

CITY OF OWENSBORO, KENTUCKY



Comprehensive Annual Financial Report For the Fiscal Year Ended June 30, 2018

City of Owensboro

Comprehensive Annual Financial Report

for the

Fiscal Year Ended June 30, 2018



Issued by the
Department of Finance

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

**COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE CITY OF OWENSBORO, KENTUCKY
FISCAL YEAR ENDED JUNE 30, 2018**

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City of Owensboro Kentucky

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

December 18, 2018

Honorable Mayor and City Commissioners, and Citizens of Owensboro:

We present to you the Comprehensive Annual Financial Report of the City of Owensboro, Kentucky (City) for the fiscal year ended June 30, 2018. Kentucky Revised Statute 91A.040 requires that the City of Owensboro publish, before February 1 immediately following the fiscal year, a complete set of audited financial statements. This report is published to fulfill that requirement.

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

Alexander Thompson Arnold, PLLC, has issued an unmodified (clean) opinion on the City of Owensboro's financial statements for the year ended June 30, 2018. The independent auditors' report is located at the front of the financial section of this report.

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

PROFILE OF THE GOVERNMENT

The City, incorporated in 1817, located in the western part of the state, occupies 20.86 square miles and serves a population of 59,404.

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, who advises and implements decisions of the board and oversees all city staff. 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.

In accordance with state statute, on or before June 1 of each year, the City Manager submits a proposed operating budget to the Board for the fiscal year commencing July 1, and on or before June 30 of each year, the Board adopts the budget. This annual budget serves as the foundation for financial planning and control for the City of Owensboro. The budget is prepared by fund, function (ie: Public safety), department (ie: Police) and account. Budget adjustments, within a department and with no change in total appropriations, require approval by the City Manager. Commission vote and approval is required for any of the following situations: an increase above original (or amended) appropriations, a reallocation of expenditure appropriations between departments, a change in the number of full-time or non-full-time positions, or if a new source of revenue is available.

LOCAL ECONOMY

Owensboro 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.

Over the past ten years, real estate assessments have increased \$730.6 million, or 31%, from 2007 to 2017.

Major industries located within the government's boundaries include health care, banking, manufacturing, and retail. The unemployment rate for the City of Owensboro was 4.6% in June 2018. The state and federal unemployment rates were 5.0% and 4.2%, respectively.

SIGNIFICANT EVENTS AND INITIATIVES

Tax Increment Financing

The City is participating with the state in two tax increment financing (TIF) projects; the Gateway Commons TIF (Gateway TIF) and the Downtown Riverfront Revitalization TIF (Downtown TIF). For approved TIFs, the state returns up to 80 percent of incremental tax revenues created by the development to the City to pay for public infrastructure costs. The Kentucky State Economic Development Finance Authority approved a total of \$24.5 million for the Downtown TIF and \$20.5 million for the Gateway Commons TIF in state tax incentive rebates over 20 years to cover public infrastructure costs.

Downtown Redevelopment and Revitalization

The community expressed a desire to redevelop the downtown and riverfront, and as such, voiced their opinion on how to do that through a public forum called 'We the People'. The City's elected officials acted upon that, partnering 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 endeavor. This project has spurred over \$300 million in downtown private development, with many more projects on the horizon.

Bluegrass Music Hall of Fame & Museum

The City, in partnership with the International Bluegrass Music Museum, Inc., constructed a \$15.3 million, 47,000 square foot museum and entertainment venue that opened in October 2018 as the new Bluegrass Music Hall of Fame & Museum. This tourism and educational venue will serve as an iconic tribute to the bluegrass genre along with many other music styles of historic significance. The 485 seat theatre will become the home of the International Bluegrass Opera, which contains space suitable for a roof top full-service restaurant with views of the majestic Ohio River. Bluegrass is among the fastest growing music interest in the world. This hall of fame and museum will become a focal point of our tourism industry for not only our region but the entire country, for years to come. The debt that the City incurred for this project will be reimbursed by the Downtown TIF funds.

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 \$27.7 million in low interest loans from the Kentucky Infrastructure Authority Clean Water State Revolving Fund to fund this project. The debt service on this loan is being paid with funds from the Your Community Vision Fund.

Parking Garage

The City constructed an \$8 million, 448-space parking garage. The garage fulfills parking needs for the convention center, the Bluegrass Music Hall of Fame & Museum, Alorica (a downtown business relocated here from another state), and a third downtown hotel and apartment complex expected to be built across the street from the convention center.

Public-Private Partnership

The City's aggressive economic development posture has resulted in significant job growth, increased municipal revenue, and acceleration of the private sector's investment in our community. Its partnership with a global banking company in building three call centers has had a dramatic economic impact including the creation of over 600 new jobs. The City also partnered with a California-based customer service center creating up to 840 new jobs. The City continues to pursue such partnerships, both large and small, as infill and expansion of its strong financial baseline.

LONG-TERM FINANCIAL PLANNING

A five-year forecast is maintained for all major funds of the City. This enables and encourages discussions on items two to five years before they are needed.

The City's Administration and Commission have 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.

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.

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, 2017, the 37th 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 18th 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 Alexander Thompson Arnold, PLLC. We also thank the Mayor and City Commissioners for their unfailing support for maintaining the highest standards of professionalism in the management of the City of Owensboro's finances.

Respectfully submitted,



Nate Pagan, ICMA-CM
City Manager



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

DIRECTORY OF PUBLIC OFFICIALS

ELECTED OFFICIALS - BOARD OF COMMISSIONERS

Mayor Tom Watson

Commissioner Bob Glenn (Mayor Pro Tem)

Commissioner Pam Smith-Wright

Commissioner Larry Conder

Commissioner Jay Velotta

APPOINTED OFFICIALS AND DEPARTMENT HEADS

City Manager Nate Pagan

Assistant City Manager Leland Hancock

City Attorney Steve Lynn

City Clerk Beth Cecil

Director of Finance & Support Services Angela Hamric

Director of Public Works Wayne Shelton

Fire Chief Steve Mitchell

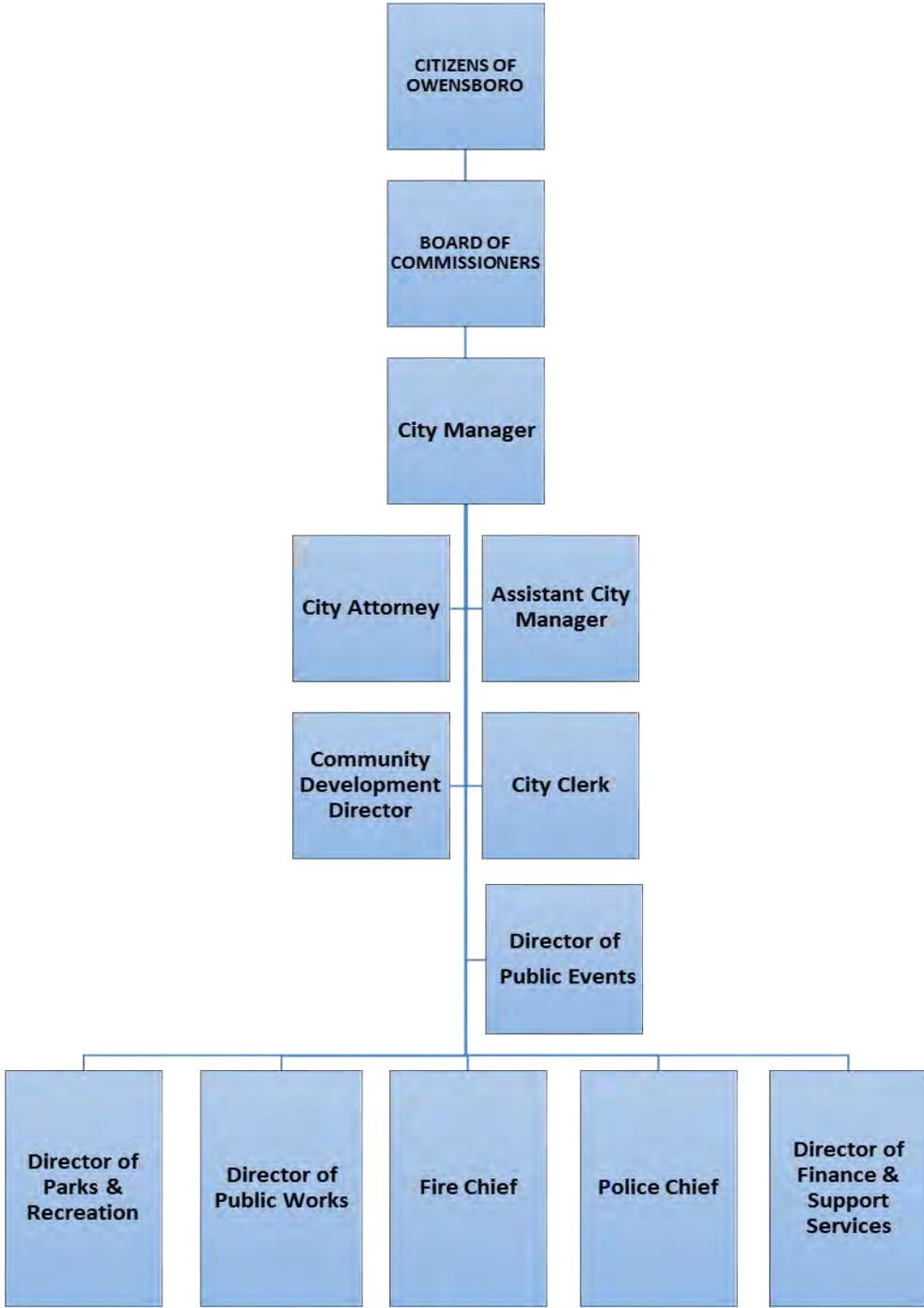
Police Chief Art Ealum

Community Development Director Abby Shelton

Director of Parks & Recreation Amanda Rogers

City of Owensboro

Organization Chart Fiscal Year 2017-2018





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, 2017

Christopher P. Morill

Executive Director/CEO



INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Owensboro, Kentucky (the "City") as of and for the year ended June 30, 2018 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 Owensboro Municipal Utilities and Owensboro Riverport Authority which represent all total component unit assets, total component unit net position, and total component unit revenues. In addition, we did not audit the financial statements of the Owensboro-Daviess County Regional Airport, which represents 5 percent, 18 percent, and 0.8 percent, respectively, of total governmental activities assets, total governmental activities net position, and total governmental activities general revenues and transfers. Those financial statements were audited by other auditors whose reports have been furnished to us, and our opinions, insofar as they relate to the amounts included for Owensboro Municipal Utilities, Owensboro Riverport Authority, and Owensboro-Daviess County Airport, are 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. 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 City'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 City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, 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 of Owensboro, Kentucky as of June 30, 2018, 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.

Your Long-Term Accounting Partner

Change in Accounting Principle

As discussed in Note 1 to the financial statements, during the fiscal year ended June 30, 2018, the City adopted new accounting guidance GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* and GASB Statement No. 82, *Pensions Issues*. Our opinions are not modified with respect to this matter.

Emphasis of Matter

As discussed in Note 25 to the financial statements, the June 30, 2017 financial statements have been restated to correct prior year misstatements. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 11 through 21, and the required supplemental information including the retirement plan schedules and budgetary comparison schedules as listed in the table of contents, 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 of Owensboro, Kentucky's basic financial statements. The introductory section, combining and individual non-major fund financial statements, capital assets schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual non-major fund financial statements and capital assets 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, the combining and individual non-major fund financial statements and capital assets 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 December 13, 2018, on our consideration of the City of Owensboro, Kentucky's internal control over financial reporting and on our tests of compliance with laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and results of that testing and not to provide a legal opinion on the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Owensboro, Kentucky's internal control over financial reporting and compliance.

Alexander Thompson Arnold PLLC

Owensboro, Kentucky
December 13, 2018



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, 2018. 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 1-4) and the financial statements (pages 22-128) provided in this document.

I. Financial Highlights

- The government-wide assets and deferred outflows exceeded liabilities by \$98.4 million at the close of the 2017-2019 fiscal year.
- The government-wide total net position decreased by \$14.2 million from prior year.
- City governmental funds reported a combined ending fund balance of \$55.3 million. Approximately \$9.3 million, or 17% of this total amount is unassigned and available for spending at the City's discretion.
- The unassigned general fund balance of \$9.3 million represents 18% 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 22-23 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 nine (9) 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, Debt Service Fund, and Capital Improvements Fund all of which are considered to be major funds. Data from four 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 24-25) and the statement of revenues, expenditures and changes in fund balances (pages 26-27) 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 six enterprise funds to account for Sanitation, Convention Center Operations, Transit, Geographic Information System, Recreation, and Sportscenter Operations as well as certain component units that provide electric, water, and riverport services. These component units, which each have their own board of directors, are also Enterprise Funds. With the exception of Sanitation and the component units, which are self-supporting, the other enterprises receive subsidy from the General Fund.

The City's component unit enterprises are 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 four 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 28-30 of this report. Individual data for the internal service fund financial statements are likewise presented in the form of combining statements at pages 118-120 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 121-123 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 35-93 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. Required supplementary information also includes budgetary comparison schedules for Your Community Vision and Downtown Development and Revitalization. Required supplementary information can be found on pages 94-108 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 109-125 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 and deferred outflows exceeded liabilities by \$98.4 million at June 30, 2018.

The largest portion of the City's net position, \$89.5 million, or 91% reflects its net investment in capital 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.

At the end of the last fiscal year, the City was able to report a positive total net position.

City of Owensboro Net Position

	Governmental Activities		Business-Type Activities		Total	
	2017	2018	2017	2018	2017	2018
Current and other assets	\$88,726,063	\$100,034,606	\$20,750,119	\$16,995,833	\$109,476,182	\$117,030,439
Capital assets	225,730,355	229,957,960	2,832,721	3,048,650	228,563,076	233,006,610
Total assets	314,456,418	329,992,566	23,582,840	20,044,483	338,039,258	350,037,049
Deferred outflows of resources	14,530,087	29,374,750	0	0	14,530,087	29,374,750
Total assets and deferred outflows of resources	\$328,986,505	\$359,367,316	\$23,582,840	\$20,044,483	\$352,569,345	\$379,411,799
of resources						
Long-term liabilities	\$224,494,199	\$247,195,602	\$1,702,785	\$1,560,524	\$226,196,984	\$248,756,126
Other liabilities	14,943,577	14,418,907	6,617,534	1,133,364	21,561,111	15,552,271
Total liabilities	239,437,776	261,614,509	8,320,319	2,693,888	247,758,095	264,308,397
Deferred inflows of resources	13,595,866	16,708,760	0	0	13,595,866	16,708,760
Total liabilities and deferred inflows of resources	\$253,033,642	\$278,323,269	\$8,320,319	\$2,693,888	\$261,353,961	\$281,017,157
Net position:						
Net Invest in capital assets	\$58,035,347	\$86,499,806	\$2,832,721	\$3,048,650	\$60,868,068	\$89,548,456
Restricted	35,381,751	41,030,114	0	0	\$35,381,751	\$41,030,114
Unrestricted	(17,464,235)	(46,485,873)	12,429,800	14,301,945	(5,034,435)	(32,183,928)
Total net position	\$75,952,863	\$81,044,047	\$15,262,521	\$17,350,595	\$91,215,384	\$98,394,642

A. Analysis of the City's Operations

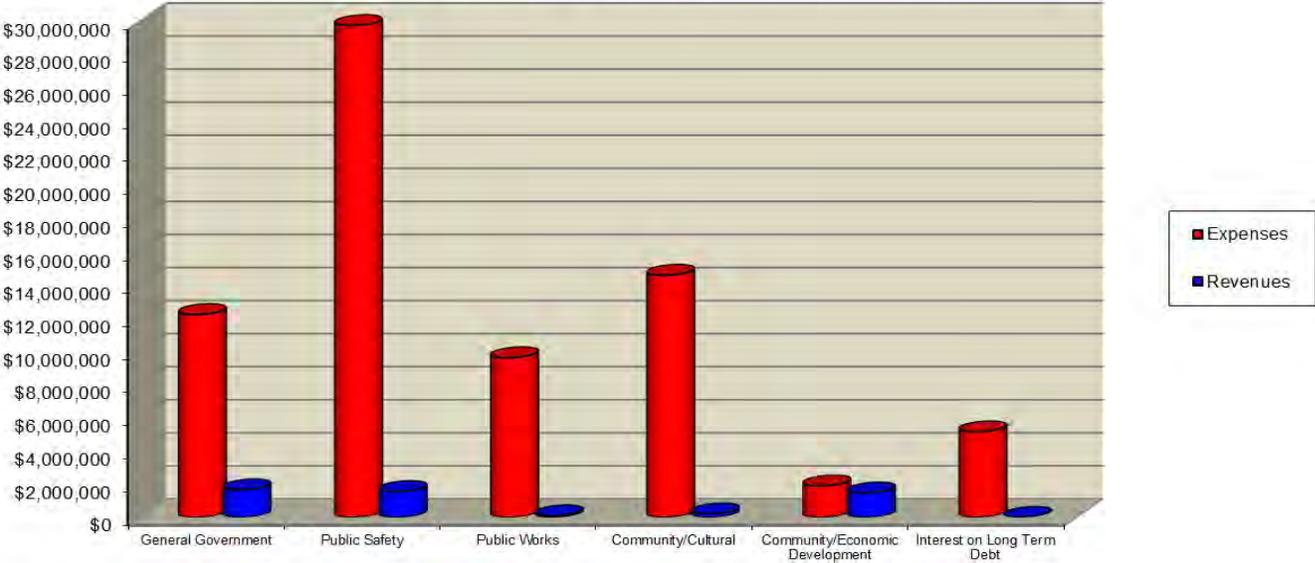
The following table summarizes City operations for the year ended June 30, 2018. The City's net position decreased by \$16.3 million under governmental activities and increased by \$2.1 million under business-type activities. The decrease is primarily due to an increase in the unfunded pension liability.

City of Owensboro - Changes in Net Position

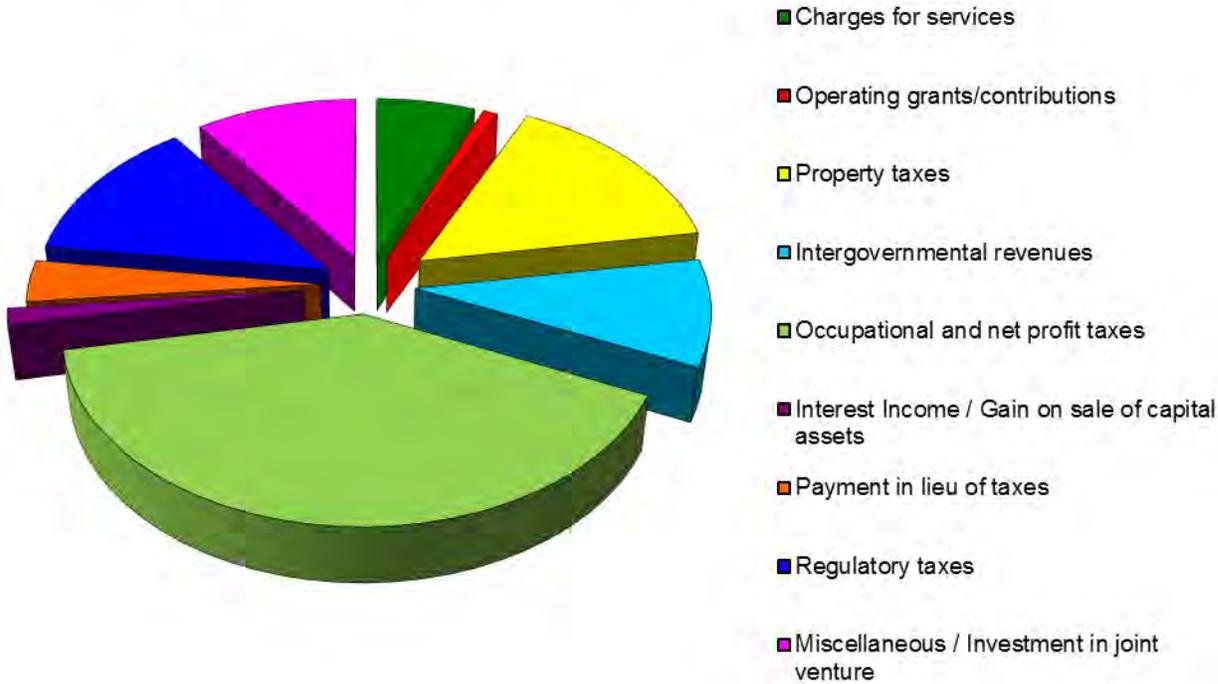
	Governmental Activities		Business-Type Activities		Total	
	2017	2018	2017	2018	2017	2018
Revenues:						
Program revenues:						
Charges for services	\$4,204,740	\$4,368,576	\$12,593,394	\$12,654,624	\$16,798,134	\$17,023,200
Operating grants/contrib	1,414,590	650,420	922,823	899,713	2,337,413	1,550,133
Capital grants/contributions	250,000	0	296,263	447,235	546,263	447,235
General revenues:						
Property taxes	10,724,339	10,951,519	-	-	10,724,339	10,951,519
Occupational & NP License Fee	22,667,734	28,647,317	-	-	22,667,734	28,647,317
Regulatory taxes	8,697,786	9,182,849	-	-	8,697,786	9,182,849
Payment in lieu of taxes	2,670,618	2,596,009	-	-	2,670,618	2,596,009
Gain on sale of capital assets	532,369	196,978	95,025	103,093	627,394	300,071
Investment earnings	519,810	843,703	99,485	152,766	619,295	996,469
Intergovernmental revenues	9,338,517	9,795,085	233,865	232,876	9,572,382	10,027,961
Investment in joint venture	(247,350)	593,133	-	-	(247,350)	593,133
Miscellaneous	5,189,160	6,540,543	373,196	431,736	5,562,356	6,972,279
Total revenues	\$65,962,313	\$74,366,132	\$14,614,051	\$14,922,043	\$80,576,364	\$89,288,175
Expenses:						
General government	\$12,523,892	\$12,275,046	-	-	\$12,523,892	\$12,275,046
Public safety	25,332,284	29,760,594	-	-	25,332,284	29,760,594
Public works	8,174,725	9,659,970	-	-	8,174,725	9,659,970
Community and cultural	14,348,152	14,652,874	-	-	14,348,152	14,652,874
Community/economic devel	2,748,147	1,904,167	-	-	2,748,147	1,904,167
Interest on long-term debt	5,421,113	5,177,589	-	-	5,421,113	5,177,589
Sanitation	-	-	6,320,520	6,168,818	6,320,520	6,168,818
Other enterprise funds	-	-	9,697,401	9,790,305	9,697,401	9,790,305
Total expenses	\$68,548,313	\$73,430,240	\$16,017,921	\$15,959,123	\$84,566,234	\$89,389,363
Increase in net position before transfers & special items	(\$2,586,000)	\$935,892	(\$1,403,870)	(\$1,037,080)	(\$3,989,870)	(\$101,188)
Prior Period Adjustment	-	-	-	-	0	0
Transfers	(2,829,304)	(3,125,154)	2,903,263	3,125,154	73,959	0
Increase in net position	(5,415,304)	(2,189,262)	1,499,393	2,088,074	(3,915,911)	(101,188)
Cummulative Effect of Change in Accounting Principle	-	(14,068,781)	-	-	-	(14,068,781)
Net position – beginning of year	81,368,167	97,302,090	13,763,128	15,262,521	95,131,295	112,564,611
Net position – end of year	\$75,952,863	\$81,044,047	\$15,262,521	\$17,350,595	\$91,215,384	\$98,394,642

B. Governmental Activities

Expenses and Program Revenues - Governmental Activities

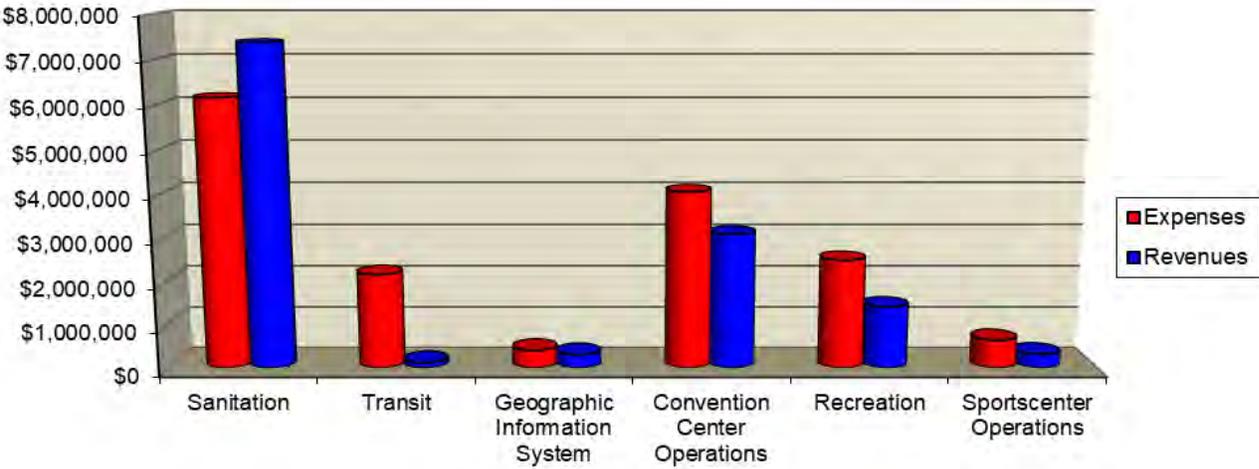


Revenue by Source - Governmental Activities

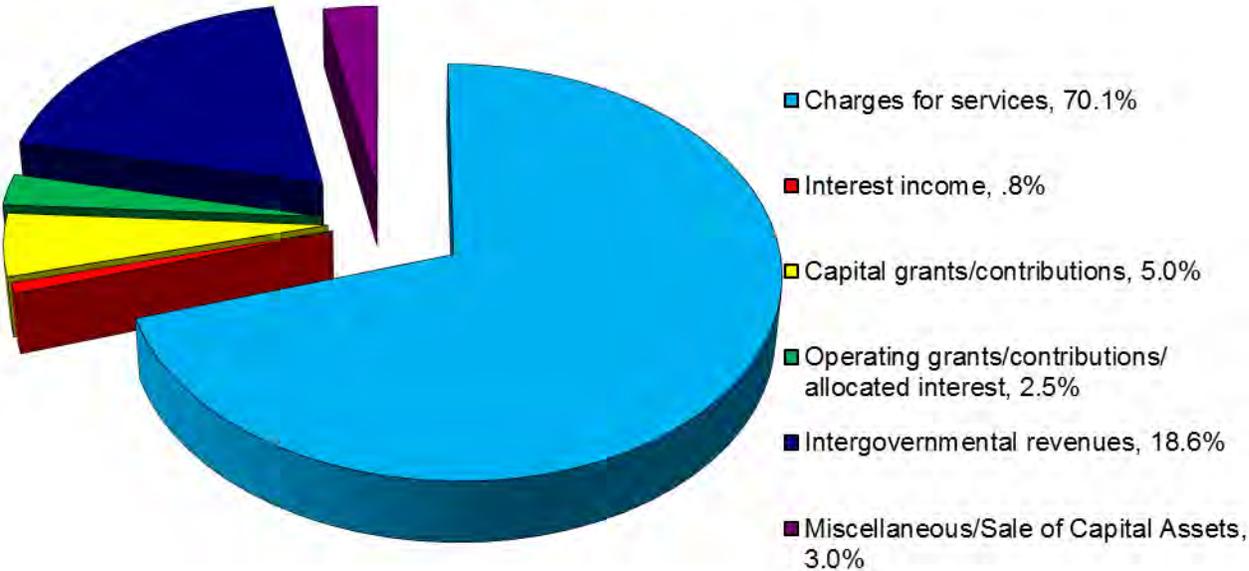


C. Business- Type Activities

Expenses and Revenues - Business-Type Activities



Revenue by Source - Business-Type Activities



IV. Financial Analysis of the City's Funds

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

A. Governmental Funds

The focus of the City's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources, which is useful in determining the City's financing requirements. 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 balance of \$55.3 million of which \$41 million is restricted, and \$4.9 million is committed. Approximately 17%, or \$9.3 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 2017-2018 fiscal year, the General Fund unassigned fund balance was \$9,306,051 of the total fund balance of \$11,264,903. 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 represents 18% of total General Fund expenditures including transfers out of \$50.6 million, while total fund balance represents 22% of total General Fund expenditures. The General Fund balance increased by \$2,359,954 during the 2017-2018 fiscal year. This increase is primarily due to higher tax revenues and savings in personnel costs due to vacancies.

The Your Community Vision Fund balance of \$5,266,287 represents an increase of \$804,877 from prior year. This increase is primarily due to timing of capital outlay. The capital outlay is related to police equipment, transportation, and stormwater projects. The fund balance consists of \$2,763,854 in restricted funds and \$2,502,433 in committed funds.

The Downtown Development and Revitalization Fund balance of \$2,456,214 represents a decrease of \$907,212 from prior year. This decrease is primarily due to debt service on downtown projects. The total fund balance is restricted.

The Capital Improvements Fund balance of \$12,820,888 represents a decrease of \$14,160,401 from prior year. This decrease is primarily due to the construction of the 2nd Street Parking Garage downtown and the International Bluegrass Music Hall of Fame and Museum. The total fund balance is restricted.

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	\$ 11,377,041
Convention Center Operations	\$ (703,134)
Non-major Enterprise Funds	\$ 735,128

The net position for the Proprietary Funds increased \$1.7 million. Sanitation Fund increased \$1.4 million, Convention Center Operations Fund decreased \$0.2 million, and the Non-major Enterprise Funds increased \$0.1 million. Other factors concerning the Proprietary Enterprise Funds have been addressed in the discussion of Proprietary Funds on pages 12-13.

V. General Fund Budgetary Highlights

Differences between the original budgeted appropriations and the final amended budget resulted in a \$648,726 increase in appropriations and transfers and can be briefly summarized as follows:

- \$ 49,830 increase in Administration
- \$ 18,650 increase in Community Development
- \$ 100,000 increase in Community Services
- \$ 54,803 increase in Engineering
- \$ (50,000) decrease in Finance
- \$ 23,345 increase in Information Technology
- \$ 15,428 increase in Parks
- \$ (97,206) decrease in Police
- \$ 90,413 increase in Street
- \$ 316,030 increase in General Government
- \$ 127,433 increase in transfers

The net budgetary increase due to appropriations and transfers of \$648,726 was deducted from the available fund balance.

The increases are due to various reasons as follows:

- Community Services increase due to additional funding allocated to community agencies.
- Police decreased due to funding the contingency.
- Street increase primarily due to the addition of funds needed for street repairs.
- General Government increase primarily due to elimination of budget contingency.
- Transfers increased due to funding needs in the Recreational Fund.

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, 2018, is \$233 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.

	Governmental Activities		Business-Type Activities		Total	
	2017	2018	2017	2018	2017	2018
Land	\$24,416,066	\$25,320,581	\$118,739	\$118,739	\$24,534,805	\$25,439,320
Land improvements	\$113,597,357	\$109,530,893	\$203,688	\$188,347	\$113,801,045	\$109,719,240
Buildings	\$74,585,042	\$71,077,631	\$300,442	\$346,531	\$74,885,484	\$71,424,162
Vehicles	\$3,554,234	\$3,514,421	\$1,683,819	\$2,087,992	\$5,238,053	\$5,602,413
Machinery and equipment	\$2,460,388	\$2,137,288	\$423,228	\$290,266	\$2,883,616	\$2,427,554
Software	\$349,221	\$225,941	\$0	\$0	\$349,221	\$225,941
Construction in Progress	\$6,768,047	\$18,151,205	\$102,805	\$16,775	\$6,870,852	\$18,167,980
Total	\$225,730,355	\$229,957,960	\$2,832,721	\$3,048,650	\$228,563,076	\$233,006,610

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

- Construction of the 2nd Street Parking Garage downtown. The total budgeted cost for this project is \$9.4 million, with construction in progress as of the close of the fiscal year at \$5.4 million.
- Construction of the Bluegrass Music Hall of Fame and Museum. The total budgeted cost for this project is \$15.3 million, with construction in progress as of the close of the fiscal year at \$11.9 million.

Additional information on City capital assets can be found on pages 126-128 of this report and in Footnote 5 at pages 53-55.

B. Long-Term Debt

At year end, the City had \$159,274,793 in outstanding bonds and loans payable, compared to \$169,314,643 at June 30, 2017. That is a 6% decrease as shown in the following table:

	Governmental Activities	
	2017	2018
General obligation bonds	\$133,695,469	\$126,098,323
Note Payable #18	100,000	50,000
Advance refunding bonds	10,450,000	9,345,000
Note Payable #26	8,300	4,000
KIA loan payable	25,060,874	23,777,470
Total	<u>\$169,314,643</u>	<u>\$159,274,793</u>

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 \$373,462,178. The City's latest bond rating is A2.

