006-2007 fiscal year. Key factors contributing to this increase are:

- * Growth in occupational and net profit license fees.
- * Increase in dividends from component units.
- * Only a 2.6% increase in expenditures.

The Capital Improvements Fund has a total fund balance of \$3.8 million. \$3.4 million is unreserved and available for spending on capital projects.

The debt service fund has a total fund balance of \$553 thousand, all of which is reserved for payment of debt service. The net decrease in fund balance in the debt service fund was \$55 thousand.

B. Proprietary Funds

The City's proprietary funds provide the same information found in the government-wide financial statements, but in more detail. Unrestricted net assets of the respective proprietary funds are:

Sanitation	\$8,739,439
Other Enterprise Funds	\$ 200,303

The change in net assets for the four funds was \$1.6 million. Sanitation increased \$1.5 million. Other Enterprise Funds increased \$61 thousand. Other factors concerning the proprietary enterprise funds have been addressed in the discussion of City business-type activities.

V. General Fund Budgetary Highlights

Differences between the original budget and the final amended budget resulted in a \$264,156 increase in appropriations and can be briefly summarized as follows:

- \$ (74,000) decrease in Administration
- \$ (94,500) decrease in Community Development
- \$ 34,497 increase in Engineering
- \$ (82,000) decrease in Finance
- \$ 112,481 increase in Fire
- \$ 79,523 increase in Information Services
- \$ (78,000) decrease in Parks
- \$ 4,882 increase in Personnel
- \$ (304,818) decrease in Police
- \$ (44,000) decrease in Street
- \$ 710,091 increase in General Government
- \$ 0 no change in Community Services

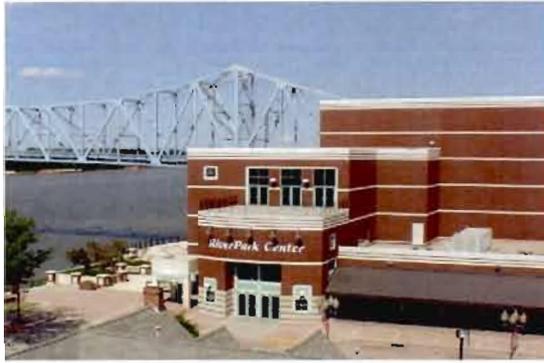
Intergovernmental Revenues were increased by \$10,000. The net increase to appropriations and transfers out of \$254,156 was deducted from the available fund balance.

The decreases above were the result of vacancies in the budgeted number of employees. Increases in Engineering, Fire and Personnel were due to increases in overtime and capital assets. The \$700,000 increase in General Government is due to elimination of a \$700,000 budgeted contingency.

VI. Capital Asset and Debt Administration

A. Capital Assets

The City's investment in capital assets for governmental and business-type activities as of June 30, 2007, is \$58 million (net of accumulated depreciation). This investment in capital assets includes land, buildings and system improvements, machinery and equipment, park facilities, roads, highways and bridges, and construction in progress.

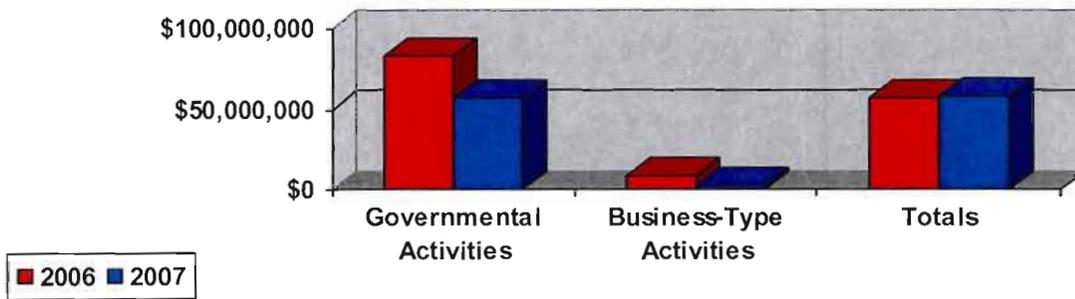


The City's multi-year Riverfront Development Project focuses on public and private enhancement along the Owensboro riverfront. Principal improvements included completion of a master plan, expansion of the RiverPark Center patio, construction of a Riverwalk, and study of development of marina facilities. The purpose of the Riverfront Development Project is to provide public access to the river, while stimulating economic growth in the downtown and riverfront areas. The RiverPark Center patio expansion and the Mitch McConnell Plaza and Walkway, shown above, are complete, demonstrating the City's forward movement in implementing the Riverfront Development Project.



	Governmental Activities		Business-Type Activities		Total	
	2006	2007	2006	2007	2006	2007
Land	\$ 9,997,503	\$10,999,244	\$ 118,739	\$ 118,739	\$10,116,242	\$11,117,983
Land improvements	29,905,396	33,224,414	11,595	-	29,916,991	33,224,414
Buildings	10,014,629	9,185,287	707,844	701,549	10,722,473	9,886,836
Machinery and equipment	608,595	1,874,091	175,676	989,880	784,271	2,763,971
Vehicles	1,730,475	1,142,407	1,045,376	149,037	2,775,851	1,291,444
Total	\$52,256,598	\$56,425,443	\$2,059,230	\$1,959,205	\$54,315,828	\$58,284,648

Capital Projects - Governmental and Business-Type Activities



Additional information on City capital assets can be found on pages 99-101 of this report and in Footnote 5 at pages 53-55.

B. Long-Term Debt

At year end the City had \$20,427,000 in outstanding notes, bonds and capital leases, compared to \$22,268,400 at June 30, 2006. That is a decrease of 8.3%, as shown in the following table:

	Governmental Activities	
	2006	2007
OMIC notes	\$ 36,400	\$ -
General obligation bonds	7,380,000	6,980,000
Lease revenue bonds	640,000	585,000
Advance refunding bonds	13,100,000	11,860,000
Floating indebtedness funding bond	242,000	132,000
Notes Payable	870,000	870,000
Total	\$22,268,400	\$20,427,000

The City's legal debt limit under Kentucky Constitution §158 is 10% of total assessed value of taxable property in Owensboro; therefore the debt limit is \$276,122,241. The City's latest bond rating is A2.

The City issues and incurs debt in order to fund capital improvement projects, purchase major capital equipment facilities, and respond to other special funding needs. Total municipal debt outstanding at June 30, 2007, is \$20,427,000, with maturities extending through the year 2026. The City has a very low amount of general obligation debt, which explains our large legal debt margin. Less than 4% of the General Fund budget is expended for debt service, and thus has little impact on current and future operations.

C. Types of Municipal Debt

- i. OMIC Notes.** Variable rate notes were formerly payable to local financial institutions are now \$0. This is a decrease from the previous fiscal year of \$36,400. The notes were issued for acquisition of the Audubon Area Community Services building.
- ii. Advance Refunding Bonds.** The City issued General Obligation Public Projects Refunding Bonds to advance refund the 1993 and 1994 Series Bonds, which reduced debt service payments. During 2003-2004, the City issued General Obligation Refunding Bonds

to advance refund the Floating Indebtedness Bond, which reduced debt service payments. The outstanding amount is \$11,860,000.

- iii. **Floating Indebtedness Funding Bond.** This debt was issued in early 2005 to finance the remodeling of the new Owensboro Symphony offices.
- iv. **Lease Revenue Bonds.** This debt was issued in May of 2001. The funds were used to build a new pro shop at the City golf course and acquire land for the City's newest park.
- v. **City of Owensboro Notes.** Notes are payable for acquisition of land at the AirPark and Area Museum of Science. The outstanding debt is \$870,000, which matures in fiscal 2008. Additional information on City long-term debt can be found in Footnote 6 at pages 56-63.

VII. Economic Factors and Next Year's Budgets and Rates

- A. **Unemployment Rate.** The unemployment rate for the City of Owensboro as of June 2007 was 5.4%. This rate is lower than the 5.7% state unemployment rate and higher than the 4.7% federal unemployment rate.
- B. **Inflationary Trends.** Inflationary trends in the City also compare favorably to state and national trends.
- C. **Annexation Policy.** Incentive investments in annexation and economic development should enable revenue to increase significantly over the next 2-3 years. The City will continue to aggressively pursue its annexation efforts as these efforts will insure long-term financial stability for the City in terms of increased property taxes, occupational license fees, and occupational net profit fees through mixed commercial, industrial, and residential development. City policy will continue to provide annexation and economic development incentives that will pay for themselves within five years of implementation and serve as incentive investments in future revenues to offset the cost of providing services to the newly annexed areas. The policy of balanced and controlled growth will be the City's greatest challenge in the next 5-10 years.
- D. **Fleet and Facilities Maintenance Plan.** The City's strategy to continue to limit expenditure growth and seek cost savings opportunities will insure that funds are available for needed capital projects in the future. The City has been helped in this regard by implementation of the Fleet and Facilities Maintenance Plan. This plan allows the City to make long-range plans for facility maintenance and to replace vehicles at the optimal time to avoid high maintenance costs and take advantage of a higher resale value.
- E. **Debt Service Payments.** All future debt service payments must come from operating funds. As a result, debt service requirements were an important consideration when preparing the 2007-2008 annual operating budget. Less than 4% of the General Fund budget is expended for debt service. This does not now impact the City's annual operating budget and should have little impact on the operating budget in the future.

All the above factors, in addition to current and future needs of the City of Owensboro, were considered when the 2007-2008 City budget was prepared. The beginning general fund fiscal year balance is \$5,929,148. The City estimated an ending fund balance of \$5,895,877, or 16.1% of projected general fund revenues. The City is in good financial condition at the present time and no tax increase is planned for this fiscal year.

VIII. Requests for Information

This financial report is designed to provide a general financial overview for those interested in the City of Owensboro government finances. Questions or requests for additional financial information may be addressed to James A. Fulkerson, Finance Director, City of Owensboro, 101 East Fourth Street, Owensboro, KY 42303.

CITY OF OWENSBORO, KENTUCKY
STATEMENT OF NET ASSETS
June 30, 2007

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
ASSETS				
Equity in pooled deposits and investments	\$ 13,888,455	\$ 8,463,320	\$ 22,351,775	\$ 4,917,848
Cash and cash equivalents:				
In segregated accounts	15,028	4,600	19,628	10,525,161
With escrow agents	201,546	-	201,546	-
Receivables:				
Accounts	2,214,907	190,220	2,405,127	8,366,245
Lease	5,962,000	-	5,962,000	-
Component units	114,450	703,385	817,835	-
Taxes	2,151,709	-	2,151,709	-
Intergovernmental	1,514,903	-	1,514,903	-
Delinquent taxes receivable, net of allowance for uncollectibles of \$160,000	4,028	-	4,028	-
Internal balances	(185,058)	185,058	-	-
Investments	-	-	-	8,054,947
Materials and supplies inventory	36,450	31,264	67,714	2,800,536
Prepaid items	20,771	30,670	51,441	312,269
Other current assets	-	-	-	110,171
Restricted assets	370,772	-	370,772	87,962,226
Net investment in sales type leases	-	-	-	23,802
Capital assets, net of accumulated depreciation:				
Land	10,999,244	118,739	11,117,983	-
Depreciable capital assets	45,426,199	1,840,466	47,266,665	279,729,524
Other noncurrent assets	2,545,911	-	2,545,911	34,484
Deferred charges	186,260	-	186,260	3,229,276
Investment in joint venture	11,478,245	-	11,478,245	-
Total assets	\$ 96,945,820	\$ 11,567,722	\$ 108,513,542	\$ 406,066,489

LIABILITIES AND NET ASSETS

LIABILITIES AND NET ASSETS				
Liabilities:				
Accounts payable	\$ 1,379,675	\$ 128,187	\$ 1,507,862	\$ 11,105,453
Accrued wages	221,813	-	221,813	-
Other accrued liabilities	140,503	45,039	185,542	405,535
Accrued interest payable	286,389	-	286,389	1,226,693
Other payables	-	-	-	3,010,297
Dividends payable	-	-	-	37,500
Intergovernmental payable	116,378	-	116,378	-
Component unit payable	120,089	-	120,089	-
Unearned revenue	6,628,570	4,860	6,633,430	8,596,408
Customers' advances	-	-	-	1,147,422
Non-current liabilities:				
Due within one year	1,989,404	13,826	2,003,230	21,080,687
Due in more than one year	21,519,562	182,034	21,701,596	195,603,102
Total liabilities	32,402,383	373,946	32,776,329	242,213,097
Net assets:				
Invested in capital assets, net of related debt	42,842,237	1,959,205	44,801,442	75,509,181
Restricted for:				
Capital projects	6,455,086	-	6,455,086	1,622,793
Economic development	558,570	-	558,570	-
Debt service	266,258	-	266,258	18,304,197
Other purposes	358,205	-	358,205	43,659,987
Unrestricted	14,063,081	9,234,571	23,297,652	24,757,234
Total net assets	64,543,437	11,193,776	75,737,213	163,853,392
Total liabilities and net assets	\$ 96,945,820	\$ 11,567,722	\$ 108,513,542	\$ 406,066,489

See Notes to Financial Statements

CITY OF OWENSBORO, KENTUCKY
STATEMENT OF ACTIVITIES
Year Ended June 30, 2007

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Component Units
					Governmental Activities	Business-Type Activities	
Functions / Programs							
PRIMARY GOVERNMENT							
Governmental activities:							
General government	\$ 8,793,519	\$ 2,337,646	\$ 435	\$ -	\$ (6,455,438)	\$ (6,455,438)	
Public safety	17,055,086	875,431	958,108	83,664	(15,221,547)	(15,221,547)	
Public works	6,395,367	216,483	874,620	-	(5,304,264)	(5,304,264)	
Community and cultural	4,886,150	-	10,501	1,846,637	(4,875,649)	(4,875,649)	
Community / economic development	703,557	300,944	1,627,197	2,603,522	1,224,584	1,224,584	
Interest on long-term debt	1,015,349	-	-	-	(1,015,349)	(1,015,349)	
Total governmental activities	38,849,028	3,730,504	3,470,861	4,533,823	(27,113,840)	(27,113,840)	
Business-type activities:							
Sanitation	4,047,686	5,100,056	-	-	\$ 1,052,370	1,052,370	
Transit	1,477,294	159,101	407,877	420,237	(510,079)	(510,079)	
Parking garage operations	68,660	53,825	-	-	(14,835)	(14,835)	
Recreation	1,373,102	979,206	-	-	(393,896)	(393,896)	
Total business-type activities	6,966,742	6,272,188	407,877	420,237	133,560	133,560	
Total primary government	\$ 45,815,770	\$ 10,002,692	\$ 3,878,738	\$ 4,954,060	(27,113,840)	(26,980,280)	
COMPONENT UNITS							
Owensboro Municipal Utilities	\$ 98,863,458	\$ 95,743,153	\$ -	\$ 365,018		\$ (2,735,287)	
Owensboro Riverport Authority	7,893,238	8,391,560	-	-		498,322	
Total component units	\$ 106,756,696	\$ 104,134,713	\$ -	\$ 365,018		(2,256,965)	
General revenues:							
Property taxes					8,129,079	8,129,079	
Occupational license taxes					13,202,290	13,202,290	
Net profit license taxes					2,728,192	2,728,192	
Regulatory taxes					4,815,086	4,815,086	
Payments in lieu of taxes from component unit					1,399,301	1,399,301	
Investment earnings					885,309	1,296,291	4,925,392
Intergovernmental, unrestricted					5,768,103	5,768,103	
Gain on sale of capital assets					584	116,522	8,349
Investment in joint venture					1,909,755	1,909,755	
Miscellaneous					465,070	465,070	44,345
Transfers					(1,024,655)	-	-
Total general revenues and transfers					38,278,114	39,829,689	4,978,086
Change in net assets					11,164,274	1,685,155	2,721,121
Net assets, June 30, 2006, as restated					53,579,163	9,508,641	161,132,271
Net assets, June 30, 2007					\$ 64,543,437	\$ 11,193,776	\$ 163,853,392

See Notes to Financial Statements

CITY OF OWENSBORO, KENTUCKY
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2007

	General Fund	Debt Service Fund	Capital Improvements Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS					
Equity in pooled deposits and investments	\$ 5,165,002	\$ 181,875	\$ 2,832,580	\$ 2,575,307	\$ 10,754,764
Cash and cash equivalents:					
In segregated accounts	14,478	-	-	-	14,478
With escrow agents	-	-	-	201,546	201,546
Receivables:					
Accounts	906,719	-	1,149,367	157,363	2,213,449
Lease	-	5,962,000	-	-	5,962,000
Component units	114,450	-	-	-	114,450
Interfund	1,244,619	-	-	-	1,244,619
Taxes receivable	1,510,321	-	-	641,388	2,151,709
Intergovernmental	31,713	-	16,312	1,466,878	1,514,903
Delinquent taxes receivable, net of allowance for uncollectibles of \$160,000	4,028	-	-	-	4,028
Materials and supplies inventory	16,138	-	-	-	16,138
Prepaid items	-	-	-	-	-
Restricted assets	-	370,772	-	-	370,772
Total assets	<u>\$ 9,007,468</u>	<u>\$ 6,514,647</u>	<u>\$ 3,998,259</u>	<u>\$ 5,042,482</u>	<u>\$ 24,562,856</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 223,316	\$ -	\$ 215,695	\$ 111,399	\$ 550,410
Accrued wages	219,967	-	-	1,846	221,813
Other accrued liabilities	111,151	-	-	-	111,151
Intergovernmental payable	116,378	-	-	-	116,378
Interfund payable	-	-	-	1,134,848	1,134,848
Component unit payable	120,089	-	-	-	120,089
Deferred revenue	2,287,419	5,962,000	-	846,480	9,095,899
Total liabilities	<u>3,078,320</u>	<u>5,962,000</u>	<u>215,695</u>	<u>2,094,573</u>	<u>11,350,588</u>
Fund balances:					
Reserved for:					
Encumbrances	251,126	-	338,856	5,262,413	5,852,395
Inventories	16,138	-	-	-	16,138
Debt service	-	552,647	-	-	552,647
Unreserved	5,661,884	-	3,443,708	-	9,105,592
Unreserved, reported in nonmajor:					
Special revenue funds	-	-	-	958,158	958,158
Capital projects funds	-	-	-	(3,272,662)	(3,272,662)
Total fund balances	<u>5,929,148</u>	<u>552,647</u>	<u>3,782,564</u>	<u>2,947,909</u>	<u>13,212,268</u>
Total liabilities and fund balances	<u>\$ 9,007,468</u>	<u>\$ 6,514,647</u>	<u>\$ 3,998,259</u>	<u>\$ 5,042,482</u>	<u>\$ 24,562,856</u>

See Notes to Financial Statements

CITY OF OWENSBORO, KENTUCKY
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
June 30, 2007

Total fund balances - governmental funds		\$ 13,212,268
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources, and therefore are not reported in the funds:		
Cost	\$ 84,810,721	
Accumulated depreciation	<u>(30,173,501)</u>	54,637,220
Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.		
		3,811,559
The City has an equity interest in a joint venture. This investment is not a current financial resource, and therefore is not reported in the funds.		
		11,478,245
Certain assets not available to pay for current period expenditures:		
Occupational and net profit taxes	\$ 2,151,710	
Property maintenance code revenue	315,619	
Negative net pension obligation	2,545,911	
Deferred issuance costs	<u>186,260</u>	5,199,500
Long-term liabilities are not due and payable in the current period, and therefore are not reported as liabilities in governmental funds:		
Long-term debt	\$ (20,427,000)	
Accrued interest payable	(286,389)	
Debt issuance discount	65,973	
Deferred refunding charges	494,553	
Compensated absences	<u>(3,642,492)</u>	<u>(23,795,355)</u>
Net assets of governmental activities		\$ <u><u>64,543,437</u></u>

See Notes to Financial Statements

CITY OF OWENSBORO, KENTUCKY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2007

	General Fund	Debt Service Fund	Capital Improvements Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:					
Real and personal property taxes	\$ 7,961,663	\$ -	\$ -	\$ 167,416	\$ 8,129,079
Occupational licenses	9,043,828	-	-	3,867,422	12,911,250
Net profit license fees	2,033,266	-	-	748,602	2,781,868
Regulatory licenses	4,815,086	-	-	-	4,815,086
Intergovernmental	2,821,214	131,206	2,190,899	3,550,814	8,694,133
Interest	386,360	33,465	93,759	215,323	728,907
Fees, licenses and permits	523,924	-	-	-	523,924
Fines and forfeitures	157,286	-	-	-	157,286
Rentals	-	698,306	-	22,590	720,896
Charges for services	697,149	-	-	-	697,149
Contributions and donations	435	-	-	19,762	20,197
Dividends from component units	5,324,818	-	-	-	5,324,818
Payments in lieu of taxes from component unit	1,399,301	-	-	-	1,399,301
Miscellaneous income	510,506	-	-	183,295	693,801
Total revenues	35,674,836	862,977	2,284,658	8,775,224	47,597,695
Expenditures:					
Current:					
General government	7,666,545	-	13,830	-	7,680,375
Public safety	16,484,921	-	-	213,002	16,697,923
Public works	2,085,514	-	596,284	1,852,427	4,534,225
Community and cultural	3,437,353	-	-	526,529	3,963,882
Community /economic development	366,466	-	-	647,032	1,013,498
Capital outlay	1,138,926	-	1,715,113	4,232,002	7,086,041
Debt service:					
Principal	-	1,841,400	-	-	1,841,400
Interest	-	920,447	-	-	920,447
Issuance costs	-	-	-	-	-
Total expenditures	31,179,725	2,761,847	2,325,227	7,470,992	43,737,791
Excess (deficiency) of revenues over expenditures	4,495,111	(1,898,870)	(40,569)	1,304,232	3,859,904
Other financing sources (uses):					
Sale of capital assets	3,881	-	-	12,411	16,292
Issuance of debt	-	-	-	-	-
Refunding bonds issued	-	-	-	-	-
Payment to bond refunding escrow	-	-	-	-	-
Transfers in	389,000	1,843,711	3,346,525	3,547	5,582,783
Transfers out	(2,702,812)	-	-	(3,378,547)	(6,081,359)
Total other financing sources (uses)	(2,309,931)	1,843,711	3,346,525	(3,362,589)	(482,284)
Net change in fund balances	2,185,180	(55,159)	3,305,956	(2,058,357)	3,377,620
Fund balances, beginning of year	3,743,968	607,806	476,608	5,006,266	9,834,648
Fund balances, end of year	\$ 5,929,148	\$ 552,647	\$ 3,782,564	\$ 2,947,909	\$ 13,212,268

See Notes to Financial Statements

CITY OF OWENSBORO, KENTUCKY

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2007

Net change in fund balances - total governmental funds \$ 3,377,620

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 those assets is allocated over their
estimated useful lives and reported as depreciation expense :

Capital outlays	\$ 7,228,136	
Depreciation expense	<u>(3,186,620)</u>	4,041,516

Governmental funds report the disposal of capital assets to the extent proceeds
are received. However, the statement of activities reports the gain or loss. (290,791)

Revenues in the statement of activities that do not provide current financial resources
are not reported as revenues in the funds:

Occupational and net profit taxes	\$ 237,364	
Property maintenance code revenue	148,327	
Increase in investment in joint venture	<u>1,909,755</u>	2,295,446

The issuance of long-term debt provides current financial resources to governmental
funds, while the repayment of the principal of long-term debt consumes the
current financial resources of governmental funds. Neither transaction, however,
has any effect on net assets. Also, governmental funds report the effect of
issuance costs and similar items when debt is first issued, whereas these
amounts are deferred and amortized in the statement of activities:

Debt principal payments	\$ 1,841,400	
Amortization of refunding costs and issuance discounts	(85,407)	
Amortization of bond issuance costs	<u>(17,346)</u>	1,738,647

Certain expenses reported in the statement of activities do not require the use of
current financial resources, and therefore are not reported as expenditures in
governmental funds:

Increase in compensated absences liability	\$ (198,005)	
Decrease in negative net pension obligation	(70,523)	
Decrease in accrued interest	<u>7,851</u>	(260,677)

Internal service funds are used by management to charge the costs of certain
activities to individual funds. The net revenue of the internal service funds is
reported with governmental activities. 262,513

Change in net assets of governmental activities \$ 11,164,274

See Notes to Financial Statements

CITY OF OWENSBORO, KENTUCKY
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
June 30, 2007

	Business-Type Activities Enterprise Funds			Governmental Activities- Internal Service Funds
	Sanitation Fund	Nonmajor Enterprise Funds	Total	
ASSETS				
Current assets:				
Equity in pooled deposits and investments	\$ 8,238,540	\$ 224,780	\$ 8,463,320	\$ 3,133,691
Cash and cash equivalents:				
In segregated accounts	125	4,475	4,600	550
Receivables:				
Accounts	11,829	178,391	190,220	1,458
Component units	703,385	-	703,385	-
Intergovernmental	-	-	-	-
Materials and supplies inventory	17,136	14,128	31,264	20,312
Prepaid expenses	-	30,670	30,670	20,771
Total current assets	<u>8,971,015</u>	<u>452,444</u>	<u>9,423,459</u>	<u>3,176,782</u>
Noncurrent assets:				
Capital assets, net of accumulated depreciation:				
Land	13,000	105,739	118,739	-
Depreciable capital assets	776,399	1,064,067	1,840,466	1,788,223
Total noncurrent assets	<u>789,399</u>	<u>1,169,806</u>	<u>1,959,205</u>	<u>1,788,223</u>
Total assets	<u>\$ 9,760,414</u>	<u>\$ 1,622,250</u>	<u>\$ 11,382,664</u>	<u>\$ 4,965,005</u>
LIABILITIES AND NET ASSETS				
Current liabilities:				
Accounts payable	\$ 104,444	\$ 23,743	\$ 128,187	\$ 829,265
Accrued liabilities	19,914	25,125	45,039	29,352
Compensated absences	10,369	3,457	13,826	-
Unearned revenue	-	4,860	4,860	-
Due to other funds	-	109,771	109,771	-
Total current liabilities	<u>134,727</u>	<u>166,956</u>	<u>301,683</u>	<u>858,617</u>
Non-current liabilities:				
Compensated absences	96,849	85,185	182,034	-
Total non-current liabilities	<u>96,849</u>	<u>85,185</u>	<u>182,034</u>	<u>-</u>
Total liabilities	<u>231,576</u>	<u>252,141</u>	<u>483,717</u>	<u>858,617</u>
Net assets:				
Invested in capital assets	789,399	1,169,806	1,959,205	1,788,223
Unrestricted	8,739,439	200,303	8,939,742	2,318,165
Total net assets	<u>9,528,838</u>	<u>1,370,109</u>	<u>10,898,947</u>	<u>4,106,388</u>
Total liabilities and net assets	<u>\$ 9,760,414</u>	<u>\$ 1,622,250</u>	<u>\$ 11,382,664</u>	<u>\$ 4,965,005</u>
Total net assets			\$ 10,898,947	
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.			<u>294,829</u>	
Net assets of business-type activities			<u>\$ 11,193,776</u>	

See Notes to Financial Statements

CITY OF OWENSBORO, KENTUCKY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
Year Ended June 30, 2007

