

Comprehensive Annual Financial Report



City of Owensboro, Kentucky

**For the Fiscal Year Ended
June 30, 2013**

City of Owensboro
Comprehensive Annual Financial Report
for the
Fiscal Year Ended June 30, 2013



Issued by the
Department of Finance

Angela Hamric, CPA
Director of Finance and Support Services

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

TABLE OF CONTENTS

	<u>Page(s)</u>
INTRODUCTORY SECTION	
Letter of Transmittal	1-3
Directory of Public Officials	4
City of Owensboro Organizational Chart	5
GFOA Certificate of Achievement for Excellence in Financial Reporting	6
 FINANCIAL SECTION	
INDEPENDENT AUDITOR’S REPORT	7-8
MANAGEMENT’S DISCUSSION AND ANALYSIS (required supplementary information).....	9-19
 BASIC FINANCIAL STATEMENTS	
Government-Wide Financial Statements	
Statement of Net Position	20
Statement of Activities	21
 Fund Financial Statements	
Governmental Funds Financial Statements	
Balance Sheet	22
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position.....	23
Statement of Revenues, Expenditures and Changes in Fund Balances	24
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	25
 Proprietary Funds Financial Statements	
Statement of Net Position – Business-Type Activities – Enterprise Funds – Governmental Activities – Internal Service Funds	26
Statement of Revenues, Expenses and Changes in Net Position – Business-Type Activities – Enterprise Funds – Governmental Activities – Internal Service Funds.....	27
Statement of Cash Flows – Business-Type Activities – Enterprise Funds – Governmental Activities – Internal Service Funds	28
 Fiduciary Funds Financial Statements	
Statement of Fiduciary Net Position	29
Statement of Changes in Fiduciary Net Position	30

Component Units Financial Statements

Statement of Net Position 31
Statement of Activities 32

Notes to Basic Financial Statements 33-74

REQUIRED SUPPLEMENTAL INFORMATION OTHER THAN MD&A

Pension Schedules

Schedules of Funding Progress 75
Schedules of Employer Contributions 76

Budgetary Comparison Schedules – General and Major Special Revenue Funds

General Fund 77-78
Your Community Vision Special Revenue Fund 79
Downtown Development and Revitalization Special Revenue Fund 80

Notes to Required Supplementary Information (RSI) on Budgetary Accounting and Control 81

COMBINING FINANCIAL STATEMENTS

Nonmajor Governmental Funds

Combining Balance Sheet 82
Combining Statement of Revenues, Expenditures and Changes in Fund Balances 83
Budgetary Comparison Schedules:
Community Development Special Revenue Fund 84
Greenbelt Special Revenue Fund 85
Drug and Property Recovery Special Revenue Fund 86
Economic Development Special Revenue Fund 87

Nonmajor Enterprise Funds

Combining Statement of Net Position 88
Combining Statement of Revenues, Expenses and Changes in Fund Net Position 89
Combining Statement of Cash Flows 90

Internal Service Funds

Combining Statement of Net Position 91
Combining Statement of Revenues, Expenses and Changes in Fund Net Position 92
Combining Statement of Cash Flows 93

Fiduciary Funds

Combining Statement of Fiduciary Net Position – Pension Trust Funds.....	94
Combining Statement of Changes in Fiduciary Net Position – Pension Trust Funds.....	95
Combining Statement of Assets and Liabilities – Agency Funds.....	96
Combining Statement of Changes in Assets and Liabilities – Agency Funds	97

Component Unit

Owensboro Municipal Utilities	
Combining Statement of Net Position.....	98
Combining Statement of Activities.....	99

CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS

Schedule by Source.....	100
Schedule by Function and Activity.....	101
Schedule of Changes by Function and Activity	102

STATISTICAL SECTION

General Information	103-109
Description of Statistical Section Objectives.....	110
Net Position by Component – Last Ten Fiscal Years	111
Changes in Net Position – Last Ten Fiscal Years	112-113
General Governmental Revenues by Source – Last Ten Fiscal Years.....	114
Fund Balances of Government Funds – Last Ten Fiscal Years	115
Changes in Fund Balances of Governmental Funds – Last Ten Fiscal Years.....	116
Assessed Value and Estimated Actual Value of Taxable Property - Last Ten Fiscal Years	117
Property Tax Rates - Direct and Overlapping Governments - Last Ten Fiscal Years	118
Principal Property Taxpayers – Current Year and Nine Years Ago.....	119
Property Tax Levies and Collections – Last Ten Fiscal Years	120
Ratios of Outstanding Debt by Type – Last Ten Fiscal Years.....	121
Ratio of Net General Bonded Debt Outstanding to Assessed Value and Net Bonded Debt Per Capita – Last Ten Fiscal Years	122
Direct and Overlapping Governmental Activities Debt.....	123
Legal Debt Margin Information – Last Ten Fiscal Years	124
Demographic and Economic Statistics – Last Ten Fiscal Years	125
Principal Employers – Current Year and Nine Years Ago	126
Full-Time Equivalent City Government Employees by Function – Last Ten Fiscal Years	127
Operating Indicators by Function – Last Ten Fiscal Years	128
Capital Asset Statistics by Function – Last Ten Fiscal Years.....	129



City of Owensboro Kentucky

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

December 17, 2013

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

I am pleased to submit the Comprehensive Annual Financial Report of the City of Owensboro (the City) for the fiscal year ended June 30, 2013. 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.

The report is organized into three sections: (1) the introductory section, (2) the financial section and (3) the statistical section. The introductory section includes the management discussion and analysis (MD&A), which complements this letter of transmittal and should be read in conjunction with it.

State statute requires an independent financial audit be conducted annually. The accounting firm of Riney Hancock CPAs, PSC performed the audit for the fiscal year ended June 30, 2013, and have issued an unqualified opinion on the City of Owensboro's financial statements.

Additionally, the audit engagement also included an audit of federal grants to meet the requirements of federal grantor agencies as outlined by the federal Single Audit Act of 1984, the Single Audit Act Amendment of 1996, and related OMB Circular A-133. These standards require the auditor to report not only on the fairness of the representation of the financial statements, but also on the internal controls and compliance with legal requirements of the federal awards. These reports will be available in the Government's separately issued Single Audit Report.

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

PROFILE OF THE GOVERNMENT

The City, incorporated in 1817, located in the western part of the state, occupies 21.3 square miles and serves a population of 58,083.

The City operates under a City Manager form of government. Policy-making and legislative authority are vested in the Board of Commissioners (Board) consisting of the Mayor and four Commissioners, all elected on a non-partisan basis. The Board appoints the City Manager. The Mayor is elected for a four-year term and the Commissioners for two-year terms.

The City provides a full range of services including: police and fire protection; the construction and maintenance of highways, streets and other infrastructure, transit, and recreational and cultural activities. All funds, agencies, commissions and trusts involved in the provision of these services, and for which the City is financially accountable, are included with data of the primary government.

In accordance with Governmental Accounting Standards Board Statement No. 14, "*The Financial Reporting Entity*," the following organizations are reported separately within the City's basic financial statements:

Owensboro Municipal Utilities
Owensboro Riverport Authority

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 financial statements.

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 Board. Activities of the General Fund, Special Revenue Funds, Capital Projects Funds, Debt Service Fund, Enterprise Funds, Internal Service Funds, and Fiduciary 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.

LOCAL ECONOMY

Major industries located within the government's boundaries include health care (the local hospital provides employment to more than 3,300 healthcare professionals and staff), banking, manufacturing, and retail. The City of Owensboro has a diverse mix of industries in its economy and as a result, has not experienced the decline in its revenue stream that other cities have. The unemployment rate for the City of Owensboro was 7.6% in June 2013. The state and federal unemployment rates were 8.4% and 7.6%, respectively.

SIGNIFICANT EVENTS AND INITIATIVES

Strategic Organization Plan

The City has implemented a Strategic Organization Plan for all city departments and operations. More than 72% of the annual General Fund budget is related to personnel costs, which are rising exponentially each year. After a thorough review, the City has adopted a new direction making changes which increased efficiency, effectiveness and cooperation in all department's personnel and operations. Current savings from the plan are over \$1.7 million dollars. Through this plan the City has been able to respond to the community's desire to redevelop downtown and the riverfront. The plan moved the City closer toward its non-financial goal of maintaining a sustainable and flexible city government.

Riverfront Development

This project includes a river wall, a boat ramp, a scenic overlook, and significant additional green space. This \$40 million project is primarily funded by a federal grant and is now complete.

Downtown Development and Revitalization

The community has expressed a desire to redevelop our downtown and riverfront. The City has partnered with Daviess County Fiscal Court (the County) in the development and financing of this project, with the City sponsoring \$79.4 million of the project and the County sponsoring \$20 million. A portion of the City's Insurance Premium License Fee is dedicated to fund this project. The project includes Riverfront Crossing, Smothers Park and the Convention Center. The total project is estimated to be complete by 2014.

Stormwater Master Plan

The City has identified six separate projects that upon completion will minimize flooding in streets and yards, as well as separate stormwater off of the Combined Sewer System. The City secured \$23 million in low interest loans from the Kentucky Infrastructure Authority Clean Water State Revolving Fund to fund this project. The loan will be paid with funds from the Your Community Vision Fund.

LONG-TERM FINANCIAL PLANNING

A five-year Capital Improvement Plan is adopted as a component of the annual operating budget. The Capital Improvement Plan is coordinated with the annual operating budget, taking into consideration its impact on annual operating costs.

A five-year forecast is maintained for General Fund expenditures. This enables discussions on items two to five years before they are needed.

The City's Administration and Commission has developed and implemented a strategic plan to provide for expenditure reduction and increased efficiencies and revenues; this is explained in greater detail in the MD&A.

AWARDS AND ACKNOWLEDGEMENTS

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, 2012, the 32nd 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 14th 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.

Timely preparation of this report could not be accomplished without the efficient and dedicated services of the entire Finance Department staff. We express our appreciation to all department members who assisted and contributed to its preparation, with special thanks to Riney Hancock CPAs, PSC. We also thank the Mayor, City Commissioners, and City Manager for their unfailing support for maintaining the highest standards of professionalism in the management of the City of Owensboro's finances.

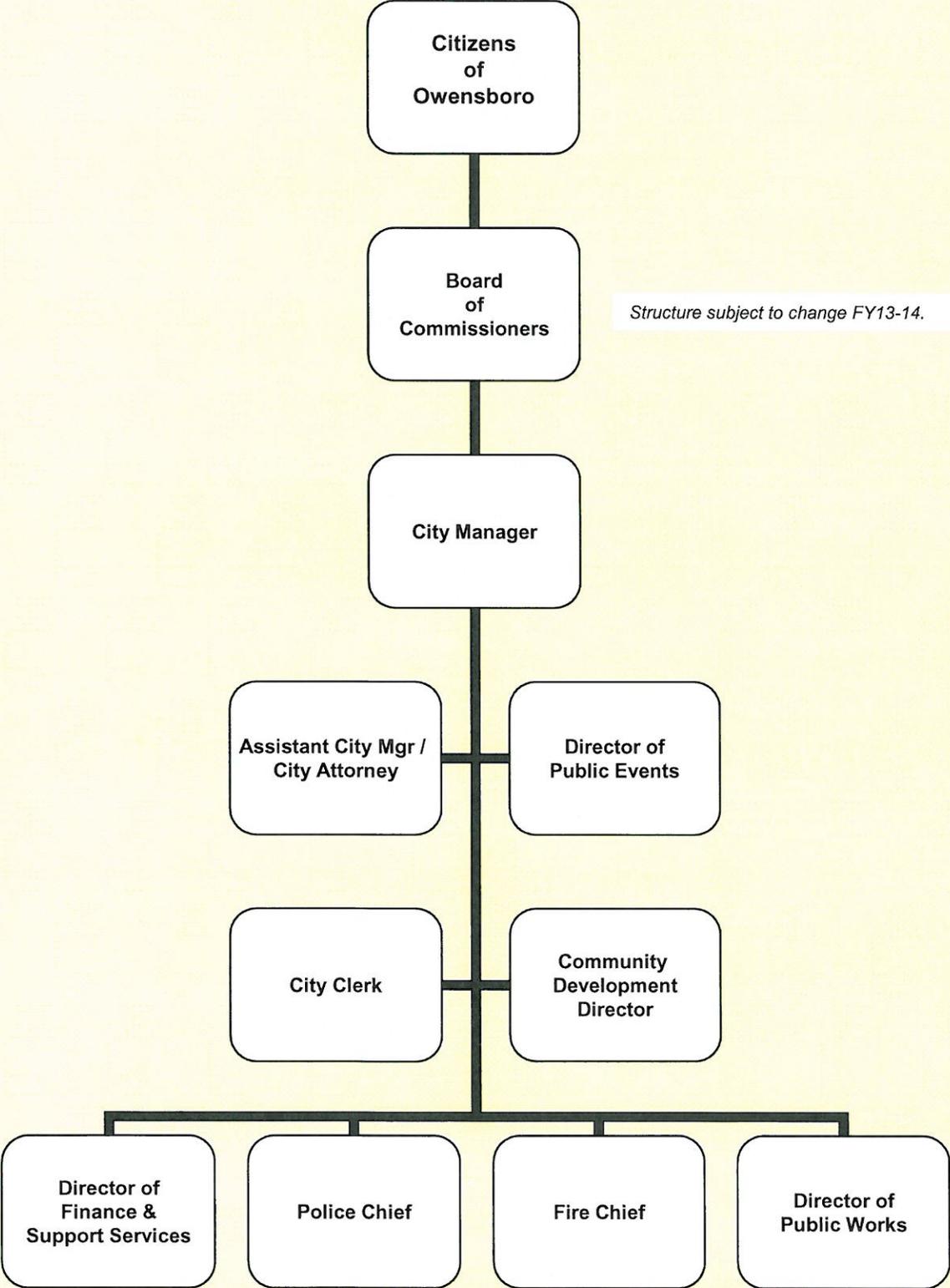
Respectfully submitted,



Angela Hamric, CPA, CGMA
Director of Finance and Support Services

CITY OF OWENSBORO

Organization Chart FY 2013-2014





Government Finance Officers Association

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

Presented to

**City of Owensboro
Kentucky**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2012

Executive Director/CEO



INDEPENDENT AUDITOR'S REPORT

The Honorable Ron Payne, Mayor
and Board of Commissioners
City of Owensboro, Kentucky

Report on Financial Statements

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 (City), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Owensboro Riverport Authority, which represents 8 percent, 16 percent, and 4 percent, respectively, of the assets, net position, and revenues of the aggregate discretely presented component units. In addition, we did not audit the financial statements of the Owensboro-Daviess County Regional Airport, which represents 5 percent, 12 percent, and 1 percent, respectively, of the assets, net position, and revenues of the governmental activities. Those financial statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Owensboro Riverport Authority and the Owensboro-Daviess County Regional Airport, is based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining financial statements, capital asset schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining financial statements and capital asset schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and other auditors. In our opinion, based on our audit, the procedures performed as described above, and the reports of the other auditors, the combining financial statements and capital asset schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with Government Auditing Standards, we have also issued our report dated November 26, 2013, on our consideration of the City's internal control over financial reporting and on 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City's internal control over financial reporting and compliance.

Owensboro, Kentucky
November 26, 2013

Riney Hancock CPAs PC

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, 2013. 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 1-3) and the financial statements (pages 20-102) provided in this document.

I. Financial Highlights

- Assets exceeded liabilities by \$143.9 million at the close of the 2012-2013 fiscal year. Of this amount, \$40.2 million (unrestricted net position) may be used to meet City government's ongoing obligations to citizens and creditors.
- Total net position decreased by \$3.6 million from prior year.
- At fiscal year end, City governmental funds reported a combined ending fund balance of \$61.8 million. Approximately \$14.2 million, 23% of this total amount is unassigned and available for spending at the City's discretion.
- The unassigned general fund balance of \$14.2 million represents 37% 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 Position presents information on all City assets and liabilities, with the difference between assets and liabilities reported as net position. Monitoring increases and/or decreases in net position over time helps the City to recognize whether its financial position is deteriorating or improving.

The Statement of Activities shows how the City's net position changed during the past fiscal year. All net position 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).

The 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 cultural, and community and economic development. Business-type activities of the City include sanitation, transit, geographic information system, and recreation.

Government-wide financial statements include the City (the primary government) and its legally separate component units, Owensboro Municipal Utilities (OMU) and Owensboro Riverport Authority (ORA), for which the City is financially accountable. Financial information for the component units is reported separately from the financial information presented for the primary government.

The government-wide financial statements can be found on pages 20-21 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 twelve (12) individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General Fund, Your Community Vision Fund, Downtown Development and Revitalization Fund, and Debt Service Fund, all of which are considered to be major funds. Data from the eight non-major 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 within the Non-major Governmental Funds section in this report.

Readers may better understand the long-term impact of the City's near-term financing decisions by comparing the narrow-focus government funds financial statements with governmental activities in the government-wide financial statements. The governmental funds balance sheet (pages 22-23) and the statement of revenues, expenditures and changes in fund balances (pages 24-25) 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 five enterprise funds to account for Sanitation, Downtown Maintenance & Operations, Transit, Geographic Information System, and Recreation, 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 OMU, which provides the electric, light and power system and the water works system, and ORA which operates the riverport and navigational facilities.

- 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 Facilities Maintenance, Insurance, Garage Service, and Fleet and Facilities Capital Replacement. 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 fund statements 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 26-28 of this report. Individual data for the internal service fund financial statements are likewise presented in the form of combining statements at pages 91-93 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, County Occupational Tax, and School District Tax) are presented in the form of combining statements at pages 94-97 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 33-74 of this report.

D. Other Information

In addition to basic financial statements and accompanying notes, this report also presents certain required supplementary information (RSI) concerning City funding of its obligation to provide pension benefits to its employees and budgetary comparison schedules for the General Fund. RSI also includes budgetary comparison schedules for Your Community Vision and Downtown Development and Revitalization. Required supplementary information can be found on pages 75-81 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. Combining and individual fund statements and schedules can be found on pages 82-99 of this report.

III. Government-Wide Financial Analysis

As previously indicated, net position may serve over time as a useful indicator of the City's financial position. City assets exceeded liabilities by \$143.9 million at June 30, 2013.

The largest portion of the City's net position, \$55.7 million, or 38.7%, reflects its investment in capital assets, net of 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 are 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 position, \$48 million, or 33.4%, represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$40.2 million, or 27.9%, represents unrestricted net position that 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 position, both for the government as a whole, as well as for its separate governmental and business-type activities.

City of Owensboro Net Position

	Governmental Activities		Business-Type Activities		Total	
	2012	2013	2012	2013	2012	2013
Current and other assets	\$96,059,245	\$92,418,148	\$12,586,626	\$14,556,997	\$108,645,871	\$106,975,145
Capital assets	168,106,205	200,972,508	3,991,570	4,578,564	172,097,775	205,551,072
Total assets	\$264,165,450	\$293,390,656	\$16,578,196	\$19,135,561	\$280,743,646	\$312,526,217
Long-term liabilities						
outstanding	\$108,965,250	\$142,002,194	\$414,205	\$1,976,743	\$109,379,455	\$143,978,937
Other liabilities	23,440,991	23,506,732	372,943	1,094,287	23,813,934	24,601,019
Total liabilities	\$132,406,241	\$165,508,926	\$787,148	\$3,071,030	\$133,193,389	\$168,579,956
Net position:						
Invested in capital assets, net of related debt	\$68,207,310	\$51,139,210	\$3,991,570	\$4,578,564	\$72,198,880	\$55,717,774
Restricted	37,494,110	48,046,513	-	-	37,494,110	48,046,513
Unrestricted	26,057,789	28,696,007	11,799,478	11,485,967	37,857,267	40,181,974
Total net position	\$131,759,209	\$127,881,730	\$15,791,048	\$16,064,531	\$147,550,257	\$143,946,261

A. Analysis of the City's Operations

The following table summarizes City operations for the year ended June 30, 2013. Governmental activities decreased the City's net position by \$3.9 million primarily due to a reduction in operating and capital grants/contributions received partially offset by increased intergovernmental revenues, and higher tax revenues in all areas resulting from economic growth, higher wages paid and higher profits earned by local businesses. Business-type activities increased City net position by \$0.3 million.

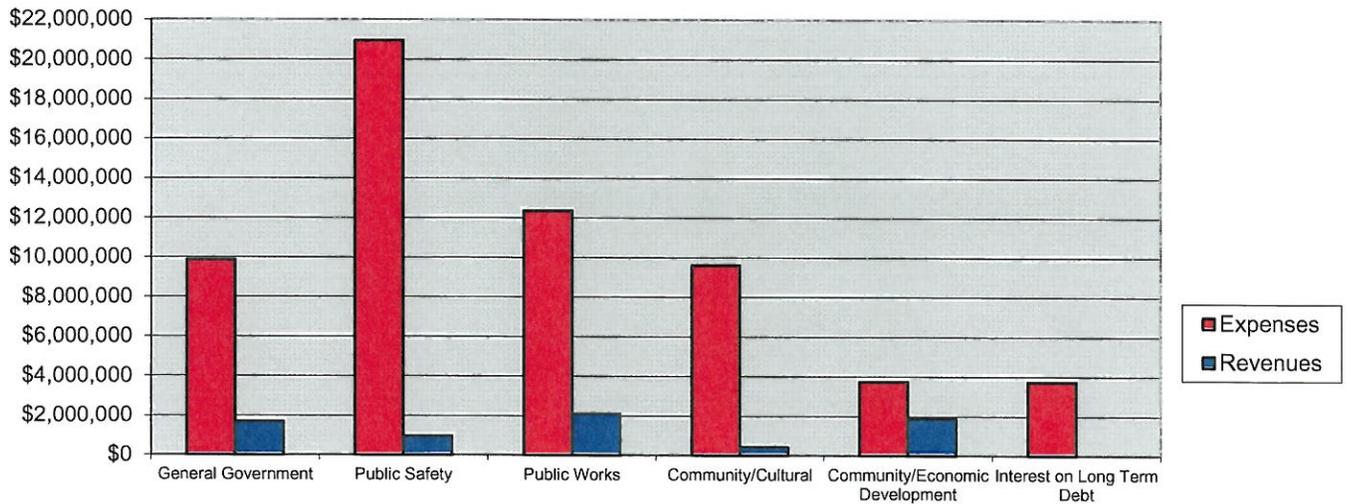
City of Owensboro – Changes in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2012	2013	2012	2013	2012	2013
Revenues:						
Program revenues:						
Charges for services	\$3,681,029	\$4,579,168	\$7,426,085	\$7,463,964	\$11,107,114	\$12,043,132
Operating grants/contrib	3,894,683	1,416,992	517,384	585,334	4,412,067	2,002,326
Capital grants/contributions	4,836,952	1,070,822	410,061	1,471,164	5,247,013	2,541,986
General revenues:						
Property taxes	9,410,510	9,622,714	-	-	9,410,510	9,622,714
Occupational & NP License Fee	18,331,019	20,137,935	-	-	18,331,019	20,137,935
Regulatory taxes	7,533,345	7,992,483	-	-	7,533,345	7,992,483
Payment in lieu of taxes	2,363,275	2,669,050	-	-	2,363,275	2,669,050
Gain on sale of capital assets	152,660	326,151	-	159,758	152,660	485,909
Investment earnings	1,114,934	641,337	125,403	208,415	1,240,337	849,752
Intergovernmental revenues	7,822,292	8,471,037	-	128,996	7,822,292	8,600,033
Investment in joint venture	919,245	440,926	-	-	919,245	440,926
Miscellaneous	244,222	598,847	-	-	244,222	598,847
Total revenues	\$60,304,166	\$57,967,462	\$8,478,933	\$10,017,631	\$68,783,099	\$67,985,093

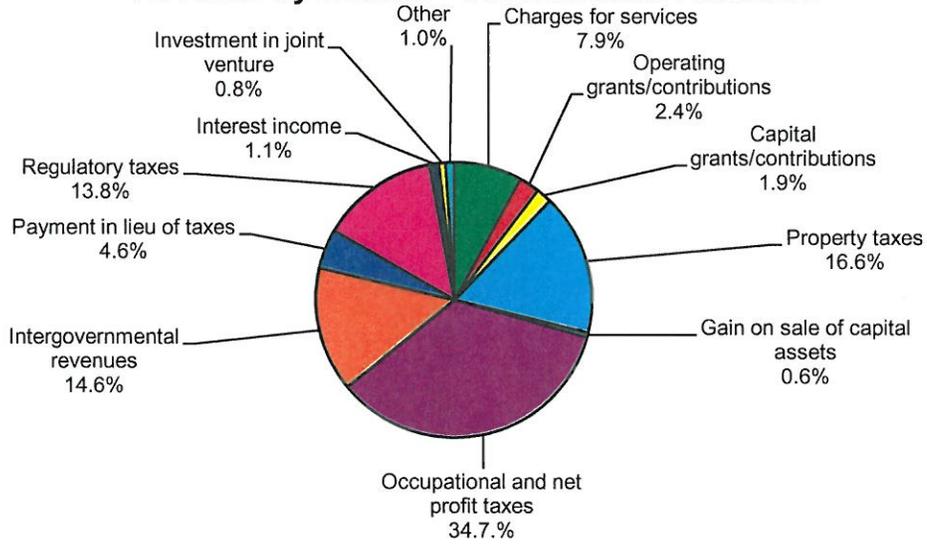
	Governmental Activities		Business-Type Activities		Total	
	2012	2013	2012	2013	2012	2013
Expenses:						
General government	\$9,900,004	\$9,869,881	-	-	\$9,900,004	\$9,869,881
Public safety	20,290,474	20,953,730	-	-	20,290,474	20,953,730
Public works	6,925,625	12,359,635	-	-	6,925,625	12,359,635
Community and cultural	9,028,838	9,600,911	-	-	9,028,838	9,600,911
Community/economic devel	5,802,913	3,746,406	-	-	5,802,913	3,746,406
Interest on long-term debt	2,936,429	3,720,799	-	-	2,936,429	3,720,799
Sanitation	-	-	5,195,084	5,523,509	5,195,084	5,523,509
Other enterprise funds	-	-	5,145,943	5,814,218	5,145,943	5,814,218
Total expenses	\$54,884,283	\$60,251,362	\$10,341,027	\$11,337,727	\$ 65,225,310	\$71,589,089
Increase in net position						
before transfers & special items	\$5,419,883	(\$2,283,900)	(\$1,862,094)	(\$1,320,096)	\$3,557,789	(\$3,603,996)
Special Item-property acquisition	5,917,293	-	-	-	5,917,293	-
Transfers	(1,733,470)	(1,593,579)	1,733,470	1,593,579	-	-
Increase in net position	9,603,706	(\$3,877,479)	(128,624)	273,483	9,475,082	(\$3,603,996)
Net position						
- beginning of year	122,155,503	131,759,209	15,919,672	15,791,048	138,075,175	147,550,257
Net position - end of year	\$131,759,209	\$127,881,730	\$15,791,048	\$16,064,531	\$147,550,257	\$143,946,261

B. Governmental Activities

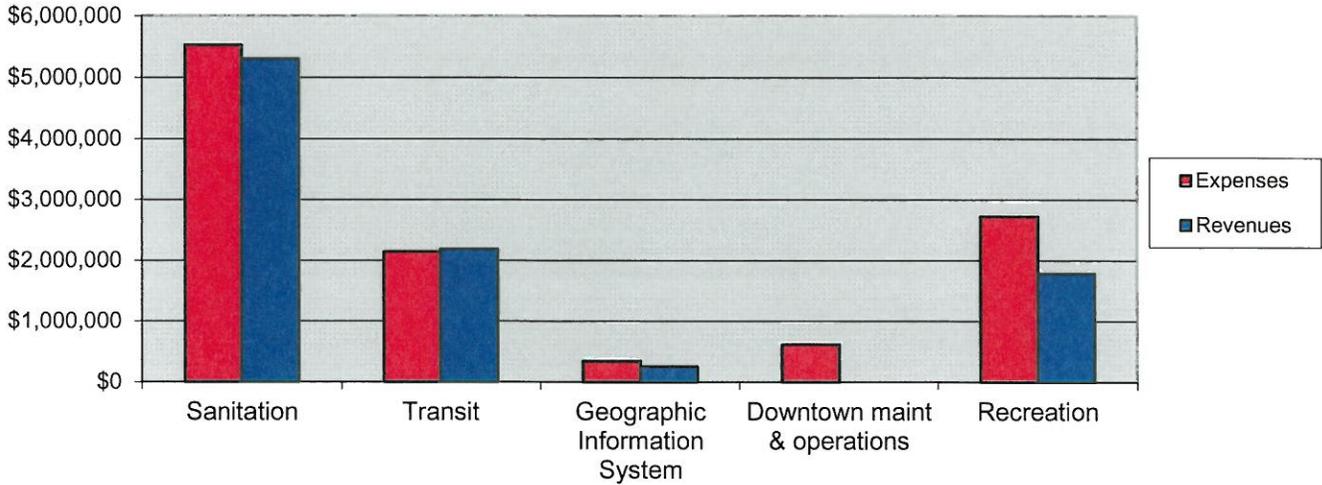
Expenses and Program Revenues - Governmental Activities

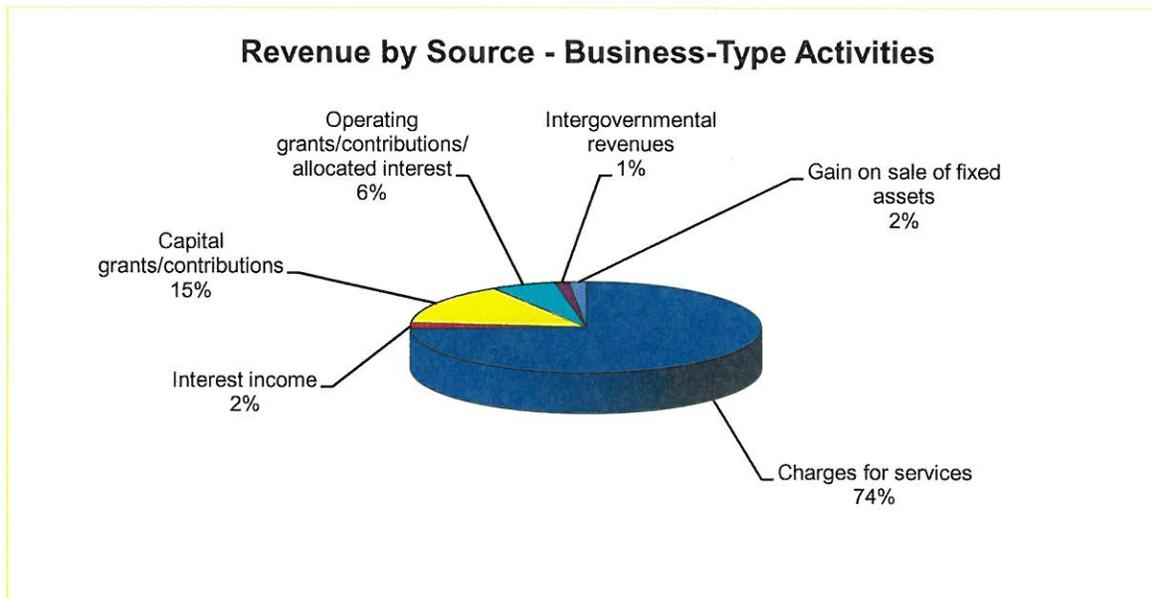


Revenue by Source - Governmental Activities



Expenses and Revenues - 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. Unassigned 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 \$61.8 million. Approximately \$31.4 million is in restricted, and \$16.2 million is in committed. Approximately 23%, or \$14.2 million, is unassigned fund balance, which is available for spending at the city's discretion.

