



City of Owensboro, Ky

Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2010

City of Owensboro

Comprehensive Annual Financial Report

for the

Fiscal Year Ended June 30, 2010



Issued by the
Department of Finance

James A. Fulkerson
Director of Finance and Support Services

**COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE CITY OF OWENSBORO, KENTUCKY
YEAR ENDED JUNE 30, 2010**

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City of Owensboro Kentucky

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

December 7, 2010

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

I am pleased to submit the Comprehensive Annual Financial Report of the City of Owensboro (the City) for the fiscal year ended June 30, 2010. Responsibility for accuracy of the data and completeness and fairness of the presentation, including all disclosures, rests with the management of the City of Owensboro. To the best of our knowledge and belief, the enclosed data are accurate in all material respects and are reported in a manner designed to present fairly the financial position and results of operations of the various funds and component units of the City.

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

State statute requires an independent financial audit be conducted annually. The accounting firm of Riney, Hancock & Co., PSC performed the audit for the fiscal year ended June 30, 2010, and have issued an unqualified opinion on the City of Owensboro's financial statements.

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

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

PROFILE OF THE GOVERNMENT

The City, incorporated in 1817, located in the western part of the state, occupies 19.40 square miles and serves a population of 55,745.

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

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

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

Owensboro Municipal Utilities
Owensboro Riverport Authority

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

LOCAL ECONOMY

Major industries located within the government's boundaries include health care (the local hospital provides employment to more than 3,300 healthcare professionals and staff), banking, manufacturing, and retail.

The City of Owensboro has a diverse mix of industries in its economy and as a result, has not experienced the decline in its revenue stream that other cities have.

The unemployment rate was 8.9% in June 2010, which was below the state rate of 10.0%.

SIGNIFICANT EVENTS AND INITIATIVES

Strategic Organization Plan

The City has been involved in the creation and implementation of a Strategic Organization Plan for all city departments and operations. More than 72% of the annual General Fund budget is related to personnel costs, which are rising exponentially each year. After a thorough review, the City has adopted a new direction to make changes that will increase efficiency, effectiveness and cooperation in all department's personnel and operations. Non-financial goals include the ability to maintain a sustainable and flexible city government.

Riverfront Development

This project includes a river wall, a boat ramp, a scenic overlook, a signature fountain and significant additional green space. This \$40 million project is funded by a federal grant and completion is expected in 2012.

Downtown Development and Revitalization

The community has expressed a desire to redevelop our downtown and riverfront. The City has partnered with Daviess County Fiscal Court (the County) in the development and financing of this project, with the City sponsoring \$59.4 million of the project and the County sponsoring \$20 million. A portion of the City's Insurance Premium License Fee is dedicated to fund this project. This is accomplished by increasing the fee 2% effective July 1, 2009, and an additional 2% effective July 1, 2010.

Stormwater Master Plan

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

LONG-TERM FINANCIAL PLANNING

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

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

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

AWARDS AND ACKNOWLEDGEMENTS

The Government Finance Officers Association (GFOA) of the United States and Canada awarded the City a Certificate of Achievement for Excellence in Financial Reporting for fiscal year ended June 30, 2009, the 29th year Owensboro has received this prestigious award.

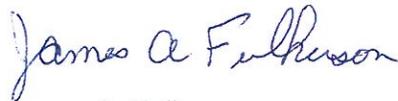
In order to be awarded this Certificate, the City published an easily readable and efficiently organized comprehensive annual financial report, the contents of which conform to program standards. This report satisfied both generally accepted accounting principles and applicable legal requirements.

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 11th year. In order to qualify for the Distinguished Budget Presentation Award, the government's budget document was judged to be proficient in several categories, including as a policy document, a financial plan, an operations guide, and a communications device.

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

Respectfully submitted,



James A. Fulkerson
Director of Finance and Support Services

DIRECTORY OF PUBLIC OFFICIALS

ELECTED OFFICIALS - BOARD OF COMMISSIONERS

Mayor Ron Payne

Commissioner Charlie Castlen (Mayor Pro-Tem)

Commissioner John Kazlauskas

Commissioner Candance Brake

Commissioner David Johnson

APPOINTED OFFICIALS AND DEPARTMENT HEADS

City Manager William Parrish

Operations Manager Tony Cecil

City Attorney Ed Ray

City Clerk Beverly Lovan

Director of Finance & Support Services James A Fulkerson

Director of Public Works Wayne Shelton

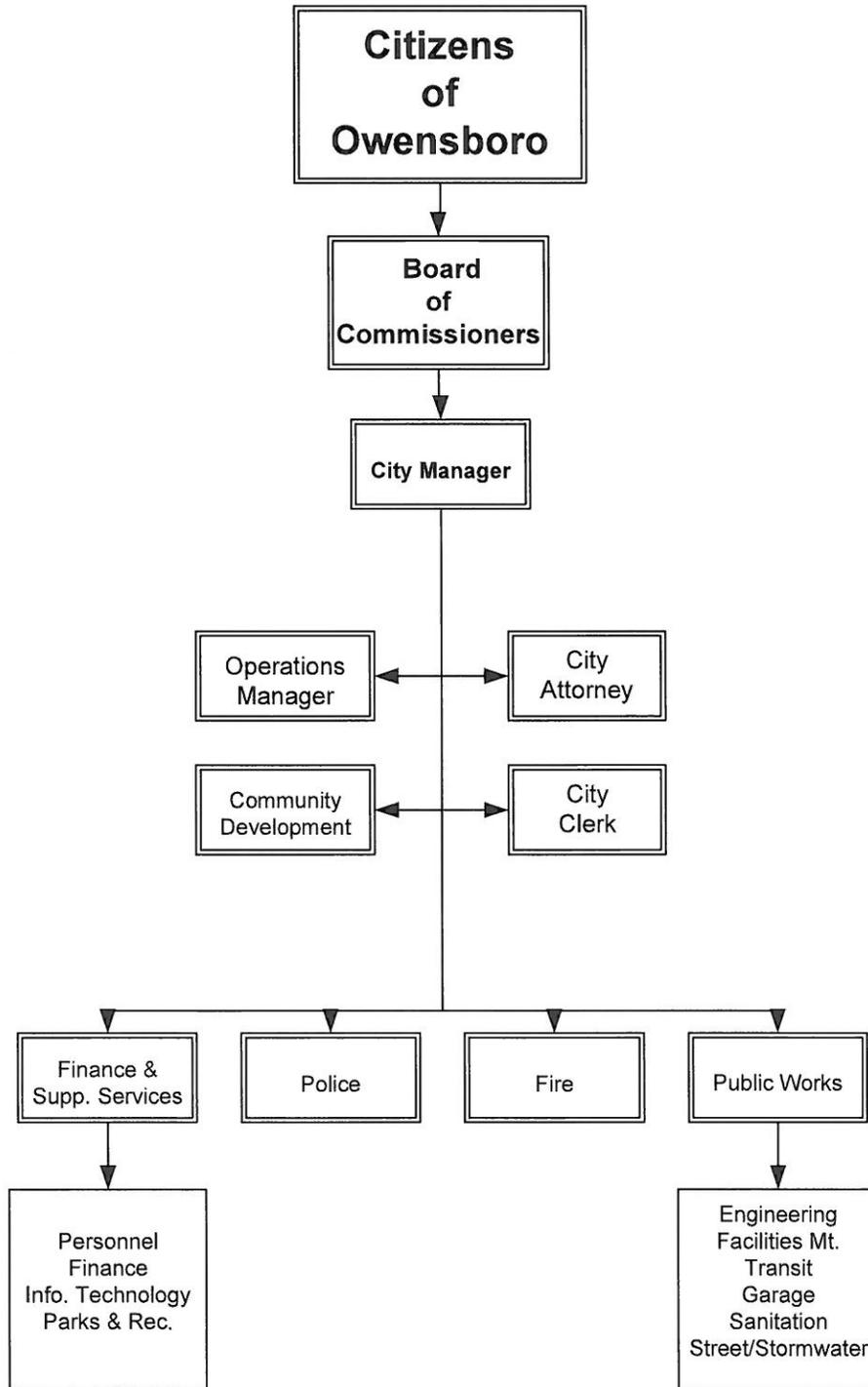
Fire Chief Steve Mitchell

Police Chief..... Glenn Skeens

Community Development Director Keith Free

CITY OF OWENSBORO

Organization Chart FY 2009-2010



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, 2009

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



President

Executive Director



Riney, Hancock & Co., PSC

Certified Public Accountants & Financial Advisors

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An Association of legally independent firms

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Owensboro, Kentucky, as of and for the year ended June 30, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the management of the City of Owensboro, Kentucky. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Owensboro, Kentucky, as of June 30, 2010, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 7, 2010, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, pension schedules, and budgetary comparison schedules be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's financial statements as a whole. The introductory section, combining financial statements, capital asset schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the financial statements. The combining financial statements and capital asset schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the 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.

Riney, Hancock & Co., PSC

Owensboro, Kentucky
December 7, 2010



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, 2010. To fully understand the entire scope of the City's financial activities, this information should be read in conjunction with the letter of transmittal (pages 1-3) and the financial statements (pages 18-99) provided in this document.

I. Financial Highlights

- Assets exceeded liabilities by \$132.8 million at the close of the 2009-2010 fiscal year. Of this amount, \$33.9 million (unrestricted net assets) may be used to meet City government's ongoing obligations to citizens and creditors.
- Total net assets increased by \$18.7 million.
- At fiscal year end, City governmental funds reported a combined ending fund balance of \$40.3 million. Approximately \$9.5 million, 23% of this total amount is unassigned and available for spending at the City's discretion.
- At the end of the current fiscal year, unassigned general fund balance was \$9.5 million, 27% of total general fund expenditures.

II. Overview of Financial Statements

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

A. Government-Wide Financial Statements

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

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

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

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, parking garage operations, 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 18-19 of this report.

B. Fund Financial Statements

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

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

The City maintains twelve (12) individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund 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 Riverfront Development Fund, all of which are considered to be major funds. Data from the seven 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 Nonmajor 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 20-21) and the statement of revenues, expenditures and changes in fund balances (pages 22-23) provide a reconciliation to ease comparison between governmental funds and governmental activities.

- 2) Proprietary Funds. The City maintains two different types of proprietary funds:
 - a. **Enterprise funds**. Enterprise funds report the same functions presented as business-type activities in the government-wide financial statements and are used to account for operations:
 - that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges; or
 - where the governing body decided periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

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

The City's component unit enterprises are OMU, which provides the electric, light and power system and the water works system, and ORA which operates the riverport and navigational facilities.

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

City of Owensboro Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2009	2010	2009	2010	2009	2010
Current and other assets	\$ 83,662,139	\$ 73,763,190	\$11,775,873	\$12,117,003	\$ 95,438,012	\$ 85,880,193
Capital assets	94,027,653	116,891,284	3,002,194	4,090,975	97,029,847	120,982,259
Total assets	\$177,689,792	\$190,654,474	\$14,778,067	\$16,207,978	\$192,467,859	\$206,862,452
Long-term liabilities						
outstanding	\$ 53,917,231	\$ 62,128,353	\$ 261,088	\$ 337,027	\$ 54,178,319	\$ 62,465,380
Other liabilities	23,881,274	11,197,349	230,954	354,609	24,112,228	11,551,958
Total liabilities	\$ 77,798,505	\$ 73,325,702	\$ 492,042	\$ 691,636	\$ 78,290,547	\$ 74,017,338
Net assets:						
Invested in capital assets, net of related debt	\$ 54,604,577	\$ 63,729,670	\$ 3,002,194	\$ 4,090,975	\$ 57,606,771	\$ 67,820,645
Restricted	31,047,376	31,138,063	-	-	31,047,376	31,138,063
Unrestricted	14,239,334	22,461,039	11,283,831	11,425,367	25,523,165	33,886,406
Total net assets	\$ 99,891,287	\$117,328,772	\$14,286,025	\$15,516,342	\$114,177,312	\$132,845,114

A. Analysis of the City's Operations

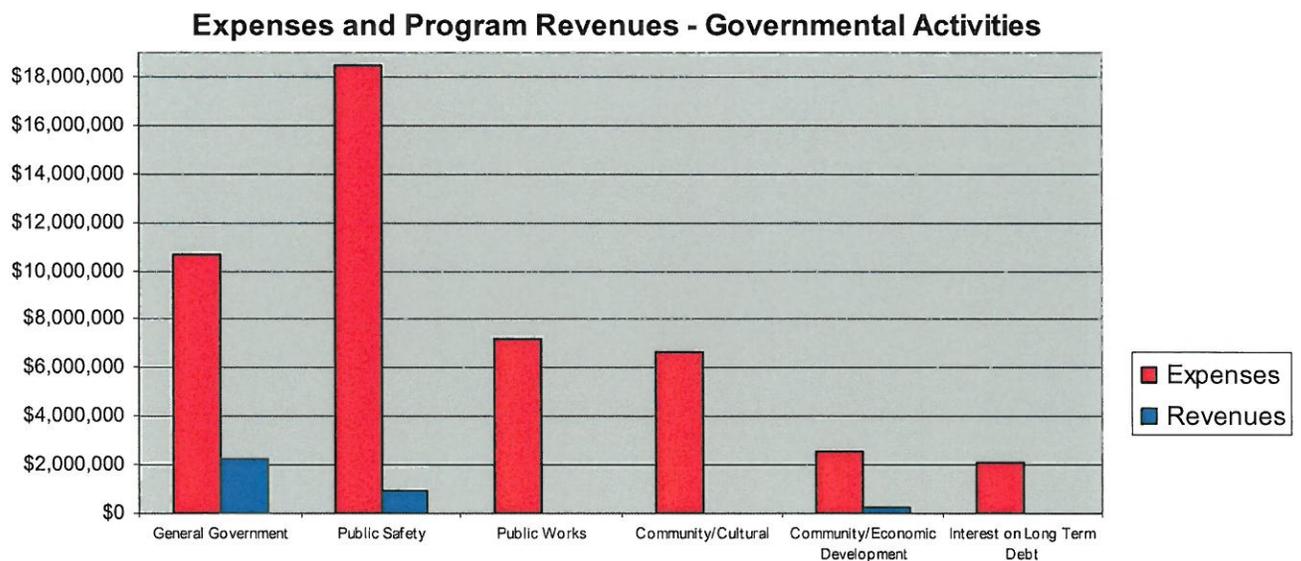
The following table summarizes City operations for the year ended June 30, 2010. Governmental activities increased City net assets by \$17.4 million, primarily due to grant revenues, higher regulatory tax revenues, and investment in joint venture. Business-type activities increased City net assets by \$1.2 million.

City of Owensboro – Changes in Net Assets

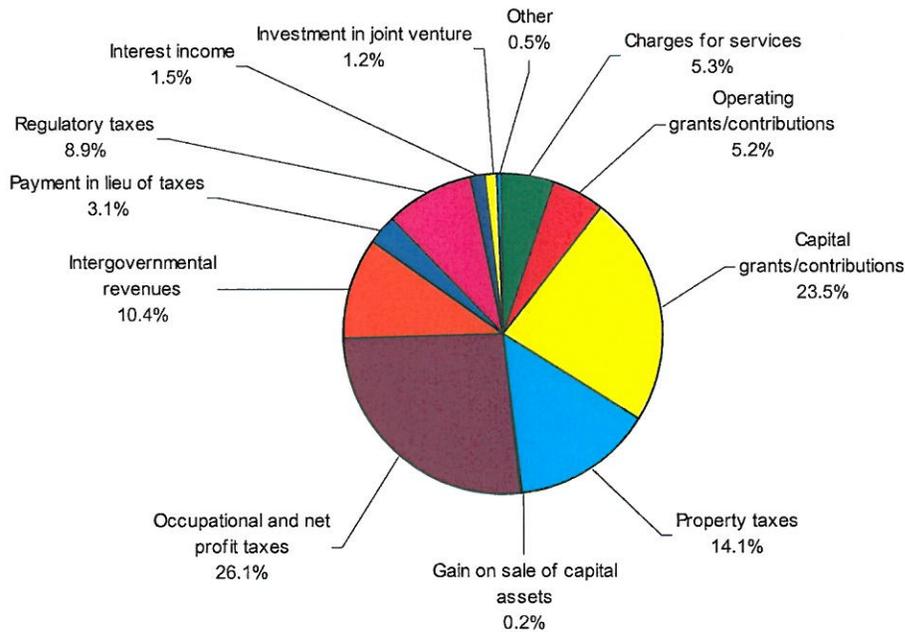
	Governmental Activities		Business-Type Activities		Total	
	2009	2010	2009	2010	2009	2010
Revenues:						
Program revenues:						
Charges for services	\$3,650,980	\$3,468,060	\$6,609,010	\$6,871,827	\$10,259,990	\$10,339,887
Operating grants/contributions	2,904,106	3,379,634	464,303	445,741	3,368,409	3,825,375
Capital grants/contributions	20,161,264	15,445,926	646,534	1,484,000	20,807,798	16,929,926
General revenues:						
Property taxes	8,874,418	9,276,874	-	-	8,874,418	9,276,874
Occupational/ NP License Fee	17,145,798	17,092,624	-	-	17,145,798	17,092,624
Regulatory taxes	4,824,993	5,867,123	-	-	4,824,993	5,867,123
Payment in lieu of taxes	2,012,646	2,015,823	-	-	2,012,646	2,015,823
Gain on sale of capital assets	161,646	143,517	88,848	180,913	250,494	324,430
Investment earnings	1,311,412	1,010,136	454,797	238,370	1,766,209	1,248,506
Intergovernmental revenues	6,713,786	6,832,843	-	-	6,713,786	6,832,843
Investment in joint venture	60,737	755,383	-	-	60,737	755,383
Miscellaneous	643,290	317,574	-	-	643,290	317,574
Total revenues	\$68,465,076	\$65,605,517	\$8,263,492	\$9,220,851	\$76,728,568	\$74,826,368

	Governmental Activities		Business-Type Activities		Total	
	2009	2010	2009	2010	2009	2010
Expenses:						
General government	\$8,772,143	\$10,693,412	-	-	\$8,772,143	\$10,693,412
Public safety	18,614,163	18,445,524	-	-	18,614,163	18,445,524
Public works	9,615,871	7,181,580	-	-	9,615,871	7,181,580
Community and cultural	6,749,708	6,677,344	-	-	6,749,708	6,677,344
Community/economic devel	1,258,411	2,512,015	-	-	1,258,411	2,512,015
Interest on long-term debt	1,297,750	2,060,977	-	-	1,297,750	2,060,977
Sanitation	-	-	4,412,040	4,578,085	4,412,040	4,578,085
Other enterprise funds	-	-	3,379,649	4,009,629	3,379,649	4,009,629
Total expenses	\$46,308,046	\$47,570,852	\$7,791,689	\$8,587,714	\$ 54,099,735	\$56,158,566
Increase in net assets before transfers	\$22,157,030	\$18,034,665	\$471,803	\$633,137	\$22,628,833	\$18,667,802
Transfers	(1,088,287)	(597,180)	1,088,287	597,180	-	-
Increase in net assets	21,068,743	17,437,485	1,560,090	1,230,317	22,628,833	18,667,802
Net assets						
– beginning of year	78,822,544	99,891,287	12,725,935	14,286,025	91,548,479	114,177,312
Net assets – end of year	\$99,891,287	\$117,328,772	\$14,286,025	\$15,516,342	\$114,177,312	\$132,845,114

B. Governmental Activities

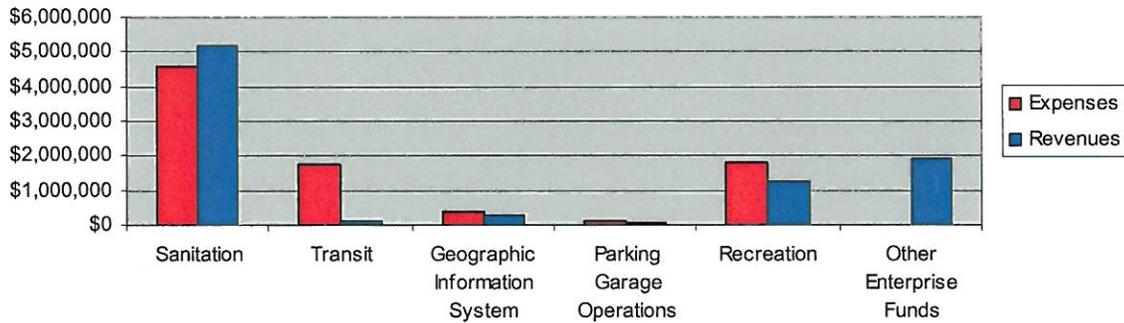


Revenue by Source - Governmental Activities

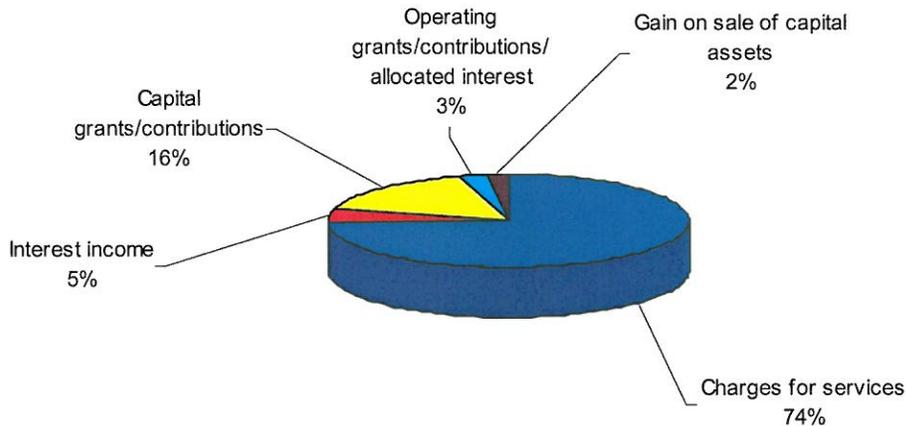


C. Business-Type Activities

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 balances of \$40.3 million. Approximately \$22 million is in restricted, and \$8.8 million is in committed. Approximately 23%, or \$9.5 million, is unassigned fund balance, which is available for spending at the government's discretion.

The General Fund is the chief operating fund of the City. At the end of the 2009-2010 fiscal year, the General Fund unassigned fund balance was \$9,451,482, while total fund balance was \$9,681,613. As a measure of General Fund liquidity, readers may compare both unassigned fund balance and total fund balance to total General Fund expenditures. Unassigned fund balance represents 27% of total General Fund expenditures of \$34.9 million, while total fund balance represents 28% of total General Fund expenditures. The General Fund balance increased by \$1,847,193 during the 2009-2010 fiscal year.