	Business-Type Activities Enterprise Funds			Governmental Activities- Internal Service Funds
	Sanitation Fund	Nonmajor Enterprise Funds	Total	
Operating revenues:				
Charges for services	\$ 5,051,936	\$ 1,172,132	\$ 6,224,068	\$ 8,784,582
Miscellaneous income	48,120	-	48,120	-
Total operating revenues	<u>5,100,056</u>	<u>1,172,132</u>	<u>6,272,188</u>	<u>8,784,582</u>
Operating expenses:				
Salaries, wages, and benefits	1,314,450	1,209,540	2,523,990	2,056,057
Maintenance	592,261	829,231	1,421,492	1,342,533
Utilities	8,824	119,326	128,150	29,790
Administrative	-	-	-	189,998
Supplies	241,078	294,747	535,825	672,143
Other	1,718,673	395,089	2,113,762	43,661
Claims	-	-	-	3,571,678
Depreciation	230,417	116,470	346,887	531,409
Total operating expenses	<u>4,105,703</u>	<u>2,964,403</u>	<u>7,070,106</u>	<u>8,437,269</u>
Operating income (loss)	<u>994,353</u>	<u>(1,792,271)</u>	<u>(797,918)</u>	<u>347,313</u>
Nonoperating revenues:				
Gain (loss) on sale of capital assets	115,905	33	115,938	73,950
Interest income	410,982	-	410,982	156,402
Grants	-	828,114	828,114	2,212
Total nonoperating revenues	<u>526,887</u>	<u>828,147</u>	<u>1,355,034</u>	<u>232,564</u>
Income (loss) before transfers	1,521,240	(964,124)	557,116	579,877
Transfers in	-	1,049,337	1,049,337	-
Transfers out	-	(24,682)	(24,682)	(214,000)
Change in net assets	1,521,240	60,531	1,581,771	365,877
Net assets, beginning of year	<u>8,007,598</u>	<u>1,309,578</u>	<u>9,317,176</u>	<u>3,740,511</u>
Net assets, end of year	<u>\$ 9,528,838</u>	<u>\$ 1,370,109</u>	<u>\$ 10,898,947</u>	<u>\$ 4,106,388</u>
Change in net assets			\$ 1,581,771	
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.			<u>103,364</u>	
Change in net assets of business-type activities			<u>\$ 1,685,135</u>	

See Notes to Financial Statements

CITY OF OWENSBORO, KENTUCKY
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2007

	Business-Type Activities			Governmental Activities- Internal Service Funds
	Enterprise Funds			
	Sanitation Fund	Nonmajor Enterprise Funds	Total	
Cash flows from operating activities:				
Cash received from customers	\$ 5,058,758	\$ 1,153,703	\$ 6,212,461	\$ 8,784,901
Other cash receipts	48,120	-	48,120	-
Cash payments to employees for services	(1,317,127)	(1,232,416)	(2,549,543)	(2,054,303)
Cash payments to suppliers	(2,689,178)	(1,643,408)	(4,332,586)	(2,244,573)
Cash payments for interfund services used	-	30,706	30,706	-
Cash payments for claims	-	-	-	(3,571,678)
Net cash provided by (used in) operating activities	<u>1,100,573</u>	<u>(1,691,415)</u>	<u>(590,842)</u>	<u>914,347</u>
Cash flows from noncapital financing activities:				
Government grants	-	828,114	828,114	2,212
Transfers in	-	1,049,337	1,049,337	-
Transfers out	-	(24,682)	(24,682)	(214,000)
Net cash provided by (used in) noncapital financing activities	<u>-</u>	<u>1,852,769</u>	<u>1,852,769</u>	<u>(211,788)</u>
Cash flows from capital and related financing activities:				
Proceeds from sale of capital assets	115,905	33	115,938	96,291
Payments for capital acquisitions	<u>(196,706)</u>	<u>(50,156)</u>	<u>(246,862)</u>	<u>(971,870)</u>
Net cash provided by (used in) noncapital financing activities	<u>(80,801)</u>	<u>(50,123)</u>	<u>(130,924)</u>	<u>(875,579)</u>
Cash flows from investing activities:				
Interest on investments	<u>410,982</u>	<u>-</u>	<u>410,982</u>	<u>156,402</u>
Net increase (decrease) in cash and cash equivalents	<u>1,430,754</u>	<u>111,231</u>	<u>1,541,985</u>	<u>(16,618)</u>
Equity in pooled cash and deposits, and cash and cash equivalents, beginning of year	<u>6,807,911</u>	<u>118,024</u>	<u>6,925,935</u>	<u>3,150,859</u>
Equity in pooled cash and deposits, and cash and cash equivalents, end of year	<u>\$ 8,238,665</u>	<u>\$ 229,255</u>	<u>\$ 8,467,920</u>	<u>\$ 3,134,241</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:				
Operating income (loss)	\$ 994,353	\$ (1,792,271)	\$ (797,918)	\$ 347,313
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation	230,417	116,470	346,887	531,409
Change in assets and liabilities:				
(Increase) decrease in assets:				
Accounts receivable	1,890	(23,289)	(21,399)	319
Component unit receivable	4,932	-	4,932	-
Materials and supplies inventory	(8,046)	(63)	(8,109)	(1,378)
Prepaid expenses	-	(12,990)	(12,990)	59,160
Increase (decrease) in liabilities:				
Accounts payable	(120,296)	8,038	(112,258)	(24,230)
Unearned revenue	-	4,860	4,860	-
Accrued liabilities	1,514	(423)	1,091	1,754
Compensated absences	(4,191)	(22,453)	(26,644)	-
Interfund payables	-	30,706	30,706	-
Net cash provided by (used in) operating activities	<u>\$ 1,100,573</u>	<u>\$ (1,691,415)</u>	<u>\$ (590,842)</u>	<u>\$ 914,347</u>

See Notes to Financial Statements

CITY OF OWENSBORO, KENTUCKY
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
June 30, 2007

	Pension Trust Funds	Investment Trust Fund	Agency Funds
	<u> </u>	<u> </u>	<u> </u>
ASSETS			
Equity in pooled deposits and investments	\$ 4,399,165	\$ 14,745,751	\$ 78,045
Cash and cash equivalents	258,652	-	-
Cash and cash equivalents, restricted	71,237	-	-
Interest receivable	42,078	-	-
Intergovernmental receivable	-	-	19,746
Investments, at fair value:			
Mutual funds	9,999,331	-	-
Investments at fair value, restricted:			
Mutual funds	2,345,001	-	-
	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>17,115,464</u>	<u>14,745,751</u>	<u>97,791</u>
LIABILITIES			
Pension payable	114,800	-	-
Other	1,099	-	97,791
	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>115,899</u>	<u>-</u>	<u>97,791</u>
NET ASSETS			
Held in trust for pension benefits	14,575,325	-	-
Held in trust for debt service	2,424,240	-	-
Held in trust for external pool participants	-	14,745,751	-
	<u> </u>	<u> </u>	<u> </u>
Total net assets	<u>\$ 16,999,565</u>	<u>\$ 14,745,751</u>	<u>\$ -</u>

See Notes to Financial Statements

CITY OF OWENSBORO, KENTUCKY
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
Year Ended June 30, 2007

	<u>Pension Trust Funds</u>	<u>Investment Trust Fund</u>
Additions:		
Purchases of pool units	\$ <u> -</u>	\$ <u>31,395,612</u>
Contributions:		
Employer	-	-
Other	<u>103,170</u>	<u> -</u>
Total contributions	<u>103,170</u>	<u> -</u>
Investment earnings:		
Net appreciation (depreciation) in fair value of investments	1,290,988	(77,557)
Interest	<u>866,030</u>	<u>582,638</u>
Total investment earnings	2,157,018	31,900,693
Less investment expense	<u>16,113</u>	<u> -</u>
Net investment earnings	<u>2,140,905</u>	<u>31,900,693</u>
Total additions	<u>2,244,075</u>	<u>31,900,693</u>
Deductions:		
Benefits	1,662,585	-
Transfer to debt service fund	312,079	-
Redemption of pool units	<u> -</u>	<u>22,666,940</u>
Total deductions	<u>1,974,664</u>	<u>22,666,940</u>
Change in net assets	269,411	9,233,753
Net assets, beginning of year	<u>16,730,154</u>	<u>5,511,998</u>
Net assets, end of year	\$ <u><u>16,999,565</u></u>	\$ <u><u>14,745,751</u></u>

See Notes to Financial Statements

CITY OF OWENSBORO, KENTUCKY
STATEMENT OF NET ASSETS
COMPONENT UNITS
June 30, 2007

	Owensboro Municipal Utilities	Owensboro Riverport Authority	Total
	<u> </u>	<u> </u>	<u> </u>
ASSETS			
Equity in pooled deposits and investments	\$ -	\$ 4,917,848	\$ 4,917,848
Cash and cash equivalents:			
In segregated accounts	9,304,307	1,220,854	10,525,161
Accounts receivable (less allowance of \$48,132 and \$7,755 for OMU and ORA, respectively)	7,277,126	1,089,119	8,366,245
Investments	8,054,947	-	8,054,947
Material and supplies inventory	2,800,536	-	2,800,536
Prepaid items	182,153	130,116	312,269
Other current assets	92,014	18,157	110,171
Restricted assets	87,962,226	-	87,962,226
Net investment in sales type leases	-	23,802	23,802
Capital assets, net of accumulated depreciation	260,676,011	19,053,513	279,729,524
Other noncurrent assets	-	34,484	34,484
Deferred charges	3,229,276	-	3,229,276
	<u> </u>	<u> </u>	<u> </u>
Total assets	\$ 379,578,596	\$ 26,487,893	\$ 406,066,489
	<u> </u>	<u> </u>	<u> </u>
LIABILITIES AND NET ASSETS			
Liabilities:			
Accounts payable	\$ 10,987,891	\$ 117,562	\$ 11,105,453
Accrued liabilities	-	405,535	405,535
Accrued interest payable	1,226,693	-	1,226,693
Other payables	3,010,297	-	3,010,297
Dividends payable	-	37,500	37,500
Deferred revenue	8,487,142	109,266	8,596,408
Customers' advances	1,147,422	-	1,147,422
Non-current liabilities:			
Due within one year	20,608,816	471,871	21,080,687
Due in more than one year	187,707,536	7,895,566	195,603,102
	<u> </u>	<u> </u>	<u> </u>
Total liabilities	233,175,797	9,037,300	242,213,097
	<u> </u>	<u> </u>	<u> </u>
Net assets:			
Invested in capital assets, net of related debt	64,823,105	10,686,076	75,509,181
Restricted for:			
Capital projects	1,622,793	-	1,622,793
Debt service	18,304,197	-	18,304,197
Other purposes	43,659,987	-	43,659,987
Unrestricted	17,992,717	6,764,517	24,757,234
	<u> </u>	<u> </u>	<u> </u>
Total net assets	146,402,799	17,450,593	163,853,392
	<u> </u>	<u> </u>	<u> </u>
Total liabilities and net assets	\$ 379,578,596	\$ 26,487,893	\$ 406,066,489
	<u> </u>	<u> </u>	<u> </u>

See Notes to Financial Statements

CITY OF OWENSBORO, KENTUCKY
STATEMENT OF ACTIVITIES
COMPONENT UNITS
Year Ended June 30, 2007

	Program Revenues		Net (Expense) Revenue and Changes in Net Assets			
	Charges for Services and Sales	Capital Grants and Contributions	Owensboro Municipal Utilities	Owensboro Riverport Authority		Total
Owensboro Municipal Utilities	\$ 98,863,458	\$ 95,743,153	\$ (2,755,287)	\$ -	\$	(2,755,287)
Owensboro Riverport Authority	7,893,238	8,391,560	-	498,322		498,322
Total Component Units	\$ 106,756,696	\$ 104,134,713	\$ (2,755,287)	\$ 498,322		(2,256,965)
General revenues:						
Earnings on investments and sales type leases			4,563,220	362,172		4,925,392
Gain on sale of capital assets			-	8,349		8,349
Miscellaneous			44,345	-		44,345
Total general revenues			4,607,565	370,521		4,978,086
Change in net assets			1,852,278	868,843		2,721,121
Net assets, beginning of year			144,550,521	16,581,750		161,132,271
Net assets, end of year			\$ 146,402,799	\$ 17,450,593	\$	\$ 163,853,392

See Notes to Financial Statements

CITY OF OWENSBORO, KENTUCKY
NOTES TO THE BASIC FINANCIAL STATEMENTS
Year Ended June 30, 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Reporting Entity

The City is a municipal corporation governed by an elected mayor and four-member commission. As required by generally accepted accounting principles, these financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities are, in substance, part of the government's operations and so data from these units are combined with data of the primary government. Discretely presented component units, on the other hand, are reported in a separate column in the combined financial statements to emphasize that they are legally separate from the government. Individual discretely presented component units are presented in the combining component units financial statements.

Blended Component Unit:

Established in 1967 pursuant to Kentucky Revised Statutes Section 273, the Owensboro Municipal Improvement Corporation (OMIC) has been presented as a blended component unit because the entity's governing body is substantially the same as the governing body of the City, and because its only purpose is to provide a financing vehicle for the acquisition of property to be dedicated to public use by the City. The Corporation has no separate existence apart from the City.

Discretely Presented Component Units:

The component units column in the government-wide financial statements includes the financial data of the City's other component units. They are reported in a separate column to emphasize that they are legally separate from the City. The following component units are included in the City's reporting entity because the primary government is financially accountable and is able to impose its will on the organizations.

Owensboro Municipal Utilities

Owensboro Municipal Utilities (OMU) is managed, controlled and operated by the City Utility Commission, established by the City in 1940. OMU consists of the Electric Light and Power System and the Water Works System. The fiscal year-end for OMU is May 31; data presented for OMU is as of and for the year ended May 31, 2007. There were no intervening events that would materially affect financial position or results of operations of the City.

OMU is subject to regulation, including establishment of rates charged for utility services, by the City, or set forth in applicable City ordinance. City officials select the Board of Directors. The City is contingently responsible for the bonded debt of OMU since the debt is in the City's name as required by Kentucky statutes. OMU is presented as an enterprise fund.

CITY OF OWENSBORO, KENTUCKY
NOTES TO THE BASIC FINANCIAL STATEMENTS, continued
Year Ended June 30, 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Owensboro Riverport Authority and Affiliate

The Owensboro Riverport Authority (Authority) was created by ordinance on September 9, 1966, for the purpose of establishing, maintaining, operating and expanding necessary and proper riverport and navigational facilities for the purpose of attracting river-oriented industry. The City selects the Authority's board of directors. The Authority is presented as an enterprise fund.

In accordance with Kentucky Revised Statutes, the Authority organized Owensboro Riverport Properties, Inc. (Affiliate), a non-stock, non-profit corporation in January 2005. The Authority has a 100% ownership interest in the Affiliate, which owns commercial and industrial public properties. All material intercompany accounts and transactions have been eliminated in consolidation.

The combining financial statements for the discretely presented component units are included within this report. Complete financial statements of the individual component units can be requested from the City's Finance Director.

Related Organization:

The City is responsible for appointing four members to the board of the Regional Water Resource Agency (RWRA). RWRA was established through an ordinance dated October 18, 1994, as a legally separate entity which administers and provides regional comprehensive wastewater services for Owensboro and Daviess County, excluding the Facilities Planning Area boundary of the City of Whitesville. The Board consists of seven members, the remaining three of which are appointed by the Daviess County Judge-Executive. RWRA has currently contracted with the City to provide financial and personnel services. The City's responsibility does not extend beyond appointing authority and the City is not financially accountable for the activities of RWRA. Separate financial statements for RWRA may be obtained from the City's Finance Director.

(b) Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Government activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customer 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.

CITY OF OWENSBORO, KENTUCKY
NOTES TO THE BASIC FINANCIAL STATEMENTS, continued
Year Ended June 30, 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 fund and fiduciary fund 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 fund 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 government 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, the debt service expenditures, as well as expenditures related to compensated absences and claims and judgments are recorded only when payment is due.

Property taxes, franchise taxes, licenses, 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 cash is received by the government.

The City reports the following governmental funds:

General Fund

The General Fund is the general operating fund of the City. All general tax revenues and other receipts that are not allocated by law, ordinance or contractual agreement to some other fund are accounted for in this fund. From this fund are paid the general operating expenditures, the fixed charges and the capital improvement costs that are not paid through other funds. This is a major fund of the City.

Debt Service Fund

The Debt Service Fund is used to account for the accumulation of resources and payment of general obligation bond principal and interest from governmental resources. This is a major fund of the City.

CITY OF OWENSBORO, KENTUCKY
NOTES TO THE BASIC FINANCIAL STATEMENTS, continued
Year Ended June 30, 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Special Revenue Funds

Special revenue funds are used to account for specific revenues that are legally restricted to expenditures for particular purposes, and are as follows:

Community Development Fund – established to account for grants to the City for community development. Resources may only be used for activities that are directed toward satisfying the primary objective of developing viable urban communities and expanding economic opportunities, principally for persons of low or moderate income.

Your Community Vision Fund - established to account for revenues derived from a .33% rate increase of occupational license and net profit taxes; expenditures of those revenues fund Your Community Vision projects.

Greenbelt Fund – established to account for federal grant funds received for the purpose of constructing a recreational area.

Drug and Property Recovery Fund – established to account for funds obtained through drug law enforcement grants.

Economic Development Fund – established to monitor incentives disbursed for economic development of the City and the increased revenues resulting from that development. The City's intent is to offset the incentive within a five-year period with an increased revenue stream.

Capital Projects Funds

Capital projects funds are used to account for the acquisition and construction of major capital facilities other than those financed by proprietary funds and trust funds are as follows:

Capital Improvements Fund - established to account for acquisition of capital assets or construction of major capital projects purchased with funds from long-term borrowings. This is a major fund of the City.

Airpark Fund - established to account for the City and County's grant matching funds for development and improvement at the airport.

Riverfront Development Fund – established to account for grants received from federal and state grants and matching funds for development of the riverfront.

Wellness Fund - established to account for expenditure of revenues from the restructuring of Owensboro Medical Health System. These revenues are restricted to community wellness projects.

CITY OF OWENSBORO, KENTUCKY
NOTES TO THE BASIC FINANCIAL STATEMENTS, continued
Year Ended June 30, 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Proprietary Funds

Proprietary fund reporting focuses on changes in net assets, financial position and cash flows. The City reports the following proprietary funds, which are classified as either enterprise or internal service.

Enterprise Funds

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

Sanitation Fund - established as a means of more effectively managing and accounting for operations of the City Sanitation Department. This is a major fund of the City.

Transit Fund - established for the purpose of managing and accounting for the operations of the City's Transit Department.

Parking Garage Operations Fund - established for the purpose of managing and accounting for the operations of the City's parking garage.

Recreation Fund - established for the purpose of managing and accounting for the operations of the City's swimming pools, golf course, ice arena, and Sportscenter.

Internal Service Funds

Internal Service Funds are used to account for the financing of goods and services provided by one department or agency to other departments or agencies of the City on a user charge basis. The internal service funds of the City are as follows:

Facilities Maintenance Fund - established to account for maintenance provided to departments within the City.

Insurance Fund - established to account for the City's health and workers' compensation insurance programs.

Garage Service Fund - established to account for garage maintenance provided to departments within the City.

Fleet and Facilities Fund - established to account for foreseeable capital expenditures and to straight-line their cost over thirty years.

CITY OF OWENSBORO, KENTUCKY
NOTES TO THE BASIC FINANCIAL STATEMENTS, continued
Year Ended June 30, 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fiduciary Funds

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds. Trust funds are used to account for assets held by the City under a trust agreement for individuals, private organizations, or other governments, and are therefore not available to support the City's own programs. The various pension trust, investment trust, and agency funds of the City are as follows:

City Employees' Pension Fund

The City Employees' Pension Fund (a contributory defined benefit plan) was created by ordinance, August 13, 1946, under Kentucky Revised Statutes (KRS) Sections 90.310 to 90.410. It covers all employees of the City of Owensboro and Owensboro Municipal Utilities, except for the Owensboro Riverport Authority, the City's police and firefighters and those employees who elected to transfer into the CERS.

Police and Firefighters Retirement Fund

The Police and Firefighters Retirement Fund (a contributory defined benefit plan) was created by ordinance, March 26, 1928, under Kentucky Revised Statutes (KRS) Sections 95.851 to 95.991. It covers employees of the City of Owensboro in the police and fire departments that elected not to transfer into the CERS.

Investment Trust Fund

Established to account for monies of legally separate entities that participate in the City-sponsored external investment pool. The Investment Trust Fund is accounted for using the economic resources measurement focus and the accrual basis of accounting.

Agency Funds

The agency funds are custodial in nature and do not present results of operations or have a measurement focus. The funds are used to account for assets that the government holds for others in an agency capacity. The School District Tax Fund accounts for school district tax collection and payment to the Owensboro Board of Education. The County Occupational Tax Fund accounts for occupational tax collection and payment to Daviess County, Kentucky.

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

CITY OF OWENSBORO, KENTUCKY
NOTES TO THE BASIC FINANCIAL STATEMENTS, continued
Year Ended June 30, 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

As a general rule the effect of Interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes received from one of the City's component units. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

(d) Revenues – Exchange and Non-Exchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the City, available means expected to be received within thirty-one days of year-end.

Non-exchange transactions, in which the City receives value without directly giving equal value in return, include income taxes, property taxes, grants, entitlements and donations. On an accrual basis, revenue from income taxes is recognized in the period in which the income is earned. The City considers property taxes as available if they are collected within sixty days after year-end. Revenue from grants, entitlements, and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

The following is a list of primary revenue sources which have been treated as susceptible to accrual under the modified accrual basis, and which have not:

CITY OF OWENSBORO, KENTUCKY
NOTES TO THE BASIC FINANCIAL STATEMENTS, continued
Year Ended June 30, 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Susceptible

Not Susceptible

Taxes
Intergovernmental

Licenses and permits

(e) Deferred Revenue

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Special assessments not received within the available period and grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred revenue.

(f) Deposits and Investments

City Ordinance 2-76 requires all City deposits to be secured by bonds or other securities of the U.S. Government, bonds of the City redeemable from taxes collected by the City or by other certificates of indebtedness of cities or corporations, which shall have a fair value equal or greater than the amount of the deposits which may exist from time to time.

The City's cash and cash equivalents are considered to be cash on hand, demand deposits and all highly liquid investments (including restricted assets) with a maturity of three months or less from the date of acquisition.

The City has segregated bank accounts for monies held separate from the City's central bank account. These interest-bearing depository accounts are presented on the statement of net assets as "cash and cash equivalents in segregated accounts" since they are not required to be deposited into the City's treasury.

Investments are stated at fair value. Fair values are obtained from market quotations on the last business day of the fiscal year. The market quotations are obtained from national security exchanges or other published sources. Kentucky Revised Statute 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 deposits, savings and loan deposits and the Commonwealth of Kentucky Investment Pool.

(g) Materials and Supplies Inventory

Inventory is valued at cost, which approximates market, using the first-in/first-out (FIFO) method. Inventory consists of expendable supplies held for consumption. The cost is recorded as an asset at the time individual inventory items are purchased and as an expenditure when used (consumption method).

CITY OF OWENSBORO, KENTUCKY
 NOTES TO THE BASIC FINANCIAL STATEMENTS, continued
 Year Ended June 30, 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net assets and in the respective funds.

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 five thousand dollars. The City's infrastructure consists of bridges, culverts, curbs, sidewalks, storm sewers, streets, irrigation systems and water and sewer lines. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. Interest incurred during the construction of capital assets is also capitalized.

All reported capital assets are depreciated except for land and construction in progress. Improvements are depreciated over the remaining useful lives of the related capital assets. Useful lives for infrastructure are estimated based on the City's historical records of necessary improvements and replacement. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>	<u>Business-Type Activities Estimated Lives</u>
Land Improvements	20 years	3-30 years
Machinery and Equipment	3-9 years	2-25 years
Buildings	30 years	20-60 years
Vehicles	4-6 years	4-10 years
Infrastructure	20 years	n/a

(i) Property Taxes

Property taxes are recognized as revenue to the extent that they are both measurable and available; an appropriate allowance is established for the portion that is estimated to be uncollectible.

(j) Compensated Absences

The City's policies regarding vacation time permit employees to accumulate earned but unused vacation leave. Sick pay is accumulated to one hundred days; thereafter, employees are compensated for sick pay earned and not taken up to a maximum of twelve days annually. The liability for these compensated absences is recorded as long-term debt and an expense when earned in the government-wide statements. The current portion of this debt is estimated based on historical trends. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignation or retirement.

CITY OF OWENSBORO, KENTUCKY
NOTES TO THE BASIC FINANCIAL STATEMENTS, continued
Year Ended June 30, 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Interfund Balances

On fund financial statements, long-term interfund loans are classified as "advances to/from other funds" on the balance sheet and are equally offset by a fund balance reserve account which indicates that they do not constitute available expendable resources. These amounts are eliminated in the governmental and business-type activities columns of the statement of net assets, except for any net residual amounts due between governmental and business-type activities, which are presented as internal balances.

(l) Accrued Liability 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 that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, claims and judgments, and compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Bonds, capital leases and long-term loans are recognized as a liability in the fund financial statements when due.

(m) Bond Discounts/Issuance Costs

In governmental fund financial statements, bond discounts and issuance costs are recognized in the current period. In the government-wide financial statements and proprietary fund types in the fund financial statements, bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the bonds-outstanding method, which approximates the effective interest method.

(n) Fund Balance Reserves

Reservations of fund balance represent amounts that are legally segregated for a specific future use or which do not represent expendable resources and therefore are not available for appropriation or expenditure. As a result, encumbrances, inventories, and debt service are recorded as reservations of fund balance.

(o) Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

The City applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

CITY OF OWENSBORO, KENTUCKY
NOTES TO THE BASIC FINANCIAL STATEMENTS, continued
Year Ended June 30, 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(p) 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 funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after non-operating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statement.

(q) Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of City administration and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year ended June 30, 2007.

(r) Estimates

Preparation of financial statements in conformity with U.S. generally accepted accounting principles generally accepted in the United States of America 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/expenditures during the reporting period. Actual results could differ from those estimates.

(s) Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds, except for the Capital Projects Funds and the Debt Service Fund because effective budgetary control is alternately achieved through project budgets, bond indenture provisions and City ordinances, respectively.

Budgets for the General and Special Revenue Funds are adopted on the modified accrual basis. Encumbrance accounting, under which purchase orders, contracts and other commitments for the use of resources are reflected in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the General Fund and Special Revenue Funds for which annual budgets have been adopted.

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be reappropriated and honored during the subsequent year.

CITY OF OWENSBORO, KENTUCKY
 NOTES TO THE BASIC FINANCIAL STATEMENTS, continued
 Year Ended June 30, 2007

2. PROPERTY TAXES

Property taxes attach as a lien on property as of January 1 each year. Property values are assessed on January 1 of each year. These taxes are levied annually by ordinance, usually in September, and are payable in one installment on or before November 1. The tax rate and assessed valuation, a County government function, are not known until September of the year. The City bills and collects its own property taxes as well as the taxes for the Owensboro Board of Education. Collections of the school taxes are remitted to the Board each month based upon collections in the previous month.

The City is permitted by Section 157 of the Constitution of Kentucky to levy taxes up to \$1.50 per \$100 of assessed valuation for general governmental services other than school purposes. The real property tax rate to finance general governmental services other than school purposes for the year ended June 30, 2007, was \$.2608 per \$100, which means that the City has a tax margin of \$1.2392 per \$100, on the assessed valuation of \$2,265,231,852. Although this tax margin would indicate significantly higher potential tax revenues, the City is subject to a recall petition if it levies a tax rate that will produce revenue 4% greater, exclusive of revenue from net assessment growth, than would be produced by application of the tax rate that was levied in the preceding year to the preceding year's assessment. The effect of this legislation has been to limit increases in property tax revenues to minimal levels. The City's personal property and vehicle tax rates were \$.2744 and \$.3030 per \$100 of assessed value, respectively.