The General Fund is the chief operating fund of the City. At the end of the 2012-2013 fiscal year, the General Fund unassigned fund balance was \$14,155,496, while total fund balance was \$14,614,968. As a measure of General Fund liquidity, readers may compare both unassigned fund balance and total fund balance to total General Fund expenditures. Unassigned fund balance represents 37% of total General Fund expenditures of \$38 million, while total fund balance represents 38% of total General Fund expenditures. The General Fund balance increased by \$2,223,054 during the 2012-2013 fiscal year. This increase is primarily due to higher property tax revenue, occupational license and net profit fees, and dividends and payments in lieu of taxes from component units.

The Your Community Vision Fund balance of \$6,970,466 represents a decrease of \$2,110,699 from prior year. This decrease is primarily due to increased capital outlay. The capital outlay is related to activity for the city's stormwater projects, which are financed with Kentucky Infrastructure Authority (KIA) loans, and economic development projects. The entire fund balance is committed.

The Downtown Development and Revitalization Fund balance of \$25,673,964 represents an increase of \$1,110,603 from prior year. This increase is primarily due to a decrease in capital outlay on downtown projects. Of the total fund balance, \$14,617,341 is restricted and \$11,056,623 is committed.

The Debt Service Fund has a total fund balance of \$10, all of which is restricted for payment of debt service.

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 position of the respective proprietary funds are:

Sanitation	\$7,673,037
Downtown Maint & Operations	\$1,984,092
Non-major Enterprise Funds	\$ 631,292

The net position for the Proprietary Funds had no significant change. Sanitation Fund decreased \$0.2 million, Downtown Maintenance & Operations decreased \$0.3 million, and the Non-major Enterprise Funds increased \$0.5 million. Other factors concerning the Proprietary Enterprise Funds have been addressed in the discussion of Proprietary Funds on pages 10-11.

V. General Fund Budgetary Highlights

Differences between the original budget and the final amended budget resulted in a \$2,422,057 increase in appropriations and transfers and can be briefly summarized as follows:

• \$ 25,739	increase in Administration
• \$ (29,710)	decrease in Community Development
• \$ 476,055	increase in Engineering
• \$ 500	increase in Finance
• \$ (83,834)	decrease in Fire
• \$ (56,200)	decrease in Information Technology
• \$ 175,650	increase in Parks
• \$ 1,600	increase in Parking Garage
• \$ (39,900)	decrease in Personnel
• \$ 5,253	increase in Police
• \$ 152,481	increase in Street
• \$1,427,628	increase in General Government
• \$ 87,335	increase in Community services
• \$ 279,460	increase in transfers

The net budgetary increase due to appropriations and transfers of \$2,422,057 was deducted from the available fund balance.

The decreases are primarily due to salary savings in Community Development due to eliminating one position and the Fire department due to vacancies and timing in expenditures in Information Technology and Personnel. The increases are due to various reasons as follows:

- Engineering and Street are due to carryovers from prior year for street maintenance.
- Parks is due to increased activity at Smothers Park.
- General Government is primarily due to elimination of budget contingency and partially due to higher electrical costs, funding for juvenile court and a utility study.

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, 2013, is \$188.6 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. 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 \$40 million project, primarily funded by a federal grant, is now complete. It includes the river wall and significant additional green space along the riverfront.

The City has also begun a \$99 million Downtown Redevelopment and Revitalization Project. The City has partnered with Daviess County Fiscal Court in the development and financing of this project with the City sponsoring \$79 million of the project and the County sponsoring the additional \$20 million. The project contains additions and enhancements to the downtown area which will promote economic growth and encourage additional downtown development by private developers. Riverfront Crossing and Smothers Park were completed in 2012. The Convention Center overlooking the Ohio River is set to open January 2014.

Private investments are also taking shape with a Hampton Inn Hotel opening in December 2013 and a Holiday Inn Hotel to be completed in the fall of 2014. New condominiums and retail stores are also in the works for 2014.

	Governmental Activities		Business-Type Activities		Total	
	2012	2013	2012	2012	2012	2013
Land	\$22,564,510	\$23,486,066	\$118,739	\$118,739	\$22,683,249	\$23,604,805
Land improvements	89,944,871	89,770,981	227,899	214,944	90,172,770	89,985,925
Buildings	22,666,907	21,994,196	439,259	424,888	23,106,166	22,419,084
Vehicles	2,085,678	2,161,918	2,802,874	3,241,548	4,888,552	5,403,466
Machinery and equipment	1,859,589	2,056,089	402,799	383,374	2,262,388	2,439,463
Software	0	70,299	0	0	0	70,299
Construction in Progress	28,984,650	44,471,619	0	195,071	28,984,650	44,666,690
Total	\$168,106,205	\$184,011,168	\$3,991,570	\$4,578,564	\$172,097,775	\$188,589,732

Additional information on City capital assets can be found on pages 100-102 of this report and in Footnote 5 at pages 50-52.

B. Long-Term Debt

At year end, the City had \$139,108,981 in outstanding bonds and capital leases, compared to \$106,184,929 at June 30, 2012. That is a 31% increase as shown in the following table:

	Governmental Activities	
	2012	2013
General obligation bonds	\$80,195,000	\$114,023,667
Lease revenue bonds	305,000	265,000
Advance refunding bonds	6,060,000	5,280,000
Floating indebtedness funding bond	29,800	25,500
KIA loan payable	19,595,129	19,514,814
Total	\$106,184,929	\$139,108,981

The City's legal debt limit under Kentucky Constitution Section 158 is 10% of total assessed value of taxable property in Owensboro; therefore, the debt limit is \$328,717,300. The City's latest bond rating is Aa3.

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. 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.

Additional information on City Long-Term Debt can be found in Footnote 6 at pages 53-62.

C. Types of Municipal Debt

- i. **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. In 2012, the City issued General Obligation Refunding Bonds Series 2012A and 2012C to advance refund the 2002A and 2002B Series Bonds to reduce debt service payments and pay down the 2002B Series.
- ii. **Floating Indebtedness Funding Bond.** This debt was issued in early 2005 to finance the remodeling of the new Owensboro Symphony offices.
- iii. **Lease Revenue Bonds.** This debt was issued in May 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.
- iv. **Kentucky Infrastructure Authority Loan Payable.** This debt was issued in October 2007. The proceeds were used to fund a stormwater separation project. The outstanding amount as of June 30, 2013 is \$19,514,814.

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

- A. **Unemployment Rate.** The unemployment rate for the City of Owensboro as of June 2013 was 7.6%. The state and federal unemployment rates were 8.4% and 7.6%, respectively.
- B. **Inflationary Trends.** Inflationary trends in the City 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 1-2 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 2013-2014 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 these factors, in addition to current and future needs of the City of Owensboro, were considered when the 2013-2014 City budget was prepared. The beginning general fund balance for fiscal year 2013-2014 is \$14,614,968. The City estimated an ending fund balance of \$12,391,914 (30% 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 Angela Hamric, Director of Finance and Support Services, City of Owensboro, 101 East Fourth Street, Owensboro, KY 42303.



CITY OF OWENSBORO, KENTUCKY
STATEMENT OF NET POSITION
June 30, 2013

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES				
Equity in pooled deposits and investments	\$ 74,980,625	\$ 12,061,194	\$ 87,041,819	\$ 3,129,101
Cash and cash equivalents:				
In segregated accounts	19,984	87,456	107,440	25,869,245
With escrow agents	8,300	-	8,300	-
Receivables:				
Accounts	776,472	84,434	860,906	14,287,472
Lease	14,130,500	-	14,130,500	-
Component units	282,374	695,656	978,030	-
Taxes	2,881,149	-	2,881,149	-
Intergovernmental	341,267	384,312	725,579	-
Delinquent taxes receivable, net of allowance for uncollectibles of \$160,000	8,293	-	8,293	-
Internal balances	(1,197,546)	1,197,546	-	-
Materials and supplies inventory	107,866	44,487	152,353	4,214,223
Prepaid items	78,864	1,912	80,776	462,252
Other current assets	-	-	-	28,591
Restricted assets	-	-	-	77,732,198
Capital assets, net of accumulated depreciation:				
Land	23,486,066	118,739	23,604,805	-
Construction in progress	44,471,619	195,071	44,666,690	-
Depreciable capital assets	116,053,483	4,264,754	120,318,237	242,518,926
Other noncurrent assets	1,277,683	-	1,277,683	2,770,260
Deferred charges	758,268	-	758,268	11,268,431
Investment in joint venture	14,925,389	-	14,925,389	-
Total assets	293,390,656	19,135,561	312,526,217	382,280,699
Deferred outflows of resources:				
Accumulated decrease in fair value of hedging derivatives	-	-	-	3,911,603
Total assets and deferred outflows of resources	\$ 293,390,656	\$ 19,135,561	\$ 312,526,217	\$ 386,192,302
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION				
Liabilities:				
Accounts payable	\$ 5,410,937	\$ 825,178	\$ 6,236,115	\$ 14,325,928
Accrued wages	534,940	-	534,940	-
Other accrued liabilities	1,023,953	144,571	1,168,524	228,754
Accrued interest payable	680,657	-	680,657	1,881,500
Other payables	-	-	-	8,610,840
Intergovernmental payable	185,394	35,819	221,213	-
Component unit payable	364,025	-	364,025	-
Unearned revenue	15,306,826	10,773	15,317,599	2,194,133
Customers' advances	-	-	-	276,895
Deferred gain	-	-	-	314,187
Long-term liabilities:				
Due within one year	5,308,153	77,946	5,386,099	19,128,161
Due in more than one year	136,694,041	1,976,743	138,670,784	168,033,678
Other non-current liabilities	-	-	-	1,601,229
Total liabilities	165,508,926	3,071,030	168,579,956	216,595,305
Deferred inflows of resources:				
Accumulated increase in fair value of hedging derivatives	-	-	-	-
Net position:				
Net investment in capital assets	51,139,210	4,578,564	55,717,774	86,658,804
Restricted for:				
Capital projects	41,644,667	-	41,644,667	4,437,601
Economic development	5,989,787	-	5,989,787	-
Debt service	-	-	-	17,259,030
Other purposes	412,059	-	412,059	17,976,867
Unrestricted	28,696,007	11,485,967	40,181,974	43,264,695
Total net position	127,881,730	16,064,531	143,946,261	169,596,997
Total liabilities, deferred inflows of resources, and net position	\$ 293,390,656	\$ 19,135,561	\$ 312,526,217	\$ 386,192,302

See Notes to Financial Statements

CITY OF OWENSBORO, KENTUCKY
STATEMENT OF ACTIVITIES
Year Ended June 30, 2013

Functions / Programs PRIMARY GOVERNMENT	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total	Component Units
Governmental activities:							
General government	\$ 9,869,881	\$ 1,690,180	\$ -	\$ (8,175,701)	\$ -	\$ (8,175,701)	
Public safety	20,953,730	823,146	73,508	(19,996,338)	-	(19,996,338)	
Public works	12,359,635	1,367,196	746,303	(10,246,136)	-	(10,246,136)	
Community and cultural	9,600,911	-	85,311	(9,173,546)	-	(9,173,546)	
Community / economic development	3,746,406	698,646	1,014,200	(1,867,860)	-	(1,867,860)	
Interest on long-term debt	3,720,799	-	-	(3,720,799)	-	(3,720,799)	
Total governmental activities	60,251,362	4,579,168	1,070,822	(53,184,380)	-	(53,184,380)	
Business-type activities:							
Sanitation	5,523,509	5,299,182	-	(224,327)	\$ -	(224,327)	
Downtown maintenance and operations	612,494	-	-	(612,494)	-	(612,494)	
Transit	2,141,269	128,560	1,471,164	43,789	-	43,789	
Geographic information system	336,049	249,710	-	(86,339)	-	(86,339)	
Recreation	2,724,406	1,786,512	-	(937,894)	-	(937,894)	
Total business-type activities	11,337,727	7,463,964	1,471,164	(1,817,265)	-	(1,817,265)	
Total primary government	71,589,089	12,043,132	2,541,986	(53,184,380)	(1,817,265)	(55,001,645)	
COMPONENT UNITS							
Owensboro Municipal Utilities	\$ 152,781,929	\$ 152,243,134	\$ -	\$ -	\$ -	\$ -	\$ (397,386)
Owensboro Riverport Authority	5,051,428	6,795,698	-	-	-	-	1,744,270
Total component units	157,833,357	159,038,832	-	-	-	-	1,346,884
General revenues:							
Property taxes				9,622,714	-	9,622,714	-
Occupational license taxes				16,281,800	-	16,281,800	-
Net profit license taxes				3,856,135	-	3,856,135	-
Regulatory license taxes				7,992,483	-	7,992,483	-
Intergovernmental, unrestricted				2,078,625	128,996	2,207,621	-
Investment earnings				641,337	208,415	849,752	1,187,206
Payments in lieu of taxes from component unit				2,669,050	-	2,669,050	-
Miscellaneous				598,847	-	598,847	45,402
Gain on sale of capital assets				326,151	159,758	485,909	47,307
Dividends from component units				6,392,412	-	6,392,412	-
Investment in joint venture				440,926	-	440,926	-
Transfers				(1,593,579)	1,593,579	-	-
Total general revenues and transfers				49,306,901	2,090,748	51,397,649	1,279,915
Change in net position				(3,877,479)	273,483	(3,603,996)	2,626,799
Net position, June 30, 2012				131,759,209	15,791,048	147,550,257	166,970,198
Net position, June 30, 2013				\$ 127,881,730	\$ 16,064,531	\$ 143,946,261	\$ 169,596,997

See Notes to Financial Statements

CITY OF OWENSBORO, KENTUCKY
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2013

	General Fund	Your Community Vision Fund	Downtown Development and Revitalization Fund	Debt Service Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS						
Equity in pooled deposits and investments	\$ 16,548,481	\$ 7,175,606	\$ 28,890,348	\$ -	\$ 15,008,759	\$ 67,623,194
Cash and cash equivalents:						
In segregated accounts	19,984	-	-	-	-	19,984
With escrow agents	-	-	4,301	10	3,989	8,300
Receivables:						
Accounts	604,142	-	-	-	168,647	772,789
Lease	-	-	-	14,130,500	-	14,130,500
Component units	282,374	-	-	-	-	282,374
Interfund	-	-	-	-	-	-
Taxes	2,036,291	708,439	-	-	136,419	2,881,149
Intergovernmental	50,282	28,746	-	-	241,054	320,082
Delinquent taxes receivable, net of allowance for uncollectibles of \$160,000	8,293	-	-	-	-	8,293
Materials and supplies inventory	22,841	-	-	-	-	22,841
Prepaid items	45,517	-	-	-	3,312	48,829
Total assets	\$ 19,618,205	\$ 7,912,791	\$ 28,894,649	\$ 14,130,510	\$ 15,562,180	\$ 86,118,335
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ 253,758	\$ 70,570	\$ 3,073,510	\$ -	\$ 691,560	\$ 4,089,398
Accrued wages	527,734	2,881	-	-	4,325	534,940
Other accrued liabilities	809,743	-	147,175	-	-	956,918
Intergovernmental payable	-	-	-	-	185,394	185,394
Due to other funds	-	-	-	-	-	-
Component unit payable	364,025	-	-	-	-	364,025
Deferred revenue	3,047,977	868,874	-	14,130,500	140,624	18,187,975
Total liabilities	5,003,237	942,325	3,220,685	14,130,500	1,021,903	24,318,650
Fund balances:						
Nonspendable	22,841	-	-	-	-	22,841
Restricted	-	3,400,045	14,617,341	10	13,389,314	31,406,710
Committed	436,631	3,570,421	11,056,623	-	1,150,963	16,214,638
Assigned	-	-	-	-	-	-
Unassigned	14,155,496	-	-	-	-	14,155,496
Total fund balances	14,614,968	6,970,466	25,673,964	10	14,540,277	61,799,685
Total liabilities and fund balances	\$ 19,618,205	\$ 7,912,791	\$ 28,894,649	\$ 14,130,510	\$ 15,562,180	\$ 86,118,335

See Notes to Financial Statements

CITY OF OWENSBORO, KENTUCKY
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
June 30, 2013

Total fund balances - governmental funds \$ 61,799,685

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	\$ 256,205,514	
Accumulated depreciation	(74,750,393)	181,455,121

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 position. 7,446,101

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. 14,925,389

Certain assets not available to pay for current period expenditures:

Occupational and net profit taxes	\$ 2,881,149	
Negative net pension obligation	1,277,683	
BAB interest subsidy receivable	21,185	
Deferred debt issuance costs	758,268	4,938,285

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	\$ (139,108,981)	
Accrued interest payable	(680,657)	
Debt issuance discounts	857,669	
Debt issuance premiums	(165,798)	
Deferred refunding charges	304,974	
Compensated absences	(3,890,058)	(142,682,851)

Net position of governmental activities \$ 127,881,730

See Notes to Financial Statements

CITY OF OWENSBORO, KENTUCKY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2013

	General Fund	Your Community Vision Fund	Downtown Development and Revitalization Fund	Debt Service Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:						
Real and personal property taxes	\$ 9,381,180	\$ -	\$ -	\$ -	\$ 241,534	\$ 9,622,714
Occupational license taxes	11,168,530	4,004,241	-	-	895,235	16,068,006
Net profit license taxes	2,872,616	974,136	-	-	13,811	3,860,563
Regulatory license taxes	4,668,572	-	3,161,628	-	162,283	7,992,483
Intergovernmental	1,762,120	798,107	-	132,161	1,198,852	3,891,240
Investment earnings	225,144	92,540	136,340	11	115,113	569,148
Fees, licenses and permits	393,744	34,540	-	-	-	428,284
Fines and forfeitures	107,143	-	-	-	-	107,143
Rentals	67,006	-	-	5,287	698,646	770,939
Charges for services	2,174,734	-	-	-	-	2,174,734
Contributions and donations	31,550	-	-	-	14,624	46,174
Dividends from component units	6,392,412	-	-	-	-	6,392,412
Payments in lieu of taxes from component unit	2,669,050	-	-	-	-	2,669,050
Miscellaneous income	780,475	-	39,712	-	385,156	1,205,343
Total revenues	42,694,276	5,903,564	3,337,680	137,459	3,725,254	55,798,233
Expenditures:						
Current:						
General government	8,258,816	-	-	-	14,522	8,273,338
Public safety	19,959,205	-	-	-	354,372	20,313,577
Public works	3,166,615	2,260,295	-	-	566,181	5,993,091
Community and cultural	4,996,919	-	-	-	-	4,996,919
Community /economic development	204,472	-	1,898,169	-	1,643,765	3,746,406
Capital outlay	1,434,340	4,997,539	19,779,620	-	2,345,219	28,556,718
Debt service:						
Principal	-	-	-	3,104,301	-	3,104,301
Interest	-	-	-	3,308,443	-	3,308,443
Issuance costs	-	-	129,536	-	77,095	206,631
Total expenditures	38,020,367	7,257,834	21,807,325	6,412,744	5,001,154	78,499,424
Excess (deficiency) of revenues over expenditures	4,673,909	(1,354,270)	(18,469,645)	(6,275,285)	(1,275,900)	(22,701,191)
Other financing sources (uses):						
Sale of capital assets	118,764	-	-	-	257,170	375,934
Issuance of debt	-	(80,314)	22,854,639	-	13,254,028	36,028,353
Refunding bonds issued	-	-	-	-	-	-
Payment to bond refunding escrow	-	-	-	-	-	-
Discount on bonds issued	-	-	(17,279)	-	(161,944)	(179,223)
Premium on bonds issued	-	-	135,476	-	-	135,476
Transfers in	1,734,005	50,000	-	6,263,674	93,600	8,141,279
Transfers out	(4,303,624)	(726,115)	(3,392,588)	-	(678,361)	(9,100,688)
Total other financing sources (uses)	(2,450,855)	(756,429)	19,580,248	6,263,674	12,764,493	35,401,131
Net change in fund balances	2,223,054	(2,110,699)	1,110,603	(11,611)	11,488,593	12,699,940
Fund balances, beginning of year	12,391,914	9,081,165	24,563,361	11,621	3,051,684	49,099,745
Fund balances, end of year	\$ 14,614,968	\$ 6,970,466	\$ 25,673,964	\$ 10	\$ 14,540,277	\$ 61,799,685

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, 2013

Net change in fund balances - total governmental funds \$ 12,699,940

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	\$ 23,871,111	
Depreciation expense	<u>(8,417,048)</u>	15,454,063

Governmental funds report the disposal of capital assets to the extent proceeds
are received. However, the statement of activities reports the gain or loss. (49,783)

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	\$ 209,366	
Decrease in BAB interest subsidy receivable	(686)	
Increase in investment in joint venture	<u>440,926</u>	649,606

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	\$ 3,184,615	
Proceeds from debt issuance	(36,108,667)	
Payment to bond refunding escrow	-	
Bond issuance costs	206,631	
Amortization of bond issuance costs	(41,056)	
Discounts on bonds issued	179,223	
Premiums on bonds issued	(135,476)	
Amortization of bond discounts and premiums	(30,556)	
Amortization of deferred amounts on refunding	<u>(62,202)</u>	(32,807,488)

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	\$ (63,881)	
Decrease in negative net pension obligation	(364,551)	
Increase in accrued interest payable	<u>(278,542)</u>	(706,974)

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. 883,157

Change in net position of governmental activities \$ (3,877,479)

See Notes to Financial Statements

CITY OF OWENSBORO, KENTUCKY
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2013

	Business-Type Activities Enterprise Funds				Governmental Activities- Internal Service Funds
	Downtown			Total	
	Sanitation Fund	Maintenance and Operations Fund	Nonmajor Enterprise Funds		
ASSETS					
Current assets:					
Equity in pooled deposits and investments	\$ 7,915,457	\$ 3,526,129	\$ 619,608	\$ 12,061,194	\$ 7,357,431
Cash and cash equivalents:					
In segregated accounts	300	79,296	7,860	87,456	-
Receivables:					
Accounts	11,338	-	73,096	84,434	3,683
Component units	677,612	-	18,044	695,656	-
Intergovernmental	-	-	384,312	384,312	-
Materials and supplies inventory	11,381	-	33,106	44,487	85,025
Prepaid expenses	-	-	1,912	1,912	30,035
Total current assets	<u>8,616,088</u>	<u>3,605,425</u>	<u>1,137,938</u>	<u>13,359,451</u>	<u>7,476,174</u>
Noncurrent assets:					
Capital assets, net of accumulated depreciation:					
Land	13,000	-	105,739	118,739	-
Construction in progress	26,364	-	168,707	195,071	90,549
Depreciable capital assets	<u>2,427,793</u>	<u>-</u>	<u>1,836,961</u>	<u>4,264,754</u>	<u>2,465,498</u>
Total noncurrent assets	<u>2,467,157</u>	<u>-</u>	<u>2,111,407</u>	<u>4,578,564</u>	<u>2,556,047</u>
Total assets	<u>\$ 11,083,245</u>	<u>\$ 3,605,425</u>	<u>\$ 3,249,345</u>	<u>\$ 17,938,015</u>	<u>\$ 10,032,221</u>
LIABILITIES AND NET POSITION					
Current liabilities:					
Accounts payable	\$ 682,025	\$ -	\$ 143,153	\$ 825,178	\$ 1,321,539
Accrued liabilities	51,661	-	92,910	144,571	67,035
Intergovernmental payable	-	-	35,819	35,819	-
Deferred revenue	-	-	10,773	10,773	-
Long-term liabilities:					
Due within one year	<u>1,602</u>	<u>67,230</u>	<u>9,114</u>	<u>77,946</u>	<u>-</u>
Total current liabilities	<u>735,288</u>	<u>67,230</u>	<u>291,769</u>	<u>1,094,287</u>	<u>1,388,574</u>
Non-current liabilities:					
Due in more than one year	<u>207,763</u>	<u>1,554,103</u>	<u>214,877</u>	<u>1,976,743</u>	<u>-</u>
Total non-current liabilities	<u>207,763</u>	<u>1,554,103</u>	<u>214,877</u>	<u>1,976,743</u>	<u>-</u>
Total liabilities	<u>943,051</u>	<u>1,621,333</u>	<u>506,646</u>	<u>3,071,030</u>	<u>1,388,574</u>
Net position:					
Invested in capital assets	2,467,157	-	2,111,407	4,578,564	2,465,498
Unrestricted	<u>7,673,037</u>	<u>1,984,092</u>	<u>631,292</u>	<u>10,288,421</u>	<u>6,178,149</u>
Total net position	<u>10,140,194</u>	<u>1,984,092</u>	<u>2,742,699</u>	<u>14,866,985</u>	<u>8,643,647</u>
Total liabilities and net position	<u>\$ 11,083,245</u>	<u>\$ 3,605,425</u>	<u>\$ 3,249,345</u>	<u>\$ 17,938,015</u>	<u>\$ 10,032,221</u>
Total net position				\$ 14,866,985	
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds				<u>1,197,546</u>	
Net position of business-type activities				<u>\$ 16,064,531</u>	

See Notes to Financial Statements

CITY OF OWENSBORO, KENTUCKY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
Year Ended June 30, 2013

	Business-Type Activities Enterprise Funds				Governmental Activities- Internal Service Funds
	Downtown			Total	
	Sanitation Fund	Maintenance and Operations Fund	Nonmajor Enterprise Funds		
Operating revenues:					
Charges for services	\$ 5,265,334	\$ -	2,161,842	\$ 7,427,176	\$ 11,427,297
Miscellaneous income	33,848	-	2,940	36,788	-
Total operating revenues	5,299,182	-	2,164,782	7,463,964	11,427,297
Operating expenses:					
Salaries, wages, and benefits	1,797,514	391,724	2,482,218	4,671,456	2,252,440
Maintenance	605,919	-	925,508	1,531,427	1,517,331
Utilities	10,377	4,851	269,916	285,144	27,299
Administrative	-	-	-	-	321,054
Supplies	506,037	14,097	645,836	1,165,970	827,607
Other	2,097,281	180,489	600,682	2,878,452	39,587
Claims	-	-	-	-	4,364,499
Depreciation	586,778	-	470,237	1,057,015	702,170
Total operating expenses	5,603,906	591,161	5,394,397	11,589,464	10,051,987
Operating income (loss)	(304,724)	(591,161)	(3,229,615)	(4,125,500)	1,375,310
Nonoperating revenues:					
Gain (loss) on sale of capital assets	151,701	-	8,057	159,758	28,978
Intergovernmental	-	128,996	-	128,996	-
Investment earnings	-	207,938	477	208,415	72,189
Other debt service expense	-	(21,333)	-	(21,333)	-
Operating grants	-	-	585,334	585,334	-
Total nonoperating revenues	151,701	315,601	593,868	1,061,170	101,167
Income (loss) before contributions and transfers	(153,023)	(275,560)	(2,635,747)	(3,064,330)	1,476,477
Capital contributions - grants	-	-	1,471,164	1,471,164	-
Transfers in	-	-	1,638,549	1,638,549	-
Transfers out	(30,000)	-	(14,970)	(44,970)	(320,250)
Change in net position	(183,023)	(275,560)	458,996	413	1,156,227
Net position, beginning of year	10,323,217	2,259,652	2,283,703	14,866,572	7,487,420
Net position, end of year	\$ 10,140,194	\$ 1,984,092	2,742,699	\$ 14,866,985	\$ 8,643,647
Change in net position				\$ 413	
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds				273,070	
Change in net position of business-type activities				\$ 273,483	