The City issues and incurs debt in order to fund capital improvement projects, purchase major capital equipment facilities, and respond to other special funding needs. The City has a very low amount of general obligation debt, which explains our large legal debt margin. Less than 3% 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 56-68.

C. Types of Municipal Debt

- i. **Advance Refunding Bonds.** 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. In 2014, the City issued General Obligation Refunding Bonds Series 2014 to advance refund the 2009 BABs to reduce debt service payments. In 2016, the City issued General Obligation Refunding Bonds Series 2016A and 2016B to advance refund the 2006 and 2008 Bonds Series to further reduce debt service.
- ii. **Note Payable #26.** This debt was issued in early 2005 to finance the remodeling of the new Owensboro Symphony offices.

- iii. **Note Payable #18.** 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 2007 and 2015. The proceeds were used to fund a stormwater separation project. The outstanding amount as of June 30, 2018 is \$23,777,470.

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

- A. **Unemployment Rate.** The unemployment rate for the City of Owensboro as of June 2018 was 4.6%. The state and federal unemployment rates were 5.0% and 4.2%, 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 year. 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 are an important consideration when preparing the annual operating budget. Less than 3% of the General Fund budget is expended for debt service. Currently this has little impact on 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 2018-2019 City budget was prepared. The budgeted beginning general fund balance for fiscal year 2018-2019 is \$11,264,903. The City's financial condition is improving due to an increase in the Occupational License Fee rate and Net Profit Fee rate from 1.33% to 1.78% effective July 1, 2017 and continued economic stability.

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
As of June 30, 2018

	Primary Government			Component Units
	Governmental Activities	Business Type Activities	Total	
ASSETS				
Equity in pooled deposits and investments	\$ 51,033,241	\$ 11,749,561	\$ 62,782,802	\$ 3,257,396
Cash and cash equivalents:				
In segregated accounts	18,032	461,646	479,678	20,813,705
With escrow agents	2,722	-	2,722	-
Investments	-	-	-	24,560,828
Receivables:				
Accounts	469,068	555,846	1,024,914	20,022,326
Lease	11,159,000	-	11,159,000	-
Component units	19,231,669	1,042,607	20,274,276	-
Taxes	3,333,995	-	3,333,995	-
Intergovernmental	824,551	251,949	1,076,500	-
Delinquent taxes receivable, net of allowance for uncollectible of \$105,000	25,108	-	25,108	-
Internal balances	(2,892,910)	2,892,910	-	-
Materials and supplies inventory	271,276	40,114	311,390	4,669,207
Prepaid items	41,320	1,200	42,520	619,734
Other current assets	-	-	-	722,026
Restricted assets	-	-	-	108,542,234
Capital assets, net of accumulated depreciation				268,027,809
Land	25,320,581	118,739	25,439,320	-
Construction in progress	18,151,205	16,775	18,167,980	-
Depreciable capital assets	186,486,174	2,913,136	189,399,310	-
Other noncurrent assets	1,507,971	-	1,507,971	25,574,932
Investment in joint venture	15,009,563	-	15,009,563	-
Total Assets	329,992,566	20,044,483	350,037,049	476,810,197
DEFERRED OUTFLOWS OF RESOURCES				
Accumulated decrease in fair value of hedging derivatives	-	-	-	1,935,210
Deferred pension and postemployment benefits outflows	28,956,875	-	28,956,875	20,781,029
Deferred pension and postemployment benefits obligation	-	-	-	44,883,298
Unamortized loss on debt refunding	417,875	-	417,875	3,782,368
Net unrealized loss on investments	-	-	-	1,253,244
Total Deferred Outflows of Resources	29,374,750	-	29,374,750	72,635,149
Total Assets and Deferred Outflows of Resources	\$ 359,367,316	\$ 20,044,483	\$ 379,411,799	\$ 549,445,346
LIABILITIES				
Accounts payable	\$ 4,343,758	\$ 707,382	\$ 5,051,140	\$ 22,054,943
Accrued wages	570,237	-	570,237	-
Other accrued liabilities	494,221	292,883	787,104	693,097
Accrued interest payable	619,568	-	619,568	3,079,995
Unearned revenue	-	24,465	24,465	219,481
Deferred gain	-	-	-	-
Bonds and loans payable, current portion	8,084,013	72,474	8,156,487	22,953,133
Compensated absences, current portion	307,110	36,160	343,270	-
Bonds and loans payable, less current portion	149,937,713	1,180,593	151,118,306	217,390,512
Compensated absences, less current portion	3,250,702	379,931	3,630,633	-
Net pension liability	70,797,510	-	70,797,510	48,648,068
Net other postemployment benefits liability	23,209,677	-	23,209,677	16,708,376
Other non-current liabilities	-	-	-	398,421
Total Liabilities	261,614,509	2,693,888	264,308,397	332,146,026
DEFERRED INFLOWS OF RESOURCES				
Accumulated increase in fair value of hedging derivatives	-	-	-	851,926
Deferred pension and postemployment benefits inflows	4,555,374	-	4,555,374	5,589,872
Deferred lease inflows	-	-	-	4,845,153
Deferred revenue	12,153,386	-	12,153,386	749,849
Total Deferred Inflows of Resources	16,708,760	-	16,708,760	12,036,800
NET POSITION				
Net investment in capital assets	86,499,806	3,048,650	89,548,456	61,776,908
Restricted for:				
Capital projects	13,522,632	-	13,522,632	5,928,260
Debt service	24,410,816	-	24,410,816	16,304,252
Other purposes	3,096,666	-	3,096,666	51,346,179
Unrestricted	(46,485,873)	14,301,945	(32,183,928)	69,906,921
Total Net Position	81,044,047	17,350,595	98,394,642	205,262,520
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 359,367,316	\$ 20,044,483	\$ 379,411,799	\$ 549,445,346

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

City of Owensboro, Kentucky
Statement of Activities
For the fiscal year ended June 30, 2018

	<u>Program Revenues</u>				<u>Net (Expense) Revenue and Changes in Net Position</u>			<u>Component Units</u>
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants & Contributions</u>	<u>Capital Grants & Contributions</u>	<u>Primary Government</u>			
					<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>	
Functions/Programs:								
PRIMARY GOVERNMENT								
Governmental Activities:								
General government	\$ 12,275,046	\$ 1,668,690	\$ -	\$ -	\$ (10,606,356)		\$ (10,606,356)	
Public safety	29,760,594	1,370,241	191,653	-	(28,198,700)		(28,198,700)	
Public works	9,659,970	99,398	-	-	(9,560,572)		(9,560,572)	
Community and cultural	14,652,874	209,796	-	-	(14,443,078)		(14,443,078)	
Community and economic development	1,904,167	1,020,451	458,767	-	(424,949)		(424,949)	
Interest on long-term debt	5,177,589	-	-	-	(5,177,589)		(5,177,589)	
Total Governmental Activities	73,430,240	4,368,576	650,420	-	(68,411,244)		(68,411,244)	
Business Type Activities:								
Sanitation	6,168,818	7,390,612	92,505	-		\$ 1,314,299	1,314,299	
Convention center operations	4,063,694	3,100,098	-	-		(963,596)	(963,596)	
Transit	2,170,455	115,977	807,208	447,235		(800,035)	(800,035)	
Geographic information system	408,314	307,260	-	-		(101,054)	(101,054)	
Recreation	2,504,145	1,423,815	-	-		(1,080,330)	(1,080,330)	
Sportscenter operations	643,697	316,862	-	-		(326,835)	(326,835)	
Total Business Activities	15,959,123	12,654,624	899,713	447,235		(1,957,551)	(1,957,551)	
Total Primary Government	\$ 89,389,363	\$ 17,023,200	\$ 1,550,133	\$ 447,235	(68,411,244)	(1,957,551)	(70,368,795)	
COMPONENT UNITS								
Owensboro Municipal Utilities	\$ 155,919,158	\$ 161,800,445	\$ -	\$ 110,948				\$ 5,992,235
Owensboro Riverport Authority	12,912,064	14,876,796	-	1,853,658				3,818,390
Total Component Units	\$ 168,831,222	\$ 176,677,241	\$ -	\$ 1,964,606				\$ 9,810,625
General Revenues:								
Taxes:								
Property taxes					\$ 10,951,519	\$ -	\$ 10,951,519	\$ -
Occupational license taxes					24,228,968	-	24,228,968	-
Net profit license taxes					4,418,349	-	4,418,349	-
Regulatory license taxes					9,182,849	-	9,182,849	-
Intergovernmental, unrestricted					2,147,882	232,876	2,380,758	(775,000)
Investment earnings					843,703	152,766	996,469	2,584,455
Payments in lieu of taxes from component unit					2,596,009	-	2,596,009	-
Miscellaneous					6,540,543	431,736	6,972,279	1,374,284
Distributions from component units					7,647,203	-	7,647,203	-
Investment in joint venture					593,133	-	593,133	-
Gain on sale of capital assets					196,978	103,093	300,071	1,288
Transfers					(3,125,154)	3,125,154	-	-
Deferred net change in fair value of investments					-	-	-	(927,530)
Total General Revenues and Transfers					66,221,982	4,045,625	70,267,607	2,257,497
Change in Net Position					(2,189,262)	2,088,074	(101,188)	12,068,122
Cumulative Effect of Change in Accounting Principle					(14,068,781)	-	(14,068,781)	26,840,294
Net Position, Beginning of Year, as restated					97,302,090	15,262,521	112,564,611	166,354,104
Net Position, End of Year					\$ 81,044,047	\$ 17,350,595	\$ 98,394,642	\$ 205,262,520

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

City of Owensboro, Kentucky
Balance Sheet
Governmental Funds
As of June 30, 2018

	General Fund	Your Community Vision Fund	Downtown Development and Revitalization Fund	Debt Service Fund	Capital Improvements Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS							
Equity in pooled deposits and investments	\$ 13,391,272	\$ 4,973,481	\$ 2,456,214	\$ -	\$ 13,781,685	\$ 4,153,874	\$ 38,756,526
Cash and cash equivalents:							
In segregated accounts	18,032	-	-	-	-	-	18,032
With escrow agents	-	1,117	-	157	1,448	-	2,722
Receivables:							
Accounts	417,534	1,440	-	-	25,000	24,694	468,668
Lease	-	-	-	11,159,000	-	-	11,159,000
Component units	16,669	-	-	19,215,000	-	-	19,231,669
Taxes	2,357,727	793,123	-	-	-	183,145	3,333,995
Intergovernmental	56,721	630,250	-	-	-	137,580	824,551
Delinquent taxes receivable, net of allowance for uncollectable of \$105,000	25,108	-	-	-	-	-	25,108
Materials and supplies inventory	19,316	-	-	-	-	-	19,316
Prepaid items	41,320	-	-	-	-	-	41,320
Total Assets	\$ 16,343,699	\$ 6,399,411	\$ 2,456,214	\$ 30,374,157	\$ 13,808,133	\$ 4,499,293	\$ 73,880,907
LIABILITIES							
Accounts payable	\$ 1,248,486	\$ 143,221	\$ -	\$ -	\$ 987,245	\$ 53,310	\$ 2,432,262
Accrued wages	412,856	2,561	-	-	-	29,806	445,223
Other accrued liabilities	535,610	47,795	-	-	-	-	583,405
Total Liabilities	2,196,952	193,577	-	-	987,245	83,116	3,460,890
DEFERRED INFLOWS OF RESOURCES							
Deferred revenue	2,881,844	939,547	-	11,159,000	-	188,432	15,168,823
FUND BALANCES							
Nonspendable	60,636	-	-	-	-	-	60,636
Restricted	1,898,216	2,763,854	2,456,214	19,215,157	12,820,888	1,875,785	41,030,114
Committed	-	2,502,433	-	-	-	2,354,017	4,856,450
Unassigned	9,306,051	-	-	-	-	(2,057)	9,303,994
Total Fund Balances	11,264,903	5,266,287	2,456,214	19,215,157	12,820,888	4,227,745	55,251,194
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 16,343,699	\$ 6,399,411	\$ 2,456,214	\$ 30,374,157	\$ 13,808,133	\$ 4,499,293	\$ 73,880,907

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

City of Owensboro, Kentucky
Reconciliation of the Governmental Funds Balance
to the Statement of Net Position
As of June 30, 2018

Total fund balances - governmental funds		\$ 55,251,194
Amounts reported for governmental activities in the statement of net position are different because:		
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.		
		13,526,631
Capital assets used in governmental activities are not financial resources, and therefore are not reported in the governmental funds:		
Cost	\$ 351,813,392	
Accumulated depreciation	<u>(127,693,224)</u>	224,120,168
Certain assets are not available to pay for current period expenditures:		
Occupational and net profit taxes	\$ 3,015,437	
Negative net pension liability-Single Employer Plan	<u>1,507,971</u>	4,523,408
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.		
		15,009,563
Deferred outflows and inflows of resources shown in governmental activities apply to future periods, and therefore are not reported in governmental funds:		
Deferred outflows of resources-CERS	\$ 27,597,362	
Deferred outflows of resources-Single Employer Plans	1,359,513	
Deferred inflows of resources-CERS	(3,814,433)	
Deferred inflows of resources-Single Employer Plans	<u>(740,941)</u>	24,401,501
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	\$ (157,821,029)	
Accrued interest payable	(619,568)	
Debt issuance discounts	628,624	
Debt issuance premiums	(829,321)	
Deferred refunding charges	417,875	
Compensated absences	(3,557,812)	
Net pension liability-CERS	(65,260,282)	
Net OPEB liability-CERS	(23,209,677)	
Net pension liability-Single Employer Plans	<u>(5,537,228)</u>	<u>(255,788,418)</u>
Net position of governmental activities		<u>\$ 81,044,047</u>

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

City of Owensboro, Kentucky
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the fiscal year ended June 30, 2018

	General Fund	Your Community Vision Fund	Downtown Development and Revitalization Fund	Debt Service Fund	Capital Improvements Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:							
Real and personal property taxes	\$ 10,745,254	\$ -	\$ -	\$ -	\$ -	\$ 206,265	\$ 10,951,519
Occupational license taxes	17,910,674	4,595,867	-	-	-	1,722,426	24,228,967
Net profit license taxes	3,364,726	989,819	-	-	-	63,804	4,418,349
Regulatory license taxes	5,473,657	-	3,636,922	-	-	206,646	9,317,225
Intergovernmental	2,264,413	-	-	-	-	1,206,120	3,470,533
Investment earnings	228,750	82,750	70,012	418	411,053	50,720	843,703
Fees, licenses, and permits	519,826	61,172	-	-	-	-	580,998
Fines and forfeitures	72,455	-	-	-	-	-	72,455
Rentals	68,960	-	-	-	-	1,020,451	1,089,411
Charges for services	893,439	-	-	-	-	-	893,439
Contributions and donations	40,000	-	-	-	-	16,531	56,531
Distributions from component units	7,647,203	-	-	-	-	-	7,647,203
Payments in lieu of taxes from component units	2,596,009	-	-	-	-	-	2,596,009
Other income	1,059,293	-	-	733,059	-	255,204	2,047,556
Total Revenues	52,884,659	5,729,608	3,706,934	733,477	411,053	4,748,167	68,213,898
Expenditures:							
Current:							
General government	9,883,192	-	-	-	8,081	-	9,891,273
Public safety	21,799,307	-	-	-	-	2,454,165	24,253,472
Public works	5,240,255	2,126,518	-	-	-	-	7,366,773
Community and cultural	5,532,297	-	-	-	-	-	5,532,297
Community/economic development	184,063	-	1,537	-	-	1,691,080	1,876,680
Capital outlay	204,293	1,481,559	-	-	12,136,773	178,319	14,000,944
Debt service:							
Principal	-	-	-	9,987,703	-	-	9,987,703
Interest	-	-	-	5,232,169	-	-	5,232,169
Total Expenditures	42,843,407	3,608,077	1,537	15,219,872	12,144,854	4,323,564	78,141,311
Excess (Deficiency) of Revenues Over Expenditures	10,041,252	2,121,531	3,705,397	(14,486,395)	(11,733,801)	424,603	(9,927,413)
Other Financing Sources (Uses):							
Sale of capital assets	13,507	-	-	-	-	183,471	196,978
Transfers in	30,000	745,000	-	12,056,360	65,000	2,137,385	15,033,745
Transfers out	(7,724,805)	(2,061,654)	(4,612,609)	-	(2,491,600)	(1,268,231)	(18,158,899)
Total Other Financing Sources (Uses)	(7,681,298)	(1,316,654)	(4,612,609)	12,056,360	(2,426,600)	1,052,625	(2,928,176)
Net Change in Fund Balances	2,359,954	804,877	(907,212)	(2,430,035)	(14,160,401)	1,477,228	(12,855,589)
Fund Balances, Beginning of Year, as restated	8,904,949	4,461,410	3,363,426	21,645,192	26,981,289	2,750,517	68,106,783
Fund Balances, End of Year	\$ 11,264,903	\$ 5,266,287	\$ 2,456,214	\$ 19,215,157	\$ 12,820,888	\$ 4,227,745	\$ 55,251,194

The accompanying notes are an integral part of these 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
For the fiscal year ended June 30, 2018

Net change in fund balances - total governmental funds		\$ (12,855,589)
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	\$ 14,000,944	
Depreciation expense	<u>(12,361,583)</u>	1,639,361
Loss on disposal of capital assets		(26,395)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in governmental funds:		
Donated infrastructure	\$ 3,291,147	
Increase in investment in joint venture	<u>593,133</u>	3,884,280
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	\$ 9,987,703	
Amortization of bond discounts and premiums	52,147	
Amortization of deferred amounts on refunding	<u>(55,512)</u>	9,984,338
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:		
Decrease in compensated absences liability	\$ 378,456	
Decrease in accrued interest payable	57,945	
Pension contributions paid after the measurement date-CERS	3,848,126	
OPEB contributions paid after the measurement date-CERS	1,429,968	
Actuarial pension expense-CERS	(10,123,999)	
Actuarial OPEB expense-CERS	(3,221,602)	
Actuarial pension expense-Single Employer Plans	<u>563,969</u>	(7,067,137)
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.		<u>2,251,880</u>
Change in net position of governmental activities		<u><u>\$ (2,189,262)</u></u>

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

City of Owensboro, Kentucky
Statement of Net Position
Proprietary Funds
For the fiscal year ended June 30, 2018

	Business-Type Activities Enterprise Funds			Total	Governmental Activities- Internal Service Funds
	Sanitation Fund	Convention Center Operations Fund	Nonmajor Enterprise Funds		
ASSETS					
Current Assets:					
Equity in pooled deposits and investments	\$ 10,956,310	\$ -	\$ 793,251	\$ 11,749,561	\$ 12,436,449
Cash and cash equivalents:					
In segregated accounts	300	454,041	7,305	461,646	-
Receivables:					
Accounts	4,252	438,959	112,635	555,846	400
Component units	1,042,607	-	-	1,042,607	-
Intergovernmental	98,346	-	153,603	251,949	-
Materials and supplies inventory	5,107	-	35,007	40,114	251,960
Prepaid expenses	-	-	1,200	1,200	-
Total Current Assets	12,106,922	893,000	1,103,001	14,102,923	12,688,809
Noncurrent Assets:					
Capital assets, net of accumulated depreciation:					
Construction in process	-	-	16,775	16,775	116,574
Land	13,000	-	105,739	118,739	-
Depreciable capital assets	2,298,229	33,164	581,743	2,913,136	5,721,218
Total Noncurrent Assets	2,311,229	33,164	704,257	3,048,650	5,837,792
Total Assets	\$ 14,418,151	\$ 926,164	\$ 1,807,258	\$ 17,151,573	\$ 18,526,601
LIABILITIES AND NET POSITION					
Current Liabilities:					
Accounts payable	\$ 483,049	\$ 139,368	\$ 84,965	\$ 707,382	\$ 2,071,230
Accrued liabilities	32,327	203,699	56,857	292,883	35,830
Deferred revenue	-	-	24,465	24,465	-
Bonds and loans payable, current portion	-	72,474	-	72,474	-
Compensated absences, current portion	9,323	-	26,837	36,160	-
Total Current Liabilities	524,699	415,541	193,124	1,133,364	2,107,060
Non-current Liabilities:					
Bonds payable, net of discount, less current portion	-	1,180,593	-	1,180,593	-
Compensated absences, less current portion	205,182	-	174,749	379,931	-
Total Non-current Liabilities	205,182	1,180,593	174,749	1,560,524	-
Total Liabilities	729,881	1,596,134	367,873	2,693,888	2,107,060
Net Position:					
Invested in capital assets	2,311,229	33,164	704,257	3,048,650	5,837,792
Unrestricted	11,377,041	(703,134)	735,128	11,409,035	10,581,749
Total Net Position	13,688,270	(669,970)	1,439,385	14,457,685	16,419,541
Total Liabilities and Net Position	\$ 14,418,151	\$ 926,164	\$ 1,807,258	\$ 17,151,573	\$ 18,526,601
Total Net Position				\$ 14,457,685	
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds				2,892,910	
Net Position of Business-Type Activities				\$ 17,350,595	

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

City of Owensboro, Kentucky
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the fiscal year ended June 30, 2018

	Business-Type Activities Enterprise Funds			Total	Governmental Activities- Internal Service Funds
	Sanitation Fund	Convention Center Operations Fund	Nonmajor Enterprise Funds		
Operating Revenues:					
Charges for services	\$ 7,390,612	\$ 3,100,098	\$ 2,163,914	\$ 12,654,624	\$ 14,223,917
Miscellaneous income	10,576	-	38,507	49,083	1,096
Total Operating Revenues	<u>7,401,188</u>	<u>3,100,098</u>	<u>2,202,421</u>	<u>12,703,707</u>	<u>14,225,013</u>
Operating Expenses:					
Salaries, wages, and benefits	2,056,382	-	2,771,631	4,828,013	2,269,330
Maintenance	644,069	103,769	988,050	1,735,888	776,341
Utilities	9,593	88,398	232,294	330,285	26,249
Administrative	-	-	-	-	1,008,458
Supplies	325,383	300	563,032	888,715	778,955
Other	2,413,314	3,805,420	1,046,260	7,264,994	-
Claims	-	-	-	-	5,242,125
Depreciation	720,077	65,807	125,344	911,228	1,695,024
Total Operating Expenses	<u>6,168,818</u>	<u>4,063,694</u>	<u>5,726,611</u>	<u>15,959,123</u>	<u>11,796,482</u>
Operating Income (Loss)	<u>1,232,370</u>	<u>(963,596)</u>	<u>(3,524,190)</u>	<u>(3,255,416)</u>	<u>2,428,531</u>
Nonoperating Revenues:					
Gain (loss) on sale of capital assets	102,107	-	986	103,093	70,597
Intergovernmental	-	232,876	-	232,876	-
Investment earnings	-	152,058	708	152,766	135,405
Operating grants	92,505	-	807,208	899,713	-
Total Nonoperating Revenues	<u>194,612</u>	<u>384,934</u>	<u>808,902</u>	<u>1,388,448</u>	<u>206,002</u>
Income (Loss) Before Contributions and Transfers	<u>1,426,982</u>	<u>(578,662)</u>	<u>(2,715,288)</u>	<u>(1,866,968)</u>	<u>2,634,533</u>
Capital contributions - grants	-	-	447,235	447,235	-
Transfers in	-	834,614	2,551,433	3,386,047	-
Transfers out	-	(105,949)	(154,944)	(260,893)	-
Change in Net Position	<u>1,426,982</u>	<u>150,003</u>	<u>128,436</u>	<u>1,705,421</u>	<u>2,634,533</u>
Net Position, Beginning of Year	<u>12,261,288</u>	<u>(819,973)</u>	<u>1,310,949</u>	<u>12,752,264</u>	<u>13,785,008</u>
Net Position, End of Year	<u>\$ 13,688,270</u>	<u>\$ (669,970)</u>	<u>\$ 1,439,385</u>	<u>\$ 14,457,685</u>	<u>\$ 16,419,541</u>
Change in Net Position				\$ 1,705,421	
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds				<u>382,653</u>	
Change in Net Position of Business-type Activities				<u>\$ 2,088,074</u>	

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

City of Owensboro, Kentucky
Statement of Cash Flows
Proprietary Funds
For the fiscal year ended June 30, 2018

	Business-Type Activities Enterprise Funds				Governmental Activities- Internal Service Funds
	Sanitation Fund	Convention Center Operations Fund	Nonmajor Enterprise Funds	Total	
Cash flows from operating activities:					
Cash received from customers	\$ 7,442,771	\$ 5,727,314	\$ 1,859,436	\$ 15,029,521	\$ 14,227,239
Other cash receipts	10,576	-	-	10,576	-
Cash payments to employees for services	(2,059,397)	-	(2,811,892)	(4,871,289)	(2,265,168)
Cash payments to suppliers	(3,273,123)	(9,304,607)	(2,614,159)	(15,191,889)	(2,565,926)
Cash payments for claims	-	-	-	-	(5,242,125)
Net cash provided by (used in) operating activities	<u>2,120,827</u>	<u>(3,577,293)</u>	<u>(3,566,615)</u>	<u>(5,023,081)</u>	<u>4,154,020</u>
Cash flows from noncapital financing activities:					
Operating grants	-	-	807,208	807,208	-
Intergovernmental contributions	-	232,876	-	232,876	-
Transfers in	-	834,614	2,551,433	3,386,047	-
Transfers out	-	(105,949)	(154,944)	(260,893)	-
Net cash provided by (used in) noncapital financing activities	<u>-</u>	<u>961,541</u>	<u>3,203,697</u>	<u>4,165,238</u>	<u>-</u>
Cash flows from capital and related financing activities:					
Proceeds from sale of capital assets	102,107	-	986	103,093	70,597
Capital contributions - grants	-	-	447,235	447,235	-
Payments for capital acquisitions	(1,057,719)	-	(69,438)	-	(1,180,085)
Net cash provided by (used in) capital and related financing activities	<u>(955,612)</u>	<u>-</u>	<u>378,783</u>	<u>550,328</u>	<u>(1,109,488)</u>
Cash flows from investing activities:					
Interest on investments	-	152,058	708	152,766	135,405
Net increase (decrease) in equity in pooled cash and deposits and cash equivalents	1,165,215	(2,463,694)	16,573	(1,281,906)	3,179,937
Equity in pooled cash and deposits, and cash and cash equivalents, beginning of year	<u>9,791,395</u>	<u>2,917,735</u>	<u>783,983</u>	<u>13,493,113</u>	<u>9,256,512</u>
Equity in pooled cash and deposits, and cash and cash equivalents, end of year	<u>\$ 10,956,610</u>	<u>\$ 454,041</u>	<u>\$ 800,556</u>	<u>\$ 12,211,207</u>	<u>\$ 12,436,449</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:					
Operating income (loss)	\$ 1,232,370	\$ (963,596)	\$ (3,524,190)	\$ (3,255,416)	\$ 2,428,531
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation	720,077	65,807	125,344	911,228	1,695,024
Changes in assets and liabilities:					
(Increase) decrease in assets:					
Accounts receivable	(1,752)	2,627,216	269,503	2,894,967	2,226
Component units receivable	53,911	-	-	53,911	-
Materials and supplies inventory	6,120	-	(7,460)	(1,340)	6,058
Prepaid expenses	-	-	-	-	-
Increase (decrease) in liabilities:					
Accounts payable	113,116	(2,772,231)	(124,405)	(2,783,520)	18,019
Deferred charges	-	-	(268,149)	(268,149)	-
Accrued liabilities	3,064	(2,534,489)	9,931	(2,521,494)	4,162
Compensated absences	(6,079)	-	(47,189)	(53,268)	-
Net cash provided by (used in) operating activities	<u>\$ 2,120,827</u>	<u>\$ (3,577,293)</u>	<u>\$ (3,566,615)</u>	<u>\$ (5,023,081)</u>	<u>\$ 4,154,020</u>

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

City of Owensboro, Kentucky
Statement of Fiduciary Net Position
Fiduciary Funds
As of June 30, 2018

	<u>Pension Trust Funds</u>	<u>Investment Trust Fund</u>	<u>Agency Funds</u>
ASSETS			
Equity in pooled deposits and investments	\$ 212,449	\$ 20,058,059	\$ 119,450
Cash and cash equivalents	73,070	-	-
Intergovernmental receivable	-	-	77,511
Investments, at fair value:			
Corporate stocks	3,394,889	-	-
Total Assets	<u>3,680,408</u>	<u>20,058,059</u>	<u>196,961</u>
LIABILITIES			
Pension payable	77,954	-	-
Other	37,210	-	196,961
Total Liabilities	<u>115,164</u>	<u>-</u>	<u>196,961</u>
NET POSITION			
Restricted for:			
Pensions	3,565,244	-	-
External pool participants	-	20,058,059	-
Total Net Position	<u>\$ 3,565,244</u>	<u>\$ 20,058,059</u>	<u>\$ -</u>

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

City of Owensboro, Kentucky
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the fiscal year ended June 30, 2018

	<u>Pension Trust Funds</u>	<u>Investment Trust Fund</u>
Additions:		
Purchases of pool units	\$ -	\$ 44,666,401
Contributions:		
Employer	850,000	-
Other	3,744	-
Total contributions	<u>853,744</u>	<u>-</u>
Investment earnings:		
Net appreciation in fair value of investments	400,663	100,318
Interest	60,376	306,179
Total investment earnings	<u>461,039</u>	<u>406,497</u>
Less investment expense	<u>30,121</u>	<u>-</u>
Net investment earnings	<u>430,918</u>	<u>406,497</u>
Total Additions	<u>1,284,662</u>	<u>45,072,898</u>
Deductions:		
Benefits	1,070,182	-
Redemption of pool units	-	(36,549,824)
Total Deductions	<u>1,070,182</u>	<u>(36,549,824)</u>
Change in Net Position	214,480	8,523,074
Net Position, Beginning of Year	<u>3,350,764</u>	<u>11,534,985</u>
Net Position, End of Year	<u>\$ 3,565,244</u>	<u>\$ 20,058,059</u>

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

City of Owensboro, Kentucky
Statement of Net Position
Component Units
As of June 30, 2018

	Owensboro Municipal Utilities	Owensboro Riverport Authority	Total
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES			
Equity in pooled deposits and investments	\$ -	\$ 3,257,396	\$ 3,257,396
Cash and cash equivalents:			
In segregated accounts	13,950,773	6,862,932	20,813,705
Investments	24,560,828	-	24,560,828
Accounts receivable (less allowance of \$61,100 and \$0 for OMU and ORA, respectively)	17,454,316	2,568,010	20,022,326
Material and supplies inventory	4,669,207	-	4,669,207
Prepaid items	518,664	101,070	619,734
Other current assets	681,264	40,762	722,026
Restricted assets	108,542,234	-	108,542,234
Capital assets, net of accumulated depreciation	210,867,853	57,159,956	268,027,809
Other noncurrent assets	20,977,022	4,597,910	25,574,932
Total Assets	402,222,161	74,588,036	476,810,197
Deferred Outflows of Resources:			
Accumulated decrease in fair value of hedging derivatives	1,935,210	-	1,935,210
Deferred pension outflows	14,154,527	2,077,981	16,232,508
Deferred other postemployment benefit outflows	4,013,584	534,937	4,548,521
Deferred pension obligation	33,371,290	-	33,371,290
Deferred postemployment benefit obligation	11,512,008	-	11,512,008
Unamortized loss on debt refunding	3,782,368	-	3,782,368
Net unrealized loss on investments	1,253,244	-	1,253,244
Total Deferred Outflows of Resources	70,022,231	2,612,918	72,635,149
Total Assets and Deferred Outflows of Resources	\$ 472,244,392	\$ 77,200,954	\$ 549,445,346
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION			
Liabilities:			
Accounts payable	\$ 21,720,396	\$ 334,547	\$ 22,054,943
Accrued liabilities	-	693,097	693,097
Accrued interest payable	3,079,995	-	3,079,995
Unearned revenue	-	219,481	219,481
Non-current liabilities:			
Long-term debt:			
Due within one year	19,681,838	3,271,295	22,953,133
Due in more than one year	196,652,603	20,737,909	217,390,512
Net pension liability	42,955,258	5,692,810	48,648,068
Net other postemployment benefit liability	14,753,158	1,955,218	16,708,376
Other	274,725	123,696	398,421
Total Liabilities	299,117,973	33,028,053	332,146,026
Deferred Inflows of Resources:			
Accumulated increase in fair value of hedging derivatives	851,926	-	851,926
Deferred pension inflows	4,570,559	144,508	4,715,067
Deferred other postemployment benefit inflows	772,434	102,371	874,805
Deferred lease inflows	-	4,845,153	4,845,153
Deferred revenue	749,849	-	749,849
Total Deferred Inflows of Resources	6,944,768	5,092,032	12,036,800
Net Position:			
Net investment in capital assets	28,626,156	33,150,752	61,776,908
Restricted for:			
Capital projects	5,928,260	-	5,928,260
Debt service	16,304,252	-	16,304,252
Other purposes	51,346,179	-	51,346,179
Unrestricted	63,976,804	5,930,117	69,906,921
Total Net Position	166,181,651	39,080,869	205,262,520
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 472,244,392	\$ 77,200,954	\$ 549,445,346

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

City of Owensboro, Kentucky
Statement of Activities
Component Units
For the fiscal year ended June 30, 2018

	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Change in Net Position</u>			
	<u>Expenses</u>	<u>Charges for Services and Sales</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Owensboro Municipal Utilities</u>	<u>Owensboro Riverport Authority</u>	<u>Total</u>
Owensboro Municipal Utilities	\$ 155,919,158	\$ 161,800,445	\$ -	\$ 110,948	\$ 5,992,235	\$ -	\$ 5,992,235
Owensboro Riverport Authority	12,912,064	14,876,796	-	1,853,658	-	3,818,390	3,818,390
Total Component Units	\$ 168,831,222	\$ 176,677,241	\$ -	\$ 1,964,606	5,992,235	3,818,390	9,810,625
General Revenues:							
				2,465,941	118,514	2,584,455	
				(927,530)	-	(927,530)	
				963,081	411,203	1,374,284	
				-	1,288	1,288	
				-	(775,000)	(775,000)	
				<u>2,501,492</u>	<u>(243,995)</u>	<u>2,257,497</u>	
				8,493,727	3,574,395	12,068,122	
				28,195,858	(1,355,564)	26,840,294	
				<u>129,492,066</u>	<u>36,862,038</u>	<u>166,354,104</u>	
				<u>\$ 166,181,651</u>	<u>\$ 39,080,869</u>	<u>\$ 205,262,520</u>	

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

City of Owensboro, Kentucky
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The City is a municipal corporation governed by an elected mayor and a 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, 2018. 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. Financial statements can be obtained by contacting the Finance Director of OMU at (270) 926-3200 or 2070 Tamarack Road, Owensboro, Kentucky 42301.