3. DEPOSITS AND INVESTMENTS

The City sponsors an external investment pool in which monies of the primary government and of legally separate entities that choose to participate are commingled and invested for the benefit of all participants. The internal portion of this fund is allocated to the City's funds participating and the external portion is accounted for in the Investment Trust Fund of the City's reporting entity. The equity position of each City fund is reported at fair value in the assets of those funds with the equity position of the external participants reflected at fair value in the Investment Trust Fund. The pool is not registered with the SEC as an investment company and is not subject to regulatory oversight. Investments are valued at the market quotation on the last business day of the fiscal year. Market quotations are obtained from brokers or available published services. Investment income is allocated to participants based on the participant's average cash balance. Immaterial accounts do not receive investment income. Participants with negative cash balances are not charged interest. Participants' shares sold and redeemed are determined using specific identification of the participant's cost basis in the investment pool. The City does not issue a separate report for the pool.

The City has neither provided nor obtained any legally binding guarantees during the period to support the value of shares. The pool includes no involuntary participants. The investments held by the pool at June 30, 2007, consist of the following major investment classifications:

	<u>Fair Value</u>	<u>Number of Shares</u>	<u>Interest Rates</u>	<u>Maturity Dates</u>
Government Agency obligations	\$40,091,900	40,736,500	2.300%-5.875%	7/07-7/14
Cash	6,400,684	6,400,687		
Totals	<u>\$46,492,584</u>	<u>47,137,187</u>		

CITY OF OWENSBORO, KENTUCKY
NOTES TO THE BASIC FINANCIAL STATEMENTS, continued
Year Ended June 30, 2007

3. DEPOSITS AND INVESTMENTS (continued)

The following condensed statements of net assets and changes in net assets for the year ended June 30, 2007, are presented for the pool as a whole:

Statement of Net Assets

Assets:	
Investments in securities, at fair value	\$40,091,900
Cash and cash equivalents	6,400,684
Total assets	<u>\$46,492,584</u>
Net assets:	
Net assets held in trust for external pool participants	\$24,140,809
Net assets held in trust for internal pool participants	22,351,775
Total net assets	<u>\$46,492,584</u>
Net assets consist of:	
Participants' units outstanding (\$1.00 par)	<u>47,137,187</u>

Statement of Changes in Net Assets

Revenues:	
Interest income	\$ 1,946,791
Net change in fair value	100,507
Total revenues	<u>2,047,298</u>
Share transactions at net asset value of \$1.00 per share:	
Purchase of units	86,060,030
Redemption of units	<u>(75,180,969)</u>
Net increase in net assets and shares resulting from share transactions	<u>10,879,061</u>
Total increase in net assets	12,926,359
Net assets:	
Beginning of period	33,566,225
End of period	<u>\$46,492,584</u>

Interest Rate Risk

The City recognizes that some level of risk is inherent in any investment transaction. Losses may be incurred due to issuer default, market price changes, or closing investments prior to maturity due to unanticipated cash flow needs. Diversification of the City's investment portfolio by institution, type of investment instrument, and term to maturity is the primary method to minimize investment risk.

With the exception of fully insured or fully collateralized investments, and except for authorized investment pools, no more than twenty-five percent of the City's total investment portfolio shall be invested in a single security type or with a single financial institution. Unless matched to a specific cash flow need, no more than fifty percent of the funds shall be invested in securities maturing more than ten years from the date of purchase.

CITY OF OWENSBORO, KENTUCKY
 NOTES TO THE BASIC FINANCIAL STATEMENTS, continued
 Year Ended June 30, 2007

3. DEPOSITS AND INVESTMENTS (continued)

Credit Risk

The City's investment policy limits investments to obligations of the U.S. and of its agencies and instrumentalities, obligations backed by the full faith and credit of the U.S. or a U.S. government agency, obligations of any corporation of the U.S. government, certificates of deposit issued by FDIC insured or similarly collateralized institutions, and bonds and securities of states, local governments, or related agencies in the U.S. rated in one of the three highest categories by a nationally recognized rating agency.

Custodial Credit Risk

For an investment, 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 that are in the possession of an outside party. All of the City's investments in U.S. government agencies were held by the counterparty and carry the explicit guarantee of the U.S. government. It is the City's policy that all cash and investments maintained in any financial institution named as a depository be collateralized. In order to anticipate market changes and provide a level of security for all funds, the collateralization level shall be 110% of the market value of principal, plus accrued interest. Collateral shall always be held by an independent third-party custodian with whom the City has a current custodial agreement.

As of June 30, 2007, \$8,765,377 of the City's bank balance was fully collateralized and insured by pledged securities and FDIC Insurance.

As of June 30, 2007, the City had the following investments. Investments are reported at fair values.

<u>Investments</u>	<u>Maturities</u>		
U.S. government agencies	42 months average		<u>\$40,091,900</u>
<u>Primary Government</u>			
		<u>Bank Balance</u>	<u>Carrying Amount</u>
Deposits and investments:			
Non-pooled:			
Cash and cash equivalents		<u>\$302,295</u>	\$ 302,295
Government agency obligations			289,651
Fiduciary cash equivalents			329,889
Fiduciary cash equivalents			<u>12,344,332</u>
			<u>13,266,167</u>
Pooled:			
Cash and cash equivalents			6,400,684
Government agency obligations			<u>40,091,900</u>
			<u>46,492,584</u>
Total deposits and investments			59,758,751
Less:			
External participants' equity in pool:			
Component units			(4,917,848)
Other external participants			<u>(14,745,751)</u>

CITY OF OWENSBORO, KENTUCKY
NOTES TO THE BASIC FINANCIAL STATEMENTS, continued
Year Ended June 30, 2007

3. DEPOSITS AND INVESTMENTS (continued)

Fiduciary:	
Cash equivalents	(329,889)
Equity in pool	(4,477,210)
Investments	<u>(12,344,332)</u>
Total deposits and investments - primary government	<u>\$22,943,721</u>

Balance Sheet Accounts:

Equity in pooled deposits and investments	\$22,351,775
Cash and cash equivalents:	
In segregated accounts	19,628
With escrow agents	201,546
Restricted assets:	
Cash and cash equivalents	<u>370,772</u>
Total deposits and investments - primary government	<u>\$22,943,721</u>

Component Units

	<u>Bank Balance</u>		
Deposits:			
Cash and cash equivalents	<u>\$68,095,348</u>	<u>\$65,084,005</u>	
Investments:			
Equity in pooled deposits and investments		4,917,848	
Government agency obligations		19,673,125	
Repurchase agreements		8,900,000	
Total investments		<u>33,490,973</u>	
Total deposits and investments - component units		<u>\$98,574,978</u>	

Balance Sheet Accounts:

Equity in pooled deposits and investments	\$ 4,917,848
Cash and cash equivalents	10,525,161
Investments	<u>8,054,947</u>
	<u>23,497,956</u>
Restricted assets:	
Cash and cash equivalents	11,296,640
Investments	63,780,382
Other restricted assets	<u>12,885,204</u>
	<u>87,962,226</u>
Less other restricted assets	<u>(12,885,204)</u>
Total deposits and investments - component units	<u>\$98,574,978</u>

4. RESTRICTED ASSETS

Primary Government

Certain assets of the primary government, which are restricted, consist of the following:

Debt Service Fund:	
Cash with trustee	<u>\$ 370,772</u>

CITY OF OWENSBORO, KENTUCKY
NOTES TO THE BASIC FINANCIAL STATEMENTS, continued
Year Ended June 30, 2007

4. RESTRICTED ASSETS (continued)

Component Units

Certain assets of Owensboro Municipal Utilities as of May 31, 2007, which are restricted, consist of the following:

Electric Light and Power System:

Cash and equivalents	\$10,789,069
Investments	62,424,611
Purchased power receivable	3,631,366
Accrued interest receivable	880,134
Fuel inventory, at cost	7,941,519
Other	419,327
	<u>86,086,026</u>

Water Works System:

Cash and equivalents	507,571
Temporary investments	1,355,771
Accrued interest receivable	12,858
	<u>1,872,200</u>

Total restricted assets – component units \$87,962,226

CITY OF OWENSBORO, KENTUCKY
NOTES TO THE BASIC FINANCIAL STATEMENTS, continued
Year Ended June 30, 2007

5. CAPITAL ASSETS

Primary Government

Capital asset activity for the City for the year ended June 30, 2007 was as follows:

	Balance June 30, 2006	Increases	Decreases	Balance June 30, 2007
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 9,997,503	\$ 1,041,741	\$ (40,000)	\$ 10,999,244
Capital assets, being depreciated:				
Land improvements/infrastructure	44,827,842	5,584,075	-	50,411,917
Buildings	17,641,423	-	(455,000)	17,186,423
Machinery and equipment	6,930,301	362,123	(252,959)	7,039,465
Vehicles	3,771,670	1,212,067	(343,983)	4,639,754
Total capital assets, being depreciated	<u>73,171,236</u>	<u>7,158,265</u>	<u>(1,051,942)</u>	<u>79,277,559</u>
Less accumulated depreciation for:				
Land improvements/infrastructure	(14,922,446)	(2,265,057)	-	(17,187,503)
Buildings	(7,626,794)	(579,092)	204,750	(8,001,136)
Machinery and equipment	(5,199,826)	(218,507)	252,959	(5,165,374)
Vehicles	(3,163,075)	(625,149)	290,877	(3,497,347)
Total accumulated depreciation	<u>(30,912,141)</u>	<u>(3,687,805)</u>	<u>748,586</u>	<u>(33,851,360)</u>
Total capital assets, being depreciated, net	<u>42,259,095</u>	<u>3,470,460</u>	<u>(303,356)</u>	<u>45,426,199</u>
Governmental activities capital assets, net	<u>\$ 52,256,598</u>	<u>\$ 4,512,201</u>	<u>\$ (343,356)</u>	<u>\$ 56,425,443</u>
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 118,739	\$ -	\$ -	\$ 118,739
Capital assets, being depreciated:				
Land improvements	545,446	-	-	545,446
Buildings	2,466,945	50,156	-	2,517,101
Machinery and equipment	4,723,680	175,962	(459,261)	4,440,381
Vehicles	320,091	20,744	-	340,835
Total capital assets, being depreciated	<u>8,056,162</u>	<u>246,862</u>	<u>(459,261)</u>	<u>7,843,763</u>
Less accumulated depreciation for:				
Land improvements	(533,851)	(11,595)	-	(545,446)
Buildings	(1,759,101)	(56,451)	-	(1,815,552)
Machinery and equipment	(3,678,304)	(231,458)	459,261	(3,450,501)
Vehicles	(144,415)	(47,383)	-	(191,798)
Total accumulated depreciation	<u>(6,115,671)</u>	<u>(346,887)</u>	<u>459,261</u>	<u>(6,003,297)</u>
Total capital assets, being depreciated, net	<u>1,940,491</u>	<u>(100,025)</u>	<u>-</u>	<u>1,840,466</u>
Business-type activities capital assets, net	<u>\$ 2,059,230</u>	<u>\$ (100,025)</u>	<u>\$ -</u>	<u>\$ 1,959,205</u>

CITY OF OWENSBORO, KENTUCKY
NOTES TO THE BASIC FINANCIAL STATEMENTS, continued
Year Ended June 30, 2007

5. CAPITAL ASSETS (continued)

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

Governmental activities:	
General government	\$ 1,032,292
Public safety	264,826
Public works	1,703,690
Community and cultural	686,997
Total depreciation expense, governmental activities	<u>\$ 3,687,805</u>
Business-type activities:	
Sanitation	\$ 230,417
Transit	104,875
Recreation	11,595
Total depreciation expense, business-type activities	<u>\$ 346,887</u>

Component Units

Capital asset activity for Owensboro Municipal Utilities for the year ended May 31, 2007, was as follows:

	Balance May 31, 2006	Increases	Decreases	Balance May 31, 2007
Electric Light and Power System:				
Capital assets, not being depreciated:				
Construction in progress	\$ 57,055,168	\$ -	\$ (53,005,599)	\$ 4,049,569
Capital assets, being depreciated:				
Utility plant	324,872,724	58,362,700	(657,248)	382,578,176
Less accumulated depreciation	(159,819,412)	(12,901,300)	541,418	(172,179,294)
Total capital assets, being depreciated, net	<u>165,053,312</u>	<u>45,461,400</u>	<u>(115,830)</u>	<u>210,398,882</u>
Electric Light and Power System capital assets, net	<u>\$ 222,108,480</u>	<u>\$ 45,461,400</u>	<u>\$ (53,121,429)</u>	<u>\$ 214,448,451</u>
Water Works System:				
Capital assets, not being depreciated:				
Construction in progress	\$ 1,101,949	\$ 541,659	\$ -	\$ 1,643,608
Capital assets, being depreciated:				
Utility plant	65,239,866	4,600,323	(3,551,434)	66,288,755
Less accumulated depreciation	(20,140,283)	(1,911,136)	346,616	(21,704,803)
Total capital assets, being depreciated, net	<u>45,099,583</u>	<u>2,689,187</u>	<u>(3,204,818)</u>	<u>44,583,952</u>
Water Works System capital assets, net	<u>\$ 46,201,532</u>	<u>\$ 3,230,846</u>	<u>\$ (3,204,818)</u>	<u>\$ 46,227,560</u>

CITY OF OWENSBORO, KENTUCKY
NOTES TO THE BASIC FINANCIAL STATEMENTS. continued
Year Ended June 30, 2007

5. CAPITAL ASSETS (continued)

Capital asset activity for Owensboro Riverport Authority for the year ended June 30, 2007, was as follows:

	Balance June 30, 2006	Increases	Decreases	Balance June 30, 2007
Capital assets, not being depreciated:				
Land and land improvements	\$ 2,615,723	\$ 514,224	\$ -	\$ 3,129,947
Construction in progress	8,560	-	(8,560)	-
Total capital assets, not being depreciated	<u>2,624,283</u>	<u>514,224</u>	<u>(8,560)</u>	<u>3,129,947</u>
Capital assets, being depreciated:				
Port facilities	19,469,698	1,594,570	-	21,064,268
Machinery and equipment	4,466,191	410,462	(73,085)	4,803,568
Office furniture and equipment	888,607	216,916	(5,482)	1,100,041
Property on operating leases	486,204	1,396	-	487,600
Total capital assets, being depreciated	<u>25,310,700</u>	<u>2,223,344</u>	<u>(78,567)</u>	<u>27,455,477</u>
Less accumulated depreciation for:				
Port facilities	(6,277,667)	(624,937)	-	(6,902,604)
Machinery and equipment	(3,398,437)	(257,962)	63,782	(3,592,617)
Office furniture and equipment	(441,157)	(124,076)	5,306	(559,927)
Property on operating leases	(474,693)	(2,070)	-	(476,763)
Total accumulated depreciation	<u>(10,591,954)</u>	<u>(1,009,045)</u>	<u>69,088</u>	<u>(11,531,911)</u>
Total capital assets, being depreciated, net	<u>15,354,009</u>	<u>1,214,299</u>	<u>(9,479)</u>	<u>15,923,566</u>
Owensboro Riverport Authority capital assets, net	<u>\$ 17,978,292</u>	<u>\$ 1,728,523</u>	<u>\$ (18,039)</u>	<u>\$ 19,053,513</u>

CITY OF OWENSBORO, KENTUCKY
NOTES TO THE BASIC FINANCIAL STATEMENTS, continued
Year Ended June 30, 2007

6. LONG-TERM LIABILITIES

Primary Government

Long-term liability activity for the City for the year ended June 30, 2007, was as follows:

	Balance June 30, 2006	Additions	Reductions	Balance June 30, 2007	Due Within One Year
Governmental activities:					
Bonds and notes payable:					
Lease revenue bonds:					
Series 1989	\$ 640,000	\$ -	\$ (55,000)	\$ 585,000	\$ 60,000
Floating indebtedness bonds:					
Series 2005	242,000	-	(110,000)	132,000	10,000
General obligation bonds:					
Series 1999	425,000	-	(65,000)	360,000	65,000
Series 1999B	430,000	-	(135,000)	295,000	145,000
Series 2001	1,445,000	-	(460,000)	985,000	480,000
Series 2002A	2,850,000	-	(125,000)	2,725,000	130,000
Series 2002B	6,105,000	-	(275,000)	5,830,000	285,000
Series 2003A	2,790,000	-	(215,000)	2,575,000	219,000
Series 2006	4,100,000	-	(140,000)	3,960,000	145,000
Series 2006 Refunding	2,335,000	-	(225,000)	2,110,000	230,000
Notes payable:					
OMIC	36,400	-	(36,400)	-	-
Other	870,000	-	-	870,000	-
	<u>22,268,400</u>	<u>-</u>	<u>(1,841,400)</u>	<u>20,427,000</u>	<u>1,769,000</u>
Less deferred amounts:					
For issuance discounts	(78,308)	-	12,335	(65,973)	-
On refunding:					
Series 2002B	(159,810)	-	31,962	(127,848)	-
Series 2003A	(279,702)	-	27,970	(251,732)	-
Series 2006 Refunding	(128,113)	-	13,140	(114,973)	-
Total bonds and notes payable	<u>21,622,467</u>	<u>-</u>	<u>(1,755,993)</u>	<u>19,866,474</u>	<u>1,769,000</u>
Compensated absences	<u>3,444,487</u>	<u>1,885,306</u>	<u>(1,687,301)</u>	<u>3,642,492</u>	<u>220,404</u>
Total Governmental	<u>\$25,066,954</u>	<u>\$1,885,306</u>	<u>\$ (3,443,294)</u>	<u>\$23,508,966</u>	<u>\$1,989,404</u>
Business-type activities:					
Compensated absences	<u>\$ 222,504</u>	<u>\$ 133,877</u>	<u>\$ (160,521)</u>	<u>\$ 195,860</u>	<u>\$ 13,826</u>

Internal service funds predominantly serve the governmental funds. Accordingly, long-term liabilities for them are included as part of the above totals for governmental activities. For governmental activities, compensated absences are liquidated by the general fund. For business-type activities, compensated absences are liquidated by the respective enterprise fund.

Long-term debt of the City at June 30, 2007, consisted of the following:

Series 1989 Lease Revenue Bonds: 3.27% variable rate bonds with principal due annually and interest due semi-annually through January 2019	\$ 585,000
Series 2005 Floating Indebtedness Bonds: 3.27% variable rate bonds with principal and interest due semi-annually through January 2019	132,000
Series 1999 General Obligation Bonds: 4.0%-4.35% with principal due annually and interest due semi-annually through August 2011	360,000

CITY OF OWENSBORO, KENTUCKY
NOTES TO THE BASIC FINANCIAL STATEMENTS, continued
Year Ended June 30, 2007

6. LONG-TERM LIABILITIES (continued)

Series 1999B General Obligation Bonds: 4%-4.65% with principal due annually and interest due semi-annually through July 2009	295,000
Series 2001 General Obligation Bonds: 3.75%-4.0% with principal due annually and interest due semi-annually through February 2009	985,000
Series 2002A General Obligation Bonds: 4%-5% with principal due annually and interest due semi-annually through February 2022	2,725,000
Series 2002B General Obligation Bonds: 3%-5% with principal due annually and interest due semi-annually through September 2021	5,830,000
Series 2003A General Obligation Bonds: 2.0%-4.375% with principal due annually and interest due semi-annually through June 2017	2,575,000
Series 2006 General Obligation Bonds: 3.75% with principal due annually and interest due semi-annually through March 2026	3,960,000
Series 2006 Refunding General Obligation Bonds: 3.50%-3.85% with principal due annually and interest due semi-annually through June 2015	2,110,000
Note payable, 5.78% variable rate, unsecured, interest payable quarterly, lump sum principal payment due April 2009	870,000
	\$20,427,000

The lease revenue bonds were issued to provide funds for 1) the acquisition of the Airport property and improvements thereto, 2) improvement at Hillcrest Golf course and Southpark, and 3) Symphony building renovations. The Airport bonds are secured by the acquired Airport property and are subject to optional redemption.

The City issues general obligation bonds primarily to provide funds for the acquisition and construction of various public projects in the City, except as follows: (1) proceeds from the Series 2003A General Obligation Bonds were used to fund past service cost for the County Employees Retirement System and (2) proceeds from the Series 2006 General Obligation Bonds were used to reduce the unfunded accrued actuarial liability in the Police and Firefighters' Retirement Fund. General Obligation Bonds are direct obligations and pledge the full faith and credit of the government. Certain of the issues are subject to optional redemption prior to maturity.

In prior years, the City defeased certain general obligation and other bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the City's financial statements. On June 30, 2007, \$6,782,654 of bonds outstanding are considered defeased.

CITY OF OWENSBORO, KENTUCKY
NOTES TO THE BASIC FINANCIAL STATEMENTS, continued
Year Ended June 30, 2007

6. LONG-TERM LIABILITIES (continued)

Annual debt service requirements for long-term debt (excluding compensated absences) are as follows:

<u>Year ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 1,769,000	\$ 810,110	\$ 2,579,110
2009	2,714,000	743,238	3,457,238
2010	1,229,000	672,497	1,901,497
2011	1,284,000	624,218	1,908,218
2012	1,309,000	573,272	1,882,272
2013-2017	6,282,000	2,056,458	8,338,458
2018-2022	4,760,000	839,455	5,599,455
2023-2026	1,080,000	110,000	1,190,000
	<u>\$20,427,000</u>	<u>\$6,429,248</u>	<u>\$26,856,248</u>

Component Units

Owensboro Municipal Utilities Electric Light and Power System

Long-term liability activity for the year ended May 31, 2007, was as follows:

<u>Bonds Payable</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Series of 1991-B	\$141,032,473	\$9,463,784	\$(15,725,000)	\$134,771,257	\$15,120,330
Series of 1993-B	8,044,230	430,944	(250,000)	8,225,174	1,264,863
Series of 2002-A	32,840,000	-	(1,735,000)	31,105,000	1,825,000
Series of 2002-B	11,320,000	-	(660,000)	10,660,000	705,000
	<u>193,236,703</u>	<u>9,894,728</u>	<u>(18,370,000)</u>	<u>184,761,431</u>	<u>18,915,193</u>
Less unamortized debt discount	(662,584)	-	111,338	(551,246)	-
Less unamortized deferred loss on debt defeasance	(21,599)	-	8,362	(13,237)	-
Total bonds payable	<u>192,552,520</u>	<u>9,894,728</u>	<u>(18,250,300)</u>	<u>184,196,948</u>	<u>18,915,193</u>
Other liabilities:					
Long-term payable to Kentucky Utilities Co.	<u>2,853,623</u>	<u>571,454</u>	<u>(350,538)</u>	<u>3,074,539</u>	<u>228,623</u>
Total long-term liabilities	<u>\$195,406,143</u>	<u>\$10,466,182</u>	<u>\$(18,600,838)</u>	<u>\$187,271,487</u>	<u>\$19,143,816</u>

Bonds payable at May 31 consist of the following Electric Light and Power Revenue Bonds:

Series of 1991-B:

Deferred interest bonds including interest compounded semi-annually at 6.70% to 6.95%, principal and interest due from 2005 to 2020 (original principal outstanding bonds at May 31, 2007, was \$46,993,848) \$134,771,257

Series of 1993-B:

Deferred interest bonds including interest compounded semi-annually at 3.80% to 5.45%, principal and interest due from 1996 to 2009 (original principal of outstanding bonds at May 31, 2007, was \$3,977,085) 8,225,174

CITY OF OWENSBORO, KENTUCKY
NOTES TO THE BASIC FINANCIAL STATEMENTS, continued
Year Ended June 30, 2007

6. LONG-TERM LIABILITIES (continued)

Series of 2002-A:	
6.34% due 2020, subject to annual pro rata sinking fund redemption from 2005 to 2020	31,105,000
Series of 2002-B:	
Current interest bonds of 3.25% to 4.75%, due from 2005 to 2017	7,430,000
5.0% due 2020, subject to annual pro rata sinking fund redemption from 2018 to 2020	<u>3,230,000</u>
Total	184,761,431
Less current maturities	(18,915,193)
Less unamortized debt discount	(551,246)
Less unamortized deferred net loss on debt defeasance	<u>(13,237)</u>
Total	<u>\$165,281,755</u>

Sinking fund requirements and schedule aggregate maturities of long-term debt as follows:

Year ending May 31,	Principal	Interest	Total
2008	\$ 19,555,000	\$ 2,459,095	\$ 22,014,095
2009	23,300,000	2,316,952	25,616,952
2010	18,370,000	2,316,952	20,686,952
2011	18,520,000	2,166,224	20,686,224
2012	18,680,000	2,005,634	20,685,634
2013-2017	96,205,000	7,227,974	103,432,974
2018-2022	<u>60,435,000</u>	<u>1,626,047</u>	<u>62,061,047</u>
	<u>\$255,065,000</u>	<u>\$20,118,878</u>	<u>\$275,183,878</u>

The scheduled principal maturities include \$70,303,569 of interest scheduled to be incurred in future years on deferred interest bonds, which will be compounded and added to the original principal amounts.

On December 6, 1991, the City issued \$62,474,359 of Electric Light and Power System Revenue Bonds, 1991-B series, dated December 6, 1991. These deferred interest bonds bear interest at rates ranging from 6.7% to 6.95% which, when compounded semi-annually and added to the original principal amount, will result in compounded amounts at scheduled maturities in 2005 to 2020 of \$25,000 per bond.

The 1991-B Bonds were issued to provide construction funds for certain pollution control facilities and equipment, certain solid waste disposal facilities and equipment and related purposes. The 1991-B series is not subject to redemption prior to maturity.

On November 18, 1993, the City issued \$62,721,241 of Electric Light and Power System Revenue Bonds, 1993-B Refunding Series, dated October 1, 1993 for current interest bonds and November 18, 1993 for deferred interest bonds. The deferred interest bonds bear interest at rates ranging from 3.8% to 5.45% which, when compounded semi-annually and added to the original principal amount, results in compounded amounts at scheduled maturities through 2009 of \$25,000 per bond.

CITY OF OWENSBORO, KENTUCKY
 NOTES TO THE BASIC FINANCIAL STATEMENTS, continued
 Year Ended June 30, 2007

6. LONG-TERM LIABILITIES (continued)

The 1993-B Bonds were issued to provide funds to refund a portion of the outstanding 1985-A and B series bonds. The in-substance defeasance of a portion of the 1985 Bonds was accomplished by placing approximately \$61,554,000 in proceeds from the 1993-B Bonds in an irrevocable escrow fund to be used solely for satisfying scheduled debt service payments on those 1985 Bonds. The 1993B series deferred interest bonds are not subject to redemption prior to maturity.

On February 27, 2002, the City issued \$34,905,000 of Electric Light and Power System Revenue Bonds, Taxable 2002-A Series and \$12,205,000 of Electric Light and Power System Revenue Bonds, Tax-Exempt 2002-B Series, each dated February 1, 2002. The 2002-A and B Bonds were issued to provide construction funds for certain pollution control facilities and equipment.

The 2002-A series is subject to scheduled redemption prior to maturity based upon annual pro rata sinking fund redemptions. In addition, the 2002-A series is subject to early redemption, in whole or in part, at any time, at terms specified in the 2002 Official Statement. Certain 2002-B series bonds totaling \$3,230,000 due January 1, 2020, are subject to scheduled redemption beginning in 2018 based upon annual pro rata sinking fund redemptions. The 2002-B series is also subject to early redemption in whole or in part on any date on or after January 1, 2009, at redemption prices (expressed as a percentage or principal amount) of 101% for 2009, 100½% for 2010, and 100% thereafter, plus accrued interest to the redemption date.

All bonds are secured by a pledge of and are payable from the gross revenues derived from the operation of the electric system and are secured by a statutory mortgage lien as provided and authorized by the Kentucky Revised Statutes.