The Your Community Vision Fund has a total fund balance of \$13.2 million, with \$2.2 million in unassigned fund balance and available for spending on capital projects.

The Downtown Development and Revitalization Fund has a fund balance of \$10.5 million, with \$9.2 million in restricted fund balance and \$1.3 million in committed fund balance.

The Debt Service Fund has a total fund balance of \$161,972, all of which is reserved for payment of debt service. The net decrease in the debt service fund balance was \$77,086.

The Riverfront Development Fund has a total, and restricted, fund balance of \$3.2 million.

B. Proprietary Funds

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

Sanitation	\$10,055,550
Nonmajor Enterprise Funds	\$ 588,604

The change in net assets for the proprietary funds was \$1.1 million. Sanitation increased \$126,334. Nonmajor Enterprise Funds increased \$999,070. Other factors concerning the proprietary enterprise funds have been addressed in the discussion of Proprietary Funds on pages 9-10.

V. General Fund Budgetary Highlights

Differences between the original budget and the final amended budget resulted in a \$1,373,877 increase in appropriations and can be briefly summarized as follows:

• \$ (35,750)	decrease in Administration
• \$ 8,298	increase in Community Development
• \$ 398,779	increase in Engineering
• \$ (40,000)	decrease in Finance
• \$ (21,500)	decrease in Fire
• \$ (162,331)	decrease in Information Technology
• \$ (21,378)	decrease in Parks
• \$ (21,856)	decrease in Personnel
• \$ (147,415)	decrease in Police
• \$ 56,057	increase in Street
• \$1,222,220	increase in General Government
• \$ 138,753	increase in Community Services

The net increase to appropriations and transfers of \$1,373,877 was deducted from the available fund balance.

The decreases are solely, or primarily, due to elimination of a \$857,000 budgeted contingency. The increases are due to various reasons as follows:

- Community Development is due to additional CD grant funding.
- Engineering and Street are due to carryovers from prior year for street maintenance.
- General Government is primarily due to elimination of budgeted contingency and partially due to installation of lights at Shifley Park.
- Community Services is primarily due to advance of contributions and partially due to carryovers.

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, 2010, is \$121 million (net of accumulated depreciation). This investment in capital assets includes land, buildings and system improvements, machinery and equipment, park facilities, roads, highways and bridges, and construction in progress.

The City's multi-year Riverfront Development Project focuses on public and private enhancement along the Owensboro Riverfront. The purpose of the Riverfront Development Project is to provide public access to the river while stimulating economic growth in the downtown and riverfront areas. Construction began in Spring 2009 on the \$40 million project which will include a river wall, a signature fountain, and significant additional green space. This project is funded primarily by a federal grant and completion is expected in 2012.

The City has also begun a \$79.4 million Downtown Redevelopment and Revitalization Project. The City has partnered with Daviess County Fiscal Court in the development and financing of this project with the City sponsoring \$59.4 million of the project and the County sponsoring the additional \$20 million.

	Governmental Activities		Business-Type Activities		Total	
	2009	2010	2009	2010	2009	2010
Land	\$17,071,380	\$20,802,899	\$118,739	\$118,739	\$17,190,119	\$20,921,638
Land improvements	60,278,856	78,109,855	-	18,022	60,278,856	78,127,877
Buildings	13,879,622	14,659,612	606,980	566,326	14,486,602	15,225,938
Vehicles	584,933	1,988,552	107,534	3,102,756	692,467	5,091,308
Machinery and equipment	2,212,862	1,330,366	2,168,940	285,132	4,381,802	1,615,498
Total	\$94,027,653	\$116,891,284	\$3,002,193	\$4,090,975	\$97,029,846	\$120,982,259

Additional information on City capital assets can be found on pages 97-99 of this report and in Footnote 5 at pages 48-50.

B. Long-Term Debt

At year end, the City had \$58,843,448 in outstanding notes, bonds and capital leases, compared to \$50,919,043 at June 30, 2009. That is a 15.6% increase as shown in the following table:

	Governmental Activities	
	2009	2010
General obligation bonds	\$35,820,000	\$47,493,000
Lease revenue bonds	465,000	405,000
Advance refunding bonds	9,247,000	1,390,000
Floating indebtedness funding bond	42,700	38,400
KIA loan payable	5,344,343	9,517,048
Total	\$50,919,043	\$58,843,448

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 \$261,727,507. The City's latest bond rating is Aa3.

The City issues and incurs debt in order to fund capital improvement projects, purchase major capital equipment facilities, and respond to other special funding needs. The City has a very low amount of general obligation debt, which explains our large legal debt margin. Less than 5% 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 51-58.

C. Types of Municipal Debt

- i. **Advance Refunding Bonds.** The City issued General Obligation Public Projects Refunding Bonds to advance refund the 1993 and 1994 Series Bonds, which reduced debt service payments. During 2003-2004, the City issued General Obligation Refunding Bonds to advance refund the Floating Indebtedness Bond, which reduced debt service payments.
- ii. **Floating Indebtedness Funding Bond.** This debt was issued in early 2005 to finance the remodeling of the new Owensboro Symphony offices.
- iii. **Lease Revenue Bonds.** This debt was issued in May of 2001. The funds were used to build a new pro shop at the City golf course and acquire land for the City's newest park.

- iv. **Kentucky Infrastructure Authority Loan Payable.** This debt was issued in October of 2007. The proceeds were used to fund a stormwater separation project. The outstanding amount as of June 30, 2010, is \$9,517,048.

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

- A. **Unemployment Rate.** The unemployment rate for the City of Owensboro as of June 2010 was 9.0%. The state unemployment rate was 10.1%; the federal unemployment rate was 9.6%.
- 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 2-3 years. The City will continue to aggressively pursue its annexation efforts as these efforts will insure long-term financial stability for the City in terms of increased property taxes, occupational license fees, and occupational net profit fees through mixed commercial, industrial, and residential development. City policy will continue to provide annexation and economic development incentives that will pay for themselves within five years of implementation and serve as incentive investments in future revenues to offset the cost of providing services to the newly annexed areas. The policy of balanced and controlled growth will be the City's greatest challenge in the next 5-10 years.
- D. **Fleet and Facilities Maintenance Plan.** The City's strategy to continue to limit expenditure growth and seek cost savings opportunities will insure that funds are available for needed capital projects in the future. The City has been helped in this regard by implementation of the Fleet and Facilities Maintenance Plan. This plan allows the City to make long-range plans for facility maintenance and to replace vehicles at the optimal time to avoid high maintenance costs and take advantage of a higher resale value.
- E. **Debt Service Payments.** All future debt service payments must come from operating funds. As a result, debt service requirements were an important consideration when preparing the 2010-2011 annual operating budget. Less than 5% of the General Fund budget is expended for debt service. This does not now impact the City's annual operating budget and should have little impact on the operating budget in the future.

All these factors, in addition to current and future needs of the City of Owensboro, were considered when the 2010-2011 City budget was prepared. The beginning general fund balance for fiscal year 2010-2011 is \$9,681,613. The City estimated an ending fund balance of \$9,783,371 (24.9% of projected general fund revenues). The City is in good financial condition at the present time and no tax increase is planned for this fiscal year.

VIII. Requests for Information

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

CITY OF OWENSBORO, KENTUCKY
STATEMENT OF NET ASSETS
June 30, 2010

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
ASSETS				
Equity in pooled deposits and investments	\$ 40,896,369	\$ 10,351,437	\$ 51,247,806	\$ 1,998,894
Cash and cash equivalents:				
In segregated accounts	126,044	7,355	133,399	14,128,587
With escrow agents	39,121	-	39,121	-
Receivables:				
Accounts	592,942	76,902	669,844	13,383,228
Lease	4,983,400	-	4,983,400	-
Component units	107,631	767,168	874,799	-
Taxes	2,390,388	-	2,390,388	-
Intergovernmental	9,053,951	106,937	9,160,888	-
Delinquent taxes receivable, net of allowance for uncollectibles of \$160,000	38,413	-	38,413	-
Internal balances	(781,213)	781,213	-	-
Materials and supplies inventory	46,468	25,991	72,459	2,595,697
Prepaid items	20,771	-	20,771	136,666
Other current assets	-	-	-	75,365
Restricted assets	161,964	-	161,964	73,467,258
Capital assets, net of accumulated depreciation:				
Land	20,802,899	118,739	20,921,638	-
Depreciable capital assets	96,088,385	3,972,236	100,060,621	256,736,169
Other noncurrent assets	2,165,193	-	2,165,193	3,341
Deferred charges	248,442	-	248,442	7,390,004
Investment in joint venture	13,673,306	-	13,673,306	-
Total assets	\$ 190,654,474	\$ 16,207,978	\$ 206,862,452	\$ 369,915,209
LIABILITIES AND NET ASSETS				
Liabilities:				
Accounts payable	\$ 3,654,448	\$ 262,506	\$ 3,916,954	\$ 11,498,904
Accrued wages	383,800	-	383,800	-
Other accrued liabilities	576,527	90,588	667,115	418,218
Accrued interest payable	301,773	-	301,773	1,163,977
Other payables	-	-	-	4,492,697
Intergovernmental payable	524,670	-	524,670	-
Component unit payable	192,138	-	192,138	-
Deferred revenue	5,563,993	1,515	5,565,508	4,270,456
Customers' advances	-	-	-	549,430
Long-term liabilities:				
Due within one year	8,884,907	5,863	8,890,770	23,493,634
Due in more than one year	53,243,446	331,164	53,574,610	160,079,412
Total liabilities	73,325,702	691,636	74,017,338	205,966,728
Net assets:				
Invested in capital assets, net of related debt	63,729,670	4,090,975	67,820,645	91,963,094
Restricted for:				
Capital projects	30,262,248	-	30,262,248	2,230,224
Economic development	392,916	-	392,916	-
Debt service	-	-	-	18,352,219
Other purposes	482,899	-	482,899	24,801,605
Unrestricted	22,461,039	11,425,367	33,886,406	26,601,339
Total net assets	117,328,772	15,516,342	132,845,114	163,948,481
Total liabilities and net assets	\$ 190,654,474	\$ 16,207,978	\$ 206,862,452	\$ 369,915,209

See Notes to Financial Statements

CITY OF OWENSBORO, KENTUCKY
STATEMENT OF ACTIVITIES
Year Ended June 30, 2010

Functions / Programs PRIMARY GOVERNMENT	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			Component Units	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities		Total
Governmental activities:								
General government	\$ 10,693,412	\$ 2,228,883	\$ -	\$ -	\$ (8,464,529)	\$ -	\$ (8,464,529)	
Public safety	18,445,524	960,415	1,220,403	207,638	(16,057,068)		(16,057,068)	
Public works	7,181,580	22,789	1,110,424	7,823	(6,040,544)		(6,040,544)	
Community and cultural	6,677,344	-	163,882	14,181,251	7,667,789		7,667,789	
Community / economic development	2,512,015	255,973	884,925	1,049,214	(321,903)		(321,903)	
Interest on long-term debt	2,060,977	-	-	-	(2,060,977)		(2,060,977)	
Total governmental activities	47,570,852	3,468,060	3,379,634	15,445,926	(25,277,232)		(25,277,232)	
Business-type activities:								
Sanitation	4,578,085	5,194,660	-	-	\$ 616,575	\$ 616,575	616,575	
Transit	1,741,449	130,316	445,741	1,484,000	318,608		318,608	
Geographic information system	375,634	262,419	-	-	(113,215)		(113,215)	
Parking garage operations	84,383	56,126	-	-	(28,257)		(28,257)	
Recreation	1,808,163	1,228,306	-	-	(579,857)		(579,857)	
Total business-type activities	8,587,714	6,871,827	445,741	1,484,000	213,854		213,854	
Total primary government	\$ 56,158,566	\$ 10,339,887	\$ 3,825,375	\$ 16,929,926	(25,277,232)		(25,063,378)	
COMPONENT UNITS								
Owensboro Municipal Utilities	\$ 145,151,240	\$ 146,232,237	\$ -	\$ 239,788			\$ 1,320,785	
Owensboro Riverport Authority	5,634,683	6,908,956	-	-			1,274,273	
Total component units	\$ 150,785,923	\$ 153,141,193	\$ -	\$ 239,788			\$ 2,595,058	
General revenues:								
Property taxes					9,276,874		9,276,874	
Occupational license fees					13,836,353		13,836,353	
Net profit license fees					3,256,271		3,256,271	
Regulatory license fees					5,867,123		5,867,123	
Payments in lieu of taxes from component unit					2,015,823		2,015,823	
Investment earnings					1,010,136	238,370	1,248,506	
Intergovernmental, unrestricted					6,832,843		6,832,843	
Gain on sale of capital assets					143,517	180,913	324,430	
Investment in joint venture					755,383		755,383	
Miscellaneous					317,574		317,574	
Transfers					(597,180)	597,180	-	
Total general revenues and transfers					42,714,717	1,016,463	43,731,180	
Change in net assets					17,437,485	1,250,317	18,667,802	
Net assets, June 30, 2009					99,891,287	14,286,025	114,177,312	
Net assets, June 30, 2010					\$ 117,328,772	\$ 15,516,342	\$ 132,845,114	
							\$ 163,948,481	

See Notes to Financial Statements

CITY OF OWENSBORO, KENTUCKY
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2010

	General Fund	Your Community Vision Fund	Downtown Development and Revitalization Fund	Debt Service Fund	Riverfront Development Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS							
Equity in pooled deposits and investments	\$ 11,212,108	\$ 10,725,840	\$ 10,695,876	\$ -	\$ -	\$ 2,944,729	\$ 35,578,553
Cash and cash equivalents:							
In segregated accounts	21,024	-	-	-	-	-	21,024
With escrow agents	7,823	31,290	-	8	-	-	39,121
Receivables:							
Accounts	386,247	-	-	-	-	206,695	592,942
Lease	-	-	-	4,983,400	-	-	4,983,400
Component units	107,631	-	-	-	-	-	107,631
Interfund	-	-	-	-	-	-	-
Taxes	1,714,660	606,218	-	-	-	69,510	2,390,388
Intergovernmental	38,370	3,164,318	-	-	4,661,006	1,190,257	9,053,951
Delinquent taxes receivable, net of allowance for uncollectibles of \$160,000	38,413	-	-	-	-	-	38,413
Materials and supplies inventory	17,184	-	-	-	-	-	17,184
Prepaid items	-	-	-	-	-	-	-
Restricted assets	-	-	-	161,964	-	-	161,964
Total assets	\$ 13,543,460	\$ 14,527,666	\$ 10,695,876	\$ 5,145,372	\$ 4,661,006	\$ 4,411,191	\$ 52,984,571
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable	\$ 616,869	\$ 636,509	\$ 122,871	\$ -	\$ 1,239,826	\$ 480,200	\$ 3,096,275
Accrued wages	378,757	3,154	-	-	-	1,889	383,800
Other accrued liabilities	525,886	-	1,500	-	-	-	527,386
Intergovernmental payable	26,351	-	-	-	213,778	284,541	524,670
Due to other funds	-	-	-	-	-	-	-
Component unit payable	192,138	-	-	-	-	-	192,138
Deferred revenue	2,121,846	692,942	-	4,983,400	-	156,194	7,954,382
Total liabilities	3,861,847	1,332,605	124,371	4,983,400	1,453,604	922,824	12,678,651
Fund balances:							
Nonspendable	17,184	-	-	-	-	-	17,184
Restricted	-	7,095,000	9,228,279	161,972	3,207,402	2,295,264	21,987,917
Committed	212,947	6,100,061	1,343,226	-	-	1,193,103	8,849,337
Assigned	-	-	-	-	-	-	-
Unassigned	9,451,482	-	-	-	-	-	9,451,482
Total fund balances	9,681,613	13,195,061	10,571,505	161,972	3,207,402	3,488,367	40,305,920
Total liabilities and fund balances	\$ 13,543,460	\$ 14,527,666	\$ 10,695,876	\$ 5,145,372	\$ 4,661,006	\$ 4,411,191	\$ 52,984,571

See Notes to Financial Statements

CITY OF OWENSBORO, KENTUCKY
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
June 30, 2010

Total fund balances - governmental funds		\$ 40,305,920
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources, and therefore are not reported in the funds:		
Cost	\$ 158,168,564	
Accumulated depreciation	<u>(43,007,875)</u>	115,160,689
Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.		
		5,814,959
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.		
		13,673,306
Certain assets not available to pay for current period expenditures:		
Occupational and net profit taxes	\$ 2,390,389	
Negative net pension obligation	2,165,193	
Deferred issuance costs	<u>248,442</u>	4,804,024
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	\$ (58,843,448)	
Accrued interest payable	(301,773)	
Debt issuance discounts	166,319	
Deferred refunding charges	275,337	
Compensated absences	<u>(3,726,561)</u>	<u>(62,430,126)</u>
Net assets of governmental activities		<u>\$ 117,328,772</u>

See Notes to Financial Statements

CITY OF OWENSBORO, KENTUCKY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2010

	General Fund	Your Community Vision Fund	Downtown Development and Revitalization Fund	Debt Service Fund	Riverfront Development Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:							
Real and personal property taxes	\$ 9,007,228	\$ -	\$ -	\$ -	\$ -	\$ 269,646	\$ 9,276,874
Occupational license fees	9,883,300	3,435,285	-	-	-	464,228	13,782,813
Net profit license fees	2,437,779	808,115	-	-	-	6,622	3,252,516
Regulatory license fees	4,550,489	-	1,134,981	-	-	181,653	5,867,123
Intergovernmental	2,899,063	535,399	-	131,440	13,866,464	2,075,740	19,508,106
Interest	222,264	296,841	321,216	1,173	1,156	67,288	909,938
Fees, licenses and permits	536,104	35,003	-	-	-	-	571,107
Fines and forfeitures	132,250	-	-	-	-	-	132,250
Rentals	-	-	-	544,720	-	21,665	566,385
Charges for services	815,486	-	-	-	-	-	815,486
Contributions and donations	4,110	-	-	-	-	12,276	16,386
Dividends from component units	6,076,605	-	-	-	-	-	6,076,605
Payments in lieu of taxes from component unit	2,015,823	-	-	-	-	-	2,015,823
Miscellaneous income	453,045	-	31,708	-	-	274,343	759,096
Total revenues	39,033,546	5,110,643	1,487,905	677,333	13,867,620	3,373,461	63,550,508
Expenditures:							
Current:							
General government	9,374,755	-	-	-	-	-	9,374,755
Public safety	17,701,149	-	-	-	-	333,034	18,034,183
Public works	3,367,819	937,067	-	-	-	431,468	4,736,354
Community and cultural	2,687,615	-	-	-	-	748,548	3,436,163
Community /economic development	353,641	-	1,194,133	-	-	964,241	2,512,015
Capital outlay	1,380,128	6,106,482	4,039,085	-	14,649,088	3,270,121	29,444,904
Debt service:							
Principal	-	-	-	1,318,300	-	-	1,318,300
Interest	-	-	-	1,912,906	-	-	1,912,906
Issuance costs	-	-	-	-	35,445	8,861	44,306
Total expenditures	34,865,107	7,043,549	5,233,218	3,231,206	14,684,533	5,756,273	70,813,886
Excess (deficiency) of revenues over expenditures	4,168,439	(1,932,906)	(3,745,313)	(2,553,873)	(816,913)	(2,382,812)	(7,263,378)
Other financing sources (uses):							
Sale of capital assets	5,957	-	-	-	-	186,119	192,076
Issuance of debt	-	4,172,705	-	-	4,056,000	1,014,000	9,242,705
Refunding bonds issued	-	-	-	-	-	-	-
Payment to bond refunding escrow	-	-	-	-	-	-	-
Discount on bonds issued	-	-	-	-	(20,280)	(5,070)	(25,350)
Transfers in	133,863	-	-	2,476,787	-	1,106,448	3,717,098
Transfers out	(2,461,066)	(771,277)	(772,778)	-	-	-	(4,005,121)
Total other financing sources (uses)	(2,321,246)	3,401,428	(772,778)	2,476,787	4,035,720	2,301,497	9,121,408
Net change in fund balances	1,847,193	1,468,522	(4,518,091)	(77,086)	3,218,807	(81,315)	1,858,030
Fund balances, beginning of year	7,834,420	11,726,539	15,089,596	239,058	(11,405)	3,569,682	38,447,890
Fund balances, end of year	\$ 9,681,613	\$ 13,195,061	\$ 10,571,505	\$ 161,972	\$ 3,207,402	\$ 3,488,367	\$ 40,305,920

See Notes to Financial Statements

CITY OF OWENSBORO, KENTUCKY
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2010

Net change in fund balances - total governmental funds	\$	1,858,030
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	\$ 28,702,646	
Depreciation expense	<u>(5,703,904)</u>	22,998,742
Governmental funds report the disposal of capital assets to the extent proceeds are received. However, the statement of activities reports the gain or loss.		
		(48,559)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:		
Occupational and net profit taxes	\$ 57,295	
Increase in investment in joint venture	<u>755,383</u>	812,678
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities:		
Debt principal payments	\$ 1,318,300	
Proceeds from debt issuance	(9,242,705)	
Bond issuance costs	44,306	
Amortization of bond issuance costs	(65,205)	
Discount on bonds issued	25,350	
Amortization of refunding costs and issuance discounts	<u>(134,110)</u>	(8,054,064)
Certain expenses reported in the statement of activities do not require the use of current financial resources, and therefore are not reported as expenditures in governmental funds:		
Increase in compensated absences liability	\$ (177,957)	
Decrease in negative net pension obligation	(255,090)	
Decrease in accrued interest payable	<u>51,244</u>	(381,803)
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>252,461</u>
Change in net assets of governmental activities	\$	<u><u>17,437,485</u></u>

See Notes to Financial Statements

CITY OF OWENSBORO, KENTUCKY
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
June 30, 2010