City of Owensboro, Kentucky
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Owensboro Riverport Authority and Affiliate

The Owensboro Riverport Authority (Authority) was created by ordinance on September 9, 1966, for the purpose of establishing, maintaining, operating, and expanding necessary and proper riverport and navigational facilities for the purpose of attracting river-oriented industry. Because the City appoints the Authority's Board of Directors and provides a specific financial benefit to the City each year in the form of a distribution, the Authority is a component unit of the City. The Authority is presented as an enterprise fund. Financial statements can be obtained by contacting the Controller of the Authority at (270) 926-4238 or P.O. Box 21955, Owensboro, Kentucky 42304.

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.

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 inter-fund 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 privilege 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
For the Fiscal Year Ended June 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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, 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:

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 the persons of low or moderate income.

Your Community Vision Fund - established to account for the 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.

City of Owensboro, Kentucky
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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.

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.

Central Dispatch Fund - established to account for funds used in operation of the Owensboro-Daviess County Central Dispatch.

Capital Improvements Fund

The Capital Improvements Fund is used to account for the acquisition and construction of major capital assets financed with funds from long-term borrowings other than those financed by proprietary funds. This is a major fund of the City.

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 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.

Convention Center 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, softball complex, and ice arena.

Sportscenter Operations Fund - established for the purpose of managing and accounting for the operations of the Owensboro Sportscenter.

City of Owensboro, Kentucky
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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 the 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 depreciate 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 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 the 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.

City of Owensboro, Kentucky
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operation 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.

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:

Susceptible
Taxes
Intergovernmental

Non Susceptible
Licenses and permits

City of Owensboro, Kentucky
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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.

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 to or greater than the amount of the deposits which may exist from time to time.

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

The City has segregated bank accounts for monies held separate from the City's central bank account. These interest-bearing depository accounts are presented on the statement of net 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.

Materials and Supplies Inventory

Inventory is valued at cost, which approximates market value, 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).

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. They 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 acquisition 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

City of Owensboro, Kentucky
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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 is 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 replacements. Depreciation is computed using the straight-line method over the following useful lives:

Description	Governmental Activities Estimated Lives	Business-Type Activities Estimated Lives
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

Property Taxes

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

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.

Interfund Balances

On the 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.

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

City of Owensboro, Kentucky
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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.

Retirement Benefits

For purposes of measuring the net pension liability, net other postemployment benefits liabilities, deferred outflows of resources and deferred inflows of resources related to pensions and other postemployment benefits, and pension and other postemployment benefits expense, information about the fiduciary net position, and additions to/deductions from fiduciary net position have been determined on the same basis as they are reported by the various pension plans of the City. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments, if any, are reported at fair value.

Bond Discounts/Issuance Costs

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

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 borrowing 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 their designation.

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 the government's fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

- Non-spendable 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.

City of Owensboro, Kentucky
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

- 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.

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). All budget appropriations created by passage of ordinance, lapse at fiscal year-end.

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 17% of expenditures.

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 inter-fund transfers. Inter-fund 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 statements.

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 the fiscal year ended June 30, 2018.

City of Owensboro, Kentucky
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Estimates

Preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount 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.

Budgetary Information

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

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

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) do not constitute expenditures or liabilities because the commitments will be reappropriated and honored during the subsequent year.

New Accounting Pronouncements

The City implemented Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* and GASB Statement No. 82, *Pensions Issues*. The provisions of these statements are effective for financial statements for fiscal years beginning after June 15, 2017. The implementation of GASB Statements No. 75 and 82 resulted in a cumulative effect of change in accounting principle which reduced the net position of the City by \$14,068,781. Additionally, implementation of the new GASB statements also resulted in the recording of related deferred outflows and inflows of resources and unfunded other postemployment benefits liability which is further discussed in Note 8.

NOTE 2 - PROPERTY TAXES

Property taxes attach as a lien on property as of January 1st each year. Property values are assessed on January 1st of each year. These taxes are levied annually by ordinance, usually in September, and are payable in one installment on, or before, November 1st. 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, 2018, was \$0.2620 per \$100 on the assessed valuation of \$3,105,513,894. Although this tax margin would indicate

City of Owensboro, Kentucky
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

NOTE 2 - PROPERTY TAXES, CONTINUED

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 \$0.2530 and \$0.3030 per \$100 of assessed value, respectively.

NOTE 3 - DEPOSITS AND INVESTMENTS

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

Participants with negative cash balances are not charged interest. Participants' shares sold and redeemed are determined using specific identification of the participant's cost basis in the investment pool. The City does not issue a separate report for the pool.

The City has neither provided nor obtained any legally binding guarantees during the period to support the value of shares. The pool includes no involuntary participants. The investments held by the pool at June 30, 2018, 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	\$ 17,810,339	18,179,000	1.40-3.57%	2/19 - 12/24
Certificates of deposit	5,000,000	5,000,000	1.75%	10/20
Cash and cash equivalents	63,586,758	63,586,753		
Totals	<u>\$ 86,397,097</u>	<u>86,765,753</u>		

City of Owensboro, Kentucky
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

NOTE 3 - DEPOSITS AND INVESTMENTS, CONTINUED

The following condensed statements of net position and changes in net position for the year ended June 30, 2018, are presented for the pool as a whole:

Statement of Net Position

Assets:

Investments at fair value	\$ 17,810,339
Certificates of deposit	5,000,000
Cash and cash equivalents	63,586,758
Total Assets	<u><u>\$ 86,397,097</u></u>

Net Position:

Held in trust for external pool participants:	
Component unit	\$ 3,257,396
Fiduciary:	
Pension Trust Funds	179,390
Agency Funds	119,450
Other external participants	20,058,059
Held in trust for internal pool participants	<u>62,782,802</u>
Total Net Position	<u><u>\$ 86,397,097</u></u>

Net position consists of:

Participants' units outstanding (\$1 par)	<u><u>\$ 86,765,753</u></u>
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Statement of Changes in Net Position

Revenues:

Interest income	\$ 1,465,856
Net change in fair value	<u>(325,116)</u>
Total Revenues	<u>1,140,740</u>

Share transactions at net position value of \$1 per share:

Purchase of units	149,128,427
Redemption of units	<u>(146,762,224)</u>
Net increase in net position and shares resulting from share transactions	<u>2,366,203</u>
Total Increase in Net Position	<u>3,506,943</u>

Net Position:

Beginning of period	82,890,154
End of period	<u><u>\$ 86,397,097</u></u>

City of Owensboro, Kentucky
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

NOTE 3 - DEPOSITS AND INVESTMENTS, CONTINUED

Interest Rate Risk

To limit exposure to fair value losses resulting from an increase 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., 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, 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. 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.

At June 30, 2018, the reported amount of the City's pooled and non-pooled bank deposits was \$66,937,320. Of the bank balance, \$250,000 was covered by federal depository insurance and \$76,632,012 was the value of collateral held in the pledging bank's trust department in the City's name.

City of Owensboro, Kentucky
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

NOTE 3 - DEPOSITS AND INVESTMENTS, CONTINUED

As of June 30, 2018, 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 Bank	\$ 968,966	
Federal Farm Credit Bank Obligations	11,783,175	
Federal Home Loan Mortgage Corporation	989,691	
Kentucky Housing Corporation	1,010,480	
Lexington-Fayette Urban County Government	1,375,414	
Certificates of Deposit	<u>6,682,613</u>	
Total investments and weighted average maturity	<u>\$ 22,810,339</u>	<u>49.32</u>

Primary Government

	<u>Bank Balance</u>	<u>Carrying Amount</u>
Deposits and investments:		
Non-pooled:		
Cash and cash equivalents	<u>\$ 482,400</u>	\$ 482,400
Fiduciary cash equivalents		73,070
Fiduciary investments		<u>3,394,889</u>
		<u>3,950,359</u>
Pooled:		
Cash and cash equivalents		63,586,758
Certificates of deposit		5,000,000
Government obligations		<u>17,810,339</u>
Total deposits and investments		<u>90,347,456</u>
Less:		
External participants' equity in pool:		
Component unit		(3,257,396)
Other external participants - Investment Trust Fund		(20,058,059)
Fiduciary:		
Cash equivalents		(73,070)
Investments		(3,394,889)
Equity in pool:		
Pension Trust Funds		(179,390)
Agency Funds		<u>(119,450)</u>
Total deposits and investments - primary government		<u>\$ 63,265,202</u>

Statement of Net Position Accounts:

Equity in pooled deposits and investments	\$ 62,782,802
Cash and cash equivalents:	
In segregated accounts	479,678
With escrow agents	<u>2,722</u>
	<u>482,400</u>
Total deposits and investments - primary government	<u>\$ 63,265,202</u>

City of Owensboro, Kentucky
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

NOTE 3 - DEPOSITS AND INVESTMENTS, CONTINUED

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The inputs or methodology used for valuing securities are not an indication of risk associated with those securities.

The City has the following recurring fair value measurements as of June 30, 2018:

	June 30, 2018	Fair Value Measurement Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<u>Debt Securities:</u>				
U.S. Agency Securities	\$ 13,741,832	\$ 13,741,832	\$ -	\$ -
Municipal Securities	2,385,894	2,385,894	-	-
<u>Other Securities:</u>				
Certificates of Deposit	6,682,613	-	6,682,613	-
Total Investments - Primary Government	22,810,339	16,127,726	6,682,613	-
<u>City Employees' Pension Fund:</u>				
Equity Securities	3,394,889	3,394,889	-	-
Total Investments	\$ 26,205,228	\$ 19,522,615	\$ 6,682,613	\$ -

Debt securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Certificates of deposits classified in Level 2 are valued using consensus pricing. Money market funds and certificates of deposit having a maturity of one year or less from the fiscal year end are not subject to GASB Statement No. 72.

City of Owensboro, Kentucky
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

NOTE 3 - DEPOSITS AND INVESTMENTS, CONTINUED

Component Units

	<u>Carrying Amount</u>
Deposits:	
Cash and cash equivalents	\$ 63,501,414
Investments:	
Equity in pooled deposits and investments	3,257,396
Negotiable Certificates of Deposit	4,885,430
Government agency obligations	65,656,243
Repurchase agreements	8,900,000
Total investments	82,699,069
Total deposits and investments - component units	\$ 146,200,483

Balance Sheet Accounts:

Equity in pooled deposits and investments	\$ 3,257,396
Cash and cash equivalents	20,813,705
Investments	24,560,828
	48,631,929
Restricted assets:	
Cash and cash equivalents	42,687,709
Investments	54,880,845
Other restricted assets	10,973,680
	108,542,234
Less other restricted assets	(10,973,680)
Total deposits and investments - component units	\$ 146,200,483

City of Owensboro, Kentucky
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

NOTE 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>2,722</u>
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Component Units

Certain assets of Owensboro Municipal Utilities as of May 31, 2018, which are restricted, consist of the following:

Electric Light and Power System:

Cash and investments	\$ 36,020,442
Investments	52,753,209
Accrued interest receivable	504,742
Fuel and other inventories, at cost	9,581,249
Other	869,991
	<u>99,729,633</u>

Water Works System:

Cash and equivalents	6,667,267
Investments	2,127,636
Accrued interest receivable	17,698
	<u>8,812,601</u>

Total restricted assets - component units	\$ <u>108,542,234</u>
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City of Owensboro, Kentucky
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

NOTE 5 - CAPITAL ASSETS

Primary Government

Capital asset activity for the City for the year ended June 30, 2018, was as follows:

	Balance June 30, 2017	Increases	Decreases	Balance June 30, 2018
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 24,416,066	\$ 926,600	\$ (22,085)	\$ 25,320,581
Construction in progress	6,768,047	12,560,865	(1,177,707)	18,151,205
Total capital assets, not being depreciated	<u>31,184,113</u>	<u>13,487,465</u>	<u>(1,199,792)</u>	<u>43,471,786</u>
Capital assets, being depreciated:				
Land improvements/infrastructure	189,456,353	4,572,019	(16,523)	194,011,849
Buildings	105,899,364	256,719	(62,472)	106,093,611
Vehicles	12,896,268	1,189,966	(662,702)	13,423,532
Machinery and equipment	9,645,895	602,812	(79,362)	10,169,345
Software	616,399	-	-	616,399
Total capital assets, being depreciated	<u>318,514,279</u>	<u>6,621,516</u>	<u>(821,059)</u>	<u>324,314,736</u>
Less accumulated depreciation for:				
Land improvements/infrastructure	(75,858,996)	(8,638,483)	16,523	(84,480,956)
Buildings	(31,314,322)	(3,756,882)	55,224	(35,015,980)
Vehicles	(9,342,034)	(1,229,356)	662,279	(9,909,111)
Machinery and equipment	(7,185,507)	(907,188)	60,638	(8,032,057)
Software	(267,178)	(123,280)	-	(390,458)
Total accumulated depreciation	<u>(123,968,037)</u>	<u>(14,655,189)</u>	<u>794,664</u>	<u>(137,828,562)</u>
Total capital assets, being depreciated, net	<u>194,546,242</u>	<u>(8,033,673)</u>	<u>(26,395)</u>	<u>186,486,174</u>
Governmental activities, capital assets, net	<u>\$ 225,730,355</u>	<u>\$ 5,453,792</u>	<u>\$ (1,226,187)</u>	<u>\$ 229,957,960</u>
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 118,739	\$ -	\$ -	\$ 118,739
Construction in progress	102,805	16,775	(102,805)	16,775
Total capital assets, not being depreciated	<u>221,544</u>	<u>16,775</u>	<u>(102,805)</u>	<u>135,514</u>
Capital assets, being depreciated:				
Land improvements	833,287	-	-	833,287
Buildings	2,005,621	79,395	(68,175)	2,016,841
Vehicles	7,676,827	1,073,616	(468,063)	8,282,380
Machinery and equipment	1,601,622	76,072	-	1,677,694
Total capital assets, being depreciated	<u>12,117,357</u>	<u>1,229,083</u>	<u>(536,238)</u>	<u>12,810,202</u>
Less accumulated depreciation for:				
Land improvements	(629,599)	(15,341)	-	(644,940)
Buildings	(1,705,179)	(33,307)	68,176	(1,670,310)
Vehicles	(5,993,008)	(653,546)	452,166	(6,194,388)
Machinery and equipment	(1,178,394)	(209,034)	-	(1,387,428)
Total accumulated depreciation	<u>(9,506,180)</u>	<u>(911,228)</u>	<u>520,342</u>	<u>(9,897,066)</u>
Total capital assets, being depreciated, net	<u>2,611,177</u>	<u>317,855</u>	<u>(15,896)</u>	<u>2,913,136</u>
Business-type activities, capital assets, net	<u>\$ 2,832,721</u>	<u>\$ 334,630</u>	<u>\$ (118,701)</u>	<u>\$ 3,048,650</u>

City of Owensboro, Kentucky
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

NOTE 5 - CAPITAL ASSETS, CONTINUED

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

Governmental activities:	
General government	\$ 3,004,610
Public safety	323,278
Public works	2,090,027
Community and cultural	9,237,274
Total depreciation expense, governmental activities	<u>\$ 14,655,189</u>
Business-type activities:	
Sanitation	\$ 720,077
Downtown maintenance and operations	65,807
Transit	80,411
Recreation	18,687
Sportscenter	6,104
Geographic information system	20,142
Total depreciation expense, business-type activities	<u>\$ 911,228</u>

Construction Commitments

The City has active construction projects as of June 30, 2018. The projects included the International Blue Grass Museum Center, the downtown parking garage, and renovations to the Owensboro Police Department's evidence building and gun range. A list of significant commitments as of June 30, 2018, are as follows:

<u>Project</u>	<u>Spent-to-Date</u>	<u>Remaining</u>
International Bluegrass Museum	\$ 11,911,362	\$ 3,244,800
Downtown Parking Garage	5,431,530	4,014,099
OPD Evidence Building and Gun Range	610,475	56,196
Central Dispatch Backup Center	94,445	10,493
Greenbelt Extension	54,506	161,116
Software Upgrades	48,887	27,450
Bus Shelters	16,775	33,550
	<u>\$ 18,167,980</u>	<u>\$ 7,547,704</u>

City of Owensboro, Kentucky
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

NOTE 5 - CAPITAL ASSETS, CONTINUED

Component Units

Capital asset activity for Owensboro Municipal Utilities for the year ended May 31, 2018, was as follows:

	Balance May 31, 2017	Increases	Decreases	Balance May 31, 2018
Electric Light and Power System:				
Capital assets, not being depreciated:				
Construction in progress	\$ 6,949,837	\$ -	\$ (2,368,863)	\$ 4,580,974
Capital assets, being depreciated:				
Utility plant	467,186,973	11,825,492	(1,246,285)	477,766,180
Less accumulated depreciation	(298,915,170)	(19,436,442)	1,247,667	(317,103,945)
Total capital assets, being depreciated, net	168,271,803	(7,610,950)	1,382	160,662,235
Electric Light and Power System capital assets, net	\$ 175,221,640	\$ (7,610,950)	\$ (2,367,481)	\$ 165,243,209
Water Works System:				
Capital assets, not being depreciated:				
Construction in progress	\$ 4,390,551	\$ -	\$ (2,104,977)	\$ 2,285,574
Capital assets, being depreciated:				
Utility plant	82,103,544	4,624,148	(25,845)	86,701,847
Less accumulated depreciation	(40,520,872)	(2,867,750)	25,845	(43,362,777)
Total capital assets, begin depreciated, net	41,582,672	1,756,398	-	43,339,070
Water Works System capital assets, net	\$ 45,973,223	\$ 1,756,398	\$ (2,104,977)	\$ 45,624,644

Capital asset activity for Owensboro Riverport Authority for the year ended June 30, 2018, was as follows:

	Balance June 30, 2017	Increases	Decreases	Balance June 30, 2018
Capital assets, not being depreciated:				
Land and land improvements	\$ 4,062,377	\$ -	\$ -	\$ 4,062,377
Construction in progress	396,352	834,672	(445,525)	785,499
Total capital assets, not being depreciated	4,458,729	834,672	(445,525)	4,847,876
Capital assets, being depreciated:				
Port facilities	64,863,914	2,397,375	-	67,261,289
Machinery and equipment	11,287,584	267,286	(1,695)	11,553,175
Office furniture and equipment	1,735,899	48,947	(6,067)	1,778,779
Total capital assets, being depreciated	77,887,397	2,713,608	(7,762)	80,593,243
Less accumulated depreciation	(24,610,451)	(3,678,474)	7,762	(28,281,163)
Total capital assets, being depreciated, net	53,276,946	(964,866)	-	52,312,080
Owensboro Riverport Authority capital assets, net	\$ 57,735,675	\$ (130,194)	\$ (445,525)	\$ 57,159,956

City of Owensboro, Kentucky
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

NOTE 6 - LONG-TERM LIABILITIES

Primary Government

Long-term liability activity for the City for the year ended June 30, 2018, was as follows:

	Balance June 30, 2017	Additions	Reductions	Balance June 30, 2018	Due Within One Year
<u>Governmental activities:</u>					
<u>Bonds and loans payable:</u>					
General obligation bonds:					
Series 2010	\$ 4,225,000	\$ -	\$ (220,000)	\$ 4,005,000	\$ 230,000
Series 2011	17,970,000	-	(460,000)	17,510,000	475,000
Series 2011	2,250,000	-	(125,000)	2,125,000	125,000
Series 2012A Refunding	1,100,000	-	(215,000)	885,000	210,000
Series 2012B	35,870,000	-	(970,000)	34,900,000	990,000
Series 2012C Refunding	1,615,000	-	(310,000)	1,305,000	315,000
Series 2013A	18,695,000	-	(480,000)	18,215,000	490,000
Series 2013B	7,657,831	-	(408,272)	7,249,559	412,526
Series 2013C	5,300,000	-	(275,000)	5,025,000	280,000
Series 2014 Refunding	3,815,000	-	(225,000)	3,590,000	235,000
Series 2014B	21,645,000	-	(2,430,000)	19,215,000	2,500,000
Series 2016A Refunding	2,095,000	-	(215,000)	1,880,000	220,000
Series 2016B Refunding	1,825,000	-	(140,000)	1,685,000	145,000
Series 2016C	2,560,000	-	(105,000)	2,455,000	105,000
Series 2016D	9,380,000	-	-	9,380,000	-
Series 2016 BAN	6,565,000	-	(2,000,000)	4,565,000	-
<u>Notes payable:</u>					
KIA A07-04	22,243,031	-	(1,122,223)	21,120,808	1,133,474
KIA A15-36	2,817,843	-	(161,181)	2,656,662	164,013
Notes payable #18	100,000	-	(50,000)	50,000	50,000
Notes payable #26	8,300	-	(4,300)	4,000	4,000
Total bonds and loans payable, governmental activities	167,737,005	-	(9,915,976)	157,821,029	8,084,013
<u>Less deferred amounts:</u>					
For issuance premiums-governmental	927,673	-	(98,352)	829,321	-
For issuance discounts-governmental	(673,897)	-	45,273	(628,624)	-
Bonds and loans payable net of deferred amounts, governmental	167,990,781	-	(9,969,055)	158,021,726	8,084,013
<u>Business-type activities:</u>					
<u>Bonds payable:</u>					
General obligation bonds:					
Series 2013B	1,347,169	-	(71,727)	1,275,442	72,474
Total bonds and loans payable, business-type	1,347,169	-	(71,727)	1,275,442	72,474
<u>Less deferred amounts:</u>					
For issuance discounts- Business type activities	(23,307)	-	932	(22,375)	-
Bonds and loans payable net of deferred amounts, business-type	1,323,862	-	(70,795)	1,253,067	72,474
Total Bonds and loans payable net of deferred amounts, primary government	\$ 169,314,643	\$ -	\$ (10,039,850)	\$ 159,274,793	\$ 8,156,487

City of Owensboro, Kentucky
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

NOTE 6 - LONG-TERM LIABILITIES, CONTINUED

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, 2018, consisted of the following:

Series 2010 General Obligation Bonds:		
2.00% - 5.875% with principal due annually and interest due semi-annually through December 2030	\$	4,005,000
Series 2011 General Obligation Bonds:		
3.00% - 5.00% with principal due annually and interest due semi-annually through April 2041		17,510,000
Series 2011 General Obligation Bonds:		
.08% - 5.00% with principal due annually and interest due semi-annually through June 2031		2,125,000
Series 2012A General Obligation Refunding Bonds:		
1.00% - 2.75% with principal due annually and interest due semi-annually through February 2022		885,000
Series 2012B General Obligation Bonds:		
2.00% - 4.00% with principal due annually and interest due semi-annually through June 2042		34,900,000
Series 2012C General Obligation Refunding Bonds:		
2.00% - 2.50% with principal due annually and interest due semi-annually through September 2021		1,305,000
Series 2013A General Obligation Bonds:		
2.00% - 5.00% with principal due annually and interest due semi-annually through May 2043		18,215,000
Series 2013B General Obligation Bonds:		
1.55% -3.125% with principal due annually and interest due semi-annually through May 2033		8,525,001
Series 2013C General Obligation Bonds:		
2.00% -3.75% with principal due annually and interest due semi-annually through May 2033		5,025,000
Series 2014 General Obligation Refunding Bonds:		
2.00% - 3.25% with principal due annually and interest due semi-annually through October 2029		3,590,000
Series 2014B General Obligation Bonds:		
3.00% - 3.40% with principal due annually and interest due semi-annually through July 2025		19,215,000

City of Owensboro, Kentucky
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

NOTE 6 - LONG-TERM LIABILITIES, CONTINUED

Series 2016A General Obligation Refunding Bonds: 2.00% - 5.00% with principal due annually and interest due semi-annually through March 2026	1,880,000
Series 2016B General Obligation Refunding Bonds: 2.00% - 3.00% with principal due annually and interest due semi-annually through January 2029	1,685,000
Series 2016C General Obligation Bonds: 2.00% - 3.00% with principal due annually and interest due semi-annually through January 2037	2,455,000
Series 2016D General Obligation Bonds: 3.00% - 5.00% with principal due annually and interest due semi-annually through December 2027	9,380,000
Series 2016 BAN: 2.38% - 4.13% with principal due annually and interest due semi-annually through February 2021 with ballon payment at maturity of \$6,045,000	4,565,000
Kentucky Infrastructure Authority Federally Assisted Wastewater Revolving Loan A07-04: 1.00% 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	21,120,808
Kentucky Infrastructure Authority Federally Assisted Wastewater Revolving Loan A15-036: 1.75% semi-annual interest only until final closing, thereafter, due in semi-annual principal and interest payments for a period not to exceed twenty years	2,656,662
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	50,000
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	4,000
	4,000
Total bonds and loans payable, primary government	\$ 159,096,471

The notes payable were issued to provide funds for 1) improvements at Hillcrest Golf Course and Morris Park, and 2) symphony building renovations.

City of Owensboro, Kentucky
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

NOTE 6 - LONG-TERM LIABILITIES, CONTINUED

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. General Obligation Bonds are direct obligations and are secured by the full faith and credit of the government.

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, 2018, \$1,745,000 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>
2019	\$ 8,156,487	\$ 5,026,487	\$ 13,182,974
2020	8,921,733	4,815,426	13,737,159
2021	9,156,144	4,577,274	13,733,418
2022	13,195,721	4,275,441	17,471,162
2023	8,825,466	3,968,802	12,794,268
2024 - 2028	38,184,570	15,290,493	53,475,063
2029 - 2033	32,994,750	8,043,386	41,038,136
2034 - 2038	23,226,600	4,238,501	27,465,101
2039 - 2043	16,435,000	1,353,725	17,788,725
	<u>\$ 159,096,471</u>	<u>\$ 51,589,535</u>	<u>\$ 210,686,006</u>

Component Units

Owensboro Municipal Utilities Electric Light and Power System

Long-term debt activity for the year ended May 31, 2018, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Bonds Payable					
Series of 1991-B	\$ 42,407,501	\$ 2,543,198	\$ (15,725,000)	\$ 29,225,699	\$ 15,111,838
Series of 2002-A	10,030,000	-	(3,140,000)	6,890,000	3,340,000
Series of 2010-A	10,070,000	-	-	10,070,000	-
Series of 2010-B	31,425,000	-	-	31,425,000	-
Series of 2010-C	8,935,000	-	(8,935,000)	-	-
Series of 2013-A	8,875,000	-	-	8,875,000	-
Series of 2013-B	77,100,000	-	(36,160,000)	40,940,000	-
Series of 2017	-	49,685,000	-	49,685,000	340,000
	188,842,501	52,228,198	(63,960,000)	177,110,699	18,791,838
Add unamortized debt premium (discount)	2,814,073	4,120,499	(623,839)	6,310,733	-
Total long-term debt	<u>\$ 191,656,574</u>	<u>\$ 56,348,697</u>	<u>\$ (64,583,839)</u>	<u>\$ 183,421,432</u>	<u>\$ 18,791,838</u>

City of Owensboro, Kentucky
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

NOTE 6 - LONG-TERM LIABILITIES, CONTINUED

Bonds payable on May 31st 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 2018 to 2020 (original principal of outstanding bonds at May 31, 2018, was \$4,784,646)	\$ 29,225,699
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Series of 2002-A:

6.34%, due 2020, subject to annual pro rata sinking fund redemption from 2018 to 2020	6,890,000
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Series of 2010-A:

Current interest bonds, 4.88% to 5.03%, due from 2021 to 2022	10,070,000
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Series of 2010-B:

Current interest bonds, 4.88% to 5.58%, due from 2021 to 2025	31,425,000
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Series of 2013-A:

Current interest bonds, 3.40% to 3.65%, due from 2021 to 2022	8,875,000
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Series of 2013-B:

Current interest bonds, 3.00% to 5.00%, due from 2022 to 2027	40,940,000
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Series of 2017:

Current interest bonds, 4.00%, due from 2019 to 2037	49,685,000
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Total long-term debt	177,110,699
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Less current maturities	(18,791,838)
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Add unamortized debt premium	6,310,733
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Long-term portion	\$ 164,629,594
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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>
2019	\$ 19,405,000	\$ 6,741,082	\$ 26,146,082
2020	19,275,000	6,515,726	25,790,726
2021	17,395,000	6,290,656	23,685,656
2022	18,255,000	5,542,208	23,797,208
2023	20,695,000	4,732,235	25,427,235
2024 - 2028	79,985,000	9,035,414	89,020,414
2029 - 2033	2,095,000	708,400	2,803,400
2034 - 2038	2,230,000	230,000	2,460,000
	\$ 179,335,000	\$ 39,795,721	\$ 219,130,721

City of Owensboro, Kentucky
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

NOTE 6 - LONG-TERM LIABILITIES, CONTINUED

The scheduled principal maturities include \$2,224,301 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 ordinances authorizing its bond issues. Such ordinances require revenue to be first applied to the Sinking Fund, second to Operation and Maintenance Fund, third to the 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 authorized and OMU issued \$62,474,359 of Electric Light and Power System Revenue Bonds, 1991-B series. 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, 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 authorized and OMU issued \$34,905,000 of Electric Light and Power System Revenue Bonds, Taxable 2002-A Series and \$12,205,000 of Electric Light and Power System Revenue Bonds, Tax-Exempt 2002-B Series, each dated February 1, 2002. The 2002-A and B Bonds were issued to provide construction funds for certain pollution control facilities and equipment.

The 2002-A series is subject to scheduled redemption prior to maturity based upon annual pro rata sinking fund redemptions. In addition, the 2002-A series is subject to early redemption, in whole or in part, at any time, at terms specified in the 2002 Official Statement.

On November 18, 2010, the City authorized and OMU 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 \$9,275,976 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. OMU 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.

City of Owensboro, Kentucky
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

NOTE 6 - LONG-TERM LIABILITIES, CONTINUED

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. Due to current federal budget sequestration, the direct interest subsidy is currently reduced to 33% of the total coupon interest. Interest subsidy received for fiscal year 2018 was \$540,498.

Remaining interest subsidies scheduled through maturity of the bonds, before budget sequestration reductions, are as follows:

<u>Year Ending May 31:</u>		
2019	\$	578,846
2020		578,846
2021		578,846
2022		503,779
2023		424,028
2024 - 2028		444,041
		\$ 3,108,386

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. Furthermore, 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 of 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.

On June 25, 2013, the City authorized and OMU issued \$8,875,000 of Electric Light and Power System Revenue Bonds, Taxable Bonds, Taxable 2013-A Series, and \$77,100,000 of Electric Light Power System Revenue Bonds, Tax-Exempt 2013-B Series, each dated June 25, 2013. The 2013 Bonds were issued to fund various capital improvement expenditures for the Electric System and to refund certain 1991-B series bonds.

The in-substance defeasance of the 1991-B Bonds was accomplished by placing \$40,325,905 in proceeds from the 2013-B Bonds and \$6,552,083 in funds from the 1991-B Bond Sinking Fund in an irrevocable escrow fund to be used solely for satisfying scheduled debt service payments of the 1991-B Bonds. Accordingly, the 1991-B Bonds in the amount of \$42,597,295, net of unamortized discount and issuance costs of \$211,974, were extinguished, resulting in the accounting recognition of a loss from defeasance of \$4,492,667, reported in the accompanying financial statements as a deferred outflow. OMU advance refunded the 1991-B bonds to extend the repayment period of the bond 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 \$2,993,589.

City of Owensboro, Kentucky
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

NOTE 6 - LONG-TERM LIABILITIES, CONTINUED

The 2013-A and B 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.