See Notes to Financial Statements

CITY OF OWENSBORO, KENTUCKY
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2013

	Business-Type Activities Enterprise Funds			Total	Governmental Activities- Internal Service Funds
	Sanitation Fund	Downtown Maintenance and Operations Fund	Nonmajor Enterprise Funds		
Cash flows from operating activities:					
Cash received from customers	\$ 5,399,785	\$ -	\$ 2,139,104	\$ 7,538,889	\$ 11,425,575
Other cash receipts	41,193	-	-	41,193	-
Cash payments to employees for services	(1,779,356)	(391,724)	(2,482,246)	(4,653,326)	(2,247,419)
Cash payments to suppliers	(2,695,802)	(205,365)	(2,369,412)	(5,270,579)	(2,382,036)
Cash payments for interfund services used	-	-	35,819	35,819	-
Cash payments for claims	-	-	-	-	(4,364,499)
Net cash provided by (used in) operating activities	965,820	(597,089)	(2,676,735)	(2,308,004)	2,431,621
Cash flows from noncapital financing activities:					
Operating grants	-	128,996	531,688	660,684	-
Intergovernmental contributions	-	-	1,241,429	1,241,429	-
Transfers in	-	-	1,638,549	1,638,549	-
Transfers out	(30,000)	-	(14,970)	(44,970)	(320,250)
Net cash provided by (used in) noncapital financing activities	(30,000)	128,996	3,396,696	3,495,692	(320,250)
Cash flows from capital and related financing activities:					
Proceeds from sale of capital assets	151,701	-	8,057	159,758	30,988
Proceeds from issuance of debt	-	1,621,333	-	1,621,333	-
Capital contributions - grants	-	-	-	-	-
Payments for capital acquisitions	(487,313)	-	(1,156,696)	(1,644,009)	(1,204,863)
Other receipts (payments)	-	(21,333)	-	(21,333)	-
Net cash provided by (used in) capital and related financing activities	(335,612)	1,600,000	(1,148,639)	115,749	(1,173,875)
Cash flows from investing activities:					
Interest on investments	-	207,938	477	208,415	72,189
Net increase (decrease) in cash and cash equivalents	600,208	1,339,845	(428,201)	1,511,852	1,009,685
Equity in pooled cash and deposits, and cash and cash equivalents, beginning of year	7,315,549	2,265,580	1,055,669	10,636,798	6,347,746
Equity in pooled cash and deposits, and cash and cash equivalents, end of year	\$ 7,915,757	\$ 3,605,425	\$ 627,468	\$ 12,148,650	\$ 7,357,431
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:					
Operating income (loss)	\$ (304,724)	\$ (591,161)	\$ (3,229,615)	\$ (4,125,500)	\$ 1,375,310
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation	586,778	-	470,237	1,057,015	702,169
Change in assets and liabilities:					
(Increase) decrease in assets:					
Accounts receivable	(1,965)	-	(27,866)	(29,831)	(1,721)
Component unit receivable	143,761	-	-	143,761	-
Materials and supplies inventory	(7,102)	-	(6,984)	(14,086)	(42,215)
Prepaid expenses	-	-	(1,912)	(1,912)	(9,264)
Increase (decrease) in liabilities:					
Accounts payable	530,914	(5,928)	81,426	606,412	392,372
Unearned revenue	-	-	2,188	2,188	-
Accrued liabilities	(1,470)	-	449	(1,021)	14,970
Compensated absences	19,628	-	(477)	19,151	-
Interfund payables	-	-	35,819	35,819	-
Net cash provided by (used in) operating activities	\$ 965,820	\$ (597,089)	\$ (2,676,735)	\$ (2,308,004)	\$ 2,431,621

See Notes to Financial Statements

CITY OF OWENSBORO, KENTUCKY
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
June 30, 2013

	Pension Trust Funds	Investment Trust Fund	Agency Funds
	<u> </u>	<u> </u>	<u> </u>
ASSETS			
Equity in pooled deposits and investments	\$ 5,092,236	\$ 4,793,243	\$ 113,581
Cash and cash equivalents	38,539	-	-
Cash and cash equivalents, restricted	9,356	-	-
Interest receivable	1,604	-	-
Intergovernmental receivable	-	221,213	38,612
Investments, at fair value:			
Corporate stocks	2,155,747	-	-
Investments at fair value, restricted:			
Mutual funds	<u>763,796</u>	<u>-</u>	<u>-</u>
Total assets	<u>8,061,278</u>	<u>5,014,456</u>	<u>152,193</u>
LIABILITIES			
Pension payable	96,601	-	-
Other	<u>1,407</u>	<u>-</u>	<u>152,193</u>
Total liabilities	<u>98,008</u>	<u>-</u>	<u>152,193</u>
NET POSITION			
Held in trust for pension benefits	7,188,514	-	-
Held in trust for debt service	774,756	-	-
Held in trust for external pool participants	<u>-</u>	<u>5,014,456</u>	<u>-</u>
Total net position	<u>\$ 7,963,270</u>	<u>\$ 5,014,456</u>	<u>\$ -</u>

See Notes to Financial Statements

CITY OF OWENSBORO, KENTUCKY
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
Year Ended June 30, 2013

	Pension Trust Funds	Investment Trust Fund
	<u> </u>	<u> </u>
Additions:		
Purchases of pool units	\$ -	\$ 26,365,528
Contributions:		
Employer	-	-
Other	6,120	-
Total contributions	<u>6,120</u>	<u>-</u>
Investment earnings:		
Net appreciation (depreciation) in fair value of investments	372,878	(16,066)
Interest	111,395	68,252
Total investment earnings	484,273	26,417,714
Less investment expense	<u>25,125</u>	<u>-</u>
Net investment earnings	<u>459,148</u>	<u>26,417,714</u>
Total additions	<u>465,268</u>	<u>26,417,714</u>
Deductions:		
Benefits	1,399,111	-
Transfer to debt service fund	313,920	-
Redemption of pool units	-	26,825,435
Total deductions	<u>1,713,031</u>	<u>26,825,435</u>
Change in net position	(1,247,763)	(407,721)
Net position, beginning of year	<u>9,211,033</u>	<u>5,422,177</u>
Net position, end of year	<u>\$ 7,963,270</u>	<u>\$ 5,014,456</u>

See Notes to Financial Statements

CITY OF OWENSBORO, KENTUCKY
STATEMENT OF NET POSITION
COMPONENT UNITS
June 30, 2013

	Owensboro Municipal Utilities	Owensboro Riverport Authority	Total
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES			
Equity in pooled deposits and investments	\$ -	\$ 3,129,101	\$ 3,129,101
Cash and cash equivalents:			
In segregated accounts	23,283,801	2,585,444	25,869,245
Accounts receivable (less allowance of \$88,260 and \$0 for OMU and ORA, respectively)	13,787,425	500,047	14,287,472
Material and supplies inventory	4,214,223	-	4,214,223
Prepaid items	347,995	114,257	462,252
Other current assets	-	28,591	28,591
Restricted assets	77,732,198	-	77,732,198
Capital assets, net of accumulated depreciation	219,360,578	23,158,348	242,518,926
Other noncurrent assets	-	2,770,260	2,770,260
Deferred charges	11,268,431	-	11,268,431
	349,994,651	32,286,048	382,280,699
Total assets			
Deferred outflows of resources:			
Accumulated decrease in fair value of hedging derivatives	3,911,603	-	3,911,603
	353,906,254	32,286,048	386,192,302
Total assets and deferred outflows of resources	\$ 353,906,254	\$ 32,286,048	\$ 386,192,302
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION			
Liabilities:			
Accounts payable	\$ 13,988,743	\$ 337,185	\$ 14,325,928
Accrued liabilities	-	228,754	228,754
Accrued interest payable	1,881,500	-	1,881,500
Other payables	8,610,840	-	8,610,840
Deferred revenue	2,032,081	162,052	2,194,133
Customers' advances	276,895	-	276,895
Deferred gain	-	314,187	314,187
Non-current liabilities:			
Long-term debt:			
Due within one year	18,161,845	966,316	19,128,161
Due in more than one year	164,460,770	3,572,908	168,033,678
Other	1,601,229	-	1,601,229
	211,013,903	5,581,402	216,595,305
Total liabilities			
Deferred inflows of resources:			
Accumulated increase in fair value of hedging derivatives	-	-	-
	-	-	-
Net position:			
Net investment in capital assets	65,586,083	21,072,721	86,658,804
Restricted for:			
Capital projects	4,437,601	-	4,437,601
Debt service	17,259,030	-	17,259,030
Other purposes	17,976,867	-	17,976,867
Unrestricted	37,632,770	5,631,925	43,264,695
	142,892,351	26,704,646	169,596,997
Total net position			
Total liabilities, deferred inflows of resources, and net position	\$ 353,906,254	\$ 32,286,048	\$ 386,192,302

See Notes to Financial Statements

CITY OF OWENSBORO, KENTUCKY
STATEMENT OF ACTIVITIES
COMPONENT UNITS
Year Ended June 30, 2013

	Program Revenues		Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services and Sales	Capital Grants and Contributions	Owensboro Municipal Utilities	Owensboro Riverport Authority	Total
Owensboro Municipal Utilities	\$ 152,781,929	\$ 152,243,134	\$ 141,409	\$ (397,386)	\$ -	\$ (397,386)
Owensboro Riverport Authority	5,051,428	6,795,698	-	-	1,744,270	1,744,270
Total Component Units	\$ 157,833,357	\$ 159,038,832	\$ 141,409	\$ (397,386)	1,744,270	1,346,884
General revenues:						
Earnings on investments				843,222	45,334	888,556
Deferred net change in fair value of investments				298,650	-	298,650
Miscellaneous				45,402	-	45,402
Gain on sale of capital assets				-	47,307	47,307
Total general revenues				1,187,274	92,641	1,279,915
Change in net position				789,888	1,836,911	2,626,799
Net position, beginning of year				142,102,463	24,867,735	166,970,198
Net position, end of year				\$ 142,892,351	\$ 26,704,646	\$ 169,596,997

See Notes to Financial Statements

CITY OF OWENSBORO, KENTUCKY
NOTES TO THE BASIC FINANCIAL STATEMENTS
Year Ended June 30, 2013

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 Statute (KRS) 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. Combining financial statements for the discretely presented component units are included within this report. Separate financial statements of the individual component units can be requested from the City's Finance Director. The following component units are included in the City's reporting entity because the primary government is financially accountable for, and is able to impose its will upon, 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, 2013. 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. OMU is presented as an enterprise fund.

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 expand-

CITY OF OWENSBORO, KENTUCKY
NOTES TO THE BASIC FINANCIAL STATEMENTS, continued
Year Ended June 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

ing necessary and proper riverport and navigational facilities for the purpose of attracting river-oriented industry. Because the City appoints the Authority's board of directors, and because the Authority provides a specific financial benefit to the City each year in the form of a dividend, the Authority is a component unit of the City. The Authority is presented as an enterprise fund.

In accordance with the KRS, 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.

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 position 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.

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.

CITY OF OWENSBORO, KENTUCKY
NOTES TO THE BASIC FINANCIAL STATEMENTS, continued
Year Ended June 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(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 funds:

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.

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:

CITY OF OWENSBORO, KENTUCKY
NOTES TO THE BASIC FINANCIAL STATEMENTS, continued
Year Ended June 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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. This is a major fund of the City.

Downtown Development and Revitalization Fund – established to account for revenues received from insurance license premium taxes for revitalization and redevelopment of the downtown area. This is a major fund of the City.

Greenbelt Fund – established to account for revenues received for the purpose of developing recreational areas and activities.

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.

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.

Proprietary Funds

Proprietary fund reporting focuses on financial position changes in net 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

CITY OF OWENSBORO, KENTUCKY
NOTES TO THE BASIC FINANCIAL STATEMENTS, continued
Year Ended June 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Geographic Information System Fund (GIS) – established for the purpose of managing and accounting for the activity of the GIS Division of the City's Information Technology Department.

Downtown Maintenance and Operations Fund – established for the purpose of managing and accounting for the operations of the convention and events center. This is a major fund of the City.

Recreation Fund – established for the purpose of managing and accounting for the operations of the City's swimming pools, golf courses, 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, unemployment, 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.

Fiduciary Funds

Fiduciary fund reporting focuses on net position and changes in net position. 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 OF OWENSBORO, KENTUCKY
NOTES TO THE BASIC FINANCIAL STATEMENTS, continued
Year Ended June 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

City Employees' Pension Fund

The City Employees' Pension Fund (a contributory defined benefit plan) was created by ordinance, August 13, 1946, under KRS 90.310-90.410. 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 KRS 95.851-95.991. 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.

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.

CITY OF OWENSBORO, KENTUCKY
NOTES TO THE BASIC FINANCIAL STATEMENTS, continued
Year Ended June 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(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:

<u>Susceptible</u>	<u>Not Susceptible</u>
Taxes	Licenses and permits
Intergovernmental	

(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.

CITY OF OWENSBORO, KENTUCKY
NOTES TO THE BASIC FINANCIAL STATEMENTS, continued
Year Ended June 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 position 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).

(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 position 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 position 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:

CITY OF OWENSBORO, KENTUCKY
 NOTES TO THE BASIC FINANCIAL STATEMENTS, continued
 Year Ended June 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

<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.

(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 position, 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.

CITY OF OWENSBORO, KENTUCKY
NOTES TO THE BASIC FINANCIAL STATEMENTS, continued
Year Ended June 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(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) Net Position

The City classifies net position in the government-wide and fiduciary financial statements as follows:

- Net investment in capital assets includes the City's capital assets (net of accumulated depreciation) reduced by the outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- Restricted net position includes assets that have third-party (statutory, bond covenant, or granting agency) limitations on their use. The City typically uses restricted assets first, as appropriate opportunities arise, but reserves the right to selectively defer the use until a future project.
- Unrestricted net position typically includes unrestricted liquid assets. The City Commission has the authority to revisit or alter this designation.

(o) Fund Balance Classification

The City follows GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

- Nonspendable fund balance—amounts that are not in spendable form (such as inventory) or are required to be maintained intact.
- Restricted fund balance—amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
- Committed fund balance—amounts constrained to specific purposes by the City itself, using its highest level of decision-making authority (i.e., City Commission). To be reported as committed, amounts cannot be used for any other purpose unless the City takes the same highest level action to remove or change the constraint.
- Assigned fund balance—amounts the City intends to use for a specific purpose, but do not meet the definition of restricted or committed fund balance. Amounts may be assigned by the Director of Finance and Support Services under the authorization of the City Commission via a municipal order.
- Unassigned fund balance—amounts that are available for any purpose. Positive amounts are reported only in the general fund.

CITY OF OWENSBORO, KENTUCKY
NOTES TO THE BASIC FINANCIAL STATEMENTS, continued
Year Ended June 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The City Commission establishes (and modifies or rescinds) fund balance commitments by passage of an ordinance. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a commitment of the fund (such as for special incentives). Under City policy, assigned fund balance is established by City Commission through adoption or amendment of the budget as intended for specific purpose (such as the purchase of fixed assets, construction, debt service, or for other purposes).

The City would typically use Restricted fund balances first, followed by Committed resources, and then Assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend Unassigned resources first to defer the use of these other classified funds.

In the General Fund, the City strives to maintain an unassigned fund balance to be used for unanticipated emergencies of approximately 15% of the actual GAAP (Generally Accepted Accounting Principles) basis expenditures and other financing sources and uses.

(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, 2013.

(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

CITY OF OWENSBORO, KENTUCKY
NOTES TO THE BASIC FINANCIAL STATEMENTS, continued
Year Ended June 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 included in restricted, committed, or assigned fund balance, as appropriate, and do not constitute expenditures or liabilities because the commitments will be reappropriated and honored during the subsequent year.

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, 2013, was \$.2593 per \$100, which means that the City has a tax margin of \$1.2407 per \$100, on the assessed valuation of \$2,730,860,884. 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 \$.2713 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.

CITY OF OWENSBORO, KENTUCKY
NOTES TO THE BASIC FINANCIAL STATEMENTS, continued
Year Ended June 30, 2013

3. DEPOSITS AND INVESTMENTS (continued)

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, 2013, 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 obligations	\$ 8,289,157	7,425,000	1.35%-4.88%	9/13-12/17
Certificates of deposit	10,000,000	10,000,000	2.23%-2.47%	10/14-10/15
Cash and cash equivalents	<u>81,880,823</u>	<u>81,880,823</u>		
Totals	<u>\$ 100,169,980</u>	<u>99,305,823</u>		

The following condensed statements of net position and changes in net position for the year ended June 30, 2013, are presented for the pool as a whole:

Statement of Net Position

Assets:	
Investments at fair value	\$ 8,289,157
Certificates of deposit	10,000,000
Cash and cash equivalents	<u>81,880,823</u>
Total assets	<u>\$100,169,980</u>
Net position:	
Held in trust for external pool participants:	
Component unit	\$ 3,129,101
Fiduciary:	
Pension Trust Funds	5,092,236
Agency Funds	113,581
Other external participants	<u>5,014,456</u>
	13,349,374
Held in trust for internal pool participants	<u>86,820,606</u>
Total net position	<u>\$100,169,980</u>
Net position consist of:	
Participants' units outstanding (\$1.00 par)	<u>99,305,823</u>

CITY OF OWENSBORO, KENTUCKY
NOTES TO THE BASIC FINANCIAL STATEMENTS, continued
Year Ended June 30, 2013

3. DEPOSITS AND INVESTMENTS (continued)

Statement of Changes in Net Position

Revenues:	
Interest income	\$ 1,149,812
Net change in fair value	<u>(110,349)</u>
Total revenues	<u>1,039,463</u>
Share transactions at net position value of \$1.00 per share:	
Purchase of units	133,511,573
Redemption of units	<u>(115,697,199)</u>
Net increase in net position and shares resulting from share transactions	<u>17,814,374</u>
Total increase in net position	<u>18,853,837</u>
Net position:	
Beginning of period	<u>81,316,143</u>
End of period	<u>\$100,169,980</u>

Interest Rate Risk

To limit exposure to fair value losses resulting from increases in interest rates, the City manages term to maturity for its investments.

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.

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.

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 government instrumentalities were purchased by the City and held by the counterparty on the City's behalf; therefore, these investments are not subject to custodial credit risk. The City's investments in government obligations were rated AA+ by Standard & Poor's Ratings Services, and Aaa by Moody's Investor Services, Inc. The Metcalfe County Kentucky School District Obligations were rated Aa3 by Moody's Investor Services, Inc. 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.

CITY OF OWENSBORO, KENTUCKY
NOTES TO THE BASIC FINANCIAL STATEMENTS, continued
Year Ended June 30, 2013

3. DEPOSITS AND INVESTMENTS (continued)

At June 30, 2013, the reported amount of the City's pooled and non-pooled bank deposits was \$91,979,912 and the bank balance was \$94,247,298. Of the bank balance, \$250,000 was covered by federal depository insurance, and \$93,997,298 was covered by collateral held in the pledging bank's trust department in the City's name.

As of June 30, 2013, the City had the following investments in the investment pool.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Months)</u>
Federal Home Loan Mortgage Corporation Obligations	\$ 1,159,926	40
Federal Farm Credit Bank Obligations	4,512,521	33
Federal Home Loan Bank Obligations	550,306	2
Tennessee Valley Authority	1,131,699	42
Metcalfe County KY School District	934,705	31
Certificates of Deposit	<u>10,000,000</u>	22
	<u>\$18,289,157</u>	
Portfolio weighted average maturity		27

Primary Government

	<u>Bank Balance</u>	<u>Carrying Amount</u>
Deposits and investments:		
Non-pooled:		
Cash and cash equivalents	<u>\$115,740</u>	\$ 115,740
Fiduciary cash equivalents		47,895
Fiduciary investments		<u>2,919,543</u>
		<u>3,083,178</u>
Pooled:		
Cash and cash equivalents		81,880,823
Certificates of deposit		10,000,000
Government obligations		<u>8,289,157</u>
		<u>100,169,980</u>
Total deposits and investments		103,253,158
Less:		
External participants' equity in pool:		
Component unit		(3,129,101)
Other external participants – Investment Trust Fund		(4,793,243)
Fiduciary:		
Cash equivalents		(47,895)
Investments		(2,919,543)
Equity in pool:		
Pension Trust Funds		(5,092,236)
Agency Funds		<u>(113,581)</u>
Total deposits and investments – primary government		<u>\$87,157,559</u>

CITY OF OWENSBORO, KENTUCKY
NOTES TO THE BASIC FINANCIAL STATEMENTS, continued
Year Ended June 30, 2013

3. DEPOSITS AND INVESTMENTS (continued)

Statement of Net Position Accounts:

Equity in pooled deposits and investments	\$87,041,819
Cash and cash equivalents:	
In segregated accounts	107,440
With escrow agents	<u>8,300</u>
	<u>115,740</u>
Total deposits and investments – primary government	<u>\$87,157,559</u>

Component Units

	<u>Bank Balance</u>	<u>Carrying Amount</u>
Deposits:		
Cash and cash equivalents	<u>\$74,312,171</u>	\$72,452,506
Investments:		
Equity in pooled deposits and investments		3,129,101
Government agency obligations		1,736,873
Repurchase agreements		<u>21,864,477</u>
Total investments		<u>26,730,451</u>
Total deposits and investments – component units		<u>\$99,182,957</u>

Balance Sheet Accounts:

Equity in pooled deposits and investments	\$ 3,129,101
Cash and cash equivalents	<u>25,869,245</u>
	<u>28,998,346</u>
Restricted assets:	
Cash and cash equivalents	45,987,888
Investments	24,196,723
Other restricted assets	<u>7,547,587</u>
	<u>77,732,198</u>
Less other restricted assets	<u>(7,547,587)</u>
Total deposits and investments – component units	<u>\$99,182,957</u>

CITY OF OWENSBORO, KENTUCKY
NOTES TO THE BASIC FINANCIAL STATEMENTS, continued
Year Ended June 30, 2013

4. RESTRICTED ASSETS

Primary Government

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

Debt Service Fund:

Cash with escrow agents	\$ <u>8,300</u>
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Component Units

Certain assets of Owensboro Municipal Utilities as of May 31, 2013, which are restricted, consist of the following:

Electric Light and Power System:

Cash and investments	\$43,910,481
Investments	21,864,477
Accrued interest receivable	351,876
Fuel inventory, at cost	6,453,061
Other	<u>739,448</u>
	<u>73,319,343</u>

Water Works System:

Cash and equivalents	2,077,407
Investments	2,332,246
Accrued interest receivable	<u>3,202</u>
	<u>4,412,855</u>

Total restricted assets – component units	<u>\$77,732,198</u>
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CITY OF OWENSBORO, KENTUCKY
NOTES TO THE BASIC FINANCIAL STATEMENTS, continued
Year Ended June 30, 2013

5. CAPITAL ASSETS

Primary Government

Capital asset activity for the City for the year ended June 30, 2013 was as follows:

	Balance June 30, 2012	Increases	Decreases	Balance June 30, 2013
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 22,564,510	\$ 971,339	\$ (49,783)	\$ 23,486,066
Construction in progress	28,984,650	22,535,725	(7,048,756)	44,471,619
Total capital assets, not being depreciated	<u>51,549,160</u>	<u>23,507,064</u>	<u>(7,098,539)</u>	<u>67,957,685</u>
Capital assets, being depreciated:				
Land improvements/infrastructure	129,305,961	5,976,039	-	135,282,000
Buildings	43,545,659	1,044,975	-	44,590,634
Vehicles	9,505,620	1,071,594	(353,653)	10,223,561
Machinery and equipment	5,935,050	454,758	(51,412)	6,338,396
Software	-	70,299	-	70,299
Total capital assets, being depreciated	<u>188,292,290</u>	<u>8,617,665</u>	<u>(405,065)</u>	<u>196,504,890</u>
Less accumulated depreciation for:				
Land improvements/infrastructure	(39,361,090)	(6,149,929)	-	(45,511,019)
Buildings	(20,878,752)	(1,717,686)	-	(22,596,438)
Vehicles	(7,419,942)	(770,939)	129,238	(8,061,643)
Machinery and equipment	(4,075,461)	(480,663)	273,817	(4,282,307)
Software	-	-	-	-
Total accumulated depreciation	<u>(71,735,245)</u>	<u>(9,119,217)</u>	<u>403,055</u>	<u>(80,451,407)</u>
Total capital assets, being depreciated, net	<u>116,557,045</u>	<u>(501,552)</u>	<u>(2,010)</u>	<u>116,053,483</u>
Governmental activities capital assets, net	<u>\$ 168,106,205</u>	<u>\$ 23,005,512</u>	<u>\$ (7,100,549)</u>	<u>\$ 184,011,168</u>
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 118,739	\$ -	\$ -	\$ 118,739
Construction in progress	-	195,071	-	195,071
Total capital assets, not being depreciated	<u>118,739</u>	<u>195,071</u>	<u>-</u>	<u>313,810</u>
Capital assets, being depreciated:				
Land improvements	785,567	-	-	785,567
Buildings	1,932,576	32,253	-	1,964,829
Vehicles	6,211,921	1,321,285	(694,072)	6,839,134
Machinery and equipment	865,267	95,400	(95,948)	864,719
Total capital assets, being depreciated	<u>9,795,331</u>	<u>1,448,938</u>	<u>(790,020)</u>	<u>10,454,249</u>
Less accumulated depreciation for:				
Land improvements	(557,668)	(12,955)	-	(570,623)
Buildings	(1,493,317)	(46,624)	-	(1,539,941)
Vehicles	(3,409,047)	(882,611)	694,072	(3,597,586)
Machinery and equipment	(462,468)	(114,825)	95,948	(481,345)
Total accumulated depreciation	<u>(5,922,500)</u>	<u>(1,057,015)</u>	<u>790,020</u>	<u>(6,189,495)</u>
Total capital assets, being depreciated, net	<u>3,872,831</u>	<u>391,923</u>	<u>-</u>	<u>4,264,754</u>
Business-type activities capital assets, net	<u>\$ 3,991,570</u>	<u>\$ 586,994</u>	<u>\$ -</u>	<u>\$ 4,578,564</u>

CITY OF OWENSBORO, KENTUCKY
NOTES TO THE BASIC FINANCIAL STATEMENTS, continued
Year Ended June 30, 2013

5. CAPITAL ASSETS (continued)

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

Governmental activities:	
General government	\$ 2,141,728
Public safety	432,151
Public works	1,846,963
Community and cultural	4,698,375
Total depreciation expense, governmental activities	<u>\$ 9,119,217</u>
Business-type activities:	
Sanitation	\$ 586,778
Transit	433,224
Recreation	34,019
Geographic information system	2,994
Total depreciation expense, business-type activities	<u>\$ 1,057,015</u>

Component Units

Capital asset activity for Owensboro Municipal Utilities for the year ended May 31, 2013, was as follows:

	Balance May 31, 2012	Increases	Decreases	Balance May 31, 2013
Electric Light and Power System:				
Capital assets, not being depreciated:				
Construction in progress	\$ 9,974,031	\$ -	\$ (3,223,004)	\$ 6,751,027
Capital assets, being depreciated:				
Utility plant	402,105,212	11,838,640	(1,903,615)	412,040,237
Less accumulated depreciation	(230,060,504)	(14,915,624)	823,904	(244,152,224)
Total capital assets, being depreciated, net	<u>172,044,708</u>	<u>(3,076,984)</u>	<u>(1,079,711)</u>	<u>167,888,013</u>
Electric Light and Power System capital assets, net	<u>\$ 182,018,739</u>	<u>\$ (3,076,984)</u>	<u>\$ (4,302,715)</u>	<u>\$ 174,639,040</u>
Water Works System:				
Capital assets, not being depreciated:				
Construction in progress	\$ 1,466,115	\$ 712,658	\$ -	\$ 2,178,773
Capital assets, being depreciated:				
Utility plant	73,127,033	1,506,662	(389,734)	74,243,961
Less accumulated depreciation	(29,915,790)	(2,377,841)	592,435	(31,701,196)
Total capital assets, being depreciated, net	<u>43,211,243</u>	<u>(871,179)</u>	<u>202,701</u>	<u>42,542,765</u>
Water Works System capital assets, net	<u>\$ 44,677,358</u>	<u>\$ (158,521)</u>	<u>\$ 202,701</u>	<u>\$ 44,721,538</u>

CITY OF OWENSBORO, KENTUCKY
NOTES TO THE BASIC FINANCIAL STATEMENTS, continued
Year Ended June 30, 2013

5. CAPITAL ASSETS (continued)

Capital asset activity for Owensboro Riverport Authority for the year ended June 30, 2013, was as follows:

	<u>Balance</u> <u>June 30, 2012</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2013</u>
Capital assets, not being depreciated:				
Land and land improvements	\$ 3,618,642	\$ 1,057,573	\$ (45,456)	\$ 4,630,759
Construction in progress	223,192	-	(223,192)	-
Total capital assets, not being depreciated	<u>3,841,834</u>	<u>1,057,573</u>	<u>(268,648)</u>	<u>4,630,759</u>
Capital assets, being depreciated:				
Port facilities	22,456,894	317,953	-	22,774,847
Machinery and equipment	6,610,120	331,943	(127,878)	6,814,185
Office furniture and equipment	986,276	2,309	(2,171)	986,414
Property on operating leases	3,798,630	-	-	3,798,630
Total capital assets, being depreciated	<u>33,851,920</u>	<u>652,205</u>	<u>(130,049)</u>	<u>34,374,076</u>
Less accumulated depreciation	(14,740,892)	(1,236,379)	130,784	(15,846,487)
Total capital assets, being depreciated, net	<u>19,111,028</u>	<u>(584,174)</u>	<u>735</u>	<u>18,527,589</u>
Owensboro Riverport Authority capital assets, net	<u>\$ 22,952,862</u>	<u>\$ 473,399</u>	<u>\$ (267,913)</u>	<u>\$ 23,158,348</u>