	Business-Type Activities Enterprise Funds			Governmental Activities- Internal Service Funds
	Sanitation Fund	Nonmajor Enterprise Funds	Total	
ASSETS				
Current assets:				
Equity in pooled deposits and investments	\$ 9,641,449	\$ 709,988	\$ 10,351,437	\$ 5,317,816
Cash and cash equivalents:				
In segregated accounts	125	7,230	7,355	105,020
Receivables:				
Accounts	5,941	70,961	76,902	-
Component units	731,528	35,640	767,168	-
Intergovernmental	-	106,937	106,937	-
Materials and supplies inventory	9,297	16,694	25,991	29,284
Prepaid expenses	-	-	-	20,771
Total current assets	<u>10,388,340</u>	<u>947,450</u>	<u>11,335,790</u>	<u>5,472,891</u>
Noncurrent assets:				
Capital assets, net of accumulated depreciation:				
Land	13,000	105,739	118,739	-
Depreciable capital assets	1,928,048	2,044,188	3,972,236	1,730,595
Total noncurrent assets	<u>1,941,048</u>	<u>2,149,927</u>	<u>4,090,975</u>	<u>1,730,595</u>
Total assets	<u>\$ 12,329,388</u>	<u>\$ 3,097,377</u>	<u>\$ 15,426,765</u>	<u>\$ 7,203,486</u>
LIABILITIES AND NET ASSETS				
Current liabilities:				
Accounts payable	\$ 144,245	\$ 118,261	\$ 262,506	\$ 558,173
Accrued liabilities	34,973	55,615	90,588	49,141
Compensated absences	3,890	1,973	5,863	-
Deferred revenue	-	1,515	1,515	-
Total current liabilities	<u>183,108</u>	<u>177,364</u>	<u>360,472</u>	<u>607,314</u>
Non-current liabilities:				
Compensated absences	149,682	181,482	331,164	-
Total non-current liabilities	<u>149,682</u>	<u>181,482</u>	<u>331,164</u>	<u>-</u>
Total liabilities	<u>332,790</u>	<u>358,846</u>	<u>691,636</u>	<u>607,314</u>
Net assets:				
Invested in capital assets	1,941,048	2,149,927	4,090,975	1,730,595
Unrestricted	10,055,550	588,604	10,644,154	4,865,577
Total net assets	<u>11,996,598</u>	<u>2,738,531</u>	<u>14,735,129</u>	<u>6,596,172</u>
Total liabilities and net assets	<u>\$ 12,329,388</u>	<u>\$ 3,097,377</u>	<u>\$ 15,426,765</u>	<u>\$ 7,203,486</u>
Total net assets			\$ 14,735,129	
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds			<u>781,213</u>	
Net assets of business-type activities			<u>\$ 15,516,342</u>	

See Notes to Financial Statements

CITY OF OWENSBORO, KENTUCKY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
Year Ended June 30, 2010

	Business-Type Activities Enterprise Funds			Governmental Activities- Internal Service Funds
	Sanitation Fund	Nonmajor Enterprise Funds	Total	
Operating revenues:				
Charges for services	\$ 5,151,987	\$ 1,631,258	\$ 6,783,245	\$ 9,267,462
Miscellaneous income	42,673	45,909	88,582	10,581
Total operating revenues	<u>5,194,660</u>	<u>1,677,167</u>	<u>6,871,827</u>	<u>9,278,043</u>
Operating expenses:				
Salaries, wages, and benefits	1,497,447	1,982,238	3,479,685	2,160,362
Maintenance	622,773	731,453	1,354,226	1,969,310
Utilities	11,451	232,060	243,511	31,507
Administrative	-	-	-	205,600
Supplies	321,654	399,025	720,679	797,649
Other	1,807,465	362,668	2,170,133	42,113
Claims	-	-	-	3,253,428
Depreciation	421,380	303,013	724,393	649,843
Total operating expenses	<u>4,682,170</u>	<u>4,010,457</u>	<u>8,692,627</u>	<u>9,109,812</u>
Operating income (loss)	<u>512,490</u>	<u>(2,333,290)</u>	<u>(1,820,800)</u>	<u>168,231</u>
Nonoperating revenues:				
Gain on sale of capital assets	177,260	3,653	180,913	88,945
Interest income	236,584	1,786	238,370	100,198
Operating grants	-	1,484,000	1,484,000	-
Capital grants	-	445,741	445,741	-
Total nonoperating revenues	<u>413,844</u>	<u>1,935,180</u>	<u>2,349,024</u>	<u>189,143</u>
Income (loss) before transfers	926,334	(398,110)	528,224	357,374
Transfers in	-	1,418,178	1,418,178	-
Transfers out	<u>(800,000)</u>	<u>(20,998)</u>	<u>(820,998)</u>	<u>-</u>
Change in net assets	126,334	999,070	1,125,404	357,374
Net assets, beginning of year	<u>11,870,264</u>	<u>1,739,461</u>	<u>13,609,725</u>	<u>6,238,798</u>
Net assets, end of year	<u>\$ 11,996,598</u>	<u>\$ 2,738,531</u>	<u>\$ 14,735,129</u>	<u>\$ 6,596,172</u>
Change in net assets			\$ 1,125,404	
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds			<u>104,913</u>	
Change in net assets of business-type activities			<u>\$ 1,230,317</u>	

See Notes to Financial Statements

CITY OF OWENSBORO, KENTUCKY
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2010

	Business-Type Activities			Governmental Activities- Internal Service Funds
	Enterprise Funds			
	Sanitation Fund	Nonmajor Enterprise Funds	Total	
Cash flows from operating activities:				
Cash received from customers	\$ 5,127,755	\$ 1,774,030	\$ 6,901,785	\$ 9,278,109
Other cash receipts	42,674	-	42,674	-
Cash payments to employees for services	(1,477,276)	(1,918,768)	(3,396,044)	(2,154,213)
Cash payments to suppliers	(2,736,263)	(1,632,392)	(4,368,655)	(3,131,604)
Cash payments for interfund services used	-	-	-	-
Cash payments for claims	-	-	-	(3,253,428)
Net cash provided by (used in) operating activities	<u>956,890</u>	<u>(1,777,130)</u>	<u>(820,240)</u>	<u>738,864</u>
Cash flows from noncapital financing activities:				
Government grants	-	1,822,804	1,822,804	-
Transfers in	-	1,418,178	1,418,178	-
Transfers out	(800,000)	(20,998)	(820,998)	-
Net cash provided by (used in) noncapital financing activities	<u>(800,000)</u>	<u>3,219,984</u>	<u>2,419,984</u>	<u>-</u>
Cash flows from capital and related financing activities:				
Proceeds from sale of capital assets	177,260	3,653	180,913	100,976
Payments for capital acquisitions	(679,430)	(1,133,745)	(1,813,175)	(575,323)
Net cash used in capital and related financing activities	<u>(502,170)</u>	<u>(1,130,092)</u>	<u>(1,632,262)</u>	<u>(474,347)</u>
Cash flows from investing activities:				
Interest on investments	236,584	1,786	238,370	100,198
Net increase in cash and cash equivalents	<u>(108,696)</u>	<u>314,548</u>	<u>205,852</u>	<u>364,715</u>
Equity in pooled cash and deposits, and cash and cash equivalents, beginning of year	<u>9,750,270</u>	<u>402,670</u>	<u>10,152,940</u>	<u>5,058,121</u>
Equity in pooled cash and deposits, and cash and cash equivalents, end of year	<u>\$ 9,641,574</u>	<u>\$ 717,218</u>	<u>\$ 10,358,792</u>	<u>\$ 5,422,836</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:				
Operating income (loss)	\$ 512,490	\$ (2,333,290)	\$ (1,820,800)	\$ 168,231
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation	421,380	303,013	724,393	649,843
Change in assets and liabilities:				
(Increase) decrease in assets:				
Accounts receivable	2,532	99,350	101,882	66
Component unit receivable	(26,763)	3,763	(23,000)	-
Materials and supplies inventory	1	(2,310)	(2,309)	8,606
Prepaid expenses	-	-	-	-
Increase (decrease) in liabilities:				
Accounts payable	27,079	95,124	122,203	(94,031)
Unearned revenue	-	(6,250)	(6,250)	-
Accrued liabilities	2,491	5,211	7,702	6,149
Compensated absences	17,680	58,259	75,939	-
Interfund payables	-	-	-	-
Net cash provided by (used in) operating activities	<u>\$ 956,890</u>	<u>\$ (1,777,130)</u>	<u>\$ (820,240)</u>	<u>\$ 738,864</u>

See Notes to Financial Statements

CITY OF OWENSBORO, KENTUCKY
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
June 30, 2010

	Pension Trust Funds	Investment Trust Fund	Agency Funds
	<u> </u>	<u> </u>	<u> </u>
ASSETS			
Equity in pooled deposits and investments	\$ 4,956,506	\$ 11,612,089	\$ 95,458
Cash and cash equivalents	55,274	-	-
Cash and cash equivalents, restricted	21,517	-	-
Interest receivable	15,883	-	-
Intergovernmental receivable	-	498,319	26,351
Investments, at fair value:			
Mutual funds	5,108,067	-	-
Investments at fair value, restricted:			
Mutual funds	<u>1,357,944</u>	<u>-</u>	<u>-</u>
Total assets	<u>11,515,191</u>	<u>12,110,408</u>	<u>121,809</u>
LIABILITIES			
Pension payable	107,527	-	-
Other	<u>1,069</u>	<u>-</u>	<u>121,809</u>
Total liabilities	<u>108,596</u>	<u>-</u>	<u>121,809</u>
NET ASSETS			
Held in trust for pension benefits	10,023,797	-	-
Held in trust for debt service	1,382,798	-	-
Held in trust for external pool participants	<u>-</u>	<u>12,110,408</u>	<u>-</u>
Total net assets	<u>\$ 11,406,595</u>	<u>\$ 12,110,408</u>	<u>\$ -</u>

See Notes to Financial Statements

CITY OF OWENSBORO, KENTUCKY
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
Year Ended June 30, 2010

	<u>Pension Trust Funds</u>	<u>Investment Trust Fund</u>
Additions:		
Purchases of pool units	\$ -	\$ 22,449,932
Contributions:		
Employer	-	-
Other	3,522	-
Total contributions	<u>3,522</u>	<u>-</u>
Investment earnings:		
Net depreciation in fair value of investments	762,874	60,805
Interest	329,136	672,817
Total investment earnings	1,092,010	23,183,554
Less investment expense	<u>18,106</u>	<u>-</u>
Net investment earnings	<u>1,073,904</u>	<u>23,183,554</u>
Total additions	<u>1,077,426</u>	<u>23,183,554</u>
Deductions:		
Benefits	1,568,025	-
Transfer to debt service fund	309,157	-
Redemption of pool units	-	24,919,369
Total deductions	<u>1,877,182</u>	<u>24,919,369</u>
Change in net assets	(799,756)	(1,735,815)
Net assets, beginning of year	<u>12,206,351</u>	<u>13,846,223</u>
Net assets, end of year	<u>\$ 11,406,595</u>	<u>\$ 12,110,408</u>

See Notes to Financial Statements

CITY OF OWENSBORO, KENTUCKY
STATEMENT OF NET ASSETS
COMPONENT UNITS
June 30, 2010

	<u>Owensboro Municipal Utilities</u>	<u>Owensboro Riverport Authority</u>	<u>Total</u>
ASSETS			
Equity in pooled deposits and investments	\$ -	\$ 1,998,894	\$ 1,998,894
Cash and cash equivalents:			
In segregated accounts	12,387,369	1,741,218	14,128,587
Accounts receivable (less allowance of \$76,896 and \$3,139 for OMU and ORA, respectively)	12,766,348	616,880	13,383,228
Material and supplies inventory	2,595,697	-	2,595,697
Prepaid items	121,923	14,743	136,666
Other current assets	54,349	21,016	75,365
Restricted assets	73,467,258	-	73,467,258
Capital assets, net of accumulated depreciation	233,999,845	22,736,324	256,736,169
Other noncurrent assets	-	3,341	3,341
Deferred charges	7,390,004	-	7,390,004
Total assets	\$ 342,782,793	\$ 27,132,416	\$ 369,915,209
 LIABILITIES AND NET ASSETS			
Liabilities:			
Accounts payable	\$ 11,381,593	\$ 117,311	\$ 11,498,904
Accrued liabilities	-	418,218	418,218
Accrued interest payable	1,163,977	-	1,163,977
Other payables	4,492,697	-	4,492,697
Deferred revenue	4,079,400	191,056	4,270,456
Customers' advances	549,430	-	549,430
Non-current liabilities:			
Due within one year	22,721,567	772,067	23,493,634
Due in more than one year	156,449,799	3,629,613	160,079,412
Total liabilities	200,838,463	5,128,265	205,966,728
Net assets:			
Invested in capital assets, net of related debt	73,628,450	18,334,644	91,963,094
Restricted for:			
Capital projects	2,230,224	-	2,230,224
Debt service	18,352,219	-	18,352,219
Other purposes	24,801,605	-	24,801,605
Unrestricted	22,931,832	3,669,507	26,601,339
Total net assets	141,944,330	22,004,151	163,948,481
Total liabilities and net assets	\$ 342,782,793	\$ 27,132,416	\$ 369,915,209

See Notes to Financial Statements

CITY OF OWENSBORO, KENTUCKY
STATEMENT OF ACTIVITIES
COMPONENT UNITS
Year Ended June 30, 2010

	Program Revenues		Net (Expense) Revenue and Changes in Net Assets		
	Charges for Services and Sales	Capital Grants and Contributions	Owensboro Municipal Utilities	Owensboro Riverport Authority	Total
Owensboro Municipal Utilities	\$ 145,151,240	\$ 146,232,237	\$ 1,320,785	\$ -	\$ 1,320,785
Owensboro Riverport Authority	5,634,683	6,908,956	-	1,274,273	1,274,273
Total Component Units	\$ 150,785,923	\$ 153,141,193	\$ 1,320,785	\$ 1,274,273	\$ 2,595,058
General revenues:					
Earnings on investments			759,133	55,882	815,015
Gain on sale of capital assets			-	83,058	83,058
Miscellaneous			35,506	-	35,506
Total general revenues			794,639	138,940	933,579
Change in net assets			2,115,424	1,413,213	3,528,637
Net assets, beginning of year			139,828,906	20,590,938	160,419,844
Net assets, end of year			\$ 141,944,330	\$ 22,004,151	\$ 163,948,481

See Notes to Financial Statements

CITY OF OWENSBORO, KENTUCKY
NOTES TO THE BASIC FINANCIAL STATEMENTS
Year Ended June 30, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Reporting Entity

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

Blended Component Unit:

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

Discretely Presented Component Units:

The component units column in the government-wide financial statements includes the financial data of the City's other component units. They are reported in a separate column to emphasize that they are legally separate from the City. Combining financial statements for the discretely presented component units are included within this report. Separate financial statements of the individual component units can be requested from the City's Finance Director. The following component units are included in the City's reporting entity because the primary government is financially accountable for, and is able to impose its will upon, the organizations.

Owensboro Municipal Utilities

Owensboro Municipal Utilities (OMU) is managed, controlled and operated by the City Utility Commission, established by the City in 1940. OMU consists of the Electric Light and Power System and the Water Works System. The fiscal year-end for OMU is May 31; data presented for OMU is as of and for the year ended May 31, 2010. There were no intervening events that would materially affect financial position or results of operations of the City.

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

CITY OF OWENSBORO, KENTUCKY
NOTES TO THE BASIC FINANCIAL STATEMENTS, continued
Year Ended June 30, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Owensboro Riverport Authority and Affiliate

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

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

Related Organization:

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

(b) Government-Wide and Fund Financial Statements

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

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customer or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

CITY OF OWENSBORO, KENTUCKY
NOTES TO THE BASIC FINANCIAL STATEMENTS, continued
Year Ended June 30, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, the debt service expenditures, as well as expenditures related to compensated absences and claims and judgments are recorded only when payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The City reports the following governmental funds:

General Fund

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

Debt Service Fund

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

Special Revenue Funds

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

CITY OF OWENSBORO, KENTUCKY
NOTES TO THE BASIC FINANCIAL STATEMENTS, continued
Year Ended June 30, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

Downtown Development and Revitalization Fund – established to account for revenues received from Insurance License Premium Fees for revitalization and redevelopment of the downtown area. This is a major fund of the City.

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

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

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

Capital Projects Funds

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

Capital Improvements Fund – established to account for acquisition of capital assets or construction of major capital projects purchased with funds from long-term borrowings.

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

Riverfront Development Fund – established to account for grants received from federal and state grants and matching funds for development of the riverfront. This is a major fund of the City.

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

CITY OF OWENSBORO, KENTUCKY
NOTES TO THE BASIC FINANCIAL STATEMENTS, continued
Year Ended June 30, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Proprietary Funds

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

Enterprise Funds

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

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

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

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.

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

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

Internal Service Funds

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

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

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

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

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

CITY OF OWENSBORO, KENTUCKY
NOTES TO THE BASIC FINANCIAL STATEMENTS, continued
Year Ended June 30, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fiduciary Funds

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

City Employees' Pension Fund

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

Police and Firefighters Retirement Fund

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

Investment Trust Fund

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

Agency Funds

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

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

CITY OF OWENSBORO, KENTUCKY
NOTES TO THE BASIC FINANCIAL STATEMENTS, continued
Year Ended June 30, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

(d) Revenues – Exchange and Non-Exchange Transactions

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

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

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

CITY OF OWENSBORO, KENTUCKY
NOTES TO THE BASIC FINANCIAL STATEMENTS, continued
Year Ended June 30, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

(e) Deferred Revenue

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

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

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

(f) Deposits and Investments

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

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

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

Investments are stated at fair value. Fair values are obtained from market quotations on the last business day of the fiscal year. The market quotations are obtained from national security exchanges or other published sources. Kentucky Revised Statute 66.480 permits the City to invest in U.S. Treasury obligations, U.S. Agency obligations, certain Federal instruments, repurchase agreements, commercial banks' certificates of deposits, savings and loan deposits and the Commonwealth of Kentucky Investment Pool.

(g) Materials and Supplies Inventory

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

(h) Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the govern-

CITY OF OWENSBORO, KENTUCKY
 NOTES TO THE BASIC FINANCIAL STATEMENTS, continued
 Year Ended June 30, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

mental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net assets and in the respective funds.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The City maintains a capitalization threshold of five thousand dollars. The City's infrastructure consists of bridges, culverts, curbs, sidewalks, storm sewers, streets, irrigation systems and water and sewer lines. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. Interest incurred during the construction of capital assets is also capitalized.

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

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

(i) Property Taxes

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

(j) Compensated Absences

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

(k) Interfund Balances

On fund financial statements, long-term interfund loans are classified as "advances to/from other funds" on the balance sheet and are equally offset by a fund balance reserve account which indicates that they do not constitute available expendable re-

CITY OF OWENSBORO, KENTUCKY
NOTES TO THE BASIC FINANCIAL STATEMENTS, continued
Year Ended June 30, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

sources. These amounts are eliminated in the governmental and business-type activities columns of the statement of net assets, except for any net residual amounts due between governmental and business-type activities, which are presented as internal balances.

(l) Accrued Liability and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements.

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

(m) Bond Discounts/Issuance Costs

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

(n) Fund Balance Classification

Beginning with fiscal year 2010, the City implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

- Nonspendable fund balance—amounts that are not in spendable form (such as inventory) or are required to be maintained intact.
- Restricted fund balance—amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
- Committed fund balance—amounts constrained to specific purposes by the City itself, using its highest level of decision-making authority (i.e., City Commission). To be reported as committed, amounts cannot be used for any other purpose unless the City takes the same highest level action to remove or change the constraint.
- Assigned fund balance—amounts the City intends to use for a specific purpose. Intent can be expressed by the City Commission or by an official or body to which the City Commission delegates the authority.

CITY OF OWENSBORO, KENTUCKY
NOTES TO THE BASIC FINANCIAL STATEMENTS, continued
Year Ended June 30, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- 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 or resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund (such as for special incentives). Assigned fund balance is established by City Commission through adoption or amendment of the budget as intended for specific purpose (such as the purchase of fixed assets, construction, debt service, or for other purposes).

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

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

(o) Net Assets

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

(p) Interfund Activity

Transfers between governmental and business-type activities on the government-wide financial statements are reported in the same manner as general revenues.

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

(q) Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of City administration and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year ended June 30, 2010.

CITY OF OWENSBORO, KENTUCKY
NOTES TO THE BASIC FINANCIAL STATEMENTS, continued
Year Ended June 30, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(r) Estimates

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

(s) Budgetary Information

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

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

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

2. PROPERTY TAXES

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

The City is permitted by Section 157 of the Constitution of Kentucky to levy taxes up to \$1.50 per \$100 of assessed valuation for general governmental services other than school purposes. The real property tax rate to finance general governmental services other than school purposes for the year ended June 30, 2010, was \$.2593 per \$100, which means that the City has a tax margin of \$1.2407 per \$100, on the assessed valuation of \$2,624,282,863. Although this tax margin would indicate significantly higher potential tax revenues, the City is subject to a recall petition if it levies a tax rate that will produce revenue 4% greater, exclusive of revenue from net assessment growth, than would be produced by application of the tax rate that was levied in the preceding year to the preceding year's assessment. The effect of this legislation has been to limit increases in property tax revenues to minimal levels. The City's personal property and vehicle tax rates were \$.2927 and \$.3030 per \$100 of assessed value, respectively.

CITY OF OWENSBORO, KENTUCKY
 NOTES TO THE BASIC FINANCIAL STATEMENTS, continued
 Year Ended June 30, 2010

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, 2010, 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	\$21,650,937	20,790,000	1.50%-6.79%	9/10-9/17
Cash	<u>48,259,816</u>	<u>48,259,816</u>		
Totals	<u>\$69,910,753</u>	<u>69,049,816</u>		

The following condensed statements of net assets and changes in net assets for the year ended June 30, 2010, are presented for the pool as a whole:

Statement of Net Assets

Assets:	
Investments in securities, at fair value	\$21,650,937
Cash and cash equivalents	<u>48,259,816</u>
Total assets	<u>\$69,910,753</u>
Net assets:	
Net assets held in trust for external pool participants:	
Component units	\$ 1,998,894
Fiduciary:	
Pension trust funds	4,956,506
Agency funds	<u>95,458</u>
	7,050,858
Other external participants	<u>12,110,408</u>
	19,161,266
Net assets held in trust for internal pool participants	<u>50,749,487</u>
Total net assets	<u>\$69,910,753</u>
Net assets consist of:	
Participants' units outstanding (\$1.00 par)	<u>69,049,816</u>

CITY OF OWENSBORO, KENTUCKY
NOTES TO THE BASIC FINANCIAL STATEMENTS, continued
Year Ended June 30, 2010

3. DEPOSITS AND INVESTMENTS (continued)

Statement of Changes in Net Assets

Revenues:	
Interest income	\$ 1,501,939
Net change in fair value	<u>398,064</u>
Total revenues	<u>1,900,003</u>
Share transactions at net asset value of \$1.00 per share:	
Purchase of units	115,150,861
Redemption of units	<u>(107,429,725)</u>
Net increase in net assets and shares resulting from share transactions	<u>7,721,136</u>
Total increase in net assets	9,621,139
Net assets:	
Beginning of period	<u>60,289,614</u>
End of period	<u>\$69,910,753</u>

Interest Rate Risk

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

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

Credit Risk

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

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the city will not be able to recover the value of its investments that are in the possession of an outside party. All of the City's investments in U.S. government instrumentalities were held by the counterparty and carry the implicit guarantee of the U.S. government. All of the City's investments were rated AAA by Standard & Poor's and Fitch Ratings, and Aaa by Moody's Investors Service. 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

CITY OF OWENSBORO, KENTUCKY
NOTES TO THE BASIC FINANCIAL STATEMENTS, continued
Year Ended June 30, 2010

3. DEPOSITS AND INVESTMENTS (continued)

of principal, plus accrued interest. Collateral shall always be held by an independent third-party custodian with whom the City has a current custodial agreement.