As discussed above, the electric system accomplished in-substance defeasances of certain bonds by irrevocably placing U.S. Government obligations in escrow funds to be used solely for satisfying schedule debt service payments on the defeased bonds. The in-substance defeasances resulted in the accounting recognition of net gains approximating \$8,901,000. Consistent with the ratemaking treatment, this gain has been deferred and is being amortized to income (straight-line method) during the period to 2009. As a result of the in-substance defeasances, escrow fund assets and the liability for the defeased bonds are not included in the electric system's financial statements. At May 31, 2007, the following outstanding bonds are considered defeased:

Series of 1978 \$7,115,000

Owensboro Municipal Utilities Water Works System

Long-term liability activity for the year ended May 31, 2007, was as follows:

	Beginning Balance	Additions	Reductions	Ending Bal- ance	Amounts Due Within One Year
Bonds Payable:					
Series of 1999	\$19,140,000	\$ -	\$(1,245,000)	\$17,895,000	\$1,290,000
Series of 2003	4,255,000	-	(170,000)	4,085,000	175,000
	23,395,000	-	(1,415,000)	21,980,000	1,465,000

CITY OF OWENSBORO, KENTUCKY
NOTES TO THE BASIC FINANCIAL STATEMENTS, continued
Year Ended June 30, 2007

6. LONG-TERM LIABILITIES (continued)

Series of 2002-A:	
6.34% due 2020, subject to annual pro rata sinking fund redemption from 2005 to 2020	31,105,000
Series of 2002-B:	
Current interest bonds of 3.25% to 4.75%, due from 2005 to 2017	7,430,000
5.0% due 2020, subject to annual pro rata sinking fund redemption from 2018 to 2020	<u>3,230,000</u>
Total	184,761,431
Less current maturities	(18,915,193)
Less unamortized debt discount	(551,246)
Less unamortized deferred net loss on debt defeasance	<u>(13,237)</u>
Total	<u>\$165,281,755</u>

Sinking fund requirements and schedule aggregate maturities of long-term debt as follows:

<u>Year ending May 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 19,555,000	\$ 2,459,095	\$ 22,014,095
2009	23,300,000	2,316,952	25,616,952
2010	18,370,000	2,316,952	20,686,952
2011	18,520,000	2,166,224	20,686,224
2012	18,680,000	2,005,634	20,685,634
2013-2017	96,205,000	7,227,974	103,432,974
2018-2022	<u>60,435,000</u>	<u>1,626,047</u>	<u>62,061,047</u>
	<u>\$255,065,000</u>	<u>\$20,118,878</u>	<u>\$275,183,878</u>

The scheduled principal maturities include \$70,303,569 of interest scheduled to be incurred in future years on deferred interest bonds, which will be compounded and added to the original principal amounts.

On December 6, 1991, the City issued \$62,474,359 of Electric Light and Power System Revenue Bonds, 1991-B series, dated December 6, 1991. These deferred interest bonds bear interest at rates ranging from 6.7% to 6.95% which, when compounded semi-annually and added to the original principal amount, will result in compounded amounts at scheduled maturities in 2005 to 2020 of \$25,000 per bond.

The 1991-B Bonds were issued to provide construction funds for certain pollution control facilities and equipment, certain solid waste disposal facilities and equipment and related purposes. The 1991-B series is not subject to redemption prior to maturity.

On November 18, 1993, the City issued \$62,721,241 of Electric Light and Power System Revenue Bonds, 1993-B Refunding Series, dated October 1, 1993 for current interest bonds and November 18, 1993 for deferred interest bonds. The deferred interest bonds bear interest at rates ranging from 3.8% to 5.45% which, when compounded semi-annually and added to the original principal amount, results in compounded amounts at scheduled maturities through 2009 of \$25,000 per bond.

CITY OF OWENSBORO, KENTUCKY
NOTES TO THE BASIC FINANCIAL STATEMENTS, continued
Year Ended June 30, 2007

6. LONG-TERM LIABILITIES (continued)

The Series 1999 Bonds maturing on and after September 15, 2009, are subject to redemption prior to maturity in whole or in part on March 15, 2009, and on any date thereafter, at the redemption price of 100% of the principal amount redeemed, plus accrued interest to the redemption date.

On May 29, 2003, the City issued \$4,500,000 of Water Revenue Improvement Bonds, Series 2003, dated May 15, 2003. The 2003 bonds were issued to provide funds for the cost of extensions and improvements to the water system. The Series 2003 bonds maturing on or after September 15, 2013, are subject to redemption in whole or in part on September 15, 2012, and on any date thereafter, at the redemption price of 100% of the principal amount redeemed, plus accrued interest to the redemption date.

All bonds are secured by a pledge of and are payable from the gross revenues derived from the operation of the Water System and are secured by the statutory mortgage lien as provided and authorized by the Kentucky Revised Statutes.

Owensboro Riverport Authority

In 2002, the Authority entered into a \$10,175,000 Lease Agreement with the Kentucky League of Cities Funding Trust to construct warehouse and storage facilities. On April 1, 2005, the Authority entered into a \$105,000 Lease Agreement with the Kentucky League of Cities Funding Trust to acquire vehicles. Under the agreements, the Authority is obligated to make lease rental payments equal to the base rentals identified in the agreements, which include principal, interest, and administrative fees. The interest rate is a market driven variable rate approximating the Bond Market Association (BMA) Municipal Swap Index. The Authority has an option to prepay in full its lease rental payments under the lease, at which time the lessor would transfer and convey the project or vehicles to the Authority. Under the agreements, the Authority agrees to maintain net revenues not less than one and ten one hundredths (1.10) times the maximum annual debt service requirements of the leases.

Long-term debt activity for the year ended June 30, 2007, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Current Maturities</u>
Variable rate lease obligation payable in monthly installments until October 2022, effective rate was 3.79% for 2007	\$8,833,703	\$ -	\$(466,266)	\$8,367,437	\$471,871
Variable rate lease obligation payable in monthly installments until April 2010, effective rate was 3.99% for 2006	82,240	-	(82,240)	-	-
	<u>\$8,915,943</u>	<u>\$ -</u>	<u>\$(548,506)</u>	<u>\$8,367,437</u>	<u>\$471,871</u>

Scheduled aggregate maturities on long-term debt and lease agreements are as follows:

<u>Year ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 471,871	\$ 367,352	\$ 839,223
2009	482,862	345,665	828,527
2010	492,264	323,798	816,062
2011	501,850	301,426	803,276

CITY OF OWENSBORO, KENTUCKY
 NOTES TO THE BASIC FINANCIAL STATEMENTS, continued
 Year Ended June 30, 2007

6. LONG-TERM LIABILITIES (continued)

2012	511,623	278,680	790,303
2013-2017	2,711,494	1,035,053	3,746,547
2018-2022	2,985,983	394,474	3,380,457
2023	209,490	1,967	211,457
	\$8,367,437	\$3,048,415	\$11,415,852

7. PENSION PLANS

The City of Owensboro maintains two pension plans which are funded and administered by the City: the City Employees' Pension Fund (CEPF) and the Police and Firefighters' Retirement Fund (PFRF). The City also participates in the state-wide County Employees Retirement System (CERS).

Plan Descriptions:

City Employees' Pension Fund (CEPF)

Participants of the CEPF were full-time Civil Service employees of the City (except for police and firefighters) and OMU as of October 6, 1986, who elected to remain in the CEPF rather than enter the CERS. Employees hired after October 6, 1986 are required to participate in the CERS. No active employees remain in the CEPF. A single-employer, defined-benefit plan, the CEPF was created by ordinance on August 13, 1946, under Kentucky Revised Statutes (KRS) Sections 90.310 through 90.410. Benefit provisions and contribution requirements are established under these authorities. A board of trustees consisting of the Mayor, two commissioners and four employees administers the plan.

Police and Firefighters' Retirement Fund (PFRF)

Participants of the PFRF were full-time City police and firefighters as of August 1, 1988, who elected to remain in the PFRF rather than enter the CERS. Employees hired after August 1, 1988, are required to participate in the CERS. No active employees remain in the PFRF. A single-employer, defined benefit plan, the PFRF was created by ordinance on March 26, 1928, under Kentucky Revised Statutes (KRS) Sections 95.851 through 95.991. Benefit provisions and contribution requirements are established under these authorities. A board of trustees consisting of the Mayor, the Finance Director, one retired police officer, and one retired firefighter administers the plan.

The CEPF and PFRF issue publicly available financial reports that include financial statements and required supplementary information. These financial reports may be obtained from the City's Finance Director, City Hall, Owensboro, Kentucky 42301.

Significant Plan Accounting Policies

Basis of Accounting: The financial statements of the CEPF and PFRF are prepared using the accrual basis of accounting. Plan member and employer contributions are recognized in the period in which the contributions are due. Benefits and refunds are recognized when due and payable in accordance with the terms of the plans.

CITY OF OWENSBORO, KENTUCKY
 NOTES TO THE BASIC FINANCIAL STATEMENTS, continued
 Year Ended June 30, 2007

7. PENSION PLANS (continued)

Funding Policy and Annual Pension Cost: The Board of Trustees of each plan establishes and may amend the contribution requirements of plan members and the City. The City's annual pension cost for the current year and related information for each plan is as follows:

	<u>CEPF</u>	<u>PFRF</u>
Contribution rates:		
City	-	-
Plan members	-	-
Annual required contribution	\$ -	\$ 6,700
Interest on net pension obligation	\$ (817)	\$ (182,333)
Adjustment to annual required contribution	\$ (1,102)	\$ (245,871)
Annual pension cost	\$ 285	\$ 70,238
Contributions made	-	-
Actuarial valuation date	June 30, 2007	June 30, 2007
Change in net pension obligation	\$ 285	\$ 70,238
Net pension obligation (negative)	\$ (11,390)	\$(2,534,521)
Actuarial cost method	Entry age	Entry age
Amortization method	Level dollar – closed	Level dollar – closed
Remaining amortization period	20 years	20 years
Asset valuation method	Market	Market
Actuarial assumptions:		
Investment rate of return	7.0%	7.0%
Inflation rate	None	None
Projected salary increases	None	None
Cost of living adjustment	None	None

Methods Used to Value Investments: Plan investments are reported at fair value. Investments at June 30, 2007, consist of investments in mutual funds.

		<u>Three-Year Trend Information</u>		
<u>Fiscal Year ended June 30,</u>		<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>(Negative) Net Pension Obligation</u>
CEPF:	6/30/2007	\$ 285	-	\$ (11,390)
	6/30/2006	\$ 292	-	\$ (11,675)
	6/30/2005	\$ 399	-	\$ (11,967)
PFRF:	6/30/2007	\$ 70,238	-	\$(2,534,521)
	6/30/2006	\$ 37,085	100%	\$(2,604,759)
	6/30/2005	\$361,208	-	\$ 1,361,904

Schedules of Funding Progress
 (Required supplementary information)

<u>Year Ended June 30,</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability – Entry Age</u>	<u>Funded (Unfunded) Actuarial Accrued Liability</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>Funded Unfunded) Actuarial Accrued Liability as a Percentage of Covered Payroll</u>
CEPF:						
2007	\$5,659,509	\$3,927,731	\$1,731,778	144.1%	\$ -	n/a
2006	\$5,467,685	\$4,078,434	\$1,389,251	134.1%	\$ -	n/a
2005	\$5,658,096	\$4,400,114	\$1,257,982	128.6%	\$ -	n/a

CITY OF OWENSBORO, KENTUCKY
 NOTES TO THE BASIC FINANCIAL STATEMENTS, continued
 Year Ended June 30, 2007

7. PENSION PLANS (continued)

PFRF:						
2007	\$8,915,816	\$ 9,048,534	\$(132,718)	98.5%	\$ -	n/a
2006	\$8,826,614	\$ 9,706,095	\$(879,481)	90.9%	\$ -	n/a
2005	\$5,682,475	\$10,271,819	\$(4,589,344)	55.3%	\$ -	n/a

County Employees Retirement System (CERS)

Substantially all of the City's full-time employees, as well as employees for Owensboro Municipal Utilities and Owensboro Riverport Authority 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 Kentucky Retirement Systems (KRS). CERS provides retirement, disability, and death benefits to plan members. Retirement benefits may be extended to beneficiaries of plan members under certain circumstances. Cost-of-living adjustments (COLA) are provided at the discretion of the State legislature. Section 61.645 of 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 CERS. That report may be obtained by writing to Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, KY 40601, or by calling 1-502-564-4646.

Funding Policy: Plan members are required to contribute a percent of their annual creditable compensation (5% if non-hazardous and 8% if hazardous) and the System is required to contribute at an actuarially determined rate. The current rate is 13.19% of annual covered payroll for nonhazardous employees and 28.21% for hazardous employees. The contribution requirements of plan members, the City, and component units are established and may be amended by the KRS Board of Trustees. Contributions to CERS for the years ended June 30, 2007, 2006, and 2005, were equal to the required contributions for each year and are as follows:

	<u>2007</u>	<u>2006</u>	<u>2005</u>
City of Owensboro	\$3,601,530	\$3,231,089	\$2,598,738
Component Units:			
Owensboro Municipal Utilities:			
Electric Light and Power System	\$1,384,000	\$1,114,000	\$ 828,000
Water Works System	\$ 284,000	\$ 229,000	\$ 167,000
Owensboro Riverport Authority	\$ 238,822	\$ 196,451	\$ 136,178

8. LEASES

Primary Government

The City's leasing operations, as lessor, are as follows:

(a) Museum of Fine Art, Inc. Lease

On May 21, 1997, the City, as lessor, entered into a lease agreement with the Museum of Fine Art, Inc. (the lessee), for certain property on which is situated a building known as the "Carnegie Building". The term of the lease is for ninety-nine years, for which the Museum will pay to the City an annual sum of \$1.00.

CITY OF OWENSBORO, KENTUCKY
 NOTES TO THE BASIC FINANCIAL STATEMENTS, continued
 Year Ended June 30, 2007

8. LEASES (continued)

(b) Owensboro Independent School District

Under the terms of an agreement dated July 20, 2004, the City entered into a twenty-year lease agreement with Owensboro Independent School District relating to the assignment of Shifley Park, together with all equipment, fixtures and improvement thereon, for athletic and other recreational events. The agreement provided for a one-time payment of \$210,000, which is being recognized as rental income over the twenty-year lease term. Rental income for fiscal year 2007 totaled \$10,500, resulting in deferred revenue of \$178,517 at June 30, 2007. The lease automatically renews June 30, of each successive year for \$1.00 per annum.

The cost and carrying amount of property held under the two aforementioned leases is as follows:

Land	\$ 41,220
Buildings	<u>1,349,037</u>
	1,390,257
Less accumulated depreciation	<u>(723,412)</u>
	<u>\$ 666,845</u>

Component Units

Leasing arrangements of the City's component units are as follows:

Owensboro Riverport Authority

The Authority's leasing operations (as lessor) consist principally of the leasing of the bulk storage warehouse, the grain loading facility and the harbor boat. These leases include various operating leases and a capital sales type lease.

Operating Leases

Investments in property on operating leases at June 30, 2007, are as follows:

Asphalt pad	\$ 25,324
Bulk storage warehouse	<u>462,276</u>
	487,600
Less accumulated depreciation	<u>(476,763)</u>
	<u>\$ 10,837</u>

Sales Type Lease

The Authority's sales type lease consists of a ten-year agreement entered into in October 1995 for the lease of the harbor boat. The net investment in the harbor boat sales type lease at June 30, 2007, is as follows:

Total minimum lease payments to be received	\$ -
Estimated residual value of lease property (unguaranteed)	23,802
Less unearned income	<u>-</u>
Net investment in sales type lease	23,802
Less amounts due within one year	<u>-</u>
Noncurrent amounts	<u>\$23,802</u>

CITY OF OWENSBORO, KENTUCKY
 NOTES TO THE BASIC FINANCIAL STATEMENTS, continued
 Year Ended June 30, 2007

8. LEASES (continued)

Minimum lease payments, including any related profit, to be received under the above lease arrangements are as follows:

2008	\$ 73,575
2009	\$ 22,050
2010	<u>\$ 22,050</u>
	<u>\$117,675</u>

Contingent rentals included in operating income are based upon throughput agreements and totaled \$37,804 in 2007.

The Authority's leasing operations (as lessee) during 2007 consisted of leased warehouse space under operating leases, all of which are renewable on a yearly basis, and various equipment leases. Total rent expense for the year ended June 30, 2007, was \$1,016,081.

Future minimum lease payments to be paid under the warehouse and equipment leases are as follows:

Year ending June 30:

2008	\$ 90,182
2009	88,262
2010	53,104
2011	28,321
2012	<u>17,676</u>
	<u>\$277,545</u>

9. PROJECT FINANCING

RiverPark Center

In March 2002, the City issued General Obligation Public Project Refunding and Improvement Bonds, Series 2002B, to refund in advance of maturity the outstanding principal amount of a \$7,660,000 Lease Purchase Agreement dated as of September 30, 1993, between the City and the Kentucky Municipal Finance Corporation (Corporation), thus exercising the City's rights to reacquire the RiverPark Center (RPC) facilities from the Corporation under the Lease Purchase Agreement. The City and RPC then entered into a twenty-year lease agreement wherein RPC agreed to pay to the City, as rent for the property, amounts equal to the payments of principal and interest due on the debt.

The lease is an absolute net lease under which the RPC pays, in addition to rent as stated above, any and all expenses related to the leased premises. Upon the earlier of the end of the term or the payoff and retirement or a full defeasance of the bond issue, and for 180 days thereafter, RPC has the option to purchase the project from the City for \$100.

CITY OF OWENSBORO, KENTUCKY
 NOTES TO THE BASIC FINANCIAL STATEMENTS, continued
 Year Ended June 30, 2007

9. PROJECT FINANCING (continued)

Owensboro Symphony Orchestra

In April 2005, the City issued lease revenue bonds totaling \$357,000 to renovate certain property to be leased to the Owensboro Symphony Orchestra (OSO). The City and OSO then entered into a fifteen-year lease agreement wherein OSO agreed to pay to the City, as rent for the property, amounts equal to the payments of principal and interest due on the debt. The lease is an absolute net lease under which OSO pays, in addition to rent as stated above, any and all expenses related to the leased premises. The property shall become the property of OSO in fee simple absolute and the City's interest therein shall be conveyed to OSO, without cost, upon OSO's performance of all obligations under the lease.

Minimum lease payments to be received under the two aforementioned lease agreements, for which lease receivables and deferred revenue have been recorded, are as follows:

<u>Year ending June 30,</u>	
2008	\$ 562,374
2009	561,369
2010	559,258
2011	566,173
2012	566,830
2013-2017	2,786,419
2018-2022	<u>2,706,331</u>
Net minimum lease payments	8,308,754
Less amount representing interest	<u>(2,346,754)</u>
Present value of minimum lease payments	<u>\$ 5,962,000</u>

10. DEFERRED COMPENSATION PLANS

The City provides its employees the opportunity to participate in two Deferred Compensation Plans which comply with Section 457 of the Internal Revenue Code. One plan is administered by Nationwide Retirement Solutions, Inc. and the second is administered by Kentucky Public Employees' Deferred Compensation Authority. Participation in the plans is optional. The City remits amounts withheld from payroll to administrators of each plan. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. As of January 1, 1999, the plans were compliant with recent law changes. Accordingly, assets of the plans are held in trust under the requirements of IRC Section 457, subsection (g), for the exclusive benefit of the participants and their beneficiaries. The plans do not meet the criteria in NCGA Statement 1 for reporting as fiduciary funds.

11. COMPENSATED ABSENCES

Employees who retire, or whose position has been eliminated, receive payment for accumulated sick leave under one of the following options:

- 1) To receive a cash payment equal to fifty (50) percent of their current salary value of accumulated sick leave,

CITY OF OWENSBORO, KENTUCKY
 NOTES TO THE BASIC FINANCIAL STATEMENTS, continued
 Year Ended June 30, 2007

11. COMPENSATED ABSENCES (continued)

- 2) To apply all accumulated sick leave as a credit toward years of service, included in the calculation of pension benefits, or
- 3) To elect a combination of Option 1 and Option 2.

In addition, upon termination of employment (retirement or otherwise), employees are paid for accumulated vacation at their current rate of pay.

The liability for the aforementioned compensated absences is recorded as a non-current liability on the statement of net assets, and benefits paid under these provisions during fiscal year 2007 totaled \$212,224 for governmental activities and \$16,238 for business-type activities.

12. INTERFUND BALANCES

Interfund balances, which resulted from expenditures disbursed by the General Fund on behalf of the other funds, at June 30, 2007, consisted of the following:

<u>Fund</u>	<u>Receivable</u>	<u>Payable</u>
Major Fund:		
General Fund	\$1,244,619	\$ -
Non-Major Governmental Funds:		
Community Development Fund	-	59,949
Riverfront Development Fund	-	1,074,899
Non-Major Enterprise Fund:		
Transit Fund	-	109,771
	<u>\$1,244,619</u>	<u>\$1,244,619</u>

Receivable and payable balances involving component units at June 30, 2007, were as follows:

<u>Primary Government</u>	<u>Receivable</u>	<u>Payable</u>
Sanitation Fund	\$703,385	\$ -
General Fund	114,450	120,089
	<u>\$817,835</u>	<u>\$120,089</u>
<u>Component Units</u>		
Owensboro Municipal Utilities	\$120,089	\$780,335
Owensboro Riverport Authority	-	37,500
	<u>\$120,089</u>	<u>\$817,835</u>

Receivables in the Sanitation Fund represent balances due from the component units for sanitation services. Receivables in the General Fund represent balances due from component units for dividends receivable, utilities, and computer services. Payables to Owensboro Municipal Utilities represent the balance due for utility services.

13. TRANSFERS

Interfund transfers for the year ended June 30, 2007, consisted of the following:

Transfer out:	Transfer in:							Total
	Major Funds			Nonmajor Governmental Funds		Enterprise Funds		
	General Fund	Debt Service Fund	Capital Improvements Fund	Drug and Property Recovery Fund	Transit Fund	Parking Garage Fund	Recreation Fund	
Major Funds:								
General Fund	\$ -	\$ 1,506,950	\$ 146,525	\$ -	\$ 492,260	\$ 16,028	\$ 541,049	\$ 2,702,812
Nonmajor Governmental Funds:								
Drug and Property Recovery Fund	-	-	-	3,547	-	-	-	3,547
Economic Development Fund	175,000	-	-	-	-	-	-	175,000
Wellness Fund	-	-	3,200,000	-	-	-	-	3,200,000
								<u>3,378,547</u>
Enterprise Funds:								
Recreation Fund	-	24,682	-	-	-	-	-	24,682
Internal Service Funds:								
Fleet and Facilities Fund	214,000	-	-	-	-	-	-	214,000
Fiduciary Funds:								
Police and Firefighters' Retirement Fund	-	312,079	-	-	-	-	-	312,079
	<u>\$ 389,000</u>	<u>\$ 1,843,711</u>	<u>\$ 3,346,525</u>	<u>\$ 3,547</u>	<u>\$ 492,260</u>	<u>\$ 16,028</u>	<u>\$ 541,049</u>	<u>\$ 6,632,120</u>

NOTE: Transfers are used to :

- (1) move revenues from the fund that a statute or budget requires to collect them to the fund that a statute of budget requires to expend them,
- (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and
- (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

CITY OF OWENSBORO, KENTUCKY
 NOTES TO THE BASIC FINANCIAL STATEMENTS, continued
 Year Ended June 30, 2007

14. RISK MANAGEMENT

Primary Government

The City 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. Beginning in July 1994, the City established an Insurance Fund (an internal service fund) to account for and finance its uninsured risks of loss. Under this program, the Insurance Fund provides coverage for up to a maximum of \$250,000 through December 31, 2004, and \$300,000 thereafter, for each workers' compensation claim, up to a maximum of \$2,000,000 per policy year; and \$100,000 for each health insurance claim, up to maximum aggregate claims of \$2,000,000 lifetime per insured. The City purchases commercial insurance for claims in excess of coverage provided by the Fund and for all other risks of loss. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

All funds of the City participate in the program and make payments to the Insurance Fund based on historical cost information of the amounts needed to pay prior and current year claims. The claims liability of \$715,467 reported in the Fund at June 30, 2007, is based on the requirements of Governmental Accounting Standards Board Statement No. 10, as amended by Statement No. 30, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Changes in the Fund's claims liability amount since July 1, 2004, are as follows:

<u>Fiscal year ended June 30</u>	<u>Beginning of Fiscal Year Liability</u>	<u>Current Year Claims & Changes in Estimates</u>	<u>Claims Payments</u>	<u>End of Fiscal Year Liability</u>
2005	\$290,670	\$2,824,696	\$(2,759,699)	\$355,667
2006	\$355,667	\$3,852,060	\$(3,551,035)	\$656,692
2007	\$656,692	\$3,403,994	\$(3,345,219)	\$715,467

Component Units

Owensboro Municipal Utilities 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. OMU manages its risks through coverages provided by private insurance carriers for various risks of losses to which it is exposed, including directors and officers, employee dishonesty, boiler and machinery, workers' compensation, and other property risks. The boiler and machinery policy contains a deductible of \$500,000 and excludes acts of terrorism from its coverage. OMU is self-insured for group health and dental insurance and limits its risks of loss by purchasing reinsurance coverage.

The Owensboro Riverport Authority 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 Authority purchases commercial insurance for the risks of losses to which it is exposed.

CITY OF OWENSBORO, KENTUCKY
NOTES TO THE BASIC FINANCIAL STATEMENTS, continued
Year Ended June 30, 2007

15. POWER SALE CONTRACT - COMPONENT UNIT

The City and Utility Commission have a contract with Kentucky Utilities Company (KU) whereby KU has agreed to purchase all surplus power produced at Owensboro Municipal Utilities Elmer Smith in excess of that required by the System to fulfill the demands of its customers. Elmer Smith is operated as a separate division within the Electric System. Power sold by Elmer Smith to the Electric System and KU under this agreement is priced to cover all operations and debt service (principal and interest) requirements of Elmer Smith and such requirements are allocated to each party based on usage and demand as defined in the agreement. Because revenue under this agreement is generated in amounts equal to debt service requirements, the sinking fund method of depreciation was adopted in order to match costs and related revenues. This agreement shall expire on January 1, 2020, and may be extended by mutual consent or terminated as stated in the contract. The agreement provides that amounts contributed to the restricted asset funds by KU and OMU be maintained in such funds until the related bonds are no longer outstanding. If the agreement with KU is terminated, amounts contributed by KU will be paid to them upon termination. The long-term payable to KU for such contributions plus certain interest earned on such funds totaled \$3,074,539 at May 31, 2007.

16. TRANSFERS – COMPONENT UNITS

The Municipal Utility Commission may withdraw and transfer to the General Fund an amount of excess cash, as determined under the terms and restrictions of Ordinance 72-63 of the City.

Effective July 1, 1984, both parties agreed that the amount of the transfer, equal to the dollar value of service purchased, would not exceed \$700,000 for fiscal year ended June 30, 1985, and thereafter increase at a compound rate of 5% per annum. Transfers to the General Fund under this ordinance and agreement were \$6,430,562 for the year.

The Water Works System transfers to the General Fund each year a sum equal to the dollar value of service purchased by the City from the Water Works System. Transfers to the General Fund under this ordinance were \$119,894 for the year.

The Owensboro Riverport Authority made transfers to the General Fund in the amount of \$150,000 for the year.

17. COMMITMENTS AND CONTINGENCIES

Primary Government

Under the terms of other federal and state grants, periodic audits are required and certain costs may be questioned as not being appropriate expenditures under the terms of the grants. Such audits lead to reimbursement of the grant monies to the granting agencies. City management believes that disallowances, if any, will be immaterial.

There are a number of pending legal actions involving the City. Management believes that the outcome of such legal actions and claims will not have a material effect on the City's financial position or results of operations.