CITY OF OWENSBORO, KENTUCKY
NOTES TO THE BASIC FINANCIAL STATEMENTS, continued
Year Ended June 30, 2013

6. LONG-TERM LIABILITIES

Primary Government

Long-term liability activity for the City for the year ended June 30, 2013, was as follows:

	<u>Balance</u> <u>June 30, 2012</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2013</u>	<u>Due Within</u> <u>One Year</u>
Governmental activities:					
Bonds and loans payable:					
General obligation bonds:					
Series 2003A	\$ 1,415,000	\$ -	\$ (260,000)	\$ 1,155,000	\$ 270,000
Series 2006	3,170,000	-	(175,000)	2,995,000	185,000
Series 2006 Refunding	865,000	-	(280,000)	585,000	285,000
Series 2008	2,310,000	-	(105,000)	2,205,000	110,000
Series 2009 BABs	4,760,000	-	(165,000)	4,595,000	175,000
Series 2010	5,230,000	-	(195,000)	5,035,000	195,000
Series 2011	20,075,000	-	(395,000)	19,680,000	410,000
Series 2011	2,835,000	-	(115,000)	2,720,000	115,000
Series 2012A Refunding	2,120,000	-	(205,000)	1,915,000	200,000
Series 2012B	40,400,000	-	(870,000)	39,530,000	885,000
Series 2012C Refunding	3,075,000	-	(295,000)	2,780,000	285,000
Series 2013A	-	20,530,000	-	20,530,000	460,000
Series 2013B	-	9,228,667	-	9,228,667	382,770
Series 2013C	-	6,350,000	-	6,350,000	255,000
Loans Payable:					
KIA A07-04	19,595,129	-	(80,315)	19,514,814	839,522
#00018	305,000	-	(40,000)	265,000	40,000
#00026	29,800	-	(4,300)	25,500	4,300
	<u>106,184,929</u>	<u>36,108,667</u>	<u>(3,184,615)</u>	<u>139,108,981</u>	<u>5,096,592</u>
Less deferred amounts:					
For issuance premiums	34,319	135,476	(3,997)	165,798	-
For issuance discounts	(712,999)	(179,223)	34,553	(857,669)	-
On refunding	<u>(367,176)</u>	<u>-</u>	<u>62,202</u>	<u>(304,974)</u>	<u>-</u>
Total bonds and loans payable	105,139,073	36,064,920	(3,091,857)	138,112,136	5,096,592
Compensated absences	<u>3,826,177</u>	<u>1,906,698</u>	<u>(1,842,817)</u>	<u>3,890,058</u>	<u>211,561</u>
Total governmental	<u>\$108,965,250</u>	<u>\$37,971,618</u>	<u>\$ (4,934,674)</u>	<u>\$142,002,194</u>	<u>\$ 5,308,153</u>
Business-type activities:					
Bonds payable:					
General obligation bonds:					
Series 2013B	\$ -	\$ 1,621,333	\$ -	\$ 1,621,333	\$ 67,230
Compensated absences	<u>414,205</u>	<u>248,646</u>	<u>(229,495)</u>	<u>433,356</u>	<u>10,716</u>
Total business-type	<u>\$ 414,205</u>	<u>\$ 1,869,979</u>	<u>\$ (229,495)</u>	<u>\$ 2,054,689</u>	<u>\$ 77,946</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, 2013, consisted of the following:

Series 2003A General Obligation Bonds: 2.0%-4.375% with principal due annually and interest due semi-annually through June 2017	\$ 1,155,000
Series 2006 General Obligation Bonds: 3.75% with principal due annually and interest due semi-annually through March 2026	2,995,000

CITY OF OWENSBORO, KENTUCKY
NOTES TO THE BASIC FINANCIAL STATEMENTS, continued
Year Ended June 30, 2013

6. LONG-TERM LIABILITIES (continued)

Series 2006 Refunding General Obligation Bonds: 3.50%-3.85% with principal due annually and interest due semi-annually through June 2015	585,000
Series 2008 General Obligation Bonds: 2.20%-3.50% with principal due annually and interest due semi-annually through July 2028	2,205,000
Series 2009 General Obligation Build America Bonds (BABs): 4.75-5.50% with principal due annually and interest due semi-annually through October 2029	4,595,000
Series 2010 General Obligation Bonds: 2.0%-5.875% with principal due annually and interest due semi-annually through December 2030	5,035,000
Series 2011 General Obligation Bonds: 3.0%-5.0% with principal due annually and interest due semi-annually through April 2041	19,680,000
Series 2011 General Obligation Bonds; 0.8%-5.0% with principal due annually and interest due semi-annually through June 2031	2,720,000
Series 2012A General Obligation Refunding Bonds: 1.00%-2.75% with principal due annually and interest due semi-annually through February 2022	1,915,000
Series 2012B General Obligation Bonds: 2%-4% with principal due annually and interest due semi-annually through June 2042	39,530,000
Series 2012C General Obligation Refunding Bonds: 2%-2.5% with principal due annually and interest due semi-annually through September 2021	2,780,000
Series 2013A General Obligation Bonds: 2%-5% with principal due annually and interest due semi-annually through May 2043	20,530,000
Series 2013B General Obligation Bonds: 1.55%-3.125% with principal due annually and interest due semi-annually through May 2033	10,850,000
Series 2013C General Obligation Bonds: 2%-3.75% with principal due annually and interest due semi-annually through May 2033	6,350,000
Kentucky Infrastructure Authority Federally Assisted Wastewater Revolving Loan A07-04: 1% with semi-annual interest only until final closing, thereafter, due in semi-annual principal and interest payments for a period not to exceed twenty years	19,514,814

CITY OF OWENSBORO, KENTUCKY
NOTES TO THE BASIC FINANCIAL STATEMENTS, continued
Year Ended June 30, 2013

6. LONG-TERM LIABILITIES (continued)

Note payable, interest at 3.36% in excess of the 30-day LIBOR Rate, currently 3.61%, with principal due annually and interest due monthly through January 2019	265,000
Note payable, interest at 3.36% in excess of the 30-day LIBOR Rate, currently 3.61%, with principal due annually and interest due monthly through January 2019	<u>25,500</u>
	<u>\$140,730,314</u>
Debt is recorded in the following activities:	
Governmental	\$139,108,981
Business-type	<u>1,621,333</u>
	<u>\$140,730,314</u>

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 Morris Park, and 3) symphony building renovations. The Airport bonds are secured by the acquired Airport property and are subject to optional redemption.

The City obtains loans and 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 are secured by 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, 2013, \$7,639,667 of bonds outstanding is considered defeased.

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

<u>Year Ending June 30:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 5,163,822	\$ 4,322,252	\$ 9,486,074
2015	5,252,238	4,345,572	9,597,810
2016	5,065,739	4,242,651	9,308,390
2017	5,194,324	4,135,474	9,329,798
2018	5,007,996	4,020,352	9,028,348
2019-2023	26,100,632	18,183,987	44,284,619
2024-2028	27,081,846	14,110,731	41,192,577
2029-2033	27,048,834	9,518,934	36,567,768
2034-2038	18,379,883	5,544,807	23,924,690
2039-2043	<u>16,435,000</u>	<u>1,701,225</u>	<u>18,136,225</u>
	<u>\$ 140,730,314</u>	<u>\$ 70,125,985</u>	<u>\$ 210,856,299</u>

CITY OF OWENSBORO, KENTUCKY
NOTES TO THE BASIC FINANCIAL STATEMENTS, continued
Year Ended June 30, 2013

6. LONG-TERM LIABILITIES (continued)

In connection with the American Recovery and Reinvestment Act of 2009 (Act), the City issued the Series 2009 General Obligation Build America Bonds. Under the Act, state and local governments were authorized to issue taxable bonds to finance capital expenditures for which they could otherwise issue tax-exempt bonds, and receive from the IRS a direct interest subsidy totaling 35% of the total coupon interest paid to investors. The interest subsidy totaled \$86,111 for fiscal year 2013. Remaining interest subsidies through maturity of the bonds are as follows:

<u>Year Ending June 30:</u>	
2014	\$ 83,285
2015	80,292
2016	77,175
2017	73,933
2018	70,525
2019-2023	291,819
2024-2028	156,406
2029-2030	<u>15,208</u>
	<u>\$ 848,643</u>

Component Units

Owensboro Municipal Utilities Electric Light and Power System

Long-term debt activity for the year ended May 31, 2013, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Bonds Payable:					
Series of 1991-B	\$ 96,353,195	\$ 6,357,592	\$(15,725,000)	\$ 86,985,787	\$15,111,845
Series of 2002-A	23,140,000	-	(2,310,000)	20,830,000	2,455,000
Series of 2010-A	10,070,000	-	-	10,070,000	-
Series of 2010-B	31,425,000	-	-	31,425,000	-
Series of 2010-C	<u>8,935,000</u>	<u>-</u>	<u>-</u>	<u>8,935,000</u>	<u>-</u>
	169,923,195	6,357,592	(18,035,000)	158,245,787	17,566,845
Add unamortized debt premium (discount)	553,220	-	(50,885)	502,335	-
Less unamortized deferred loss on debt defeasance	<u>(145,604)</u>	<u>-</u>	<u>19,201</u>	<u>(126,403)</u>	<u>-</u>
Total long-term debt	<u>\$170,330,811</u>	<u>\$ 6,357,592</u>	<u>\$(18,066,684)</u>	<u>\$ 158,621,719</u>	<u>\$17,566,845</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 2013 to 2020 (original principal outstanding bonds at May 31, 2013, was \$20,039,940) \$ 86,985,787

Series of 2002-A:

6.34% due 2020, subject to annual pro rata sinking fund redemption from 2013 to 2020 20,830,000

Series of 2010-A:

Current interest bonds, 4.88% to 5.03%, due from 2021 to 2022 10,070,000

CITY OF OWENSBORO, KENTUCKY
NOTES TO THE BASIC FINANCIAL STATEMENTS, continued
Year Ended June 30, 2013

6. LONG-TERM LIABILITIES (continued)

Series of 2010-B:	
Current interest bonds, 4.88% to 5.58% due from 2021 to 2025	31,425,000
Series of 2010-C:	
Current interest bonds, 5.00%, due from 2021 to 2022	<u>8,935,000</u>
	158,245,787
Less current maturities	(17,566,845)
Add unamortized debt premium	502,335
Less unamortized deferred net loss on debt defeasance	<u>(126,403)</u>
	<u>\$141,054,874</u>

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

<u>Year ending May 31:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 18,180,000	\$ 3,920,366	\$ 22,100,366
2015	18,335,000	3,764,719	22,099,719
2016	18,505,000	3,599,245	22,104,245
2017	18,680,000	3,422,993	22,102,993
2018	18,865,000	3,235,646	22,100,646
2019-2023	73,520,000	11,600,052	85,120,052
2024-2028	<u>15,250,000</u>	<u>1,268,689</u>	<u>16,518,689</u>
	<u>\$181,335,000</u>	<u>\$30,811,710</u>	<u>\$212,146,710</u>

The scheduled principal maturities include \$23,089,213 of interest scheduled to be incurred in future years on deferred interest bonds, which will be compounded and added to the original principal amounts.

The Electric System is subject to certain debt covenants, compliance with which is required by the ordinances authorizing its bond issues. Such ordinances require revenue to be first applied to the Sinking Fund, second to the Operation and Maintenance Fund, third to the Station No. 2 Additions and Replacements Fund, fourth to the Depreciation Fund, fifth to the Reserve and Contingency Fund, and finally to the Facilities Charge Fund.

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 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.

CITY OF OWENSBORO, KENTUCKY
NOTES TO THE BASIC FINANCIAL STATEMENTS, continued
Year Ended June 30, 2013

6. LONG-TERM LIABILITIES (continued)

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.

On November 18, 2010, the City issued \$10,070,000 of Electric Light and Power System Revenue Bonds, Taxable 2010-A Series, \$31,425,000 of Electric Light and Power System Revenue Bonds, Taxable 2010-B Series (Build America Bonds) and \$8,935,000 of Electric Light and Power System Refunding Revenue Bonds, Tax-Exempt 2010-C Series, each dated November 4, 2010. The 2010 Bonds were issued to fund various capital improvement expenditures for the Electric System and to refund the 2002-B series bonds. The in-substance defeasance of the 2002-B Bonds was accomplished by placing approximately \$9,274,976 in proceeds from the 2010-C Bonds and \$170,826 in funds from the 2002-B Bond Sinking Fund in an irrevocable escrow fund to be used solely for satisfying scheduled debt service payments of the 2002-B Bonds. Accordingly, the 2002-B Bonds in the amount of \$9,230,000, net of unamortized discount and issuance costs of \$123,543 and accrued interest payable of \$164,248, were extinguished resulting in the accounting recognition of a loss from defeasance of \$175,097, reported in the accompanying financial statements as a reduction of long-term debt. The City advance refunded the 2002-B bonds to extend the repayment period of the bond, reduce its near term annual debt payments and reduce the effective rate on the debt. The advance refunding resulted in an economic gain (difference between the present value of the debt service payment on the old and new debt) of \$558,382.

The 2010-B Series bonds (Build America Bonds—Direct Payment) were issued in connection with the American Recovery and Reinvestment Act of 2009 (Act). Under the Act, state and local governments were authorized to issue taxable bonds to finance capital expenditures for which they could otherwise issue tax-exempt bonds, and receive from the IRS a direct interest subsidy totaling 35% of the total coupon interest paid to investors. Interest subsidy received for fiscal year 2013 was \$578,846. Remaining interest subsidies scheduled through maturity of the bonds are as follows:

Year ending May 31:

2014	\$ 578,846
2015	578,846
2016	578,846
2017	578,846
2018	578,846
2019-2023	2,664,345
2024-2028	<u>444,041</u>
	<u>\$ 6,002,616</u>

The 2010-A, B and C series are subject to redemption prior to maturity in whole or in part on any date on or after January 1, 2020, at the redemption price (expressed as a percentage of principal amount to be redeemed) of 100%, plus accrued interest to the redemption date. Fur-

CITY OF OWENSBORO, KENTUCKY
NOTES TO THE BASIC FINANCIAL STATEMENTS, continued
Year Ended June 30, 2013

6. LONG-TERM LIABILITIES (continued)

thermore, the 2010-B series (Build America Bonds) may be subject to redemption prior to maturity in whole or in part upon the occurrence of an Extraordinary Event, as defined in the Official Statement. As discussed above, Build America Bonds involve a payment to the issuer from the United States Treasury for a portion of the interest payable on such bonds. If the associated payment from the United States Treasury is reduced or eliminated through no fault of the issuer (Extraordinary Event), the bonds will become redeemable, at the option of the issuer, at a potentially reduced redemption price, as defined in the Official Statement.

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 KRS.

Owensboro Municipal Utilities Water Works System

Long-term debt activity for the year ended May 31, 2013, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Bonds Payable:					
Series of 1999	\$ 2,445,000	\$ -	\$ (365,000)	\$ 2,080,000	\$ 380,000
Series of 2003	3,155,000	-	(205,000)	2,950,000	215,000
Series of 2009	<u>19,160,000</u>	<u>-</u>	<u>-</u>	<u>19,160,000</u>	<u>-</u>
	24,760,000	-	(570,000)	24,190,000	595,000
Add unamortized debt premium	326,655	-	(14,633)	312,022	-
Less unamortized deferred loss on debt defeasance	<u>(617,893)</u>	<u>-</u>	<u>116,767</u>	<u>(501,126)</u>	<u>-</u>
Total bonds payable	<u>\$ 24,468,762</u>	<u>\$ -</u>	<u>\$ (467,866)</u>	<u>\$ 24,000,896</u>	<u>\$ 595,000</u>

Long-term debt at May 31, 2013, consists of the following Water Revenue Bonds:

Series of 1999: 4.3% to 4.75% due serially September 15, 2013 to 2017	\$ 2,080,000
Series of 2003: 3.0% to 4.25%, due serially September 15, 2013 to 2023	2,950,000
Series of 2009: 5.0% to 5.25%, due serially September 15, 2018 to 2035	<u>19,160,000</u>
Total	24,190,000
Less current maturities	(595,000)
Add unamortized debt premium	312,022
Less unamortized deferred loss on debt defeasance	<u>(501,126)</u>
	<u>\$23,405,896</u>

CITY OF OWENSBORO, KENTUCKY
NOTES TO THE BASIC FINANCIAL STATEMENTS, continued
Year Ended June 30, 2013

6. LONG-TERM LIABILITIES (continued)

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

<u>Year ending May 31:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 595,000	\$ 1,178,240	\$ 1,773,240
2015	620,000	1,152,091	1,772,091
2016	650,000	1,123,619	1,773,619
2017	680,000	1,093,831	1,773,831
2018	710,000	1,062,694	1,772,694
2019-2023	4,100,000	4,761,138	8,861,138
2024-2028	5,220,000	3,641,556	8,861,556
2029-2033	6,695,000	2,160,203	8,855,203
2034-2038	<u>4,920,000</u>	<u>395,403</u>	<u>5,315,403</u>
	<u>\$24,190,000</u>	<u>\$16,568,775</u>	<u>\$40,758,775</u>

The Water System is subject to certain debt covenants, compliance with which is required by the ordinances authorizing its bond issues. Such ordinances require revenue to be first applied to the Sinking Fund, next to the Operations and Maintenance Fund and finally to the Renewal and Replacement Fund.

On January 12, 1999, the City issued \$26,410,000 of Water Revenue Refunding and Improvement Bonds, Series 1999, dated January 1, 1999. The 1999 Bonds were issued to refund, at a lower cost, all outstanding 1991 and 1992 series bonds and to provide funds for the cost of extensions and improvements to the Water System. The in-substance defeasance of the 1991 and 1992 bonds was accomplished by placing approximately \$23,271,892 in proceeds from the 1999 bonds and \$3,117,030 in funds from the 1991 and 1992 bonds sinking funds in an irrevocable escrow fund to be used solely for satisfying scheduled debt service payments of the 1991 and 1992 bonds.

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.

On February 5, 2009, the City issued \$19,160,000 of Water Revenue Refunding and Improvement Bonds, Series 2009, dated February 5, 2009. The 2009 Bonds were issued to refund a portion of the 1999 series bonds, to fund various capital improvement expenditures for the Water System and to fully fund the Bond Reserve Account. The in-substance defeasance of the 1999 Bonds was accomplished by placing approximately \$11,803,854 in proceeds from the 2009 Bonds and \$591,666 in funds from the 1999 Bond Sinking Fund in an irrevocable escrow fund to be used solely for satisfying scheduled debt service payments of the 1999 Bonds. Accordingly, 1999 Bonds in the amount of \$12,120,000, net of unamortized discount and issuance costs of \$181,145 and accrued interest payable of \$214,591, were extinguished resulting in the accounting recognition of a loss from defeasance of \$242,074, reported in the accompanying fi-

CITY OF OWENSBORO, KENTUCKY
NOTES TO THE BASIC FINANCIAL STATEMENTS, continued
Year Ended June 30, 2013

6. LONG-TERM LIABILITIES (continued)

financial statements as a reduction of long-term debt. The City advance refunded the 1999 bonds to extend the repayment period of the bonds and reduce its near term annual debt payments. The advance refunding resulted in an economic loss (difference between the present value of the debt service payment on the old and new debt) of \$476,174.

The Series 2009 Bonds maturing on and after September 15, 2019, are subject to redemption prior to maturity in whole or in part on September 15, 2018, 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 KRS.

Owensboro Riverport Authority

Long-term debt and lease obligations activity for the year ended June 30, 2013, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Maturities
Variable rate lease obligation payable in monthly installments, until October 2016, effective rate was .17% at June 30, 2012	\$2,467,999	\$ -	\$ 612,815	\$1,855,184	\$ 625,272
Tank farm lease obligation for advanced lease payments annually ranging from \$202,125 to \$228,375 until July 1, 2025, including interest at 1.6%	2,628,014	-	170,182	2,457,832	178,181
Land lease obligation for monthly advanced lease payments until February 2015, adjusted annually for CPI \$13,571.91 as of August 1, 2012	<u>388,792</u>	<u>-</u>	<u>162,584</u>	<u>226,208</u>	<u>162,863</u>
	<u>\$5,484,805</u>	<u>\$ -</u>	<u>\$ 945,581</u>	<u>\$4,539,224</u>	<u>\$ 966,316</u>

In 2002, the Authority entered into a \$10,175,000 Lease Agreement with the Kentucky League of Cities Funding Trust (variable rate lease obligation) to construct warehouse and storage facilities. Under the agreement, the Authority is obligated to make lease rental payments equal to the base rentals identified in the agreement, 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 to the Authority. Under the agreement, 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.

In 2010, the Authority entered into an operating lease for certain property on which a new tank farm was to be constructed by the lessee. In 2011, the operating lease was modified, and the new tank farm constructed was transferred to the Authority. The Authority recorded the tank

CITY OF OWENSBORO, KENTUCKY
NOTES TO THE BASIC FINANCIAL STATEMENTS, continued
Year Ended June 30, 2013

6. LONG-TERM LIABILITIES (continued)

farm addition as property under operating leases at fair value or lessee's cost of \$3,337,752 and recorded an obligation under operating leases for the present value of the advanced lease payments in the amount of \$2,945,019 and the deferred gain in the amount of \$392,733, which is being amortized over the life of the lease of 15 years.

Scheduled aggregate maturities of lease obligations are as follows:

<u>Year ending June 30:</u>	<u>Principal</u>
2014	\$ 966,316
2015	889,030
2016	785,104
2017	197,710
2018	200,903
Thereafter	<u>1,500,161</u>
	<u>\$ 4,539,224</u>

7. RETIREMENT 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 KRS 90.310-90.410. 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 KRS 95.851-95.991. 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 42303.

CITY OF OWENSBORO, KENTUCKY
NOTES TO THE BASIC FINANCIAL STATEMENTS, continued
Year Ended June 30, 2013

7. RETIREMENT PLANS (continued)

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.

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	\$ -	\$ 314,916
Interest on net pension obligation	\$ (604)	\$ (81,608)
Adjustment to annual required contribution	\$ (878)	\$ (130,969)
Annual pension cost	\$ 274	\$ 364,277
Contributions made	\$ -	\$ -
Actuarial valuation date	June 30, 2013	June 30, 2013
Change in net pension obligation	\$ 274	\$ 364,277
Net pension obligation (negative)	\$ (9,793)	\$ (1,267,890)
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	6.0%	5.0%
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, 2013, consist of investments in mutual funds.

<u>Fiscal Year ended June 30,</u>	<u>Three-Year Trend Information</u>		<u>(Negative) Net Pension Obligation</u>
	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	
CEPF: 6/30/2013	\$ 274	-	\$ (9,793)
6/30/2012	\$ 252	-	\$ (10,067)
6/30/2011	\$ 258	-	\$ (10,319)
PFRF: 6/30/2013	\$364,277	-	\$ (1,267,890)
6/30/2012	\$257,625	-	\$ (1,632,167)
6/30/2011	\$264,824	-	\$ (1,889,792)

CITY OF OWENSBORO, KENTUCKY
NOTES TO THE BASIC FINANCIAL STATEMENTS, continued
Year Ended June 30, 2013

7. RETIREMENT PLANS (continued)

Schedules of Funding Progress
(Required supplementary information)

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability – Entry Age	Funded (Unfunded) Actuarial Accrued Liability	Funded Ratio	Covered Payroll	Funded (Unfunded) Actuarial Accrued Liability as a Percentage of Covered Payroll
CEPF:							
2013	June 30, 2013	\$3,621,184	\$3,070,128	\$ 551,056	117.9%	\$ -	N/A
2012	June 30, 2011	\$3,752,348	\$3,237,338	\$ 515,010	115.9%	\$ -	N/A
2011	June 30, 2011	\$4,099,357	\$3,218,528	\$ 880,829	127.4%	\$ -	N/A
PFRF:							
2013	June 30, 2013	\$3,552,174	\$7,672,930	\$(4,120,756)	46.3%	\$ -	N/A
2012	June 30, 2011	\$4,462,918	\$7,784,406	\$(3,321,488)	57.3%	\$ -	N/A
2011	June 30, 2011	\$5,334,191	\$7,841,811	\$(2,507,620)	68.0%	\$ -	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. 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. KRS 61.645 assigns the authority to establish and amend benefit provisions to the Kentucky Retirement System Board of Trustees. The Kentucky Retirement System 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 participating in CERS on or before August 31, 2008, are required to contribute 5% or 8% of their annual creditable compensation for non-hazardous and hazardous, respectively. For plan members who began participating in CERS on or after September 1, 2008, these contribution rates are 6% and 9%, respectively. The City is required to contribute at an actuarially determined rate. The current rate is 19.55% of annual covered payroll for nonhazardous employees and 37.60% for hazardous employees. The contribution requirements of plan members, the City, and component units are established and may be amended by the Kentucky Retirement System Board of Trustees. Contributions to CERS for the years ended June 30, 2013, 2012, and 2011, were equal to the required contributions for each year and are as follows:

	<u>2013</u>	<u>2012</u>	<u>2011</u>
City of Owensboro	\$5,594,161	\$5,012,225	\$4,610,427
Component Units:			
Owensboro Municipal Utilities:			
Electric Light and Power System	\$2,744,000	\$2,547,000	\$2,278,000
Water Works System	\$ 552,000	\$ 498,000	\$ 446,000
Owensboro Riverport Authority	\$ 277,242	\$ 263,357	\$ 248,791

CITY OF OWENSBORO, KENTUCKY
 NOTES TO THE BASIC FINANCIAL STATEMENTS, continued
 Year Ended June 30, 2013

8. LEASES

Primary Government

The City's leasing operations are as follows:

Lessor

(a) Museum of Fine Art, Inc.

On May 21, 1997, the City entered into a lease agreement with the Museum of Fine Art, Inc., 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.

(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, to be recognized as rental income over the twenty-year lease term. In September of 2008, that lease agreement was amended to reflect an extended total lease term of twenty-four years. Rental income for fiscal year 2013 totaled \$10,501, resulting in deferred revenue of \$115,511 at June 30, 2013. The lease automatically renews June 30 of each successive year for \$1.00 per annum.

(c) RiverPark Center, Inc.

On September 1, 2011, the City entered into a lease agreement with RiverPark Center, Inc. (RPC) for the property on which this performing arts center is situated. The term of the lease is for ninety-nine years for which RPC will pay to the City an annual sum of \$1.00.

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

Land	\$ 849,562
Buildings	<u>14,676,733</u>
	15,526,295
Less accumulated depreciation	<u>(10,100,479)</u>
	<u>\$ 5,425,816</u>

Lessee

Centre for Business and Research

The City leases premises for its Centre for Business and Research, the purpose of which is to sub-lease incubator space for the start-up of new businesses in the City. Under the City's master lease, monthly rental payments are dependent upon the amount and type of space sub-leased, and subject to increases, if applicable, in the Consumer Price Index. Based on the ex-

CITY OF OWENSBORO, KENTUCKY
NOTES TO THE BASIC FINANCIAL STATEMENTS, continued
Year Ended June 30, 2013

8. LEASES (continued)

isting sub-leases at June 30, 2013, the City's future annual minimum lease payments are estimated to be as follows:

<u>Year ending June 30:</u>	
2014	\$ 218,924
2015	218,924
2016	218,924
2017	218,924
2018	218,924
2019-2023	<u>930,425</u>
	<u>\$2,025,043</u>

Because sublease agreements are generally for a period of one year, future annual minimum sublease payments to be received do not extend beyond fiscal year 2014. The City's rental expense and sub-lease income for the year ended June 30, 2013, totaled \$217,821 and \$62,964, respectively.

Component Units

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

Owensboro Riverport Authority

Lessor

The Authority's leasing operations consist principally of the leasing of the bulk storage warehouse, the grain loading facility, and the tank farm under various operating leases.

Investments in property on operating leases at June 30, 2013, are as follows:

Bulk storage warehouse	\$ 460,879
Tank farm	<u>3,337,752</u>
	3,798,631
Less accumulated depreciation	<u>(765,869)</u>
	<u>\$3,032,762</u>

Future minimum lease payments, including any related profit, to be received under lease and handling agreements are as follows:

<u>Year ending June 30:</u>	
2014	\$ 259,392
2015	245,532
2016	224,872
2017	193,404
2018	184,470
Thereafter	<u>1,937,006</u>
	<u>\$ 3,044,676</u>

CITY OF OWENSBORO, KENTUCKY
NOTES TO THE BASIC FINANCIAL STATEMENTS, continued
Year Ended June 30, 2013

9. PROJECT FINANCING

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.

U.S. Bank

In fiscal years 2011 and 2013, the City issued general obligation bonds totaling \$8,365,000 and \$6,350,000, respectively, to construct certain property to be leased to U.S. Bank (Bank). The City and the Bank then entered into two twenty-year lease agreements wherein the Bank agreed to pay to the City, as rent for the property, annual payments based on square footage which may decrease in future years depending upon the number of new jobs created. Payments of principal and interest due on the debt shall be provided by the additional occupational license taxes generated from such new jobs and the annual rental payments. The leases are absolute net leases under which the Bank 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 of the bond issues, and for 90 days thereafter, the Bank has the option to purchase the properties from the City for \$1.