As of June 30, 2010, \$51,317,060 of the City's bank balances were fully collateralized and insured by pledged securities and FDIC Insurance.

As of June 30, 2010, the City had the following investments. Investments are reported at fair values.

<u>Investments</u>	<u>Maturities</u>	
Federal Farm Credit Bank Obligations	62 months average	\$ 5,429,375
Federal Home Loan Bank Obligations	29 months average	3,624,844
Federal Home Loan Mortgage Corp. Obligations	36 months average	2,870,250
Federal National Mortgage Association Obligations	34 months average	8,044,374
Tennessee Valley Authority Obligations	60 months average	<u>1,682,094</u>
		<u>\$21,650,937</u>

Primary Government

	<u>Bank Balance</u>	<u>Carrying Amount</u>
Deposits and investments:		
Non-pooled:		
Cash and cash equivalents	<u>\$133,512</u>	\$ 133,512
Government obligations		200,972
Fiduciary cash equivalents		76,791
Fiduciary investments		<u>6,466,011</u>
		<u>6,877,286</u>
Pooled:		
Cash and cash equivalents		48,259,816
Government obligations		<u>21,650,937</u>
		<u>69,910,753</u>
Total deposits and investments		76,788,039
Less:		
External participants' equity in pool:		
Component units		(1,998,894)
Other external participants – Investment Trust Fund		(11,612,089)
Fiduciary:		
Cash equivalents		(76,791)
Equity in pool:		
Pension Trust Funds		(4,956,506)
Agency Funds		(95,458)
Investments		<u>(6,466,011)</u>
Total deposits and investments – primary government		<u>\$51,582,290</u>

CITY OF OWENSBORO, KENTUCKY
NOTES TO THE BASIC FINANCIAL STATEMENTS, continued
Year Ended June 30, 2010

3. DEPOSITS AND INVESTMENTS (continued)

Statement of Net Assets Accounts:

Equity in pooled deposits and investments	\$51,247,806
Cash and cash equivalents:	
In segregated accounts	133,399
With escrow agents	39,121
Restricted assets:	
Cash and cash equivalents	<u>161,964</u>
Total deposits and investments – primary government	<u>\$51,582,290</u>

Component Units

	<u>Bank Balance</u>	<u>Carrying Amount</u>
Deposits:		
Cash and cash equivalents	<u>\$70,048,000</u>	\$66,432,464
Investments:		
Equity in pooled deposits and investments		1,998,894
Repurchase agreements		<u>8,900,000</u>
Total investments		<u>10,898,894</u>
Total deposits and investments – component units		<u>\$77,331,358</u>

Balance Sheet Accounts:

Equity in pooled deposits and investments	\$ 1,998,894
Cash and cash equivalents	<u>14,128,587</u>
	<u>16,127,481</u>
Restricted assets:	
Cash and cash equivalents	52,303,877
Investments	8,900,000
Other restricted assets	<u>12,263,381</u>
	<u>73,467,258</u>
Less other restricted assets	<u>(12,263,381)</u>
Total deposits and investments – component units	<u>\$77,331,358</u>

CITY OF OWENSBORO, KENTUCKY
NOTES TO THE BASIC FINANCIAL STATEMENTS, continued
Year Ended June 30, 2010

4. RESTRICTED ASSETS

Primary Government

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

Debt Service Fund:

Cash with trustee	\$ <u>161,964</u>
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Component Units

Certain assets of Owensboro Municipal Utilities as of May 31, 2010, which are restricted, consist of the following:

Electric Light and Power System:

Cash and investments	\$45,450,655
Investments	8,900,000
Purchased power receivable	3,472,021
Accrued interest receivable	275,539
Fuel inventory, at cost	8,147,011
Other	<u>368,520</u>
	<u>66,613,746</u>

Water Works System:

Cash and equivalents	6,853,222
Accrued interest receivable	<u>290</u>
	<u>6,853,512</u>

Total restricted assets – component units	<u>\$73,467,258</u>
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CITY OF OWENSBORO, KENTUCKY
NOTES TO THE BASIC FINANCIAL STATEMENTS, continued
Year Ended June 30, 2010

5. CAPITAL ASSETS

Primary Government

Capital asset activity for the City for the year ended June 30, 2010 was as follows:

	<u>Balance</u> <u>June 30, 2009</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2010</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 17,071,380	\$ 3,745,015	\$ (13,496)	\$ 20,802,899
Capital assets, being depreciated:				
Land improvements/infrastructure	83,470,251	22,273,655	(65,442)	105,678,464
Buildings	22,866,473	1,670,962	-	24,537,435
Vehicles	8,204,905	585,473	(389,227)	8,401,151
Machinery and equipment	3,967,454	1,002,864	(32,798)	4,937,520
Total capital assets, being depreciated	<u>118,509,083</u>	<u>25,532,954</u>	<u>(487,467)</u>	<u>143,554,570</u>
Less accumulated depreciation for:				
Land improvements/infrastructure	(23,191,395)	(4,411,571)	34,357	(27,568,609)
Buildings	(8,986,851)	(890,972)	-	(9,877,823)
Vehicles	(5,992,043)	(779,018)	358,462	(6,412,599)
Machinery and equipment	(3,382,521)	(257,431)	32,798	(3,607,154)
Total accumulated depreciation	<u>(41,552,810)</u>	<u>(6,338,992)</u>	<u>425,617</u>	<u>(47,466,185)</u>
Total capital assets, being depreciated, net	<u>76,956,273</u>	<u>19,193,962</u>	<u>(61,850)</u>	<u>96,088,385</u>
Governmental activities capital assets, net	<u>\$ 94,027,653</u>	<u>\$ 22,938,977</u>	<u>\$ (75,346)</u>	<u>\$ 116,891,284</u>
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 118,739	\$ -	\$ -	\$ 118,739
Capital assets, being depreciated:				
Land improvements	545,446	18,971	-	564,417
Buildings	2,557,622	32,130	-	2,589,752
Vehicles	5,165,724	1,519,957	(495,320)	6,190,361
Machinery and equipment	404,628	242,116	(75,720)	571,024
Total capital assets, being depreciated	<u>8,673,420</u>	<u>1,813,174</u>	<u>(571,040)</u>	<u>9,915,554</u>
Less accumulated depreciation for:				
Land improvements	(545,446)	(949)	-	(546,395)
Buildings	(1,950,642)	(72,784)	-	(2,023,426)
Vehicles	(2,996,784)	(586,141)	495,320	(3,087,605)
Machinery and equipment	(297,093)	(64,519)	75,720	(285,892)
Total accumulated depreciation	<u>(5,789,965)</u>	<u>(724,393)</u>	<u>571,040</u>	<u>(5,943,318)</u>
Total capital assets, being depreciated, net	<u>2,883,455</u>	<u>1,088,781</u>	<u>-</u>	<u>3,972,236</u>
Business-type activities capital assets, net	<u>\$ 3,002,194</u>	<u>\$ 1,088,781</u>	<u>\$ -</u>	<u>\$ 4,090,975</u>

CITY OF OWENSBORO, KENTUCKY
NOTES TO THE BASIC FINANCIAL STATEMENTS, continued
Year Ended June 30, 2010

5. CAPITAL ASSETS (continued)

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

Governmental activities:	
General government	\$ 1,149,027
Public safety	339,867
Public works	1,775,458
Community and cultural	3,074,640
Total depreciation expense, governmental activities	<u>\$ 6,338,992</u>
Business-type activities:	
Sanitation	\$ 421,380
Transit	298,438
Recreation	3,528
Geographic information system	1,047
Total depreciation expense, business-type activities	<u>\$ 724,393</u>

Component Units

Capital asset activity for Owensboro Municipal Utilities for the year ended May 31, 2010, was as follows:

	<u>Balance</u> <u>May 31, 2009</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>May 31, 2010</u>
Electric Light and Power System:				
Capital assets, not being depreciated:				
Construction in progress	\$ 3,978,298	\$ 1,059,456	\$ -	\$ 5,037,754
Capital assets, being depreciated:				
Utility plant	386,514,575	3,293,799	(1,083,001)	388,725,373
Less accumulated depreciation	<u>(192,148,169)</u>	<u>(13,776,941)</u>	<u>873,654</u>	<u>(205,051,456)</u>
Total capital assets, being depreciated, net	<u>194,366,406</u>	<u>(10,483,142)</u>	<u>(209,347)</u>	<u>183,673,917</u>
Electric Light and Power System capital assets, net	<u>\$ 198,344,704</u>	<u>\$ (9,423,686)</u>	<u>\$ (209,347)</u>	<u>\$ 188,711,671</u>
Water Works System:				
Capital assets, not being depreciated:				
Construction in progress	\$ 2,044,577	\$ 278,612	\$ -	\$ 2,323,189
Capital assets, being depreciated:				
Utility plant	68,585,128	1,285,387	(139,297)	69,731,218
Less accumulated depreciation	<u>(24,980,884)</u>	<u>(2,128,837)</u>	<u>343,488</u>	<u>(26,766,233)</u>
Total capital assets, being depreciated, net	<u>43,604,244</u>	<u>(843,450)</u>	<u>204,191</u>	<u>42,964,985</u>
Water Works System capital assets, net	<u>\$ 45,648,821</u>	<u>\$ (564,838)</u>	<u>\$ 204,191</u>	<u>\$ 45,288,174</u>

CITY OF OWENSBORO, KENTUCKY
NOTES TO THE BASIC FINANCIAL STATEMENTS, continued
Year Ended June 30, 2010

5. CAPITAL ASSETS (continued)

Capital asset activity for Owensboro Riverport Authority for the year ended June 30, 2010, was as follows:

	Balance June 30, 2009	Increases	Decreases	Balance June 30, 2010
Capital assets, not being depreciated:				
Land and land improvements	\$ 6,465,363	\$ 100,649	\$ -	\$ 6,566,012
Construction in progress	-	-	-	-
Total capital assets, not being depreciated	<u>6,465,363</u>	<u>100,649</u>	<u>-</u>	<u>6,566,012</u>
Capital assets, being depreciated:				
Port facilities	22,948,040	196,106	-	23,144,146
Machinery and equipment	5,357,729	511,686	(280,777)	5,588,638
Office furniture and equipment	1,314,088	24,515	-	1,338,603
Property on operating leases	487,600	-	-	487,600
Total capital assets, being depreciated	<u>30,107,457</u>	<u>732,307</u>	<u>(280,777)</u>	<u>30,558,987</u>
Less accumulated depreciation for:				
Port facilities	(8,181,323)	(716,596)	-	(8,897,919)
Machinery and equipment	(4,021,861)	(345,768)	252,344	(4,115,285)
Office furniture and equipment	(793,128)	(100,520)	-	(893,648)
Property on operating leases	(480,408)	(1,415)	-	(481,823)
Total accumulated depreciation	<u>(13,476,720)</u>	<u>(1,164,299)</u>	<u>252,344</u>	<u>(14,388,675)</u>
Total capital assets, being depreciated, net	<u>16,630,737</u>	<u>(431,992)</u>	<u>(28,433)</u>	<u>16,170,312</u>
Owensboro Riverport Authority capital assets, net	<u>\$ 23,096,100</u>	<u>\$ (331,343)</u>	<u>\$ (28,433)</u>	<u>\$ 22,736,324</u>

CITY OF OWENSBORO, KENTUCKY
NOTES TO THE BASIC FINANCIAL STATEMENTS, continued
Year Ended June 30, 2010

6. LONG-TERM LIABILITIES

Primary Government

Long-term liability activity for the City for the year ended June 30, 2010, was as follows:

	<u>Balance June 30, 2009</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2010</u>	<u>Due Within One Year</u>
Governmental activities:					
Bonds and loans payable:					
Lease revenue bonds:					
Series 1989	\$ 465,000	\$ -	\$ (60,000)	\$ 405,000	\$ 60,000
Floating indebtedness bonds:					
Series 2005	42,700	-	(4,300)	38,400	4,300
General obligation bonds:					
Series 1999	225,000	-	(70,000)	155,000	75,000
Series 2002A	2,455,000	-	(145,000)	2,310,000	150,000
Series 2002B	5,250,000	-	(305,000)	4,945,000	320,000
Series 2003A	2,132,000	-	(229,000)	1,903,000	239,000
Series 2006	3,665,000	-	(160,000)	3,505,000	165,000
Series 2006 Refunding	1,640,000	-	(250,000)	1,390,000	260,000
Series 2007	7,095,000	-	-	7,095,000	7,095,000
Series 2008	2,605,000	-	(95,000)	2,510,000	100,000
Series 2009	20,000,000	-	-	20,000,000	-
Series 2009 BABs	-	5,070,000	-	5,070,000	150,000
Loans Payable:					
KIA A07-04	<u>5,344,343</u>	<u>4,172,705</u>	<u>-</u>	<u>9,517,048</u>	<u>-</u>
	50,919,043	9,242,705	(1,318,300)	58,843,448	8,618,300
Less deferred amounts:					
For issuance discounts	(202,007)	(25,350)	61,038	(166,319)	-
On refunding	<u>(348,409)</u>	<u>-</u>	<u>73,072</u>	<u>(275,337)</u>	<u>-</u>
Total bonds and loans payable	50,368,627	9,217,355	(1,184,190)	58,401,792	8,618,300
Net pension obligation	-	-	-	-	-
Compensated absences	<u>3,548,604</u>	<u>1,811,994</u>	<u>(1,634,037)</u>	<u>3,726,561</u>	<u>266,607</u>
Total governmental	<u>\$53,917,231</u>	<u>\$11,029,349</u>	<u>\$(2,818,227)</u>	<u>\$62,128,353</u>	<u>\$ 8,884,907</u>
Business-type activities:					
Compensated absences	<u>\$ 261,088</u>	<u>\$ 255,387</u>	<u>\$ (179,448)</u>	<u>\$ 337,027</u>	<u>\$ 5,863</u>

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

Long-term debt of the City at June 30, 2010, consisted of the following:

Series 1989 Lease Revenue Bonds:

3.27% variable rate bonds with principal due annually and interest due semi-annually through January 2019 \$ 405,000

Series 2005 Floating Indebtedness Bonds:

3.27% variable rate bonds with principal and interest due semi-annually through January 2019 38,400

CITY OF OWENSBORO, KENTUCKY
NOTES TO THE BASIC FINANCIAL STATEMENTS, continued
Year Ended June 30, 2010

6. LONG-TERM LIABILITIES (continued)

Series 1999 General Obligation Bonds: 4.0%-4.35% with principal due annually and interest due semi-annually through August 2011	155,000
Series 2002A General Obligation Bonds: 4%-5% with principal due annually and interest due semi-annually through February 2022	2,310,000
Series 2002B General Obligation Bonds: 3%-5% with principal due annually and interest due semi-annually through September 2021	4,945,000
Series 2003A General Obligation Bonds: 2.0%-4.375% with principal due annually and interest due semi-annually through June 2017	1,903,000
Series 2006 General Obligation Bonds: 3.75% with principal due annually and interest due semi-annually through March 2026	3,505,000
Series 2006 Refunding General Obligation Bonds: 3.50%-3.85% with principal due annually and interest due semi-annually through June 2015	1,390,000
Series 2007 General Obligation Bonds: 3.00% with interest due semi-annually through December 2010 at which time principal is due	7,095,000
Kentucky Infrastructure Authority Federally Assisted Wastewater Revolving Loan A07-04: 1% with semi-annual interest only until final closing, thereafter, due in semi-annual principal and interest payments for a period not to exceed twenty years	9,517,048
Series 2008 General Obligation Bonds: 2.20%-3.50% with principal due annually and interest due semi-annually through July 2028	2,510,000
Series 2009 General Obligation Bonds: 3.25% with interest due semi-annually through July 2012 at which time principal is due	20,000,000
Series 2009 General Obligation Build America Bonds: 4.75-5.50% with principal due annually and interest due semi-annually through October 2029	<u>5,070,000</u>
	<u>\$58,843,448</u>

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

CITY OF OWENSBORO, KENTUCKY
NOTES TO THE BASIC FINANCIAL STATEMENTS, continued
Year Ended June 30, 2010

6. LONG-TERM LIABILITIES (continued)

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

In prior years, the City defeased certain general obligation and other bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the City's financial statements. On June 30, 2010, \$4,278,942 of bonds outstanding is considered defeased.

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

<u>Year Ending June 30:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 8,618,300	\$ 1,834,224	\$ 10,452,524
2012	1,985,415	1,684,998	3,670,413
2013	21,970,747	1,293,090	23,263,837
2014	2,045,122	898,663	2,943,785
2015	2,109,541	825,388	2,934,929
2016-2020	9,035,960	3,080,602	12,116,562
2021-2025	7,361,379	1,503,282	8,864,661
2026-2030	5,194,697	440,166	5,634,863
2031	<u>522,287</u>	<u>4,704</u>	<u>526,991</u>
	<u>\$ 58,843,448</u>	<u>\$ 11,565,117</u>	<u>\$ 70,408,565</u>

In connection with the American Recovery and Reinvestment Act of 2009 (Act), the City issued the Series 2009 General Obligation Build America Bonds. Under the Act, state and local governments were authorized to issue taxable bonds to finance capital expenditures for which they could otherwise issue tax-exempt bonds, and receive from the IRS a direct interest subsidy totaling 35% of the total coupon interest paid to investors. The interest subsidy totaled \$39,113 for fiscal year 2010. Remaining interest subsidies through maturity of the bonds are as follows:

<u>Year Ending June 30:</u>	
2011	\$ 91,389
2012	88,812
2013	86,111
2014	83,285
2015	80,292
2016-2020	351,752
2021-2025	242,791
2026-2029	<u>90,523</u>
	<u>\$ 1,114,955</u>

CITY OF OWENSBORO, KENTUCKY
NOTES TO THE BASIC FINANCIAL STATEMENTS, continued
Year Ended June 30, 2010

6. LONG-TERM LIABILITIES (continued)

Component Units

Owensboro Municipal Utilities Electric Light and Power System

Long-term liability activity for the year ended May 31, 2010, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Bonds Payable:					
Series of 1991-B	\$120,935,974	\$ 8,077,090	\$(15,725,000)	\$113,288,064	\$15,116,090
Series of 2002-A	29,280,000	-	(1,920,000)	27,360,000	2,045,000
Series of 2002-B	<u>9,955,000</u>	<u>-</u>	<u>(725,000)</u>	<u>9,230,000</u>	<u>750,000</u>
	160,170,974	8,077,090	(18,370,000)	149,878,064	17,911,090
Less unamortized debt Discount	<u>(360,757)</u>	<u>-</u>	<u>34,087</u>	<u>(326,670)</u>	<u>-</u>
Total bonds payable	159,810,217	8,077,090	(18,335,913)	149,551,394	17,911,090
Other liabilities:					
Payable to Kentucky Utilities Company	<u>3,930,316</u>	<u>723,168</u>	<u>(368,007)</u>	<u>4,285,477</u>	<u>4,285,477</u>
Total long-term liabilities	<u>\$163,740,533</u>	<u>\$ 8,800,258</u>	<u>\$(18,703,920)</u>	<u>\$153,836,871</u>	<u>\$22,196,567</u>

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

Series of 1991-B:

Deferred interest bonds including interest compounded semi-annually at 6.70% to 6.95%, principal and interest due from 2005 to 2020 (original principal outstanding bonds at May 31, 2010, was \$32,110,765) \$113,288,064

Series of 2002-A:

6.34% due 2020, subject to annual pro rata sinking fund redemption from 2005 to 2020 27,360,000

Series of 2002-B:

Current interest bonds of 3.25% to 4.75%, due from 2005 to 2017 6,000,000

5.0% due 2020, subject to annual pro rata sinking fund redemption from 2018 to 2020 3,230,000

Total \$149,878,064

Less current maturities (17,911,090)

Less unamortized debt discount (326,670)

Total \$131,640,304

CITY OF OWENSBORO, KENTUCKY
NOTES TO THE BASIC FINANCIAL STATEMENTS, continued
Year Ended June 30, 2010

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>
2011	\$ 18,520,000	\$ 2,166,224	\$ 20,686,224
2012	18,680,000	2,005,634	20,685,634
2013	18,850,000	1,834,589	20,684,589
2014	19,035,000	1,652,478	20,687,478
2015	19,230,000	1,458,356	20,688,356
2016-2020	<u>99,525,000</u>	<u>3,908,599</u>	<u>103,433,599</u>
	<u>\$ 193,840,000</u>	<u>\$ 13,025,880</u>	<u>\$ 206,865,880</u>

The scheduled principal maturities include \$43,961,936 of interest scheduled to be incurred in future years on deferred interest bonds, which will be compounded and added to the original principal amounts.