Component Units

The OMU Electric Light and Power System has entered into contracts to purchase fuel for electric generation. Although contracts have termination provisions related to performance, minimum future payments on these contracts are estimated to be as follows:

CITY OF OWENSBORO, KENTUCKY
NOTES TO THE BASIC FINANCIAL STATEMENTS, continued
Year Ended June 30, 2007

17. COMMITMENTS AND CONTINGENCIES (continued)

Year ending May 31,

2008	\$ 9,778,122
2009	1,987,273
2010	<u>1,170,387</u>
	<u>\$12,935,782</u>

OMU is subject to a number of environmental laws and regulations. The United States Environmental Protection Agency announced its final regulation in September 1998 that requires numerous utilities, including OMU, to reduce the nitrogen oxide emissions. During the year ended May 31, 2004, the Electric System substantially completed a construction project at a cost of approximately \$54,000,000 in order to comply with Title I of the 1990 Clean Air Act amendments and to improve the reliability of existing pollution control systems. The proceeds of the 2002-A and B Bonds were used primarily to fund the costs of the project.

OMU has been identified by the United States Environmental Protection Agency as one of numerous parties that may be liable for damages under federal law with respect to a superfund hazardous waste site. Through May 31, 2007, OMU has paid \$57,500 plus legal costs related to this matter. Based upon the opinion of its outside legal counsel, management does not anticipate additional costs to be material; however, the ultimate resolution of this matter and the related financial impact on OMU, if any, cannot be determined at this time.

On May 11, 2004, OMU and the City of Owensboro filed suit against Kentucky Utilities (KU) seeking a declaration of the parties' respective rights under their Contract dated September 30, 1960, as supplemented or amended by the parties (Contract), which allows KU to purchase surplus power from OMU's Elmer Smith Generating Station and imposes certain obligations on KU. The case is pending in U.S. District Court for the Western District of Kentucky (Civil Action No. 4:04-CV-87-M). OMU and the City also seek to recover damages from KU based upon their interpretation of the Contract, and KU has counterclaimed for sums that it claims are due from OMU for OMU's alleged underpayment for backup energy sold to OMU by KU, among other things. While the likelihood of a favorable or unfavorable outcome of this litigation is not known at this time, management believes that the outcome of this legal action is not likely to have a material adverse effect on OMU's financial position or its operations.

On May 16, 2006, OMU and the City notified KU of their exercise of their right to terminate the Contract, effective four years after the notice. The notice was given pursuant to the terms of the Contract and consistent with the July 22, 2005, Memorandum Opinion and Order of the U.S. District Court on cross motions for partial summary judgment, declaring the right of OMU and the City to terminate upon four years' notice. The partial summary judgment ruling is not final, pending the adjudication of the remaining issues in the litigation and resolution of any appeal of the ruling on this issue, if an appeal is taken. KU continues to assert that OMU and the City are not entitled to terminate the Contract on four years' notice and has taken the position that the notice is a repudiation and material breach of the Contract, for which it may seek damages. OMU believes that KU's position is without merit and will vigorously contest any efforts by KU to reverse the District Court's ruling. While it is impossible to predict the outcome of this dispute, management believes that the outcome is not likely to have a material adverse effect on OMU's financial position or its operations. Upon termination of the Contract, that portion of the output from OMU's generating units that is not needed to serve OMU's customers, and that is currently being made available to KU, will be available to OMU for sale to others by contract or by other suitable arrangements, as may be permitted by applicable law and existing obligations.

CITY OF OWENSBORO, KENTUCKY
NOTES TO THE BASIC FINANCIAL STATEMENTS, continued
Year Ended June 30, 2007

18. DISCLOSURE ABOUT FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying amount of cash and cash equivalents approximate fair value because of the short maturity of those instruments. Investments are stated at their fair value obtained from market quotations from published sources on the last business day of the fiscal year.

19. CONDUIT DEBT OBLIGATIONS

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. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance. Neither the City, State, nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

At June 30, 2007, four of these bond issues were outstanding with principal balances totaling \$185,022,500.

20. JOINT VENTURE

The City of Owensboro and Daviess County Fiscal Court jointly maintain equity interests in the Owensboro-Daviess County Regional Airport. A Board of Directors oversees the operations of the Airport. The Board is comprised of ten members, five each appointed by the City Mayor and County Judge Executive for a term of four years.

The Board is primarily autonomous in its operation. The City does not exercise any control over the Board in its budgetary or financial affairs. If the Airport were to cease operation, its properties would be distributed to the City and County in direct proportion to their cumulative contributed grants. This proportion is approximately 50% each at June 30, 2007.

The City's equity interest in the Owensboro-Daviess County Regional Airport at June 30, 2007, was \$11,478,245, and is reported as investment in joint venture in the statement of net assets. Because the City's participation in the joint venture is for investment purposes, the increase in this investment of \$1,909,755 for the year ended June 30, 2007, is reported as a general revenue in the statement of activities.

Separate financial statements for the Airport may be obtained from the City's Finance Director.

21. PRIOR PERIOD ADJUSTMENT

Certain errors in the prior year were corrected during the current year, resulting in the following change to net assets as of June 30, 2006.

Balance as previously reported	\$50,762,729
Understatements of assets	<u>2,616,434</u>
Balance, as restated	<u>\$53,379,163</u>



CITY OF OWENSBORO, KENTUCKY
SCHEDULES OF FUNDING PROGRESS
FIDUCIARY FUNDS
June 30, 2007

Year Ended	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability - Entry Age (AAL) (b)	Funded (Unfunded) ALL [F(U)AAL] (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	F(U)AAL as a Percentage of Covered Payroll [(a-b)/c]
City Employees' Pension Fund							
June 30, 2007	June 30, 2007	\$ 5,659,509	\$ 3,927,731	\$ 1,731,778	144.1%	\$ -	N/A
June 30, 2006	June 30, 2006	\$ 5,467,685	\$ 4,078,434	\$ 1,389,251	134.1%	\$ -	N/A
June 30, 2005	June 30, 2004	\$ 5,658,096	\$ 4,400,114	\$ 1,257,982	128.6%	\$ -	N/A
Police and Firefighters' Retirement Fund							
June 30, 2007	June 30, 2007	\$ 8,915,816	\$ 9,048,534	\$ (132,718)	98.5%	\$ -	N/A
June 30, 2006	June 30, 2006	\$ 8,826,614	\$ 9,706,095	\$ (879,481)	90.9%	\$ -	N/A
June 30, 2005	June 30, 2004	\$ 5,682,475	\$ 10,271,819	\$ (4,589,344)	55.3%	\$ -	N/A

CITY OF OWENSBORO, KENTUCKY
SCHEDULES OF EMPLOYER CONTRIBUTIONS
FIDUCIARY FUNDS
June 30, 2007

Year Ended	Annual Required Contribution	Actual Contribution	Percentage Contribution
City Employees' Pension Fund			
June 30, 2007	\$ -	\$ -	-
June 30, 2006	\$ -	\$ -	-
June 30, 2005	\$ -	\$ -	-
Police and Firefighters' Retirement Fund			
June 30, 2007	\$ 6,700	\$ -	-
June 30, 2006	\$ 70,306	\$ 4,003,748	100.00%
June 30, 2005	\$ 385,618	\$ -	-

CITY OF OWENSBORO, KENTUCKY
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
Year Ended June 30, 2007

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues:				
Taxes:				
Real and personal property	\$ 6,955,000	\$ 6,955,000	\$ 7,045,700	\$ 90,700
Personal tax-state collected	865,000	865,000	915,963	50,963
Total taxes	<u>7,820,000</u>	<u>7,820,000</u>	<u>7,961,663</u>	<u>141,663</u>
Licenses and permits:				
Occupational:				
Employees' withholding	8,805,000	8,805,000	9,043,828	238,828
Net profits	1,500,000	1,500,000	2,033,266	533,266
Regulatory:				
Insurance license fee	3,927,000	3,927,000	3,993,924	66,924
Alcoholic beverage license fee	55,000	55,000	55,647	647
Franchise fee	773,000	773,000	765,515	(7,485)
Other	486,700	486,700	523,924	37,224
Total licenses and permits	<u>15,546,700</u>	<u>15,546,700</u>	<u>16,416,104</u>	<u>869,404</u>
Intergovernmental revenues:				
Data processing fees	875,000	885,000	912,637	27,637
Federal grants	239,173	239,173	264,536	25,363
State grants - KLEFPF incentive	710,000	710,000	769,421	59,421
State grants - other	-	-	-	-
City's portion of state gasoline tax	890,000	890,000	834,676	(55,324)
LGEA mineral severance tax	36,000	36,000	39,944	3,944
Total intergovernmental revenues	<u>2,750,173</u>	<u>2,760,173</u>	<u>2,821,214</u>	<u>61,041</u>
Charges for services:				
Tax collection	208,400	208,400	183,255	(25,145)
Management fee	512,000	512,000	513,894	1,894
Total charges for services	<u>720,400</u>	<u>720,400</u>	<u>697,149</u>	<u>(23,251)</u>
Other revenues:				
Fines and forfeitures	155,550	155,550	157,286	1,736
Investment income	170,000	170,000	386,360	216,360
Dividends from component units	5,351,200	5,351,200	5,324,818	(26,382)
Payments in lieu of taxes	1,295,000	1,295,000	1,399,301	104,301
Miscellaneous	575,810	575,810	510,941	(64,869)
Total other revenues	<u>7,547,560</u>	<u>7,547,560</u>	<u>7,778,706</u>	<u>231,146</u>
Total revenues	<u>34,384,833</u>	<u>34,394,833</u>	<u>35,674,836</u>	<u>1,280,003</u>

CITY OF OWENSBORO, KENTUCKY
BUDGETARY COMPARISON SCHEDULE, CONCLUDED
GENERAL FUND
Year Ended June 30, 2007

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Expenditures:				
Administration	1,047,224	973,224	965,816	7,408
Community development	489,799	395,299	369,764	25,535
Engineering	840,424	874,921	708,088	166,833
Finance	1,349,960	1,267,960	1,144,387	123,573
Fire	7,226,810	7,339,291	7,273,658	65,633
Information services	2,961,328	3,040,851	2,761,603	279,248
Parks	2,404,559	2,326,559	2,296,824	29,735
Personnel	611,131	616,013	585,379	30,634
Police	10,341,792	10,036,974	9,752,128	284,846
Street	1,805,998	1,761,998	1,557,101	204,897
General government	1,792,954	2,503,045	2,419,768	83,277
Community services	1,345,219	1,345,219	1,345,209	10
Total expenditures	<u>32,217,198</u>	<u>32,481,354</u>	<u>31,179,725</u>	<u>1,301,629</u>
Excess of revenues over expenditures	<u>2,167,635</u>	<u>1,913,479</u>	<u>4,495,111</u>	<u>2,581,632</u>
Other financing sources (uses):				
Sale of capital assets	10,000	10,000	3,881	(6,119)
Transfer in	389,000	389,000	389,000	-
Transfers out	(2,619,547)	(2,766,072)	(2,702,812)	63,260
Total other financing sources (uses)	<u>(2,220,547)</u>	<u>(2,367,072)</u>	<u>(2,309,931)</u>	<u>57,141</u>
Net change in fund balances	(52,912)	(453,593)	2,185,180	2,638,773
Fund balances, beginning of year	<u>3,743,968</u>	<u>3,743,968</u>	<u>3,743,968</u>	<u>-</u>
Fund balances, end of year	<u>\$ 3,691,056</u>	<u>\$ 3,290,375</u>	<u>\$ 5,929,148</u>	<u>\$ 2,638,773</u>

CITY OF OWENSBORO, KENTUCKY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (RSI)
ON BUDGETARY ACCOUNTING AND CONTROL
Year Ended June 30, 2007

Stewardship, compliance and accountability:

Budgets and budgetary accounting:

1. Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds, except for the Capital Projects Funds and the Debt Service Fund because effective budgetary control is alternately achieved through project budgets, bond indenture provisions and City ordinances, respectively.
2. Budgets for the General and Special Revenue Funds are adopted on the modified accrual basis. Encumbrance accounting, under which purchase orders, contracts and other commitments for the use of resources are reflected in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the General Fund and Special Revenue Funds for which annual budgets have been adopted. Encumbrances outstanding at year-end are reported as reservations of fund balances since they do not constitute expenditures or liabilities because the commitments will be reappropriated and honored during the subsequent year.



CITY OF OWENSBORO, KENTUCKY
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
 June 30, 2007

	Special Revenue					Capital Projects				Total Nonmajor Governmental Funds	
	Community Development Fund	Your Community Vision Fund	Greenbelt Fund	Drug and Property Recovery Fund	Economic Development Fund	Total Special Revenue Funds	Airpark Fund	Riverfront Development Fund	Wellness Fund		Total Capital Projects Funds
ASSETS											
Equity in pooled deposits and investments	\$ -	\$ 1,510,215	\$ 23,590	\$ 285,967	\$ 454,788	\$ 2,274,560	\$ 44,978	\$ -	\$ 255,769	\$ 300,747	\$ 2,575,307
Cash and cash equivalents:											
With escrow agents	-	-	-	-	-	-	201,546	-	-	201,546	201,546
Accounts receivable	111,335	-	42,254	3,774	-	157,363	-	-	-	-	157,363
Taxes receivable	-	537,606	-	-	103,782	641,388	-	-	-	-	641,388
Intergovernmental receivable	66,396	-	-	3,744	-	70,140	321,839	1,074,899	-	1,396,738	1,466,878
Total assets	\$ 177,731	\$ 2,047,821	\$ 65,844	\$ 293,485	\$ 558,570	\$ 3,143,451	\$ 568,363	\$ 1,074,899	\$ 255,769	\$ 1,899,031	\$ 5,042,482
LIABILITIES AND FUND BALANCES											
Liabilities:											
Accounts payable	\$ 6,447	\$ 103,907	\$ 166	\$ 879	\$ -	\$ 111,399	\$ -	\$ -	\$ -	\$ -	\$ 111,399
Accrued wages	-	1,767	-	79	-	1,846	-	-	-	-	1,846
Interfund payable	59,949	-	-	-	-	59,949	-	1,074,899	-	1,074,899	1,134,848
Deferred revenue	111,335	631,363	-	-	103,782	846,480	-	-	-	-	846,480
Total liabilities	\$ 177,731	\$ 737,037	\$ 166	\$ 958	\$ 103,782	\$ 1,019,674	\$ -	\$ 1,074,899	\$ -	\$ 1,074,899	\$ 2,094,573
Fund balances:											
Reserved for:											
Encumbrances	275,402	576,609	57,450	256,158	-	1,165,619	-	4,096,794	-	4,096,794	5,262,413
Unreserved, reported in:											
Special Revenue Funds	(275,402)	734,175	8,228	36,369	454,788	958,158	-	-	-	-	958,158
Capital Projects Funds	-	-	-	-	-	-	568,363	(4,096,794)	255,769	(3,272,662)	(3,272,662)
Total fund balances	\$ -	\$ 1,310,784	\$ 65,678	\$ 292,527	\$ 454,788	\$ 2,123,777	\$ 568,363	\$ -	\$ 255,769	\$ 824,132	\$ 2,947,909
Total liabilities and fund balances	\$ 177,731	\$ 2,047,821	\$ 65,844	\$ 293,485	\$ 558,570	\$ 3,143,451	\$ 568,363	\$ 1,074,899	\$ 255,769	\$ 1,899,031	\$ 5,042,482

CITY OF OWENSBORO, KENTUCKY
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
 Year Ended June 30, 2007

	Special Revenue					Capital Projects					Total Nonmajor Governmental Funds	
	Community Development Fund	Your Community Vision Fund	Greenbelt Fund	Drug and Property Recovery Fund	Economic Development Fund	Total Special Revenue Funds	Airpark Fund	Riverfront Development Fund	Wellness Fund	Total Capital Projects Funds		
Revenues:												
Real and personal property taxes	\$ -	\$ -	\$ -	\$ -	\$ 167,416	\$ 167,416	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 167,416
Occupational licenses	-	3,218,975	-	-	648,447	3,867,422	-	-	-	-	-	3,867,422
Net profit license fee	-	697,119	-	-	51,483	748,602	-	-	-	-	-	748,602
Intergovernmental	1,451,588	83,664	42,254	168,925	-	1,746,431	-	1,804,383	-	1,804,383	-	3,550,814
Interest	-	43,666	3,374	14,725	12,273	74,038	12,274	-	129,011	-	141,285	215,323
Rentals	22,590	-	-	-	-	22,590	-	-	-	-	-	22,590
Contributions and donations	-	-	-	19,762	-	19,762	-	-	-	-	-	19,762
Other	-	29,719	-	153,576	-	183,295	-	-	-	-	-	183,295
Total revenues	1,474,178	4,073,143	45,628	356,988	879,619	6,829,556	12,274	1,804,383	129,011	1,945,668	8,775,224	
Expenditures:												
Current:												
General government	-	-	-	-	-	-	-	-	-	-	-	-
Public safety	-	-	-	213,002	-	213,002	-	-	-	-	-	213,002
Public works	953,681	898,746	-	-	-	1,852,427	-	-	-	-	-	1,852,427
Community and cultural	-	-	18,339	-	508,200	526,529	-	-	-	-	-	526,529
Community/economic development	520,497	-	-	-	-	520,497	126,535	-	-	126,535	-	647,032
Debt service	-	-	-	-	-	-	-	-	-	-	-	-
Issuance costs	-	-	-	-	-	-	-	-	-	-	-	-
Capital outlay	-	2,265,007	21,555	108,557	-	2,395,119	-	1,804,383	32,500	1,836,883	-	4,232,002
Total expenditures	1,474,178	3,163,753	39,884	321,559	508,200	5,507,574	126,535	1,804,383	32,500	1,963,418	7,470,992	
Excess of revenues over (under) expenditures	-	909,390	5,744	35,429	371,419	1,321,982	(114,261)	-	96,511	(17,750)	1,304,232	
Other financing sources (uses):												
Sale of capital assets	-	-	-	12,411	-	12,411	-	-	-	-	-	12,411
Refunding bonds issued	-	-	-	-	-	-	-	-	-	-	-	-
Payment to refunding bond escrow	-	-	-	-	-	-	-	-	-	-	-	-
Transfers in	-	-	-	3,547	-	3,547	-	-	-	-	-	3,547
Transfers out	-	-	-	(3,547)	(175,000)	(178,547)	-	-	(3,200,000)	(3,200,000)	-	(3,378,547)
Total other financing sources (uses)	-	-	-	12,411	(175,000)	(162,589)	-	-	(3,200,000)	(3,200,000)	(3,362,589)	
Net change in fund balances	-	909,390	5,744	47,840	196,419	1,159,393	(114,261)	-	(3,103,489)	(3,217,750)	(2,058,357)	
Fund balances, beginning of year	-	401,394	59,934	244,687	258,369	964,384	682,624	-	3,359,258	4,041,882	5,006,266	
Fund balances, end of year	\$ -	\$ 1,310,784	\$ 65,678	\$ 292,527	\$ 454,788	\$ 2,123,777	\$ 568,363	\$ -	\$ 255,769	\$ 824,132	\$ 2,947,909	

CITY OF OWENSBORO, KENTUCKY
BUDGETARY COMPARISON SCHEDULE
COMMUNITY DEVELOPMENT SPECIAL REVENUE FUND
Year Ended June 30, 2007

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				Positive (Negative)
Revenues:				
Intergovernmental	\$ 881,106	\$ 2,395,135	\$ 1,451,588	\$ (943,547)
Rentals	20,000	20,000	22,590	2,590
Total revenues	<u>901,106</u>	<u>2,415,135</u>	<u>1,474,178</u>	<u>(940,957)</u>
Expenditures:				
Public works	560,630	1,435,195	953,681	481,514
Community/economic development	340,476	979,940	520,497	459,443
Total expenditures	<u>901,106</u>	<u>2,415,135</u>	<u>1,474,178</u>	<u>940,957</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other financing sources (uses):				
Sale of capital assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF OWENSBORO, KENTUCKY
BUDGETARY COMPARISON SCHEDULE
YOUR COMMUNITY VISION SPECIAL REVENUE FUND
Year Ended June 30, 2007

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Positive (Negative)
Revenues:				
Occupational licenses	\$ 2,988,550	\$ 2,988,550	\$ 3,218,975	\$ 230,425
Net profit license fee	530,450	530,450	697,119	166,669
Interest	-	-	43,666	43,666
Fees, licenses and permits	-	-	29,719	29,719
Intergovernmental	-	83,664	83,664	-
Total revenues	<u>3,519,000</u>	<u>3,602,664</u>	<u>4,073,143</u>	<u>470,479</u>
Expenditures:				
Public safety	-	-	-	-
Public works	2,214,994	1,224,320	898,746	325,574
Capital outlay	773,345	3,138,244	2,265,007	873,237
Issuance costs	-	-	-	-
Total expenditures	<u>2,988,339</u>	<u>4,362,564</u>	<u>3,163,753</u>	<u>1,198,811</u>
Excess (deficiency) of revenues over expenditures	<u>530,661</u>	<u>(759,900)</u>	<u>909,390</u>	<u>1,669,290</u>
Other financing sources (uses):				
Transfers out	-	(180,000)	-	180,000
Issuance of debt	-	980,108	-	(980,108)
Total other financing sources (uses)	<u>-</u>	<u>800,108</u>	<u>-</u>	<u>(800,108)</u>
Net change in fund balances	530,661	40,208	909,390	869,182
Fund balances, beginning of year	<u>401,394</u>	<u>401,394</u>	<u>401,394</u>	<u>-</u>
Fund balances, end of year	<u>\$ 932,055</u>	<u>\$ 441,602</u>	<u>\$ 1,310,784</u>	<u>\$ 869,182</u>

CITY OF OWENSBORO, KENTUCKY
BUDGETARY COMPARISON SCHEDULE
GREENBELT SPECIAL REVENUE FUND
Year Ended June 30, 2007

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Positive (Negative)
Revenues:				
Intergovernmental	\$ 1,028,295	\$ 1,644,586	\$ 42,254	\$ (1,602,332)
Interest	-	-	3,374	3,374
Contributions and donations	<u>6,794</u>	<u>6,794</u>	<u>-</u>	<u>(6,794)</u>
Total revenues	<u>1,035,089</u>	<u>1,651,380</u>	<u>45,628</u>	<u>(1,605,752)</u>
Expenditures:				
Community and cultural	-	78,000	18,329	59,671
Capital outlay	<u>1,234,163</u>	<u>1,772,454</u>	<u>21,555</u>	<u>1,750,899</u>
Total expenditures	<u>1,234,163</u>	<u>1,850,454</u>	<u>39,884</u>	<u>1,810,570</u>
Excess (deficiency) of revenues over expenditures	<u>(199,074)</u>	<u>(199,074)</u>	<u>5,744</u>	<u>204,818</u>
Other financing sources:				
Transfers in	<u>199,074</u>	<u>199,074</u>	<u>-</u>	<u>(199,074)</u>
Net change in fund balances	-	-	5,744	5,744
Fund balances, beginning of year	<u>59,934</u>	<u>59,934</u>	<u>59,934</u>	<u>-</u>
Fund balances, end of year	<u>\$ 59,934</u>	<u>\$ 59,934</u>	<u>\$ 65,678</u>	<u>\$ 5,744</u>

CITY OF OWENSBORO, KENTUCKY
BUDGETARY COMPARISON SCHEDULE
DRUG AND PROPERTY RECOVERY SPECIAL REVENUE FUND
Year Ended June 30, 2007

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Intergovernmental	\$ -	\$ 392,139	\$ 168,925	\$ (223,214)
Interest	6,600	6,600	14,725	8,125
Donations	-	11,950	19,762	7,812
Restitution and other income	57,200	57,200	153,576	96,376
Total revenues	<u>63,800</u>	<u>467,889</u>	<u>356,988</u>	<u>(110,901)</u>
Expenditures:				
Public safety	136,526	217,863	213,002	4,861
Capital outlay	-	371,004	108,557	262,447
Total expenditures	<u>136,526</u>	<u>588,867</u>	<u>321,559</u>	<u>267,308</u>
Excess (deficiency) of revenues over expenditures	<u>(72,726)</u>	<u>(120,978)</u>	<u>35,429</u>	<u>156,407</u>
Other financing sources (uses):				
Sale of capital assets	3,500	3,500	12,411	8,911
Transfers in	-	3,730	3,547	
Transfers out	-	(25,000)	(3,547)	21,453
Total other financing sources (uses)	<u>3,500</u>	<u>(17,770)</u>	<u>12,411</u>	<u>30,364</u>
Net change in fund balances	(69,226)	(138,748)	47,840	186,771
Fund balances, beginning of year	<u>244,687</u>	<u>244,687</u>	<u>244,687</u>	<u>-</u>
Fund balances, end of year	<u>\$ 175,461</u>	<u>\$ 105,939</u>	<u>\$ 292,527</u>	<u>\$ 186,771</u>

CITY OF OWENSBORO, KENTUCKY
BUDGETARY COMPARISON SCHEDULE
ECONOMIC DEVELOPMENT SPECIAL REVENUE FUND
Year Ended June 30, 2007

	<u>Budgeted Amounts</u>			Variance with
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	Final Budget Positive (Negative)
Revenues:				
Real and personal property taxes	\$ 219,000	\$ 219,000	\$ 167,416	\$ (51,584)
Occupational licenses	572,000	572,000	648,447	76,447
Net profit license fee	25,000	25,000	51,483	26,483
Interest	-	-	12,273	12,273
Total revenues	<u>816,000</u>	<u>816,000</u>	<u>879,619</u>	<u>63,619</u>
Expenditures:				
Community/economic development	<u>684,696</u>	<u>746,404</u>	<u>508,200</u>	<u>238,204</u>
Excess (deficiency) of revenues over expenditures	<u>131,304</u>	<u>69,596</u>	<u>371,419</u>	<u>301,823</u>
Other financing uses:				
Transfers out	<u>(175,000)</u>	<u>(175,000)</u>	<u>(175,000)</u>	<u>-</u>
Net change in fund balances	(43,696)	(105,404)	196,419	301,823
Fund balances, beginning of year	<u>258,369</u>	<u>258,369</u>	<u>258,369</u>	<u>-</u>
Fund balances, end of year	<u>\$ 214,673</u>	<u>\$ 152,965</u>	<u>\$ 454,788</u>	<u>\$ 301,823</u>



CITY OF OWENSBORO, KENTUCKY
COMBINING STATEMENT OF NET ASSETS
NONMAJOR PROPRIETARY FUNDS
June 30, 2007

	Enterprise Funds			
	Transit Fund	Parking Garage Operations Fund	Recreation Fund	Total Nonmajor Enterprise Funds
ASSETS				
Current assets:				
Equity in pooled deposits and investments	\$ -	\$ 1,352	\$ 223,428	\$ 224,780
Cash and cash equivalents:				
In segregated accounts	100	-	4,375	4,475
Accounts receivable	168,456	-	9,935	178,391
Intergovernmental receivable	-	-	-	-
Materials and supplies inventory	-	-	14,128	14,128
Prepaid expenses	-	-	30,670	30,670
Total current assets	<u>168,556</u>	<u>1,352</u>	<u>282,536</u>	<u>452,444</u>
Noncurrent assets:				
Capital assets, net of accumulated depreciation:				
Land	-	-	105,739	105,739
Depreciable capital assets	1,064,067	-	-	1,064,067
Total noncurrent assets	<u>1,064,067</u>	<u>-</u>	<u>105,739</u>	<u>1,169,806</u>
Total assets	<u>\$ 1,232,623</u>	<u>\$ 1,352</u>	<u>\$ 388,275</u>	<u>\$ 1,622,250</u>
LIABILITIES AND NET ASSETS				
Current liabilities:				
Accounts payable	\$ 6,612	\$ -	\$ 17,131	\$ 23,743
Accrued liabilities	11,290	1,122	12,713	25,125
Unearned revenue	-	-	4,860	4,860
Due to other funds	109,771	-	-	109,771
Total current liabilities	<u>127,673</u>	<u>1,122</u>	<u>34,704</u>	<u>163,499</u>
Non-current liabilities:				
Due within one year	3,457	-	-	3,457
Due in more than one year	61,513	-	23,672	85,185
Total non-current liabilities	<u>64,970</u>	<u>-</u>	<u>23,672</u>	<u>88,642</u>
Total liabilities	<u>192,643</u>	<u>1,122</u>	<u>58,376</u>	<u>252,141</u>
Net assets:				
Invested in capital assets	1,064,067	-	105,739	1,169,806
Unrestricted	(24,087)	230	224,160	200,303
Total net assets	<u>1,039,980</u>	<u>230</u>	<u>329,899</u>	<u>1,370,109</u>
Total liabilities and net assets	<u>\$ 1,232,623</u>	<u>\$ 1,352</u>	<u>\$ 388,275</u>	<u>\$ 1,622,250</u>