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

<u>Year ending June 30,</u>	
2014	\$ 1,082,306
2015	1,087,530
2016	1,090,094
2017	1,085,898
2018	1,090,092
2019-2023	5,405,771
2024-2028	5,418,821
2029-2033	<u>4,107,863</u>
Net minimum lease payments	20,368,375
Less amount representing interest	<u>(6,237,875)</u>
Present value of minimum lease payments	<u>\$14,130,500</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.

CITY OF OWENSBORO, KENTUCKY
 NOTES TO THE BASIC FINANCIAL STATEMENTS, continued
 Year Ended June 30, 2013

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,
- 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 position, and benefits paid under these provisions during fiscal year 2013 totaled \$212,967 for governmental activities and \$18,576 for business-type activities.

12. INTERFUND BALANCES

Interfund balances involving governmental and fiduciary funds are reflected as intergovernmental receivables and payables. The balances result from expenditures disbursed by the Investment Trust Fund on behalf of the governmental funds, or taxes received on behalf of the agency fund.

<u>Fund</u>	<u>Receivable</u>	<u>Payable</u>
Fiduciary Funds:		
Agency Fund:		
School District Tax Fund	\$ 38,612	\$ -
Major Governmental Funds:		
General Fund	221,213	38,612
Nonmajor Governmental Funds:		
Community Development Fund	-	185,394
Enterprise Funds:		
Transit Fund	<u>-</u>	<u>35,819</u>
	<u>\$259,825</u>	<u>\$259,825</u>

Receivable and payable balances involving component units at June 30, 2013, were as follows:

	<u>Receivable</u>	<u>Payable</u>
<u>Primary Government</u>		
General Fund	\$282,374	\$364,025
Sanitation Fund	677,612	-
GIS Fund	18,044	-
	<u>\$978,030</u>	<u>\$364,025</u>
<u>Component Units</u>		
Owensboro Municipal Utilities	\$364,025	\$920,530
Owensboro Riverport Authority	<u>-</u>	<u>57,500</u>
	<u>\$364,025</u>	<u>\$978,030</u>

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

13. TRANSFERS

Interfund transfers for the year ended June 30, 2013, consisted of the following:

Transfers out:	Transfer in:									
	Major Governmental Funds			Nonmajor Governmental Funds			Enterprise Funds			
	General Fund	Your Community Vision Fund	Debt Service Fund	Drug and Property Recovery Fund	Capital Improvements Fund	Transit Fund	Geographic Information System Fund	Recreation Fund	Total	
Major Governmental Funds:										
General Fund	\$ 1,395,054	\$ 50,000	\$ 1,156,521	\$ 18,500	\$ 45,000	\$ 613,606	\$ 95,183	\$ 929,760	\$ 4,303,624	
Your Community Vision Fund	-	-	726,115	-	-	-	-	-	726,115	
Downtown Development and Revitalization Fund	-	-	3,392,588	-	-	-	-	-	3,392,588	
Total									8,422,327	
Nonmajor Governmental Funds:										
Drug and Property Recovery Fund	-	-	-	100	-	-	-	-	100	
Economic Development Fund	-	-	659,560	-	-	-	-	-	659,560	
Wellness Fund	18,701	-	-	-	-	-	-	-	18,701	
Total									678,261	
Internal Service Funds:										
Facilities Maintenance Fund	70,000	-	-	-	-	-	-	-	70,000	
Garage/Service Fund	130,250	-	-	-	-	-	-	-	130,250	
Fleet and Facilities Fund	120,000	-	-	-	-	-	-	-	120,000	
Total									320,250	
Enterprise Funds:										
Sanitation Fund	-	-	-	-	30,000	-	-	-	30,000	
Recreation Fund	-	-	14,970	-	-	-	-	-	14,970	
Total									44,970	
Fiduciary Funds:										
Police and Firefighters' Retirement Fund	-	-	313,920	-	-	-	-	-	313,920	
Total									313,920	
	\$ 1,734,005	\$ 50,000	\$ 6,263,674	\$ 18,600	\$ 75,000	\$ 613,606	\$ 95,183	\$ 929,760	\$ 9,779,728	

NOTE 1:

Transfers are used to:

- (a) 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.
- (b) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and
- (c) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

NOTE 2:

The General Fund transfer represents the City's support of the combined city-county dispatch operations. This activity is accounted for in a separate fund which is reported within the General Fund in the financial statements. The City and County contribute 71% and 29%, respectively, to fund the dispatch operations.

14. FUND BALANCE CLASSIFICATIONS

The composition of the fund balance classifications at June 30, 2013 are as follows:

	Major Governmental Funds					Total
	General Fund	Your Community Vision Fund	Downtown Development and Revitalization Fund	Debt Service Fund	Nonmajor Governmental Funds	
Fund balances:						
Nonspendable:						
Inventory	\$ 22,841	\$ -	\$ -	\$ -	\$ -	\$ 22,841
	<u>22,841</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>22,841</u>
Restricted for:						
Debt service	-	-	-	10	-	10
Downtown development	-	-	14,617,341	-	-	14,617,341
Riverfront project	-	-	-	-	536,682	536,682
Police services	-	-	-	-	358,456	358,456
Capital projects	-	3,400,045	-	-	7,215,970	10,616,015
Parks and wellness	-	-	-	-	2,706	2,706
Public works building	-	-	-	-	13,550	13,550
U.S. Bank building	-	-	-	-	5,261,950	5,261,950
	<u>-</u>	<u>3,400,045</u>	<u>14,617,341</u>	<u>10</u>	<u>13,389,314</u>	<u>31,406,710</u>
Committed:						
General government	-	-	-	-	-	-
Public safety	436,631	-	-	-	-	436,631
Public works	-	-	-	-	-	-
Parks	-	-	-	-	53,603	53,603
Stormwater maintenance and capital projects	-	3,570,421	-	-	565,942	4,136,363
Downtown development	-	-	11,056,623	-	-	11,056,623
Economic development	-	-	-	-	531,418	531,418
	<u>436,631</u>	<u>3,570,421</u>	<u>11,056,623</u>	<u>-</u>	<u>1,150,963</u>	<u>16,214,638</u>
Assigned	-	-	-	-	-	-
Unassigned	14,155,496	-	-	-	-	14,155,496
Total fund balances	\$ 14,614,968	\$ 6,970,466	\$ 25,673,964	10	\$ 14,540,277	\$ 61,799,685

NOTE: The City has \$4,547,185 of encumbrances of operating funds in major and nonmajor funds at June 30, 2013, which rolled over into the next fiscal year.

CITY OF OWENSBORO, KENTUCKY
NOTES TO THE BASIC FINANCIAL STATEMENTS, continued
Year Ended June 30, 2013

15. 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 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 \$908,107 reported in the Insurance Fund at June 30, 2013, is due within one year, and 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 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>
2013	\$737,549	\$4,138,982	\$(3,986,424)	\$908,107
2012	\$709,705	\$3,783,647	\$(3,755,803)	\$737,549
2011	\$416,942	\$4,119,801	\$(3,827,038)	\$709,705

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 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, 2013

16. TRANSFERS – COMPONENT UNITS

Owensboro Municipal Utilities

The City 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.

The Ordinance calls for the transfer to the City of a sum equal to the dollar value of services purchased by the City from the Electric Light and Power System in the fiscal year, not to exceed \$700,000 for the fiscal year ended June 30, 1985, and thereafter increasing at a compound rate of 5% per annum. Transfers to the City under this ordinance and agreement were \$8,631,197 for 2013.

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 \$167,913 for the year.

Owensboro Riverport Authority

The Authority made transfers to the General Fund in the amount of \$230,000 for the year.

17. DISCLOSURE ABOUT FAIR VALUE OF FINANCIAL STATEMENTS

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.

18. 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, 2013, two of these bond issues were outstanding with principal balances totaling \$6,139,350.

19. INVESTMENT IN 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, 2013.

CITY OF OWENSBORO, KENTUCKY
NOTES TO THE BASIC FINANCIAL STATEMENTS, continued
Year Ended June 30, 2013

19. INVESTMENT IN JOINT VENTURE (continued)

The City's equity interest in the Owensboro-Daviess County Regional Airport at June 30, 2013, was \$14,925,389 and is reported as investment in joint venture in the statement of net position. Because the City's participation in the joint venture is for investment purposes, the increase in this investment of \$440,926 for the year ended June 30, 2013, is reported as general revenue in the statement of activities.

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

20. DEFICIT FUND EQUITY

No funds of the City had a deficit fund balance as of June 30, 2013.

21. 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.

The City of Owensboro and the Daviess County Fiscal Court have entered into an interlocal agreement which provides for the construction of a downtown convention and events center by the Industrial Development Authority (IDA). Under the agreement, the County has agreed to convey to the IDA \$20 million in land and bond proceeds to begin the project. Costs to complete construction, to be provided by the City, are estimated to be \$28 million. Construction is expected to be complete in 2013, at which time the facility will be transferred to the City. Costs incurred by the City as of June 30, 2013 approximated \$14.4 million.

On August 7, 2012, the City passed an ordinance to authorize the mayor to enter into an agreement with the International Bluegrass Museum, Inc. (IBMM) whereby the City would provide a cash match of up to \$3,000,000 for the purpose of creating a new bluegrass venue on property owned by the City. Likewise, a similar ordinance was passed on this date to authorize the mayor to execute an agreement with the Owensboro-Daviess County Tennis Association (ODCTA) to provide a cash match of up to \$500,000 for the purpose of erecting an indoor tennis venue, also on property owned by the City. The execution of the agreements are contingent upon approval of final designs of the venues by the City, and demonstration, to the satisfaction of the City, that IBMM and ODCTA have the funds necessary to complete the projects as approved by the City within one year and six months, respectively, of the effective date of the ordinances.

Other significant commitments at June 30, 2013, include encumbrances outstanding as follows:

Major Governmental Funds:

General Fund	\$ 215,949
Nonmajor Governmental Funds	<u>4,331,236</u>
	<u>\$ 4,547,185</u>

CITY OF OWENSBORO, KENTUCKY
NOTES TO THE BASIC FINANCIAL STATEMENTS, continued
Year Ended June 30, 2013

21. COMMITMENTS AND CONTINGENCIES (continued)

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 and related products for electric generation. Although contracts have termination provisions, minimum future payments on these contracts for the years ending May 31 are estimated to be as follows:

<u>Year ending May 31,</u>	
2014	\$ 52,242,894
2015	50,646,873
2016	<u>30,938,853</u>
	\$ <u>133,828,620</u>

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, 2013, 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.

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

22. IMPACT OF RECENTLY ISSUED ACCOUNTING PRINCIPLES

In fiscal year 2013, the City implemented GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This statement provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related disclosures. Under this guidance, the statement of net assets has been renamed the statement of net position and includes the following elements: assets, deferred outflows of resources, liabilities, deferred inflows of resources; and net position.



CITY OF OWENSBORO, KENTUCKY
SCHEDULES OF FUNDING PROGRESS
FIDUCIARY FUNDS
June 30, 2013

Year Ended	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability - Entry Age (AAL) (b)	Funded (Unfunded) AAL [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, 2013	June 30, 2013	\$ 3,621,184	\$ 3,070,128	\$ 551,056	117.9%	\$ -	N/A
June 30, 2012	June 30, 2011	\$ 3,752,348	\$ 3,237,338	\$ 515,010	115.9%	\$ -	N/A
June 30, 2011	June 30, 2011	\$ 4,099,357	\$ 3,218,528	\$ 880,829	127.4%	\$ -	N/A
Police and Firefighters' Retirement Fund							
June 30, 2013	June 30, 2013	\$ 3,552,174	\$ 7,672,930	\$ (4,120,756)	46.3%	\$ -	N/A
June 30, 2012	June 30, 2011	\$ 4,462,918	\$ 7,784,406	\$ (3,321,488)	57.3%	\$ -	N/A
June 30, 2011	June 30, 2011	\$ 5,334,191	\$ 7,841,811	\$ (2,507,620)	68.0%	\$ -	N/A

CITY OF OWENSBORO, KENTUCKY
SCHEDULES OF EMPLOYER CONTRIBUTIONS
FIDUCIARY FUNDS
June 30, 2013

Year Ended	Annual Required Contribution	Actual Contribution	Percentage Contribution
<u>City Employees' Pension Fund</u>			
June 30, 2013	\$ -	\$ -	-
June 30, 2012	\$ -	\$ -	-
June 30, 2011	\$ -	\$ -	-
<u>Police and Firefighters' Retirement Fund</u>			
June 30, 2013	\$ 314,916	\$ -	-
June 30, 2012	\$ 206,252	\$ -	-
June 30, 2011	\$ 206,252	\$ -	-

CITY OF OWENSBORO, KENTUCKY
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
Year Ended June 30, 2013

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Taxes:				
Real and personal property	\$ 8,455,579	\$ 8,455,579	\$ 8,383,857	\$ (71,722)
Personal tax-state collected	876,000	876,000	997,323	121,323
Total taxes	<u>9,331,579</u>	<u>9,331,579</u>	<u>9,381,180</u>	<u>49,601</u>
Licenses, permits, and other taxes:				
Occupational taxes:				
Employees' withholding	11,142,788	11,142,788	11,168,530	25,742
Net profits	2,133,250	2,133,250	2,872,616	739,366
Regulatory:				
Insurance license taxes	3,883,815	3,883,815	3,780,149	(103,666)
Alcoholic beverage license fee	64,250	64,250	93,579	29,329
Franchise fee	777,900	777,900	794,844	16,944
Other	408,530	408,530	393,744	(14,786)
Total licenses and permits	<u>18,410,533</u>	<u>18,410,533</u>	<u>19,103,462</u>	<u>692,929</u>
Intergovernmental revenues:				
Data processing fees	246,802	246,802	176,004	(70,798)
Federal grants	129,381	129,381	129,576	195
State grants - KLEFPF incentive	774,000	774,000	801,323	27,323
City's portion of state gasoline tax	1,100,000	1,100,000	1,355,406	255,406
LGEA mineral severance tax	90,000	90,000	88,547	(1,453)
County contribution	569,811	569,811	569,811	-
Total intergovernmental revenues	<u>2,909,994</u>	<u>2,909,994</u>	<u>3,120,667</u>	<u>210,673</u>
Charges for services:				
Tax collection	238,325	238,325	242,073	3,748
Management fee	559,114	559,114	574,114	15,000
Total charges for services	<u>797,439</u>	<u>797,439</u>	<u>816,187</u>	<u>18,748</u>
Other revenues:				
Fines and forfeitures	110,000	110,000	107,143	(2,857)
Investment income	125,000	125,000	225,144	100,144
Dividends from component units	6,542,308	6,542,308	6,392,412	(149,896)
Payments in lieu of taxes	2,183,900	2,588,700	2,669,050	80,350
Rentals	72,000	72,000	67,006	(4,994)
Miscellaneous	522,936	548,356	812,025	263,669
Total other revenues	<u>9,556,144</u>	<u>9,986,364</u>	<u>10,272,780</u>	<u>286,416</u>
Total revenues	<u>41,005,689</u>	<u>41,435,909</u>	<u>42,694,276</u>	<u>1,258,367</u>

CITY OF OWENSBORO, KENTUCKY
BUDGETARY COMPARISON SCHEDULE, CONCLUDED
GENERAL FUND
Year Ended June 30, 2013

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Expenditures:				
Administration	1,531,560	1,557,299	1,530,229	27,070
Community development	249,620	219,910	205,425	14,485
Engineering	1,959,189	2,435,244	1,445,012	990,232
Finance	1,537,225	1,537,725	1,485,797	51,928
Fire	8,998,179	8,914,345	8,732,227	182,118
Information technology	1,912,930	1,856,730	1,767,640	89,090
Parks	2,938,711	3,114,361	3,041,816	72,545
Parking garage	164,895	166,495	164,489	2,006
Personnel	596,806	556,906	537,629	19,277
Police	12,722,231	12,727,484	12,072,019	655,465
Street	1,902,522	2,055,003	1,885,286	169,717
General government	2,186,984	3,614,612	3,187,493	427,119
Community services	1,898,970	1,986,305	1,965,305	21,000
Total expenditures	<u>38,599,822</u>	<u>40,742,419</u>	<u>38,020,367</u>	<u>2,722,052</u>
Excess of revenues over expenditures	<u>2,405,867</u>	<u>693,490</u>	<u>4,673,909</u>	<u>3,980,419</u>
Other financing sources (uses):				
Sale of capital assets	5,000	5,000	118,764	113,764
Transfer in	1,645,304	1,734,005	1,734,005	-
Transfers out	<u>(4,056,171)</u>	<u>(4,335,631)</u>	<u>(4,303,624)</u>	<u>32,007</u>
Total other financing sources (uses)	<u>(2,405,867)</u>	<u>(2,596,626)</u>	<u>(2,450,855)</u>	<u>145,771</u>
Net change in fund balances	-	(1,903,136)	2,223,054	4,126,190
Fund balances, beginning of year	<u>12,391,914</u>	<u>12,391,914</u>	<u>12,391,914</u>	<u>-</u>
Fund balances, end of year	<u>\$ 12,391,914</u>	<u>\$ 10,488,778</u>	<u>\$ 14,614,968</u>	<u>\$ 4,126,190</u>

CITY OF OWENSBORO, KENTUCKY
BUDGETARY COMPARISON SCHEDULE
YOUR COMMUNITY VISION SPECIAL REVENUE FUND
Year Ended June 30, 2013

	<u>Budgeted Amounts</u>			Variance with Final Budget
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	Positive (Negative)
Revenues:				
Occupational license taxes	\$ 3,583,946	\$ 3,583,946	\$ 4,004,241	\$ 420,295
Net profit license taxes	668,561	668,561	974,136	305,575
Interest	95,569	95,569	92,540	(3,029)
Fees, licenses and permits	20,400	20,400	34,540	14,140
Intergovernmental	68,888	935,101	798,107	(136,994)
Total revenues	<u>4,437,364</u>	<u>5,303,577</u>	<u>5,903,564</u>	<u>599,987</u>
Expenditures:				
Public works	1,481,229	2,865,579	2,260,295	605,284
Capital outlay	3,645,579	12,569,595	4,997,539	7,572,056
Total expenditures	<u>5,126,808</u>	<u>15,435,174</u>	<u>7,257,834</u>	<u>8,177,340</u>
Excess (deficiency) of revenues over expenditures	<u>(689,444)</u>	<u>(10,131,597)</u>	<u>(1,354,270)</u>	<u>8,777,327</u>
Other financing sources (uses):				
Issuance of debt	-	4,002,345	(80,314)	(4,082,659)
Transfers in	-	50,000	50,000	-
Transfers out	(1,980,181)	(764,354)	(726,115)	38,239
Total other financing sources (uses)	<u>(1,980,181)</u>	<u>3,287,991</u>	<u>(756,429)</u>	<u>(4,044,420)</u>
Net change in fund balances	(2,669,625)	(6,843,606)	(2,110,699)	4,732,907
Fund balances, beginning of year	<u>9,081,165</u>	<u>9,081,165</u>	<u>9,081,165</u>	<u>-</u>
Fund balances, end of year	<u>\$ 6,411,540</u>	<u>\$ 2,237,559</u>	<u>\$ 6,970,466</u>	<u>\$ 4,732,907</u>

CITY OF OWENSBORO, KENTUCKY
BUDGETARY COMPARISON SCHEDULE
DOWNTOWN DEVELOPMENT AND REVITALIZATION FUND
Year Ended June 30, 2013

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Regulatory license taxes	\$ 3,883,815	\$ 3,883,815	\$ 3,161,628	\$ (722,187)
Interest	-	-	136,340	136,340
Miscellaneous	-	-	39,712	39,712
Total revenues	<u>3,883,815</u>	<u>3,883,815</u>	<u>3,337,680</u>	<u>(546,135)</u>
Expenditures:				
Community/economic development	-	2,456,100	1,898,169	557,931
Capital outlay	-	37,316,505	19,779,620	17,536,885
Issuance costs	-	-	129,536	(129,536)
Total expenditures	<u>-</u>	<u>39,772,605</u>	<u>21,807,325</u>	<u>17,965,280</u>
Excess (deficiency) of revenues over expenditures	<u>3,883,815</u>	<u>(35,888,790)</u>	<u>(18,469,645)</u>	<u>17,419,145</u>
Other financing sources (uses):				
Sale of capital assets	-	-	-	-
Issuance of debt	20,000,000	22,305,000	22,854,639	549,639
Discount on bonds issued	-	-	(17,279)	(17,279)
Premium on bonds issued	-	-	135,476	135,476
Transfers out	<u>(2,408,575)</u>	<u>(3,392,588)</u>	<u>(3,392,588)</u>	<u>-</u>
Total other financing sources (uses)	<u>17,591,425</u>	<u>18,912,412</u>	<u>19,580,248</u>	<u>667,836</u>
Net change in fund balances	21,475,240	(16,976,378)	1,110,603	18,086,981
Fund balances, beginning of year	<u>24,563,361</u>	<u>24,563,361</u>	<u>24,563,361</u>	<u>-</u>
Fund balances, end of year	<u>\$ 46,038,601</u>	<u>\$ 7,586,983</u>	<u>\$ 25,673,964</u>	<u>\$ 18,086,981</u>

CITY OF OWENSBORO, KENTUCKY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (RSI)
ON BUDGETARY ACCOUNTING AND CONTROL
Year Ended June 30, 2013

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, 2013

	Special Revenue					Capital Projects					Total Nonmajor Governmental Funds
	Community Development Fund	Greenbelt Fund	Property Recovery Fund	Economic Development Fund	Total Special Revenue Funds	Riverfront Development Fund	Capital Improvements Fund	Wellness Fund	Total Capital Projects Funds		
ASSETS											
Equity in pooled deposits and investments	\$ -	\$ 53,603	\$ 365,457	\$ 6,347,164	\$ 6,766,224	\$ 536,682	\$ 7,703,147	\$ 2,706	\$ 8,242,535	\$ 15,008,759	
Cash and cash equivalents:											
With escrow agents	-	-	-	2,163	2,163	-	1,826	-	1,826	3,989	
Accounts receivable	153,000	-	15,647	-	168,647	-	-	-	-	168,647	
Taxes receivable	-	-	-	136,419	136,419	-	-	-	-	136,419	
Intergovernmental receivable	123,274	-	50,000	-	173,274	-	67,780	-	67,780	241,054	
Prepaid items	-	-	3,312	-	3,312	-	-	-	-	3,312	
Total assets	\$ 276,274	\$ 53,603	\$ 434,416	\$ 6,485,746	\$ 7,250,039	\$ 536,682	\$ 7,772,753	\$ 2,706	\$ 8,312,141	\$ 15,562,180	
LIABILITIES AND FUND BALANCES											
Liabilities:											
Accounts payable	\$ 90,267	\$ -	\$ 71,635	\$ 492,367	\$ 654,269	\$ -	\$ 37,291	\$ -	\$ 37,291	\$ 691,560	
Accrued wages	-	-	4,325	-	4,325	-	-	-	-	4,325	
Intergovernmental payable	185,394	-	-	-	185,394	-	-	-	-	185,394	
Deferred revenue	613	-	-	140,011	140,624	-	-	-	-	140,624	
Total liabilities	276,274	-	75,960	632,378	984,612	-	37,291	-	37,291	1,021,903	
Fund balances:											
Nonspendable	-	-	-	-	-	-	-	-	-	-	
Restricted	-	-	358,456	5,321,950	5,680,406	536,682	7,169,520	2,706	7,708,908	13,389,314	
Committed	-	53,603	-	531,418	585,021	-	565,942	-	565,942	1,150,963	
Assigned	-	-	-	-	-	-	-	-	-	-	
Unassigned	-	-	-	-	-	-	-	-	-	-	
Total fund balances	-	53,603	358,456	5,853,368	6,265,427	536,682	7,735,462	2,706	8,274,850	14,540,277	
Total liabilities and fund balances	\$ 276,274	\$ 53,603	\$ 434,416	\$ 6,485,746	\$ 7,250,039	\$ 536,682	\$ 7,772,753	\$ 2,706	\$ 8,312,141	\$ 15,562,180	

CITY OF OWENSBORO, KENTUCKY
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
 Year Ended June 30, 2013

	Special Revenue										Capital Projects				Total Nonmajor Governmental Funds				
	Community Development Fund		Greenbelt Fund		Drug and Property Recovery Fund		Economic Development Fund		Total Special Revenue Funds		Riverfront Development Fund		Capital Improvements Fund			Wellness Fund		Total Capital Projects Funds	
Revenues:																			
Real and personal property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 241,534	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 241,534
Occupational license taxes	-	-	-	-	-	-	-	-	895,235	-	-	-	-	-	-	-	-	-	895,235
Net profit license taxes	-	-	-	-	-	-	-	-	13,811	-	-	-	-	-	-	-	-	-	13,811
Regulatory license taxes	-	-	-	-	-	-	-	-	162,283	-	-	-	-	-	-	-	-	-	162,283
Intergovernmental	896,559	-	-	119,622	-	-	-	-	1,016,181	16,971	-	165,700	-	-	-	-	-	182,671	1,198,852
Investment earnings	-	-	-	3,905	-	-	-	-	52,955	-	-	62,112	-	-	46	-	-	62,158	115,113
Rentals	11,840	-	-	-	-	-	-	-	698,646	-	-	-	-	-	-	-	-	-	698,646
Contributions and donations	-	-	-	14,624	-	-	-	-	14,624	-	-	-	-	-	-	-	-	-	14,624
Other	2,227	-	-	287,181	-	-	-	-	289,408	-	-	95,748	-	-	-	-	-	95,748	385,156
Total revenues	910,626	638	425,332	2,048,081	3,384,677	16,971	323,560	46	3,725,254	16,971	323,560	46	3,725,254	16,971	323,560	46	3,725,254	16,971	3,725,254
Expenditures:																			
Current:																			
General government	-	-	-	-	-	-	-	-	-	-	14,522	-	-	-	-	-	-	-	14,522
Public safety	-	-	344,297	-	-	-	-	-	344,297	-	-	10,075	-	-	-	-	-	-	354,372
Public works	566,180	-	-	-	-	-	-	-	566,180	-	1	-	-	-	-	-	-	-	566,181
Community and cultural	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Community/economic development	580,281	-	-	1,063,484	-	-	-	-	1,643,765	-	-	-	-	-	-	-	-	-	1,643,765
Capital outlay	-	-	74,385	1,165,824	-	-	-	-	1,240,209	105,061	915,874	84,075	-	-	-	-	-	-	2,345,219
Debt service:																			
Issuance costs	-	-	-	37,327	-	-	-	-	37,327	-	39,768	-	-	-	-	-	-	-	77,095
Total expenditures	1,146,461	-	418,682	2,266,635	3,831,778	105,061	980,240	84,075	5,001,154	105,061	980,240	84,075	5,001,154	105,061	980,240	84,075	5,001,154	105,061	5,001,154
Excess of revenues over (under) expenditures	(235,835)	638	6,650	(218,554)	(447,101)	(88,090)	(656,680)	(84,029)	(1,275,900)	(88,090)	(656,680)	(84,029)	(1,275,900)	(88,090)	(656,680)	(84,029)	(1,275,900)	(88,090)	(1,275,900)
Other financing sources (uses):																			
Sale of capital assets	235,835	-	21,335	-	257,170	-	-	-	257,170	-	-	-	-	-	-	-	-	-	257,170
Issuance of debt	-	-	-	6,350,000	6,350,000	-	-	-	6,350,000	-	6,904,028	-	-	-	-	-	-	-	13,254,028
Refunding bonds issued	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Payment to bond refunding escrow	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Discount on bonds issued	-	-	-	(110,510)	(110,510)	-	-	-	(110,510)	-	(51,434)	-	-	-	-	-	-	-	(161,944)
Transfers in	-	-	18,600	-	18,600	-	-	-	18,600	-	75,000	-	-	-	-	-	-	-	93,600
Transfers out	-	-	(100)	(659,560)	(659,660)	-	-	-	(659,660)	-	-	-	-	-	-	-	-	-	(678,361)
Total other financing sources (uses)	235,835	-	39,835	5,579,930	5,855,600	-	6,927,594	(18,701)	12,764,493	-	6,927,594	(18,701)	12,764,493	-	6,927,594	(18,701)	12,764,493	-	12,764,493
Net change in fund balances	-	638	46,485	5,361,376	5,408,499	(88,090)	6,270,914	(102,730)	11,488,593	(88,090)	6,270,914	(102,730)	11,488,593	(88,090)	6,270,914	(102,730)	11,488,593	(88,090)	11,488,593
Fund balances, beginning of year	-	52,965	311,971	491,992	856,928	624,772	1,464,548	105,436	3,051,684	624,772	1,464,548	105,436	3,051,684	624,772	1,464,548	105,436	3,051,684	624,772	3,051,684
Fund balances, end of year	\$ -	\$ 53,603	\$ 358,456	\$ 5,853,368	\$ 6,265,427	\$ 536,682	\$ 7,735,462	\$ 2,706	\$ 8,274,850	\$ 536,682	\$ 7,735,462	\$ 2,706	\$ 8,274,850	\$ 536,682	\$ 7,735,462	\$ 2,706	\$ 8,274,850	\$ 536,682	\$ 8,274,850

CITY OF OWENSBORO, KENTUCKY
BUDGETARY COMPARISON SCHEDULE
COMMUNITY DEVELOPMENT SPECIAL REVENUE FUND
Year Ended June 30, 2013