On August 9, 2017, the City authorized and OMU issued \$49,685,000 of Electric Light and Power System Revenue Bonds, 2017 Series, each dated August 9, 2017. The 2017 Bonds were issued to fund construction of a residential fiber optic distribution network with the ability to provide ultrahigh speed internet access to approximately 6,500 dwellings and to refund the 2010-C series bonds and certain 2013-B series bonds.

The in-substance defeasance of the 2010-C and 2013-B bonds was accomplished by placing \$48,325,931 in proceeds from the 2017 Bonds and \$456,210 in funds from the 2010-C and 2013-B Bond Sinking Funds in an irrevocable escrow fund to be used solely for satisfying scheduled debt service payments of the 2010-C and 2013-B Bonds. Accordingly, the 2010-C Bonds in the amount of \$8,935,000 and certain 2013-B Bonds in the amount of \$35,160,000, as well as accrued interest payable of \$347,104 and unamortized discount and issuance costs of \$1,152,596, were extinguished resulting in the accounting recognition of a loss from defeasance of \$2,187,441, reported in the accompanying financial statements as a deferred outflow. OMU advance refunded the 2010-C and 2013-B bonds to reduce the effective rate on the debt. The advance refunding resulted in an economic savings (difference between the present value of the debt service payment on the old and new debt) of \$3,128,648.

The 2017 series bonds maturing on or after January 1, 2028 are subject to redemption prior to maturity in whole or in part on any date on or after January 1, 2027, at the redemption price (expressed as a percentage of principal amount redeemed) of 100% plus accrued interest to the redemption date.

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

City of Owensboro, Kentucky
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

NOTE 6 - LONG-TERM LIABILITIES, CONTINUED

Owensboro Municipal Utilities Water Works System

Long-term debt activity for the year ended May 31, 2018, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds Payable					
Series of 2009	\$ 13,265,000	\$ -	\$ -	\$ 13,265,000	\$ 475,000
Series of 2014	8,270,000	-	(750,000)	7,520,000	295,000
Series of 2015	5,350,000	-	(30,000)	5,320,000	35,000
Series of 2016	<u>6,590,000</u>	<u>-</u>	<u>(80,000)</u>	<u>6,510,000</u>	<u>85,000</u>
	33,475,000	-	(860,000)	32,615,000	890,000
Add unamortized debt premium	<u>314,079</u>	<u>-</u>	<u>(16,070)</u>	<u>298,009</u>	<u>-</u>
Total bonds payable	<u>\$ 33,789,079</u>	<u>\$ -</u>	<u>\$ (876,070)</u>	<u>\$ 32,913,009</u>	<u>\$ 890,000</u>

Long-term debt at May 31, 2018, consists of the following Water Revenue Bonds:

Series of 2009:		
5.00% to 5.25%, due serially September 15, 2018 to 2035	\$	13,265,000
Series of 2014:		
1.75% to 3.90%, due serially September 15, 2018 to 2038		7,520,000
Series of 2015:		
3.00% to 4.00%, due serially September 15, 2018 to 2041		5,320,000
Series of 2016:		
2.00% to 3.00%, due serially September 15, 2018 to 2035		<u>6,510,000</u>
Total long-term debt		32,615,000
Less current maturities		(890,000)
Add unamortized debt premium		<u>298,009</u>
Long-term portion	\$	<u>32,023,009</u>

City of Owensboro, Kentucky
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

NOTE 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>
2019	\$ 890,000	\$ 1,285,020	\$ 2,175,020
2020	915,000	1,253,320	2,168,320
2021	950,000	1,222,508	2,172,508
2022	985,000	1,189,533	2,174,533
2023	1,015,000	1,154,920	2,169,920
2024 - 2028	5,710,000	5,147,114	10,857,114
2029 - 2033	7,025,000	3,838,641	10,863,641
2034 - 2038	8,830,000	2,127,711	10,957,711
2039 - 2043	6,295,000	367,248	6,662,248
	<u>\$ 32,615,000</u>	<u>\$ 17,586,015</u>	<u>\$ 50,201,015</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 February 5, 2009, the City authorized and OMU issued \$19,160,000 of Water Revenue Refunding and Improvement Bonds, Series 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 financial statements as a reduction of long-term debt. OMU 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 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.

On June 12, 2014, the City authorized and OMU issued \$9,730,000 of Water Revenue and improvement Bonds, Series 2014, dated July 31, 2014. The 2014 Bonds were issued to refund all 1999 and 2003 series bonds due after September 15, 2014, and to fund various capital improvement expenditures for the Water System.

The in-substance defeasance of the 1999 and 2003 Bonds was accomplished by placing \$3,835,802 in proceeds from the 2014 Bonds and \$40,700 in funds from the 1999 and 2003 Bonds sinking funds in an irrevocable escrow fund to be used solely for satisfying scheduled debt service payments of the 1999 and 2003 Bonds. Accordingly, 1999 and 2003 Bonds in the amount of \$1,305,000 and \$2,510,000, respectively, net of unamortized discount and issuance costs of \$60,176 and accrued interest payable of \$47,483, were extinguished resulting in the accounting recognition of a loss from defeasance of \$74,195, reported in the accompanying

City of Owensboro, Kentucky
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

NOTE 6 - LONG-TERM LIABILITIES, CONTINUED

financial statements as a deferred outflow of resources. OMU advance refunded the 1999 and 2003 bonds to 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 \$252,617.

The Series 2014 Bonds maturing on and after September 15, 2023, are subject to redemption prior to maturity in whole or in part on September 15, 2022, and on any date thereafter, at the redemption price of 100% of the principal amount redeemed, plus accrued interest to the redemption date.

On December 16, 2015, the City authorized and OMU issued \$5,385,000 of Water Revenue Improvement Bonds, Series 2015, dated December 1, 2015. The 2015 Bonds were issued to provide funds for the various capital improvement expenditures for the Water System and to fully fund the Bond Reserve Account. The Series 2015 Bond maturing on and after September 15, 2024, are subject to redemption in whole or in part on September 15, 2023, and on any date thereafter, at the redemption price of 100% of the principal amount redeemed, plus accrued interest to the redemption date.

On June 8, 2016, the City authorized and OMU issued \$6,590,000 of Water Revenue Refunding Bonds, Series 2016, dated June 8, 2016. The 2016 Bonds were issued to refund a portion of the outstanding Series 2009 Bonds.

The in-substance defeasance of the 2009 Bonds was accomplished by placing \$6,417,071 in proceeds from the 2016 Bonds and \$104,023 in funds from the 2009 Bond Sinking Fund in an irrevocable escrow fund to be used solely for satisfying scheduled debt service payments of the 2009 Bonds. Accordingly, 2009 Bonds in the amount of \$5,895,000, net of unamortized discount and issuance costs of \$129,024 and accrued interest payable of \$69,133, were extinguished resulting in the accounting recognition of a loss from defeasance of \$685,985, reported in the accompanying financial statements as a deferred outflow of resources. OMU advance refunded the 2009 bonds to 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 \$771,709.

The Series 2016 Bonds maturing on and after September 15, 2015, are subject to redemption in whole or in part on September 15, 2014, and on any date thereafter, at the redemption price of 100% of the principal amount redeemed, plus accrued interest to the redemption date.

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

The difference between the reacquisition price and the net carrying amount of defeased bond issues has been deferred and is being amortized using the straight-line method over the lives of the defeased bond issues.

City of Owensboro, Kentucky
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

NOTE 6 - LONG-TERM LIABILITIES, CONTINUED

Owensboro Riverport Authority

Long-term debt and lease obligation activity for the year ended June 30, 2018, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
River dock lease obligation	\$ 3,483,400	\$ -	\$ (482,728)	\$ 3,000,672	\$ 496,170
General obligation bonds	21,645,000	-	(2,430,000)	19,215,000	2,500,000
Bulk storage loan	-	1,500,000	-	1,500,000	275,125
	25,128,400	1,500,000	(2,912,728)	23,715,672	3,271,295
Add unamortized debt premium	338,691	-	(45,159)	293,532	-
Total debt payable	<u>\$ 25,467,091</u>	<u>\$ 1,500,000</u>	<u>\$ (2,957,887)</u>	<u>\$ 24,009,204</u>	<u>\$ 3,271,295</u>

Long-term debt of the Riverport at June 30, 2018, consisted of the following:

River dock lease obligation:

2.75% with monthly payments of \$47,705, including interest,
through February 14, 2024

\$ 3,000,672

General obligation bonds:

3.00% - 3.40% with principal and interest due semi-annually
through July 1, 2025

19,215,000

Bulk storage loan:

4.25% with monthly payments of \$27,797, including interest,
through June 1, 2023

1,500,000

Total long-term debt

23,715,672

Less current maturities

(3,271,295)

Add unamortized debt premium

293,532

Long-term portion

\$ 20,737,909

In fiscal year 2014, the Authority entered into a ten-year lease agreement with a local financial institution pursuant to KRS 65.940 through 65.956 "the Governmental Leasing Act" for financing to construct a new river dock. Under the agreement, the Authority agreed to pay to the financial institution, as rent for the dock, amounts equal to the monthly debt payments of \$47,705, including interest, through February 14, 2024. The dock shall become the property of the Authority, and the financial institution's interest therein, shall be conveyed to the Authority, without cost, upon the Authority's performance of all obligations under the lease. The debt is secured by revenues of the Authority, as defined in the agreement.

City of Owensboro, Kentucky
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

NOTE 6 - LONG-TERM LIABILITIES, CONTINUED

In fiscal year 2015, the City of Owensboro issued general obligation bonds in the amount of \$24,000,000 on behalf of the Authority for the purpose of financing the construction of an economic development project to be owned and operated by the Authority. Payments of principal and interest are made to the City and are due semi-annually through July 1, 2025. In accordance with a related agreement between the Authority and a third party dated November 17, 2014, the third-party pays to the Authority capital cost reimbursement payments, the total of which is not to exceed \$24,000,000. The agreement also established that the Authority would provide services to the third-party relating to the tolling facility for an initial term through December 31, 2025, with an option to renew for three additional years ending December 31, 2028.

In June of 2018, the Authority borrowed \$1,500,000 from a local financial institution to finance the construction of a bulk storage facility, which is secured by equipment and payable in monthly installments of \$27,797, including interest, through June 1, 2023.

Annual debt service requirements are as follows:

<u>Year Ending June 30:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 3,271,295	\$ 730,504	\$ 4,001,799
2020	3,376,915	629,884	4,006,799
2021	3,478,674	525,725	4,004,399
2022	3,591,252	418,498	4,009,750
2023	3,699,798	307,752	4,007,550
2024 - 2025	6,297,738	303,161	6,600,899
	<u>\$ 23,715,672</u>	<u>\$ 2,915,524</u>	<u>\$ 26,631,196</u>

NOTE 7 - CITY FUNDED 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.

City of Owensboro, Kentucky
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

NOTE 7 - CITY FUNDED RETIREMENT PLANS, CONTINUED

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.

Benefits Provided:

CEPF provides retirement, disability, and death benefits to plan members. Employees attaining the age of 60 and who have completed 20 or more continuous years of service are entitled to monthly benefits of 50% of their average monthly earnings for the last ten years of employment. Retirement at age 70 is mandatory unless waived by the City. As of June 30, 2018, the plan had twenty-five members, none of whom were active City or OMU employees. The plan is closed to new entrants.

PFRF provides retirement, disability, and death benefits to plan members. Employees attaining the age of 50 and who have completed 20 or more years of continuous service are entitled to annual benefits of 2.5% of their average monthly earnings for each year of service up to a maximum of 75% of average monthly earnings. Early retirement at the completion of 20 years of service is permitted. As of June 30, 2018, the plan had forty-one members, none of whom were active City employees. The plan is closed to new entrants.

Contributions:

The City's and OMU's funding policy for CEPF is to provide for periodic employer contributions for active employees at actuarially determined rates that, expressed as percentages of annual covered payroll, are designed to accumulate sufficient assets to pay benefits when due. The required contributions are determined using an entry age normal cost actuarial funding method. The plan has no active employees. The City and OMU made no contributions to the plan for the fiscal year ended June 30, 2018.

The City's funding policy for PFRF is to provide for periodic employer contributions to finance the costs of benefits paid to participants during the current year with an additional amount to finance any unfunded accrued liability. The plan has no active employees. The City made contributions of \$850,000 to the plan for the fiscal year ended June 30, 2018.

NET PENSION LIABILITY/ASSET

The CEPF had a net pension asset of \$1,507,971 as of June 30, 2018, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of that date.

The PFRF net pension liability was \$6,311,966 as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

City of Owensboro, Kentucky
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

NOTE 7 - CITY FUNDED RETIREMENT PLANS, CONTINUED

Actuarial Assumptions:

The total pension liability (asset) was determined by an actuarial valuation performed as of June 30, 2018, using the following actuarial assumptions, applied to all periods included in the measurement:

	<u>CEPF</u>	<u>PFRF</u>
Inflation rate	None	None
Investment rate of return	6.00%	2.75%

Mortality rates were based on the PR-2000 Healthy Annuitant Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA. The actuarial assumptions used in the June 30, 2018 valuation were the same as those used in the June 30, 2017 actuarial valuation.

The long-term expected rate of return on pension plan investments was determined using a best estimate range of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) based on the nature of investments in each plan. Best estimates of arithmetic real rates of returns was 6.00% for CEPF and 2.75% for PFRF.

Discount Rate:

The discount rate used to measure the total pension liability (asset) was 6.00% for the CEPF. The projection of cash flows used to determine the discount rate was based on plan income. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The discount rate used to measure the total pension liability was 2.75% for the PFRF. The projection of cash flows used to determine the discount rate was based on plan income. Based on those assumptions, the plan's fiduciary net position is not sufficient to make all projected future benefit payments of current plan members and additional funding will be necessary in order to have sufficient assets to cover all projected benefit payments. The expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

City of Owensboro, Kentucky
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

NOTE 7 - CITY FUNDED RETIREMENT PLANS, CONTINUED

Changes in Net Pension Liability (Asset):

	<u>CEPF</u>	<u>PFRF</u>
Total Pension Liability (Asset)		
Service cost	\$ -	\$ -
Interest	109,970	175,528
Changes in benefit terms	33,052	6,054
Differences between expected and actual experience	61,290	258,165
Changes in assumptions	-	-
Benefit payments	<u>(269,985)</u>	<u>(800,197)</u>
Net change in total pension liability (asset)	(65,673)	(360,450)
Total Pension Liability - Beginning	<u>1,979,083</u>	<u>6,816,279</u>
Total Pension Liability - Ending (a)	<u>\$ 1,913,410</u>	<u>\$ 6,455,829</u>
Plan Fiduciary Net Position		
Contributions - employer	\$ -	\$ 850,000
Contributions - employee	-	-
Contributions - other	-	3,744
Net investment income	457,681	3,358
Benefit payments	(269,985)	(800,197)
Administrative expense	<u>(24,449)</u>	<u>(5,672)</u>
Net change in plan fiduciary net position	163,247	51,233
Plan Fiduciary Net Position - Beginning	<u>3,258,134</u>	<u>92,630</u>
Plan Fiduciary Net Position - Ending (b)	<u>\$ 3,421,381</u>	<u>\$ 143,863</u>
Net Pension Liability (Asset) (a) - (b)	<u>\$ (1,507,971)</u>	<u>\$ 6,311,966</u>

Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate:

Sensitivity of the net pension liability (asset) was calculated using 6.00% for the CEPF, and 2.75% for the PFRF. The following represents the net pension liability of the plans using the discount rates as well as what the City's position would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

	<u>1% Decrease (5.00%)</u>	<u>Current Discount Rate (6.00%)</u>	<u>1% Increase (7.00%)</u>
City of Owensboro City Employees' Pension Fund net pension liability (asset)	<u>\$ (1,394,231)</u>	<u>\$ (1,507,971)</u>	<u>\$ (1,609,677)</u>
	<u>1% Decrease (1.75%)</u>	<u>Current Discount Rate (2.75%)</u>	<u>1% Increase (3.75%)</u>
City of Owensboro Police and Firefighters' net pension liability	<u>\$ 6,759,461</u>	<u>\$ 6,311,966</u>	<u>\$ 5,917,412</u>

City of Owensboro, Kentucky
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

NOTE 7 - CITY FUNDED RETIREMENT PLANS, CONTINUED

Pension Plan Fiduciary Net Position:

Detailed information about pension plans' fiduciary net position is available in the separately issued CEPF and PFRF financial reports.

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

For the year ended June 30, 2018, the City recognized pension expense of \$(564,681), which consisted of \$(161,283) for CEPF and \$(403,398) for PFRF. At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience:		
CEPF	\$ 83,855	\$ 254,201
PFPF	240,353	163,585
	324,208	417,786
Changes in assumptions:		
CEPF	71,660	-
PFPF	913,725	-
	985,385	-
Net difference between projected and actual earnings on pension plan investments:		
CEPF	-	323,155
PFPF	49,920	-
	49,920	323,155
Total	\$ 1,359,513	\$ 740,941

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30:	CEPF	PFRF
2019	\$ (81,704)	\$ 158,233
2020	(87,486)	161,145
2021	(120,491)	154,394
2022	(81,781)	108,324
2023	(33,546)	103,364
Thereafter	(16,834)	354,954

City of Owensboro, Kentucky
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

NOTE 8 - CERS RETIREMENT PLANS

General Information about the Pension Plans

Plan description: Substantially all of the City's full-time employees, as well as employees of Owensboro Municipal Utilities and Owensboro Riverport Authority, participate in the County Employees' Retirement System (CERS), a cost sharing, multiple-employer defined benefit plan administered by the Board of Trustees of Kentucky Retirement Systems. CERS consists of two plans – Non-Hazardous and Hazardous. Kentucky Retirement Systems issues a publicly available financial report that includes financial statements and supplementary information for CERS. That report can be obtained at <https://kyret.ky.gov>.

Benefits provided: CERS provides retirement, disability, and death benefits to plan members. Retirement benefits may be extended to beneficiaries of plan members under certain circumstances. Kentucky Revised Statute 61.645 assigns the authority to establish and amend benefit provisions to the Kentucky Retirement Systems Board of Trustees.

Cost of Living Adjustment (COLA): Prior to July 1, 2009, COLAs were provided annually equal to the percentage increase in the annual average of the consumer price index for all urban consumers for the most recent calendar year, not to exceed 5% in any plan year. After July 1, 2009, the COLAs were limited to 1.50%. No COLA has been granted since July 1, 2011

Contributions: Tier 1 plan members, who began participating prior to September 1, 2008, are required to contribute 5% (non-hazardous) and 8% (hazardous) of their annual creditable compensation. Interest is paid each June 30 on members' accounts at a rate of 2.5%. If a member terminates employment and applies to take a refund, the member is entitled to a full refund of contributions and interest.

Tier 2 plan members, who began participating on, or after, September 1, 2008, and before January 1, 2014, are required to contribute 6% (non-hazardous) and 9% (hazardous) of their annual creditable compensation, while 1% of these contributions are deposited to an account created for the payment of health insurance benefits under 25 USC Section 401(h) in the Pension Fund. Interest is paid each June 30 on members' accounts at a rate of 2.5%. If a member terminates employment and applies to take a refund, the member is entitled to a full refund of contributions and interest; however, the 1% contribution to the 401(h) account is non-refundable and is forfeited.

Tier 3 plan members, who began participating on, or after, January 1, 2014, are required to contribute to the Cash Balance Plan. The Cash Balance Plan is known as a hybrid plan because it has characteristics of both a defined benefit plan and a defined contribution plan. Members in the plan contribute a set percentage of their salary each month to their own account. Members contribute 5% (non-hazardous) and 8% (hazardous) of their annual creditable compensation, and an additional 1% to the health insurance fund (401(h) account) which is not credited to the member's account and is not refundable. The employer contribution rate is set annually by the Kentucky Retirement System Board of Trustees based on an actuarial valuation. The employer contributes a set percentage of the member's salary. Each month, when employer contributions are received, an employer pay credit is deposited to the member's account. A member's account is credited with a 4% (non-hazardous) and 7.5% (hazardous) employer pay credit. The employer pay credit represents a portions of the employer contribution.

City of Owensboro, Kentucky
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

NOTE 8 - CERS RETIREMENT PLANS, CONTINUED

Interest is paid into the Tier 3 member's account. The account currently earns 4% interest credit on the member's account balance as of June 30 of the previous year. The member's account may be credited with additional interest if the system's five-year Geometric Average Net Investment Return (GANIR) exceeded 4%. If the member was actively employed and participating in the fiscal year, and if the system's GANIR for the previous five years exceeds 4%, then the member's account will be credited with 75% of the amount of the returns over 4% on the account balance as of June 30 of the previous year (Upside Sharing Interest). The Upside Sharing Interest is credited to both the member contribution balance and Employer Pay Credit Balance.

The City is required to contribute at an actuarially determined rate. As of June 30, 2018, the City's required contribution rate was 14.48% (non-hazardous) and 22.20% (hazardous) of annual covered payroll. The contribution requirements of plan members and the City are established and may be amended by the Kentucky Retirement Systems Board of Trustees. Contributions to CERS from the City were \$1,479,575 for non-hazardous employees and \$2,368,551 for hazardous employees, for total contributions of \$3,848,126 for the year ended June 30, 2018.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2018, the City reported a liability of \$64,485,544 for its proportionate share of the collective net pension liabilities, with \$23,714,968 for non-hazardous pensions and \$40,770,576 for hazardous pensions. The collective net pension liabilities were measured as of June 30, 2017, and the total pension liabilities used to calculate the collective net pension liabilities were determined by actuarial valuations as of June 30, 2016 and rolled-forward using generally accepted actuarial principles. The City's proportion of the collective net pension liabilities was based on projections of the City's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2017, the City's proportion was 0.405155% for non-hazardous pensions, a decrease of 0.029719% from its proportion measured as of June 30, 2016, and 1.822329% for hazardous pensions, a decrease of 0.089203% from its proportion measured as of June 30, 2016.

The following is a summary of the City's CERS collective net pension liability:

	Net Pension Liability
City of Owensboro:	
Non-Hazardous	\$ 23,714,968
Hazardous	40,770,576
Total City of Owensboro	\$ 64,485,544
Component Units:	
Owensboro Municipal Utilities:	
Electric Light and Power System	\$ 35,787,099
Water Works	7,168,159
Total Owensboro Municipal Utilities	\$ 42,955,258
Owensboro Riverport Authority	\$ 5,692,810

City of Owensboro, Kentucky
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

NOTE 8 - CERS RETIREMENT PLANS, CONTINUED

For the year ended June 30, 2018, the City recognized pension expense of \$10,123,999, which consists of \$3,731,343 for non-hazardous pensions and \$6,392,656 for hazardous pensions. At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,524,832	\$ 601,987.00
Changes of assumptions	12,508,854	-
Net difference between projected and actual investment earnings on pension plan investments	649,604	-
Changes in proportion and differences between City contributions and proportional share of contributions	306,951	1,802,713
City contributions subsequent to the measurement date	<u>3,848,126</u>	<u>-</u>
Total	<u>\$ 18,838,367</u>	<u>\$ 2,404,700</u>

Of the total amount reported as deferred outflows of resources related to pensions, \$3,848,126 resulting from City contributions subsequent to the measurement date and before the end of the fiscal year will be included as a reduction of the collective net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in the City's pension expense as follows:

Year ended June 30:

2019	\$ 5,441,944
2020	5,737,071
2021	2,155,900
2022	(749,374)
2023	-
Thereafter	-

Actuarial assumptions: The total pension liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.30%
Payroll Growth	2.00%
Investment Rate of Return	6.25%, including inflation

The mortality table used for active members is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females). For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set back one year for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back four years for males) is used for the period after disability retirement.

City of Owensboro, Kentucky
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

NOTE 8 - CERS RETIREMENT PLANS, CONTINUED

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period July 1, 2008 - June 30, 2013.

In July 2017, Kentucky Retirement Systems approved new asset allocations and, after reviewing capital market assumptions from eight leading investment and/or consulting firms, lowered the assumed rate of return from 7.50% to 6.25% to more realistically reflect the need to reduce volatility and increase the liquidity of the investments. Target asset allocations are summarized below.

Asset Class	Target Allocation
U.S. Equity	25.60%
International Equity	25.20%
Global Fixed	6.80%
Credit Fixed	7.20%
Real Return	8.00%
Private Equity	10.00%
Real Estate	5.00%
Absolute Return	10.00%
Cash Equivalent	2.20%
Total	100%

Discount rate: The projection of cash flows used to determine the discount rate of 6.25% assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 26 year (closed) amortization period of the unfunded actuarial accrued liabilities. The discount rate determination does not use a municipal bond rate.

Sensitivity of the City's proportionate share of the collective net pension liabilities to changes in the discount rate: The following presents the City's proportionate share of the collective net pension liabilities calculated using the discount rate of 6.25%, as well as what the City's proportionate share of the collective net pension liabilities would be if they were calculated using a discount rate that is one percentage point lower (5.25%) or one percentage point higher (7.25%) than the current rate:

City's proportionate share of the collective net pension liability as of June 30, 2017	1.00% Decrease (5.25%)	Current Discount Rate (6.25%)	1.00% Increase (7.25%)
Non-Hazardous	\$ 29,909,700	\$ 23,714,968	\$ 18,533,121
Hazardous	\$ 51,261,612	\$ 40,770,576	\$ 32,106,512

Pension plan fiduciary net position: Detailed information about the pension plans' fiduciary net position is available in the separately issued Kentucky Retirement Systems financial report.

City of Owensboro, Kentucky
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

NOTE 8 - CERS RETIREMENT PLANS, CONTINUED

General Information about the Other Postemployment Benefits (OPEB) Plan

Plan description: In addition to the pension benefits described above, Kentucky Retirement Systems provides postemployment healthcare benefits through the Kentucky Retirement Systems Insurance Fund (Insurance Fund). The Insurance Fund was established to provide hospital and medical insurance for those receiving benefits from the Kentucky Employees' Retirement System (KERS), the County Employees' Retirement System (CERS), and the State Police Retirement System (SPRS). Eligible non-Medicare retirees are covered by the Department of Employee Insurance (DEI) plans. Kentucky Retirement Systems submits the premium payments to DEI. The Board contracts with Humana to provide health care benefits to eligible Medicare retirees through a Medicare Advantage Plan.

Benefits Provided: The Insurance Fund pays a prescribed contribution for whole or partial payment of required premiums to purchase hospital and medical insurance. For the fiscal year ended June 30, 2017 (the date of the latest available information), insurance premiums withheld from benefit payments for members of CERS were \$22.9 million and \$2.7 million for non-hazardous and hazardous employees, respectively. For the fiscal year ended June 30, 2016, insurance premiums withheld from benefit payments for members of CERS were \$22.6 million and \$2.2 million for non-hazardous and hazardous employees, respectively. The Insurance Fund pays the same proportion of hospital and medical insurance premiums for the spouse and dependents of retired hazardous employees killed in the line of duty.

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

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

As a result of House Bill 290 (2004 Kentucky General Assembly), medical insurance benefits are calculated differently for those who began participating on or after July 1, 2003. Once employees reach a minimum vesting period of ten years, non-hazardous employees whose participation began on or after July 1, 2003 earn \$10 per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. Hazardous employees whose participation began on or after July 1, 2003 earn \$15 per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. Upon death of a hazardous employee, the employee's spouse receives \$10 per month for insurance benefits for each year of the deceased employee's earned hazardous service. This dollar amount is subject to adjustment annually, which is currently 1.5%, based upon Kentucky Revised Statutes. This benefit is not protected under the inviolable contract provisions of Kentucky Revised Statute 16.652, 61.692, and 78.852. The Kentucky General Assembly reserves the right to suspend or reduce this benefit if, in its judgment, the welfare of the Commonwealth so demands.

City of Owensboro, Kentucky
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

NOTE 8 - CERS RETIREMENT PLANS, CONTINUED

Contributions: The City is required to contribute at an actuarially determined rate. As of June 30, 2018, the City's required contribution rate was 4.70% and 9.35% of annual covered payroll for non-hazardous and hazardous employees, respectively. The contribution requirements of plan members and the City are established and may be amended by the Kentucky Retirement Systems Board of Trustees. Contributions to the Insurance Fund from the City were \$380,704 for non-hazardous employees and \$1,049,264 for hazardous employees, for total contributions of \$1,429,968 for the year ended June 30, 2018. As described in above, Tier 2 and Tier 3 employees contribute 1% of their annual creditable compensation to the Insurance Fund; Tier 1 employees are not required to contribute.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At June 30, 2018, the City reported a liability of \$23,209,677 for its proportionate share of the collective net OPEB liabilities, with \$8,145,001 for non-hazardous OPEB and \$15,064,676 for hazardous OPEB. The collective net OPEB liabilities were measured as of June 30, 2017, and the total OPEB liabilities used to calculate the collective net OPEB liabilities was determined by an actuarial valuation as of June 30, 2016 and rolled-forward using generally accepted actuarial principles. The City's proportion of the collective net OPEB liabilities was based on projections of the City's long-term share of contributions to the OPEB plans relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2017, the City's proportion was 0.405155% for non-hazardous OPEB and 1.822329% for hazardous OPEB.

The following is a summary of the City's CERS net OPEB liability:

	Net OPEB Liability
City of Owensboro:	
Non-Hazardous	\$ 8,145,001
Hazardous	15,064,676
Total City of Owensboro	\$ 23,209,677
Component Units:	
Owensboro Municipal Utilities:	
Electric Light and Power System	\$ 12,291,225
Water Works	2,461,933
Total Owensboro Municipal Utilities	\$ 14,753,158
Owensboro Riverport Authority	\$ 1,955,218

City of Owensboro, Kentucky
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

NOTE 8 - CERS RETIREMENT PLANS, CONTINUED

For the year ended June 30, 2018, the City recognized OPEB expense of \$3,221,602, which consists of \$928,153 for non-hazardous OPEB and \$2,293,449 for hazardous OPEB. At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 57,727.00
Changes of assumptions	7,329,027	-
Net difference between projected and actual investment earnings on pension plan investments	-	1,330,112
Changes in proportion and differences between City contributions and proportional share of contributions	-	21,894
City contributions subsequent to the measurement date	1,429,968	-
Total	\$ 8,758,995	\$ 1,409,733

Of the total amount reported as deferred outflows of resources related to OPEB, \$1,429,968 resulting from City contributions subsequent to the measurement date and before the end of the fiscal year will be included as a reduction of the collective net OPEB liabilities in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in the City's OPEB expense as follows:

Year ended June 30:

2019	\$ 1,554,205
2020	1,554,205
2021	1,554,205
2022	837,095
2023	327,800
Thereafter	91,784

Actuarial assumptions: The total pension liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.30%	
Payroll Growth	2.00%	
Investment Rate of Return	6.25%, including inflation	
Healthcare Trend Rates		
Pre-65		Initial trend starting at 7.25% at January 1, 2019, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years.
Post-65		Initial trend starting at 5.10% at January 1, 2019, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 11 years.

City of Owensboro, Kentucky
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

NOTE 8 - CERS RETIREMENT PLANS, CONTINUED

The mortality table used for active members is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females). For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set back one year for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back four years for males) is used for the period after disability retirement.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period July 1, 2008 - June 30, 2013.

In July 2017, Kentucky Retirement Systems approved new asset allocations and, after reviewing capital market assumptions from eight leading investment and/or consulting firms, lowered the assumed rate of return from 7.50% to 6.25% to more realistically reflect the need to reduce volatility and increase the liquidity of the investments. Target asset allocations are summarized below.

<u>Asset Class</u>	<u>Target Allocation</u>
U.S. Equity	26.50%
International Equity	26.50%
Global Fixed	6.00%
Credit Fixed	6.00%
Real Return	8.00%
Private Equity	10.00%
Real Estate	5.00%
Absolute Return	10.00%
Cash Equivalent	2.00%
Total	100%

The fully-insured premiums Kentucky Retirement Systems pays for the CERS Health Insurance Plans are blended rates based on the combined experience of active and retired members. Because the average cost of providing health care benefits to retirees under age 65 is higher than the average cost of providing health care benefits to active employees, there is an implicit employer subsidy for the non-Medicare eligible retirees. GASB 75 requires that the liability associated with this implicit subsidy be included in the calculation of the total OPEB liability.

Discount rate: The projection of cash flows used to determine the discount rates of 5.84% for non-hazardous and 5.96% for hazardous assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 26 year (closed) amortization period of the unfunded actuarial accrued liabilities. The discount rate determination used an expected rate of return of 6.25%, and a municipal bond rate of 3.56%, as reported in Fidelity Index's "20-Year Municipal GO AA Index" as of June 30, 2017. Current assets, future contributions, and investment earnings are projected to be sufficient to pay the projected benefit payments from the retirement system. However, the cost associated with the implicit employer subsidy was included in the calculation of the system's actuarially determined contributions, and any cost associated with the implicit subsidy will not be paid out of the system's trusts. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy.