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

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

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

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

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

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

CITY OF OWENSBORO, KENTUCKY
NOTES TO THE BASIC FINANCIAL STATEMENTS, continued
Year Ended June 30, 2010

6. LONG-TERM LIABILITIES (continued)

Owensboro Municipal Utilities Water Works System

Long-term liability activity for the year ended May 31, 2010, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Bonds Payable:					
Series of 1999	\$ 3,125,000	\$ -	\$ -	\$ 3,125,000	\$ 335,000
Series of 2003	3,730,000	-	(185,000)	3,545,000	190,000
Series of 2009	<u>19,160,000</u>	<u>-</u>	<u>-</u>	<u>19,160,000</u>	<u>-</u>
	26,015,000	-	(185,000)	25,830,000	525,000
Add unamortized debt premium	370,555	-	(14,633)	355,922	-
Less unamortized deferred loss on debt defeasance	<u>(968,194)</u>	<u>-</u>	<u>116,767</u>	<u>(851,427)</u>	<u>-</u>
Total bonds payable	<u>\$ 25,417,361</u>	<u>\$ -</u>	<u>\$ (82,866)</u>	<u>\$ 25,334,495</u>	<u>\$ 525,000</u>

Long-term debt at May 31, 2010, consists of the following Water Revenue Bonds:

Series of 1999: 4.3% to 4.75% due serially September 15, 2010 to 2017	\$ 3,125,000
Series of 2003: 3.0% to 4.25%, due serially September 15, 2010 to 2023	3,545,000
Series of 2009: 5.0% to 5.25%, due serially September 15, 2018 to 2035	<u>19,160,000</u>
Total	25,830,000
Less current maturities	(525,000)
Less unamortized debt discount	355,922
Less unamortized deferred loss on debt defeasance	<u>(851,427)</u>
	<u>\$24,809,495</u>

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

<u>Year ending May 31:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 525,000	\$ 1,244,589	\$ 1,769,589
2012	545,000	1,223,946	1,768,946
2013	570,000	1,201,915	1,771,915
2014	595,000	1,178,240	1,773,240
2015	620,000	1,152,091	1,772,091
2016-2020	3,560,000	5,301,656	8,861,656
2021-2025	4,515,000	4,350,456	8,865,456
2026-2030	5,765,000	3,094,125	8,859,125
2031-2035	7,410,000	1,446,925	8,856,925
2036-2040	<u>1,725,000</u>	<u>45,281</u>	<u>1,770,281</u>
	<u>\$25,830,000</u>	<u>\$20,239,224</u>	<u>\$46,069,224</u>

CITY OF OWENSBORO, KENTUCKY
NOTES TO THE BASIC FINANCIAL STATEMENTS, continued
Year Ended June 30, 2010

6. LONG-TERM LIABILITIES (continued)

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

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

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

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

On February 5, 2009, the City issued \$19,160,000 of Water Revenue Refunding and Improvement Bonds, Series 2009, dated February 5, 2009. The 2009 Bonds were issued to refund a portion of the 1999 series bonds, to fund various capital improvement expenditures for the Water System and to fully fund the Bond Reserve Account. The in-substance defeasance of the 1999 Bonds was accomplished by placing approximately \$11,803,854 in proceeds from the 2009 Bonds and \$591,666 in funds from the 1999 Bond Sinking Fund in an irrevocable escrow fund to be used solely for satisfying scheduled debt service payments of the 1999 Bonds. Accordingly, 1999 Bonds in the amount of \$12,120,000, net of unamortized discount and issuance costs of \$181,145 and accrued interest payable of \$214,591, were extinguished resulting in the accounting recognition of a loss from defeasance of \$242,074, reported in the accompanying financial statements as a reduction of long-term debt. The City advance refunded the 1999 bonds to extend the repayment period of the bonds and reduce its near term annual debt payments. The advance refunding resulted in an economic loss (difference between the present value of the debt service payment on the old and new debt) of \$476,174.

The Series 2009 Bonds maturing on and after September 15, 2019, are subject to redemption prior to maturity in whole or in part on September 15, 2018, and on any date thereafter, at the redemption price of 100% of the principal amount redeemed, plus accrued interest to the redemption date.

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

CITY OF OWENSBORO, KENTUCKY
NOTES TO THE BASIC FINANCIAL STATEMENTS, continued
Year Ended June 30, 2010

6. LONG-TERM LIABILITIES (continued)

Owensboro Riverport Authority

Long-term debt and lease obligations activity for the year ended June 30, 2010, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Current Maturities</u>
Variable rate lease obligation payable in monthly installments, until October 2016, effective rate was .29% at June 30, 2010	\$4,226,505	\$ -	\$ 573,382	\$3,653,123	\$ 587,893
Land lease obligation for advanced lease payments of \$12,750 monthly until February 2015	859,750	-	155,101	704,649	155,292
Capital lease obligation	<u>71,305</u>	<u>-</u>	<u>27,397</u>	<u>43,908</u>	<u>28,882</u>
	<u>\$5,157,560</u>	<u>\$ -</u>	<u>\$ 755,880</u>	<u>\$4,401,680</u>	<u>\$ 772,067</u>

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

Scheduled aggregate maturities of lease obligations are as follows:

<u>Year ending June 30:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 772,067	\$ 58,993	\$ 831,060
2012	770,922	52,302	823,224
2013	769,499	46,510	816,009
2014	783,410	40,998	824,408
2015	720,259	35,321	755,580
2016	<u>585,523</u>	<u>27,356</u>	<u>612,879</u>
	<u>\$ 4,401,680</u>	<u>\$ 261,480</u>	<u>\$ 4,663,160</u>

7. PENSION PLANS

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

Plan Descriptions:

City Employees' Pension Fund (CEPF)

Participants of the CEPF were full-time Civil Service employees of the City (except for police and firefighters) and OMU as of October 6, 1986, who elected to remain in the CEPF rather than enter the CERS. Employees hired after October 6, 1986 are required to participate in the CERS. No active employees remain in the CEPF. A single-

CITY OF OWENSBORO, KENTUCKY
NOTES TO THE BASIC FINANCIAL STATEMENTS, continued
Year Ended June 30, 2010

7. PENSION PLANS (continued)

employer, defined-benefit plan, the CEPF was created by ordinance on August 13, 1946, under KRS 90.310-90.410. Benefit provisions and contribution requirements are established under these authorities. A board of trustees consisting of the Mayor, two commissioners and four employees administers the plan.

Police and Firefighters' Retirement Fund (PFRF)

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

The CEPF and PFRF issue publicly available financial reports that include financial statements and required supplementary information. These financial reports may be obtained from the City's Finance Director, City Hall, Owensboro, Kentucky 42303.

Significant Plan Accounting Policies:

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

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

	<u>CEPF</u>	<u>PFRF</u>
Contribution rates:		
City	-	-
Plan members	-	-
Annual required contribution	\$ -	\$ 187,474
Interest on net pension obligation	\$ (759)	\$ (148,654)
Adjustment to annual required contribution	\$ (1,023)	\$ (216,006)
Annual pension cost	\$ 264	\$ 254,826
Contributions made	\$ -	\$ -
Actuarial valuation date	June 30, 2009	June 30, 2009
Change in net pension obligation	\$ 264	\$ 254,826
Net pension obligation (negative)	\$ (10,577)	\$ (2,154,616)
Actuarial cost method	Entry age	Entry age
Amortization method	Level dollar – closed	Level dollar – closed
Remaining amortization period	20 years	20 years
Asset valuation method	Market	Market
Actuarial assumptions:		
Investment rate of return	7.0%	6.0%
Inflation rate	None	None
Projected salary increases	None	None
Cost of living adjustment	None	None

CITY OF OWENSBORO, KENTUCKY
NOTES TO THE BASIC FINANCIAL STATEMENTS, continued
Year Ended June 30, 2010

7. PENSION PLANS (continued)

Methods Used to Value Investments: Plan investments are reported at fair value. Investments at June 30, 2010, consist of investments in mutual funds.

Fiscal Year ended June 30,	Three-Year Trend Information		
	Annual Pension Cost (APC)	Percentage of APC Contributed	(Negative) Net Pension Obligation
CEPF: 6/30/2010	\$ 264	-	\$ (10,577)
6/30/2009	\$ 271	-	\$ (10,841)
6/30/2008	\$ 278	-	\$ (11,112)
PFRF: 6/30/2010	\$254,826	-	\$ (2,154,616)
6/30/2009	\$256,554	78%	\$ (2,409,442)
6/30/2008	\$ 68,525	-	\$ (2,465,996)

Schedules of Funding Progress
(Required supplementary information)

Year Ended June 30,	Actuarial Value of Assets	Actuarial Accrued Liability – Entry Age	Funded (Unfunded) Actuarial Liability	Funded Ratio	Covered Payroll	Funded (Unfunded) Actuarial Accrued Liability as a Percentage of Covered Payroll
CEPF:						
2010	\$3,916,086	\$3,362,870	\$ 553,216	116.5%	\$ -	n/a
2009	\$3,900,904	\$3,542,858	\$ 358,046	110.1%	\$ -	n/a
2008	\$5,000,515	\$3,734,318	\$ 1,266,197	133.9%	\$ -	n/a
PFRF:						
2010	\$6,107,711	\$8,418,823	\$(2,311,112)	72.5%	\$ -	n/a
2009	\$6,796,171	\$9,075,485	\$(2,279,314)	74.9%	\$ -	n/a
2008	\$7,916,697	\$8,636,528	\$ (719,831)	91.7%	\$ -	n/a

County Employees Retirement System (CERS)

Substantially all of the City's full-time employees, as well as employees for Owensboro Municipal Utilities and Owensboro Riverport Authority participate in the County Employees Retirement System (CERS). The CERS is a multiple-employer, cost-sharing, defined benefit pension plan administered by the Board of Trustees of Kentucky Retirement Systems. CERS provides retirement, disability, and death benefits to plan members. Retirement benefits may be extended to beneficiaries of plan members under certain circumstances. Cost-of-living adjustments (COLA) are provided at the discretion of the State legislature. KRS 61.645 assigns the authority to establish and amend benefit provisions to the Kentucky Retirement System Board of Trustees. The Kentucky Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for CERS. That report may be obtained by writing to Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, KY 40601, or by calling 1-502-564-4646.

CITY OF OWENSBORO, KENTUCKY
 NOTES TO THE BASIC FINANCIAL STATEMENTS, continued
 Year Ended June 30, 2010

7. PENSION PLANS (continued)

Funding Policy: Plan members participating in CERS on or before August 31, 2008, are required to contribute 5% or 8% of their annual creditable compensation for non-hazardous and hazardous, respectively. For plan members who began participating in CERS on or after September 1, 2008, these contribution rates are 6% and 9%, respectively. The City is required to contribute at an actuarially determined rate. The current rate is 16.16% of annual covered payroll for nonhazardous employees and 32.97% for hazardous employees. The contribution requirements of plan members, the City, and component units are established and may be amended by the Kentucky Retirement System Board of Trustees. Contributions to CERS for the years ended June 30, 2010, 2009, and 2008, were equal to the required contributions for each year and are as follows:

	<u>2010</u>	<u>2009</u>	<u>2008</u>
City of Owensboro	\$4,505,220	\$3,841,539	\$4,401,079
Component Units:			
Owensboro Municipal Utilities:			
Electric Light and Power System	\$2,097,000	\$1,707,000	\$1,785,000
Water Works System	\$ 415,000	\$ 340,000	\$ 364,000
Owensboro Riverport Authority	\$ 244,570	\$ 219,552	\$ 282,437

8. LEASES

Primary Government

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

(a) Museum of Fine Art, Inc. Lease

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

(b) Owensboro Independent School District

Under the terms of an agreement dated July 20, 2004, the City entered into a twenty-year lease agreement with Owensboro Independent School District relating to the assignment of Shifley Park, together with all equipment, fixtures and improvement thereon, for athletic and other recreational events. The agreement provided for a one-time payment of \$210,000, which was being recognized as rental income over the twenty-year lease term. In September of 2008, that lease agreement was amended to reflect an extended total lease term of twenty-four years. Rental income for fiscal year 2010 totaled \$10,501, resulting in deferred revenue of \$147,014 at June 30, 2010. The lease automatically renews June 30 of each successive year for \$1.00 per annum.

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

Land	\$ 41,220
Buildings	<u>1,349,037</u>
	1,390,257
Less accumulated depreciation	<u>(832,371)</u>
	<u>\$ 557,886</u>

CITY OF OWENSBORO, KENTUCKY
 NOTES TO THE BASIC FINANCIAL STATEMENTS, continued
 Year Ended June 30, 2010

8. LEASES (continued)

Component Units

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

Owensboro Riverport Authority

Lessor

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

Investments in property on operating leases at June 30, 2010, are as follows:

Asphalt pad	\$ 25,324
Bulk storage warehouse	<u>462,276</u>
	487,600
Less accumulated depreciation	<u>(481,823)</u>
	<u>\$ 5,777</u>

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

<u>Year ending June 30:</u>	
2011	\$ 1,207,656
2012	1,199,556
2013	1,039,583
2014	967,395
2015	967,395
Thereafter	<u>9,561,602</u>
	<u>\$ 14,943,187</u>

Contingent rentals included in operating income are based upon through-put agreements and totaled \$35,213 in 2010.

Lessee

The Authority's leasing operations consist of leased warehouse space under operating leases, all of which are renewable on a yearly basis, and various equipment leases. Total rent expense under these lease agreements for the year ended June 30, 2010, was \$59,121.

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

2011	\$ 28,321
2012	<u>17,676</u>
	<u>\$ 45,997</u>

The Authority is obligated under a lease for equipment that is accounted for as a capital lease. Assets under the capital lease at June 30, 2010, totaled \$40,008, net of accumulated depreciation of \$93,351. Amortization of the capital lease included in depreciation expense totaled \$26,672 for the year ended June 30, 2010. The following is a schedule by year of future mini-

CITY OF OWENSBORO, KENTUCKY
 NOTES TO THE BASIC FINANCIAL STATEMENTS, continued
 Year Ended June 30, 2010

8. LEASES (continued)

minimum lease payments under the capital lease obligation including interest at 5.32%, together with the present value of the future minimum lease payments as of June 30, 2010:

<u>Year ending June 30:</u>	<u>Total</u>
2011	\$ 30,520
2012	<u>15,260</u>
Total minimum lease payments	45,780
Less amount representing interest	<u>(1,872)</u>
Present value of future minimum lease payments	\$ <u><u>43,908</u></u>

9. PROJECT FINANCING

RiverPark Center

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

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

Owensboro Symphony Orchestra

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

CITY OF OWENSBORO, KENTUCKY
NOTES TO THE BASIC FINANCIAL STATEMENTS, continued
Year Ended June 30, 2010

9. PROJECT FINANCING (continued)

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

<u>Year ending June 30,</u>	
2011	\$ 547,556
2012	543,980
2013	544,470
2014	548,762
2015	541,946
2016-2020	2,717,241
2021-2022	<u>1,087,375</u>
Net minimum lease payments	6,531,330
Less amount representing interest	<u>(1,547,930)</u>
Present value of minimum lease payments	<u>\$ 4,983,400</u>

10. DEFERRED COMPENSATION PLANS

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

11. COMPENSATED ABSENCES

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

- 1) To receive a cash payment equal to fifty (50) percent of their current salary value of accumulated sick leave,
- 2) To apply all accumulated sick leave as a credit toward years of service, included in the calculation of pension benefits, or
- 3) To elect a combination of Option 1 and Option 2.

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

The liability for the aforementioned compensated absences is recorded as a non-current liability on the statement of net assets, and benefits paid under these provisions during fiscal year 2010 totaled \$160,242 for governmental activities and \$144 for business-type activities.

CITY OF OWENSBORO, KENTUCKY
NOTES TO THE BASIC FINANCIAL STATEMENTS, continued
Year Ended June 30, 2010

12. INTERFUND BALANCES

There were no interfund receivables or payables between the governmental funds at June 30, 2010.

Interfund balances involving 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:		
Investment Trust Fund	\$ 498,319	\$ -
Agency Fund:		
School District Tax Fund	26,351	-
Major Governmental Funds:		
General Fund	-	26,351
Riverfront Development Fund	-	213,778
Nonmajor Governmental Funds:		
Community Development Fund	<u>-</u>	<u>284,541</u>
	<u>\$ 524,670</u>	<u>\$ 524,670</u>

Receivable and payable balances involving component units at June 30, 2010, were as follows:

<u>Primary Government</u>	<u>Receivable</u>	<u>Payable</u>
General Fund	\$ 107,631	\$ 192,138
Sanitation Fund	731,528	-
GIS Fund	35,640	-
	<u>\$ 874,799</u>	<u>\$ 192,138</u>
<u>Component Unit</u>		
Owensboro Municipal Utilities	<u>\$ 192,138</u>	<u>\$ 874,799</u>

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

13. TRANSFERS

Interfund transfers for the year ended June 30, 2010, consisted of the following:

Transfers out:	Transfer in:									
	Major Governmental Funds		Nonmajor Governmental Funds			Enterprise Funds				
	General Fund	Debt Service Fund	Capital Improvements Fund	Greenbelt Fund	Transit Fund	G.I.S Fund	Parking Garage Fund	Recreation Fund	Total	
Major Governmental Funds:										
General Fund	\$ -	\$ 812,888	\$ 230,000	\$ -	\$ 617,103	\$ 88,280	\$ 30,805	\$ 681,990	\$ 2,461,066	
Your Community Vision Fund	133,863	560,966	-	76,448	-	-	-	-	771,277	
Downtown Development and Revitalization Fund	-	772,778	-	-	-	-	-	-	772,778	
									<u>4,005,121</u>	
Enterprise Funds:										
Sanitation Fund	-	-	800,000	-	-	-	-	-	800,000	
Recreation Fund	-	20,998	-	-	-	-	-	-	20,998	
									<u>820,998</u>	
Fiduciary Funds:										
Police and Firefighters' Retirement Fund	-	309,157	-	-	-	-	-	-	309,157	
	<u>\$ 133,863</u>	<u>\$ 2,476,787</u>	<u>\$ 1,030,000</u>	<u>\$ 76,448</u>	<u>\$ 617,103</u>	<u>\$ 88,280</u>	<u>\$ 30,805</u>	<u>\$ 681,990</u>	<u>\$ 5,135,276</u>	

NOTE: Transfers are used to :

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

14. FUND BALANCE CLASSIFICATIONS

The composition of the fund balance classifications at June 30, 2010 are as follows:

	Major Governmental Funds						Total
	General Fund	Your Community Vision Fund	Downtown Development and Revitalization Fund	Debt Service Fund	Riverfront Development Fund	Nonmajor Governmental Funds	
Fund balances:	\$ 17,184	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 17,184
Nonspendable:	17,184	-	-	-	-	-	17,184
Inventory	-	-	-	-	-	-	-
Restricted for:	-	7,095,000	-	161,972	-	-	7,256,972
Debt service	-	-	9,228,279	-	-	-	9,228,279
Downtown development	-	-	-	-	3,207,402	-	3,207,402
Riverfront project	-	-	-	-	-	431,742	431,742
Police services	-	-	-	-	-	533,376	533,376
Airport expansion	-	-	-	-	-	172,480	172,480
Parks and wellness	-	-	-	-	-	1,157,666	1,157,666
Public works building	-	7,095,000	9,228,279	161,972	3,207,402	2,295,264	21,987,917
Committed:	164,963	-	-	-	-	-	164,963
General government	31,377	-	-	-	-	-	31,377
Public safety	8,406	-	-	-	-	-	8,406
Public works	8,201	-	-	-	-	51,157	59,358
Parks	-	6,100,061	-	-	-	818,540	6,918,601
Stormwater maintenance and capital projects	-	-	1,343,226	-	-	-	1,343,226
Downtown development	-	-	-	-	-	323,406	323,406
Economic development	212,947	6,100,061	1,343,226	-	-	1,193,103	8,849,337
Assigned:	-	-	-	-	-	-	-
Unassigned:	9,451,482	-	-	-	-	-	9,451,482
Total fund balances	\$ 9,681,613	\$ 13,195,061	\$ 10,571,505	\$ 161,972	\$ 3,207,402	\$ 3,488,367	\$ 40,305,920

NOTE:

The City has \$23,069,518 of encumbrances of operating funds in major and nonmajor funds at June 30, 2010, which rolled over into the next fiscal year.

CITY OF OWENSBORO, KENTUCKY
NOTES TO THE BASIC FINANCIAL STATEMENTS, continued
Year Ended June 30, 2010

15. RISK MANAGEMENT

Primary Government

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

All funds of the City participate in the program and make payments to the Insurance Fund based on historical cost information of the amounts needed to pay prior and current year claims. The claims liability of \$416,942 reported in the Insurance Fund at June 30, 2010, 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 since July 1, 2007, are as follows:

Fiscal year ended June 30	Beginning of Fiscal Year Liability	Current Year Claims & Changes in Estimates	Claims Payments	End of Fiscal Year Liability
2010	\$561,422	\$3,093,390	\$(3,237,870)	\$416,942
2009	\$714,934	\$2,843,498	\$(2,997,010)	\$561,422
2008	\$715,467	\$3,461,353	\$(3,461,886)	\$714,934

Component Units

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

The Owensboro Riverport Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Authority purchases commercial insurance for the risks of losses to which it is exposed.

CITY OF OWENSBORO, KENTUCKY
NOTES TO THE BASIC FINANCIAL STATEMENTS, continued
Year Ended June 30, 2010

16. POWER SALE CONTRACT - COMPONENT UNIT

The City and the City Utility Commission had a Contract with KU which allowed KU to purchase the surplus power produced at ESGS in excess of the capacity and electric energy output that the Electric System elected to take to supply the City, its inhabitants, and other customers. ESGS is operated as a separate division within the Electric System. Power sold by ESGS to the Electric System and KU under this agreement was priced to cover all operating and debt service (principal and interest) requirements of ESGS, and such requirements were allocated to each party based on usage and demand, as defined in the Contract. Since revenue under this agreement included recovery of amounts equal to debt service requirements, the sinking fund method of depreciation was adopted in order to match costs and related revenues. This Contract was to expire on January 1, 2020, unless extended by mutual consent or terminated as provided in the Contract. The Contract provided that amounts contributed to the restricted asset funds by KU and OMU be maintained in such funds until the related bonds were no longer outstanding. If the Contract with KU was terminated, amounts contributed by KU were to be paid to them upon termination. Payable to KU for such contributions, plus certain interest earned on such funds, less certain amounts credited to KU that have not been fully earned, totaled \$4,285,477 at May 31, 2010. OMU and the City of Owensboro gave notice to KU of the exercise of their right to terminate the Contract, and accordingly, the Contract was terminated effective May 17, 2010.

17. TRANSFERS – COMPONENT UNITS

Owensboro Municipal Utilities

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

The Ordinance calls for the transfer to the City of a sum equal to the dollar value of services purchased by the City from the Electric Light and Power System in the fiscal year, not to exceed \$700,000 for the fiscal year ended June 30, 1985, and thereafter increasing at a compound rate of 5% per annum. Transfers to the City under this ordinance and agreement were \$7,707,869 for 2010.

The Water Works System transfers to the General Fund each year a sum equal to the dollar value of service purchased by the City from the Water Works System. Transfers to the General Fund under this ordinance were \$132,834 for the year.

Owensboro Riverport Authority

The Authority made transfers to the General Fund in the amount of \$215,000 for the year.