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Intergovernmental	\$ 647,534	\$ 1,517,080	\$ 896,559	\$ (620,521)
Rentals	7,500	7,500	11,840	4,340
Miscellaneous	-	-	2,227	2,227
Total revenues	<u>655,034</u>	<u>1,524,580</u>	<u>910,626</u>	<u>(613,954)</u>
Expenditures:				
Public works	433,536	1,011,163	566,180	444,983
Community/economic development	<u>221,498</u>	<u>813,417</u>	<u>580,281</u>	<u>233,136</u>
Total expenditures	<u>655,034</u>	<u>1,824,580</u>	<u>1,146,461</u>	<u>678,119</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>(300,000)</u>	<u>(235,835)</u>	<u>64,165</u>
Other financing sources (uses):				
Sale of capital assets	<u>-</u>	<u>300,000</u>	<u>235,835</u>	<u>(64,165)</u>
Net change in fund balances	-	-	-	-
Fund balances, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF OWENSBORO, KENTUCKY
BUDGETARY COMPARISON SCHEDULE
GREENBELT SPECIAL REVENUE FUND
Year Ended June 30, 2013

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Positive (Negative)
Revenues:				
Intergovernmental	\$ -	\$ -	\$ -	\$ -
Interest	-	-	638	638
Total revenues	-	-	638	638
Expenditures:				
Capital outlay	-	-	-	-
Total expenditures	-	-	-	-
Excess (deficiency) of revenues over expenditures	-	-	638	638
Other financing sources (uses):				
Transfers in	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balances	-	-	638	638
Fund balances, beginning of year	52,965	52,965	52,965	-
Fund balances, end of year	<u>\$ 52,965</u>	<u>\$ 52,965</u>	<u>\$ 53,603</u>	<u>\$ 638</u>

CITY OF OWENSBORO, KENTUCKY
BUDGETARY COMPARISON SCHEDULE
DRUG AND PROPERTY RECOVERY SPECIAL REVENUE FUND
Year Ended June 30, 2013

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Intergovernmental	\$ -	\$ 108,926	\$ 119,622	\$ 10,696
Interest	5,100	5,100	3,905	(1,195)
Donations	22,369	22,369	14,624	(7,745)
Restitution and other income	61,300	61,300	287,181	225,881
Total revenues	<u>88,769</u>	<u>197,695</u>	<u>425,332</u>	<u>227,637</u>
Expenditures:				
Public safety	149,837	259,728	344,297	(84,569)
Capital outlay	-	74,414	74,385	29
Total expenditures	<u>149,837</u>	<u>334,142</u>	<u>418,682</u>	<u>(84,540)</u>
Excess (deficiency) of revenues over expenditures	<u>(61,068)</u>	<u>(136,447)</u>	<u>6,650</u>	<u>143,097</u>
Other financing sources (uses):				
Sale of capital assets	3,500	3,500	21,335	17,835
Transfers in	-	18,600	18,600	-
Transfers out	(25,000)	(25,100)	(100)	25,000
Total other financing sources (uses)	<u>(21,500)</u>	<u>(3,000)</u>	<u>39,835</u>	<u>42,835</u>
Net change in fund balances	(82,568)	(139,447)	46,485	185,932
Fund balances, beginning of year	<u>311,971</u>	<u>311,971</u>	<u>311,971</u>	<u>-</u>
Fund balances, end of year	<u>\$ 229,403</u>	<u>\$ 172,524</u>	<u>\$ 358,456</u>	<u>\$ 185,932</u>

CITY OF OWENSBORO, KENTUCKY
BUDGETARY COMPARISON SCHEDULE
ECONOMIC DEVELOPMENT SPECIAL REVENUE FUND
Year Ended June 30, 2013

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Real and personal property taxes	\$ 199,130	\$ 199,130	\$ 241,534	\$ 42,404
Occupational licenses	710,394	710,394	895,235	184,841
Net profit license fee	33,108	33,108	13,811	(19,297)
Regulatory licenses	150,000	150,000	162,283	12,283
Interest	10,000	10,000	48,412	38,412
Rentals	892,164	892,164	686,806	(205,358)
Total revenues	<u>1,994,796</u>	<u>1,994,796</u>	<u>2,048,081</u>	<u>53,285</u>
Expenditures:				
Community/economic development	1,138,512	1,168,441	1,063,484	104,957
Capital outlay	-	7,580,085	1,165,824	6,414,261
Issuance costs	-	-	37,327	(37,327)
Total expenditures	<u>1,138,512</u>	<u>8,748,526</u>	<u>2,266,635</u>	<u>6,481,891</u>
Excess (deficiency) of revenues over expenditures	<u>856,284</u>	<u>(6,753,730)</u>	<u>(218,554)</u>	<u>6,535,176</u>
Other financing sources (uses):				
Issuance of debt	-	7,500,000	6,350,000	(1,150,000)
Discount on bonds issued	-	-	(110,510)	(110,510)
Transfers out	(734,561)	(734,561)	(659,560)	75,001
Total other financing sources (uses)	<u>(734,561)</u>	<u>6,765,439</u>	<u>5,579,930</u>	<u>(1,185,509)</u>
Net change in fund balances	121,723	11,709	5,361,376	5,349,667
Fund balances, beginning of year	<u>491,992</u>	<u>491,992</u>	<u>491,992</u>	<u>-</u>
Fund balances, end of year	<u>\$ 613,715</u>	<u>\$ 503,701</u>	<u>\$ 5,853,368</u>	<u>\$ 5,349,667</u>

CITY OF OWENSBORO, KENTUCKY
COMBINING STATEMENT OF NET POSITION
NONMAJOR ENTERPRISE FUNDS
June 30, 2013

	Enterprise Funds			
	Transit Fund	Geographic Information System Fund	Recreation Fund	Total Nonmajor Enterprise Funds
ASSETS				
Current assets:				
Equity in pooled deposits and investments	\$ -	\$ 45,562	\$ 574,046	\$ 619,608
Cash and cash equivalents:				
In segregated accounts	100	-	7,760	7,860
Accounts receivable	50	35,518	37,528	73,096
Component units receivable	-	18,044	-	18,044
Intergovernmental receivable	384,312	-	-	384,312
Materials and supplies inventory	-	-	33,106	33,106
Prepaid expenses	-	712	1,200	1,912
Total current assets	384,462	99,836	653,640	1,137,938
Noncurrent assets:				
Capital assets, net of accumulated depreciation:				
Land	-	-	105,739	105,739
Construction in progress	134,201	34,506	-	168,707
Depreciable capital assets	1,718,809	8,647	109,505	1,836,961
Total noncurrent assets	1,853,010	43,153	215,244	2,111,407
Total assets	\$ 2,237,472	\$ 142,989	\$ 868,884	\$ 3,249,345
LIABILITIES AND NET POSITION				
Current liabilities:				
Accounts payable	\$ 38,661	\$ 1,904	\$ 102,588	\$ 143,153
Accrued liabilities	32,725	10,071	50,114	92,910
Intergovernmental payable	35,819	-	-	35,819
Unearned revenue	-	-	10,773	10,773
Long-term liabilities:				
Due within one year	6,338	-	2,776	9,114
Total current liabilities	113,543	11,975	166,251	291,769
Non-current liabilities:				
Due in more than one year	58,563	52,285	104,029	214,877
Total non-current liabilities	58,563	52,285	104,029	214,877
Total liabilities	172,106	64,260	270,280	506,646
Net position:				
Invested in capital assets	1,853,010	43,153	215,244	2,111,407
Unrestricted	212,356	35,576	383,360	631,292
Total net position	2,065,366	78,729	598,604	2,742,699
Total liabilities and net position	\$ 2,237,472	\$ 142,989	\$ 868,884	\$ 3,249,345

CITY OF OWENSBORO, KENTUCKY
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
NONMAJOR ENTERPRISE FUNDS
Year Ended June 30, 2013

	Enterprise Funds			
	Transit Fund	Geographic Information System Fund	Recreation Fund	Total Nonmajor Enterprise Funds
Operating revenues:				
Charges for services	\$ 128,560	\$ 249,710	\$ 1,783,572	\$ 2,161,842
Miscellaneous income	-	-	2,940	2,940
Total operating revenues	<u>128,560</u>	<u>249,710</u>	<u>1,786,512</u>	<u>2,164,782</u>
Operating expenses:				
Salaries, wages, and benefits	984,544	309,323	1,188,351	2,482,218
Maintenance	228,952	1,608	694,948	925,508
Utilities	19,745	4,230	245,941	269,916
Supplies	266,619	117	379,100	645,836
Other	229,690	17,957	353,035	600,682
Depreciation	433,224	2,994	34,019	470,237
Total operating expenses	<u>2,162,774</u>	<u>336,229</u>	<u>2,895,394</u>	<u>5,394,397</u>
Operating loss	<u>(2,034,214)</u>	<u>(86,519)</u>	<u>(1,108,882)</u>	<u>(3,229,615)</u>
Nonoperating revenues (expenses):				
Gain (loss) on sale of capital assets	2,257	-	5,800	8,057
Intergovernmental	-	-	-	-
Investment earnings	-	477	-	477
Other debt service expense	-	-	-	-
Operating grants	585,334	-	-	585,334
Total nonoperating revenues	<u>587,591</u>	<u>477</u>	<u>5,800</u>	<u>593,868</u>
Loss before contributions and transfers	(1,446,623)	(86,042)	(1,103,082)	(2,635,747)
Capital contributions - grants	1,471,164	-	-	1,471,164
Transfers in	613,606	95,183	929,760	1,638,549
Transfers out	-	-	(14,970)	(14,970)
Change in net position	638,147	9,141	(188,292)	458,996
Net position, beginning of year	<u>1,427,219</u>	<u>69,588</u>	<u>786,896</u>	<u>2,283,703</u>
Net position, end of year	<u>\$ 2,065,366</u>	<u>\$ 78,729</u>	<u>\$ 598,604</u>	<u>\$ 2,742,699</u>

CITY OF OWENSBORO, KENTUCKY
COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
Year Ended June 30, 2013

	Enterprise Funds			
	Transit Fund	Geographic Information System Fund	Recreation Fund	Total Nonmajor Enterprise Funds
Cash flows from operating activities:				
Cash received from customers	\$ 130,370	\$ 219,822	\$ 1,788,912	\$ 2,139,104
Cash payments to employees for services	(975,205)	(307,798)	(1,199,243)	(2,482,246)
Cash payments to suppliers	(715,477)	(24,975)	(1,628,960)	(2,369,412)
Cash payments for interfund services used	35,819	-	-	35,819
Net cash used in operating activities	<u>(1,524,493)</u>	<u>(112,951)</u>	<u>(1,039,291)</u>	<u>(2,676,735)</u>
Cash flows from noncapital financing activities:				
Operating grants	531,688	-	-	531,688
Intergovernmental contributions	1,241,429	-	-	1,241,429
Transfers in	613,606	95,183	929,760	1,638,549
Transfers out	-	-	(14,970)	(14,970)
Net cash provided by noncapital financing activities	<u>2,386,723</u>	<u>95,183</u>	<u>914,790</u>	<u>3,396,696</u>
Cash flows from capital and related financing activities:				
Proceeds from sale of capital assets	2,257	-	5,800	8,057
Capital contributions - grants	-	-	-	-
Payments for capital acquisitions	(1,089,938)	(34,506)	(32,252)	(1,156,696)
Net cash used in capital and related financing activities	<u>(1,087,681)</u>	<u>(34,506)</u>	<u>(26,452)</u>	<u>(1,148,639)</u>
Cash flows from investing activities:				
Interest on investments	-	477	-	477
Net decrease in cash and cash equivalents	(225,451)	(51,797)	(150,953)	(428,201)
Cash and cash equivalents, beginning of year	<u>225,551</u>	<u>97,359</u>	<u>732,759</u>	<u>1,055,669</u>
Cash and cash equivalents, end of year	<u>\$ 100</u>	<u>\$ 45,562</u>	<u>\$ 581,806</u>	<u>\$ 627,468</u>
Reconciliation of operating loss to net cash used in operating activities:				
Operating loss	\$ (2,034,214)	\$ (86,519)	\$ (1,108,882)	\$ (3,229,615)
Adjustments to reconcile operating loss to net cash used in operating activities:				
Depreciation	433,224	2,994	34,019	470,237
Change in assets and liabilities:				
(Increase) decrease in assets:				
Accounts receivable	1,810	(29,888)	212	(27,866)
Component unit receivable	-	-	-	-
Materials and supplies inventory	-	-	(6,984)	(6,984)
Prepaid expenses	-	(712)	(1,200)	(1,912)
Increase (decrease) in liabilities:				
Accounts payable	29,529	(351)	52,248	81,426
Unearned revenue	-	-	2,188	2,188
Accrued liabilities	3,237	194	(2,982)	449
Compensated absences	6,102	1,331	(7,910)	(477)
Interfund payables	35,819	-	-	35,819
Net cash used in operating activities	<u>\$ (1,524,493)</u>	<u>\$ (112,951)</u>	<u>\$ (1,039,291)</u>	<u>\$ (2,676,735)</u>



CITY OF OWENSBORO, KENTUCKY
COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS
June 30, 2013

	Governmental Activities				Total Internal Service Funds
	Internal Service Funds				
	Facilities Maintenance Fund	Insurance Fund	Garage Service Fund	Fleet and Facilities Fund	
ASSETS					
Current assets:					
Equity in pooled deposits and investments	\$ 990,328	\$ 1,469,089	\$ 505,709	\$ 4,392,305	\$ 7,357,431
Cash and cash equivalents:					
In segregated accounts	-	-	-	-	-
Accounts receivable	3,683	-	-	-	3,683
Material and supplies inventory	-	-	85,025	-	85,025
Prepaid expenses	-	30,035	-	-	30,035
Total current assets	<u>994,011</u>	<u>1,499,124</u>	<u>590,734</u>	<u>4,392,305</u>	<u>7,476,174</u>
Noncurrent assets:					
Capital assets, net of accumulated depreciation:					
Construction in progress	1,875	-	-	88,674	90,549
Depreciable capital assets	129,907	-	-	2,335,591	2,465,498
Total noncurrent assets	<u>131,782</u>	<u>-</u>	<u>-</u>	<u>2,424,265</u>	<u>2,556,047</u>
Total assets	<u>\$ 1,125,793</u>	<u>\$ 1,499,124</u>	<u>\$ 590,734</u>	<u>\$ 6,816,570</u>	<u>\$ 10,032,221</u>
LIABILITIES AND NET POSITION					
Current liabilities:					
Accounts payable	\$ 166,243	\$ 908,107	\$ 60,634	\$ 186,555	\$ 1,321,539
Accrued liabilities	51,222	-	15,813	-	67,035
Total liabilities	<u>217,465</u>	<u>908,107</u>	<u>76,447</u>	<u>186,555</u>	<u>1,388,574</u>
Net position:					
Invested in capital assets	129,907	-	-	2,335,591	2,465,498
Unrestricted	778,421	591,017	514,287	4,294,424	6,178,149
Total net position	<u>908,328</u>	<u>591,017</u>	<u>514,287</u>	<u>6,630,015</u>	<u>8,643,647</u>
Total liabilities and net position	<u>\$ 1,125,793</u>	<u>\$ 1,499,124</u>	<u>\$ 590,734</u>	<u>\$ 6,816,570</u>	<u>\$ 10,032,221</u>

CITY OF OWENSBORO, KENTUCKY
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
INTERNAL SERVICE FUNDS
Year Ended June 30, 2013

	Governmental Activities Internal Service Funds				Total Internal Service Funds
	Facilities Maintenance Fund	Insurance Fund	Garage Service Fund	Fleet and Facilities Fund	
Operating revenues:					
Charges for services	\$ 3,539,619	\$ 4,884,419	\$ 1,270,325	\$ 1,732,934	\$ 11,427,297
Miscellaneous income	-	-	-	-	-
Total operating revenues	3,539,619	4,884,419	1,270,325	1,732,934	11,427,297
Operating expenses:					
Salaries, wages, and benefits	1,727,515	-	524,925	-	2,252,440
Maintenance	1,350,966	-	39,589	126,776	1,517,331
Utilities	16,349	-	10,950	-	27,299
Administrative	-	321,054	-	-	321,054
Supplies	240,705	-	586,902	-	827,607
Other	33,651	-	5,936	-	39,587
Claims	-	4,364,499	-	-	4,364,499
Depreciation	7,229	-	-	694,941	702,170
Total operating expenses	3,376,415	4,685,553	1,168,302	821,717	10,051,987
Operating income	163,204	198,866	102,023	911,217	1,375,310
Nonoperating revenues:					
Gain on sale of capital assets	-	-	-	28,978	28,978
Investment earnings	-	18,536	-	53,653	72,189
Grants	-	-	-	-	-
Total nonoperating revenues	-	18,536	-	82,631	101,167
Income before transfers	163,204	217,402	102,023	993,848	1,476,477
Transfers out	(70,000)	-	(130,250)	(120,000)	(320,250)
Change in net position	93,204	217,402	(28,227)	873,848	1,156,227
Net position, beginning of year	815,124	373,615	542,514	5,756,167	7,487,420
Net position, end of year	\$ 908,328	\$ 591,017	\$ 514,287	\$ 6,630,015	\$ 8,643,647

CITY OF OWENSBORO, KENTUCKY
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
Year Ended June 30, 2013

	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	\$ 3,537,897	\$ 4,884,419	\$ 1,270,325	\$ 1,732,934	\$ 11,425,575
Cash payments to employees for services	(1,721,882)	-	(525,537)	-	(2,247,419)
Cash payments to suppliers	(1,582,609)	(159,760)	(676,255)	36,588	(2,382,036)
Cash payments for claims	-	(4,364,499)	-	-	(4,364,499)
Net cash provided by operating activities	<u>233,406</u>	<u>360,160</u>	<u>68,533</u>	<u>1,769,522</u>	<u>2,431,621</u>
Cash flows from noncapital financing activities:					
Grants	-	-	-	-	-
Transfers out	(70,000)	-	(130,250)	(120,000)	(320,250)
Net cash used in noncapital financing activities	<u>(70,000)</u>	<u>-</u>	<u>(130,250)</u>	<u>(120,000)</u>	<u>(320,250)</u>
Cash flows from capital and related financing activities:					
Proceeds from sale of capital assets	-	-	-	30,988	30,988
Payments for capital acquisitions	(31,144)	-	-	(1,173,719)	(1,204,863)
Net cash used in capital and related financing activities	<u>(31,144)</u>	<u>-</u>	<u>-</u>	<u>(1,142,731)</u>	<u>(1,173,875)</u>
Cash flows from investing activities:					
Interest on investments	-	18,536	-	53,653	72,189
Net increase (decrease) in cash and cash equivalents	<u>132,262</u>	<u>378,696</u>	<u>(61,717)</u>	<u>560,444</u>	<u>1,009,685</u>
Cash and cash equivalents, beginning of year	<u>858,066</u>	<u>1,090,393</u>	<u>567,426</u>	<u>3,831,861</u>	<u>6,347,746</u>
Cash and cash equivalents, end of year	<u>\$ 990,328</u>	<u>\$ 1,469,089</u>	<u>\$ 505,709</u>	<u>\$ 4,392,305</u>	<u>\$ 7,357,431</u>
Reconciliation of operating income to net cash provided by operating activities:					
Operating income	\$ 163,204	\$ 198,866	\$ 102,023	\$ 911,217	\$ 1,375,310
Adjustments to reconcile operating income to net cash provided by operating activities:					
Depreciation	7,229	-	-	694,941	702,170
Change in assets and liabilities:					
(Increase) decrease in assets:					
Accounts receivable	(1,722)	-	-	-	(1,722)
Materials and supplies inventory	-	-	(42,215)	-	(42,215)
Prepaid expenses	-	(9,264)	-	-	(9,264)
Increase (decrease) in liabilities:					
Accounts payable	59,062	170,558	(612)	163,364	392,372
Accrued liabilities	5,633	-	9,337	-	14,970
Net cash provided by operating activities	<u>\$ 233,406</u>	<u>\$ 360,160</u>	<u>\$ 68,533</u>	<u>\$ 1,769,522</u>	<u>\$ 2,431,621</u>



CITY OF OWENSBORO, KENTUCKY
COMBINING STATEMENT OF FIDUCIARY NET POSITION
PENSION TRUST FUNDS

June 30, 2013

	<u>City Employees' Pension Fund</u>	<u>Police and Firefighters' Retirement Fund</u>	<u>Total Pension Trust Funds</u>
ASSETS			
Equity in pooled deposits and investments	\$ 1,450,452	\$ 3,641,784	\$ 5,092,236
Cash and cash equivalents	38,539	-	38,539
Cash and cash equivalents, restricted	-	9,356	9,356
Interest receivable	-	1,604	1,604
Investments, at fair value	2,155,747	-	2,155,747
Investments at fair value, restricted	-	763,796	763,796
Total assets	<u>3,644,738</u>	<u>4,416,540</u>	<u>8,061,278</u>
LIABILITIES			
Pension payable	18,493	78,108	96,601
Other	740	667	1,407
Total liabilities	<u>19,233</u>	<u>78,775</u>	<u>98,008</u>
NET POSITION			
Held in trust for pension benefits	3,625,505	3,563,009	7,188,514
Restricted for debt service	-	774,756	774,756
Total net position	<u>\$ 3,625,505</u>	<u>\$ 4,337,765</u>	<u>\$ 7,963,270</u>

CITY OF OWENSBORO, KENTUCKY
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
PENSION TRUST FUNDS
Year Ended June 30, 2013

	City Employees' Pension Fund	Police and Firefighters' Retirement Fund	Total Pension Trust Funds
	<u> </u>	<u> </u>	<u> </u>
Additions:			
Contributions:			
Employer	\$ -	\$ -	\$ -
Other	-	6,120	6,120
	<u> </u>	<u> </u>	<u> </u>
Total contributions	-	6,120	6,120
	<u> </u>	<u> </u>	<u> </u>
Investment earnings:			
Net appreciation (depreciation) in fair value of investments	305,588	67,290	372,878
Interest	43,085	68,310	111,395
	<u> </u>	<u> </u>	<u> </u>
Total investment earnings	348,673	135,600	484,273
	<u> </u>	<u> </u>	<u> </u>
Less investment expense	18,820	6,305	25,125
	<u> </u>	<u> </u>	<u> </u>
Net investment earnings	329,853	129,295	459,148
	<u> </u>	<u> </u>	<u> </u>
Total additions	329,853	135,415	465,268
	<u> </u>	<u> </u>	<u> </u>
Deductions:			
Benefits	456,696	942,415	1,399,111
Operating transfer to Debt Service Fund	-	313,920	313,920
	<u> </u>	<u> </u>	<u> </u>
Total deductions	456,696	1,256,335	1,713,031
	<u> </u>	<u> </u>	<u> </u>
Change in net position	(126,843)	(1,120,920)	(1,247,763)
	<u> </u>	<u> </u>	<u> </u>
Net position, beginning of year	3,752,348	5,458,685	9,211,033
	<u> </u>	<u> </u>	<u> </u>
Net positions, end of year	\$ <u>3,625,505</u>	\$ <u>4,337,765</u>	\$ <u>7,963,270</u>

CITY OF OWENSBORO, KENTUCKY
COMBINING STATEMENT OF ASSETS AND LIABILITIES
AGENCY FUNDS
June 30, 2013

	County Occupational Tax Fund	School District Tax Fund	Total Agency Funds
ASSETS			
Equity in pooled deposits and investments	\$ 113,581	\$ -	\$ 113,581
Intergovernmental receivable	-	38,612	38,612
Total assets	\$ 113,581	\$ 38,612	\$ 152,193
LIABILITIES			
Other	\$ 113,581	\$ 38,612	\$ 152,193
Total liabilities	\$ 113,581	\$ 38,612	\$ 152,193

CITY OF OWENSBORO, KENTUCKY
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
Year Ended June 30, 2013

	<u>Balance</u> <u>June 30, 2012</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2013</u>
County Occupational Tax Fund				
Assets:				
Equity in pooled deposits and investments	\$ 80,518	\$ 1,811,490	\$ 1,778,427	\$ 113,581
Liabilities:				
Other	\$ 80,518	\$ 1,811,490	\$ 1,778,427	\$ 113,581
School District Tax Fund				
Assets:				
Intergovernmental receivable	\$ 40,228	\$ 10,000,166	\$ 10,001,782	\$ 38,612
Liabilities:				
Other	\$ 40,228	\$ 10,128,973	\$ 10,130,589	\$ 38,612
Total Agency Funds				
Assets:				
Equity in pooled deposits and investments	\$ 80,518	\$ 1,811,490	\$ 1,778,427	\$ 113,581
Intergovernmental receivable	40,228	10,000,166	10,001,782	38,612
Total assets	\$ 120,746	\$ 11,811,656	\$ 11,780,209	\$ 152,193
Liabilities:				
Other	\$ 120,746	\$ 11,940,463	\$ 11,909,016	\$ 152,193

CITY OF OWENSBORO, KENTUCKY
COMBINING STATEMENT OF NET POSITION
COMPONENT UNIT
OWENSBORO MUNICIPAL UTILITIES
June 30, 2013

	<u>Electric Light and Power System</u>	<u>Water Works System</u>	<u>Total</u>
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES			
Cash and cash equivalents:			
In segregated accounts	\$ 21,053,713	\$ 2,230,088	\$ 23,283,801
Temporary investments	-	-	-
Accounts receivable (less allowance of \$79,576 and \$8,684 for Electric and Water, respectively)	12,179,448	1,607,977	13,787,425
Material and supplies inventory	3,628,384	585,839	4,214,223
Prepaid items	229,842	118,153	347,995
Other current assets	-	-	-
Restricted assets	73,319,343	4,412,855	77,732,198
Capital assets, net of accumulated depreciation:	174,639,040	44,721,538	219,360,578
Other noncurrent assets:			
Deferred charges	<u>10,353,929</u>	<u>914,502</u>	<u>11,268,431</u>
Total assets	<u>295,403,699</u>	<u>54,590,952</u>	<u>349,994,651</u>
Deferred outflows of resources:			
Accumulated decrease in fair value of hedging derivatives	<u>3,911,603</u>	<u>-</u>	<u>3,911,603</u>
Total assets and deferred outflows of resources	\$ <u>299,315,302</u>	\$ <u>54,590,952</u>	\$ <u>353,906,254</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION			
Liabilities:			
Accounts payable	\$ 13,215,375	\$ 773,368	\$ 13,988,743
Accrued interest payable	1,633,485	248,015	1,881,500
Other payables	8,610,840	-	8,610,840
Deferred revenue	1,698,336	333,745	2,032,081
Customers' advances	-	276,895	276,895
Non-current liabilities:			
Long-term debt:			
Due within one year	17,566,845	595,000	18,161,845
Due in more than one year	141,054,874	23,405,896	164,460,770
Other	<u>1,601,229</u>	<u>-</u>	<u>1,601,229</u>
Total liabilities	<u>185,380,984</u>	<u>25,632,919</u>	<u>211,013,903</u>
Deferred inflows of resources:			
Accumulated increase in fair value of hedging derivatives	<u>-</u>	<u>-</u>	<u>-</u>
Net position:			
Net investment in capital assets	40,787,888	24,798,195	65,586,083
Restricted for:			
Capital projects	4,345,538	92,063	4,437,601
Debt service	16,687,320	571,710	17,259,030
Other purposes	17,976,867	-	17,976,867
Unrestricted	<u>34,136,705</u>	<u>3,496,065</u>	<u>37,632,770</u>
Total net position	<u>113,934,318</u>	<u>28,958,033</u>	<u>142,892,351</u>
Total liabilities, deferred inflows of resources, and net position	\$ <u>299,315,302</u>	\$ <u>54,590,952</u>	\$ <u>353,906,254</u>

CITY OF OWENSBORO, KENTUCKY
COMBINING STATEMENT OF ACTIVITIES
COMPONENT UNIT
OWENSBORO MUNICIPAL UTILITIES
Year Ended June 30, 2013

	Program Revenues		Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services and Sales	Capital Grants and Contributions	Electric Light and Power System	Water Works System	Total
Owensboro Municipal Utilities:						
Electric Light and Power System	\$ 142,420,961	\$ 142,294,779	\$ -	\$ (126,182)	\$ -	\$ (126,182)
Water Works System	10,360,968	9,948,355	141,409	-	(271,204)	(271,204)
Total Owensboro Municipal Utilities	\$ 152,781,929	\$ 152,243,134	\$ 141,409	(126,182)	(271,204)	(397,386)
General revenues:						
Earnings on investments			815,999		27,223	843,222
Deferred net change in fair value of investments			260,523		38,127	298,650
Miscellaneous			45,402		-	45,402
Total general revenues			1,121,924		65,350	1,187,274
Change in net position			995,742		(205,854)	789,888
Net position, beginning of year			112,938,576		29,163,887	142,102,463
Net position, end of year			\$ 113,934,318	\$ 28,958,033	\$	\$ 142,892,351

CITY OF OWENSBORO, KENTUCKY
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE BY SOURCE
 June 30, 2013

Governmental funds capital assets:	
Land	\$ 23,486,066
Construction in progress	44,381,070
Land improvements/infrastructure	135,251,801
Buildings	44,398,649
Vehicles	2,672,880
Equipment	5,944,749
Software	70,299
	<u>\$ 256,205,514</u>
Investment in governmental funds capital assets by source:	
General Fund	\$ 252,043,433
Community Development Fund	3,607,699
City of Owensboro Municipal Improvement Corporation	554,382
	<u>\$ 256,205,514</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 position.