City of Owensboro, Kentucky
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

NOTE 8 - CERS RETIREMENT PLANS, CONTINUED

Sensitivity of the City's proportionate share of the collective net OPEB liabilities to changes in the discount rate: The following presents the City's proportionate share of the collective net OPEB liabilities calculated using discount rates of 5.84% (non-hazardous) and 5.96% (hazardous), as well as what the City's proportionate share of the collective net OPEB liabilities would be if they were calculated using discount rates that are one percentage point lower (4.84% and 4.96%, respectively) or one percentage point higher (6.84% and 6.96%, respectively) than the current rates:

<u>City's proportionate share of the collective net OPEB liability as of June 30, 2017</u>	<u>1.00% Decrease</u>	<u>Current Discount Rate</u>	<u>1.00% Increase</u>
Non-Hazardous	\$ 10,364,063	\$ 8,145,001	\$ 6,298,394
Hazardous	\$ 20,188,730	\$ 15,064,676	\$ 10,872,357

Sensitivity of the City's proportionate share of the collective net OPEB liabilities to changes in the healthcare cost trend rates: The following presents the City's proportionate share of the collective net OPEB liabilities, as well as what the City's proportionate share of the collective net OPEB liabilities would be if they were calculated using healthcare cost trend rates that are one percentage point lower or one percentage point higher than the current healthcare cost trend rates:

<u>City's proportionate share of the collective net OPEB liability as of June 30, 2017</u>	<u>1.00% Decrease</u>	<u>Current Healthcare Cost Trend Rate</u>	<u>1.00% Increase</u>
Non-Hazardous	\$ 6,247,635	\$ 8,145,001	\$ 10,611,466
Hazardous	\$ 10,664,053	\$ 15,064,676	\$ 20,511,115

OPEB plan fiduciary net position: Detailed information about the OPEB plans' fiduciary net position is available in the separately issued Kentucky Retirement Systems financial report.

NOTE 9 - LEASES

Primary Government

The City's leasing operations are as follows:

Lessor

Museum of Fine Art, Inc.

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

City of Owensboro, Kentucky
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

NOTE 9 - LEASES, CONTINUED

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.

Owensboro-Daviess Co. Tennis Association, Inc.

On May 12, 2014, the City entered into a lease agreement with the Owensboro-Daviess County Tennis Association, Inc., for real property located at 2965 Bittel Road in Owensboro, Daviess County, Kentucky, on which an indoor tennis facility is located. The term of the lease is 20 years and will be automatically renewed for two additional terms of 5 years. The lessee shall pay to the City rent of \$6,059 per month for the 20-year term beginning January 1, 2015.

Future annual minimum lease payments are estimated to be as follows:

<u>Year ending June 30:</u>	<u>Amount</u>
2019	\$ 72,703
2020	72,703
2021	72,703
2022	72,703
2023	72,703
2024-2028	363,514
	<u>\$ 727,029</u>

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

Land	\$ 849,562
Buildings	<u>18,791,573</u>
	19,641,135
Less accumulated depreciation	<u>(12,825,719)</u>
	<u>\$ 6,815,416</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 subleased, and subject to increases, if applicable, in the Consumer Price Index. Based on the existing subleases at June 30, 2018, the City's future annual minimum lease payments are estimated to be as follows:

<u>Year ending June 30:</u>	<u>Amount</u>
2019	\$ 84,000
2020	84,000
2021	84,000
2022	84,000
2023	84,000
2024-2028	420,000
	<u>\$ 840,000</u>

City of Owensboro, Kentucky
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

NOTE 9 - LEASES, CONTINUED

Because sublease agreements are generally for a period of one year, future annual minimum sub-lease payments to be received do not extend beyond fiscal year 2018. The City's rental expense and sub-lease income for the year ended June 30, 2018, total \$133,376 and \$71,076, respectively.

Component Units

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

Owensboro Riverport Authority

Lessor

The Authority's leasing activities as lessor consist primarily of the leasing of land and facilities to certain customers under agreements with original lease terms ranging from 4 to 20 years. Lease receivables and deferred inflows of resources totaling \$4,845,153 at June 30, 2018, have been recorded based on the present value of the future minimum lease payments received.

Future minimum lease payments to be received as of June 30, 2018, are as follows:

<u>Year ending June 30:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 405,680	\$ 148,196	\$ 553,876
2020	411,942	135,135	547,077
2021	411,362	122,114	533,476
2022	424,636	108,841	533,477
2023	377,910	95,776	473,686
2024-2028	1,971,385	297,397	2,268,782
2029-2033	842,238	43,491	885,729
	<u>\$ 4,845,153</u>	<u>\$ 950,950</u>	<u>\$ 5,796,103</u>

Lease revenue and interest income recognized under these leases for the year ended June 30, 2018, totaled \$373,465 and \$156,689, respectively.

Lessee

The Authority's leasing activities as lessee consist primarily of the leasing of equipment under agreements with original lease terms of 5 years. Right-to-use lease assets and lease liabilities have been recorded based on the present value of the future minimum lease commitments.

Right-to-use assets are as follows at June 30, 2018:

Machinery and equipment	\$ 240,727
Accumulated amortization	<u>(82,290)</u>
	<u>\$ 158,437</u>

Amortization expense totaled \$24,072 for the year ended June 30, 2018.

City of Owensboro, Kentucky
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

NOTE 9 - LEASES, CONTINUED

Future minimum lease commitments as of June 30, 2018, are as follows:

<u>Year ending June 30:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 50,251	\$ 1,817	\$ 52,068
2020	25,040	408	25,448
2021	4,761	63	4,824
	<u>\$ 80,052</u>	<u>\$ 2,288</u>	<u>\$ 82,340</u>

NOTE 10 - PROJECT FINANCING

Owensboro Symphony Orchestra

In April 2005, the City issued lease revenue bonds, refinanced with Note Payable in 2011, 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. The remaining lease payment, to be paid during the fiscal year ending June 30, 2019, is \$4,000.

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 receivable and deferred revenue have been recorded, are as follows:

<u>Year ending June 30:</u>	<u>Amount</u>
2019	\$ 1,083,259
2020	1,079,584
2021	1,079,168
2022	1,077,159
2023	1,082,569
2024-2028	5,418,821
2029-2033	<u>4,107,863</u>
Net minimum lease amounts	14,928,423
Less amount representing interest	<u>(3,773,423)</u>
Present value of minimum lease payments	<u>\$ 11,155,000</u>

City of Owensboro, Kentucky
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

NOTE 11 - 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.

NOTE 12 - 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 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 2018 totaled \$3,192,632 for governmental activities and \$386,521 for business-type activities.

NOTE 13 - 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	\$ 77,511	\$ -
Major Governmental Funds:		
General Fund	-	77,511
	\$ 77,511	\$ 77,511

City of Owensboro, Kentucky
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

NOTE 13 – INTER-FUND BALANCES, CONTINUED

Receivable and payable balances involving component units at June 30, 2018, were as follows:

	Receivable	Payable
<u>Primary Government</u>		
General Fund	\$ 16,669	\$ -
Debt Service Fund	19,215,000	-
Sanitation Fund	1,042,607	-
	20,274,276	-
<u>Component Units</u>		
Owensboro Municipal Utilities	-	1,059,276
Owensboro Riverport Authority	-	19,215,000
	\$ -	\$ 20,274,276

Receivables in the General Fund represent balances due from component units for computer services. Receivables in the Debt Service Fund represent balances due from component units for debt service payments to be made by the City on behalf of the component units. Receivables in the Sanitation Fund represent balances due from component units for sanitation services.

City of Owensboro, Kentucky
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

NOTE 14 - TRANSFERS

Transfer in:												
	Major Governmental Funds			Nonmajor Governmental Funds			Enterprise Funds					
Transfer out:	General Fund	Debt Service Fund	Your Community Vision	Central Dispatch Fund	Capital Improvements Fund	Transit Fund	Geographic Information System Fund	Convention Center Operations	Recreation Fund	Sportscenter Operations Fund	Total	
Major Governmental Funds:												
General Fund	\$ -	\$ 1,391,373	\$ 745,000	\$ 2,137,385	\$ 65,000	\$ 903,240	\$ 106,994	\$ 834,614	\$ 1,207,650	\$ 333,549	\$ 7,724,805	
Your Community Vision Fund	-	2,061,654	-	-	-	-	-	-	-	-	2,061,654	
Downtown Development and Revitalization Fund	-	4,612,609	-	-	-	-	-	-	-	-	4,612,609	
											<u>14,399,068</u>	
Nonmajor Governmental Funds:												
Drug and Property Recovery Fund	30,000	-	-	-	-	-	-	-	-	-	30,000	
Economic Development Fund	-	1,238,231	-	-	-	-	-	-	-	-	1,238,231	
Capital Improvements Fund	-	2,491,600	-	-	-	-	-	-	-	-	2,491,600	
											<u>3,759,831</u>	
Enterprise Funds:												
Convention Center Operations Fund	-	105,949	-	-	-	-	-	-	-	-	105,949	
Recreation Fund	-	154,944	-	-	-	-	-	-	-	-	154,944	
											<u>260,893</u>	
	<u>\$ 30,000</u>	<u>\$ 12,056,360</u>	<u>\$ 745,000</u>	<u>\$ 2,137,385</u>	<u>\$ 65,000</u>	<u>\$ 903,240</u>	<u>\$ 106,994</u>	<u>\$ 834,614</u>	<u>\$ 1,207,650</u>	<u>\$ 333,549</u>	<u>\$ 18,419,792</u>	

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 or 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. The City and County contribute 75% and 25%, respectively, to fund the dispatch operations.

City of Owensboro, Kentucky
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

NOTE 15 - FUND BALANCE CLASSIFICATIONS

The composition of the fund balance classifications at June 30, 2018 are as follows:

	Major Governmental Funds						Total Governmental Funds
	General Fund	Your Community Vision Fund	Downtown Development and Revitalization Fund	Debt Service Fund	Capital Improvements Fund	Nonmajor Governmental Funds	
Fund balances:							
Nonspendable:							
Inventory	\$ 19,316	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 19,316
Prepaid items	41,320	-	-	-	-	-	41,320
	<u>60,636</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>60,636</u>
Restricted for:							
Debt service	1,898,216	2,062,110	-	19,215,157	-	1,235,333	24,410,816
Downtown development	-	-	2,456,214	-	-	-	2,456,214
Police services	-	-	-	-	-	640,452	640,452
Capital projects	-	701,744	-	-	12,820,888	-	13,522,632
Parks and wellness	-	-	-	-	-	-	-
	<u>1,898,216</u>	<u>2,763,854</u>	<u>2,456,214</u>	<u>19,215,157</u>	<u>12,820,888</u>	<u>1,875,785</u>	<u>41,030,114</u>
Committed:							
Public safety	-	897,379	-	-	-	1,216,570	2,113,949
Stormwater maintenance and capital project	-	1,605,054	-	-	-	-	1,605,054
Economic development	-	-	-	-	-	1,137,447	1,137,447
	<u>-</u>	<u>2,502,433</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,354,017</u>	<u>4,856,450</u>
Assigned	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Unassigned	<u>9,306,051</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,057)</u>	<u>9,303,994</u>
Total fund balances	<u>\$ 11,264,903</u>	<u>\$ 5,266,287</u>	<u>\$ 2,456,214</u>	<u>\$ 19,215,157</u>	<u>\$ 12,820,888</u>	<u>\$ 4,227,745</u>	<u>\$ 55,251,194</u>

City of Owensboro, Kentucky
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

NOTE 16 - 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 \$1,907,260 reported in the Insurance Fund at June 30, 2018, 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>
2018	\$ 1,666,533	\$ 5,482,872	\$ (5,242,145)	\$ 1,907,260
2017	\$ 868,873	\$ 5,489,208	\$ (4,691,548)	\$ 1,666,533
2016	\$ 975,911	\$ 4,765,452	\$ (4,872,490)	\$ 868,873

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 coverage 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 omission; 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
For the Fiscal Year Ended June 30, 2018

NOTE 17 – INTERGOVERNMENTAL PAYMENTS - COMPONENT UNITS

Payments made to the City from component units for the year ended June 30, 2018 were:

	<u>Riverport</u>	<u>OMU</u>	<u>Total</u>
Dividends	\$ 675,000	\$ 6,972,203	\$ 7,647,203
In Lieu of Tax	-	2,569,789	2,569,789
	<u>\$ 675,000</u>	<u>\$ 9,541,992</u>	<u>\$ 10,216,992</u>

Owensboro Municipal Utilities

The City Utility Commission may withdraw and pay 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 payment 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 2.5% per annum.

The Water Works System pays to the General Fund each year a sum equal to the dollar value of service purchased by the City from the Water Works System.

Owensboro Riverport Authority

The Authority made payments to the General Fund in the amount of \$675,000 for the year ended June 30, 2018.

NOTE 18 - DISCLOSURE ABOUT FAIR VALUE OF FINANCIAL STATEMENTS

The carrying amount of cash and cash equivalents approximates 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.

NOTE 19 - CONDUIT DEBT OBLIGATIONS

From time to time, the City has issued Industrial Revenue Bonds to provide financial assistance to private sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance. Neither the City, State, nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

As of June 30, 2018, there were no conduit debt obligations.

City of Owensboro, Kentucky
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

NOTE 20 - INVESTMENT IN JOINT VENTURE

The City of Owensboro and Daviess County Fiscal Court jointly maintain equity interest in the Owensboro-Daviess County Regional Airport. A Board of Directors oversees the operations of the Airport. The Board is comprised of ten members. The City Mayor and County Judge Executive each appoint five members 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, 2018.

The City's equity interest in the Owensboro-Daviess County Regional Airport at June 30, 2018, was \$15,009,563 and is reported as an 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 \$593,133 for the year ended June 30, 2018, 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.

NOTE 21 - DEFICIT NET POSITION/FUND BALANCE

The Convention Center Operations Fund had a deficit net position of \$(669,970) as of June 30, 2018. The fund incurred debt for startup-related expenditures. The City expects and plans to pay for the related debt service with the current cash balance and future revenues coming into the fund. If the cash balance and future revenues aren't adequate to pay the debt service, the City plans to transfer required funds from the General Fund.

The Community Development Fund had a deficit fund balance of \$(2,057) as of June 30, 2018. The deficit is a result of timing of reimbursements within the CDBG Homeowner Rehab program. This deficit was eliminated during the first quarter of fiscal year 2019.

NOTE 22 - COMMITMENTS AND CONTINGENCIES

Primary Government

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

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

City of Owensboro, Kentucky
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

NOTE 22 - COMMITMENTS AND CONTINGENCIES, CONTINUED

Components 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 year ending May 31, 2018, are estimated to be as follows:

<u>Year ending May 31:</u>	
2019	\$ 63,710,739
2020	<u>23,362,368</u>
	<u>\$ 87,073,107</u>

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

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, 2018, 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.

NOTE 23 - RISK MANAGEMENT

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

NOTE 24 - TAX INCREMENT FINANCING (TIF) PROJECTS

The City activated both of their TIF projects, the Downtown Riverfront Revitalization TIF and the Gateway Commons TIF, on January 1, 2018. The activation of the TIFs will result in reimbursements of incremental tax revenues earned within the TIF areas derived from both the City and the Commonwealth of Kentucky. The Kentucky State Economic Development Finance Authority approved a total of \$24.5 million for the Downtown Riverfront Revitalization TIF and \$20.5 million for the Gateway Commons TIF in state tax incentive rebates over 20 years to cover public infrastructure costs

City of Owensboro, Kentucky
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

NOTE 25 - RESTATEMENT OF PRIOR PERIOD FUND BALANCE/NET POSITION

During 2018, beginning fund balance of the Debt Service Fund and Governmental Activities net position was restated by \$21,645,000 and \$21,349,227, respectively, as follows:

	Debt Service Fund	Governmental Activities
Fund Balance/Net Position, Beginning of Year	\$ 192	\$ 75,952,863
The City recorded a receivable from Owensboro Riverport Authority for its obligation to pay the City for debt service on the 2014B General Obligation Bonds	21,645,000	21,645,000
Correction of balance of unamortized bond premium associated with the 2014B General Obligation Bonds in government-wide financial statements.	-	(295,773)
Fund Balance/Net Position, Beginning of Year, as restated	\$ 21,645,192	\$ 97,302,090

NOTE 26 - SUBSEQUENT EVENTS

Management evaluated subsequent events as of December 13, 2018, the date these financial statements were available to be issued.

City of Owensboro, Kentucky
Schedule of Changes in Plan Net Pension Liability and Related Ratios
City Employees' Pension Fund
Fiduciary Funds
For the Last Ten Fiscal Years

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
<u>Total Pension Liability:</u>										
Service cost	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest	109,970	123,942	138,906	146,041	170,343	179,398	207,542	216,969	228,921	241,522
Changes of benefit terms	33,052	9,813	-	72,434	40,594	50,384	111,930	65,044	96,686	125,700
Differences between expected and actual experience	61,290	(94,508)	(77,133)	(7,507)	(234,237)	47,885	(9,134)	47,701	(2,400)	(47,594)
Changes of assumptions	-	7,574	-	9,063	-	11,819	176,745	12,058	-	13,225
Benefit payments	(269,985)	(291,151)	(334,825)	(343,802)	(426,592)	(456,696)	(468,273)	(486,114)	(503,195)	(524,313)
Net Change in Total Pension Liability	(65,673)	(244,330)	(273,052)	(123,771)	(449,892)	(167,210)	18,810	(144,342)	(179,988)	(191,460)
Total Pension Liability (Asset) - Beginning	1,979,083	2,223,413	2,496,465	2,620,236	3,070,128	3,237,338	3,218,528	3,362,870	3,542,858	3,734,318
Total Pension Liability (Asset) - Ending	\$ 1,913,410	\$ 1,979,083	\$ 2,223,413	\$ 2,496,465	\$ 2,620,236	\$ 3,070,128	\$ 3,237,338	\$ 3,218,528	\$ 3,362,870	\$ 3,542,858
<u>Plan Fiduciary Net Position:</u>										
Contributions - employer	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions - member	-	-	-	-	-	-	-	-	-	-
Contributions - other	-	-	-	-	-	-	-	-	-	-
Net investment income	457,681	455,239	59,940	177,203	488,294	344,353	127,619	671,641	526,473	(570,868)
Benefit payments including refunds	(269,985)	(291,151)	(334,825)	(358,624)	(426,592)	(456,696)	(468,273)	(486,114)	(503,195)	(524,313)
Administrative expenses	(24,449)	(32,400)	(35,123)	(33,211)	(31,800)	(18,820)	(6,356)	(2,256)	(8,096)	(4,431)
Other - debt service	-	-	-	-	-	-	-	-	-	-
Net Change in Plan Fiduciary Net Position	163,247	131,688	(310,008)	(214,632)	29,902	(131,163)	(347,010)	183,271	15,182	(1,099,612)
Plan Fiduciary Net Position - Beginning	3,258,134	3,126,446	3,436,454	4,118,255	4,088,353	4,219,516	4,566,526	4,383,255	4,368,073	5,467,685
Plan Fiduciary Net Position - Ending	\$ 3,421,381	\$ 3,258,134	\$ 3,126,446	\$ 3,903,623	\$ 4,118,255	\$ 4,088,353	\$ 4,219,516	\$ 4,566,526	\$ 4,383,255	\$ 4,368,073
City's Net Pension Liability (Asset)	\$ (1,507,971)	\$ (1,279,051)	\$ (903,033)	\$ (1,407,158)	\$ (1,498,019)	\$ (1,018,225)	\$ (982,178)	\$ (1,347,998)	\$ (1,020,385)	\$ (825,215)
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	179%	165%	141%	156%	157%	133%	130%	142%	130%	123%
Covered Payroll	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Net Pension Liability as a Percentage of Covered Payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Actuarial Valuation Date	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014	June 30, 2013	June 30, 2012	June 30, 2011	June 30, 2010	June 30, 2009

See Independent Auditor's Report and Notes to Required Supplementary Information (RSI) on Pension Schedules.

City of Owensboro, Kentucky
Schedule of Changes in Plan Net Pension Liability and Related Ratios
Police and Firefighters' Retirement Fund
Fiduciary Funds
For the Last Ten Fiscal Years

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Total Pension Liability:										
Service cost	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest	175,528	300,505	328,605	348,249	358,405	363,697	439,515	472,613	509,922	482,694
Changes of benefit terms	6,054	22,257	-	107,953	376,244	417,334	12,474	12,350	120,498	273,049
Differences between expected and actual experience	258,165	(56,856)	(40,960)	(18,310)	(56,029)	20,013	(34,352)	(89,483)	(222,252)	188,098
Changes of assumptions	-	920,026	-	27,602	-	29,895	478,606	28,017	-	587,359
Benefit payments	(800,197)	(828,540)	(874,581)	(839,241)	(931,980)	(942,415)	(953,648)	(1,000,509)	(1,064,830)	(1,092,243)
Net Change in Total Pension Liability	(360,450)	357,392	(586,936)	(373,747)	(253,360)	(111,476)	(57,405)	(577,012)	(656,662)	438,957
Total Pension Liability (Asset) - Beginning	6,816,279	6,458,887	7,045,823	7,419,570	7,672,930	7,784,406	7,841,811	8,418,823	9,075,485	8,636,528
Total Pension Liability (Asset) - Ending	\$ 6,455,829	\$ 6,816,279	\$ 6,458,887	\$ 7,045,823	\$ 7,419,570	\$ 7,672,930	\$ 7,784,406	\$ 7,841,811	\$ 8,418,823	\$ 9,075,485
Plan Fiduciary Net Position:										
Contributions - employer	\$ 850,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 200,000
Contributions - member	-	-	-	-	-	-	-	-	-	-
Contributions - other	3,744	4,312	3,200	4,956	2,816	6,120	5,366	3,312	3,522	9,633
Net investment income	3,358	5,575	8,739	33,444	124,641	135,600	112,411	437,924	565,537	(478,198)
Benefit payments including refunds	(800,197)	(828,540)	(874,581)	(914,051)	(931,980)	(942,415)	(953,648)	(1,000,509)	(1,064,830)	(1,092,243)
Administrative expenses	(5,672)	(4,984)	(9,078)	(3,465)	(7,736)	(6,308)	(8,396)	(4,100)	(10,010)	(6,270)
Other - debt service	-	-	(233,537)	(311,875)	(313,185)	(313,726)	(312,726)	(311,456)	(309,157)	(310,759)
Net Change in Plan Fiduciary Net Position	51,233	(823,637)	(1,105,257)	(1,190,991)	(1,125,444)	(1,120,729)	(1,156,993)	(874,829)	(814,938)	(1,677,837)
Plan Fiduciary Net Position - Beginning	92,630	916,267	2,021,524	3,212,515	4,337,959	5,458,688	6,615,681	7,490,510	8,305,448	9,983,285
Plan Fiduciary Net Position - Ending	\$ 143,863	\$ 92,630	\$ 916,267	\$ 2,021,524	\$ 3,212,515	\$ 4,337,959	\$ 5,458,688	\$ 6,615,681	\$ 7,490,510	\$ 8,305,448
City's Net Pension Liability	\$ 6,311,966	\$ 6,723,649	\$ 5,542,620	\$ 5,024,299	\$ 4,207,055	\$ 3,334,971	\$ 2,325,718	\$ 1,226,130	\$ 928,313	\$ 770,037
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	2%	1%	14%	29%	43%	57%	70%	84%	89%	92%
Covered Payroll	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Net Pension Liability as a Percentage of Covered Payroll	N/A									
Actuarial Valuation Date	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014	June 30, 2013	June 30, 2012	June 30, 2011	June 30, 2010	June 30, 2009

See Independent Auditor's Report and Notes to Required Supplementary Information (RSI) on Pension Schedules.

**City of Owensboro, Kentucky
Schedule of City Contributions
City Employees' Pension Fund
For the Last Ten Fiscal Years**

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Actuarially determined contribution	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the statutorily required contribution	-	-	-	-	-	-	-	-	-	-
Contribution deficiency (excess)	<u>\$ -</u>									
City's covered payroll	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions as a percentage of covered payroll	N/A									

See Independent Auditor's Report and Notes to Required Supplementary Information (RSI) on Pension Schedules.

**City of Owensboro, Kentucky
Schedule of City Contributions
Police and Firefighters' Retirement Fund
For the Last Ten Fiscal Years**

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Actuarially determined contribution	\$ -	\$ -	\$ -	\$ 651,577	\$ 508,246	\$ 314,916	\$ 206,252	\$ 206,252	\$ 187,474	\$ 187,474
Contributions in relation to the statutorily required contribution	(850,000)	-	-	-	-	-	-	-	-	(200,000)
Contribution deficiency (excess)	<u>\$ (850,000)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 651,577</u>	<u>\$ 508,246</u>	<u>\$ 314,916</u>	<u>\$ 206,252</u>	<u>\$ 206,252</u>	<u>\$ 187,474</u>	<u>\$ (12,526)</u>
City's covered payroll	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions as a percentage of covered payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

See Independent Auditor's Report and Notes to Required Supplementary Information (RSI) on Pension Schedules.

City of Owensboro, Kentucky
Schedule of City's Proportionate Share of the Collective Net Pension Liability
County Employees' Retirement System Pension Plan
As of the Measurement Date for the Last Four Years*

Non-Hazardous Employees

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
City's proportion of the collective net pension liability	0.405155%	0.434874%	0.427822%	0.435028%
City's proportionate share of the collective net pension liability	\$ 23,714,968	\$ 21,411,533	\$ 18,394,299	\$ 14,114,000
City's covered payroll	\$ 10,218,059	\$ 10,576,014	\$ 10,405,208	\$ 10,203,122
City's proportionate share of the collective net pension liability as a percentage of its covered payroll	232.09%	202.45%	176.78%	138.33%
Plan fiduciary net position as a percentage of the total pension liability	53.30%	55.50%	59.97%	66.80%

Hazardous Employees

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
City's proportion of the collective net pension liability	1.822329%	1.911532%	1.873598%	1.877152%
City's proportionate share of the collective net pension liability	\$ 40,770,576	\$ 32,800,767	\$ 28,761,709	\$ 22,560,000
City's covered payroll	\$ 10,669,149	\$ 9,755,923	\$ 9,569,156	\$ 9,629,780
City's proportionate share of the collective net pension liability as a percentage of its covered payroll	382.14%	336.21%	300.57%	234.27%
Plan fiduciary net position as a percentage of the total pension liability	49.80%	53.95%	57.52%	63.46%

*This table will present ten years of information as it becomes available.

**City of Owensboro, Kentucky
Schedule of City Contributions
County Employees' Retirement System Pension Plan
For the Last Four Fiscal Years***

Non-Hazardous Employees

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Statutorily required contribution	\$ 1,479,575	\$ 1,410,345	\$ 1,313,541	\$ 1,326,664
Contributions in relation to the statutorily required contribution	<u>(1,479,575)</u>	<u>(1,410,345)</u>	<u>(1,313,541)</u>	<u>(1,326,664)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered payroll	\$ 10,218,059	\$ 10,110,000	\$ 10,576,014	\$ 10,405,208
Contributions as a percentage of covered payroll	14.48%	13.95%	12.42%	12.75%

Hazardous Employees

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Statutorily required contribution	\$ 2,368,551	\$ 2,257,409	\$ 1,976,550	\$ 1,983,686
Contributions in relation to the statutorily required contribution	<u>(2,368,551)</u>	<u>(2,257,409)</u>	<u>(1,976,550)</u>	<u>(1,983,686)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered payroll	\$ 10,669,149	\$ 10,398,015	\$ 9,755,923	\$ 9,569,156
Contributions as a percentage of covered payroll	22.20%	21.71%	20.26%	20.73%

*This table will present ten years of information when it becomes available.

City of Owensboro, Kentucky
Schedule of the City's Proportionate Share of the Collective Net OPEB Liability
County Employees' Retirement System OPEB Plan
As of the Measurement Date for the Last Year*

Non-Hazardous Employees

	2017
City's proportion of the collective net OPEB liability	0.405155%
City's proportionate share of the collective net OPEB liability	\$ 8,145,001
City's covered payroll	\$ 10,218,059
City's proportionate share of the collective net OPEB liability as a percentage of its covered payroll	79.71%
Plan fiduciary net position as a percentage of the total OPEB liability	52.40%

Hazardous Employees

	2017
City's proportion of the collective net OPEB liability	1.822329%
City's proportionate share of the collective net OPEB liability	\$ 15,064,676
City's covered payroll	\$ 10,669,149
City's proportionate share of the collective net OPEB liability as a percentage of its covered payroll	141.20%
Plan fiduciary net position as a percentage of the total OPEB liability	59.00%

*This table will present ten years of information as it becomes available.

**City of Owensboro, Kentucky
Schedule of City Contributions
County Employees' Retirement System OPEB Plan
For the Last Fiscal Year***

Non-Hazardous Employees

	2018
Statutorily required contribution	\$ 480,250
Contributions in relation to the statutorily required contribution	(480,250)
Contribution deficiency (excess)	\$ -
City's covered payroll	\$ 10,218,059
Contributions as a percentage of covered payroll	4.70%

Hazardous Employees

	2018
Statutorily required contribution	\$ 997,566
Contributions in relation to the statutorily required contribution	(997,566)
Contribution deficiency (excess)	\$ -
City's covered payroll	\$ 10,669,149
Contributions as a percentage of covered payroll	9.35%

*This table will present ten years of information when it becomes available.

City of Owensboro, Kentucky
Notes to Required Supplementary Information (RSI) on Pension Schedules
For the fiscal year ended June 30, 2018

City Employees' Pension Fund (CEPF) and Police and Firefighters' Retirement Fund (PFRF)

1. The total pension liabilities are based on full actuarial valuation reports or GASB updates as of the end of each fiscal year. Full actuarial valuation reports have been prepared in odd numbered years while GASB updates have been prepared in even numbered years.
2. Information as of the latest actuarial valuations:

	<u>CEPF</u>	<u>PFRF</u>
Valuation date	June 30, 2018	June 30, 2018
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	6.00%	2.75%
Inflation rate	None	None
Projected salary increases	None	None
Cost of living adjustment	None	None

3. Changes of assumptions:

CEPF – interest rate assumption used to develop total pension liability is 6.00% for June 30, 2012 and later; 7.00% for earlier years shown in the schedules.

PFRF – interest rate assumptions used to develop total pension liability is 2.75% for June 30, 2017 and later; 5.00% for June 30, 2012 through June 30, 2016; 6.00% for earlier periods shown in the schedules.

4. Components of change in total pension liabilities:
 - a. Service cost is zero since there are no active plan members accruing benefits in any reported year.
 - b. Interest component of change in total pension liability reflects interest rate used in developing total pension liability as of beginning of the fiscal year.
 - c. Changes in benefit terms reflects impact of cost-of-living increases from the previous year benefit amounts.
 - d. Changes in assumptions reflects impact of changes in valuation interest and/or mortality assumptions from the prior year.

City of Owensboro, Kentucky
Notes to Required Supplementary Information (RSI) on Pension Schedules
For the fiscal year ended June 30, 2018

County Employees' Retirement System (CERS) Pension Plan and Other Postemployment Benefits (OPEB) Plan

Changes of assumptions: In the June 30, 2017 and 2015 actuarial valuations, the following changes in actuarial assumptions were made:

	<u>June 30, 2017</u>	<u>June 30, 2015</u>	<u>Prior Periods</u>
Inflation	2.30%	3.25%	3.50%
Payroll Growth	2.00%	4.00%	4.50%
Investment Rate of Return	6.25%	7.50%	7.75%

In the June 30, 2015 actuarial valuation, the mortality table used for active members is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females). For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set back one year for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back four years for males) is used for the period after disability retirement.

For periods prior to the June 30, 2015 actuarial valuation, the rates of mortality for the period after service retirement are according to the 1983 Group Annuity Mortality Table for all retired members and beneficiaries as of June 30, 2006 and the 1994 Group Annuity Mortality Table for all other members. The Group Annuity Mortality Table set forward five years was used for the period after disability retirement.

City of Owensboro, Kentucky
Budgetary Comparison Schedule
General Fund
For the fiscal year ended June 30, 2018

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes:				
Real and personal property	\$ 10,543,781	\$ 10,543,781	\$ 10,745,254	\$ 201,473
Licenses, permits, and other taxes:				
Occupational taxes:				
Employees' withholding	17,524,370	17,524,370	17,910,674	386,304
Net profits	2,959,906	2,959,906	3,364,726	404,820
Regulatory:				
Insurance license taxes	4,198,526	4,198,526	4,416,879	218,353
Alcoholic beverage license fee	127,093	127,093	134,376	7,283
Franchise fee	875,300	875,300	922,402	47,102
Other	477,500	477,500	519,826	42,326
Total licenses and permits	<u>26,162,695</u>	<u>26,162,695</u>	<u>27,268,883</u>	<u>1,106,188</u>
Intergovernmental revenues:				
Federal grants	100,000	100,000	100,000	-
State grants - KLEFPF incentive	1,117,200	1,117,200	962,558	(154,642)
City's portion of state gasoline tax	1,120,691	1,120,691	1,155,157	34,466
LGEA mineral severance tax	60,000	60,000	46,698	(13,302)
Total intergovernmental revenues	<u>2,397,891</u>	<u>2,397,891</u>	<u>2,264,413</u>	<u>(133,478)</u>
Charges for services:				
Tax collection	282,137	282,137	296,439	14,302
Management fee	610,000	610,000	597,000	(13,000)
Total charges for services	<u>892,137</u>	<u>892,137</u>	<u>893,439</u>	<u>1,302</u>
Other revenues:				
Fines and forfeitures	89,465	89,465	72,455	(17,010)
Investment earnings	175,000	175,000	228,750	53,750
Dividends from component units	7,457,708	7,457,708	7,647,203	189,495
Payments in lieu of taxes	2,487,379	2,487,379	2,596,009	108,630
Contributions and donations	62,500	62,500	40,000	(22,500)
Rentals	70,880	70,880	68,960	(1,920)
Miscellaneous	1,060,620	1,060,620	1,059,293	(1,327)
Total other revenues	<u>11,403,552</u>	<u>11,403,552</u>	<u>11,712,670</u>	<u>309,118</u>
Total Revenues	<u>\$ 51,400,056</u>	<u>\$ 51,400,056</u>	<u>\$ 52,884,659</u>	<u>\$ 1,484,603</u>

See Independent Auditor's Report and Notes to Required Supplementary Information (RSI)
on Budgetary Accounting and Control.