18. COMMITMENTS AND CONTINGENCIES

Primary Government

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

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

CITY OF OWENSBORO, KENTUCKY
 NOTES TO THE BASIC FINANCIAL STATEMENTS, continued
 Year Ended June 30, 2010

18. COMMITMENTS AND CONTINGENCIES (continued)

Component Units

The OMU Electric Light and Power System has entered into contracts to purchase fuel and related products for electric generation. Although contracts have termination provisions, minimum future payments on these contracts for the years ending May 31 are estimated to be as follows:

<u>Year ending May 31,</u>	
2011	\$ 52,408,317
2012	44,031,372
2013	30,602,924
2014	19,128,503
2015	<u>1,276,042</u>
	<u>\$ 147,447,158</u>

OMU has been identified by the United States Environmental Protection Agency as one of numerous parties that may be liable for damages under federal law with respect to a superfund hazardous waste site. Through May 31, 2010, 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.

19. DISCLOSURE ABOUT FAIR VALUE OF FINANCIAL STATEMENTS

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

20. CONDUIT DEBT OBLIGATIONS

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

At June 30, 2010, two of these bond issues were outstanding with principal balances totaling \$7,240,000.

21. JOINT VENTURE

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

CITY OF OWENSBORO, KENTUCKY
NOTES TO THE BASIC FINANCIAL STATEMENTS, continued
Year Ended June 30, 2010

21. JOINT VENTURE (continued)

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, 2010.

The City's equity interest in the Owensboro-Daviess County Regional Airport at June 30, 2010, was \$13,673,306 and is reported as investment in joint venture in the statement of net assets. Because the City's participation in the joint venture is for investment purposes, the increase in this investment of \$755,383 for the year ended June 30, 2010, is reported as general revenue in the statement of activities.

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

22. DEFICIT FUND EQUITY

No funds of the City had a deficit fund balance as of June 30, 2010.

CITY OF OWENSBORO, KENTUCKY
SCHEDULES OF FUNDING PROGRESS
FIDUCIARY FUNDS
June 30, 2010

Year Ended	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability - Entry Age (AAL) (b)	Funded (Unfunded) AAL [F(U)AAL] (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	F(U)AAL as a Percentage of Covered Payroll [(a-b)/c]
City Employees' Pension Fund							
June 30, 2010	June 30, 2009	\$ 3,916,086	\$ 3,362,870	\$ 553,216	116.5%	\$ -	N/A
June 30, 2009	June 30, 2009	\$ 3,900,904	\$ 3,542,858	\$ 358,046	110.1%	\$ -	N/A
June 30, 2008	June 30, 2007	\$ 5,000,515	\$ 3,734,318	\$ 1,266,197	133.9%	\$ -	N/A
Police and Firefighters' Retirement Fund							
June 30, 2010	June 30, 2009	\$ 6,107,711	\$ 8,418,823	\$ (2,311,112)	72.5%	\$ -	N/A
June 30, 2009	June 30, 2009	\$ 6,796,171	\$ 9,075,485	\$ (2,279,314)	74.9%	\$ -	N/A
June 30, 2008	June 30, 2007	\$ 7,916,697	\$ 8,636,528	\$ (719,831)	91.7%	\$ -	N/A

CITY OF OWENSBORO, KENTUCKY
SCHEDULES OF EMPLOYER CONTRIBUTIONS
FIDUCIARY FUNDS
June 30, 2010

Year Ended	Annual Required Contribution	Actual Contribution	Percentage Contribution
<u>City Employees' Pension Fund</u>			
June 30, 2010	\$ -	\$ -	-
June 30, 2009	\$ -	\$ -	-
June 30, 2008	\$ -	\$ -	-
<u>Police and Firefighters' Retirement Fund</u>			
June 30, 2010	\$ 187,474	\$ -	-
June 30, 2009	\$ 187,474	\$ 200,000	107%
June 30, 2008	\$ 6,700	\$ -	-

CITY OF OWENSBORO, KENTUCKY
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
Year Ended June 30, 2010

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Taxes:				
Real and personal property	\$ 7,892,570	\$ 7,892,570	\$ 8,081,736	\$ 189,166
Personal tax-state collected	950,560	950,560	925,492	(25,068)
Total taxes	<u>8,843,130</u>	<u>8,843,130</u>	<u>9,007,228</u>	<u>164,098</u>
Licenses and permits:				
Occupational:				
Employees' withholding	9,910,625	9,910,625	9,883,300	(27,325)
Net profits	1,896,000	1,896,000	2,437,779	541,779
Regulatory:				
Insurance license fee	3,537,360	3,537,360	3,694,084	156,724
Alcoholic beverage license fee	60,000	60,000	68,300	8,300
Franchise fee	933,000	933,000	788,105	(144,895)
Other	542,000	542,000	536,104	(5,896)
Total licenses and permits	<u>16,878,985</u>	<u>16,878,985</u>	<u>17,407,672</u>	<u>528,687</u>
Intergovernmental revenues:				
Data processing fees	742,300	742,300	617,139	(125,161)
Federal grants	162,086	172,784	226,026	53,242
State grants - KLEFPF incentive	760,000	760,000	792,441	32,441
City's portion of state gasoline tax	950,000	950,000	1,034,433	84,433
LGEA mineral severance tax	75,000	75,000	75,991	991
County contribution	-	153,033	153,033	-
Total intergovernmental revenues	<u>2,689,386</u>	<u>2,853,117</u>	<u>2,899,063</u>	<u>45,946</u>
Charges for services:				
Tax collection	234,575	234,575	222,326	(12,249)
Management fee	588,200	588,200	593,160	4,960
Total charges for services	<u>822,775</u>	<u>822,775</u>	<u>815,486</u>	<u>(7,289)</u>
Other revenues:				
Fines and forfeitures	155,000	155,000	132,250	(22,750)
Investment income	210,000	210,000	222,264	12,264
Dividends from component units	6,022,523	6,022,523	6,076,605	54,082
Payments in lieu of taxes	1,959,600	1,959,600	2,015,823	56,223
Miscellaneous	446,818	446,818	457,155	10,337
Total other revenues	<u>8,793,941</u>	<u>8,793,941</u>	<u>8,904,097</u>	<u>110,156</u>
Total revenues	<u>38,028,217</u>	<u>38,191,948</u>	<u>39,033,546</u>	<u>841,598</u>

CITY OF OWENSBORO, KENTUCKY
BUDGETARY COMPARISON SCHEDULE, CONCLUDED
GENERAL FUND
Year Ended June 30, 2010

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Positive (Negative)
Expenditures:				
Administration	1,279,470	1,243,720	1,202,589	41,131
Community development	367,012	375,310	354,531	20,779
Engineering	1,686,707	2,085,486	1,637,591	447,895
Finance	1,291,920	1,251,920	1,151,020	100,900
Fire	8,005,592	7,984,092	7,962,381	21,711
Information technology	2,902,757	2,740,426	2,262,109	478,317
Parks	1,345,253	1,323,875	1,278,203	45,672
Personnel	694,802	672,946	580,830	92,116
Police	11,160,946	11,013,531	10,444,536	568,995
Street	1,961,169	2,017,226	1,875,220	142,006
General government	3,473,028	4,695,248	4,430,505	264,743
Community services	1,588,647	1,727,400	1,685,592	41,808
Total expenditures	<u>35,757,303</u>	<u>37,131,180</u>	<u>34,865,107</u>	<u>2,266,073</u>
Excess of revenues over expenditures	<u>2,270,914</u>	<u>1,060,768</u>	<u>4,168,439</u>	<u>3,107,671</u>
Other financing sources (uses):				
Sale of capital assets	5,000	5,000	5,957	957
Transfer in	-	133,863	133,863	-
Transfers out	<u>(2,274,930)</u>	<u>(2,445,500)</u>	<u>(2,461,066)</u>	<u>(15,566)</u>
Total other financing sources (uses)	<u>(2,269,930)</u>	<u>(2,306,637)</u>	<u>(2,321,246)</u>	<u>(14,609)</u>
Net change in fund balances	984	(1,245,869)	1,847,193	3,093,062
Fund balances, beginning of year	<u>7,834,420</u>	<u>7,834,420</u>	<u>7,834,420</u>	<u>-</u>
Fund balances, end of year	<u>\$ 7,835,404</u>	<u>\$ 6,588,551</u>	<u>\$ 9,681,613</u>	<u>\$ 3,093,062</u>

CITY OF OWENSBORO, KENTUCKY
BUDGETARY COMPARISON SCHEDULE
YOUR COMMUNITY VISION SPECIAL REVENUE FUND
Year Ended June 30, 2010

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Occupational licenses	\$ 3,311,974	\$ 3,311,974	\$ 3,435,285	\$ 123,311
Net profit license fee	630,000	630,000	808,115	178,115
Interest	-	-	296,841	296,841
Fees, licenses and permits	15,000	15,000	35,003	20,003
Intergovernmental	-	1,063,017	535,399	(527,618)
Total revenues	<u>3,956,974</u>	<u>5,019,991</u>	<u>5,110,643</u>	<u>90,652</u>
Expenditures:				
Public works	1,058,207	1,182,318	937,067	245,251
Capital outlay	<u>1,297,224</u>	<u>23,512,206</u>	<u>6,106,482</u>	<u>17,405,724</u>
Total expenditures	<u>2,355,431</u>	<u>24,694,524</u>	<u>7,043,549</u>	<u>17,650,975</u>
Excess (deficiency) of revenues over expenditures	<u>1,601,543</u>	<u>(19,674,533)</u>	<u>(1,932,906)</u>	<u>17,741,627</u>
Other financing sources (uses):				
Issuance of debt	-	17,557,823	4,172,705	(13,385,118)
Transfers out	<u>(1,958,391)</u>	<u>(2,136,376)</u>	<u>(771,277)</u>	<u>1,365,099</u>
Total other financing sources (uses)	<u>(1,958,391)</u>	<u>15,421,447</u>	<u>3,401,428</u>	<u>(12,020,019)</u>
Net change in fund balances	(356,848)	(4,253,086)	1,468,522	5,721,608
Fund balances, beginning of year	<u>11,726,539</u>	<u>11,726,539</u>	<u>11,726,539</u>	<u>-</u>
Fund balances, end of year	<u>\$ 11,369,691</u>	<u>\$ 7,473,453</u>	<u>\$ 13,195,061</u>	<u>\$ 5,721,608</u>

CITY OF OWENSBORO, KENTUCKY
BUDGETARY COMPARISON SCHEDULE
DOWNTOWN DEVELOPMENT AND REVITALIZATION FUND
Year Ended June 30, 2010

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Regulatory licenses	\$ 1,468,889	\$ 1,468,889	\$ 1,134,981	\$ (333,908)
Interest	-	-	321,216	321,216
Miscellaneous	-	-	31,708	31,708
Total revenues	<u>1,468,889</u>	<u>1,468,889</u>	<u>1,487,905</u>	<u>19,016</u>
Expenditures:				
Community/economic development	2,152,222	3,084,120	1,194,133	1,889,987
Capital outlay	-	13,507,264	4,039,085	9,468,179
Total expenditures	<u>2,152,222</u>	<u>16,591,384</u>	<u>5,233,218</u>	<u>11,358,166</u>
Excess (deficiency) of revenues over expenditures	<u>(683,333)</u>	<u>(15,122,495)</u>	<u>(3,745,313)</u>	<u>11,377,182</u>
Other financing sources (uses):				
Issuance of debt	1,131,111	1,131,111	-	(1,131,111)
Discount on bonds issued	1,131,111	-	-	-
Transfers out	<u>(447,778)</u>	<u>(772,778)</u>	<u>(772,778)</u>	<u>-</u>
Total other financing sources (uses)	<u>1,814,444</u>	<u>358,333</u>	<u>(772,778)</u>	<u>(1,131,111)</u>
Net change in fund balances	1,131,111	(14,764,162)	(4,518,091)	10,246,071
Fund balances, beginning of year	<u>15,089,596</u>	<u>15,089,596</u>	<u>15,089,596</u>	<u>-</u>
Fund balances, end of year	<u>\$ 16,220,707</u>	<u>\$ 325,434</u>	<u>\$ 10,571,505</u>	<u>\$ 10,246,071</u>

CITY OF OWENSBORO, KENTUCKY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (RSI)
ON BUDGETARY ACCOUNTING AND CONTROL
Year Ended June 30, 2010

Stewardship, compliance and accountability:

Budgets and budgetary accounting:

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



CITY OF OWENSBORO, KENTUCKY
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
 June 30, 2010

	Special Revenue					Capital Projects					Total Nonmajor Governmental Funds
	Community Development Fund	Greenbelt Fund	Drug and Property Recovery Fund	Economic Development Fund	Total Special Revenue Funds	Airpark Fund	Capital Improvements Fund	Wellness Fund	Total Capital Projects Funds		
ASSETS											
Equity in pooled deposits and investments	\$ -	\$ 51,157	\$ 244,132	\$ 373,406	\$ 668,695	\$ -	\$ 2,103,554	\$ 172,480	\$ 2,276,034	\$ 2,944,729	
Accounts receivable	86,684	-	111,576	-	198,260	-	8,435	-	8,435	206,695	
Taxes receivable	-	-	-	69,510	69,510	-	-	-	-	69,510	
Intergovernmental receivable	351,953	-	101,435	-	453,388	533,376	203,493	-	736,869	1,190,257	
Total assets	\$ 438,637	\$ 51,157	\$ 457,143	\$ 442,916	\$ 1,389,853	\$ 533,376	\$ 2,315,482	\$ 172,480	\$ 3,021,338	\$ 4,411,191	
LIABILITIES AND FUND BALANCES											
Liabilities:											
Accounts payable	\$ 67,412	\$ -	\$ 23,512	\$ 50,000	\$ 140,924	\$ -	\$ 339,276	\$ -	\$ 339,276	\$ 480,200	
Accrued wages	-	-	1,889	-	1,889	-	-	-	-	1,889	
Intergovernmental payable	284,541	-	-	-	284,541	-	-	-	-	284,541	
Deferred revenue	86,684	-	-	69,510	156,194	-	-	-	-	156,194	
Total liabilities	438,637	-	25,401	119,510	583,548	-	339,276	-	339,276	922,824	
Fund balances:											
Nonspendable	-	-	431,742	-	431,742	533,376	1,157,666	172,480	1,863,522	2,295,264	
Restricted	-	51,157	-	323,406	374,563	-	818,540	-	818,540	1,193,103	
Committed	-	-	-	-	-	-	-	-	-	-	
Assigned	-	-	-	-	-	-	-	-	-	-	
Unassigned	-	-	-	-	-	-	-	-	-	-	
Total fund balances	-	51,157	431,742	323,406	806,305	533,376	1,976,206	172,480	2,682,062	3,488,367	
Total liabilities and fund balances	\$ 438,637	\$ 51,157	\$ 457,143	\$ 442,916	\$ 1,389,853	\$ 533,376	\$ 2,315,482	\$ 172,480	\$ 3,021,338	\$ 4,411,191	

CITY OF OWENSBORO, KENTUCKY
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
 Year Ended June 30, 2010

	Special Revenue					Capital Projects				Total Nonmajor Governmental Funds
	Community Development Fund	Greenbelt Fund	Drug and Property Recovery Fund	Economic Development Fund	Total Special Revenue Funds	Airpark Fund	Capital Improvements Fund	Wellness Fund	Total Capital Projects Funds	
Revenues:										
Real and personal property taxes	\$ -	\$ -	\$ -	\$ 269,646	\$ 269,646	\$ -	\$ -	\$ -	\$ -	\$ 269,646
Occupational licenses	-	-	-	464,228	464,228	-	-	-	-	464,228
Net profit license fee	-	-	-	6,622	6,622	-	-	-	-	6,622
Regulatory licenses	-	-	-	181,653	181,653	-	-	-	-	181,653
Intergovernmental	1,133,391	149,634	415,686	-	1,698,711	-	377,029	-	377,029	2,075,740
Interest	-	1,161	11,092	6,151	18,404	-	44,380	4,504	48,884	67,288
Rentals	21,665	-	-	-	21,665	-	-	-	-	21,665
Contributions and donations	-	-	12,276	-	12,276	-	-	-	-	12,276
Other	-	-	274,343	-	274,343	-	-	-	-	274,343
Total revenues	1,155,056	150,795	713,397	928,300	2,947,548	-	421,409	4,504	425,913	3,373,461
Expenditures:										
Current:										
General government	-	-	-	-	-	-	-	-	-	-
Public safety	-	-	333,034	-	333,034	-	-	-	-	333,034
Public works	373,016	-	-	-	373,016	-	58,452	-	58,452	431,468
Community and cultural	-	-	-	748,548	748,548	-	-	-	-	748,548
Community/economic development	951,737	-	-	-	951,737	12,504	-	-	12,504	964,241
Debt service:										
Issuance costs	-	-	-	-	-	-	8,861	-	8,861	8,861
Capital outlay	-	226,082	392,384	-	618,466	-	2,641,575	10,080	2,651,655	3,270,121
Total expenditures	1,324,753	226,082	725,418	748,548	3,024,801	12,504	2,708,888	10,080	2,731,472	5,756,273
Excess of revenues over (under) expenditures	(169,697)	(75,287)	(12,021)	179,752	(77,253)	(12,504)	(2,287,479)	(5,576)	(2,305,559)	(2,382,812)
Other financing sources (uses):										
Sale of capital assets	169,697	-	16,422	-	186,119	-	-	-	-	186,119
Issuance of debt	-	-	-	-	-	-	1,014,000	-	1,014,000	1,014,000
Refunding bonds issued	-	-	-	-	-	-	-	-	-	-
Payment to refunding bond escrow	-	-	-	-	-	-	(5,070)	-	(5,070)	(5,070)
Discount on bonds issued	-	-	-	-	-	-	1,030,000	-	1,030,000	1,030,000
Transfers in	-	76,448	-	-	76,448	-	-	-	-	76,448
Transfers out	-	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	169,697	76,448	16,422	-	262,567	-	2,038,930	-	2,038,930	2,301,497
Net change in fund balances	-	1,161	4,401	179,752	185,314	(12,504)	(248,549)	(5,576)	(266,629)	(81,315)
Fund balances, beginning of year	-	49,996	427,341	143,654	620,991	545,880	2,224,755	178,056	2,948,691	3,569,682
Fund balances, end of year	\$ -	\$ 51,157	\$ 431,742	\$ 323,406	\$ 806,305	\$ 533,376	\$ 1,976,206	\$ 172,480	\$ 2,682,062	\$ 3,488,367

CITY OF OWENSBORO, KENTUCKY
BUDGETARY COMPARISON SCHEDULE
COMMUNITY DEVELOPMENT SPECIAL REVENUE FUND
Year Ended June 30, 2010

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Intergovernmental	\$ 851,949	\$ 2,109,631	\$ 1,133,391	\$ (976,240)
Rentals	<u>20,000</u>	<u>20,000</u>	<u>21,665</u>	<u>1,665</u>
Total revenues	<u>871,949</u>	<u>2,129,631</u>	<u>1,155,056</u>	<u>(974,575)</u>
Expenditures:				
Public works	541,088	1,047,782	373,016	674,766
Community/economic development	<u>330,861</u>	<u>1,411,849</u>	<u>951,737</u>	<u>460,112</u>
Total expenditures	<u>871,949</u>	<u>2,459,631</u>	<u>1,324,753</u>	<u>1,134,878</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>(330,000)</u>	<u>(169,697)</u>	<u>160,303</u>
Other financing sources (uses):				
Sale of capital assets	<u>-</u>	<u>330,000</u>	<u>169,697</u>	<u>(160,303)</u>
Net change in fund balances	-	-	-	-
Fund balances, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF OWENSBORO, KENTUCKY
BUDGETARY COMPARISON SCHEDULE
GREENBELT SPECIAL REVENUE FUND
Year Ended June 30, 2010

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Intergovernmental	\$ -	\$ 248,115	\$ 149,634	\$ (98,481)
Interest	-	-	1,161	1,161
Total revenues	<u>-</u>	<u>248,115</u>	<u>150,795</u>	<u>(97,320)</u>
Expenditures:				
Capital outlay	-	248,115	226,082	22,033
Total expenditures	<u>-</u>	<u>248,115</u>	<u>226,082</u>	<u>22,033</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>-</u>	<u>(75,287)</u>	<u>(75,287)</u>
Other financing sources (uses):				
Transfers in	-	-	76,448	76,448
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>76,448</u>	<u>76,448</u>
Net change in fund balances	-	-	1,161	1,161
Fund balances, beginning of year	<u>49,996</u>	<u>49,996</u>	<u>49,996</u>	<u>-</u>
Fund balances, end of year	<u>\$ 49,996</u>	<u>\$ 49,996</u>	<u>\$ 51,157</u>	<u>\$ 1,161</u>

CITY OF OWENSBORO, KENTUCKY
BUDGETARY COMPARISON SCHEDULE
DRUG AND PROPERTY RECOVERY SPECIAL REVENUE FUND
Year Ended June 30, 2010

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Intergovernmental	\$ -	\$ 803,234	\$ 415,686	\$ (387,548)
Interest	7,375	7,375	11,092	3,717
Donations	16,485	16,485	12,276	(4,209)
Restitution and other income	55,500	55,500	274,343	218,843
Total revenues	<u>79,360</u>	<u>882,594</u>	<u>713,397</u>	<u>(169,197)</u>
Expenditures:				
Public safety	173,581	236,480	333,034	(96,554)
Capital outlay	-	850,822	392,384	458,438
Total expenditures	<u>173,581</u>	<u>1,087,302</u>	<u>725,418</u>	<u>361,884</u>
Excess (deficiency) of revenues over expenditures	<u>(94,221)</u>	<u>(204,708)</u>	<u>(12,021)</u>	<u>192,687</u>
Other financing sources (uses):				
Sale of capital assets	3,500	3,500	16,422	12,922
Transfers in	-	40,588	-	(40,588)
Transfers out	(25,000)	(25,000)	-	25,000
Total other financing sources (uses)	<u>(21,500)</u>	<u>19,088</u>	<u>16,422</u>	<u>(2,666)</u>
Net change in fund balances	(115,721)	(185,620)	4,401	190,021
Fund balances, beginning of year	427,341	427,341	427,341	-
Fund balances, end of year	<u>\$ 311,620</u>	<u>\$ 241,721</u>	<u>\$ 431,742</u>	<u>\$ 190,021</u>

CITY OF OWENSBORO, KENTUCKY
BUDGETARY COMPARISON SCHEDULE
ECONOMIC DEVELOPMENT SPECIAL REVENUE FUND
Year Ended June 30, 2010