CITY OF OWENSBORO, KENTUCKY
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE BY FUNCTION AND ACTIVITY
June 30, 2013

Function and Activity	Land	Construction in Progress	Land Improvements	Buildings	Vehicles	Equipment	Software	Total
General government:								
City manager, commissioners and legal	\$ 201,993	\$ -	\$ -	\$ 1,716,417	\$ -	\$ 138,911	\$ -	\$ 2,057,321
Finance	-	-	-	-	-	31,375	-	31,375
Personnel	-	-	-	-	-	13,545	-	13,545
Information services	-	-	-	82,124	-	391,615	-	473,739
Unallocated	3,662,589	-	6,125,079	24,622,158	21,388	1,829,384	70,299	36,330,897
Total general government	3,864,582	-	6,125,079	26,420,699	21,388	2,404,830	70,299	38,906,877
Public safety:								
Police	767,183	-	-	3,469,976	137,688	2,229,751	-	6,604,598
Fire	353,862	-	-	2,093,300	1,375,753	153,431	-	3,976,346
Total public safety	1,121,045	-	-	5,563,276	1,513,441	2,383,182	-	10,580,944
Public works:								
Engineering	-	-	-	-	-	47,054	-	47,054
Streets	4,305,872	-	42,926,623	1,003,460	9,703	167,835	-	48,413,493
Garage	22,500	-	-	173,527	-	96,580	-	292,607
Stormwater	-	-	-	-	76,877	82,290	-	159,167
Total public works	4,328,372	-	42,926,623	1,176,987	86,580	-	-	48,912,321
Community and cultural:								
Parks	3,240,261	-	2,439,329	9,229,973	-	143,096	-	15,052,659
Community services	-	-	-	-	-	-	-	-
Other agencies	1,431,095	-	1,570,727	1,160,259	-	-	-	4,162,081
Downtown revitalization	7,542,467	-	9,980,987	-	-	11,035	-	17,534,489
Your community vision	1,958,244	-	72,209,056	847,455	1,051,471	608,847	-	76,675,073
Total community and cultural	14,172,067	-	86,200,099	11,237,687	1,051,471	762,978	-	113,424,302
Construction in Progress	-	44,381,070	-	-	-	-	-	44,381,070
Total governmental funds capital assets	\$ 23,486,066	44,381,070	\$ 135,251,801	\$ 44,398,649	\$ 2,672,880	\$ 5,944,749	\$ 70,299	\$ 256,205,514

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 position.

CITY OF OWENSBORO, KENTUCKY
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE OF CHANGES BY FUNCTION AND ACTIVITY
June 30, 2013

Function and Activity	Governmental Funds Capital Assets June 30, 2012	Additions	Deductions	Governmental Funds Capital Assets June 30, 2013
General government:				
City manager, commissioners and legal	\$ 2,057,321	\$ -	\$ -	\$ 2,057,321
Finance	31,375	-	-	31,375
Personnel	13,545	-	-	13,545
Information technology	556,868	-	(83,129)	473,739
Unallocated	35,545,734	785,163	-	36,330,897
Total general government	38,204,843	785,163	(83,129)	38,906,877
Public safety:				
Police	6,363,743	240,855	-	6,604,598
Fire	4,138,395	8,500	(170,549)	3,976,346
Total public safety	10,502,138	249,355	(170,549)	10,580,944
Public works:				
Engineering	47,054	-	-	47,054
Streets	48,090,409	323,084	-	48,413,493
Garage	292,607	-	-	292,607
Stormwater	159,167	-	-	159,167
Total public works	48,589,237	323,084	-	48,912,321
Community and cultural:				
Parks	15,052,659	-	-	15,052,659
Community services	-	-	-	-
Other agencies	3,682,151	529,713	(49,783)	4,162,081
Downtown revitalization	17,164,343	370,146	-	17,534,489
Your community vision	70,481,851	6,272,719	(79,497)	76,675,073
Total community and cultural	106,381,004	7,172,578	(129,280)	113,424,302
Construction in progress	28,984,650	22,445,176	(7,048,756)	44,381,070
Total governmental funds capital assets	\$ 232,661,872	\$ 30,975,356	\$ (7,431,714)	\$ 256,205,514

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 position.





CITY OF OWENSBORO GENERAL INFORMATION



The City

Owensboro, originally known as “Yellow Banks” 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 the settlement population 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 fourth largest city in terms of population and is the industrial and cultural capital of western Kentucky.



In 2013, Owensboro was named an All-American City by the National Civic League, one of only ten communities selected nationwide. Forbes magazine ranked Owensboro #6 on their 2013 “Best Small Cities For Jobs” rankings and #62 “Best Small Places for Business and Careers”, including a #24 in job growth and #37 ranking for “Low Cost of Doing Business”. Other recent national recognitions include being named Kentucky’s representative on the “America’s Best Place to Raise Your Kids” 2009 list in BusinessWeek magazine and July 2010 Money magazine #93 ranking on their Top 100 list of “America’s Best Places to Live”. Owensboro was the only Kentucky city selected for the list, which considered cities with populations of 50,000 to 300,000. Both magazines utilized statistics from data services company Onboard Informatics to compile information for their lists.

Location

Owensboro is the county seat of Daviess County, Kentucky. It lies on the southern banks of the 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 recently improved section of U.S. Highway 231 in southern Indiana completes a 4-lane direct link through Owensboro from Interstate 64 in Indiana to Interstate 65 in southern Kentucky.



Industry and Economic Development

Owensboro has emerged as a major economic hub of western Kentucky, attracting major manufacturing processors in industries such as aluminum, automobile parts, uniforms, paper, food, and tobacco. Locally produced goods include automobile frames and parts, electronics, plastics, wire, spaghetti sauce, and various tobacco, food, and paper products. Biodiesel ethanol is locally produced from soybeans grown in the area, and Owensboro has emerged as an international leader in biotechnology research. A large and expanding mortgage processing firm and two natural gas transmission corporations also call Owensboro home.

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 June 2013, area employment over the prior twelve months averaged 46,869, an increase of 980 over the prior year. The June 2013 unemployment rate was 7.6%, significantly lower than the State rate of 8.4% and equal to the U.S. rate. The number of active water meters rose slightly to 25,292 while the number of active electric meters edged up to 26,061. The rate of construction of single-family units dropped slightly from the prior year. The value of new non-residential projects remains much higher than usual but has slowed somewhat from the recent all-time high in the local area due to work on several major projects, including the recently concluded construction of a new \$385 million hospital.

An aggressive annexation policy is pursued to ensure continued growth and development for the City of Owensboro. Much of the City's long-term industrial growth potential lies in the Carter Road/Airport Corridor, anchored by the 400-acre Mid-America Airpark. The City coordinated with the Greater Owensboro Economic Development Corporation to complete Mid-America AirPark, which includes AirPark, Tamarack, and Unifirst Drives, and this is a valuable tool for attracting new industry to Owensboro. Two recently-opened buildings and one under construction in the Airpark for a local expansion of a national mortgage processing company will bring their total new employment to over 800 jobs. The Owensboro-Daviess County Regional Airport recently finished a \$40 million expansion, and a \$1.8 million terminal expansion opened in August 2012. Direct flights to the Orlando area added in the past four years make Owensboro a hub for convenient and cost-effective transportation between Florida and the Owensboro region, and multiple daily flights between Owensboro and St. Louis serve a vital connection to cities nationwide. The overall outlook for the area's economy remains bright due to its diversification.

In August 2012, the City completed construction of a \$40 million Riverfront Development project which was funded mostly through a federal grant. The project included a river wall, a signature fountain, children's playground and spraypark, and significant additional green space for Smothers Park. The City is currently in the middle of a \$99 million downtown redevelopment and revitalization project. The City has partnered with Daviess County Fiscal Court in the development and financing of this project, with the City sponsoring \$79 million of the project and the County sponsoring the remaining \$20 million. A \$48 million convention and events center overlooking the Ohio River is



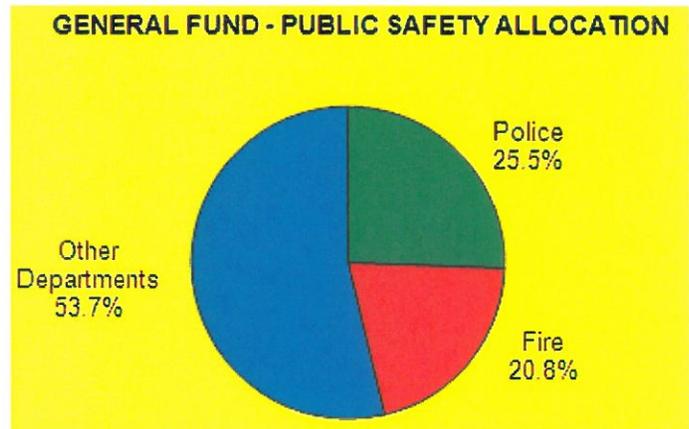
scheduled to open in January 2013. It will be flanked by two new privately developed hotel projects with 270 total rooms at a total cost of over \$35 million. Other new construction in the area includes a corporate headquarters and multiple residential buildings on available riverfront property, with additional property available for future development.

Communications

The Owensboro Messenger-Inquirer provides daily newspaper service to the citizens of Owensboro and surrounding counties. The Owensboro area is served by many radio stations and by affiliate stations of the four major television networks (ABC, CBS, FOX, and NBC). Cable television service is provided by Time Warner. Owensboro is home to a United States Post Office, with branch offices throughout the City.

Public Safety

The City is committed to excellence from its Police (OPD) and Fire (OFD) Departments. Emergency response times average 3.29 minutes for OPD and 4.23 minutes for OFD, in accordance with the National Fire Protection and United States Insurance Service Offices recommendations. Recent consolidation to our combined City-County 911 Dispatch Center helps ensure efficient and effective Public Safety dispatch services throughout the county. 46.3% of General Fund expenditures are budgeted for public safety. The chart illustrates General Fund percentages for public safety and all other departments, not including capital projects funding.



Education

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

The Owensboro Community and Technical College, an institute for higher learning, offers two-year Associate of Arts and Science degrees, several doctoral degree programs via telecommunications, and vocational education.

Brescia University and Kentucky Wesleyan College are four-year education institutions offering Bachelors of Science and Art degrees, and graduate programs are offered locally by Western Kentucky University and Murray State University. Western Kentucky University-Owensboro offers a host of undergraduate and graduate degree programs on their newly expanded Owensboro Campus. These programs provide area residents with the opportunity to earn post-graduate degrees without leaving the city.

Daymar College is a private two-year accredited school offering career-specific education programs. Adult education workshops also offer short courses.

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 Health (OH) serves eleven counties in Kentucky and southern Indiana. Its new \$385 million state-of-the-art hospital facility (pictured above) officially opened June 1, 2013.

OH medical services can vary greatly from one to another, but patients consistently benefit from quality care. For five years in a row (2009-2013), OH has been ranked in the top 5 percent for clinical excellence by Healthgrades, a leading healthcare rating firm. More recently, OH Regional Hospital was named one of America's 100 Best Hospitals by Healthgrades.

Among many services and accomplishments, OH also leads two key initiatives for cancer research in the Owensboro region. OH is accredited as a Comprehensive Cancer Center, the highest endorsement awarded to any community hospital from the Commission on Cancer of the American College of Surgeons. This endorsement shows that OH provides the highest level of care in the diagnosis and treatment of cancer.

Recreation and Culture

The new, high-tech library serves the community well with a collection of 197,000 books, 28,000 audio and DVD items, and a digital collection of over 55,000. Owensboro Area Museum maintains community interest in the natural sciences and area history. Art lovers benefit from the Owensboro Museum of Fine Art, which now features an Atrium Sculpture Court, a restored Civil War-era mansion, a priceless collection of German stained glass windows, and the Kentucky Spirit Galleries. These institutions are recognized as among the finest in western Kentucky. Owensboro offers wide ranges of recreational and cultural activities to its citizens, who 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.



The City maintains two swimming pools and the Kendall Perkins SprayPark, 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.

As was mentioned prior, Smothers Park was greatly expanded and enhanced with additional green space, a signature fountain, and a large children's playground/sprayground complex as part of a recent Riverfront Development Project. This will be connected to the new riverfront convention

center area by the Mitch McConnell Plaza and Walkway, also a recent addition. Owensboro is indebted to Senator McConnell for his loyalty and dedication to the City and its ambitious riverfront projects. The City has dedicated the plaza and walkway in his honor.



The RiverPark Center, a 100,000 square foot performing arts and civic center, boasts a 1,500 seat multi-purpose auditorium, an experimental theatre, a riverfront plaza, an open-air courtyard, and meeting/reception rooms. Each year the RiverPark Center hosts over 800 performance and civic events. The International Bluegrass Music Museum currently occupies a portion of this facility, but plans and fundraising are in progress to relocate it to its own dedicated building along the riverfront. The RiverPark Center has hosted the International Mystery Writers' Festival since 2008 and attendees have included 2-time Oscar winner Gene Hackman, actor Josh Hucherson, writer Stuart Kaminsky, and Mary Higgins Clark, the "Queen of Suspense". Features of this festival are both full and "Live Radio Theatre" productions. Other community activities include music, theatre and art. Cultural activities play a major role in the everyday lives of Owensboro's residents. The City funds many cultural agencies in part.



Friday 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 weekly Friday evening concerts. It has grown to a summer-long signature event for the tri-state area hosting more than 50,000 visitors and generally runs from May to September. The festival includes live bands, interactive events for families, entertainment and crafts each Friday after 5:00 p.m. until 10:00 p.m.

Owensboro hosts many festivals throughout the year. Each festival is unique and designed for the whole family. The largest of these is The International Bar-B-Q Festival, which is hosted on the Ohio River front in May of 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, billed as the Celebration of the American Spirit. This weekend is filled with countywide sports tournaments and much more. Musical entertainment and a major fireworks display downtown over the Ohio River are a big part of the holiday.



The annual Owensboro Dragon Boat Festival premiered in 2011 with 12 teams and had 29 teams participate in August 2013. This festival takes place at English Park, taking advantage of its excellent boat ramp and boarding dock facilities. Paddling teams of 20 people race the boats in multiple heats along a 100-meter course down the Ohio River. Other festivals range from Bluegrass and Dulcimer Music Festivals in the spring to Pumpkin, Farm, and Apple Festivals each fall.



Owensboro has been 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 at the time, was quoted 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 t-ball to adult softball to activities for seniors. Our goal is to help 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 Tournament at this site and in past years hosted 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.

The Owensboro Softball Complex, located in Jack C. Fisher Park, has been the site of more than 30 national level softball and baseball world series' and championships since 2001. The Complex is a multiple recipient of the NSA Outstanding Park Award, and the City has received the ASA James Ferrall Award of Excellence on tournament operations multiple times since 2001. The City successfully hosted the three largest Amateur Softball Association's (ASA) National Championships in the history of the ASA: 2004 ASA Men's Class D Nationals-143 teams, 2005 ASA Girls 14 & under Class A Fast Pitch National Championship-144 teams, and 2008 ASA Girls 16 & Under Class A Fast Pitch National Championship-144 teams.

The Owensboro Parks and Recreation Department, in partnership with Owensboro Catholic High School, was awarded the honor of hosting the KHSAA Girls Fast Pitch Softball State Championship in 2004, 2005, and 2008 through 2014. Anything more than a three-year award to the same host community is unprecedented in the history of the event, and the recent seven-year award speaks volumes regarding the caliber of our facilities and staff. The Owensboro Catholic Lady Aces have earned five state fast-pitch softball titles since 1998.

On weeknights throughout the season, the softball complex is home to 450 youth t-ball players, 100 youth baseball players, and 1,200 adult softball players. All of the leagues are coordinated by the Owensboro Parks and Recreation Department.

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

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

There are also developmental and instructional programs in t-ball, soccer, cheerleading, tumbling, tennis, golf, tae-kwon do, baseball, softball, volleyball, ice-skating, swimming, and fishing. The City opened its new Ice Arena in August 2009, replacing a facility that was built in 1963. Owensboro Youth Hockey Association, Inc. is open to youth ages 4-18. 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.

Owensboro's 2010 purchase of Ben Hawes Park from the State of Kentucky has allowed for further enhancement of recreational facilities in the area, among them miles of recently renovated mountain biking/hiking trails and a new Soap Box Derby track. The Owensboro Lions Club brought the Soap Box Derby back to Owensboro in 2001 after a 36-year absence. After hosting the event on a city street course since 2001, construction was recently completed on a new dedicated course in Ben Hawes Park. This is the result of a combined commitment of the Owensboro Lions Club, its sponsors, and the governments of the City of Owensboro and Daviess County. This new Soap Box Derby track hosts several events each year.

2013 marked the 14-year anniversary of Corporate Challenge. Plans are currently being made for the 2014 games. Patterned after the Olympic Games, amateur athletes compete in events such as archery, basketball, bike racing, bowling, golf, horseshoes, kickball, a 5K run and a walk race, softball, table tennis, spades, tennis, trivia, sporting clays, and volleyball. The goal of Corporate Challenge is to encourage physical fitness, enhance employer/employee relations, boost morale, develop teamwork, foster company pride, and promote company recognition within the community. In 2013, over 1,000 citizens from 14 companies competed in the games. Corporate Challenge has created a lifetime of health and friendships for many of the participants.

Multi-Cultural

Owensboro Sister Cities promotes global understanding between our City and other world communities by assisting local governmental entities with proper protocol and reception of foreign dignitaries and visitors. The City and Owensboro Sisters Cities hope to promote the expansion and development of international trade. Owensboro Sisters Cities promotes two Sister City communities: Olomouc, Czech Republic, and Nisshan City, Japan. Also, a Sister Region agreement under Sister Cities International has been reached between the Green River Area Development District (GRADD) representing a seven county area in Western Kentucky and the Olomouc Kraj (Region), comprising thirteen counties in the Central Moravia area of the Czech Republic.

The Government

Owensboro operates under a City Manager form of government. The Board of Commissioners includes our Mayor and four Commissioners. 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.	111-116
Revenue Capacity These schedules contain information to help the reader assess the City's most significant local revenue sources.	117-120
Debt Capacity These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	121-124
Demographic and Economic Information These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.	125-126
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.	127-129

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 54 in 2010.

Schedule 1

CITY OF OWENSBORO
NET POSITION BY COMPONENT
Last Ten Fiscal Years
(accrual basis of accounting)

	2004	2005	2006	2007	2008	2008	2008	2010	2011	2012	2013
Governmental activities											
Invested in capital assets, net of related debt	\$ 29,640,819	\$ 34,377,954	\$ 33,144,429	\$ 42,842,237	\$ 45,694,473	\$ 54,604,577	\$ 63,729,670	\$ 59,036,580	\$ 68,207,310	\$ 51,139,210	
Restricted	9,409,580	6,204,137	6,321,540	7,638,119	15,587,202	31,047,376	31,138,063	39,466,663	37,494,110	48,046,513	
Unrestricted	6,437,574	8,830,893	11,296,760	14,063,081	17,570,869	14,239,394	22,461,039	23,652,240	26,057,789	28,696,007	
Total governmental activities net position	\$ 45,487,973	\$ 49,412,984	\$ 50,762,729	\$ 64,543,437	\$ 78,822,544	\$ 99,891,287	\$ 117,328,772	\$ 122,155,503	\$ 131,759,209	\$ 127,881,730	
Business-Type activities											
Invested in capital assets, net of related debt	\$ 2,266,909	\$ 1,908,075	\$ 2,059,230	\$ 1,959,205	\$ 2,233,411	\$ 3,002,194	\$ 4,090,975	\$ 3,790,528	\$ 3,991,570	\$ 4,578,564	
Unrestricted	4,674,998	6,263,893	7,449,411	9,234,571	10,492,524	11,283,831	11,425,367	12,129,144	11,799,478	11,485,967	
Total business-type activities net position	\$ 6,941,907	\$ 8,172,968	\$ 9,508,641	\$ 11,193,776	\$ 12,725,935	\$ 14,286,025	\$ 15,516,342	\$ 15,919,672	\$ 15,791,048	\$ 16,064,531	
Primary government											
Invested in capital assets, net of related debt	\$ 31,907,728	\$ 36,287,029	\$ 35,203,659	\$ 44,801,442	\$ 47,897,884	\$ 57,606,771	\$ 67,820,645	\$ 62,827,108	\$ 72,198,880	\$ 55,717,774	
Restricted	9,409,580	6,204,137	6,321,540	7,638,119	15,587,202	31,047,376	31,138,063	39,466,663	37,494,110	48,046,513	
Unrestricted	11,112,572	15,094,786	18,746,171	23,297,652	28,063,393	25,523,165	33,886,406	35,781,384	37,857,257	40,181,974	
Total primary government net position	\$ 52,429,880	\$ 57,585,952	\$ 60,271,370	\$ 75,737,213	\$ 91,548,479	\$ 114,177,312	\$ 132,845,114	\$ 138,075,175	\$ 147,550,257	\$ 143,946,261	

Schedule 2

CITY OF OWENSBORO
CHANGES IN NET POSITION
 Last Ten Fiscal Years
 (accrual basis of accounting)

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Expenses										
Governmental activities:										
General government	\$ 7,088,369	\$ 7,204,175	\$ 8,644,720	\$ 8,793,519	\$ 9,680,973	\$ 8,772,143	\$ 10,693,412	\$ 8,501,561	\$ 9,900,004	\$ 9,869,881
Public safety	15,128,745	15,551,627	19,513,418	17,055,086	18,129,214	18,614,163	18,445,524	20,216,734	20,290,474	20,953,730
Public works	7,009,244	10,304,723	9,278,026	6,395,367	5,558,089	9,615,871	7,181,580	9,303,683	6,925,625	12,359,635
Community and cultural	4,447,914	4,373,153	4,457,954	4,866,150	5,662,963	6,749,708	6,677,344	8,180,079	9,028,838	9,600,911
Community/economic development	1,320,396	1,394,189	1,113,760	703,557	898,056	1,258,411	2,512,015	3,174,407	5,802,913	3,746,406
Interest on long-term debt	1,020,100	933,123	926,657	1,015,349	1,028,005	1,297,750	2,060,977	2,310,662	2,936,429	3,720,799
Total governmental activities expenses	\$ 36,014,768	\$ 39,760,990	\$ 43,934,535	\$ 38,849,028	\$ 40,957,300	\$ 46,308,046	\$ 47,570,852	\$ 51,687,126	\$ 54,884,283	\$ 60,251,362
Business-Type activities:										
Sanitation	4,024,897	3,862,662	4,013,954	4,047,686	4,255,487	4,412,040	4,578,085	4,882,331	5,195,084	5,523,509
Transit	1,361,964	1,293,099	1,367,534	1,477,294	1,537,889	1,606,014	1,741,449	2,026,221	2,023,807	2,141,269
Geographic information system	-	-	-	-	291,095	295,960	375,634	316,945	321,526	336,049
Downtown maintenance and operations	57,211	58,022	74,906	68,660	81,852	114,675	84,383	-	107,081	612,494
Recreation	1,558,911	1,328,329	1,344,738	1,373,102	1,404,093	1,363,000	1,808,163	2,255,163	2,693,529	2,724,406
Total business-type activities expenses	\$ 7,002,983	\$ 6,542,112	\$ 6,801,132	\$ 6,966,742	\$ 7,570,416	\$ 7,791,689	\$ 8,587,714	\$ 9,480,660	\$ 10,341,027	\$ 11,337,727
Total primary government expenses	\$ 43,017,751	\$ 46,303,102	\$ 50,735,667	\$ 45,815,770	\$ 48,527,716	\$ 54,099,735	\$ 56,158,566	\$ 61,167,786	\$ 65,225,310	\$ 71,589,089
Program Revenues										
Governmental activities:										
Charges for services:										
General government	\$ 1,923,581	\$ 2,043,874	\$ 2,325,733	\$ 2,337,646	\$ 2,477,103	\$ 2,305,783	\$ 2,228,883	\$ 2,199,982	\$ 1,943,070	\$ 1,690,180
Public safety	756,206	748,939	778,650	875,431	952,424	1,133,134	960,415	803,950	790,746	823,146
Public works	177,930	231,022	215,894	216,483	17,901	21,907	22,789	18,624	67,627	1,367,196
Community and cultural	-	-	13,001	-	-	-	-	-	-	-
Community/economic development	313,486	421,745	301,812	300,944	215,492	190,156	255,973	341,856	879,586	698,646
Operating grants and contributions	2,118,504	2,979,952	5,152,432	3,470,861	4,086,154	2,904,106	3,379,634	3,971,261	3,894,683	1,416,992
Capital grants and contributions	5,920,293	3,564,624	3,142,387	4,533,823	7,478,058	20,161,264	15,445,926	6,634,939	4,836,952	1,070,822
Total governmental activities program revenues	\$ 11,210,000	\$ 9,990,156	\$ 11,929,909	\$ 11,735,188	\$ 15,207,132	\$ 26,716,350	\$ 22,293,620	\$ 13,970,512	\$ 12,412,664	\$ 7,066,982
Business-type activities:										
Charges for services:										
Sanitation	4,914,881	4,950,909	5,030,171	5,100,056	5,157,748	5,204,380	5,194,660	5,211,205	5,260,990	5,289,182
Transit	131,130	142,173	148,421	139,101	128,819	132,286	130,316	126,704	139,100	128,560
Geographic information system	-	-	-	-	262,612	243,914	262,419	213,647	245,370	249,710
Downtown maintenance and operations	45,580	54,175	56,556	53,825	54,109	57,071	56,126	-	-	-
Recreation	1,126,627	1,007,638	1,051,924	979,206	979,530	971,359	1,228,306	1,517,155	1,780,625	1,786,512
Operating grants and contributions	922,795	553,152	652,332	407,877	441,862	464,303	445,741	475,124	517,384	585,334
Capital grants and contributions	-	40,957	-	420,237	466,465	646,534	1,484,000	469,719	410,061	1,471,164
Total business-type activities program revenues	\$ 7,141,023	\$ 6,749,004	\$ 6,939,404	\$ 7,100,302	\$ 7,491,145	\$ 7,719,847	\$ 8,801,568	\$ 8,013,554	\$ 8,353,530	\$ 9,520,462
Total primary government program revenues	\$ 18,351,023	\$ 16,739,160	\$ 18,869,313	\$ 18,835,490	\$ 22,698,277	\$ 34,436,197	\$ 31,095,188	\$ 21,984,066	\$ 20,766,194	\$ 16,587,444

Schedule 2

**CITY OF OWENSBORO
CHANGES IN NET POSITION**
Last Ten Fiscal Years
(accrual basis of accounting)

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Net (expense)/revenue										
Governmental activities	\$ (24,804,768)	\$ (29,770,834)	\$ (32,004,626)	\$ (27,113,840)	\$ (25,750,168)	\$ (19,591,696)	\$ (25,277,232)	\$ (37,716,614)	\$ (42,471,619)	\$ (53,184,380)
Business-type activities	138,040	206,892	138,272	133,560	(79,271)	(71,842)	213,854	(1,467,106)	(1,987,497)	(1,817,265)
Total primary government net expense	\$ (24,666,728)	\$ (29,563,942)	\$ (31,866,354)	\$ (26,980,280)	\$ (25,829,439)	\$ (19,663,538)	\$ (25,063,378)	\$ (39,183,720)	\$ (44,459,116)	\$ (55,001,645)
General Revenues and Other Changes in Net Position:										
Governmental activities:										
Taxes										
Property taxes	\$ 7,137,309	\$ 7,492,747	\$ 7,758,532	\$ 8,129,079	\$ 8,490,108	\$ 8,874,418	\$ 9,276,874	\$ 9,178,018	\$ 9,410,510	\$ 9,622,714
Occupational license taxes	11,219,801	12,575,637	12,282,123	13,202,290	13,765,193	13,726,575	13,836,353	14,828,760	15,303,516	16,281,800
Net profit license taxes	1,510,671	2,123,377	2,143,424	2,728,192	3,280,491	3,419,223	3,296,271	3,176,505	3,027,503	3,856,135
Regulatory taxes	4,480,570	4,505,405	4,722,033	4,815,086	5,040,813	4,824,993	5,867,123	7,276,039	7,533,345	7,992,483
Payments in lieu of taxes from component unit	1,600,728	1,627,979	1,480,187	1,389,301	1,756,428	2,012,646	2,015,823	1,990,074	2,363,275	2,669,050
Investment earnings	189,860	384,007	373,234	885,309	827,636	1,311,412	1,010,136	615,382	1,114,934	641,337
Unrestricted grants and contributions	467,359	838,338	1,076,654	443,285	441,347	954,986	756,238	443,319	1,442,692	2,078,625
Gain on sale of assets	140,242	-	127,727	584	296,830	161,646	143,517	263,620	152,660	326,151
Investment in joint venture	207,029	929,339	464,514	1,909,755	1,378,941	60,737	755,383	(108,088)	919,245	440,926
Miscellaneous	744,238	779,527	357,791	465,070	217,762	643,290	317,574	276,035	244,222	598,847
Dividends from component unit	3,780,707	4,005,576	5,095,855	5,324,818	5,693,000	5,758,800	6,076,605	6,215,425	6,379,600	6,392,412
Special Item-Property acquired under lease restructure	(827,493)	(864,800)	(888,986)	(1,024,655)	(1,159,294)	(1,088,287)	(597,180)	(1,611,744)	5,917,233	(1,593,579)
Transfers	30,651,021	34,397,132	34,993,088	38,278,114	40,029,275	40,660,439	42,714,717	42,543,345	52,075,325	49,306,901
Total governmental activities	56,966	159,369	166,231	410,982	383,904	454,797	238,370	143,280	125,403	208,415
Business-type activities:										
Investment earnings	124,141	-	142,184	115,938	68,232	83,848	180,913	115,412	-	128,996
Unrestricted grants and contributions	827,493	864,800	888,986	1,024,655	1,159,294	1,088,287	597,180	1,611,744	1,733,470	1,593,579
Gain on sale of assets	1,008,600	1,024,169	1,197,401	1,551,575	1,611,430	1,631,932	1,016,463	1,870,436	1,858,673	2,090,748
Total business-type activities	\$ 31,659,621	\$ 35,421,301	\$ 36,190,469	\$ 39,829,669	\$ 41,640,705	\$ 42,292,371	\$ 43,731,180	\$ 44,413,781	\$ 53,934,198	\$ 51,397,649
Change in Net Position										
Governmental activities	\$ 5,846,253	\$ 4,626,298	\$ 2,988,462	\$ 11,164,274	\$ 14,279,107	\$ 21,068,743	\$ 17,437,485	\$ 4,826,731	\$ 9,603,706	\$ (3,877,479)
Business-type activities	1,146,640	1,231,061	1,335,673	1,685,135	1,532,159	1,560,090	1,290,317	403,530	(128,624)	273,483
Total primary government	\$ 6,992,893	\$ 5,857,359	\$ 4,324,135	\$ 12,849,409	\$ 15,811,266	\$ 22,628,833	\$ 18,667,802	\$ 5,230,061	\$ 9,475,082	\$ (3,603,996)