CITY OF OWENSBORO, KENTUCKY
 COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
 NONMAJOR PROPRIETARY FUNDS
 Year Ended June 30, 2007

	Enterprise Funds			Total Nonmajor Enterprise Funds
	Transit Fund	Parking Garage Operations Fund	Recreation Fund	
Operating revenues:				
Charges for services	\$ 139,101	\$ 53,825	\$ 979,206	\$ 1,172,132
Total operating revenues	<u>139,101</u>	<u>53,825</u>	<u>979,206</u>	<u>1,172,132</u>
Operating expenses:				
Salaries, wages, and benefits	693,067	28,842	487,631	1,209,540
Maintenance	315,449	27,305	486,477	829,231
Utilities	17,380	5,996	95,950	119,326
Supplies	126,556	59	168,132	294,747
Other	220,756	7,421	166,912	395,089
Depreciation	104,875	-	11,595	116,470
Total operating expenses	<u>1,478,083</u>	<u>69,623</u>	<u>1,416,697</u>	<u>2,964,403</u>
Operating loss	<u>(1,338,982)</u>	<u>(15,798)</u>	<u>(437,491)</u>	<u>(1,792,271)</u>
Nonoperating revenues:				
Gain on sale of capital assets	-	-	33	33
Grants	828,114	-	-	828,114
Total nonoperating revenues	<u>828,114</u>	<u>-</u>	<u>33</u>	<u>828,147</u>
Loss before transfers	(510,868)	(15,798)	(437,458)	(964,124)
Transfers in	492,260	16,028	541,049	1,049,337
Transfers out	<u>-</u>	<u>-</u>	<u>(24,682)</u>	<u>(24,682)</u>
Change in net assets	(18,608)	230	78,909	60,531
Net assets, beginning of year	<u>1,058,588</u>	<u>-</u>	<u>250,990</u>	<u>1,309,578</u>
Net assets, end of year	<u>\$ 1,039,980</u>	<u>\$ 230</u>	<u>\$ 329,899</u>	<u>\$ 1,370,109</u>

CITY OF OWENBORO, KENTUCKY
COMBINING STATEMENT OF CASH FLOWS
NONMAJOR PROPRIETARY FUNDS
Year Ended June 30, 2007

	Transit Fund	Parking Garage Operations Fund	Recreation Fund	Total Nonmajor Enterprise Funds
Cash flows from operating activities:				
Cash received from customers	\$ 72,694	\$ 53,825	\$ 1,027,184	\$ 1,153,703
Cash payments to employees for services	(697,815)	(28,248)	(506,353)	(1,232,416)
Cash payments to suppliers	(675,803)	(40,781)	(926,824)	(1,643,408)
Cash payments for interfund services used	30,706	-	-	30,706
Net cash used in operating activities	<u>(1,270,218)</u>	<u>(15,204)</u>	<u>(405,993)</u>	<u>(1,691,415)</u>
Cash flows from noncapital financing activities:				
Government grants	828,114	-	-	828,114
Transfers in	492,260	16,028	541,049	1,049,337
Transfers out	-	-	(24,682)	(24,682)
Net cash provided by noncapital financing activities	<u>1,320,374</u>	<u>16,028</u>	<u>516,367</u>	<u>1,852,769</u>
Cash flows from capital and related financing activities:				
Proceeds from sale of capital assets	-	-	33	33
Payments for capital acquisitions	(50,156)	-	-	(50,156)
Net cash provided by capital and related financing activities	<u>(50,156)</u>	<u>-</u>	<u>33</u>	<u>(50,123)</u>
Net increase (decrease) in cash and cash equivalents	-	824	110,407	111,231
Cash and cash equivalents, beginning of year	<u>100</u>	<u>528</u>	<u>117,396</u>	<u>118,024</u>
Cash and cash equivalents, end of year	<u>\$ 100</u>	<u>\$ 1,352</u>	<u>\$ 227,803</u>	<u>\$ 229,255</u>
Reconciliation of operating loss to net cash used in operating activities:				
Operating income	\$ (1,338,982)	\$ (15,798)	\$ (437,491)	\$ (1,792,271)
Adjustments to reconcile operating loss to net cash used in operating activities:				
Depreciation	104,875	-	11,595	116,470
Change in assets and liabilities:				
(Increase) decrease in assets:				
Accounts receivable	(66,407)	-	43,118	(23,289)
Materials and supplies inventory	-	-	(63)	(63)
Prepaid expenses	-	-	(12,990)	(12,990)
Increase (decrease) in liabilities:				
Accounts payable	4,338	-	3,700	8,038
Unearned revenue	-	-	4,860	4,860
Accrued liabilities	(446)	594	(571)	(423)
Compensated absences	(4,302)	-	(18,151)	(22,453)
Interfund payables	30,706	-	-	30,706
Net cash used in operating activities	<u>\$ (1,270,218)</u>	<u>\$ (15,204)</u>	<u>\$ (405,993)</u>	<u>\$ (1,691,415)</u>



CITY OF OWENSBORO, KENTUCKY
COMBINING STATEMENT OF NET ASSETS
INTERNAL SERVICE FUNDS
June 30, 2007

	Governmental Activities				
	Internal Service Funds				
	Facilities Maintenance Fund	Insurance Fund	Garage Service Fund	Fleet and Facilities Fund	Total Internal Service Funds
ASSETS					
Current assets:					
Equity in pooled deposits and investments	\$ 473,980	\$ 1,249,555	\$ 179,224	\$ 1,230,932	\$ 3,133,691
Cash and cash equivalents:					
In segregated accounts	450	-	100	-	550
Accounts receivable	1,458	-	-	-	1,458
Material and supplies inventory	-	-	20,312	-	20,312
Prepaid expenses	-	20,771	-	-	20,771
	<u>475,888</u>	<u>1,270,326</u>	<u>199,636</u>	<u>1,230,932</u>	<u>3,176,782</u>
Total current assets					
	<u>475,888</u>	<u>1,270,326</u>	<u>199,636</u>	<u>1,230,932</u>	<u>3,176,782</u>
Noncurrent assets:					
Capital assets, net of accumulated depreciation:					
Depreciable capital assets	7,442	-	21,287	1,759,494	1,788,223
	<u>7,442</u>	<u>-</u>	<u>21,287</u>	<u>1,759,494</u>	<u>1,788,223</u>
Total noncurrent assets					
	<u>7,442</u>	<u>-</u>	<u>21,287</u>	<u>1,759,494</u>	<u>1,788,223</u>
Total assets	\$ <u>483,330</u>	\$ <u>1,270,326</u>	\$ <u>220,923</u>	\$ <u>2,990,426</u>	\$ <u>4,965,005</u>
 LIABILITIES AND NET ASSETS					
Current liabilities:					
Accounts payable	\$ 68,887	\$ 715,911	\$ 39,605	\$ 4,862	\$ 829,265
Accrued liabilities	20,648	-	8,704	-	29,352
	<u>89,535</u>	<u>715,911</u>	<u>48,309</u>	<u>4,862</u>	<u>858,617</u>
Total liabilities					
	<u>89,535</u>	<u>715,911</u>	<u>48,309</u>	<u>4,862</u>	<u>858,617</u>
Net assets:					
Invested in capital assets	7,442	-	21,287	1,759,494	1,788,223
Unrestricted	386,353	554,415	151,327	1,226,070	2,318,165
	<u>393,795</u>	<u>554,415</u>	<u>172,614</u>	<u>2,985,564</u>	<u>4,106,388</u>
Total net assets					
	<u>393,795</u>	<u>554,415</u>	<u>172,614</u>	<u>2,985,564</u>	<u>4,106,388</u>
Total liabilities and net assets	\$ <u>483,330</u>	\$ <u>1,270,326</u>	\$ <u>220,923</u>	\$ <u>2,990,426</u>	\$ <u>4,965,005</u>

CITY OF OWENSBORO, KENTUCKY
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
INTERNAL SERVICE FUNDS
Year Ended June 30, 2007

	Governmental Activities Internal Service Funds				
	Facilities Maintenance Fund	Insurance Fund	Garage Service Fund	Fleet and Facilities Fund	Total Internal Service Funds
Operating revenues:					
Charges for services	\$ 2,772,930	\$ 3,625,060	\$ 1,266,434	\$ 1,120,158	\$ 8,784,582
Total operating revenues	<u>2,772,930</u>	<u>3,625,060</u>	<u>1,266,434</u>	<u>1,120,158</u>	<u>8,784,582</u>
Operating expenses:					
Salaries, wages, and benefits	1,511,936	-	544,121	-	2,056,057
Maintenance	929,926	-	59,596	353,011	1,342,533
Utilities	19,017	-	10,773	-	29,790
Administrative	-	189,998	-	-	189,998
Supplies	187,414	-	484,729	-	672,143
Other	39,224	-	4,437	-	43,661
Claims	-	3,571,678	-	-	3,571,678
Depreciation	2,450	-	6,516	522,443	531,409
Total operating expenses	<u>2,689,967</u>	<u>3,761,676</u>	<u>1,110,172</u>	<u>875,454</u>	<u>8,437,269</u>
Operating income	<u>82,963</u>	<u>(136,616)</u>	<u>156,262</u>	<u>244,704</u>	<u>347,313</u>
Nonoperating revenues:					
Gain on sale of capital assets	1,313	-	-	72,637	73,950
Interest income	-	78,963	-	77,439	156,402
Grants	2,212	-	-	-	2,212
Total nonoperating revenues	<u>3,525</u>	<u>78,963</u>	<u>-</u>	<u>150,076</u>	<u>232,564</u>
Income before transfers	86,488	(57,653)	156,262	394,780	579,877
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>(214,000)</u>	<u>(214,000)</u>
Change in net assets	86,488	(57,653)	156,262	180,780	365,877
Net assets, beginning of year	<u>307,307</u>	<u>612,068</u>	<u>16,352</u>	<u>2,804,784</u>	<u>3,740,511</u>
Net assets, end of year	<u>\$ 393,795</u>	<u>\$ 554,415</u>	<u>\$ 172,614</u>	<u>\$ 2,985,564</u>	<u>\$ 4,106,388</u>

CITY OF OWENSBORO, KENTUCKY
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
Year Ended June 30, 2007

	Governmental Activities				
	Internal Service Funds				
	Facilities Maintenance Fund	Insurance Fund	Garage Service Fund	Fleet and Facilities Fund	Total Internal Service Funds
Cash flow from operating activities:					
Cash received from customers	\$ 2,773,249	\$ 3,625,060	\$ 1,266,434	\$ 1,120,158	\$ 8,784,901
Cash payments to employees for services	(1,510,442)	-	(543,861)	-	(2,054,303)
Cash payments to suppliers	(1,187,684)	(130,838)	(558,966)	(367,085)	(2,244,573)
Cash payments for claims	-	(3,571,678)	-	-	(3,571,678)
Net cash provided by operating activities	<u>75,123</u>	<u>(77,456)</u>	<u>163,607</u>	<u>753,073</u>	<u>914,347</u>
Cash flows from noncapital financing activities:					
Grants	2,212	-	-	-	2,212
Transfers out	-	-	-	(214,000)	(214,000)
Net cash used in noncapital financing activities	<u>2,212</u>	<u>-</u>	<u>-</u>	<u>(214,000)</u>	<u>(211,788)</u>
Cash flows from capital and related financing activities:					
Proceeds from sale of capital assets	1,313	-	-	94,978	96,291
Payments for capital acquisitions	-	-	-	(971,870)	(971,870)
Net cash provided by noncapital financing activities	<u>1,313</u>	<u>-</u>	<u>-</u>	<u>(876,892)</u>	<u>(875,579)</u>
Cash flows from investing activities:					
Interest on investments	-	78,963	-	77,439	156,402
Net increase (decrease) in cash and cash equivalents	<u>78,648</u>	<u>1,507</u>	<u>163,607</u>	<u>(260,380)</u>	<u>(16,618)</u>
Cash and cash equivalents, beginning of year	395,782	1,248,048	15,717	1,491,312	3,150,859
Cash and cash equivalents, end of year	<u>\$ 474,430</u>	<u>\$ 1,249,555</u>	<u>\$ 179,324</u>	<u>\$ 1,230,932</u>	<u>\$ 3,134,241</u>
Reconciliation of operating income to net cash provided by operating activities:					
Operating income	\$ 82,963	\$ (136,616)	\$ 156,262	\$ 244,704	\$ 347,313
Adjustments to reconcile operating income to net cash provided by operating activities:					
Depreciation	2,450	-	6,516	522,443	531,409
Change in assets and liabilities:					
(Increase) decrease in assets:					
Accounts receivable	319	-	-	-	319
Materials and supplies inventory	-	-	(1,378)	-	(1,378)
Prepaid expenses	-	59,160	-	-	59,160
Increase (decrease) in liabilities:					
Accounts payable	(12,103)	-	1,947	(14,074)	(24,230)
Accrued liabilities	1,494	-	260	-	1,754
Net cash provided by operating activities	<u>\$ 75,123</u>	<u>\$ (77,456)</u>	<u>\$ 163,607</u>	<u>\$ 753,073</u>	<u>\$ 914,347</u>



CITY OF OWENSBORO, KENTUCKY
COMBINING STATEMENT OF FIDUCIARY NET ASSETS
PENSION TRUST FUNDS
June 30, 2007

	City Employees' Pension Fund	Police and Firefighters' Retirement Fund	Total Pension Trust Funds
ASSETS			
Equity in pooled deposits and investments	\$ 1,407	\$ 4,397,758	\$ 4,399,165
Cash and cash equivalents	138,776	119,876	258,652
Cash and cash equivalents, restricted	-	71,237	71,237
Interest receivable	18,891	23,187	42,078
Investments, at fair value	5,523,235	4,476,096	9,999,331
Investments at fair value, restricted	-	2,345,001	2,345,001
Total assets	<u>5,682,309</u>	<u>11,433,155</u>	<u>17,115,464</u>
LIABILITIES			
Pension payable	22,219	92,581	114,800
Other	581	518	1,099
Total liabilities	<u>22,800</u>	<u>93,099</u>	<u>115,899</u>
NET ASSETS			
Held in trust for pension benefits	5,659,509	8,915,816	14,575,325
Held in trust for debt service	-	2,424,240	2,424,240
Total net assets	<u>\$ 5,659,509</u>	<u>\$ 11,340,056</u>	<u>\$ 16,999,565</u>

CITY OF OWENSBORO, KENTUCKY
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
PENSION TRUST FUNDS
Year Ended June 30, 2007

	City Employees' Pension Fund	Police and Firefighters' Retirement Fund	Total Pension Trust Funds
	<u> </u>	<u> </u>	<u> </u>
Additions:			
Contributions:			
Employer	\$ -	\$ -	\$ -
Other	<u>-</u>	<u>103,170</u>	<u>103,170</u>
Total contributions	<u>-</u>	<u>103,170</u>	<u>103,170</u>
Investment earnings:			
Net appreciation (depreciation) in fair value of investments	580,168	710,820	1,290,988
Interest	<u>157,143</u>	<u>708,887</u>	<u>866,030</u>
Total investment earnings	737,311	1,419,707	2,157,018
Less investment expense	<u>6,702</u>	<u>9,411</u>	<u>16,113</u>
Net investment earnings	<u>730,609</u>	<u>1,410,296</u>	<u>2,140,905</u>
Total additions	<u>730,609</u>	<u>1,513,466</u>	<u>2,244,075</u>
Deductions:			
Benefits	538,785	1,123,800	1,662,585
Operating transfer to debt service fund	<u>-</u>	<u>312,079</u>	<u>312,079</u>
Total deductions	<u>538,785</u>	<u>1,435,879</u>	<u>1,974,664</u>
Change in net assets	191,824	77,587	269,411
Net assets, beginning of year	<u>5,467,685</u>	<u>11,262,469</u>	<u>16,730,154</u>
Net assets, end of year	<u>\$ 5,659,509</u>	<u>\$ 11,340,056</u>	<u>\$ 16,999,565</u>

CITY OF OWENSBORO, KENTUCKY
COMBINING STATEMENT OF ASSETS AND LIABILITIES
AGENCY FUNDS
June 30, 2007

	<u>County Occupational Tax Fund</u>	<u>School District Tax Fund</u>	<u>Total Agency Funds</u>
ASSETS			
Equity in pooled deposits and investments	\$ 78,045	\$ -	\$ 78,045
Intergovernmental receivable	<u>-</u>	<u>19,746</u>	<u>19,746</u>
Total assets	<u>78,045</u>	<u>19,746</u>	<u>97,791</u>
LIABILITIES			
Other	<u>78,045</u>	<u>19,746</u>	<u>97,791</u>
Total liabilities	<u>78,045</u>	<u>19,746</u>	<u>97,791</u>
NET ASSETS			
Held in trust for agency funds	<u>-</u>	<u>-</u>	<u>-</u>
Total net assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF OWENSBORO, KENTUCKY
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
Year Ended June 30, 2007

	<u>Balance</u> <u>June 30, 2006</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2007</u>
County Occupational Tax Fund				
Assets:				
Equity in pooled deposits and investments	\$ 77,538	\$ 1,897,831	\$ 1,897,324	\$ 78,045
Liabilities:				
Other	\$ 77,538	\$ 1,897,831	\$ 1,897,324	\$ 78,045
School District Tax Fund				
Assets:				
Intergovernmental receivable	\$ 19,705	\$ 8,354,867	\$ 8,354,826	\$ 19,746
Liabilities:				
Other	\$ 19,705	\$ 8,419,586	\$ 8,419,545	\$ 19,746
Total Agency Funds				
Assets:				
Equity in pooled deposits and investments	\$ 77,538	\$ 1,897,831	\$ 1,897,324	\$ 78,045
Intergovernmental receivable	19,705	8,354,867	8,354,826	19,746
Total assets	\$ 97,243	\$ 10,252,698	\$ 10,252,150	\$ 97,791
Liabilities:				
Other	\$ 97,243	\$ 10,317,417	\$ 10,316,869	\$ 97,791

CITY OF OWENSBORO, KENTUCKY
COMBINING STATEMENT OF NET ASSETS
COMPONENT UNIT
OWENSBORO MUNICIPAL UTILITIES
June 30, 2007

	Electric Light and Power System	Water Works System	Total
ASSETS			
Cash and cash equivalents:			
In segregated accounts	\$ 8,438,988	\$ 865,319	\$ 9,304,307
Accounts receivable (less allowance of \$43,463 and \$4,669 for Electric and Water, respectively)	6,058,685	1,218,441	7,277,126
Investments	7,520,224	534,723	8,054,947
Material and supplies inventory	2,363,791	436,745	2,800,536
Prepaid items	182,153	-	182,153
Other current assets	-	92,014	92,014
Restricted assets	86,086,026	1,876,200	87,962,226
Capital assets, net of accumulated depreciation:	214,448,451	46,227,560	260,676,011
Other noncurrent assets:			
Deferred charges	2,896,850	332,426	3,229,276
Total assets	\$ 327,995,168	\$ 51,583,428	\$ 379,578,596
 LIABILITIES AND NET ASSETS			
Liabilities:			
Accounts payable	\$ 10,471,141	\$ 516,750	\$ 10,987,891
Accrued interest payable	1,024,623	202,070	1,226,693
Other payables	2,977,217	33,080	3,010,297
Deferred revenue	8,487,142	-	8,487,142
Customers' advances	-	1,147,422	1,147,422
Non-current liabilities:			
Due within one year	19,143,816	1,465,000	20,608,816
Due in more than one year	168,127,671	19,579,865	187,707,536
Total liabilities	210,231,610	22,944,187	233,175,797
Net assets:			
Invested in capital assets, net of related debt	40,121,974	24,701,131	64,823,105
Restricted for:			
Capital projects	1,461,645	161,148	1,622,793
Debt service	17,137,709	1,166,488	18,304,197
Other purposes	43,659,987	-	43,659,987
Unrestricted	15,382,243	2,610,474	17,992,717
Total net assets	117,763,558	28,639,241	146,402,799
Total liabilities and net assets	\$ 327,995,168	\$ 51,583,428	\$ 379,578,596

CITY OF OWENSBORO, KENTUCKY
COMBINING STATEMENT OF ACTIVITIES
COMPONENT UNIT
OWENSBORO MUNICIPAL UTILITIES
Year Ended June 30, 2007

	Program Revenues		Net (Expense) Revenue and Changes in Net Assets	
	Charges for Services and Sales	Capital Grants and Contributions	Electric Light and Power System	Water Works System
Owensboro Municipal Utilities:				
Electric Light and Power System	\$ 91,600,251	\$ -	\$ (3,308,465)	\$ -
Water Works System	7,263,207	365,018	-	553,178
	<u>\$ 98,863,458</u>	<u>\$ 365,018</u>	<u>(3,308,465)</u>	<u>553,178</u>
Total Owensboro Municipal Utilities				
				<u>(2,755,287)</u>
General revenues:				
Earnings on investments and sales type leases			4,390,078	173,142
Miscellaneous			44,345	-
			<u>4,434,423</u>	<u>173,142</u>
Total general revenues				<u>4,607,565</u>
Change in net assets			1,125,958	726,320
Net assets, beginning of year			116,637,600	27,912,921
Net assets, end of year			<u>\$ 117,763,558</u>	<u>\$ 28,639,241</u>
				<u>\$ 146,402,799</u>

CITY OF OWENSBORO, KENTUCKY
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE BY SOURCE
 June 30, 2007

Governmental funds capital assets:	
Land	\$ 10,999,244
Land improvements/infrastructure	50,411,917
Buildings	17,186,423
Vehicles	2,850,410
Equipment	3,362,726
	<u>\$ 84,810,720</u>
Investments in governmental funds capital assets by source:	
General Fund	\$ 81,708,195
Community Development Fund	2,451,598
City of Owensboro Municipal Improvement Corporation	650,927
	<u>\$ 84,810,720</u>

This schedule presents only the capital assets balances related to the governmental funds. Accordingly, the capital assets reported in the internal service funds are excluded from the above amounts. Generally, the capital assets of internal funds are included as governmental activities in the statement of net assets.

CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE BY FUNCTION AND ACTIVITY
June 30, 2007

Function and Activity	Land	Land Improvements	Buildings	Vehicles	Equipment	Total
General government:						
City manager, commissioners and legal	\$ 201,993	\$ -	\$ 1,716,417	\$ -	\$ 133,214	\$ 2,051,624
Finance	-	-	-	-	9,928	9,928
Personnel	-	-	-	-	6,474	6,474
Information services	-	-	82,124	-	378,733	460,857
Unallocated	3,453,544	4,871,353	6,001,563	21,388	1,109,739	15,457,587
Total general government	<u>3,655,537</u>	<u>4,871,353</u>	<u>7,800,104</u>	<u>21,388</u>	<u>1,638,088</u>	<u>17,986,470</u>
Public safety:						
Police	767,183	-	3,469,976	152,148	620,000	5,009,307
Fire	353,862	-	2,093,300	1,716,851	133,367	4,297,380
Total public safety	<u>1,121,045</u>	<u>-</u>	<u>5,563,276</u>	<u>1,868,999</u>	<u>753,367</u>	<u>9,306,687</u>
Public works:						
Engineering	-	-	-	-	29,709	29,709
Streets	2,268,463	36,863,217	39,081	9,703	158,792	39,339,256
Garage	22,500	-	173,527	-	96,580	292,607
Stormwater	-	-	-	76,877	108,080	184,957
Total public works	<u>2,290,963</u>	<u>36,863,217</u>	<u>212,608</u>	<u>86,580</u>	<u>393,161</u>	<u>39,846,529</u>
Community and cultural:						
Parks	2,404,059	2,234,558	2,305,229	-	308,811	7,252,657
Other agencies	1,527,640	414,627	1,160,259	-	-	3,102,526
Your community vision	-	6,028,162	144,947	873,443	269,299	7,315,851
Total community and cultural	<u>3,931,699</u>	<u>8,677,347</u>	<u>3,610,435</u>	<u>873,443</u>	<u>578,110</u>	<u>17,671,034</u>
Total governmental funds capital assets	<u>\$ 10,999,244</u>	<u>\$ 50,411,917</u>	<u>\$ 17,186,423</u>	<u>\$ 2,850,410</u>	<u>\$ 3,362,726</u>	<u>\$ 84,810,720</u>

This schedule presents only the capital assets balances related to the governmental funds. Accordingly, the capital assets reported in the internal service funds are excluded from the above amounts. Generally, the capital assets of internal service funds are included as governmental activities in the statement of net assets.

CITY OF OWENSBORO, KENTUCKY
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE OF CHANGES BY FUNCTION AND ACTIVITY
June 30, 2007

Function and Activity	Governmental Funds Capital Assets June 30, 2006	Additions	Deductions	Governmental Funds Capital Assets June 30, 2007
General government:				
City manager, commissioners and legal	\$ 2,051,624	\$ -	\$ -	\$ 2,051,624
Finance	9,928	-	-	9,928
Personnel	6,474	-	-	6,474
Information services	465,527	29,846	(34,515)	460,858
Unallocated	15,417,703	39,884	(1)	15,457,586
Total general government	<u>17,951,256</u>	<u>69,730</u>	<u>(34,516)</u>	<u>17,986,470</u>
Public safety:				
Police	4,997,820	11,487	-	5,009,307
Fire	4,480,507	82,836	(265,963)	4,297,380
Total public safety	<u>9,478,327</u>	<u>94,323</u>	<u>(265,963)</u>	<u>9,306,687</u>
Public works:				
Engineering	35,117	-	(5,408)	29,709
Streets	36,459,227	2,965,683	(85,654)	39,339,256
Garage	292,607	-	-	292,607
Stormwater	184,957	-	-	184,957
Total public works	<u>36,971,908</u>	<u>2,965,683</u>	<u>(91,062)</u>	<u>39,846,529</u>
Community and cultural:				
Parks	7,243,067	9,590	-	7,252,657
Other agencies	3,287,585	309,941	(495,000)	3,102,526
Your community vision	3,536,982	3,778,869	-	7,315,851
Total community and cultural	<u>14,067,634</u>	<u>4,098,400</u>	<u>(495,000)</u>	<u>17,671,034</u>
Total governmental funds capital assets	<u>\$ 78,469,125</u>	<u>\$ 7,228,136</u>	<u>\$ (886,541)</u>	<u>\$ 84,810,720</u>

This schedule presents only the capital assets balances related to the governmental funds. Accordingly, the capital assets reported in the internal service funds are excluded from the above amounts. Generally, the capital assets of internal service funds are included as governmental activities in the statement of net assets.