City of Owensboro, Kentucky
Budgetary Comparison Schedule, Concluded
General Fund
For the fiscal year ended June 30, 2018

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>		<u>Final Budget</u>
				<u>Positive</u>
				<u>(Negative)</u>
Expenditures:				
Administration	\$ 1,848,400	\$ 1,898,230	\$ 1,794,973	\$ 103,257
Community development	193,674	212,324	184,063	28,261
Community services	1,969,544	2,069,544	2,069,544	-
Engineering	2,819,491	2,874,294	2,870,491	3,803
Finance	1,587,449	1,537,449	1,430,904	106,545
Fire	10,193,527	10,193,527	9,941,844	251,683
General government	4,268,750	4,584,780	4,323,548	261,232
Information technology	1,851,744	1,875,089	1,747,931	127,158
Parks	3,506,858	3,522,286	3,462,753	59,533
Parking garage	77,973	77,973	77,972	1
Personnel	729,053	729,053	724,068	4,985
Police	12,595,854	12,498,648	11,923,524	575,124
Property maintenance	203,734	203,734	145,778	57,956
Street	2,165,475	2,255,888	2,146,014	109,874
Total Expenditures	<u>44,011,526</u>	<u>44,532,819</u>	<u>42,843,407</u>	<u>1,689,412</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>7,388,530</u>	<u>6,867,237</u>	<u>10,041,252</u>	<u>3,174,015</u>
Other Financing Sources (Uses):				
Sale of capital assets	67,000	67,000	13,507	(53,493)
Transfers in	-	-	30,000	30,000
Transfers out	<u>(7,713,962)</u>	<u>(7,841,395)</u>	<u>(7,724,805)</u>	<u>116,590</u>
Total Other Financing Sources (Uses)	<u>(7,646,962)</u>	<u>(7,774,395)</u>	<u>(7,681,298)</u>	<u>93,097</u>
Net Change in Fund Balances	(258,432)	(907,158)	2,359,954	3,267,112
Fund Balances, Beginning of Year	<u>8,904,949</u>	<u>8,904,949</u>	<u>8,904,949</u>	<u>-</u>
Fund Balances, End of Year	<u>\$ 8,646,517</u>	<u>\$ 7,997,791</u>	<u>\$ 11,264,903</u>	<u>\$ 3,267,112</u>

See Independent Auditor's Report and Notes to Required Supplementary Information (RSI)
on Budgetary Accounting and Control.

City of Owensboro, Kentucky
Budgetary Comparison Schedule
Your Community Vision Special Revenue Fund
For the fiscal year ended June 30, 2018

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Occupational license taxes	\$ 4,652,361	\$ 4,652,361	\$ 4,595,867	\$ (56,494)
Net profit license taxes	750,000	750,000	989,819	239,819
Investment earnings	35,000	35,000	82,750	47,750
Fees, licenses, and permits	40,000	40,000	61,172	21,172
Miscellaneous revenue	33,375	33,375	-	(33,375)
Total Revenues	<u>5,510,736</u>	<u>5,510,736</u>	<u>5,729,608</u>	<u>252,247</u>
Expenditures:				
Public works	2,272,805	2,608,128	2,126,518	481,610
Capital outlay	1,178,000	5,305,523	1,481,559	3,823,964
Total Expenditures	<u>3,450,805</u>	<u>7,913,651</u>	<u>3,608,077</u>	<u>4,305,574</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>2,059,931</u>	<u>(2,402,915)</u>	<u>2,121,531</u>	<u>4,524,446</u>
Other Financing Sources (Uses):				
Transfers in	787,815	787,815	745,000	(42,815)
Transfers out	(2,833,550)	(2,833,550)	(2,061,654)	771,896
Total Other Financing Sources (Uses)	<u>(2,045,735)</u>	<u>(2,045,735)</u>	<u>(1,316,654)</u>	<u>729,081</u>
Net Change in Fund Balances	14,196	(4,448,650)	804,877	5,253,527
Fund Balances, Beginning of Year	<u>4,461,410</u>	<u>4,461,410</u>	<u>4,461,410</u>	<u>-</u>
Fund Balances, End of Year	<u>\$ 4,475,606</u>	<u>\$ 12,760</u>	<u>\$ 5,266,287</u>	<u>\$ 5,253,527</u>

See Independent Auditor's Report and Notes to Required Supplementary Information (RSI)
on Budgetary Accounting and Control.

City of Owensboro, Kentucky
Budgetary Comparison Schedule
Downtown Development and Revitalization Fund
For the fiscal year ended June 30, 2018

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Regulatory license taxes	\$ 3,560,370	\$ 3,560,370	\$ 3,636,922	\$ 76,552
Investment earnings	40,000	40,000	70,012	30,012
Total Revenues	<u>3,600,370</u>	<u>3,600,370</u>	<u>3,706,934</u>	<u>106,564</u>
Expenditures:				
Community/economic development	-	37,945	1,537	36,408
Capital outlay	-	114,248	-	114,248
Total Expenditures	<u>-</u>	<u>152,193</u>	<u>1,537</u>	<u>150,656</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>3,600,370</u>	<u>3,448,177</u>	<u>3,705,397</u>	<u>257,220</u>
Other Financing Sources (Uses):				
Transfers out	<u>(4,612,664)</u>	<u>(4,612,664)</u>	<u>(4,612,609)</u>	<u>55</u>
Total Other Financing Sources (Uses)	<u>(4,612,664)</u>	<u>(4,612,664)</u>	<u>(4,612,609)</u>	<u>55</u>
Net Change in Fund Balances	(1,012,294)	(1,164,487)	(907,212)	257,275
Fund Balances, Beginning of Year	<u>3,363,426</u>	<u>3,363,426</u>	<u>3,363,426</u>	<u>-</u>
Fund Balances, End of Year	<u>\$ 2,351,132</u>	<u>\$ 2,198,939</u>	<u>\$ 2,456,214</u>	<u>\$ 257,275</u>

See Independent Auditor's Report and Notes to Required Supplementary Information (RSI)
on Budgetary Accounting and Control.

City of Owensboro, Kentucky
Notes to Required Supplementary Information (RSI) on Budgetary Accounting and Control
For the fiscal year ended June 30, 2018

Stewardship, compliance, and accountability:

Budgets and budgetary accounting:

1. Annual budgets are adopted on a basis consistent with generally accepting accounting principles for all governmental funds, except for the Capital Improvements Fund 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 re-appropriated and honored during the subsequent year.

City of Owensboro, Kentucky
Combining Balance Sheet
Nonmajor Governmental Funds
As of June 30, 2018

	Special Revenue				Total Nonmajor Governmental Funds
	Central Dispatch Fund	Community Development Fund	Drug and Property Recovery Fund	Economic Development Fund	
ASSETS					
Equity in pooled deposits and investments	\$ 1,255,812	\$ -	\$ 517,436	\$ 2,380,626	\$ 4,153,874
Accounts receivable	-	-	23,856	838	24,694
Taxes receivable	-	-	-	183,145	183,145
Intergovernmental receivable	-	30,291	107,289	-	137,580
Total Assets	\$ 1,255,812	\$ 30,291	\$ 648,581	\$ 2,564,609	\$ 4,499,293
LIABILITIES					
Accounts payable	\$ 11,680	\$ 27,061	\$ 5,885	\$ 8,684	\$ 53,310
Accrued wages	27,562	-	2,244	-	29,806
Total Liabilities	39,242	27,061	8,129	8,684	83,116
DEFERRED INFLOWS OF RESOURCES					
Deferred revenue	-	5,287	-	183,145	188,432
FUND BALANCES					
Nonspendable	-	-	-	-	-
Restricted	-	-	640,452	1,235,333	1,875,785
Committed	1,216,570	-	-	1,137,447	2,354,017
Unassigned	-	(2,057)	-	-	(2,057)
Total Fund Balance	1,216,570	(2,057)	640,452	2,372,780	4,227,745
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 1,255,812	\$ 30,291	\$ 648,581	\$ 2,564,609	\$ 4,499,293

See Independent Auditor's Report.

City of Owensboro, Kentucky
Combining Statement of Revenues, Expenditures and Changes in Fund Balance
Nonmajor Governmental Funds
For the fiscal year ended June 30, 2018

	Special Revenue				Total Nonmajor Governmental Funds
	Central Dispatch Fund	Community Development Fund	Drug and Property Recovery Fund	Economic Development Fund	
Revenues:					
Real and personal property taxes	\$ -	\$ -	\$ -	\$ 206,265	\$ 206,265
Occupational licenses taxes	-	-	-	1,722,426	1,722,426
Net profit license taxes	-	-	-	63,804	63,804
Regulatory license taxes	-	-	-	206,646	206,646
Intergovernmental	672,231	358,767	175,122	-	1,206,120
Rentals	-	8,760	-	1,011,691	1,020,451
Investment earnings	14,347	-	10,645	25,728	50,720
Contributions and donations	-	-	16,531	-	16,531
Other	5	16,653	238,546	-	255,204
Total Revenues	<u>686,583</u>	<u>384,180</u>	<u>440,844</u>	<u>3,236,560</u>	<u>4,748,167</u>
Expenditures:					
Current:					
Public safety	2,112,594	-	341,571	-	2,454,165
Community/economic development	-	390,707	-	1,300,373	1,691,080
Capital outlay	42,235	-	124,717	11,367	178,319
Total Expenditures	<u>2,154,829</u>	<u>390,707</u>	<u>466,288</u>	<u>1,311,740</u>	<u>4,323,564</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(1,468,246)</u>	<u>(6,527)</u>	<u>(25,444)</u>	<u>1,924,820</u>	<u>424,603</u>
Other Financing Sources (Uses):					
Sale of capital assets	-	-	14,471	169,000	183,471
Transfers in	2,137,385	-	-	-	2,137,385
Transfers out	-	-	(30,000)	(1,238,231)	(1,268,231)
Total Other Financing Sources (Uses)	<u>2,137,385</u>	<u>-</u>	<u>(15,529)</u>	<u>(1,069,231)</u>	<u>1,052,625</u>
Net Change in Fund Balances	669,139	(6,527)	(40,973)	855,589	1,477,228
Fund Balances, Beginning of Year	<u>547,431</u>	<u>4,470</u>	<u>681,425</u>	<u>1,517,191</u>	<u>2,750,517</u>
Fund Balances, End of Year	<u>\$ 1,216,570</u>	<u>\$ (2,057)</u>	<u>\$ 640,452</u>	<u>\$ 2,372,780</u>	<u>\$ 4,227,745</u>

See Independent Auditor's Report.

**City of Owensboro, Kentucky
 Budgetary Comparison Schedule
 Central Dispatch Special Revenue Fund
 For the fiscal year ended June 30, 2018**

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Intergovernmental	\$ 747,822	\$ 747,822	\$ 672,231	\$ (75,591)
Investment earnings	-	-	14,347	14,347
Other	-	-	5	5
Total Revenues	<u>747,822</u>	<u>747,822</u>	<u>686,583</u>	<u>(61,239)</u>
Expenditures:				
Public safety	2,967,243	2,419,459	2,112,594	306,865
Capital outlay	24,045	967,378	42,235	925,143
Total Expenditures	<u>2,991,288</u>	<u>3,386,837</u>	<u>2,154,829</u>	<u>1,232,008</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(2,243,466)</u>	<u>(2,639,015)</u>	<u>(1,468,246)</u>	<u>1,170,769</u>
Other Financing Sources (Uses):				
Transfers in	2,243,466	2,243,466	2,137,385	(106,081)
Total Other Financing Sources (Uses)	<u>2,243,466</u>	<u>2,243,466</u>	<u>2,137,385</u>	<u>(106,081)</u>
Net Change in Fund Balances	-	(395,549)	669,139	1,064,688
Fund Balances, Beginning of Year	<u>547,431</u>	<u>547,431</u>	<u>547,431</u>	<u>-</u>
Fund Balances, End of Year	<u>\$ 547,431</u>	<u>\$ 151,882</u>	<u>\$ 1,216,570</u>	<u>\$ 1,064,688</u>

See Independent Auditor's Report.

**City of Owensboro, Kentucky
 Budgetary Comparison Schedule
 Community Development Special Revenue Fund
 For the fiscal year ended June 30, 2018**

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Intergovernmental	\$ 585,000	\$ 1,479,999	\$ 358,767	\$ (1,121,232)
Rentals	8,000	8,000	8,760	760
Miscellaneous	-	-	16,653	16,653
Total Revenues	<u>593,000</u>	<u>1,487,999</u>	<u>384,180</u>	<u>(1,103,819)</u>
Expenditures:				
Community/economic development	743,000	1,637,999	390,707	1,247,292
Total Expenditures	<u>743,000</u>	<u>1,637,999</u>	<u>390,707</u>	<u>1,247,292</u>
Excess (Deficiency) of Revenue Over Expenditures	<u>(150,000)</u>	<u>(150,000)</u>	<u>(6,527)</u>	<u>143,473</u>
Other Financing Sources (Uses):				
Sale of capital assets	150,000	150,000	-	(150,000)
Total Other Financing Sources (Uses)	<u>150,000</u>	<u>150,000</u>	<u>-</u>	<u>(150,000)</u>
Net Change in Fund Balances	-	-	(6,527)	(6,527)
Fund Balances, Beginning of Year	<u>4,470</u>	<u>4,470</u>	<u>4,470</u>	<u>-</u>
Fund Balances, End of Year	<u>\$ 4,470</u>	<u>\$ 4,470</u>	<u>\$ (2,057)</u>	<u>\$ (6,527)</u>

See Independent Auditor's Report.

City of Owensboro, Kentucky
Budgetary Comparison Schedule
Drug and Property Recovery Special Revenue Fund
For the fiscal year ended June 30, 2018

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Intergovernmental	\$ -	\$ 316,391	\$ 175,122	\$ (141,269)
Interest	3,500	3,500	10,645	7,145
Donations	-	23,773	16,531	(7,242)
Restitution and other income	15,500	21,500	238,546	217,046
Total Revenues	<u>19,000</u>	<u>365,164</u>	<u>440,844</u>	<u>75,680</u>
Expenditures:				
Public safety	127,926	211,098	341,571	(130,473)
Capital outlay	26,600	319,231	124,717	194,514
Total Expenditures	<u>154,526</u>	<u>530,329</u>	<u>466,288</u>	<u>64,041</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(135,526)</u>	<u>(165,165)</u>	<u>(25,444)</u>	<u>139,721</u>
Other Financing Sources (Uses):				
Sale of capital assets	3,500	3,500	14,471	10,971
Transfers out	(55,000)	(55,000)	(30,000)	25,000
Total Other Financing Sources (Uses)	<u>(51,500)</u>	<u>(51,500)</u>	<u>(15,529)</u>	<u>35,971</u>
Net Change in Fund Balances	(187,026)	(216,665)	(40,973)	175,692
Fund Balances, Beginning of Year	<u>681,425</u>	<u>681,425</u>	<u>681,425</u>	<u>-</u>
Fund Balances, End of Year	<u>\$ 494,399</u>	<u>\$ 464,760</u>	<u>\$ 640,452</u>	<u>\$ 175,692</u>

See Independent Auditor's Report.

City of Owensboro, Kentucky
Budgetary Comparison Schedule
Economic Development Special Revenue Fund
For the fiscal year ended June 30, 2018

	<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	\$ 372,500	\$ 372,500	\$ 206,265	\$ (166,235)
Occupational license taxes	1,496,500	1,496,500	1,722,426	225,926
Net profit license taxes	94,000	94,000	63,804	(30,196)
Regulatory licenses taxes	170,000	170,000	206,646	36,646
Investment earnings	12,000	12,000	25,728	13,728
Rentals	1,013,800	1,013,800	1,011,691	(2,109)
Total Revenues	<u>3,158,800</u>	<u>3,158,800</u>	<u>3,236,560</u>	<u>77,760</u>
Expenditures:				
Community/economic development	1,840,500	1,826,588	1,300,373	526,215
Capital outlay	-	13,912	11,367	2,545
Total Expenditures	<u>1,840,500</u>	<u>1,840,500</u>	<u>1,311,740</u>	<u>528,760</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>1,318,300</u>	<u>1,318,300</u>	<u>1,924,820</u>	<u>606,520</u>
Other Financing Sources (Uses):				
Sale of capital assets	-	-	169,000	169,000
Transfers out	(1,238,248)	(1,238,248)	(1,238,231)	17
Total Other Financing Sources (Uses)	<u>(1,238,248)</u>	<u>(1,238,248)</u>	<u>(1,069,231)</u>	<u>169,017</u>
Net Change in Fund Balances	80,052	80,052	855,589	775,537
Fund Balances, Beginning of Year	<u>1,517,191</u>	<u>1,517,191</u>	<u>1,517,191</u>	<u>-</u>
Fund Balances, End of Year	<u>\$ 1,597,243</u>	<u>\$ 1,597,243</u>	<u>\$ 2,372,780</u>	<u>\$ 775,537</u>

See Independent Auditor's Report.

City of Owensboro, Kentucky
Combining Statement of Net Position
Nonmajor Enterprise Funds
As of June 30, 2018

	Enterprise Funds				Total Nonmajor Enterprise Funds
	Transit Fund	Geographic Information System Fund	Recreation Fund	Sportscenter Operations Fund	
ASSETS					
Current Assets:					
Equity in pooled deposits and investments	\$ 601,279	\$ 12,585	\$ 105,486	\$ 73,901	\$ 793,251
Cash and cash equivalents	200	-	5,810	1,295	7,305
Accounts receivable	1,549	43,444	55,432	12,210	112,635
Intergovernmental receivable	153,603	-	-	-	153,603
Materials and supplies inventory	-	-	35,007	-	35,007
Prepaid expenses	-	-	1,200	-	1,200
Total Current Assets	756,631	56,029	202,935	87,406	1,103,001
Noncurrent Assets:					
Capital assets, net of accumulated depreciation:					
Land	-	-	105,739	-	105,739
Construction in progress	16,775	-	-	-	16,775
Depreciable capital assets	336,020	72,033	82,207	91,483	581,743
Total Noncurrent Assets	352,795	72,033	187,946	91,483	704,257
Total Assets	\$ 1,109,426	\$ 128,062	\$ 390,881	\$ 178,889	\$ 1,807,258
LIABILITIES AND NET POSITION					
Current Liabilities:					
Accounts payable	\$ 43,616	\$ -	\$ 41,349	\$ -	\$ 84,965
Accrued liabilities	25,033	5,855	25,969	-	56,857
Deferred revenue	-	-	23,640	825	24,465
Compensated absences, current portion	16,706	-	10,131	-	26,837
Total Current Liabilities	85,355	5,855	101,089	825	193,124
Non-current Liabilities:					
Compensated absences, less current portion	45,761	57,295	71,693	-	174,749
Total Non-current Liabilities	45,761	57,295	71,693	-	174,749
Total Liabilities	131,116	63,150	172,782	825	367,873
Net Position:					
Invested in capital assets	352,795	72,033	187,946	91,483	704,257
Unrestricted	625,515	(7,121)	30,153	86,581	735,128
Total Net Position	978,310	64,912	218,099	178,064	1,439,385
Total Liabilities and Net Position	\$ 1,109,426	\$ 128,062	\$ 390,881	\$ 178,889	\$ 1,807,258

See Independent Auditor's Report.

City of Owensboro, Kentucky
Combining Statement of Revenues, Expenses and Changes in Net Position
Nonmajor Enterprise Funds
For the fiscal year ended June 30, 2018

	Enterprise Funds				Total Nonmajor Enterprise Funds
	Transit Fund	Geographic Information System Fund	Recreation Fund	Sportscenter Operations Fund	
Operating Revenues:					
Charges for services	\$ 115,977	\$ 307,260	\$ 1,423,815	\$ 316,862	\$ 2,163,914
Miscellaneous income	-	16,787	21,720	-	38,507
Total Operating Revenues	<u>115,977</u>	<u>324,047</u>	<u>1,445,535</u>	<u>316,862</u>	<u>2,202,421</u>
Operating Expenses:					
Salaries, wage, and benefits	1,306,050	363,802	1,101,779	-	2,771,631
Maintenance	287,813	14,735	675,614	9,888	988,050
Utilities	23,203	3,024	206,067	-	232,294
Supplies	220,892	661	341,479	-	563,032
Other	252,086	5,950	160,519	627,705	1,046,260
Depreciation	80,411	20,142	18,687	6,104	125,344
Total Operating Expenses	<u>2,170,455</u>	<u>408,314</u>	<u>2,504,145</u>	<u>643,697</u>	<u>5,726,611</u>
Operating Income (Loss)	<u>(2,054,478)</u>	<u>(84,267)</u>	<u>(1,058,610)</u>	<u>(326,835)</u>	<u>(3,524,190)</u>
Nonoperating Revenues:					
Gain on sale of capital assets	-	-	986	-	986
Investment earnings	-	153	-	555	708
Operating grants	807,208	-	-	-	807,208
Total Nonoperating Revenues	<u>807,208</u>	<u>153</u>	<u>986</u>	<u>555</u>	<u>808,902</u>
Income (Loss) Before Contributions and Transfers	<u>(1,247,270)</u>	<u>(84,114)</u>	<u>(1,057,624)</u>	<u>(326,280)</u>	<u>(2,715,288)</u>
Capital contributions - grants	447,235	-	-	-	447,235
Transfers in	903,240	106,994	1,207,650	333,549	2,551,433
Transfers out	-	-	(154,944)	-	(154,944)
Change in Net Position	103,205	22,880	(4,918)	7,269	128,436
Net Position, Beginning of Year	<u>875,105</u>	<u>42,032</u>	<u>223,017</u>	<u>170,795</u>	<u>1,310,949</u>
Net Position, End of Year	<u>\$ 978,310</u>	<u>\$ 64,912</u>	<u>\$ 218,099</u>	<u>\$ 178,064</u>	<u>\$ 1,439,385</u>

See Independent Auditor's Report.

City of Owensboro, Kentucky
Combining Statement of Cash Flows
Nonmajor Enterprise Funds
For the fiscal year ended June 30, 2018

	Enterprise Funds				Total Nonmajor Enterprise Funds
	Transit Fund	Geographic Information System Fund	Recreation Fund	Sportscenter Operations Fund	
Cash flows from operating activities:					
Cash received from customers	\$ 87,316	\$ 313,595	\$ 1,458,525	\$ -	\$ 1,859,436
Cash payments to employees for services	(1,331,037)	(363,345)	(1,117,510)	-	(2,811,892)
Cash payments to suppliers	(796,182)	(22,543)	(1,425,366)	(370,068)	(2,614,159)
Net cash used in operating activities	<u>(2,039,903)</u>	<u>(72,293)</u>	<u>(1,084,351)</u>	<u>(370,068)</u>	<u>(3,566,615)</u>
Cash flows from noncapital financing activities:					
Operating grants	807,208	-	-	-	807,208
Transfers in	903,240	106,994	1,207,650	333,549	2,551,433
Transfers out	-	-	(154,944)	-	(154,944)
Net cash provided by noncapital financing activities	<u>1,710,448</u>	<u>106,994</u>	<u>1,052,706</u>	<u>333,549</u>	<u>3,203,697</u>
Cash flows from capital and related financing activities:					
Capital contributions - grants	447,235	-	-	-	447,235
Net cash provided by capital and related financing activities	<u>447,235</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>447,235</u>
Cash flows from investing activities:					
Gain on sale of capital assets	-	-	986	-	986
Purchase of capital assets	(16,776)	(38,036)	-	(14,626)	(69,438)
Interest on investments	-	153	-	555	708
Net cash provided (used) by investing activities	<u>(16,776)</u>	<u>(37,883)</u>	<u>986</u>	<u>(14,071)</u>	<u>(67,744)</u>
Net increase (decrease) in cash and cash equivalents	101,004	(3,182)	(30,659)	(50,590)	16,573
Cash and cash equivalents, beginning of year	500,475	15,767	141,955	125,786	783,983
Cash and cash equivalents, end of year	<u>\$ 601,479</u>	<u>\$ 12,585</u>	<u>\$ 111,296</u>	<u>\$ 75,196</u>	<u>\$ 800,556</u>
Reconciliation of operating loss to net cash used in operating activities:					
Operating loss	\$ (2,054,478)	\$ (84,267)	\$ (1,058,610)	\$ (326,835)	\$ (3,524,190)
Adjustments to reconcile operating loss to net cash used in operating activities:					
Depreciation	80,411	20,142	18,687	6,104	125,344
Change in assets and liabilities:					
(Increase) decrease in assets:					
Accounts receivable	(28,661)	(10,452)	14,215	294,401	269,503
Materials and supplies inventory	-	-	(7,460)	-	(7,460)
Increase (decrease) in liabilities:					
Accounts payable	(12,188)	(1,176)	(34,227)	(76,814)	(124,405)
Accrued liabilities	6,111	457	3,363	-	9,931
Unearned revenue	-	-	(1,225)	(266,924)	(268,149)
Compensated absences	(31,098)	3,003	(19,094)	-	(47,189)
Net cash used in operating activities	<u>\$ (2,039,903)</u>	<u>\$ (72,293)</u>	<u>\$ (1,084,351)</u>	<u>\$ (370,068)</u>	<u>\$ (3,566,615)</u>

See Independent Auditor's Report.



City of Owensboro, Kentucky
Combining Statement of Net Position
Internal Service Funds
As of June 30, 2018

	Governmental Activities Internal Service Funds				Total Internal Service Funds
	Facilities Maintenance Fund	Insurance Fund	Garage Service Fund	Fleet and Facilities Fund	
ASSETS					
Current Assets:					
Equity in pooled deposits and investments	\$ 2,152,871	\$ 4,210,401	\$ 163,529	\$ 5,909,648	\$ 12,436,449
Accounts receivable	400	-	-	-	400
Materials and supplies inventory	-	-	251,960	-	251,960
Total Current Assets	2,153,271	4,210,401	415,489	5,909,648	12,688,809
Noncurrent assets:					
Capital assets, net of accumulated depreciation:					
Construction in process	56,936	-	-	59,638	116,574
Depreciable capital assets	503,616	-	26,947	5,190,655	5,721,218
Total Noncurrent Assets	560,552	-	26,947	5,250,293	5,837,792
Total Assets	\$ 2,713,823	\$ 4,210,401	\$ 442,436	\$ 11,159,941	\$ 18,526,601
LIABILITIES AND NET POSITION					
Current Liabilities:					
Accounts payable	\$ 102,652	\$ 1,907,260	\$ 8,083	\$ 53,235	\$ 2,071,230
Accrued liabilities	26,146	-	9,684	-	35,830
Total Current Liabilities	128,798	1,907,260	17,767	53,235	2,107,060
Net Position:					
Invested in capital assets	560,552	-	26,947	5,250,293	5,837,792
Unrestricted	2,024,473	2,303,141	397,722	5,856,413	10,581,749
Total Net Position	2,585,025	2,303,141	424,669	11,106,706	16,419,541
Total Liabilities and Net Position	\$ 2,713,823	\$ 4,210,401	\$ 442,436	\$ 11,159,941	\$ 18,526,601

See Independent Auditor's Report.

City of Owensboro, Kentucky
Combining Statement of Revenues, Expenses, and Changes in Net Position
Internal Service Funds
For the fiscal year ended June 30, 2018

	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	\$ 3,613,105	\$ 6,121,538	\$ 1,304,107	\$ 3,185,167	\$ 14,223,917
Miscellaneous income	1,096	-	-	-	1,096
Total Operating Revenues	3,614,201	6,121,538	1,304,107	3,185,167	14,225,013
Operating Expenses:					
Salaries, wages, and benefits	1,700,270	-	569,060	-	2,269,330
Maintenance	591,138	-	49,525	135,678	776,341
Utilities	17,253	-	8,996	-	26,249
Administrative	520,547	479,529	8,382	-	1,008,458
Supplies	201,790	-	577,165	-	778,955
Claims	-	5,242,125	-	-	5,242,125
Depreciation	37,158	-	8,616	1,649,250	1,695,024
Total Operating Expenses	3,068,156	5,721,654	1,221,744	1,784,928	11,796,482
Operating Income (Loss)	546,045	399,884	82,363	1,400,239	2,428,531
Nonoperating Revenues:					
Gain on disposal of capital assets	72	-	-	70,525	70,597
Investment earnings	-	60,629	-	74,776	135,405
Total Nonoperating Revenues	72	60,629	-	145,301	206,002
Change in Net Position	546,117	460,513	82,363	1,545,540	2,634,533
Net Position, Beginning of Year	2,038,908	1,842,628	342,306	9,561,166	13,785,008
Net Position, End of Year	\$ 2,585,025	\$ 2,303,141	\$ 424,669	\$ 11,106,706	\$ 16,419,541

See Independent Auditor's Report.

City of Owensboro, Kentucky
Combining Statement of Cash Flows
Internal Service Funds
For the fiscal year ended June 30, 2018

	Governmental Activities Internal Service Funds				Total Internal Service Funds
	Facilities Maintenance Fund	Insurance Fund	Garage Service Fund	Fleet and Facilities Fund	
Cash flows from operating activities:					
Cash received from customers	\$ 3,616,427	\$ 6,121,538	\$ 1,304,107	\$ 3,185,167	\$ 14,227,239
Cash payments to employees for services	(1,696,998)	-	(568,170)	-	(2,265,168)
Cash payments to suppliers	(1,440,218)	(241,560)	(650,172)	(233,976)	(2,565,926)
Cash payments for claims	-	(5,242,125)	-	-	(5,242,125)
Net cash provided by operating activities	<u>479,211</u>	<u>637,853</u>	<u>85,765</u>	<u>2,951,191</u>	<u>4,154,020</u>
Cash flows from noncapital financing activities:					
Net cash provided by noncapital financing activities	-	-	-	-	-
Cash flows from capital and related financing activities:					
Proceeds from sale of capital assets	72	-	-	70,525	70,597
Payments for capital acquisitions	(166,690)	-	(5,762)	(1,007,633)	(1,180,085)
Net cash used in capital and related financing activities	<u>(166,618)</u>	<u>-</u>	<u>(5,762)</u>	<u>(937,108)</u>	<u>(1,109,488)</u>
Cash flows from investing activities:					
Interest on investments	-	60,629	-	74,776	135,405
Net increase in cash and cash equivalents	<u>312,593</u>	<u>698,482</u>	<u>80,003</u>	<u>2,088,859</u>	<u>3,179,937</u>
Cash and cash equivalents, beginning of year	<u>1,840,278</u>	<u>3,511,919</u>	<u>83,526</u>	<u>3,820,789</u>	<u>9,256,512</u>
Cash and cash equivalents, end of year	<u>\$ 2,152,871</u>	<u>\$ 4,210,401</u>	<u>\$ 163,529</u>	<u>\$ 5,909,648</u>	<u>\$ 12,436,449</u>
Reconciliation of operating income to net cash provided by operating activities:					
Operating income	\$ 546,045	\$ 399,884	\$ 82,363	\$ 1,400,239	\$ 2,428,531
Adjustments to reconcile operating income to net cash provided by operating activities:					
Depreciation	37,158	-	8,616	1,649,250	1,695,024
Change in assets and liabilities:					
(Increase) decrease in assets:					
Accounts receivable	2,226	-	-	-	2,226
Materials and supplies inventory	-	-	6,058	-	6,058
Prepaid expenses	-	-	-	-	-
Increase (decrease) in liabilities:					
Accounts payable	(109,490)	237,969	(12,162)	(98,298)	18,019
Accrued liabilities	3,272	-	890	-	4,162
Net cash provided by operating activities	<u>\$ 479,211</u>	<u>\$ 637,853</u>	<u>\$ 85,765</u>	<u>\$ 2,951,191</u>	<u>\$ 4,154,020</u>

See Independent Auditor's Report.