	<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	\$ 172,900	\$ 172,900	\$ 269,646	\$ 96,746
Occupational licenses	420,571	420,571	464,228	43,657
Net profit license fee	50,939	50,939	6,622	(44,317)
Regulatory licenses	300,000	300,000	181,653	(118,347)
Interest	-	-	6,151	6,151
Total revenues	<u>944,410</u>	<u>944,410</u>	<u>928,300</u>	<u>(16,110)</u>
Expenditures:				
Community/economic development	<u>1,048,189</u>	<u>1,050,082</u>	<u>748,548</u>	<u>301,534</u>
Excess (deficiency) of revenues over expenditures	<u>(103,779)</u>	<u>(105,672)</u>	<u>179,752</u>	<u>285,424</u>
Net change in fund balances	(103,779)	(105,672)	179,752	285,424
Fund balances, beginning of year	<u>143,654</u>	<u>143,654</u>	<u>143,654</u>	<u>-</u>
Fund balances, end of year	<u>\$ 39,875</u>	<u>\$ 37,982</u>	<u>\$ 323,406</u>	<u>\$ 285,424</u>

CITY OF OWENSBORO, KENTUCKY
COMBINING STATEMENT OF NET ASSETS
NONMAJOR PROPRIETARY FUNDS
June 30, 2010

	Enterprise Funds				Total Nonmajor Enterprise Funds
	Transit Fund	Geographic Information System Fund	Parking Garage Operations Fund	Recreation Fund	
ASSETS					
Current assets:					
Equity in pooled deposits and investments	\$ 159,152	\$ 84,368	\$ 2,253	\$ 464,215	\$ 709,988
Cash and cash equivalents:					
In segregated accounts	100	-	-	7,130	7,230
Accounts receivable	1,373	10,640	5,546	53,402	70,961
Component units receivable	-	35,640	-	-	35,640
Intergovernmental receivable	106,937	-	-	-	106,937
Materials and supplies inventory	-	-	-	16,694	16,694
Prepaid expenses	-	-	-	-	-
Total current assets	<u>267,562</u>	<u>130,648</u>	<u>7,799</u>	<u>541,441</u>	<u>947,450</u>
Noncurrent assets:					
Capital assets, net of accumulated depreciation:					
Land	-	-	-	105,739	105,739
Depreciable capital assets	<u>2,009,817</u>	<u>2,617</u>	<u>-</u>	<u>31,754</u>	<u>2,044,188</u>
Total noncurrent assets	<u>2,009,817</u>	<u>2,617</u>	<u>-</u>	<u>137,493</u>	<u>2,149,927</u>
Total assets	<u>\$ 2,277,379</u>	<u>\$ 133,265</u>	<u>\$ 7,799</u>	<u>\$ 678,934</u>	<u>\$ 3,097,377</u>
LIABILITIES AND NET ASSETS					
Current liabilities:					
Accounts payable	\$ 8,882	\$ 110	\$ -	\$ 109,269	\$ 118,261
Accrued liabilities	22,594	7,378	2,312	23,331	55,615
Compensated absences	1,973	-	-	-	1,973
Unearned revenue	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,515</u>	<u>1,515</u>
Total current liabilities	<u>33,449</u>	<u>7,488</u>	<u>2,312</u>	<u>134,115</u>	<u>177,364</u>
Non-current liabilities:					
Due in more than one year	<u>69,472</u>	<u>50,272</u>	<u>-</u>	<u>61,738</u>	<u>181,482</u>
Total non-current liabilities	<u>69,472</u>	<u>50,272</u>	<u>-</u>	<u>61,738</u>	<u>181,482</u>
Total liabilities	<u>102,921</u>	<u>57,760</u>	<u>2,312</u>	<u>195,853</u>	<u>358,846</u>
Net assets:					
Invested in capital assets	2,009,817	2,617	-	137,493	2,149,927
Unrestricted	<u>164,641</u>	<u>72,888</u>	<u>5,487</u>	<u>345,588</u>	<u>588,604</u>
Total net assets	<u>2,174,458</u>	<u>75,505</u>	<u>5,487</u>	<u>483,081</u>	<u>2,738,531</u>
Total liabilities and net assets	<u>\$ 2,277,379</u>	<u>\$ 133,265</u>	<u>\$ 7,799</u>	<u>\$ 678,934</u>	<u>\$ 3,097,377</u>

CITY OF OWENSBORO, KENTUCKY
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
NONMAJOR PROPRIETARY FUNDS
Year Ended June 30, 2010

	Enterprise Funds				Total Nonmajor Enterprise Funds
	Transit Fund	Geographic Information System Fund	Parking Garage Operations Fund	Recreation Fund	
Operating revenues:					
Charges for services	\$ 130,316	\$ 262,419	\$ 56,126	\$ 1,182,397	\$ 1,631,258
Miscellaneous income	-	-	-	45,909	45,909
Total operating revenues	<u>130,316</u>	<u>262,419</u>	<u>56,126</u>	<u>1,228,306</u>	<u>1,677,167</u>
Operating expenses:					
Salaries, wages, and benefits	856,414	320,468	38,664	766,692	1,982,238
Maintenance	222,559	18,222	30,305	460,367	731,453
Utilities	18,935	7,545	9,802	195,778	232,060
Supplies	142,211	153	16	256,645	399,025
Other	213,094	28,441	2,657	118,476	362,668
Depreciation	298,438	1,047	-	3,528	303,013
Total operating expenses	<u>1,751,651</u>	<u>375,876</u>	<u>81,444</u>	<u>1,801,486</u>	<u>4,010,457</u>
Operating loss	<u>(1,621,335)</u>	<u>(113,457)</u>	<u>(25,318)</u>	<u>(573,180)</u>	<u>(2,333,290)</u>
Nonoperating revenues:					
Gain on sale of capital assets	3,653	-	-	-	3,653
Interest	-	1,786	-	-	1,786
Operating grants	1,484,000	-	-	-	1,484,000
Capital grants	445,741	-	-	-	445,741
Total nonoperating revenues	<u>1,933,394</u>	<u>1,786</u>	<u>-</u>	<u>-</u>	<u>1,935,180</u>
Loss before transfers	312,059	(111,671)	(25,318)	(573,180)	(398,110)
Transfers in	617,103	88,280	30,805	681,990	1,418,178
Transfers out	-	-	-	(20,998)	(20,998)
Change in net assets	929,162	(23,391)	5,487	87,812	999,070
Net assets, beginning of year	<u>1,245,296</u>	<u>98,896</u>	<u>-</u>	<u>395,269</u>	<u>1,739,461</u>
Net assets, end of year	<u>\$ 2,174,458</u>	<u>\$ 75,505</u>	<u>\$ 5,487</u>	<u>\$ 483,081</u>	<u>\$ 2,738,531</u>

CITY OF OWENSBORO, KENTUCKY
COMBINING STATEMENT OF CASH FLOWS
NONMAJOR PROPRIETARY FUNDS
Year Ended June 30, 2010

	Enterprise Funds				Total Nonmajor Enterprise Funds
	Transit Fund	Geographic Information System Fund	Parking Garage Operations Fund	Recreation Fund	
Cash flows from operating activities:					
Cash received from customers	\$ 225,139	\$ 270,256	\$ 50,580	\$ 1,228,055	\$ 1,774,030
Cash payments to employees for services	(848,421)	(269,075)	(36,352)	(764,920)	(1,918,768)
Cash payments to suppliers	(593,388)	(54,251)	(42,780)	(941,973)	(1,632,392)
Cash payments for interfund services used	-	-	-	-	-
Net cash used in operating activities	<u>(1,216,670)</u>	<u>(53,070)</u>	<u>(28,552)</u>	<u>(478,838)</u>	<u>(1,777,130)</u>
Cash flows from noncapital financing activities:					
Government grants	1,822,804	-	-	-	1,822,804
Transfers in	617,103	88,280	30,805	681,990	1,418,178
Transfers out	-	-	-	(20,998)	(20,998)
Net cash provided by noncapital financing activities	<u>2,439,907</u>	<u>88,280</u>	<u>30,805</u>	<u>660,992</u>	<u>3,219,984</u>
Cash flows from capital and related financing activities:					
Proceeds from sale of capital assets	3,653	-	-	-	3,653
Payments for capital acquisitions	(1,098,463)	-	-	(35,282)	(1,133,745)
Net cash used in capital and related financing activities	<u>(1,094,810)</u>	<u>-</u>	<u>-</u>	<u>(35,282)</u>	<u>(1,130,092)</u>
Cash flows from investing activities:					
Interest on investments	-	1,786	-	-	1,786
Net increase in cash and cash equivalents	128,427	36,996	2,253	146,872	314,548
Cash and cash equivalents, beginning of year	30,825	47,372	-	324,473	402,670
Cash and cash equivalents, end of year	<u>\$ 159,252</u>	<u>\$ 84,368</u>	<u>\$ 2,253</u>	<u>\$ 471,345</u>	<u>\$ 717,218</u>
Reconciliation of operating loss to net cash used in operating activities:					
Operating loss	\$ (1,621,335)	\$ (113,457)	\$ (25,318)	\$ (573,180)	\$ (2,333,290)
Adjustments to reconcile operating loss to net cash used in operating activities:					
Depreciation	298,438	1,047	-	3,528	303,013
Change in assets and liabilities:					
(Increase) decrease in assets:					
Accounts receivable	94,823	10,324	(5,546)	(251)	99,350
Component unit receivable	-	3,763	-	-	3,763
Materials and supplies inventory	-	-	-	(2,310)	(2,310)
Prepaid expenses	-	-	-	-	-
Increase (decrease) in liabilities:					
Accounts payable	3,411	110	-	91,603	95,124
Unearned revenue	-	(6,250)	-	-	(6,250)
Accrued liabilities	3,076	1,121	2,312	(1,298)	5,211
Compensated absences	4,917	50,272	-	3,070	58,259
Interfund payables	-	-	-	-	-
Net cash used in operating activities	<u>\$ (1,216,670)</u>	<u>\$ (53,070)</u>	<u>\$ (28,552)</u>	<u>\$ (478,838)</u>	<u>\$ (1,777,130)</u>



CITY OF OWENSBORO, KENTUCKY
COMBINING STATEMENT OF NET ASSETS
INTERNAL SERVICE FUNDS
June 30, 2010

	Governmental Activities Internal Service Funds				
	Facilities Maintenance Fund	Insurance Fund	Garage Service Fund	Fleet and Facilities Fund	Total Internal Service Funds
ASSETS					
Current assets:					
Equity in pooled deposits and investments	\$ 764,897	\$ 1,654,937	\$ 448,528	\$ 2,449,454	\$ 5,317,816
Cash and cash equivalents:					
In segregated accounts	-	104,920	100	-	105,020
Accounts receivable	-	-	-	-	-
Material and supplies inventory	-	-	29,284	-	29,284
Prepaid expenses	-	20,771	-	-	20,771
Total current assets	<u>764,897</u>	<u>1,780,628</u>	<u>477,912</u>	<u>2,449,454</u>	<u>5,472,891</u>
Noncurrent assets:					
Capital assets, net of accumulated depreciation:					
Depreciable capital assets	7,427	-	2,498	1,720,670	1,730,595
Total noncurrent assets	<u>7,427</u>	<u>-</u>	<u>2,498</u>	<u>1,720,670</u>	<u>1,730,595</u>
Total assets	<u>\$ 772,324</u>	<u>\$ 1,780,628</u>	<u>\$ 480,410</u>	<u>\$ 4,170,124</u>	<u>\$ 7,203,486</u>
LIABILITIES AND NET ASSETS					
Current liabilities:					
Accounts payable	\$ 60,767	\$ 418,862	\$ 78,544	\$ -	\$ 558,173
Accrued liabilities	33,113	-	16,028	-	49,141
Total liabilities	<u>93,880</u>	<u>418,862</u>	<u>94,572</u>	<u>-</u>	<u>607,314</u>
Net assets:					
Invested in capital assets	7,427	-	2,498	1,720,670	1,730,595
Unrestricted	671,017	1,361,766	383,340	2,449,454	4,865,577
Total net assets	<u>678,444</u>	<u>1,361,766</u>	<u>385,838</u>	<u>4,170,124</u>	<u>6,596,172</u>
Total liabilities and net assets	<u>\$ 772,324</u>	<u>\$ 1,780,628</u>	<u>\$ 480,410</u>	<u>\$ 4,170,124</u>	<u>\$ 7,203,486</u>

CITY OF OWENSBORO, KENTUCKY
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
INTERNAL SERVICE FUNDS
Year Ended June 30, 2010

	Governmental Activities Internal Service Funds				
	Facilities Maintenance Fund	Insurance Fund	Garage Service Fund	Fleet and Facilities Fund	Total Internal Service Funds
Operating revenues:					
Charges for services	\$ 2,879,136	\$ 3,782,882	\$ 1,331,335	\$ 1,274,109	\$ 9,267,462
Miscellaneous income	-	-	10,581	-	10,581
Total operating revenues	2,879,136	3,782,882	1,341,916	1,274,109	9,278,043
Operating expenses:					
Salaries, wages, and benefits	1,574,556	-	585,806	-	2,160,362
Maintenance	1,319,842	-	35,670	613,798	1,969,310
Utilities	19,726	-	11,781	-	31,507
Administrative	-	205,600	-	-	205,600
Supplies	224,497	-	573,152	-	797,649
Other	38,145	-	3,968	-	42,113
Claims	-	3,253,428	-	-	3,253,428
Depreciation	2,833	-	5,757	641,253	649,843
Total operating expenses	3,179,599	3,459,028	1,216,134	1,255,051	9,109,812
Operating income (loss)	(300,463)	323,854	125,782	19,058	168,231
Nonoperating revenues:					
Gain on sale of capital assets	8,728	-	-	80,217	88,945
Interest income	-	41,279	-	58,919	100,198
Grants	-	-	-	-	-
Total nonoperating revenues	8,728	41,279	-	139,136	189,143
Income (loss) before transfers	(291,735)	365,133	125,782	158,194	357,374
Transfers out	-	-	-	-	-
Change in net assets	(291,735)	365,133	125,782	158,194	357,374
Net assets, beginning of year	970,179	996,633	260,056	4,011,930	6,238,798
Net assets, end of year	\$ 678,444	\$ 1,361,766	\$ 385,838	\$ 4,170,124	\$ 6,596,172

CITY OF OWENSBORO, KENTUCKY
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
Year Ended June 30, 2010

	Governmental Activities Internal Service Funds				
	Facilities Maintenance Fund	Insurance Fund	Garage Service Fund	Fleet and Facilities Fund	Total Internal Service Funds
Cash flow from operating activities:					
Cash received from customers	\$ 2,879,136	\$ 3,782,948	\$ 1,341,916	\$ 1,274,109	\$ 9,278,109
Cash payments to employees for services	(1,571,088)	-	(583,125)	-	(2,154,213)
Cash payments to suppliers	(1,586,782)	(350,800)	(580,224)	(613,798)	(3,131,604)
Cash payments for claims	-	(3,253,428)	-	-	(3,253,428)
Net cash provided by (used in) operating activities	<u>(278,734)</u>	<u>178,720</u>	<u>178,567</u>	<u>660,311</u>	<u>738,864</u>
Cash flows from noncapital financing activities:					
Grants	-	-	-	-	-
Transfers out	-	-	-	-	-
Net cash used in noncapital financing activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Cash flows from capital and related financing activities:					
Proceeds from sale of capital assets	8,728	-	-	92,248	100,976
Payments for capital acquisitions	(7,071)	-	-	(568,252)	(575,323)
Net cash provided by (used in) capital and related financing activities	<u>1,657</u>	<u>-</u>	<u>-</u>	<u>(476,004)</u>	<u>(474,347)</u>
Cash flows from investing activities:					
Interest on investments	-	41,279	-	58,919	100,198
Net increase (decrease) in cash and cash equivalents	<u>(277,077)</u>	<u>219,999</u>	<u>178,567</u>	<u>243,226</u>	<u>364,715</u>
Cash and cash equivalents, beginning of year	<u>1,041,974</u>	<u>1,539,858</u>	<u>270,061</u>	<u>2,206,228</u>	<u>5,058,121</u>
Cash and cash equivalents, end of year	<u>\$ 764,897</u>	<u>\$ 1,759,857</u>	<u>\$ 448,628</u>	<u>\$ 2,449,454</u>	<u>\$ 5,422,836</u>
Reconciliation of operating income to net cash provided by operating activities:					
Operating income (loss)	\$ (300,463)	\$ 323,854	\$ 125,782	\$ 19,058	\$ 168,231
Adjustments to reconcile operating income to net cash provided by operating activities:					
Depreciation	2,833	-	5,757	641,253	649,843
Change in assets and liabilities:					
(Increase) decrease in assets:					
Accounts receivable	-	66	-	-	66
Materials and supplies inventory	-	-	8,606	-	8,606
Prepaid expenses	-	-	-	-	-
Increase (decrease) in liabilities:					
Accounts payable	15,428	(145,200)	35,741	-	(94,031)
Accrued liabilities	3,468	-	2,681	-	6,149
Net cash provided by (used in) operating activities	<u>\$ (278,734)</u>	<u>\$ 178,720</u>	<u>\$ 178,567</u>	<u>\$ 660,311</u>	<u>\$ 738,864</u>



CITY OF OWENSBORO, KENTUCKY
COMBINING STATEMENT OF FIDUCIARY NET ASSETS
PENSION TRUST FUNDS
June 30, 2010

	City Employees' Pension Fund	Police and Firefighters' Retirement Fund	Total Pension Trust Funds
ASSETS			
Equity in pooled deposits and investments	\$ 3,574	\$ 4,952,932	\$ 4,956,506
Cash and cash equivalents	40,367	14,907	55,274
Cash and cash equivalents, restricted	-	21,517	21,517
Interest receivable	9,534	6,349	15,883
Investments, at fair value	3,883,407	1,224,660	5,108,067
Investments at fair value, restricted	-	1,357,944	1,357,944
Total assets	<u>3,936,882</u>	<u>7,578,309</u>	<u>11,515,191</u>
LIABILITIES			
Pension payable	20,229	87,298	107,527
Other	567	502	1,069
Total liabilities	<u>20,796</u>	<u>87,800</u>	<u>108,596</u>
NET ASSETS			
Held in trust for pension benefits	3,916,086	6,107,711	10,023,797
Restricted for debt service	-	1,382,798	1,382,798
Total net assets	<u>\$ 3,916,086</u>	<u>\$ 7,490,509</u>	<u>\$ 11,406,595</u>

CITY OF OWENSBORO, KENTUCKY
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
PENSION TRUST FUNDS
Year Ended June 30, 2010

	City Employees' Pension Fund	Police and Firefighters' Retirement Fund	Total Pension Trust Funds
	<u> </u>	<u> </u>	<u> </u>
Additions:			
Contributions:			
Employer	\$ -	\$ -	\$ -
Other	-	3,522	3,522
	<u> </u>	<u> </u>	<u> </u>
Total contributions	-	3,522	3,522
	<u> </u>	<u> </u>	<u> </u>
Investment earnings:			
Net appreciation in fair value of investments	409,564	353,310	762,874
Interest	116,909	212,227	329,136
	<u> </u>	<u> </u>	<u> </u>
Total investment earnings	526,473	565,537	1,092,010
	<u> </u>	<u> </u>	<u> </u>
Less investment expense	8,096	10,010	18,106
	<u> </u>	<u> </u>	<u> </u>
Net investment earnings	518,377	555,527	1,073,904
	<u> </u>	<u> </u>	<u> </u>
Total additions	518,377	559,049	1,077,426
	<u> </u>	<u> </u>	<u> </u>
Deductions:			
Benefits	503,195	1,064,830	1,568,025
Operating transfer to Debt Service Fund	-	309,157	309,157
	<u> </u>	<u> </u>	<u> </u>
Total deductions	503,195	1,373,987	1,877,182
	<u> </u>	<u> </u>	<u> </u>
Change in net assets	15,182	(814,938)	(799,756)
	<u> </u>	<u> </u>	<u> </u>
Net assets, beginning of year	3,900,904	8,305,447	12,206,351
	<u> </u>	<u> </u>	<u> </u>
Net assets, end of year	\$ 3,916,086	\$ 7,490,509	\$ 11,406,595
	<u> </u>	<u> </u>	<u> </u>

CITY OF OWENSBORO, KENTUCKY
COMBINING STATEMENT OF ASSETS AND LIABILITIES
AGENCY FUNDS
June 30, 2010

	<u>County Occupational Tax Fund</u>	<u>School District Tax Fund</u>	<u>Total Agency Funds</u>
ASSETS			
Equity in pooled deposits and investments	\$ 95,458	\$ -	\$ 95,458
Intergovernmental receivable	<u>-</u>	<u>26,351</u>	<u>26,351</u>
Total assets	<u>95,458</u>	<u>26,351</u>	<u>121,809</u>
LIABILITIES			
Other	<u>95,458</u>	<u>26,351</u>	<u>121,809</u>
Total liabilities	<u>95,458</u>	<u>26,351</u>	<u>121,809</u>
NET ASSETS			
Held in trust for agency funds	<u>-</u>	<u>-</u>	<u>-</u>
Total net assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF OWENSBORO, KENTUCKY
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
Year Ended June 30, 2010

	<u>Balance</u> <u>June 30, 2009</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2010</u>
County Occupational Tax Fund				
Assets:				
Equity in pooled deposits and investments	\$ 47,576	\$ 1,678,710	\$ 1,630,828	\$ 95,458
Liabilities:				
Other	\$ 47,576	\$ 1,678,710	\$ 1,630,828	\$ 95,458
School District Tax Fund				
Assets:				
Intergovernmental receivable	\$ 125,044	\$ 9,366,168	\$ 9,464,861	\$ 26,351
Liabilities:				
Other	\$ 125,044	\$ 9,330,530	\$ 9,429,223	\$ 26,351
Total Agency Funds				
Assets:				
Equity in pooled deposits and investments	\$ 47,576	\$ 1,678,710	\$ 1,630,828	\$ 95,458
Intergovernmental receivable	125,044	9,366,168	9,464,861	26,351
Total assets	\$ 172,620	\$ 11,044,878	\$ 11,095,689	\$ 121,809
Liabilities:				
Other	\$ 172,620	\$ 11,009,240	\$ 11,060,051	\$ 121,809