CITY OF OWENSBORO GENERAL INFORMATION

The City

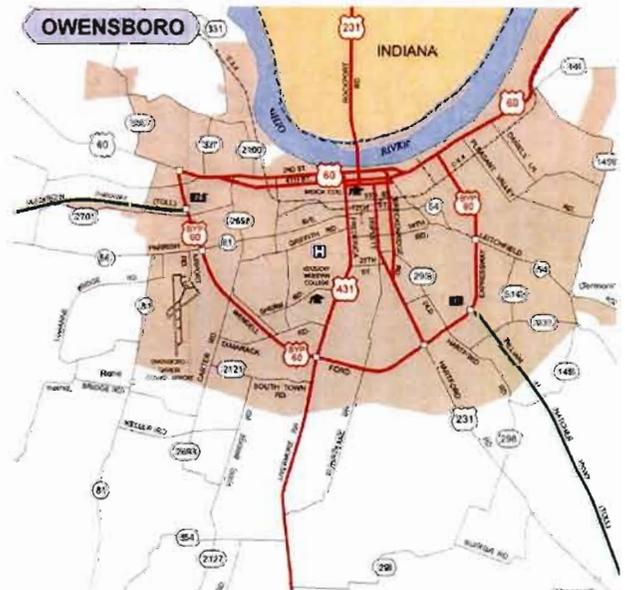
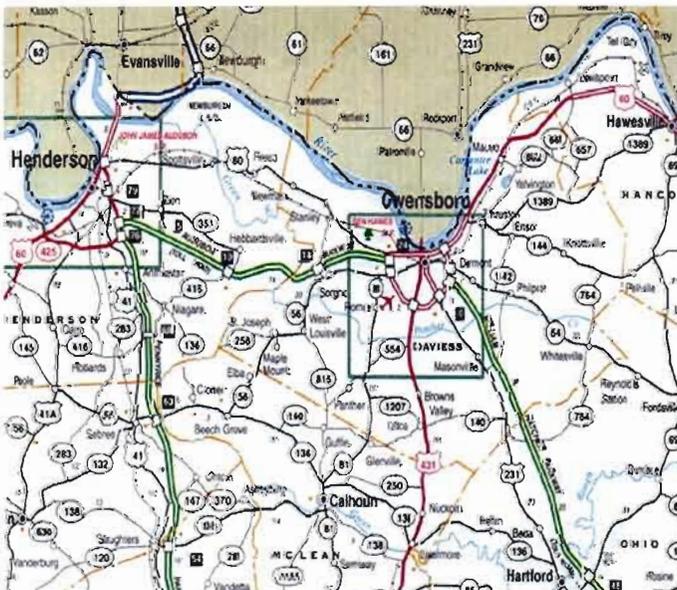
Owensboro, originally known as “Yellowbanks” in reference to the color of the soil along the Ohio River banks, was first settled in 1797. By 1810, David Morton had opened a general store and population of the settlement grew to 100 by 1815. An 1817 Act of the Kentucky Legislature incorporated the town as “Owensborough”, later shortened to “Owensboro”.

The Owensboro area has grown steadily, while retaining the “small town quality” of a friendly city of warm-hearted and hospitable people. Owensboro ranks as Kentucky’s third largest city in terms of population and is the industrial and cultural capital of western Kentucky.



Location

Owensboro is the county seat of Daviess County, Kentucky, and lies on the southern banks of the mighty Ohio River, one of the nation’s major waterways, in the western Kentucky coal field region. Owensboro is located 32 miles southeast of Evansville, Indiana, 123 miles north of Nashville, Tennessee, and 109 miles southwest of Louisville, Kentucky. A bridge from Owensboro into southern Indiana affords a direct route to Interstate 64 in Indiana, providing a link from St. Louis to Louisville.



Industry and Economic Development

Owensboro has emerged as an industrial hub of western Kentucky, attracting major manufacturing processors in aluminum, distilling, steel, coal mining, and natural gas transmission corporations. Locally produced goods include electrical products, chewing tobacco, plastic, wire, spaghetti sauce, paper products, office furniture, plastic, tubes, small electric motors, truck frames, and many others.



The City is active in promoting economic development, as new developmental job growth is necessary to ensure the continued stability of the City's revenue base. Economic indicators and trends reflect stabilization in the area's economy compared to the previous year. As of May 2007, area employment averaged approximately 45,378. The June 2007 unemployment rate was 5.4%, slightly lower than the state rate. Active electric and water meters showed growth for the year. Construction of multi-family units increased by 37.5%.



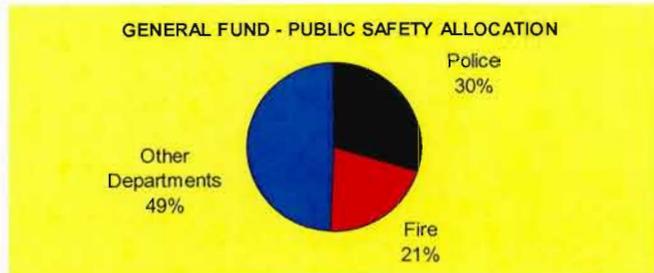
An aggressive annexation policy is being pursued to insure continued growth and development for the City of Owensboro. Much of the City's long-term growth potential lies in the Carter Road/Airport Corridor, anchored by the 400-acre Mid-America Airpark. The City has coordinated with the Greater Owensboro Economic Development Corporation to complete Mid-America AirPark, which includes AirPark, Tamarack, and Unifirst Drives. The Mid-America AirPark is a valuable tool for attracting new industry to Owensboro. The overall outlook for the area's economy continues to remain bright.

Communications

The Owensboro Messenger-Inquirer provides daily newspaper service to the citizens of Owensboro and surrounding counties, and sponsors a website at www.messengerinquirer.com. Nine radio stations serve the Owensboro area. The area is also served by the four major television networks (WEHT, WTWW, WFIE, and WEVV). Cable television service is provided by TimeWarner Cable. Owensboro is home to a United States Post Office, with branch offices throughout the City.

Public Safety

The City of Owensboro is committed to excellence from its Police and Fire Departments. The Police Department maintains a 3.5-minute emergency response time. The Fire Department maintains a 3.73-minute emergency response time, in accordance with the National Fire Protection and United States Insurance Service Offices recommendation.



The majority of General Fund expenditures, approximately 51%, are budgeted for public safety (police and fire). The chart on the left illustrates General Fund percentages for public safety and all other departments. The chart does not include capital projects funding.

Education

Quality education is a priority for the City of Owensboro. Education facilities in the area abound. The city, county and parochial school systems provide elementary, middle and secondary school students with quality education. The average student-teacher ratio for these systems is 20/25-1.

Vocational education is available at the Owensboro Community and Technical College.

Brescia University and Kentucky Wesleyan College are four-year education institutions offering Bachelor of Science and Arts degrees. Owensboro Community College, another institute of higher learning, offers two-year Associate of Arts and Science degrees, and several doctoral degree programs via telecommunications. The Owensboro Community and Technical College is a private two-year accredited school. Post-secondary educational opportunities in Owensboro are graduate programs offered through Brescia and Wesleyan by Western Kentucky University and Murray State University. These programs provide area residents with the opportunity to earn post-graduate degrees without leaving the city. Each year more than 1,500 students participate in graduate programs for credit hours. Another 500 per year take short courses at adult education workshops.



Owensboro is proud of The Wendell H. Ford Government Education Center located at the Area Museum of Science and History. Retired Senator Wendell H. Ford, a local resident, donated memorabilia from his long political career to the Center. The Center includes a replica of his Senate office, a rotunda, and a 70 seat "Senate chamber" used for community, school meetings and lectures. It is equipped with computer and television connections to Washington, D.C. and Frankfort, KY.

Medical Facilities

Owensboro is home to an excellent, well-staffed hospital - Owensboro Medical Health System (OMHS) that serves eight counties in Kentucky and southern Indiana, licensed for 469 beds. Approximately 130 physicians and 50 dentists serve our citizens.

OMHS has partnered with Jewish Heart and Lung Institute and University Cardiothoracic Surgical Associates. Jewish Hospital provides the OMHS heart program with management and medical oversight for cardiac surgery. The University Cardiothoracic Surgical Associates recruits and places surgeons in Owensboro.



OMHS is committed to leadership in heart care and will continue to offer comprehensive cardiovascular diagnosis, treatment and surgery, with a 15-bed coronary care unit, three cardiac catheterization labs, and an open heart surgical suite, an intensive care unit with dedicated cardiac surgery beds and two cardiac units with monitoring capabilities.

Available diagnostic services include: EKG, echocardiography, Holter monitoring, lipid profiles, cardiac catheterization, ambulatory blood pressure monitoring, and vascular lab. Treatment options include thrombolytic drug therapy, angioplasty, athrectomy, stent electrophysiology and open heart surgery.

Many other facilities serve community medical needs. These include an EmergiCenter, multiple Convenient Care facilities, an Ambulatory Surgical Center, a Wound Healing Center, a Breast and Diagnostic Center, and Outpatient Addiction Services. McAuley Clinic provides care for those not covered by health insurance, Medicaid or Medicare, with no charge for services. RiverValley Behavioral Health helps children and adults with emotional, mental and behavioral problems. The City has a state-maintained county health department.

The Owensboro HealthPark Center sponsors wellness programs to enrich City residents in development, maintenance and integration of overall health in mind, body and spirit. The health resource center is available to all residents. The HealthPark makes wellness affordable, available and effective with outpatient diagnostic capabilities, rehabilitation therapy, and a health and fitness center. Health screenings, classes and other program offerings are open to the community to help our citizens improve their lives with preventative wellness opportunities.

Recreation and Culture

The Owensboro-Daviess County Library serves the community well, with a collection of over 150,000 books and 13,000 audiovisual items. Interest in the natural sciences and area history is maintained by the Owensboro Area Museum. Art lovers are enjoying the recent expansion of the Owensboro Museum of Fine Art, which now features an Atrium Sculpture Court, a restored Civil War-era mansion, the Kentucky Spirit Galleries, and a priceless collection of German stained glass windows. These institutions are recognized as among the finest in western Kentucky.



Owensboro offers wide ranges of recreational and cultural activities to its citizens. Our citizens enjoy everything from fishing on nearby lakes to live performances of the Owensboro Symphony Orchestra, one of the finest in the state. Municipal parks provide areas for picnicking, golf, hiking, tennis, softball, football and just plain relaxing. State-maintained Carpenter and Kingfisher lakes offer a fine arena for the fisherman. Other water sports may be enjoyed on the Ohio River.

Whether walking, running or biking for fun or exercise, the City's Greenbelt offers a safe route for its residents.

During the summer months, the City maintains two swimming pools and the Kendall Perkins Water Park, a shallow water play area specially built for small children. Legion Park's sprayground is an enhancement to a beautiful park located in the center of Owensboro that already features basketball courts, a walking trail, playground equipment, and covered shelters.



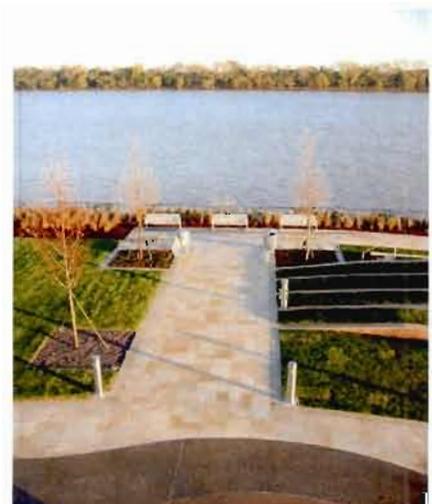
Owensboro RiverPark Center, a performing arts and civic center, boasts a 1,500 seat multi-purpose auditorium, and experimental theatre, a riverfront plaza, an open-air courtyard, meeting/reception rooms, and the International Bluegrass Music Museum. Each year the RiverPark Center hosts over 150 performance events and 900 civic events. Community activities include music, theatre and art. Cultural activities play a major role in the everyday lives of Owensboro's residents. Many cultural agencies are funded in part by the City of Owensboro.



Fridays After 5 is a weekly series of free outdoor concerts held on the riverfront beginning at the RiverPark Center patio and continuing for nearly 4 city blocks. The festival, created by Downtown Owensboro, Inc., began in 1996 with 10 concert weekends. It has grown to a summer-long signature event for the tri-state area hosting more than 35,000 visitors. Fridays After 5 continues through September each year. The festival includes live bands, interactive events for families, entertainment and crafts each Friday after 5:00 p.m. until 10:00 p.m.



Mitch McConnell Plaza and Walkway is the City's most recent waterfront addition. Owensboro is indebted to Senator McConnell for his loyalty and dedication to the City and its ambitious riverfront projects. The City dedicated the plaza and walkway in his honor.



Owensboro hosts three major summer festivals. Each festival is unique and designed for the whole family. The International Bar-B-Q Festival is hosted on the Ohio River front each year. Daviess County has over 150 years of barbecuing experience and boasts of being the Bar-B-Q Capital of the World. The Bar-B-Q Festival is packed with food, music, dance, and more food.

The Fourth of July weekend ushers in the next Owensboro celebration -- the Owensboro Summer Festival, billed as the July 4th extravaganza. This festival is filled with countywide competition in softball, soccer, volleyball, running and much more. Musical entertainment and a major fireworks display are a big part of the festival.

A third festival is held each year in Owensboro's beautiful English Park overlooking the Ohio River.

Owensboro was awarded the designation of *Sports Illustrated* "Sportstown" as the state's top location for community sports and recreation. As Cyndi Sturgeon, Parks and Recreation Department Director, was quoted as saying in the *Sports Illustrated* article: "Sports are a huge focus here in Owensboro and we try to appeal to everyone at all stages of life — from tee-ball to adult softball and activities for seniors. It's our goal to help our residents have a positive, lifelong relationship with sports."



The Owensboro Sportscenter, a 5,000-seat, air-conditioned auditorium/arena, is home to local high school and college basketball. The City has several times hosted the NCAA Division II Men's "March Madness" Basketball Tournaments at this site. In past years, the Sportscenter has hosted the Kenny Rogers Christmas Show and the Kentucky-Indiana Boys' and Girls' High School Basketball Series.

Owensboro high schools participate in all major team sports offered by the Kentucky High School Athletic Association, and often at least one of these schools is in serious contention for state champion for various sports.

The Kentucky Wesleyan College basketball team has been referred to as the "UCLA of Small College Basketball". The Panthers are a perennial powerhouse in NCAA's small college basketball ranks, and have won eight NCAA II National Tournaments.

City facilities allow Owensboro to host to several national baseball and softball tournaments. The City has hosted four national championship tournaments and was awarded the James Farrell Award for hosting one of the highest rated national tournaments in the country. The City successfully hosted the 2004 NSA Men's Class D World Series, the 2004 USSSA "AA" National Championships, the 2004-2005 BPA Youth World Series, and the 2005 ASA Girls 14 & Under Fast Pitch National Championship.

Jack C. Fisher Park and the Owensboro Recreation Department hosted the 2005 Kentucky Fast-Pitch Softball State Tournament. The Owensboro Catholic Lady Aces captured the 2005 Kentucky Fast-Pitch Softball State Championship in front of a huge hometown crowd. It is the 4th state title the Lady Aces have earned since 1998.

Owensboro residents, children, teens, adults, and seniors have many recreational options, including golf, tennis, softball, volleyball, ice-skating, soccer, football, baseball and basketball.



There are also developmental and instructional programs in t-ball, soccer, cheerleading, tennis, golf, tae-kwon do, baseball, softball, volleyball, ice skating, swimming, tumbling and fishing. The Owensboro Youth Hockey Association, Inc., is open to youth ages 5-18 from November to the end of March. The Owensboro Youth Soccer League involves youth ages 6-19 during spring and fall seasons. Owensboro Youth Baseball develops young people ages 6-18 in baseball.



The Parks department hosts many special events throughout the year, which includes day camps, "Ghosts and Goblins" and "Daddy-Daughter Date Night".



The Government

Owensboro operates under a City Manager form of government. The Mayor and 4 Commissioners constitute the Board of Commissioners. The citizens elect the Commissioners at large on a non-partisan ballot. The Mayor is elected for a four-year term and the Commissioners for two-year terms. The Mayor and Commissioners have equal voting power. The Commission sets the policies that govern the City. It appoints citizen advisory groups that help in the decision-making process. The City Manager is appointed by the Board and is responsible for the day-to-day operations of City employees. Department managers are responsible for their various departments and report to the City Manager.

CITY OF OWENSBORO, KENTUCKY
Statistical Section Objectives

The statistical section of our report presents detailed information as a context for understanding what the information in the financial statement, note disclosures, and required supplementary information says about the City's overall financial health.

<u>Contents</u>	<u>Pages</u>
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.	110-114
Revenue Capacity These schedules contain information to help the reader assess the City's most significant local revenue sources.	115-118
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.	119-122
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.	123-124
Operating Information These schedules contain service and infrastructure 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.	125-127

Sources: Unless otherwise noted, the information in this section is derived from the comprehensive annual financial reports for the relevant year. The City implemented GASB Statement 34 in 2002; schedules presenting government-wide information include information beginning in that year.

Schedule 1

CITY OF OWENSBORO
NET ASSETS BY COMPONENT
Last Six Fiscal Years
(accrual basis of accounting)

	2002	2003	2004	2005	2006	2007
Governmental activities						
Invested in capital assets, net of related debt	\$ 29,430,123	\$ 26,898,535	\$ 29,640,819	\$ 34,377,954	\$ 33,144,429	\$ 42,842,237
Restricted	9,966,681	4,181,654	9,409,580	6,204,137	6,321,540	7,638,119
Unrestricted	9,238,047	9,084,125	6,437,574	8,830,893	11,296,760	14,063,081
Total governmental activities net assets	<u>\$ 48,634,851</u>	<u>\$ 40,164,314</u>	<u>\$ 45,487,973</u>	<u>\$ 49,412,984</u>	<u>\$ 50,762,729</u>	<u>\$ 64,543,437</u>
Governmental activities						
Invested in capital assets, net of related debt	\$ 2,861,149	\$ 2,426,237	\$ 2,266,909	\$ 1,909,075	\$ 2,059,230	\$ 1,959,205
Unrestricted	2,304,005	3,369,030	4,674,998	6,263,893	7,449,411	9,234,571
Total governmental activities net assets	<u>\$ 5,165,154</u>	<u>\$ 5,795,267</u>	<u>\$ 6,941,907</u>	<u>\$ 8,172,968</u>	<u>\$ 9,508,641</u>	<u>\$ 11,193,776</u>
Primary government						
Invested in capital assets, net of related debt	\$ 32,291,272	\$ 29,324,772	\$ 31,907,728	\$ 36,287,029	\$ 35,203,659	\$ 44,801,442
Restricted	9,966,681	4,181,654	9,409,580	6,204,137	6,321,540	7,638,119
Unrestricted	11,542,052	12,453,155	11,112,572	15,094,786	18,746,171	23,297,652
Total primary government net assets	<u>\$ 53,800,005</u>	<u>\$ 45,959,581</u>	<u>\$ 52,429,880</u>	<u>\$ 57,585,952</u>	<u>\$ 60,271,370</u>	<u>\$ 75,737,213</u>

Schedule 2

**CITY OF OWENSBORO
CHANGES IN NET ASSETS**

Last Six Fiscal Years
(accrual basis of accounting)

	2002	2003	2004	2005	2006	2007
Expenses						
Governmental activities:						
General government	\$ 7,784,656	\$ 4,035,934	\$ 7,088,369	\$ 7,204,175	\$ 8,644,720	\$ 8,793,519
Public safety	16,266,681	14,832,206	15,128,745	15,551,627	19,513,418	17,055,086
Public works	5,968,403	7,800,541	7,009,244	10,304,723	9,278,026	6,395,367
Community and cultural	5,396,683	7,856,954	4,447,914	4,373,153	4,457,954	4,886,150
Community/economic development	1,217,759	1,669,357	1,320,396	1,394,189	1,113,760	703,557
Interest on long-term debt	1,302,910	1,239,319	1,020,100	933,123	926,657	1,015,349
Total governmental activities expenses	<u>37,937,092</u>	<u>37,434,311</u>	<u>36,014,768</u>	<u>39,760,990</u>	<u>43,934,535</u>	<u>38,849,028</u>
Business-Type activities:						
Sanitation	4,103,902	4,456,174	4,024,897	3,862,662	4,013,954	4,047,686
Transit	1,347,934	1,358,112	1,361,964	1,293,099	1,367,534	1,477,294
Parking garage operations	76,774	73,650	57,211	58,022	74,906	68,660
Recreation	1,528,523	1,552,179	1,558,911	1,328,329	1,344,738	1,373,102
Total business-type activities expenses	<u>7,057,133</u>	<u>7,440,115</u>	<u>7,002,983</u>	<u>6,542,112</u>	<u>6,801,132</u>	<u>6,966,742</u>
Total primary government expenses	<u>\$ 44,994,225</u>	<u>\$ 44,874,426</u>	<u>\$ 43,017,751</u>	<u>\$ 46,303,102</u>	<u>\$ 50,735,667</u>	<u>\$ 45,815,770</u>
Program Revenues						
Governmental activities:						
Charges for services:						
General government	\$ 1,536,609	\$ 1,600,274	\$ 1,923,581	\$ 2,043,874	\$ 2,325,733	\$ 2,337,646
Public safety	748,111	846,853	756,206	748,939	778,650	875,431
Public works	194,722	177,140	177,930	231,022	215,894	216,483
Community and cultural	9,721	12,095	-	-	13,001	-
Community/economic development	219,914	268,022	313,486	421,745	301,812	300,944
Operating grants and contributions	2,674,516	2,565,925	2,118,504	2,979,952	5,152,432	3,470,861
Capital grants and contributions	1,558,369	7,524,594	5,920,293	3,564,624	3,142,387	4,533,823
Total governmental activities program revenues	<u>6,941,962</u>	<u>12,994,903</u>	<u>11,210,000</u>	<u>9,990,156</u>	<u>11,929,909</u>	<u>11,735,188</u>
Business-type activities:						
Charges for services:						
Sanitation	4,730,426	4,850,841	4,914,881	4,950,909	5,030,171	5,100,056
Transit	110,322	121,572	131,130	142,173	148,421	139,101
Parking garage operations	60,359	46,735	45,590	54,175	56,556	53,825
Recreation	1,147,281	1,152,081	1,126,627	1,007,638	1,051,924	979,206
Operating grants and contributions	425,906	874,423	922,795	553,152	652,332	407,877
Capital grants and contributions	-	-	-	40,957	-	420,237
Total business-type activities program revenues	<u>6,474,294</u>	<u>7,045,652</u>	<u>7,141,023</u>	<u>6,749,004</u>	<u>6,939,404</u>	<u>7,100,302</u>
Total primary government program revenues	<u>\$ 13,416,256</u>	<u>\$ 20,040,555</u>	<u>\$ 18,351,023</u>	<u>\$ 16,739,160</u>	<u>\$ 18,869,313</u>	<u>\$ 18,835,490</u>
Net (expense)revenue						
Governmental activities	\$ (30,995,130)	\$ (24,439,408)	\$ (24,804,768)	\$ (29,770,834)	\$ (32,004,626)	\$ (27,113,840)
Business-type activities	(582,839)	(394,463)	138,040	206,892	138,272	133,560
Total primary government net expense	<u>\$ (31,577,969)</u>	<u>\$ (24,833,871)</u>	<u>\$ (24,666,728)</u>	<u>\$ (29,563,942)</u>	<u>\$ (31,866,354)</u>	<u>\$ (26,980,280)</u>
General Revenues and Other Changes in Net Assets:						
Governmental activities:						
Taxes						
Property taxes	\$ 6,526,834	\$ 6,752,239	\$ 7,137,309	\$ 7,492,747	\$ 7,758,532	\$ 8,129,079
Occupational license taxes	11,824,621	8,100,690	11,219,801	12,575,637	12,282,123	13,202,290
Net profit license taxes	1,728,597	1,739,962	1,510,671	2,123,377	2,143,424	2,728,192
Regulatory taxes	3,632,070	4,069,041	4,480,570	4,505,405	4,722,033	4,815,086
Payments in lieu of taxes from component unit	1,395,499	1,565,495	1,600,728	1,627,979	1,480,187	1,399,301
Investment earnings	632,075	250,300	189,860	384,007	373,234	885,309
Unrestricted grants and contributions	147,306	3,941,209	4,248,066	4,843,914	6,172,509	5,768,103
Gain on sale of assets	651,283	(10,498,324)	140,242	-	127,727	584
Investment in joint venture	240,957	328,335	207,029	929,339	464,514	1,909,755
Miscellaneous	569,263	866,117	744,238	779,527	357,791	465,070
Transfers	2,814,062	(880,086)	(827,493)	(864,800)	(888,986)	(1,024,655)
Total governmental activities	<u>30,162,567</u>	<u>16,234,978</u>	<u>30,651,021</u>	<u>34,397,132</u>	<u>34,993,088</u>	<u>38,278,114</u>
Business-type activities:						
Investment earnings	66,003	98,497	56,966	159,369	166,231	410,982
Gain on sale of assets	208,979	45,993	124,141	-	142,184	115,938
Transfers	764,822	880,086	827,493	864,800	888,986	1,024,655
Total business-type activities	<u>1,039,804</u>	<u>1,024,576</u>	<u>1,008,600</u>	<u>1,024,169</u>	<u>1,197,401</u>	<u>1,551,575</u>
Total primary government	<u>\$ 31,202,371</u>	<u>\$ 17,259,554</u>	<u>\$ 31,659,621</u>	<u>\$ 35,421,301</u>	<u>\$ 36,190,489</u>	<u>\$ 39,829,689</u>
Change in Net Assets						
Governmental activities	\$ (832,563)	\$ (8,204,430)	\$ 5,846,253	\$ 4,626,298	\$ 2,988,462	\$ 11,164,274
Business-type activities	456,965	630,113	1,146,640	1,231,061	1,335,673	1,685,135
Total primary government	<u>\$ (375,598)</u>	<u>\$ (7,574,317)</u>	<u>\$ 6,992,893</u>	<u>\$ 5,857,359</u>	<u>\$ 4,324,135</u>	<u>\$ 12,849,409</u>

Schedule 3

CITY OF OWENSBORO
 GENERAL GOVERNMENTAL REVENUES BY SOURCE
 Last Ten Fiscal Years

FISCAL YEAR	TOTAL	PROPERTY TAXES	LICENSES AND PERMITS	INTER-GOVERNMENTAL REVENUES	CHARGES FOR					MISC. REVENUES
					SERVICES - GENERAL GOVERNMENT	FINES AND FORFEITS	INTEREST			
1998	\$ 25,550,305	\$ 5,405,878	\$ 13,468,054	\$ 3,899,441	\$ 590,810	\$ 177,973	\$ 916,553	\$ 1,091,596		
1999	29,399,449	5,429,767	14,747,523	6,998,149	700,655	173,843	774,514	574,998		
2000	29,220,862	5,820,136	15,225,664	5,267,504	594,010	167,262	1,187,816	958,470		
2001	32,249,206	6,113,868	15,686,280	5,251,379	559,169	163,874	1,239,060	3,235,576		
2002	31,895,064	6,526,834	16,746,632	6,165,109	570,068	159,989	793,119	933,313		
2003	39,623,935	6,752,239	14,656,485	16,034,683	550,469	179,297	268,236	1,182,526		
2004	36,978,225	7,137,309	17,474,479	10,376,501	570,841	138,012	165,233	1,115,850		
2005	42,198,008	7,492,747	18,668,701	13,435,874	599,425	120,197	325,533	1,555,531		
2006	46,212,243	7,758,532	19,924,204	15,769,971	654,748	161,279	303,186	1,640,323		
2007	47,597,695	8,129,079	21,032,128	15,418,252	697,149	157,286	728,907	1,434,894		

This table includes all governmental funds.