City of Owensboro, Kentucky
Combining Statement of Fiduciary Net Position
Pension Trust Funds
As of June 30, 2018

	City Employees' Pension Fund	Police and Firefighters' Retirement Fund	Total Pension Trust Funds
ASSETS			
Equity in pooled deposits and investments	\$ -	\$ 212,449	\$ 212,449
Cash and cash equivalents	73,070	-	73,070
Investments, at fair value	3,394,889	-	3,394,889
Total Assets	3,467,959	212,449	3,680,408
LIABILITIES			
Pension payable	11,240	66,714	77,954
Other	35,338	1,872	37,210
Total Liabilities	46,578	68,586	115,164
NET POSITION			
Restricted for: Pensions	3,421,381	143,863	3,565,244
Total Net Position	\$ 3,421,381	\$ 143,863	\$ 3,565,244

See Independent Auditor's Report.

City of Owensboro, Kentucky
Combining Statement of Changes in Fiduciary Net Position
Pension Trust Funds
For the fiscal year ended June 30, 2018

	City Employees' Pension Fund	Police and Firefighters' Retirement Fund	Total Pension Trust Funds
Additions:			
Contributions:			
Employer	\$ -	\$ 850,000	\$ 850,000
Other	-	3,744	3,744
Total contributions	<u>-</u>	<u>853,744</u>	<u>853,744</u>
Investment earnings:			
Net appreciation in fair value of investments	400,663	-	400,663
Interest	<u>57,018</u>	<u>3,358</u>	<u>60,376</u>
Total investment earnings	457,681	3,358	461,039
Less investment expense	<u>24,449</u>	<u>5,672</u>	<u>30,121</u>
Net investment earnings	<u>433,232</u>	<u>(2,314)</u>	<u>430,918</u>
Total Additions	<u>433,232</u>	<u>851,430</u>	<u>1,284,662</u>
Deductions:			
Benefits	<u>269,985</u>	<u>800,197</u>	<u>1,070,182</u>
Total Deductions	<u>269,985</u>	<u>800,197</u>	<u>1,070,182</u>
Change in Net Position	163,247	51,233	214,480
Net Position, Beginning of Year	<u>3,258,134</u>	<u>92,630</u>	<u>3,350,764</u>
Net Position, End of Year	<u>\$ 3,421,381</u>	<u>\$ 143,863</u>	<u>\$ 3,565,244</u>

See Independent Auditor's Report.

City of Owensboro, Kentucky
Combining Statement of Assets and Liabilities
Agency Funds
As of June 30, 2018

	County Occupational Tax Fund	School District Tax Fund	Total Agency Funds
ASSETS			
Equity in pooled deposits and investments	\$ 119,450	\$ -	\$ 119,450
Intergovernmental receivable	-	77,511	77,511
Total Assets	<u>\$ 119,450</u>	<u>\$ 77,511</u>	<u>\$ 196,961</u>
LIABILITIES			
Other	\$ 119,450	\$ 77,511	\$ 196,961
Total Liabilities	<u>\$ 119,450</u>	<u>\$ 77,511</u>	<u>\$ 196,961</u>

See Independent Auditor's Report.

City of Owensboro, Kentucky
Combining Statement of Net Position
Component Unit
Owensboro Municipal Utilities
As of June 30, 2018

	Electric Light and Power System	Water Works Systems	Total
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES			
Equity in pooled deposits and investments	\$ -	\$ -	\$ -
Cash and cash equivalents:			
In segregated accounts	13,588,619	362,154	13,950,773
Investments	20,291,469	4,269,359	24,560,828
Accounts receivable (less allowance of \$49,121 and \$5,258 for Electric and Water, respectively)	15,462,509	1,991,807	17,454,316
Material and supplies inventory	4,209,585	459,622	4,669,207
Prepaid items	370,856	147,808	518,664
Other current assets	681,264	-	681,264
Restricted assets	99,729,633	8,812,601	108,542,234
Capital assets, net of accumulated depreciation	165,243,209	45,624,644	210,867,853
Other noncurrent assets	19,981,509	995,513	20,977,022
Total Assets	339,558,653	62,663,508	402,222,161
Deferred Outflows of Resources:			
Accumulated decrease in fair value of hedging derivatives	1,935,210	-	1,935,210
Deferred pension outflows	11,749,933	2,404,594	14,154,527
Deferred other postemployment benefit outflows	3,330,004	683,580	4,013,584
Deferred pension obligation	27,845,013	5,526,277	33,371,290
Deferred postemployment benefit obligation	9,604,755	1,907,253	11,512,008
Unamortized loss on debt refunding	3,136,433	645,935	3,782,368
Net unrealized loss on investments	1,105,478	147,766	1,253,244
Total Deferred Outflows of Resources	58,706,826	11,315,405	70,022,231
Total Assets and Deferred Outflows of Resources	\$ 398,265,479	\$ 73,978,913	\$ 472,244,392
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION			
Liabilities:			
Accounts payable	\$ 20,888,436	\$ 831,960	\$ 21,720,396
Accrued interest payable	2,808,784	271,211	3,079,995
Non-current liabilities:			
Long-term debt:			
Due within one year	18,791,838	890,000	19,681,838
Due in more than one year	164,629,594	32,023,009	196,652,603
Net pension liability	35,787,099	7,168,159	42,955,258
Net other postemployment benefit liability	12,291,225	2,461,933	14,753,158
Other	183,483	91,242	274,725
Total Liabilities	255,380,459	43,737,514	299,117,973
Deferred Inflows of Resources:			
Accumulated increase in fair value of hedging derivatives	851,926	-	851,926
Deferred pension inflows	3,807,847	762,712	4,570,559
Deferred other postemployment benefit inflows	643,534	128,900	772,434
Deferred revenue	666,966	82,883	749,849
Total Deferred Inflows of Resources	5,970,273	974,495	6,944,768
Net Position:			
Net investment in capital assets	7,000,058	21,626,098	28,626,156
Restricted for:			
Capital projects	5,553,650	374,610	5,928,260
Debt service	15,505,673	798,579	16,304,252
Other purposes	51,346,179	-	51,346,179
Unrestricted	57,509,187	6,467,617	63,976,804
Total Net Position	136,914,747	29,266,904	166,181,651
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 398,265,479	\$ 73,978,913	\$ 472,244,392

See Independent Auditor's Report.

**City of Owensboro, Kentucky
Combining Statement of Activities
Component Unit
Owensboro Municipal Utilities
For the fiscal year ended June 30, 2018**

	Program Revenues			Net (Expense) Revenue and Change in Net Position			
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Electric Light and Power System	Water Works System	Total
Electric Light and Power System	\$ 143,911,580	\$ 150,223,995	\$ -	\$ -	\$ 6,312,415	\$ -	\$ 6,312,415
Water Works System	12,007,578	11,576,450	-	110,948	-	(320,180)	(320,180)
Total Component Unit	\$ 155,919,158	\$ 161,800,445	\$ -	\$ 110,948	6,312,415	(320,180)	5,992,235
General Revenues:							
					Earnings on investments	190,323	2,465,941
					Deferred net change in fair value of investments	(104,178)	(927,530)
					Miscellaneous	104,178	963,081
					Loss on investment derivatives	-	-
					Total General Revenues	190,323	2,501,492
					Change in Net Position	(129,857)	8,493,727
					Cumulative Effect of Change in Accounting Principle	4,651,090	28,195,858
					Net Position, Beginning of Year	24,745,671	129,492,066
					Net Position, End of Year	\$ 29,266,904	\$ 166,181,651

See Independent Auditor's Report.

City of Owensboro, Kentucky
Capital Assets Used in Operation of Governmental Funds
Schedule by Source
As of June 30, 2018

Governmental funds capital assets:

Land	\$ 25,320,581
Construction in progress	18,034,630
Land improvements/infrastructure	193,105,164
Buildings	104,871,107
Vehicles	2,042,623
Equipment	7,822,886
Software	616,399
	<u>\$ 351,813,390</u>

Investment in governmental funds capital assets by source:

General Fund	\$ 346,733,331
Community Development Fund	4,525,677
City of Owensboro Municipal Improvement Corporation	554,382
	<u>\$ 351,813,390</u>

This schedule presents only the capital assets balances related to 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.

See Independent Auditor's Report.

City of Owensboro, Kentucky
Capital Assets Used in Operation of Governmental Funds
Schedule by Function and Activity
As of June 30, 2018

Function and Activity	Land	Construction in Progress	Land Improvements	Buildings	Vehicles	Equipment	Software	Total
General Government:								
City manager, commissioners and legal	\$ 201,993	\$ -	\$ -	\$ 2,272,567	\$ -	\$ 126,661	\$ -	\$ 2,601,221
Finance	-	-	-	-	-	65,029	-	65,029
Personnel	-	-	-	-	-	29,531	-	29,531
Information services	-	-	-	82,124	-	522,912	-	605,036
Unallocated	5,055,952	-	4,365,802	23,180,355	-	2,159,210	604,399	35,365,718
Total General Government	5,257,945	-	4,365,802	25,535,046	-	2,903,343	604,399	38,666,535
Public Safety:								
Police	767,183	-	5,081	3,378,151	20,602	2,444,114	12,000	6,627,131
Fire	353,862	-	-	2,093,300	864,092	184,231	-	3,495,485
Total Public Safety	1,121,045	-	5,081	5,471,451	884,694	2,628,345	12,000	10,122,616
Public Works:								
Engineering	-	-	-	-	-	47,054	-	47,054
Streets	4,305,872	-	51,109,521	1,003,460	9,703	183,385	-	56,611,941
Garage	22,500	-	-	173,527	-	71,580	-	267,607
Stormwater	-	-	-	-	51,999	82,290	-	134,289
Total Public Works	4,328,372	-	51,109,521	1,176,987	61,702	384,309	-	57,060,891
Community and Cultural:								
Parks	3,785,795	-	5,170,132	15,179,909	-	97,257	-	24,233,093
Community services	1,326,713	-	2,038,706	-	-	-	-	3,365,419
Other agencies	-	-	-	1,160,259	-	-	-	1,160,259
Downtown Revitalization	7,542,467	-	35,303,687	55,500,000	-	463,217	-	98,809,371
Your Community Vision	1,958,244	-	95,112,235	847,455	1,096,227	1,346,415	-	100,360,576
Total Community and Cultural	14,613,219	-	137,624,760	72,687,623	1,096,227	1,906,889	-	227,928,718
Construction in progress	-	18,034,630	-	-	-	-	-	18,034,630
Total Governmental Funds Capital Assets	\$ 25,320,581	\$ 18,034,630	\$ 193,105,164	\$ 104,871,107	\$ 2,042,623	\$ 7,822,886	\$ 616,399	\$ 351,813,390

See Independent Auditor's Report.

City of Owensboro, Kentucky
Capital Assets Used in Operation of Governmental Funds
Schedule of Changes by Function and Activity
For the fiscal year ended June 30, 2018

<u>Function and Activity</u>	<u>Governmental Funds Capital Assets June 30, 2017</u>	<u>Additions</u>	<u>Deductions</u>	<u>Governmental Funds Capital Assets June 30, 2018</u>
General government:				
City manager, commissioners and legal	\$ 2,613,471	\$ -	\$ (12,250)	\$ 2,601,221
Finance	39,374	25,655	-	65,029
Personnel	29,531	-	-	29,531
Information services	537,382	88,927	(21,273)	605,036
Unallocated	34,629,587	758,216	(22,085)	35,365,718
Total general government	<u>37,849,345</u>	<u>872,798</u>	<u>(55,608)</u>	<u>38,666,535</u>
Public safety:				
Police	6,465,832	187,147	(25,848)	6,627,131
Fire	3,796,856	21,000	(322,371)	3,495,485
Total public safety	<u>10,262,688</u>	<u>208,147</u>	<u>(348,219)</u>	<u>10,122,616</u>
Public works:				
Engineering	47,054	-	-	47,054
Streets	52,421,436	4,190,505	-	56,611,941
Garage	267,607	-	-	267,607
Stormwater	134,289	-	-	134,289
Total public works	<u>52,870,386</u>	<u>4,190,505</u>	<u>-</u>	<u>57,060,891</u>
Community and cultural:				
Parks	24,357,928	-	(124,835)	24,233,093
Community services	2,915,419	450,000	-	3,365,419
Other agencies	1,160,259	-	-	1,160,259
Downtown Revitalization	98,809,371	-	-	98,809,371
Your Community Vision	99,672,230	731,847	(43,501)	100,360,576
Total community and cultural	<u>226,915,207</u>	<u>1,181,847</u>	<u>(168,336)</u>	<u>227,928,718</u>
Community / economic development	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Construction in Progress	<u>6,737,163</u>	<u>12,466,975</u>	<u>(1,169,508)</u>	<u>18,034,630</u>
Total governmental funds capital assets	<u>\$ 334,634,789</u>	<u>\$ 18,920,272</u>	<u>\$ (1,741,671)</u>	<u>\$ 351,813,390</u>

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

See Independent Auditor's Report.





CITY OF OWENSBORO GENERAL INFORMATION



The City

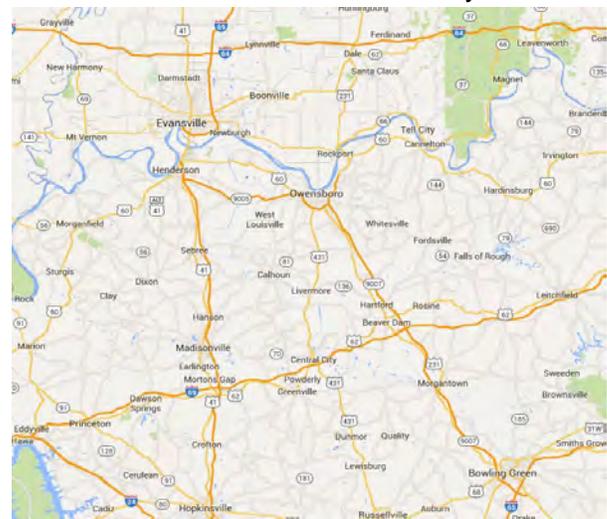
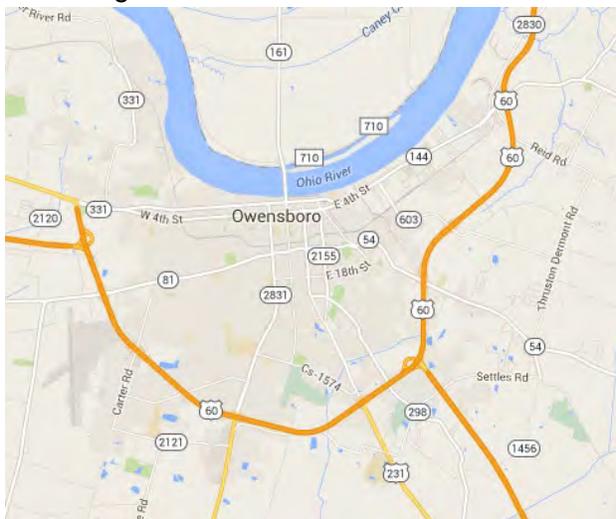
Owensboro, originally known as Yellow Banks (due to the color of the soil along the Ohio River banks), was first settled in 1797. By 1810, David Morton had opened a general store and the settlement population grew to 100 by 1815. An 1817 Act of the Kentucky Legislature incorporated the town as “Owensborough,” later shortened to “Owensboro.” The Owensboro area has grown steadily while retaining the “small town quality” of a friendly city. Owensboro ranks as Kentucky’s fourth largest city in terms of population and is the industrial and cultural capital of western Kentucky.



A 2017 *USA Today* article ranked Owensboro #11 in the country for percentage of new mortgages being closed by millennials (those entering adulthood since 2000), citing our recent downtown makeover as one of the factors attracting this demographic. In 2013, Owensboro was named an All-American City (one of only ten communities selected nationwide) by the National Civic League. *Forbes* magazine ranked Owensboro #6 on their 2013 “Best Small Cities For Jobs” and #62 “Best Small Places for Business and Careers,” including #24 in job growth and #37 ranking for “Low Cost of Doing Business.” Other recent national honors include recognition of the high quality of life and the good environment for raising a family.

Location

Owensboro, the county seat of Daviess County, Kentucky, lies on the southern banks of the Ohio River, one of the nation’s major waterways. Part of 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. An improved section of U.S. Highway 231 in southern Indiana and a recently expanded Owensboro bypass complete a four-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 growth in the area's economy and workforce compared to the previous year. As of June 2018, area employment over the prior twelve months averaged 45,362, an increase of 2.0% from the prior year average. The June 2018 unemployment rate was 4.6%, less than the prior year rate of 5.3% and the State rate of 5.0%, and just higher than the U.S. rate of 4.2%. The total number of Owensboro Municipal Utilities active water and electric meters was slightly higher and has been steady for several years, with much of the recent construction in the city occurring in areas served by Kenergy and the local water districts. The rate of construction of new single-family housing was up nearly 50% from the prior year. The value of new non-residential projects increased over 35% above the prior year due to continued strong numbers of new projects and additions.

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 and Unifirst Drives and extensions of Tamarack Road and Southtown Boulevard. This has proven to be a valuable tool for attracting new industry to Owensboro. In recent years, a local expansion to the Airpark of a national mortgage processing company brought over 800 jobs to three new buildings. The Owensboro-Daviess County Regional Airport has completed facility and terminal expansions valued at over \$40 million. Direct flights to the Orlando area for the past eight 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 recent years, 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. In 2015, this "Lazy Dayz" playground was named the #1 playground in the world by the Landscape Architects Network, one of the 10 best playgrounds in the United States by USA Today, and 18th best playground in America by Early Childhood Education Zone.





The City has recently completed a \$99 million downtown redevelopment and revitalization project, partnering 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 opened in January 2014. It is flanked by two new privately-developed hotel projects with 270 total rooms at a total cost of over \$35 million, and a third hotel project is in development.

A new 437-space parking garage opened in November 2018 to serve parking needs of the convention center and the nearby hotels. 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. Several additional downtown construction projects have been started recently. In 2015, *Southern Business & Development Magazine* included Owensboro on their list of “10 Great Southern Downtowns That Are Worth A Visit.”

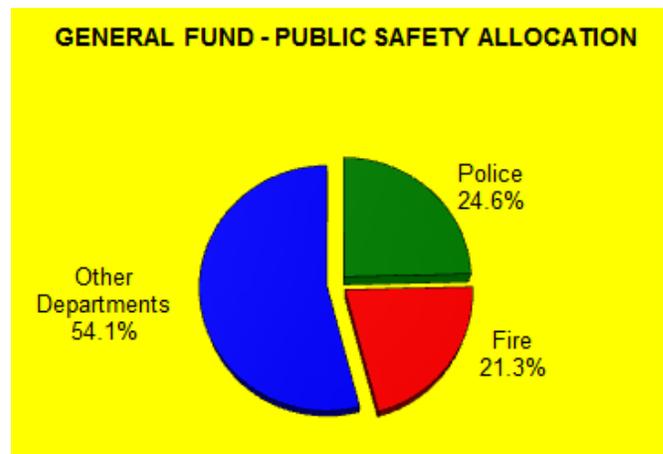
The City has been approved for two separate Tax Increment Financing (TIF) project areas in partnership with the Commonwealth of Kentucky. The Downtown Riverfront Revitalization TIF project will continue revitalization of downtown through public and private investment expected to reach \$142.5 million. The Gateway Commons TIF project on 200 acres of recently annexed land is expected to include total investment of \$335.3 million and is estimated to generate \$158.4 million of eligible state and local tax revenues over a 20-year period.

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 Spectrum. 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 3.50 minutes for OPD and 4.53 minutes for OFD, in accordance with the National Fire Protection and United States Insurance Service Offices recommendations. Our combined City-County 911 Dispatch Center helps ensure efficient and effective Public Safety dispatch services throughout the county. Public Safety accounts for 45.9% of the General Fund expenditure



budget. This 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. Graduate programs are offered locally by Brescia, Western Kentucky University and Murray State University. Western Kentucky University-Owensboro offers a host of undergraduate and graduate degree programs on their recently expanded Owensboro Campus. These programs provide area residents with the opportunity to earn post-graduate degrees without leaving the city.

Owensboro is proud of The Wendell H. Ford Government Education Center located at the Area Museum of Science and History. The late Senator Wendell H. Ford, who was 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) is a community-based, not-for-profit regional health system covering 14 counties in Western Kentucky and Southern Indiana. The health system's mission is to heal the sick and to improve the health of the communities it serves, a population of nearly 400,000 people. Its \$385 million state-of-the-art flagship hospital facility (licensed for 477 beds and pictured above) officially opened in Owensboro June 1, 2013. It also operates a separate hospital in Greenville, KY licensed for 135 beds, as well as several clinics and other health services.

OH offers a variety of medical services, and patients consistently benefit from quality care. In recent years, OH has been ranked in the top 5 percent for clinical excellence by Healthgrades, a leading healthcare rating firm, including top 2 percent for 2014. For 2013 and 2014, Healthgrades named OH Regional Hospital one of America's 100 Best Hospitals. 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 public library serves the community well with a collection of 197,000 books, 28,000 audio and DVD items, a digital collection of over 55,000 items, and access to 31 online databases. Owensboro Museum of Science and History 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 being among the finest in western Kentucky. The International Bluegrass Music Museum, located in downtown Owensboro, is scheduled to relocate in Fall 2018 to the new Bluegrass Music Hall of Fame and Museum building, a \$15.4 million facility currently under construction along the Owensboro riverfront.



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, family gatherings, golf, hiking, tennis, softball, football, soccer, fishing, and just plain relaxing.

State-maintained Carpenters and Kingfisher lakes offer another 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 and visitors.

The City maintains two swimming pools and three sprayparks (shallow water play areas specially built for small children). Legion Park is one of our community's finest parks and includes a spraypark, basketball courts, a walking trail, two covered shelters perfect for gatherings and family reunions, and one of the city's best playgrounds. This playground was recently updated with GameTime equipment including over 80 play options and a zipline. Adult fitness equipment is located adjacent to the playground so adults can get fit while their children are playing.

As previously mentioned, Smothers Park was greatly expanded and enhanced with additional green space, a signature fountain, and a large children's playground/spraypark complex as part of a recent Riverfront Development Project. This is 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 hundreds of performance and civic events. 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 over seven city blocks to the convention center. The event began in 1996

with ten 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 11:30 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 Riverfront in May of each year. Owensboro 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 a variety of vendor booths. The Bluegrass Music Hall of Fame and Museum's annual ROMP Fest draws thousands of music lovers to its 4-day event each summer, celebrating the roots and branches of Bluegrass music.



The Fourth of July ushers in the next big Owensboro celebration. Festivities and family fun usually start by July 3rd. Musical entertainment and a major fireworks display downtown over the Ohio River generally serve as big parts of the holiday. Various other festivals are celebrated during the year, including Pumpkin 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 a City representative 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." In 2016 and 2017, Owensboro was recognized as a Playful City USA Community, a national recognition program honoring cities and towns for making their cities more playable; and health and recreation friendly. The City of Owensboro works to drive sports and recreation tourism, hosting events and tournaments, etc., resulting in an average of \$11-\$17 million in economic impact annually.

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 and the Kentucky 3rd Region Boys' and Girls' High School Basketball Tournament at this site.

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. Owensboro High School won its fifth boys high school state basketball championship in 2015.

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 2018. Anything more than a three-year award to the same host community is unprecedented in the history of the event, and the recent extension to eleven consecutive years 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. 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 Edge 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. In 2014, the City opened a new 14,000 square foot Skate Park, and in 2015, a new indoor-outdoor 15-court tennis complex was opened.

Owensboro's 2010 purchase of Ben Hawes Park from the State of Kentucky 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 initially being held on a city street course, in recent years



the event has been hosted on a newly-built dedicated track 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 Soap Box Derby track hosts several events each year. In recent years, we've had several veterans from this local track place well in the national All American Soap Box Derby in Akron, Ohio. In 2015, our area produced three Rally Division World Champions.

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 statements, 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.	139-145
Revenue Capacity These schedules contain information to help the reader assess the City's most significant local revenue sources.	146-149
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.	150-153
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.	154-155
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.	156-158

Sources: Unless otherwise noted, the information in this section is derived from the comprehensive annual financial report for the relevant year. The City implemented GASB Statement No. 54 in 2010.

Schedule 1

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

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Governmental activities										
Net investment in capital assets	\$ 54,604,577	\$ 63,729,670	\$ 59,036,580	\$ 68,207,310	\$ 51,139,210	\$ 62,041,882	\$ 64,475,753	\$ 71,226,488	\$ 58,035,347	\$ 86,499,806
Restricted	31,047,376	31,138,063	39,466,683	37,494,110	48,046,513	21,134,973	16,821,765	20,558,893	35,381,751	41,030,114
Unrestricted	14,239,334	22,461,039	23,652,240	26,057,789	28,696,007	34,606,637	(4,244,765)	(10,417,214)	(17,464,235)	(46,485,873)
Total governmental activities net position	\$ 99,891,287	\$ 117,328,772	\$ 122,155,503	\$ 131,759,209	\$ 127,881,730	\$ 117,783,492	\$ 77,052,753	\$ 81,368,167	\$ 75,952,863	\$ 81,044,047
Business-Type activities										
Net investment in capital assets	\$ 3,002,194	\$ 4,090,975	\$ 3,790,528	\$ 3,991,570	\$ 4,578,564	\$ 4,286,716	\$ 3,551,388	\$ 3,319,301	\$ 2,832,721	\$ 3,048,650
Unrestricted	11,283,831	11,425,367	12,129,144	11,799,478	11,485,967	8,990,011	8,623,564	10,443,827	12,429,800	14,301,945
Total business-type activities net position	\$ 14,286,025	\$ 15,516,342	\$ 15,919,672	\$ 15,791,048	\$ 16,064,531	\$ 13,276,727	\$ 12,174,952	\$ 13,763,128	\$ 15,262,521	\$ 17,350,595
Primary government										
Net investment in capital assets	\$ 57,606,771	\$ 67,820,645	\$ 62,827,108	\$ 72,198,880	\$ 55,717,774	\$ 66,328,598	\$ 68,027,141	\$ 74,545,789	\$ 60,868,068	\$ 89,548,456
Restricted	31,047,376	31,138,063	39,466,683	37,494,110	48,046,513	21,134,973	16,821,765	20,558,893	35,381,751	41,030,114
Unrestricted	25,523,165	33,886,406	35,781,384	37,857,267	40,181,974	43,596,648	4,378,799	26,613	(5,034,435)	(32,183,928)
Total primary government net position	\$ 114,177,312	\$ 132,845,114	\$ 138,075,175	\$ 147,550,257	\$ 143,946,261	\$ 131,060,219	\$ 89,227,705	\$ 95,131,295	\$ 91,215,384	\$ 98,394,642

Schedule 2

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

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Expenses										
Governmental activities:										
General government	\$ 8,772,143	\$ 10,693,412	\$ 8,501,561	\$ 9,900,004	\$ 9,869,881	\$ 18,605,042	\$ 13,598,984	\$ 12,057,045	\$ 12,523,892	\$ 12,275,046
Public safety	18,614,163	18,445,524	20,216,734	20,290,474	20,953,730	21,518,684	19,917,267	23,698,594	25,332,284	29,760,594
Public works	9,615,871	7,181,580	9,303,683	6,925,625	12,359,635	7,883,621	6,991,081	8,023,489	8,174,725	9,659,970
Community and cultural	6,749,708	6,677,344	8,180,079	9,028,838	9,600,911	9,904,860	11,074,464	12,340,552	14,348,152	14,652,874
Community/economic development	1,258,411	2,512,015	3,174,407	5,802,913	3,746,406	2,403,239	1,660,769	2,643,392	2,748,147	1,904,167
Interest on long-term debt	1,297,750	2,060,977	2,310,662	2,936,429	3,720,799	4,666,115	4,792,998	5,376,681	5,421,113	5,177,589
Total governmental activities expenses	<u>46,308,046</u>	<u>47,570,852</u>	<u>51,687,126</u>	<u>54,884,283</u>	<u>60,251,362</u>	<u>64,981,561</u>	<u>58,035,563</u>	<u>64,139,753</u>	<u>68,548,313</u>	<u>73,430,240</u>
Business-Type activities:										
Sanitation	4,412,040	4,578,085	4,882,331	5,195,084	5,523,509	5,820,823	5,747,365	5,881,661	6,320,520	6,168,818
Transit	1,606,014	1,741,449	2,026,221	2,023,807	2,141,269	2,722,617	2,678,189	2,378,892	2,454,835	4,063,694
Geographic information system	295,960	375,634	316,945	321,526	336,049	363,632	377,619	2,454,465	386,654	2,170,455
Convention Center Operations	114,675	84,383	-	107,081	612,494	2,237,673	481,697	429,385	4,067,132	408,314
Recreation	1,363,000	1,808,163	2,255,163	2,693,529	2,724,406	2,986,234	3,046,350	3,135,933	2,649,215	2,504,145
Sportscenter Operations	-	-	-	-	-	-	-	-	139,565	643,697
Total business-type activities expenses	<u>7,791,689</u>	<u>8,587,714</u>	<u>9,480,660</u>	<u>10,341,027</u>	<u>11,337,727</u>	<u>14,130,979</u>	<u>12,331,220</u>	<u>14,280,336</u>	<u>16,017,921</u>	<u>15,959,123</u>
Total primary government expenses	<u>\$ 54,099,735</u>	<u>\$ 56,158,566</u>	<u>\$ 61,167,786</u>	<u>\$ 65,225,310</u>	<u>\$ 71,589,089</u>	<u>\$ 79,112,540</u>	<u>\$ 70,366,783</u>	<u>\$ 78,420,089</u>	<u>\$ 84,566,234</u>	<u>\$ 89,389,363</u>

Schedule 2

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

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Program Revenues										
Governmental activities:										
Charges for services:										
General government	\$ 2,305,783	\$ 2,228,883	\$ 2,199,982	\$ 1,943,070	\$ 1,690,180	\$ 1,693,498	\$ 1,621,957	\$ 1,536,628	\$ 1,540,833	\$ 1,668,690
Public safety	1,133,134	960,415	803,850	790,746	823,146	1,331,134	1,143,915	1,122,692	1,293,622	1,370,241
Public works	21,907	22,789	18,624	67,627	1,367,196	44,339	37,081	40,034	95,877	99,398
Community and cultural	-	-	-	-	-	214,533	219,504	225,812	243,243	209,796
Community/economic development	190,156	255,973	341,856	879,586	698,646	853,846	1,045,865	1,026,603	1,031,165	1,020,451
Operating grants and contributions	2,904,106	3,379,634	3,971,261	3,894,683	1,416,992	742,900	740,472	364,181	1,414,590	650,420
Capital grants and contributions	20,161,264	15,445,926	6,634,939	4,836,952	1,070,822	651,624	72,620	36,104,114	250,000	-
Total governmental activities program revenues	<u>26,716,350</u>	<u>22,293,620</u>	<u>13,970,512</u>	<u>12,412,664</u>	<u>7,066,982</u>	<u>5,531,874</u>	<u>4,881,414</u>	<u>40,420,064</u>	<u>5,869,330</u>	<u>5,018,996</u>
Business-type activities:										
Charges for services:										
Sanitation	5,204,380	5,194,660	5,211,205	5,260,990	5,299,182	5,309,154	5,314,021	7,370,383	7,435,484	7,390,612
Transit	132,286	130,316	126,704	139,100	128,560	149,976	135,831	130,112	102,623	115,977
Geographic information system	243,914	262,419	213,647	245,370	249,710	262,867	253,500	295,667	285,787	307,260
Convention Center Operations	57,071	56,126	-	-	-	-	-	1,716,131	3,281,257	3,100,098
Recreation	971,359	1,228,306	1,517,155	1,780,625	1,786,512	1,684,964	1,695,516	1,804,377	1,488,243	1,423,815
Sprtscenter Operations	-	-	-	-	-	-	-	-	-	316,862
Operating grants and contributions	464,303	445,741	475,124	517,384	585,334	697,007	693,558	881,430	922,823	899,713
Capital grants and contributions	646,534	1,484,000	469,719	410,061	1,471,164	585,461	585,461	264,864	296,263	447,235
Total business-type activities program revenues	<u>7,719,847</u>	<u>8,801,568</u>	<u>8,013,554</u>	<u>8,353,530</u>	<u>9,520,462</u>	<u>8,689,429</u>	<u>8,677,887</u>	<u>12,462,964</u>	<u>13,812,480</u>	<u>14,001,572</u>
Total primary government program revenues	<u>\$ 34,436,197</u>	<u>\$ 31,095,188</u>	<u>\$ 21,984,066</u>	<u>\$ 20,766,194</u>	<u>\$ 16,587,444</u>	<u>\$ 14,221,303</u>	<u>\$ 13,559,301</u>	<u>\$ 52,883,028</u>	<u>\$ 19,681,810</u>	<u>\$ 19,020,568</u>
Net (expense)revenue										
Governmental activities	\$ (19,591,696)	\$ (25,277,232)	\$ (37,716,614)	\$ (42,471,619)	\$ (53,184,380)	\$ (59,449,687)	\$ (53,154,149)	\$ (23,719,689)	\$ (62,678,983)	\$ (68,411,244)
Business-type activities	(71,842)	213,854	(1,467,106)	(1,987,497)	(1,817,265)	(5,441,550)	(3,653,333)	(1,817,372)	(2,205,441)	(1,957,551)
Total primary government net expense	<u>\$ (19,663,538)</u>	<u>\$ (25,063,378)</u>	<u>\$ (39,183,720)</u>	<u>\$ (44,459,116)</u>	<u>\$ (55,001,645)</u>	<u>\$ (64,891,237)</u>	<u>\$ (56,807,482)</u>	<u>\$ (25,537,061)</u>	<u>\$ (64,884,424)</u>	<u>\$ (70,368,795)</u>