Schedule 3

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

FISCAL YEAR	TOTAL	PROPERTY TAXES	LICENSES AND PERMITS	CHARGES FOR					INTEREST	MISC. REVENUES
				INTER-GOVERNMENTAL REVENUES	SERVICES - GENERAL GOVERNMENT	FINES AND FORFEITS	INTEREST	MISC. REVENUES		
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		
2008	53,515,825	8,490,108	22,575,081	19,616,625	744,040	234,062	716,395	1,139,514		
2009	67,217,494	8,874,418	22,437,240	32,091,906	740,105	149,672	1,156,431	1,767,722		
2010	63,550,508	9,276,874	23,473,559	27,600,534	815,486	132,250	909,938	1,341,867		
2011	56,698,024	9,178,019	25,671,513	18,853,864	810,145	111,517	547,605	1,525,361		
2012	57,993,479	9,410,510	26,214,178	17,919,577	812,117	114,465	1,014,245	2,508,387		
2013	55,798,233	9,622,714	28,349,336	12,952,702	2,174,734	107,143	569,148	2,022,456		

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)

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
General fund										
Nonspendable	\$ 79	\$ 87	\$ 153	\$ 267	\$ 175	\$ 290	\$ 17	\$ 18	\$ 17	\$ 23
Restricted	-	-	-	-	-	-	-	-	-	-
Committed	-	-	-	-	-	-	213	44	47	437
Assigned	-	-	-	-	-	-	-	-	-	-
Unassigned	1,550	1,855	3,591	5,662	7,473	7,545	9,451	10,888	12,328	14,155
Total General Fund	\$ 1,629	\$ 1,942	\$ 3,744	\$ 5,929	\$ 7,648	\$ 7,835	\$ 9,681	\$ 10,950	\$ 12,392	\$ 14,615
All other governmental units										
Nonspendable	\$ 6,158	\$ 3,958	\$ 3,256	\$ 6,154	\$ 13,216	\$ 28,496	\$ -	\$ -	\$ -	\$ -
Restricted	-	-	-	-	-	-	21,988	25,331	17,993	31,407
Committed	-	-	-	-	-	-	8,636	13,500	18,715	15,778
Assigned	-	-	-	-	-	-	-	-	-	-
Unassigned	3,260	1,931	2,835	1,129	1,972	2,117	-	-	-	-
Total all other government funds	\$ 9,418	\$ 5,889	\$ 6,091	\$ 7,283	\$ 15,188	\$ 30,613	\$ 30,624	\$ 38,831	\$ 36,708	\$ 47,185

GASB Statement 54 started in 2010

Schedule 5

CITY OF OWENSBORO
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Revenues										
Real and personal property taxes	\$ 7,137,309	\$ 7,492,747	\$ 7,758,532	\$ 8,129,079	\$ 8,490,108	\$ 8,874,418	\$ 9,276,874	\$ 9,178,019	\$ 9,410,510	\$ 9,622,714
Occupational licenses	10,930,002	11,542,558	12,236,772	12,911,250	13,666,643	13,645,423	13,782,813	14,702,852	15,206,272	16,068,006
Net profit license fees	1,516,557	2,101,988	2,435,859	2,781,868	3,277,814	3,400,218	3,252,516	3,168,582	2,977,184	3,860,563
Regulatory/licenses	4,480,570	4,505,405	4,722,033	4,815,086	5,040,813	4,824,993	5,867,123	7,276,039	7,533,345	7,992,483
Intergovernmental	4,985,066	7,802,319	9,193,929	8,694,133	12,167,197	24,320,460	19,608,106	10,648,365	9,176,702	3,891,240
Interest	165,233	325,533	303,186	728,907	716,395	1,156,431	909,938	547,605	1,014,245	569,148
Fees, licenses and permits	547,350	518,750	529,540	523,924	569,811	568,606	571,107	524,040	497,377	428,284
Fines and forfeitures	138,012	120,197	161,279	157,286	234,062	111,517	132,250	114,465	114,465	107,143
Rentals	619,696	617,021	741,230	720,896	651,199	568,512	566,385	690,104	1,610,887	770,939
Charges for services	570,841	599,425	654,748	697,149	744,040	740,105	815,486	810,145	812,117	2,174,734
Contributions and donations	343	263,200	22,227	20,197	17,648	8,879	16,386	13,841	9,880	46,174
Dividends from component units	3,780,707	4,005,576	5,095,855	5,324,818	5,693,000	5,758,800	6,076,605	6,215,425	6,379,600	6,392,412
Payments in lieu of taxes from component unit	1,600,728	1,627,979	1,480,187	1,369,301	1,756,428	2,012,646	2,015,823	1,990,074	2,363,275	2,669,560
Miscellaneous income	495,811	675,310	876,866	693,801	470,667	1,192,331	759,096	821,416	887,620	1,205,343
Total Revenues	36,978,225	42,198,008	46,212,243	47,597,695	53,515,825	67,217,494	63,550,508	56,698,024	57,993,479	55,798,233
Expenditures										
Current:										
General government	5,954,993	6,183,140	7,373,975	7,680,375	8,484,458	8,309,429	9,374,755	7,493,690	7,889,242	8,273,338
Public safety	14,998,734	15,566,845	20,447,210	16,697,923	17,796,001	18,553,309	18,034,183	19,280,032	19,419,896	20,313,577
Public works	4,316,735	6,998,503	5,078,227	4,534,225	5,913,174	7,055,774	4,736,354	5,277,177	5,109,226	5,993,091
Community and cultural	4,292,232	4,100,447	3,963,882	3,963,882	4,669,820	5,227,916	3,436,163	4,339,919	4,349,945	4,996,919
Community/economic development	1,320,396	1,394,189	1,113,760	1,013,498	888,056	1,258,411	2,512,015	3,174,407	5,802,913	3,746,406
Capital outlay	3,441,023	8,692,798	7,278,471	7,086,041	10,859,962	34,254,857	29,444,904	31,409,589	31,436,203	28,556,718
Debt service:										
Principal	1,389,470	1,489,027	1,662,807	1,841,400	2,714,000	1,933,300	1,318,300	8,618,300	22,238,300	3,104,301
Interest	987,219	883,816	810,979	920,447	928,832	1,054,240	1,912,906	1,946,891	2,867,038	3,308,443
Issuance costs	88,552	10,500	147,933	-	55,778	103,773	44,306	184,781	257,979	206,631
Total Expenditures	36,789,334	45,319,265	47,876,288	43,737,791	52,320,081	77,751,009	70,813,866	81,724,786	99,370,742	78,499,424
Excess (deficiency) of revenues over expenditures	188,871	(3,121,257)	(1,664,045)	3,859,904	1,195,744	(10,533,515)	(7,263,378)	(25,026,762)	(41,377,263)	(22,701,191)
Other financing sources (uses):										
Sale of capital assets	4,145,279	138,367	190,561	16,292	992,048	191,943	192,076	274,378	148,935	375,934
Issuance of debt	88,552	357,000	4,100,000	-	8,104,292	27,035,051	9,242,705	35,852,052	43,451,028	36,028,353
Refunding bond issue	-	-	2,550,000	-	-	-	-	-	5,195,000	-
Payment to bond refunding escrow	-	-	(2,881,398)	-	(35,475)	(154,000)	(25,350)	(460,796)	(6,507,708)	-
Discount on bonds issued	-	-	-	-	-	-	-	-	(204,326)	(179,223)
Premiums on bonds issued	-	-	-	-	-	-	-	-	34,319	135,476
Transfers in	2,240,697	2,681,286	2,453,572	5,582,783	3,680,791	3,425,235	3,717,098	12,100,265	26,096,166	8,141,279
Transfers out	(2,552,566)	(2,570,185)	(2,745,219)	(6,081,359)	(4,313,729)	(4,352,763)	(4,005,121)	(13,284,553)	(27,518,910)	(9,100,688)
Total Other Financing Sources (Uses)	3,921,962	606,468	3,667,516	(482,284)	6,427,927	26,145,466	9,121,408	34,501,346	40,696,504	35,401,131
Net change in fund balances	\$ 4,110,833	\$ (2,514,789)	\$ 2,003,471	\$ 3,377,620	\$ 9,623,671	\$ 15,611,951	\$ 1,658,030	\$ 9,474,584	\$ (680,759)	\$ 12,699,940
Debt service as a percentage of non-capital expenditures	7.0%	6.3%	5.8%	7.6%	9.3%	6.7%	7.7%	20.1%	36.9%	11.7%

Schedule 6

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

FISCAL YEAR	ASSESSED VALUE				TOTAL DIRECT TAX RATE	ESTIMATED ACTUAL VALUE ²	PERCENT ASSESSED TO ESTIMATED VALUE
	REAL ESTATE	PERSONAL PROPERTY ¹	FRANCHISE	BANK DEPOSITS			
2004	\$ 1,907,097,401	\$ 225,651,953	\$ 102,110,806	\$ 1,728,792,581	0.5558	\$ 4,327,131,813	91.6%
2005	2,028,537,916	232,560,600	127,509,107	1,492,852,832	0.5677	4,120,446,343	94.2%
2006	2,149,205,217	253,083,835	96,027,468	1,284,683,290	0.5652	3,887,975,139	97.3%
2007	2,240,389,072	307,709,918	70,915,621	1,313,720,034	0.5352	4,256,206,326	92.4%
2008	2,366,775,100	314,983,944	61,281,884	1,406,922,969	0.5344	4,491,302,919	92.4%
2009	2,508,651,235	312,311,411	69,204,784	1,498,007,365	0.5520	4,718,467,522	93.0%
2010	2,602,525,073	326,108,291	73,128,586	1,626,947,361	0.5520	4,811,548,140	96.2%
2011	2,622,683,843	303,510,001	70,560,952	1,674,615,507	0.5520	4,810,885,997	97.1%
2012	2,654,566,364	304,153,090	76,148,350	1,692,285,825	0.5498	4,883,423,170	96.8%
2013	2,705,000,357	323,853,657	77,914,987	1,967,329,756	0.5306	5,146,144,784	98.6%

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

²Source: Property Valuation Administration

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		
2004	0.2612	0.6970	0.5250	0.1330	0.1300	0.0350	0.0090	0.0560	1.3212	1.1492		
2005	0.2586	0.7010	0.5330	0.1310	0.1340	0.0350	0.0090	0.0660	1.3346	1.1666		
2006	0.2580	0.7040	0.5360	0.1310	0.1270	0.0350	0.0090	0.0570	1.3210	1.1530		
2007	0.2608	0.7400	0.5450	0.1280	0.1270	0.0350	0.0090	0.0503	1.3501	1.1551		
2008	0.2601	0.7480	0.5470	0.1240	0.1300	0.0350	0.0090	0.0590	1.3651	1.1701		
2009	0.2593	0.7640	0.5630	0.1220	0.1360	0.0350	0.0090	0.0600	1.3853	1.1843		
2010	0.2593	0.7670	0.5630	0.1220	0.1360	0.0350	0.0090	0.0590	1.3873	1.1833		
2011	0.2593	0.7800	0.5680	0.1220	0.1360	0.0350	0.0090	0.0610	1.4023	1.1903		
2012	0.2593	0.7850	0.5860	0.1220	0.1360	0.0350	0.0090	0.0630	1.4093	1.2103		
2013	0.2593	0.8220	0.6120	0.1220	0.1360	0.0350	0.0090	0.0640	1.4473	1.2373		

PERSONAL PROPERTY:

Fiscal Year	DIRECT				OVERLAPPING						TOTAL CITY RESIDENT ¹	
	City	City Schools	County Schools	State	County	Health	Extension	Library	City School	County School		
2004	0.2946	0.6970	0.5250	0.4500	0.1638	0.0350	0.0090	0.0462	1.6965	1.5245		
2005	0.3091	0.7020	0.5330	0.4500	0.1638	0.0350	0.0090	0.0570	1.7259	1.5569		
2006	0.3072	0.7040	0.5360	0.4500	0.1572	0.0350	0.0107	0.0577	1.7218	1.5538		
2007	0.2744	0.7400	0.5450	0.4500	0.1592	0.0350	0.0108	0.0594	1.7288	1.5338		
2008	0.2743	0.7480	0.5470	0.4500	0.1696	0.0350	0.0111	0.0622	1.7502	1.5492		
2009	0.2927	0.7640	0.5630	0.4500	0.1946	0.0350	0.0090	0.0693	1.8146	1.6136		
2010	0.2927	0.7670	0.5630	0.4500	0.1946	0.0350	0.0090	0.0687	1.8170	1.6130		
2011	0.2927	0.7800	0.5680	0.4500	0.1946	0.0350	0.0090	0.0751	1.8364	1.6244		
2012	0.2905	0.7850	0.5860	0.4500	0.1946	0.0350	0.0090	0.0817	1.8458	1.6468		
2013	0.2713	0.8220	0.6120	0.4500	0.1800	0.0350	0.0090	0.0785	1.8458	1.6358		

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, 2013			June 30, 2004		
		ASSESSED VALUATION ¹	RANK	PERCENTAGE OF TOTAL ASSESSED VALUATION OF \$3,034,867,804	ASSESSED VALUATION ¹	RANK	PERCENTAGE OF TOTAL ASSESSED VALUATION OF \$2,219,828,035
Wal-Mart Real Estate	Retail	\$ 49,543,779	1	1.63%	-		
Ragu/Thomas Lipton	Manufacturer	32,116,531	2	1.06%	-		
Toyotetsu Mid America	Manufacturer	31,221,038	3	1.03%	-		
Towne Square Mall, LLC	Mall Development	29,000,000	4	0.96%	26,021,000	2	1.17%
Atmos Energy	Gas Company	27,216,408	5	0.90%	18,010,555	4	0.81%
Unifirst Corporation	Manufacturer	19,985,101	6	0.66%	16,585,735	6	0.75%
Owensboro Grain	Manufacturer	17,311,418	7	0.57%			
Lowe's	Retail	14,867,914	8	0.49%			
Field Packing Company	Manufacturer	14,724,736	9	0.49%	10,525,308	8	0.47%
US Bank	Bank	14,111,730	10	0.46%			
Bellsouth/AT&T	Telecommunications	-			29,721,983	1	1.34%
Boardwalk Pipelines	Gas Company	-			21,144,031	3	0.95%
Century Venture Corporation	Cable TV	-			17,869,344	5	0.80%
Dana Corporation	Manufacturer	-			12,884,180	7	0.58%
Barton Brands	Manufacturer	-			8,693,000	9	0.39%
B B & T	Bank	-			8,258,267	10	0.37%
		<u>\$250,098,655</u>		<u>8.25%</u>	<u>\$ 169,713,403</u>		<u>7.63%</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 SUBSEQUENT YEARS		TOTAL COLLECTIONS TO DATE	
	FISCAL YEAR	AMOUNT		AMOUNT	% OF LEVY	AMOUNT	% OF LEVY	AMOUNT	% OF LEVY	AMOUNT	% OF LEVY
2004	\$ 6,834,685	\$ 312,417	\$ 7,147,102	98.3%	\$ 7,024,928	98.3%	\$ 7,142,531	99.9%	117,603	\$ 7,142,531	99.9%
2005	7,135,269	383,194	7,518,463	98.4%	7,396,847	98.4%	7,510,282	99.9%	113,435	7,510,282	99.9%
2006	7,236,158	570,768	7,806,926	97.9%	7,641,239	97.9%	7,803,702	99.9%	162,463	7,803,702	99.9%
2007	7,677,452	505,746	8,183,198	98.3%	8,045,021	98.3%	8,178,206	99.9%	133,185	8,178,206	99.9%
2008	8,027,057	521,819	8,548,876	98.5%	8,419,367	98.5%	8,543,907	99.9%	124,540	8,543,907	99.9%
2009	8,328,260	575,934	8,904,194	98.7%	8,792,417	98.7%	8,898,029	99.9%	105,612	8,898,029	99.9%
2010	8,703,133	592,104	9,295,237	98.5%	9,157,345	98.5%	9,285,235	99.9%	127,890	9,285,235	99.9%
2011	8,618,306	593,216	9,211,522	98.1%	9,037,488	98.1%	9,187,370	99.7%	149,882	9,187,370	99.7%
2012	8,829,884	618,711	9,448,595	98.5%	9,310,565	98.5%	9,416,822	99.7%	106,257	9,416,822	99.7%
2013	8,920,645	702,069	9,622,714	99.3%	9,556,475	99.3%	-	99.3%	-	9,556,475	99.3%

Note: This table includes all governmental funds.

Schedule 10

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

FISCAL YEAR	GENERAL OBLIGATION BONDS		LEASE REVENUE BONDS		LOAN PAYABLE	TOTAL PRIMARY GOV'T	PERCENTAGE OF PERSONAL INCOME ¹	PER CAPITA ¹
	BONDS	REVENUE	BONDS	REVENUE				
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		
2008	24,283	525	1,009	25,817	1.59%	466		
2009	45,110	465	5,344	50,919	3.02%	917		
2010	48,921	405	9,517	58,843	3.23%	1,056		
2011	69,188	345	16,544	86,077	4.58%	1,503		
2012	86,285	305	19,595	106,185	5.56%	1,843		
2013	119,304	290	19,515	139,109	6.54%	2,395		

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 LOAN PAYABLE	LESS APPLICABLE AMOUNTS ³	NET BONDED DEBT	RATIO OF	
						NET BONDED DEBT TO ASSESSED VALUE	NET BONDED DEBT PER CAPITA
2004	54,312	\$ 4,310,721,197	\$ 20,500,877	\$ 7,567,589	\$ 12,933,288	0.30	\$ 238.13
2005	54,900	3,957,232,476	19,441,119	7,091,534	12,349,585	0.31	224.95
2006	55,459	3,775,221,904	21,622,467	4,056,698	17,565,769	0.47	316.73
2007	55,525	4,125,580,686	19,866,474	3,778,268	16,088,206	0.39	289.75
2008	55,398	4,357,075,303	25,312,611	3,666,530	21,646,081	0.50	390.74
2009	55,516	4,560,266,982	50,368,627	7,745,551	42,623,076	0.93	767.76
2010	55,745	4,695,545,521	58,401,792	11,657,226	46,744,566	1.00	838.54
2011	57,265	4,816,042,695	85,307,327	18,413,249	66,894,078	1.39	1,168.15
2012	57,605	4,844,050,228	105,139,073	21,203,247	83,935,826	1.73	1,457.09
2013	58,083	5,073,222,677	138,112,136	20,580,070	117,532,066	2.32	2,023.52

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

³These amounts include the general obligation bonds that are being repaid from the Police & Firefighters' Retirement Fund Externally Restricted Assets shown on the Combining Statement of Fiduciary Net Position, the Lease Revenue Bonds and the Loan Payable.

Schedule 12

CITY OF OWENSBORO
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
June 30, 2013

Jurisdiction	Governmental Activities Debt Outstanding	Percentage Applicable to City (1)	Amount Applicable to City of Owensboro
Direct			
City of Owensboro			
General Obligation Bonds	\$ 114,708,667	100.0%	\$ 114,708,667
Revolving Loan	19,514,814	100.0%	19,514,814
Floating Indebtedness Bonds	25,500	100.0%	25,500
Lease Revenue Bonds	265,000	100.0%	265,000
General Obligation Build America Bonds	4,595,000		4,595,000
Owensboro Independent Schools	<u>22,652,295</u>		<u>22,652,295</u>
	Total Direct		<u>161,761,276</u>
Overlapping			
Daviess County	33,062,104	57.8%	19,109,896
Daviess County Schools	<u>60,980,000</u>	42.5%	<u>25,916,500</u>
	Total Overlapping Debt		<u>45,026,396</u>
	Total Direct and Overlapping Debt		<u>\$ 206,787,672</u>

(1) Determined by ratio of assessed valuation of property subject to taxation in overlapping unit to valuation of property subject to taxation in the City

Schedule 13

**CITY OF OWENSBORO
LEGAL DEBT MARGIN INFORMATION
Last Ten Fiscal Years**

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Debt limit	\$ 252,127,162	\$ 263,731,552	\$ 263,731,552	\$ 276,122,241	\$ 289,737,193	\$ 304,779,543	\$ 317,339,605	\$ 317,118,600	\$ 321,289,180	\$ 328,717,300
Total net debt applicable to limit	12,504,430	17,640,212	17,640,212	15,987,234	21,719,010	43,052,036	47,100,283	67,363,992	84,245,408	117,532,066
Legal debt margin	\$ 239,622,732	\$ 246,091,340	\$ 246,091,340	\$ 260,135,007	\$ 268,018,183	\$ 261,727,507	\$ 270,239,322	\$ 249,754,608	\$ 237,043,772	\$ 211,185,234
Total net debt applicable to the limit as a percentage of debt limit	4.96%	6.69%	6.69%	5.79%	7.50%	14.13%	14.84%	21.24%	26.22%	35.75%

Legal Debt Margin Calculation for Fiscal Year 2013

Net assessed value	\$ 3,106,769,001
Add back: exempt real property	180,404,000
Total assessed value	\$ 3,287,173,001
Debt limit - 10% of total assessed value ¹	\$ 328,717,300
Amount of debt applicable to debt limit	
Total general bonded debt	\$ 138,112,136
Less: Revenue Bonds	(290,500)
Loan Payable	(19,514,814)
Amount set aside for repayment of general obligation bonds	(774,756)
Total debt applicable to limitation	\$ 117,532,066
Legal debt margin	\$ 211,185,234

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		PER CAPITA INCOME ⁴	SCHOOL ENROLLMENT ²	UNEMPLOYMENT RATE ³
		INCOME (IN THOUSANDS)	INCOME			
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%
2008	55,398		1,619,062	29,226	3,934	4.9%
2009	55,516		1,686,632	30,381	4,031	10.6%
2010	55,745		1,821,970	32,684	4,053	8.9%
2011	57,265		1,879,266	32,817	4,254	8.4%
2012	57,605		1,910,182	33,160	4,473	7.1%
2013	58,083		2,128,219	36,641	4,584	7.6%

Sources:

¹United States Census Estimates

²Owensboro Board 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

<u>Employer</u>	2013			2004		
	<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	3,300	1	13.81%	2,360	1	18.40%
US Bank Home Mortgage	1,261	2	5.28%	633	4	4.94%
Owensboro Public Schools	778	3	3.25%	769	2	6.00%
Unilever Foods North America	582	4	2.43%	420	8	3.27%
Wal-Mart	541	5	2.26%	470	7	3.66%
City of Owensboro	481	6	2.01%	534	6	4.16%
Commonwealth of Kentucky	471	7	1.97%	412	9	3.21%
Specialty Foods (Field Packing Company)	470	8	1.97%	575	5	4.48%
Toyotetsu Mid-America	390	9	1.63%	380	10	2.96%
Unifirst	390	9	1.63%			
River Valley Behavioral Health				600	3	4.68%
Total	8,664		36.25%	7,153		55.77%

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	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Governmental Activities:										
General government	69	74	80	71	73	66	49	56	53	50
Public safety	252	257	245	240	237	230	237	233	229	235
Public works	80	71	72	66	70	64	64	57	61	64
Community and cultural	12	5	5	5	4	2	3	5	4	4
Total Governmental Activities	413	407	402	382	384	362	353	351	347	353
Business-type activities:										
Sanitation	32	32	28	27	27	27	27	26	27	29
Other enterprise funds	94	101	95	95	93	69	79	54	44	31
Total business-type activities	126	133	123	122	120	96	106	80	71	60
Total primary government	539	540	525	504	504	458	459	431	418	413

Source: Government Budget

Schedule 17

City of Owensboro
Operating Indicators by Function
Last Ten Fiscal Years

Function	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Police										
Physical arrests	5,394	5,052	5,423	4,312	4,531	4,391	4,272	4,235	4,297	3,988
Parking violations	7,825	9,235	11,820	12,331	10,306	8,955	4,636	5,661	4,705	5,150 *
Traffic violations and courtesy notices	33,045	29,315	23,655	20,600	11,453	14,563	10,870	10,986	8,336	9,824
Fire										
Number of calls answered	1,482	1,442	1,575	2,375	2,051	2,163	2,540	4,285	6,297	6,631 **
Inspections	3,448	3,417	3,601	3,650	3,408	3,445	1,899	1,878	1,795	2,071 ***
Highways and streets										
Street resurfacing (miles)	5.5	4.3	3.8	4.6	4.6	5.9	3.4	3.5	3.7	0.6
Potholes repaired	550	700	788	833	1,793	1,197	1,161	1,429	1,198	1,047
Sanitation										
Refuse collected (tons/day)	183.2	181.9	180.8	183.9	183.0	220.1	176.6	177.3	174.9	177.4
Recyclables collected (tons/year)	380.8	414.9	387.5	317.0	309.3	399.2	455.2	442.9	446.0	508.2
Culture and recreation										
Participants in programs	104,732	96,064	91,071	105,407	107,692	103,964	106,000	161,390	183,850	196,719
Number of programs	250	253	323	373	344	311	290	353	309	305
Water¹										
New connections	241	226	198	193	236	145	150	128	100	110
Water main breaks and service leaks repaired	330	529	443	454	523	470	378	438	336	349
Average daily consumption (thousands of gallons)	11,491	11,735	11,915	11,520	11,516	11,418	11,336	11,234	12,164	12,035
Riverport										
Terminal operations (thousands of tons)	916.9	1183.7	1063.2	846.2	753.0	761.5	856.7	822.0	861.3	758.9
Electric¹										
New connections (net)	873	576	207	216	-9	-51	16	64	54	373

Sources: Various government departments and component units.

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

* Citation officer position vacant for extended time 2010.

** Began responding to additional types of EMS calls April 2010.

Schedule 18

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

Function	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
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	64	61	78	83	77	74	85	80	79	80
Fire stations	5	5	5	5	5	5	5	5	5	5
Sanitation										
Collection trucks (not including seasonal yard waste equipment)	16	15	15	15	15	17	17	17	17	17
Highways and streets										
Streets (miles)	232.9	234.2	237.0	239.3	242.4	243.1	243.7	248.0	248.0	245.2
Streetlights	10,729	10,797	10,876	11,002	11,077	11,025	11,068	11,167	11,233	11,361
Traffic signals	108	110	111	112	112	112	113	114	114	119
Culture and recreation										
Parks acreage	378	378	378	378	378	372	967	975.1	963.1	963.1 *
Parks	20	20	20	19	19	19	25	25	24	24 *
Ball diamonds	15	16	16	16	16	15	15	15	15	15
Basketball courts	8	9	9	9	9	9	11	11	11	11
Golf Courses	1	1	1	1	1	1	3	3	3	3
Sports Arena	1	1	1	1	1	1	1	1	1	1
Swimming pools	3	2	2	2	2	2	2	2	2	2
Tennis courts	23	25	25	25	25	22	22	22	22	22
Ice skating rinks	1	1	1	1	1	1	1	1	1	1
Community centers	1	1	1	1	1	1	1	1	1	1
Water ¹										
Water mains (miles)	279	281	285	289	289	290	291	292	326	325 *
Fire hydrants	2,182	2,318	2,355	2,382	2,389	2,403	2,415	2,426	2,428	2,430
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)	272.63	272.87	276.84	277.40	277.80	293.88	299.14	300.80	302.30	303.60
Storm sewers (miles)	37.51	38.45	39.06	41.69	44.54	46.71	46.71	48.73	50.10	50.80
Maximum daily treatment capacity (thousands of gallons)	21,800	21,800	21,800	21,800	21,800	21,800	21,800	21,800	21,800	21,800
Electric ¹										
Number of distribution stations	15	15	15	15	15	15	15	15	15	16
Miles of service lines	294	301	304	309	309	309	313	314	315	697

Sources: Various government departments and component units.

¹Owensboro Municipal Utilities totals only; other utilities serve some outlying parts of the city. Pre-2013 miles reported did not include miles for multiple lines strung on shared poles.

* Acquisition in 2010 of golf course/park from the State of Kentucky and Riverfront Park