Schedule 4

CITY OF OWENSBORO
 FUND BALANCES OF GOVERNMENTAL FUNDS

Last Ten Fiscal Years
 (modified accrual basis of accounting)
 (amounts expressed in thousands)

	Fiscal Year									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
General fund										
Reserved	\$ 348	\$ 35	\$ 57	\$ 127	\$ 130	\$ 128	\$ 79	\$ 87	\$ 153	\$ 267
Unreserved	2,954	2,402	1,625	1,855	1,951	1,749	1,550	1,855	3,591	5,662
Total General Fund	\$ 3,302	\$ 2,437	\$ 1,682	\$ 1,982	\$ 2,081	\$ 1,877	\$ 1,629	\$ 1,942	\$ 3,744	\$ 5,929
All other governmental units										
Reserved	\$ 13,303	\$ 13,820	\$ 9,942	\$ 7,708	\$ 4,834	\$ 2,865	\$ 6,158	\$ 3,958	\$ 3,256	\$ 6,154
Unreserved, reported in:										
Special revenue funds	385	348	463	424	6,447	371	890	(125)	(547)	958
Capital projects funds	2,538	4,704	5,327	3,852	3,011	2,346	2,370	2,056	3,382	171
Total all other government funds	\$ 16,226	\$ 18,872	\$ 15,732	\$ 11,984	\$ 14,292	\$ 5,582	\$ 9,418	\$ 5,889	\$ 6,091	\$ 7,283

Schedule 5

CITY OF OWENSBORO
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS

	2002	2003	2004	2005	2006	2007
Revenues						
Real and personal property taxes	\$ 6,526,834	\$ 6,752,239	\$ 7,137,309	\$ 7,492,747	\$ 7,758,532	\$ 8,129,079
Occupational licenses	10,862,478	8,305,933	10,930,002	11,542,558	12,236,772	12,911,250
Net profit license fees	1,709,697	1,721,567	1,516,557	2,101,988	2,435,859	2,781,868
Regulatory licenses	3,632,070	4,069,041	4,480,570	4,505,405	4,722,033	4,815,086
Intergovernmental	4,769,610	11,012,959	4,995,066	7,802,319	9,193,929	8,694,133
Interest	793,119	268,236	165,233	325,533	303,186	728,907
Fees, licenses and permits	542,387	559,944	547,350	518,750	529,540	523,924
Fines and forfeitures	159,989	179,297	138,012	120,197	161,279	157,286
Rentals	206,816	540,190	619,696	617,021	741,230	720,896
Charges for services	570,068	550,469	570,841	599,425	654,748	697,149
Contributions and donations	142,093	15,732	343	263,200	22,227	20,197
Dividends from component units	3,244,027	3,456,229	3,780,707	4,005,576	5,095,855	5,324,818
Payments in lieu of taxes from component unit	1,395,499	1,565,495	1,600,728	1,627,979	1,480,187	1,399,301
Miscellaneous income	584,404	626,604	495,811	675,310	876,866	693,801
Total Revenues	35,139,091	39,623,935	36,978,225	42,198,008	46,212,243	47,597,695
Expenditures						
Current:						
General government	4,998,728	5,342,397	5,954,993	6,183,140	7,373,975	7,680,375
Public safety	13,878,294	14,133,879	14,998,734	15,566,845	20,447,210	16,697,923
Public works	4,856,662	4,782,763	4,316,735	6,998,503	5,078,227	4,534,225
Community and cultural	4,346,214	3,294,964	4,292,232	4,100,447	3,962,926	3,963,882
Community/economic development	1,194,519	1,650,649	1,320,396	1,394,189	1,113,760	1,013,498
Capital outlay	3,712,815	10,681,356	3,441,023	8,692,798	7,278,471	7,086,041
Debt service:						
Principal	3,661,455	7,940,423	1,389,470	1,489,027	1,662,807	1,841,400
Interest	1,083,751	1,243,380	987,219	883,816	810,979	920,447
Issuance costs	167,807	2,000	88,552	10,500	147,933	-
Total Expenditures	37,900,245	49,071,811	36,789,354	45,319,265	47,876,288	43,737,791
Excess (deficiency) of revenues over expenditures	(2,761,154)	(9,447,876)	188,871	(3,121,257)	(1,664,045)	3,859,904
Other financing sources (uses):						
Sale of capital assets	540,561	388,257	4,145,279	138,367	190,561	16,292
Issuance of debt	4,835,397	-	88,552	357,000	4,100,000	-
Refunding bond issue	-	-	-	-	2,550,000	-
Payment to bond refunding escrow	-	-	-	-	(2,881,398)	-
Transfers in	4,995,489	9,842,399	2,240,697	2,681,286	2,453,572	5,582,783
Transfers out	(5,255,454)	(9,787,292)	(2,552,566)	(2,570,185)	(2,745,219)	(6,081,359)
	5,115,993	443,364	3,921,962	606,468	3,667,516	(482,284)
Net change in fund balances	\$ 2,354,839	\$ (9,004,512)	\$ 4,110,833	\$ (2,514,789)	\$ 2,003,471	\$ 3,377,620
Debt service as a percentage of non-capital expenditures	14.3%	22.3%	7.3%	6.3%	6.1%	7.6%

Schedule 6

CITY OF OWENSBORO
 ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
 Last Ten Fiscal Years

FISCAL YEAR	ASSESSED VALUE				TOTAL	ESTIMATED ACTUAL VALUE ²	PERCENT ASSESSED TO ESTIMATED VALUE
	REAL ESTATE	PERSONAL PROPERTY ¹	FRANCHISE	BANK DEPOSITS			
1998	\$ 1,361,950,549	\$ 186,619,757	\$ 81,273,053	\$ 730,689,146	\$ 2,360,532,505	\$ 2,585,468,242	91.3%
1999	1,494,560,342	195,187,485	61,547,829	1,006,008,128	2,757,303,784	2,952,425,301	93.4%
2000	1,605,314,275	247,846,205	83,578,504	1,023,387,597	2,960,126,581	3,218,547,651	92.0%
2001	1,703,101,329	245,253,177	97,151,789	1,057,944,963	3,103,451,258	3,475,309,359	89.3%
2002	1,813,449,766	269,369,280	98,459,750	1,082,074,798	3,263,353,594	3,550,983,236	91.9%
2003	1,858,072,636	259,602,395	102,153,004	1,230,406,541	3,450,234,576	3,779,008,298	91.3%
2004	1,907,097,401	225,651,953	102,110,806	1,728,792,581	3,963,652,741	4,327,131,813	91.6%
2005	2,028,537,916	232,560,600	127,509,107	1,492,852,832	3,881,460,455	4,120,446,343	94.2%
2006	2,149,205,217	253,083,835	96,027,468	1,284,683,290	3,782,999,810	3,887,975,139	97.3%
2007	2,240,389,072	307,709,918	70,915,621	1,313,720,034	3,932,734,645	4,256,206,326	92.4%

¹Assessment on motor vehicles are not included as the State of Kentucky collects the taxes when vehicles are licensed.

²Source: Kentucky Department of Revenue - Research Division

Schedule 7

CITY OF OWENSBORO
PROPERTY TAX RATES
DIRECT AND OVERLAPPING GOVERNMENTS
Per \$100 of Net Assessed Valuation
Last Ten Fiscal Years

REAL PROPERTY:

Fiscal Year	DIRECT			OVERLAPPING						TOTAL CITY RESIDENT ¹		
	City	City Schools	County Schools	State	County	Health	Extension	Library	City School	County School	School	
1998	0.2726	0.6610	0.4800	0.1570	0.1310	0.0250	0.0090	0.0400	1.2956	1.1146	1.1146	
1999	0.2535	0.6580	0.4730	0.1530	0.1310	0.0250	0.0090	0.0395	1.2690	1.0840	1.0840	
2000	0.2535	0.6640	0.4860	0.1480	0.1310	0.0250	0.0090	0.0405	1.2710	1.0930	1.0930	
2001	0.2472	0.6460	0.4770	0.1480	0.1280	0.0250	0.0090	0.0390	1.2422	1.0732	1.0732	
2002	0.2472	0.6690	0.4900	0.1360	0.1280	0.0350	0.0090	0.0400	1.2642	1.0852	1.0852	
2003	0.2541	0.6640	0.5070	0.1350	0.1280	0.0350	0.0090	0.0410	1.2661	1.1091	1.1091	
2004	0.2612	0.6970	0.5250	0.1330	0.1300	0.0350	0.0090	0.0560	1.3212	1.1492	1.1492	
2005	0.2586	0.7010	0.5330	0.1310	0.1340	0.0350	0.0090	0.0660	1.3346	1.1666	1.1666	
2006	0.2580	0.7040	0.5360	0.1310	0.1270	0.0350	0.0090	0.0570	1.3210	1.1530	1.1530	
2007	0.2608	0.7400	0.5450	0.1280	0.1270	0.0350	0.0090	0.0503	1.3501	1.1551	1.1551	

PERSONAL PROPERTY:

Fiscal Year	DIRECT			OVERLAPPING						TOTAL CITY RESIDENT ¹		
	City	City Schools	County Schools	State	County	Health	Extension	Library	City School	County School	School	
1998	0.2726	0.6610	0.4800	0.4500	0.1680	0.0250	0.0090	0.0400	1.6256	1.4446	1.4446	
1999	0.2726	0.6580	0.4800	0.4500	0.1680	0.0250	0.0090	0.0405	1.6231	1.4451	1.4451	
2000	0.2592	0.6640	0.4860	0.4500	0.1510	0.0250	0.0090	0.0450	1.6032	1.4252	1.4252	
2001	0.2472	0.6460	0.4830	0.4500	0.1470	0.0250	0.0090	0.0395	1.5637	1.4007	1.4007	
2002	0.2472	0.6690	0.4900	0.4500	0.1470	0.0350	0.0090	0.0400	1.5972	1.4182	1.4182	
2003	0.2541	0.6640	0.5070	0.4500	0.1470	0.0350	0.0090	0.0411	1.6002	1.4432	1.4432	
2004	0.2946	0.6970	0.5250	0.4500	0.1638	0.0350	0.0090	0.0462	1.6965	1.5245	1.5245	
2005	0.3091	0.7020	0.5330	0.4500	0.1638	0.0350	0.0090	0.0570	1.7259	1.5569	1.5569	
2006	0.3072	0.7040	0.5360	0.4500	0.1572	0.0350	0.0107	0.0577	1.7218	1.5538	1.5538	
2007	0.2744	0.7400	0.5450	0.4500	0.1592	0.0350	0.0108	0.0594	1.7288	1.5338	1.5338	

The Kentucky Revised Statutes state that property tax revenue cannot exceed, excluding new property, 4% of the previous year property

¹City residents can be in the City or County School Tax District.

Schedule 8

CITY OF OWENSBORO
 PRINCIPAL PROPERTY TAXPAYERS
 Current Year and Nine Years Ago

TAXPAYER	TYPE OF BUSINESS	June 30, 2007			June 30, 1998		
		ASSESSED VALUATION ¹	RANK	PERCENTAGE OF TOTAL ASSESSED VALUATION OF \$2,651,138,862	ASSESSED VALUATION ¹	RANK	PERCENTAGE OF TOTAL ASSESSED VALUATION OF \$1,734,661,859
Wal-Mart Real Estate	Retail	\$ 36,111,965	1	1.36%	\$ -	-	0.00%
Toyotetsu Mid America	Manufacturer	30,171,969	2	1.14%	-	-	0.00%
Towne Square Mall LLC	Mall Development	26,021,000	3	0.98%	14,854,800	4	0.86%
Ragu/Unilever/Lipton	Manufacturer	22,856,674	4	0.86%	27,906,461	2	1.61%
Unifirst Corporation	Manufacturer	19,152,893	5	0.72%	-	-	0.00%
Atmos Energy	Gas Company	18,441,794	6	0.70%	10,460,878	9	0.60%
Bellsouth	Telephone	17,330,401	7	0.65%	28,764,763	1	1.66%
Texas Gas Transmission	Gas Company	17,168,749	8	0.65%	12,692,213	5	0.73%
Field Packing	Manufacturer	16,068,000	9	0.61%	-	-	0.00%
Lowe's	Retail	15,375,737	10	0.58%	-	-	0.00%
Century Communications	Radio/Cable TV	-	-	-	21,004,398	3	1.21%
Executive Inn Rivermont	Hotel	-	-	-	11,755,489	6	0.68%
Owensboro Grain	Grain Company	-	-	-	11,201,831	7	0.65%
Barton Brands/Glenmore Distilleries	Distillery	-	-	-	10,755,182	8	0.62%
General Electric	Manufacturer	-	-	-	10,200,241	10	0.59%
		<u>\$ 218,699,182</u>		<u>8.25%</u>	<u>\$ 159,596,256</u>		<u>9.21%</u>

¹Source: Daviess County Property Valuation Office

Schedule 9

CITY OF OWENSBORO
PROPERTY TAX LEVIES AND COLLECTIONS
Last Ten Fiscal Years

FISCAL YEAR	TOTAL TAX LEVY FOR FISCAL YEAR		ADJUSTMENTS TO LEVY	FINAL ADJUSTED LEVY	COLLECTED WITHIN FISCAL YEAR OF LEVY		COLLECTIONS IN SUBSEQUENT YEARS		TOTAL COLLECTIONS TO DATE	
	AMOUNT	% OF LEVY			AMOUNT	% OF LEVY	AMOUNT	% OF LEVY		
1998	\$ 5,230,086		\$ 175,792	\$ 5,405,878	\$ 5,156,506	95.4%	\$ 244,400	\$ 5,400,906	99.9%	
1999	5,227,568		202,199	5,429,767	5,322,760	98.0%	104,249	5,427,009	99.9%	
2000	5,632,122		188,014	5,820,136	5,685,827	97.7%	128,894	5,814,721	99.9%	
2001	5,879,384		234,484	6,113,868	5,894,785	96.4%	216,098	6,110,883	99.9%	
2002	6,569,149		(42,313)	6,526,836	6,378,460	97.7%	143,590	6,522,050	99.9%	
2003	6,477,380		282,142	6,759,522	6,598,792	97.6%	148,902	6,747,694	99.8%	
2004	6,834,685		312,489	7,147,174	7,024,928	98.3%	111,751	7,136,679	99.9%	
2005	7,135,269		379,172	7,514,441	7,396,847	98.4%	95,919	7,492,766	99.7%	
2006	7,236,158		542,409	7,778,567	7,641,239	98.2%	109,127	7,750,366	99.6%	
2007	7,677,452		451,627	8,129,079	8,045,021	99.0%	-	8,045,021	99.0%	

Note: This table includes all governmental funds.

Schedule 10

CITY OF OWENSBORO
RATIOS OF OUTSTANDING DEBT BY TYPE
 Last Six Fiscal Years
 (amounts expressed in thousands, except per capita)

FISCAL YEAR	GENERAL OBLIGATION BONDS		LEASE REVENUE BONDS		NOTES PAYABLE	TOTAL PRIMARY GOVERNMENT	PERCENTAGE OF PERSONAL INCOME ¹	PER CAPITA ¹
	\$		\$					
2002	18,269		10,420		1,441	30,130	2.29%	\$ 557
2003	17,226		3,900		1,063	22,189	1.62%	410
2004	16,467		3,687		1,009	21,163	1.55%	390
2005	15,633		3,440		958	20,031	1.40%	365
2006	20,722		640		906	22,268	1.50%	402
2007	18,972		585		870	20,427	1.32%	368

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

¹See Schedule 14, Demographic Statistics, for personal income and population data.

Schedule 11

CITY OF OWENSBORO
RATIO OF NET GENERAL BONDED DEBT OUTSTANDING
TO ASSESSED VALUE AND NET BONDED DEBT PER CAPITA
 Last Ten Fiscal Years

FISCAL YEAR	POPULATION ¹	ESTIMATED ACTUAL VALUE ²	TOTAL BONDS AND NOTES PAYABLE	LESS APPLICABLE AMOUNTS ³	NET BONDED DEBT	RATIO OF	
						NET BONDED DEBT TO ASSESSED VALUE	NET BONDED DEBT PER CAPITA
1998	54,041	\$ 2,585,468,242	\$ 31,828,020	\$ 31,828,020	\$ -	-	\$ -
1999	54,200	2,952,425,301	34,710,896	33,900,896	810,000	0.03	14.94
2000	54,010	3,218,547,651	33,341,817	31,451,817	1,890,000	0.06	34.99
2001	54,067	3,475,309,359	28,495,967	23,220,967	5,275,000	0.15	97.56
2002	54,119	3,550,983,236	29,714,207	14,999,513	14,714,694	0.41	271.90
2003	54,176	3,779,008,298	21,818,080	7,974,089	13,843,991	0.37	255.54
2004	54,312	4,327,131,813	20,500,877	7,567,589	12,933,288	0.30	238.13
2005	54,900	4,120,446,343	19,441,119	7,091,534	12,349,585	0.30	224.95
2006	55,459	3,887,975,139	21,622,467	4,056,698	17,565,769	0.45	316.73
2007	55,525	4,256,206,326	19,866,474	3,778,268	16,088,206	0.38	289.75

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

¹Source: Bureau of the Census Count

²Source: Kentucky Department of Revenue - Research Division

Bonds and the Notes Payable.

Schedule 12

CITY OF OWENSBORO
 DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
 June 30, 2007

Jurisdiction:	NET DEBT OUTSTANDING ¹	PERCENT APPLICABLE TO CITY OF OWENSBORO ²	CITY OF OWENSBORO SHARE OF OVERLAPPING	CITY OF OWENSBORO DIRECT AND OVER- LAPPING DEBT
City of Owensboro	\$ 23,508,966	100.0	\$ -	\$ 23,508,966
Owensboro Independent Schools	5,533,527	100.0	5,533,527	5,533,527
Daviess County	14,831,264	58.4	8,661,458	8,661,458
Daviess County Schools	48,822,390	45.4	22,165,365	22,165,365
Total	\$ 92,696,147		\$ 36,360,350	\$ 59,869,316

Note: This table includes all debt for which the City is directly or contingently liable should the outstanding entity's revenue not be sufficient to retire the debt. This table excludes debt which is to be retired by the City's enterprise funds or component units through rates.

¹Gross general bonded debt less reserves.

²Determined by ratio of assessed valuation of property subject to taxation in overlapping unit to valuation of property subject to taxation in the City of Owensboro.

Schedule 13

CITY OF OWENSBORO
LEGAL DEBT MARGIN INFORMATION
Last Ten Fiscal Years

	Fiscal Year									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Debt limit	\$ 185,829,906	\$ 204,667,058	\$ 216,097,480	\$ 230,545,940	\$ 234,476,604	\$ 236,619,486	\$ 252,127,162	\$ 263,731,552	\$ 263,731,552	\$ 276,122,241
Total net debt applicable to limit	-	-	4,570,000	14,475,000	13,615,000	13,092,955	12,504,430	17,640,212	17,640,212	15,987,234
Legal debt margin	\$ 185,829,906	\$ 204,667,058	\$ 211,527,480	\$ 216,070,940	\$ 220,861,604	\$ 223,526,531	\$ 239,622,732	\$ 246,091,340	\$ 246,091,340	\$ 260,135,007
Total net debt applicable to the limit as a percentage of debt limit	0.00%	0.00%	2.11%	6.28%	5.81%	5.53%	4.96%	6.69%	6.69%	5.79%

Legal Debt Margin Calculation for Fiscal Year 2007

Net assessed value	\$ 2,619,014,611
Add back: exempt real property	142,207,800
Total assessed value	\$ 2,761,222,411
Debt limit - 10% of total assessed value ¹	276,122,241
Amount of debt applicable to debt limit:	
Total general bonded debt	\$ 19,866,474
Less: Revenue Bonds	(585,000)
Notes Payable	(870,000)
Amount set aside for repayment of general obligation bonds	(2,424,240)
Total debt applicable to limitation	\$ 15,987,234
Legal debt margin	260,135,007

¹Section 158 of the Commonwealth of Kentucky Constitution states:

"Cities shall not be authorized or permitted to incur indebtedness to an amount, including existing indebtedness, in the aggregate exceeding the following named maximum percentages on the value of the taxable property therein, to be estimated by the assessment next before the last assessment previous to the incurring of the indebtedness. Cities of the first and second class, and of the third class having a population exceeding fifteen hundred, ten per centum."

Schedule 14

CITY OF OWENSBORO
 DEMOGRAPHIC AND ECONOMIC STATISTICS
 Last Ten Fiscal Years

FISCAL YEAR	POPULATION ¹	PERSONAL INCOME (AMOUNT EXPRESSED IN THOUSANDS)	PER CAPITA INCOME ⁴	SCHOOL ENROLLMENT ²	UNEMPLOYMENT RATE ³
1998	54,041	\$ 1,163,611	\$21,532	4,145	5.0%
1999	54,200	1,215,218	22,421	4,055	4.8%
2000	54,010	1,233,426	22,837	4,000	4.8%
2001	54,067	1,267,476	23,383	3,902	5.0%
2002	54,119	1,317,044	24,238	3,861	5.2%
2003	54,176	1,365,620	25,095	3,910	5.8%
2004	54,312	1,361,187	25,014	3,849	5.9%
2005	54,900	1,426,577	25,985	3,978	6.1%
2006	55,459	1,488,298	26,836	3,942	5.9%
2007	55,525	1,546,038	27,844	3,934	5.0%

Sources:

¹United States Census Estimates

²Board of Education; represents elementary and secondary public schools

³Kentucky Department for Employment Services

⁴U.S. Department of Commerce, Bureau of Economic Analysis

Schedule 15

City of Owensboro
Principal Employers

Current Year and Nine Years Ago

	2007			1998		
	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>
Owensboro Medical Health System	2,400	1	5.72%	2,000	1	4.40%
Owensboro Public Schools	825	2	1.97%	782	2	1.72%
Texas Gas	683	3	1.63%	398	9	0.88%
Wal-Mart	662	4	1.58%	378	10	0.83%
US Bank Home Mortgage	656	5	1.56%			
Toyotetsu Mid-America	574	6	1.37%			
Specialty Foods (Field Packing Company)	500	7	1.19%	580	4	1.28%
City of Owensboro	481	8	1.15%	530	6	1.17%
Commonwealth of Kentucky	471	9	1.12%	561	5	1.23%
Unilever Foods North America	390	10	0.93%			
River Valley Behavioral Health				724	3	1.59%
Swedish Match				460	7	1.01%
General Electric Motor Plant				425	8	0.94%
Total	<u>7,642</u>		<u>18.20%</u>	<u>6,838</u>		<u>15.05%</u>

Source - Chamber of Commerce

Schedule 16

City of Owensboro
 Full-time Equivalent City Government Employees by Function
 Last Ten Fiscal Years

	Full-time Equivalent Employees as of June 30									
Function	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Governmental Activities:										
General government ¹	54	55	59	66	66	68	69	74	80	71
Public safety	257	257	257	257	259	246	252	257	245	240
Public works	66	68	79	80	79	81	80	71	72	66
Community and cultural	13	16	13	15	14	12	12	5	5	5
Total Governmental Activities	390	396	408	418	418	407	413	407	402	382
Business-type activities:										
Sanitation	30	39	32	32	32	32	32	32	28	27
Other enterprise funds ²	23	30	94	90	93	94	94	101	95	95
Total business-type activities	53	69	126	122	125	126	126	133	123	122
Total primary government	443	465	534	540	543	533	539	540	525	504

Source: Government Budget

¹Added part-time couriers and part-time customer service 2001

²Temporary employees not included in employee counts until 2000

Schedule 17

City of Owensboro
Operating Indicators by Function
Last Ten Fiscal Years

Function	Fiscal Year									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Police										
Physical arrests	4,093	3,995	4,063	4,251	4,722	4,820	5,394	5,052	5,423	4,312
Parking violations	n/a	9,080	9,028	7,835	6,917	7,490	7,825	9,235	11,820	12,331
Traffic violations	14,535	13,800	12,988	13,000	17,500	22,372	33,045	29,315	23,655	20,600
Fire										
Number of calls answered	1,106	1,122	1,503	1,482	1,467	1,503	1,482	1,442	1,575	2,375
Inspections	3,582	3,490	3,571	3,448	3,407	3,516	3,448	3,417	3,601	3,650
Highways and streets										
Street resurfacing (miles)	9.7	11.0	11.9	10.5	11.0	5.3	5.5	4.3	3.8	4.6
Potholes repaired	800	800	850	600	650	440	550	700	788	833
Sanitation										
Refuse collected (tons/day)	153.1	156.4	163.8	177.1	180.9	181.0	183.2	181.9	180.8	183.9
Recyclables collected (tons/year)	298.0	276.2	252.6	211.1	292.1	317.9	380.8	414.9	387.5	317.0
Culture and recreation										
Participants in programs	n/a	n/a	n/a	n/a	96,307	101,291	104,732	96,064	91,071	105,407
Number of programs	140	148	145	150	162	170	250	253	323	373
Water ¹										
New connections	294	481	359	278	306	236	241	226	198	193
Water main breaks and service leaks repaired	n/a	n/a	401	512	510	437	330	529	443	454
Average daily consumption (thousands of gallons)	12,535	12,007	12,314	12,039	11,369	12,030	11,491	11,735	11,915	11,520
Riverport										
Terminal operations (thousands of tons)	1040.2	1108.1	859.9	939.5	906.0	991.1	916.9	1183.7	1063.2	1156.0
Electric ¹										
New connections (net)	112	144	33	172	86	725	873	576	207	216

Sources: Various government departments and component units.

¹Owensboro Municipal Utilities totals only; other utilities serve some outlying parts of the city

Schedule 18

City of Owensboro
Capital Asset Statistics by Function
Last Ten Fiscal Years

Function	Fiscal Year									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Public safety										
Police:										
Stations	1	1	1	1	1	1	1	1	1	1
Substations	2	2	2	2	2	2	2	2	2	2
Patrol units	46	48	51	54	54	58	64	61	78	83
Fire stations	5	5	5	5	5	5	5	5	5	5
Sanitation										
Collection trucks (not including seasonal yard waste equipment)	17	17	17	17	17	17	16	15	15	15
Highways and streets										
Streets (miles)	212.5	215.9	217.0	219.8	224.7	230.2	232.9	234.2	237.0	239.3
Streetlights	10,200	10,275	10,346	10,554	10,663	10,819	10,729	10,797	10,876	11,002
Traffic signals	100	102	102	102	105	106	108	110	111	112
Culture and recreation										
Parks acreage	326	326	326	326	378	378	378	378	378	378
Parks	19	19	19	19	20	20	20	20	20	19
Ball diamonds	18	16	17	16	15	15	15	16	16	16
Basketball courts	8	8	8	8	8	8	8	9	9	9
Swimming pools	3	3	3	3	3	3	3	2	2	2
Tennis courts	29	31	29	29	29	29	23	25	25	25
Ice skating rinks	1	1	1	1	1	1	1	1	1	1
Community centers	2	2	1	1	1	1	1	1	1	1
Water ¹										
Water mains (miles)	261	262	271	273	273	273	279	281	285	289
Fire hydrants	2,074	2,098	2,102	2,102	2,125	2,147	2,182	2,318	2,355	2,382
Maximum daily capacity (thousands of gallons)	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000
Sewer										
Sanitary sewers (miles)	254.91	257.84	259.63	261.06	261.06	263.65	272.63	272.87	276.84	277.40
Storm sewers (miles)	27.61	29.30	30.25	32.51	35.22	35.94	37.51	38.45	39.06	41.69
Maximum daily treatment capacity (thousands of gallons)	18,800	18,800	18,800	21,800	21,800	21,800	21,800	21,800	21,800	21,800
Electric ¹										
Number of distribution stations	13	14	14	15	15	15	15	15	15	15
Miles of service lines	293	296	292	292	293	291	294	301	304	332

Sources: Various government departments and component units.

¹Owensboro Municipal Utilities totals only; other utilities serve some outlying parts of the city