Schedule 2

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

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General Revenues and Other Changes in Net Position:										
Governmental activities:										
Taxes										
Property taxes	\$ 8,874,418	\$ 9,276,874	\$ 9,178,018	\$ 9,410,510	\$ 9,622,714	\$ 9,767,158	9,991,728	10,326,162	10,724,339	10,951,519
Occupational license taxes	13,726,575	13,836,353	14,828,760	15,303,516	16,281,800	16,058,067	16,375,511	18,292,666	18,816,777	24,228,968
Net profit license taxes	3,419,223	3,256,271	3,176,505	3,027,503	3,856,135	3,907,671	3,723,658	3,017,508	3,850,957	4,418,349
Regulatory taxes	4,824,993	5,867,123	7,276,039	7,533,345	7,992,483	8,234,180	8,824,267	8,818,772	8,819,470	9,182,849
Payments in lieu of taxes from component unit	2,012,646	2,015,823	1,990,074	2,363,275	2,669,050	2,295,286	2,253,698	2,493,330	2,670,618	2,596,009
Investment earnings	1,311,412	1,010,136	615,382	1,114,934	641,337	589,698	330,466	466,956	504,883	843,703
Unrestricted grants and contributions	954,986	756,238	443,319	1,442,692	2,078,625	3,353,746	714,119	2,085,495	2,061,368	2,147,882
Gain on sale of assets	161,646	143,517	263,620	152,660	326,151	599,960	112,586	22,662	532,369	196,978
Investment in joint venture	60,737	755,383	(108,088)	919,245	440,926	530,462	(638,194)	(153,877)	(247,350)	593,133
Miscellaneous	643,290	317,574	276,035	244,222	598,847	105,942	8,363,471	3,629,767	5,082,403	6,540,543
Dividends from component unit	5,758,800	6,076,605	6,215,425	6,379,600	6,392,412	6,546,472	6,974,384	7,211,243	7,277,149	7,647,203
Special Item-Property acquired under lease restruc	-	-	-	5,917,293	-	-	-	-	-	-
Transfers	(1,088,287)	(597,180)	(1,611,744)	(1,733,470)	(1,593,579)	(1,878,925)	(2,113,824)	(2,306,631)	(2,829,304)	(3,125,154)
Total governmental activities	40,660,439	42,714,717	42,543,345	52,075,325	49,306,901	50,109,717	54,911,870	53,904,053	57,263,679	66,221,982
Business-type activities:										
Investment earnings	454,797	238,370	143,280	125,403	208,415	131,809	83,919	101,584	99,485	152,766
Unrestricted grants and contributions	-	-	-	-	128,996	165,624	240,532	230,126	233,865	232,876
Gain on sale of assets	88,848	180,913	115,412	-	159,758	150,000	(28,155)	225,337	95,025	103,093
Miscellaneous	-	-	-	-	-	207,888	141,437	541,871	373,196	431,736
Transfers	1,088,287	597,180	1,611,744	1,733,470	1,593,579	1,878,925	2,113,824	2,306,631	2,903,263	3,125,154
Total business-type activities	1,631,932	1,016,463	1,870,436	1,858,873	2,090,748	2,534,246	2,551,557	3,405,549	3,704,834	4,045,625
Total primary government	\$ 42,292,371	\$ 43,731,180	\$ 44,413,781	\$ 53,934,198	\$ 51,397,649	\$ 52,643,963	\$ 57,463,427	\$ 57,309,602	\$ 60,968,513	\$ 70,267,607
Change in Net Position										
Governmental activities	\$ 21,068,743	\$ 17,437,485	\$ 4,826,731	\$ 9,603,706	\$ (3,877,479)	\$ (9,339,970)	\$ 1,757,721	\$ 30,184,365	\$ (5,415,304)	\$ (2,189,262)
Business-type activities	1,560,090	1,230,317	403,330	(128,624)	273,483	(2,907,304)	(1,101,776)	1,588,177	1,499,393	2,088,074
Total primary government	\$ 22,628,833	\$ 18,667,802	\$ 5,230,061	\$ 9,475,082	\$ (3,603,996)	\$ (12,247,274)	\$ 655,945	\$ 31,772,542	\$ (3,915,911)	\$ (101,188)

Schedule 3

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

FISCAL YEAR	TOTAL	PROPERTY TAXES	LICENSES AND PERMITS	INTER-GOVERNMENTAL REVENUES	CHARGES FOR SERVICES - GENERAL GOVERNMENT	FINES AND FORFEITS	INTEREST	MISC. REVENUES
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
2014	55,657,986	9,767,158	28,691,389	12,768,435	841,742	90,775	589,698	2,908,789
2015	61,874,528	9,991,728	29,586,092	12,946,219	858,014	90,594	306,937	8,094,944
2016	63,375,677	10,326,162	30,606,359	12,582,476	872,945	95,306	441,972	8,450,457
2017	64,385,335	10,724,339	32,004,997	14,071,144	868,669	80,489	519,810	6,115,887
2018	68,213,898	10,951,519	38,545,539	13,713,745	893,439	72,455	843,703	3,193,498

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)**

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<u>General fund</u>										
Nonspendable	\$ 290	\$ 17	\$ 18	\$ 17	\$ 23	\$ 69	\$ 41	\$ 66	\$ 37	\$ 60
Restricted	-	-	-	-	-	-	-	138	1,392	1,898
Committed	-	213	44	47	437	396	412	377	547	-
Assigned	-	-	-	-	-	-	-	-	-	-
Unassigned	7,545	9,451	10,888	12,328	14,155	11,741	9,765	9,127	6,928	9,306
Total General Fund	\$ 7,835	\$ 9,681	\$ 10,950	\$ 12,392	\$ 14,615	\$ 12,206	\$ 10,218	\$ 9,708	\$ 8,905	\$ 11,265
<u>All other governmental units</u>										
Nonspendable	\$ 28,496	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 11	\$ -	\$ -
Restricted	-	21,988	25,331	17,993	31,407	17,616	16,821	20,421	33,990	39,132
Committed	-	8,636	13,500	18,715	15,778	3,123	3,556	4,624	3,567	4,856
Assigned	-	-	-	-	-	-	-	-	-	-
Unassigned	2,117	-	-	-	-	-	-	-	-	(2)
Total all other government funds	\$ 30,613	\$ 30,624	\$ 38,831	\$ 36,708	\$ 47,185	\$ 20,739	\$ 20,377	\$ 25,056	\$ 37,557	\$ 43,986

GASB Statement 54 started in 2010

Schedule 5

CITY OF OWENSBORO
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Revenues										
Real and personal property taxes	\$ 8,874,418	\$ 9,276,874	\$ 9,178,019	\$ 9,410,510	\$ 9,622,714	\$ 9,767,158	\$ 9,991,728	\$ 10,326,162	\$ 10,724,339	\$ 10,951,519
Occupational licenses	13,645,423	13,782,813	14,702,852	15,206,272	16,068,006	16,053,903	16,577,471	18,292,666	18,816,777	24,228,967
Net profit license fees	3,400,218	3,252,516	3,168,582	2,977,184	3,860,563	3,907,671	3,723,658	3,017,508	3,850,957	4,418,349
Regulatory licenses	4,824,993	5,867,123	7,276,039	7,533,345	7,992,483	8,234,180	8,824,267	8,818,772	8,819,470	9,317,225
Intergovernmental	24,320,460	19,508,106	10,648,365	9,176,702	3,891,240	3,926,677	3,718,137	2,877,903	4,123,377	3,470,533
Interest	1,156,431	909,938	547,605	1,014,245	569,148	589,698	306,937	441,972	504,883	843,703
Fees, licenses and permits	566,606	571,107	524,040	497,377	428,284	495,635	460,696	477,413	517,793	580,998
Fines and forfeitures	149,672	132,250	111,517	114,465	107,143	90,775	90,594	95,306	80,489	72,455
Rentals	566,512	566,385	690,104	1,610,887	770,939	68,378	83,503	100,861	101,522	1,089,411
Charges for services	740,105	815,486	810,145	812,117	2,174,734	841,742	858,014	872,945	868,669	893,439
Contributions and donations	8,879	16,386	13,841	9,880	46,174	1,333,636	5,632,964	6,205,977	1,330,493	56,531
Dividends from component units	5,758,800	6,076,605	6,215,425	6,379,600	6,392,412	6,546,472	6,974,384	7,211,243	7,277,149	7,647,203
Payments in lieu of taxes from component unit	2,012,646	2,015,823	1,990,074	2,363,275	2,669,050	2,295,286	2,253,698	2,493,330	2,670,618	2,596,009
Miscellaneous income	1,192,331	759,096	821,416	887,620	1,205,343	1,506,775	2,378,477	2,143,619	4,698,799	2,047,556
Total Revenues	67,217,494	63,550,508	56,698,024	57,993,479	55,798,233	55,657,986	61,874,528	63,375,677	64,385,335	68,213,898
Expenditures										
Current:										
General government	8,309,429	9,374,755	7,493,690	7,889,242	8,273,338	9,662,392	9,508,203	10,490,809	11,116,289	9,891,273
Public safety	18,553,309	18,034,183	19,280,032	19,419,896	20,313,577	21,063,414	21,213,287	21,546,175	22,205,055	24,253,472
Public works	7,055,774	4,736,354	5,277,177	5,109,226	5,993,091	6,012,281	5,060,460	6,022,709	6,441,521	7,366,773
Community and cultural	5,227,916	3,436,163	4,339,919	4,349,945	4,996,919	4,968,033	5,231,290	5,483,008	5,294,753	5,532,297
Community/economic development	1,258,411	2,512,015	3,174,407	5,802,913	3,746,406	2,403,240	2,451,953	2,739,068	2,991,944	1,876,680
Capital outlay	34,254,857	29,444,904	31,409,589	31,436,203	28,556,718	31,468,944	12,892,283	7,248,975	6,670,921	14,000,944
Debt service:										
Principal	1,933,300	1,318,300	8,618,300	22,238,300	3,104,301	4,257,000	4,924,239	5,249,513	8,062,924	9,987,703
Interest	1,054,240	1,912,906	1,946,891	2,867,038	3,308,443	4,517,083	4,236,147	4,952,973	4,952,973	5,232,169
Issuance costs	103,773	44,306	184,781	257,979	206,631	85,073	-	166,030	278,974	-
Total Expenditures	77,751,009	70,813,886	81,724,786	99,370,742	78,499,424	84,437,460	65,517,862	63,899,260	68,015,354	78,141,311
Excess (deficiency) of revenues over expenditures	(10,533,515)	(7,263,378)	(25,026,762)	(41,377,263)	(22,701,191)	(28,779,474)	(3,643,334)	(523,583)	(3,630,019)	(9,927,413)
Other financing sources (uses):										
Sale of capital assets	191,943	192,076	274,378	148,935	375,934	599,959	112,586	31,417	532,369	196,978
Issuance of debt	27,035,051	9,242,705	35,852,052	43,451,028	36,028,353	4,512,043	26,831,355	10,728,666	17,418,523	-
Refunding bond issue	-	-	-	5,195,000	-	-	-	-	-	-
Payment to bond refunding escrow	-	-	-	(6,507,708)	-	(4,420,000)	-	(4,455,272)	-	-
Discount on bonds issued	(154,000)	(25,350)	(460,796)	(204,326)	(179,223)	-	-	-	-	-
Premiums on bonds issued	-	-	-	34,319	135,476	67,854	-	309,678	280,476	-
Transfers in	3,425,235	3,717,098	12,100,265	26,098,166	8,141,279	12,277,734	11,752,725	11,609,493	12,000,366	15,033,745
Transfers out	(4,352,763)	(4,005,121)	(13,264,553)	(27,518,910)	(9,100,688)	(13,112,474)	(13,354,674)	(13,532,587)	(14,903,642)	(18,158,899)
Transfers to component unit	-	-	-	-	-	-	(24,048,087)	-	-	-
Total Other Financing Sources (Uses)	26,145,466	9,121,408	34,501,346	40,696,504	35,401,131	(74,884)	1,293,905	4,691,395	15,328,092	(2,928,176)
Net change in fund balances	\$ 15,611,951	\$ 1,858,030	\$ 9,474,584	\$ (680,759)	\$ 12,699,940	\$ (28,854,358)	\$ (2,349,429)	\$ 4,167,812	\$ 11,698,073	\$ (12,855,589)
Debt service as a percentage of non-capital expenditures	6.7%	7.7%	20.1%	36.9%	11.7%	14.4%	16.4%	18.0%	21.7%	23.7%

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	PERCENT ASSESSED TO ESTIMATED VALUE ²
	REAL ESTATE	PERSONAL PROPERTY ¹	FRANCHISE	BANK DEPOSITS	TOTAL			
2009	\$ 2,508,651,235	\$ 312,311,411	\$ 69,204,784	\$ 1,498,007,365	\$ 4,388,174,795	0.5520	\$ 4,718,467,522	93.0%
2010	2,602,525,073	326,108,291	73,128,586	1,626,947,361	4,628,709,311	0.5520	4,811,548,140	96.2%
2011	2,622,683,843	303,510,001	70,560,952	1,674,615,507	4,671,370,303	0.5520	4,810,885,997	97.1%
2012	2,654,566,364	304,153,090	76,148,350	1,692,285,825	4,727,153,629	0.5498	4,883,423,170	96.8%
2013	2,705,000,357	323,853,657	77,914,987	1,967,329,756	5,074,098,757	0.5306	5,146,144,784	98.6%
2014	2,776,010,494	320,779,194	70,832,445	1,972,795,991	5,140,418,124	0.5306	5,304,869,065	96.9%
2015	2,829,192,552	325,776,997	55,438,357	2,164,457,539	5,374,865,445	0.5224	5,558,288,981	96.7%
2016	2,895,178,798	324,995,786	67,106,282	3,173,809,995	6,461,090,861	0.5158	6,709,336,304	96.3%
2017	3,009,034,677	340,470,231	64,687,577	2,606,444,488	6,020,636,973	0.5150	6,522,900,296	92.3%
2018	3,102,696,394	359,094,721	69,227,141	2,239,124,619	5,770,142,875	0.5150	6,347,791,942	90.9%

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

² Source: Property Valuation Administration- Letter from State of KY to PVA "Final Sales Ratio Study Results for The YEAR Assessment Year."

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						CITY RESIDENT TOTALS ¹		
	City	State	County	Health	Extension	Library	City School District	County School District	In City School District	In County School District
2009	0.2593	0.1220	0.1360	0.0350	0.0090	0.0600	0.7640	0.5630	1.3853	1.1843
2010	0.2593	0.1220	0.1360	0.0350	0.0090	0.0590	0.7670	0.5630	1.3873	1.1833
2011	0.2593	0.1220	0.1360	0.0350	0.0090	0.0610	0.7800	0.5680	1.4023	1.1903
2012	0.2593	0.1220	0.1360	0.0350	0.0090	0.0630	0.7850	0.5860	1.4093	1.2103
2013	0.2593	0.1220	0.1360	0.0350	0.0090	0.0640	0.8210	0.6090	1.4463	1.2343
2014	0.2593	0.1220	0.1360	0.0350	0.0090	0.0640	0.8220	0.6120	1.4473	1.2373
2015	0.2593	0.1220	0.1360	0.0350	0.0090	0.0640	0.8500	0.6310	1.4753	1.2563
2016	0.2593	0.1220	0.1360	0.0350	0.0090	0.0640	0.8530	0.6330	1.4783	1.2583
2017	0.2593	0.1220	0.1350	0.0350	0.0088	0.0640	0.8580	0.6480	1.4821	1.2721
2018	0.2620	0.1220	0.1350	0.0400	0.0086	0.0640	0.8610	0.7050	1.4926	1.3366

PERSONAL PROPERTY:

Fiscal Year	DIRECT	OVERLAPPING						CITY RESIDENT TOTALS ¹		
	City	State	County	Health	Extension	Library	City School District	County School District	In City School District	In County School District
2009	0.2927	0.4500	0.1946	0.0350	0.0090	0.0693	0.7640	0.5630	1.8146	1.6136
2010	0.2927	0.4500	0.1946	0.0350	0.0090	0.0687	0.7670	0.5630	1.8170	1.6130
2011	0.2927	0.4500	0.1946	0.0350	0.0090	0.0751	0.7800	0.5680	1.8364	1.6244
2012	0.2905	0.4500	0.1946	0.0350	0.0090	0.0817	0.7850	0.5860	1.8458	1.6468
2013	0.2713	0.4500	0.1800	0.0350	0.0090	0.0767	0.8210	0.6090	1.8430	1.6310
2014	0.2713	0.4500	0.1800	0.0350	0.0090	0.0785	0.8220	0.6120	1.8458	1.6358
2015	0.2713	0.4500	0.1800	0.0350	0.0090	0.0793	0.8500	0.6310	1.8746	1.6556
2016	0.2631	0.4500	0.1800	0.0350	0.0090	0.0838	0.8530	0.6330	1.8739	1.6539
2017	0.2565	0.4500	0.1789	0.0350	0.0089	0.0839	0.8580	0.6480	1.8712	1.6612
2018	0.2530	0.4500	0.1712	0.0400	0.0086	0.0804	0.8610	0.7050	1.8642	1.7082

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

¹City residents are in either the City School Tax District or the County School Tax District.

Schedule 8

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

TAXPAYER	TYPE OF BUSINESS	June 30, 2018			June 30, 2009		
		ASSESSED VALUATION ¹	RANK	PERCENTAGE OF TOTAL ASSESSED VALUATION OF \$3,411,441,258	ASSESSED VALUATION ¹	RANK	PERCENTAGE OF TOTAL ASSESSED VALUATION OF \$2,774,023,023
Wal-Mart Real Estate	Retail	\$ 52,610,844	1	1.49%	\$ 34,932,706	1	1.21%
Atmos Energy	Gas Company	39,486,617	2	1.12%	22,685,959	5	0.78%
Toyotetsu Mid America	Manufacturer	36,505,703	3	1.04%	32,153,633	2	1.11%
Meijer Store Limited Partnership	Retail	27,646,212	4	0.78%			
Vereit MT Owensboro KY LLC	Commerical Rental	23,200,000	5	0.66%			
US Bank National Association	Bank	22,315,298	6	0.63%			
Unifirst Corporation	Manufacturer	21,590,859	7	0.61%	19,002,942	6	0.66%
Owensboro Grain Company LLC	Manufacturer	19,271,960	8	0.55%	15,704,731	8	0.54%
Spectrum	Cable, Internet, Phone	16,182,284	9	0.46%			
Menards	Retail	15,940,876	10	0.45%			
Town Square Mall, LLC	Mall Development				29,000,000	3	1.00%
Ragu/Unilever/Lipton	Manufacturer				25,871,431	4	0.89%
Owensboro Town Center	Mall Development				19,025,000	7	0.66%
Lowe's	Retail				15,245,051	9	0.53%
Texas Gas Transmission					15,173,638	10	0.52%
		<u>\$ 274,750,653</u>		<u>7.79%</u>	<u>\$ 228,795,091</u>		<u>7.90%</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		COLLECTED WITHIN		COLLECTIONS SUBSEQUENT YEARS	TOTAL COLLECTIONS				
	LEVY FOR FISCAL YEAR	FISCAL YEAR	FISCAL YEAR OF LEVY AMOUNT	% OF LEVY		TO DATE AMOUNT	% OF LEVY			
2009	\$	8,328,836	\$	8,792,417	105.6%	\$	108,252	\$	8,900,669	106.87%
2010		9,295,237		9,157,345	98.5%		133,395		9,290,740	99.95%
2011		9,211,522		9,037,488	98.1%		170,563		9,208,051	99.96%
2012		9,448,595		9,310,565	98.5%		137,759		9,448,324	100.00%
2013		9,622,714		9,556,475	99.3%		69,338		9,625,813	100.03%
2014		9,883,243		9,767,157	98.8%		65,768		9,832,925	99.49%
2015		10,105,798		9,991,728	98.9%		108,122		10,099,850	99.94%
2016		10,339,452		10,163,739	98.3%		187,590		10,351,329	100.11%
2017		10,615,127		10,498,838	98.9%		90,923		10,589,761	99.76%
2018		10,954,577		10,790,492	98.5%		-		10,790,492	98.50%

Schedule 10

**CITY OF OWENSBORO
RATIOS OF OUTSTANDING DEBT BY TYPE
Last Ten Fiscal Years**

FISCAL YEAR	GOVERNMENTAL ACTIVITIES			BUSINESS-TYPE ACTIVITIES		TOTAL PRIMARY GOVERNMENT	PERCENTAGE OF PERSONAL INCOME ¹	PER CAPITA
	GENERAL OBLIGATION BONDS	LEASE REVENUE BONDS	LOAN PAYABLE	GENERAL OBLIGATION BONDS				
2009	\$ 44,516,584	\$ 507,700	\$ 5,344,343	\$ -		\$ 50,368,627	2.99%	\$ 907
2010	48,441,344	443,400	9,517,048	-		58,401,792	3.21%	1,048
2011	68,384,126	379,100	16,544,101	-		85,307,327	4.54%	1,490
2012	85,209,144	334,800	19,595,129	-		105,139,073	5.50%	1,825
2013	118,306,822	290,500	19,514,814	1,621,333		139,733,469	6.57%	2,392
2014	114,537,384	246,200	19,514,814	1,554,103		135,852,501	5.99%	2,329
2015	110,235,118	201,900	21,880,695	1,486,873		133,804,586	5.84%	2,292
2016	133,084,574	157,600	24,744,149	1,417,402		159,403,725	6.74%	2,700
2017	142,525,834	108,300	25,060,874	1,323,862		169,018,870	7.31%	2,852
2018	134,190,256	54,000	23,777,470	1,253,067		159,274,793	6.89%	2,681

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

¹See Schedule 14, Demographic and Economic 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 OF TAXABLE PROPERTY ²	TOTAL GENERAL OBLIGATION BONDS	LESS: AMOUNTS AVAILABLE IN DEBT SERVICE FUND	NET BONDED DEBT	RATIO OF	NET
						NET BONDED DEBT TO ASSESSED VALUE	BONDED DEBT PER CAPITA
2009	55,516	\$ 4,560,266,982	\$ 44,516,584	\$ 239,058	\$ 44,277,526	0.97	\$ 798
2010	55,745	4,695,545,521	48,441,344	161,972	48,279,372	1.03	866
2011	57,265	4,816,042,695	68,384,126	81,862	68,302,264	1.42	1,193
2012	57,605	4,844,050,228	85,209,144	11,621	85,197,523	1.76	1,479
2013	58,083	5,073,222,677	119,928,155	10	119,928,145	2.36	2,065
2014	58,416	5,304,869,065	116,091,487	516	116,090,971	2.19	1,987
2015	58,374	5,558,288,981	111,721,991	507	111,721,484	2.01	1,914
2016	59,042	6,709,336,304	134,501,976	2,568	134,499,408	2.00	2,278
2017	59,273	6,522,900,296	143,849,696	192	143,849,504	2.21	2,427
2018	59,404	6,347,791,942	135,443,323	19,215,157	116,228,166	1.83	1,957

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

Schedule 12

CITY OF OWENSBORO
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
June 30, 2018

Jurisdiction	Governmental Activites Debt Outstanding	Percentage Applicable to City (1)	Amount Applicable to City of Owensboro
Direct			
City of Owensboro			
General Obligation Bonds	\$ 135,443,323	100.0%	\$ 135,443,323
Revolving Loan	23,777,470	100.0%	23,777,470
Loan Payable #26	50,000	100.0%	50,000
Loan Payable #18	<u>4,000</u>	100.0%	<u>4,000</u>
Total Direct	<u>159,274,793</u>		<u>159,274,793</u>
Overlapping			
Owensboro Independent Schools	28,497,571	100.0%	28,497,571
Daviess County	17,435,000	55.8%	9,727,292
Daviess County Schools	<u>65,507,000</u>	43.6%	<u>28,547,212</u>
Toal Overlapping Debt	<u>111,439,571</u>		<u>66,772,075</u>
Total Direct and Overlapping Debt	<u>\$ 270,714,364</u>		<u>\$ 226,046,868</u>

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

(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 of Owensboro.

Schedule 13

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

	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Debt limit	\$ 304,779,543	\$ 317,339,605	\$ 317,118,600	\$ 321,289,180	\$ 328,717,300	\$ 335,855,683	\$ 340,588,791	\$ 348,893,937	\$ 361,350,566	\$ 373,462,178
Total net debt applicable to limit	43,052,036	47,100,283	67,363,992	84,245,408	117,532,066	116,149,298	112,053,360	134,665,000	143,915,000	135,265,001
Legal debt margin	<u>\$ 261,727,507</u>	<u>\$ 270,239,322</u>	<u>\$ 249,754,608</u>	<u>\$ 237,043,772</u>	<u>\$ 211,185,234</u>	<u>\$ 219,706,385</u>	<u>\$ 228,535,431</u>	<u>\$ 214,228,937</u>	<u>\$ 217,435,566</u>	<u>\$ 238,197,177</u>
Total net debt applicable to the limit as a percentage of debt limit	14.13%	14.84%	21.24%	26.22%	35.75%	34.58%	32.90%	38.60%	39.83%	36.22%

Legal Debt Margin Calculation for Fiscal Year 2018

Net assessed value	\$ 3,531,018,256
Add back: exempt real property	203,603,520
Total assessed value	<u>\$ 3,734,621,776</u>
Debt limit - 10% of total assessed value ¹	\$ 373,462,178
Amount of debt applicable to debt limit:	
Total general bonded debt	\$ 159,096,471
Less: Revenue Bonds	(54,000)
Loan Payable	(23,777,470)
Amount set aside for repayment of general obligation bonds	-
Total debt applicable to limitation	<u>\$ 135,265,001</u>
Legal debt margin	<u>\$ 238,197,177</u>

¹Section 158 of the Commonwealth of Kentucky Constitution states:

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

Schedule 14

**CITY OF OWENSBORO
DEMOGRAPHIC AND ECONOMIC STATISTICS
Last Ten Fiscal Years**

FISCAL YEAR	POPULATION ¹	PERSONAL INCOME (IN THOUSANDS)	PER CAPITA INCOME ²	SCHOOL ENROLLMENT ³	UNEMPLOYMENT RATE ⁴
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	58,049	2,126,973	36,641	4,584	7.6%
2014	58,320	2,163,847	37,103	4,659	6.3%
2015	58,374	2,269,990	38,887	4,782	5.2%
2016	59,042	2,350,521	39,811	4,770	4.8%
2017	59,273	2,319,115	39,126	4,772	5.3%
2018	59,404	2,372,180	39,933	4,782	4.6%

Sources:

¹United States Census Estimates

²U.S. Department of Commerce, Bureau of Economic Analysis

³Owensboro Board of Education; represents elementary and secondary public schools

⁴Kentucky Department for Employment Services

Schedule 15

**City of Owensboro
Principal Employers
Current Year and Nine Years Ago**

<u>Employer</u>	<u>2018</u>			<u>2009</u>		
	<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 Health Regional Hospital	3,606	1	9.57%	3,300	1	7.31%
US Bank Home Mortgage	1,950	2	5.18%	873	2	1.93%
Owensboro Public Schools	767	3	2.04%	779	3	1.73%
Toyotetsu Mid-America	723	4	1.92%	585	5	1.30%
Wal-Mart/Sam's Club	718	5	1.91%	541	6	1.20%
Glenmore Distilleries	444	6	1.18%			
Audubon Area Community Service	441	7	1.17%			
City of Owensboro	428	8	1.14%	481	8	1.07%
Owensboro Community and Technical College	391	9	1.04%			
Unifirst	386	10	1.02%			
Texas Gas				596	4	1.32%
Specialty Food Group (Field Packing Company)				500	7	1.11%
Commonwealth of Kentucky				471	9	1.04%
Unilever Foods North America				397	10	0.88%
Total	9,854		26.16%	8,523		18.89%

Source: Chamber of Commerce County total

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	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Governmental Activities:										
General government	66	49	56	53	50	49	52	51	47	40
Public safety	230	237	233	229	235	235	237	238	236	230
Public works	64	64	57	61	64	65	65	64	65	62
Community and cultural	2	3	5	4	4	3	1	1	1	1
Total Governmental Activities	362	353	351	347	353	352	355	354	349	333
Business-type activities:										
Sanitation	27	27	26	27	29	27	27	28	29	28
Other enterprise funds	69	79	54	44	31	35	32	36	38	36
Total business-type activities	96	106	80	71	60	62	59	64	67	64
Total primary government	458	459	431	418	413	414	414	418	416	397

Source: Government Budget

Schedule 17

**City of Owensboro
Operating Indicators by Function
Last Ten Fiscal Years**

Function	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Police										
Physical arrests	4,391	4,272	4,235	4,297	3,988	4,137	4,042	4,132	4,459	4,946
Parking violations	8,965	4,636	5,661	4,705	5,150	2,948	3,811	3,595	1,009	2,225
Traffic violations and courtesy notices	14,563	10,870	10,986	8,336	9,824	11,300	10,507	6,589	4,333	5,128
Fire										
Number of calls answered	2,163	2,540	4,285	6,297	6,631	7,050	7,186	7,070	7,904	8,014
Inspections	3,445	1,899	1,878	1,795	2,071	1,827	1,789	1,780	2,121	2,028
Highways and streets										
Street resurfacing (miles)	5.9	3.4	3.5	3.7	1.0	6.3	4.0	5.2	5.0	7.5
Potholes repaired	1,197	1,161	1,429	1,198	1,047	2,710	3,775	2,627	2,229	2,366
Sanitation										
Refuse collected (tons/day)	220.1	176.6	177.3	174.9	177.4	175.2	177.1	186.1	190.5	177.2
Recyclables collected (tons/year)	399.2	455.2	442.9	446.0	508.2	516.4	465.4	367.2	261.7	265.5
Culture and recreation										
Participants	103,964	106,000	161,390	183,850	196,719	197,396	253,206	380,234	300,525	313,098
Number of programs	311	290	353	309	305	309	231	186	176	188
Water¹										
New connections	145	150	128	100	110	99	97	125	79	84
Water main breaks and service leaks repaired	470	378	438	336	349	321	342	322	203	284
Average daily consumption (thousands of gallons)	11,418	11,336	11,234	12,164	12,035	11,837	11,821	11,612	12,500	11,825
Riverport										
Terminal operations (thousands of tons)	761.5	856.7	822.0	861.3	758.9	846.8	1,008.0	969.0	1,068.5	1,157.4
Electric¹										
New connections (net)	-51	16	64	54	373	-92	168	-21	-36	38

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 in 2014 and 2017

** 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									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
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	74	85	80	79	80	80	81	81	81	86
Fire stations	5	5	5	5	5	5	5	5	5	5
Sanitation										
Collection trucks (yard waste equipment not included before 2014)	17	17	17	17	17	24	25	25	25	25
Highways and streets										
Streets (miles)	243.1	243.7	248	248.0	245.2	245.5	245.3	247.4	248.3	250.3
Streetlights	11,025	11,068	11,167	11,233	11,361	9,332	9,350	9,443	9,459	9,422 *
Traffic signals	112	113	114	114	119	121	122	125	123	127
Culture and recreation										
Parks acreage	372	967	975.1	963.1	963.1	963.1	959.9	959.9	959.9	959.9 *
Parks	19	25	25	24	24	24	24	24	24	24 *
Ball diamonds	15	15	15	15	15	15	15	15	14	14
Basketball courts	9	11	11	11	11	11	11	11	11	11
Football & Soccer fields	15	15	15	15	15	15	15	15	15	15
Golf Courses	1	3	3	3	3	3	3	3	3	3
Sports Arena	1	1	1	1	1	1	1	1	1	1
Swimming pools	2	2	2	2	2	2	2	2	2	2
Tennis courts	22	22	22	22	22	22	37	37	36	36
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)	290	291	292	326	325	323	326	326	326	325 *
Fire hydrants	2,403	2,415	2,426	2,428	2,430	2,441	2,441	2,438	2,439	2,450
Maximum daily capacity (thousands of gallons)	28,000	28,000	28,000	28,000	28,000	28,000	28,000	28,000	28,000	28,000
Sewer										
Sanitary sewers (miles)	293.88	299.14	300.80	302.30	303.60	302.20	303.01	305.33	306.45	309.27
Storm sewers (miles)	46.71	46.71	48.73	50.10	50.80	51.38	52.73	55.33	56.16	57.62
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	16	16	15	14	14	14
Miles of service lines	309	313	314	315	697	700	700	706	706	710

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.

* Streetlights total based on more accurate GIS information beginning with 2014

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

* Riverfront Park removed from totals 2012 with construction of Convention Center. 2015 acreage drop due to Shifley Park/Tennis Center property swap.

* Water main mileage change 2012 due to more accurate GPS measuring being used.