CITY OF OWENSBORO, KENTUCKY
COMBINING STATEMENT OF NET ASSETS
COMPONENT UNIT
OWENSBORO MUNICIPAL UTILITIES
June 30, 2010

	Electric Light and Power System	Water Works System	Total
	<u> </u>	<u> </u>	<u> </u>
ASSETS			
Cash and cash equivalents:			
In segregated accounts	\$ 11,569,436	\$ 817,933	\$ 12,387,369
Accounts receivable (less allowance of \$61,728 and \$15,168 for Electric and Water, respectively)	11,211,937	1,554,411	12,766,348
Material and supplies inventory	2,108,977	486,720	2,595,697
Prepaid items	121,923	-	121,923
Other current assets	-	54,349	54,349
Restricted assets	66,613,746	6,853,512	73,467,258
Capital assets, net of accumulated depreciation:	188,711,671	45,288,174	233,999,845
Other noncurrent assets:			
Deferred charges	6,382,534	1,007,470	7,390,004
	<u> </u>	<u> </u>	<u> </u>
Total assets	\$ 286,720,224	\$ 56,062,569	\$ 342,782,793
	<u> </u>	<u> </u>	<u> </u>
LIABILITIES AND NET ASSETS			
Liabilities:			
Accounts payable	\$ 10,631,020	\$ 750,573	\$ 11,381,593
Accrued interest payable	902,593	261,384	1,163,977
Other payables	4,416,396	76,301	4,492,697
Deferred revenue	4,079,400	-	4,079,400
Customers' advances	-	549,430	549,430
Non-current liabilities:			
Due within one year	22,196,567	525,000	22,721,567
Due in more than one year	131,640,304	24,809,495	156,449,799
	<u> </u>	<u> </u>	<u> </u>
Total liabilities	173,866,280	26,972,183	200,838,463
	<u> </u>	<u> </u>	<u> </u>
Net assets:			
Invested in capital assets, net of related debt	47,290,139	26,338,311	73,628,450
Restricted for:			
Capital projects	2,165,336	64,888	2,230,224
Debt service	17,897,785	454,434	18,352,219
Other purposes	24,801,605	-	24,801,605
Unrestricted	20,699,079	2,232,753	22,931,832
	<u> </u>	<u> </u>	<u> </u>
Total net assets	112,853,944	29,090,386	141,944,330
	<u> </u>	<u> </u>	<u> </u>
Total liabilities and net assets	\$ 286,720,224	\$ 56,062,569	\$ 342,782,793
	<u> </u>	<u> </u>	<u> </u>

CITY OF OWENSBORO, KENTUCKY
COMBINING STATEMENT OF ACTIVITIES
COMPONENT UNIT
OWENSBORO MUNICIPAL UTILITIES
Year Ended June 30, 2010

	Program Revenues		Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services and Sales	Capital Grants and Contributions	Electric Light and Power System	Water Works System	Total
Owensboro Municipal Utilities:						
Electric Light and Power System	\$ 136,204,424	\$ 137,859,087	\$ -	\$ 1,654,663	\$ -	\$ 1,654,663
Water Works System	8,946,816	8,373,150	239,788	-	(333,878)	(333,878)
Total Owensboro Municipal Utilities	\$ 145,151,240	\$ 146,232,237	\$ 239,788	\$ 1,654,663	\$ (333,878)	\$ 1,320,785
General revenues:						
Earnings on investments				745,625	13,508	759,133
Miscellaneous				35,506	-	35,506
Total general revenues				781,131	13,508	794,639
Change in net assets				2,435,794	(320,370)	2,115,424
Net assets, beginning of year				110,418,150	29,410,756	139,828,906
Net assets, end of year				\$ 112,853,944	\$ 29,090,386	\$ 141,944,330

CITY OF OWENSBORO, KENTUCKY
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE BY SOURCE
June 30, 2010

Governmental funds capital assets:	
Land	\$ 20,802,899
Land improvements/infrastructure	105,678,464
Buildings	24,537,435
Vehicles	2,771,687
Machinery and equipment	4,378,079
	<u>\$ 158,168,564</u>
Investments in governmental funds capital assets by source:	
General Fund	\$ 154,461,956
Community Development Fund	3,055,681
City of Owensboro Municipal Improvement Corporation	650,927
	<u>\$ 158,168,564</u>

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

CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE BY FUNCTION AND ACTIVITY
June 30, 2010

Function and Activity	Land	Land Improvements	Buildings	Vehicles	Equipment	Total
General government:						
City manager, commissioners and legal	\$ 201,993	\$ -	\$ 1,716,417	\$ -	\$ 138,911	\$ 2,057,321
Finance	-	-	-	-	31,375	31,375
Personnel	-	-	-	-	6,474	6,474
Information technology	-	-	82,124	-	389,257	471,381
Unallocated	2,854,247	4,805,912	5,617,113	21,388	1,109,740	14,408,400
Total general government	<u>3,056,240</u>	<u>4,805,912</u>	<u>7,415,654</u>	<u>21,388</u>	<u>1,675,757</u>	<u>16,974,951</u>
Public safety:						
Police	767,184	-	3,469,976	117,673	1,506,728	5,861,561
Fire	353,862	-	2,093,300	1,546,302	144,931	4,138,395
Total public safety	<u>1,121,046</u>	<u>-</u>	<u>5,563,276</u>	<u>1,663,975</u>	<u>1,651,659</u>	<u>9,999,956</u>
Public works:						
Engineering	-	-	-	-	29,709	29,709
Streets	4,305,872	41,453,256	858,951	9,703	151,650	46,779,432
Garage	22,500	-	173,527	-	96,580	292,607
Stormwater	-	-	-	76,877	82,290	159,167
Total public works	<u>4,328,372</u>	<u>41,453,256</u>	<u>1,032,478</u>	<u>86,580</u>	<u>360,229</u>	<u>47,260,915</u>
Community and cultural:						
Parks	3,510,391	2,439,329	9,229,973	-	186,976	15,366,669
Other agencies	1,527,641	1,018,709	1,160,259	-	-	3,706,609
Downtown revitalization	6,913,226	1,440,176	-	-	-	8,353,402
Your community vision	345,983	54,521,082	135,795	999,744	503,458	56,506,062
Total community and cultural	<u>12,297,241</u>	<u>59,419,296</u>	<u>10,526,027</u>	<u>999,744</u>	<u>690,434</u>	<u>83,932,742</u>
Total governmental funds capital assets	<u>\$ 20,802,899</u>	<u>\$ 105,678,464</u>	<u>\$ 24,537,435</u>	<u>\$ 2,771,687</u>	<u>\$ 4,378,079</u>	<u>\$ 158,168,564</u>

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

CITY OF OWENSBORO, KENTUCKY
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE OF CHANGES BY FUNCTION AND ACTIVITY
June 30, 2010

Function and Activity	Governmental Funds Capital Assets June 30, 2009	Additions	Deductions	Governmental Funds Capital Assets June 30, 2010
General government:				
City manager, commissioners and legal	\$ 2,057,321	\$ -	\$ -	\$ 2,057,321
Finance	9,928	21,447	-	31,375
Personnel	6,474	-	-	6,474
Information technology	395,035	76,346	-	471,381
Unallocated	14,487,338	-	(78,938)	14,408,400
Total general government	<u>16,956,096</u>	<u>97,793</u>	<u>(78,938)</u>	<u>16,974,951</u>
Public safety:				
Police	5,235,615	625,946	-	5,861,561
Fire	4,126,831	11,564	-	4,138,395
Total public safety	<u>9,362,446</u>	<u>637,510</u>	<u>-</u>	<u>9,999,956</u>
Public works:				
Engineering	29,709	-	-	29,709
Streets	44,896,624	1,909,799	(26,991)	46,779,432
Garage	292,607	-	-	292,607
Stormwater	159,167	-	-	159,167
Total public works	<u>45,378,107</u>	<u>1,909,799</u>	<u>(26,991)</u>	<u>47,260,915</u>
Community and cultural:				
Parks	13,189,105	2,177,564	-	15,366,669
Other agencies	3,706,609	-	-	3,706,609
Downtown revitalization	4,983,369	3,370,033	-	8,353,402
Your community vision	36,075,561	20,509,947	(79,446)	56,506,062
Total community and cultural	<u>57,954,644</u>	<u>26,057,544</u>	<u>(79,446)</u>	<u>83,932,742</u>
Total governmental funds capital assets	<u>\$ 129,651,293</u>	<u>\$ 28,702,646</u>	<u>\$ (185,375)</u>	<u>\$ 158,168,564</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.



Industry and Economic Development

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

The City is active in promoting economic development, as new developmental job growth is necessary to ensure the continued stability of the City's revenue base. Economic indicators and trends reflect stabilization in the area's economy compared to the previous year. As of June 2010, area employment over the prior twelve months averaged 43,897, down only 384 compared to the prior 12-month period. The June 2010 unemployment rate was 8.9%, lower than both the State rate of 10.0% and the U.S. rate of 9.6%. The numbers of active water and electric meters were up slightly from last year, 24,689 and 25,570, respectively. Construction of housing units increased by over 40% from the prior year, and the \$32,865,670 value of non-residential construction reflects a return to more normal levels after record high levels the prior year.

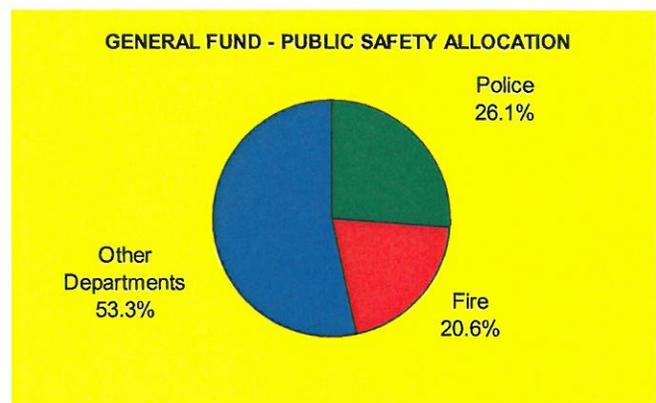
An aggressive annexation policy is pursued to insure continued growth and development for the City of Owensboro. Much of the City's long-term industrial growth potential lies in the Carter Road/Airport Corridor, anchored by the 400-acre Mid-America Airpark. The City coordinated with the Greater Owensboro Economic Development Corporation to complete Mid-America AirPark, which includes AirPark, Tamarack, and Unifirst Drives. Mid-America AirPark is a valuable tool for attracting new industry to Owensboro. The Owensboro-Daviess County Regional Airport recently finished a \$40 million expansion. The overall outlook for the area's economy remains bright due to its diversification.

Communications

The Owensboro Messenger-Inquirer provides daily newspaper service to the citizens of Owensboro and surrounding counties, and maintains a website at www.messenger-inquirer.com. Nine radio stations serve the Owensboro area. The area is also served by the four major television network stations (WEHT, WTVW; WFIE, and WEVV). Cable television service is provided by TimeWarner. 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 time for OPD averages 3.38 minutes. Emergency response time for OFD averages 3.96 minutes in accordance with the National Fire Protection and United States Insurance Service Offices recommendations. 46.7% of General Fund expenditures are budgeted for public safety. The chart illustrates General Fund percentages for public safety and all other departments, not including capital projects funding.



Education

Quality education is a priority for the City of Owensboro. Educational 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 Bachelor of Science and Arts degrees, and graduate programs are offered by Western Kentucky University and Murray State University. Western Kentucky University-Owensboro has begun a 29-acre expansion that will house four-year Western bachelor's programs as well as advanced degree programs. These programs provide area residents with the opportunity to earn post-graduate degrees without leaving the city.

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

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

Medical Facilities

Owensboro is home to an excellent, well-staffed hospital - Owensboro Medical Health System (OMHS) that serves eight counties in Kentucky and southern Indiana, and is licensed for 447 beds. Approximately 180 physicians and 50 dentists serve our citizens.



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

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

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

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

The Owensboro HealthPark Center sponsors wellness programs to enrich City residents in development, maintenance, and integration of overall health in mind, body, and spirit. The health

resource center is available to all residents. The HealthPark makes wellness affordable, available, and effective with outpatient diagnostic capabilities, rehabilitation therapy, and a health and fitness center. Health screenings, classes, and other program offerings are open to the community to help our citizens improve their lives with preventative wellness opportunities.

Recreation and Culture

The new, high-tech library serves the community well, with a collection of 195,486 books and 22,304 audio-visual/other items. Owensboro Area Museum maintains community interest in the natural sciences and area history. Art lovers benefit from the recent expansion of the Owensboro Museum of Fine Art. It now features an Atrium Sculpture Court, a restored Civil War-era mansion, a priceless collection of German stain glass windows, and the Kentucky Spirit Galleries. These institutions are recognized as among the finest in western Kentucky. Owensboro offers wide ranges of recreational and cultural activities to its citizens. Our citizens enjoy everything from fishing on nearby lakes to live performances of the Owensboro Symphony Orchestra, one of the finest in the state. Municipal parks provide areas for picnicking, golf, hiking, tennis, softball, football and just plain relaxing. State-maintained Carpenter and Kingfisher lakes offer a fine arena for the fisherman. Other water sports may be enjoyed on the Ohio River. Whether walking, running or biking for fun or exercise, the City's Greenbelt offers a safe route for its residents.

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

The RiverPark Center, a performing arts and civic center, boasts a 1,500 seat multi-purpose auditorium, an experimental theatre, a riverfront plaza, an open-air courtyard, meeting/reception rooms, and the International Bluegrass Music Museum. Each year the RiverPark Center hosts over 150 performance events and 900 civic events. The RiverPark Center's 2008 International Mystery Writers' Festival was attended by two-time Oscar winner Gene Hackman, actor Josh Hucherson, writer Stuart Kaminsky, and the "Queen of Suspense" Mary Higgins Clark; the 2009 Festival focused on live radio theatre productions. Future such festivals are currently in the planning stages. 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.

Fridays After 5 is a weekly series of free outdoor concerts held on the riverfront beginning at the RiverPark Center patio and continuing for nearly four city blocks. The festival, created by Downtown Owensboro, Inc., began in 1996 with 10 concert weekends. It has grown to a summer-long signature event for the tri-state area hosting more than 50,000 visitors. Fridays After 5 continues through September each year. The festival includes live bands, interactive events for families, entertainment and crafts each Friday after 5:00 p.m. until 10:00 p.m.



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

In spring 2009, the City began construction of a \$40

million Riverfront Development project which will include a river wall, a signature fountain, and significant additional green space. This project is funded by a federal grant, and completion is expected in 2012. Also, the City has begun a \$79 million downtown redevelopment and revitalization project. The City has partnered with Daviess County Fiscal Court in the development and financing of this project, with the City sponsoring \$59 million of the project and the County sponsoring \$20 million.

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

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

Other festivals range from Bluegrass and Dulcimer Music Festivals in the spring to Pumpkin, Farm, and Apple Festivals each fall.

Owensboro has been awarded the designation of *Sports Illustrated* "Sportstown" as the state's top location for community sports and recreation. As Cyndi Sturgeon, Parks and Recreation Department Director at the time, was quoted in the *Sports Illustrated* article: "Sports are a huge focus here in Owensboro and we try to appeal to everyone at all stages of life — from t-ball to adult softball to activities for seniors. Our goal is to help residents have a positive, lifelong relationship with sports."

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

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

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

The Owensboro Softball Complex, located in Jack C. Fisher Park, has been the site of thirty 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 consecutively 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, has been the host community of the KHSAA Girls Fast Pitch Softball State Championship in 2004-05, 2008-10, and has been awarded the honor of hosting the event through 2014. The awarding of the tournament to the same host community for seven consecutive years is unprecedented in the history of the event and 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, including 2009.

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

All Owensboro residents (children, teens, adults, and seniors) have many recreational options, including golf, tennis, softball, volleyball, ice-skating, soccer, football, baseball and basketball. The Parks department hosts many special events throughout the year, which includes "Ghosts and Goblins" and "Daddy-Daughter Date Night."

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



2009-2010 marked the 11-year anniversary of Corporate Challenge. Plans are currently being made for the 2011 games. Patterned after the Olympic Games, amateur athletes compete in archery, basketball, bike racing, billiards, bowling, darts, golf, horseshoes, kickball, a 5K run and a walk race, softball, table tennis, spades, tennis, trivia, sporting clays, tug-o-war, and volleyball.

The goal of Corporate Challenge is to encourage physical fitness, enhance employer/employee relations, boost morale, develop teamwork, foster company pride, and promote company recognition within the community. Last year, over 3,000 citizens from 19 companies competed in the games. Corporate Challenge has created a lifetime of health and friendships for many of the participants.

Multi-Cultural

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

The Government



The Board of Commissioners includes our Mayor and four Commissioners. 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.

CITY OF OWENSBORO, KENTUCKY
Statistical Section Objectives

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

<u>Contents</u>	<u>Pages</u>
Financial Trends These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	107-112
Revenue Capacity These schedules contain information to help the reader assess the City's most significant local revenue sources.	113-116
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.	117-120
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.	121-122
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.	123-125

Sources: Unless otherwise noted, the information in this section is derived from the comprehensive annual financial reports for the relevant year. The City implemented GASB Statement 34 in 2002; schedules presenting government-wide information include information beginning in that year. Implemented GASB Statement 54 in 2010.

Schedule 1

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

	2002	2003	2004	2005	2006	2007	2008	2009	2010
Governmental activities									
Invested in capital assets, net of related debt	\$ 29,430,123	\$ 26,898,535	\$ 29,640,819	\$ 34,377,954	\$ 33,144,429	\$ 42,842,237	\$ 45,664,473	\$ 54,604,577	\$ 63,729,670
Restricted	9,966,681	4,181,654	9,409,580	6,204,137	6,321,540	7,638,119	15,587,202	31,047,376	31,138,063
Unrestricted	9,238,047	9,084,125	6,437,574	8,830,893	11,296,760	14,063,081	17,570,869	14,239,334	22,461,039
Total governmental activities net assets	\$ 48,634,851	\$ 40,164,314	\$ 45,487,973	\$ 49,412,984	\$ 50,762,729	\$ 64,543,437	\$ 78,822,544	\$ 99,891,287	\$ 117,328,772
Business-Type activities									
Invested in capital assets, net of related debt	\$ 2,861,149	\$ 2,426,237	\$ 2,266,909	\$ 1,909,075	\$ 2,059,230	\$ 1,959,205	\$ 2,233,411	\$ 3,002,194	\$ 4,090,975
Unrestricted	2,304,005	3,369,030	4,674,998	6,263,893	7,449,411	9,234,571	10,492,524	11,283,831	11,425,367
Total business-type activities net assets	\$ 5,165,154	\$ 5,795,267	\$ 6,941,907	\$ 8,172,968	\$ 9,508,641	\$ 11,193,776	\$ 12,725,935	\$ 14,286,025	\$ 15,516,342
Primary government									
Invested in capital assets, net of related debt	\$ 32,291,272	\$ 29,324,772	\$ 31,907,728	\$ 36,287,029	\$ 35,203,659	\$ 44,801,442	\$ 47,897,884	\$ 57,606,771	\$ 67,820,645
Restricted	9,966,681	4,181,654	9,409,580	6,204,137	6,321,540	7,638,119	15,587,202	31,047,376	31,138,063
Unrestricted	11,542,052	12,453,155	11,112,572	15,094,786	18,746,171	23,297,652	28,063,393	25,523,165	33,886,406
Total primary government net assets	\$ 53,800,005	\$ 45,959,581	\$ 52,429,880	\$ 57,585,952	\$ 60,271,370	\$ 75,737,213	\$ 91,548,479	\$ 114,177,312	\$ 132,845,114

Schedule 2

CITY OF OWENSBORO
CHANGES IN NET ASSETS
 Last Nine Fiscal Years
 (accrual basis of accounting)

	2002	2003	2004	2005	2006	2007	2008	2009	2010
Expenses									
Governmental activities:									
General government									
Public safety	\$ 7,784,656	\$ 4,035,934	\$ 7,088,369	\$ 7,204,175	\$ 8,644,720	\$ 8,793,519	\$ 9,680,973	\$ 8,772,143	\$ 10,693,412
Public works	16,266,681	14,832,206	15,128,745	15,551,627	19,513,418	17,055,086	18,129,214	18,614,163	18,445,524
Community and cultural	5,968,403	7,800,541	7,009,244	10,304,723	9,278,026	6,395,367	5,558,089	9,615,871	7,181,580
Community/economic development	5,396,683	7,856,954	4,447,914	4,373,153	4,457,954	4,886,150	5,662,963	6,749,708	6,677,344
Interest on long-term debt	1,217,759	1,869,357	1,320,396	1,394,189	1,113,760	703,557	898,056	1,258,411	2,512,015
Total governmental activities expenses	1,302,910	1,239,319	1,020,100	933,123	926,657	1,015,349	1,028,005	1,297,750	2,060,977
Total governmental activities expenses	\$ 37,937,092	\$ 37,434,311	\$ 36,014,768	\$ 39,760,990	\$ 43,934,535	\$ 38,849,028	\$ 40,957,300	\$ 46,308,046	\$ 47,570,852
Business-Type activities:									
Sanitation	4,103,902	4,456,174	4,024,897	3,862,662	4,013,954	4,047,686	4,255,487	4,412,040	4,578,085
Transit	1,347,934	1,358,112	1,361,964	1,293,099	1,367,534	1,477,294	1,537,889	1,606,014	1,741,449
Geographic information system	-	-	-	-	-	-	291,095	295,960	375,634
Parking garage operations	76,774	73,650	57,211	58,022	74,906	68,660	81,852	114,675	84,383
Recreation	1,528,523	1,552,179	1,558,911	1,328,329	1,344,738	1,373,102	1,404,093	1,363,000	1,808,163
Total business-type activities expenses	7,057,133	7,440,115	7,002,963	6,542,112	6,801,132	6,966,742	7,570,416	7,791,689	8,587,714
Total primary government expenses	\$ 44,994,225	\$ 44,874,426	\$ 43,017,751	\$ 46,303,102	\$ 50,735,667	\$ 45,815,770	\$ 48,527,716	\$ 54,099,735	\$ 56,158,566
Program Revenues									
Governmental activities:									
Charges for services:									
General government	\$ 1,536,609	\$ 1,600,274	\$ 1,923,581	\$ 2,043,874	\$ 2,325,733	\$ 2,337,646	\$ 2,477,103	\$ 2,305,783	\$ 2,228,883
Public safety	748,111	846,853	756,206	748,939	778,650	875,431	952,424	1,133,134	960,415
Public works	194,722	177,140	177,930	231,022	215,894	216,483	17,901	21,907	22,789
Community and cultural	9,721	12,095	-	-	13,001	-	-	-	-
Community/economic development	219,914	268,022	313,486	421,745	301,812	300,944	215,492	190,156	255,973
Operating grants and contributions	2,674,516	2,565,925	2,118,504	2,979,952	5,152,432	3,470,861	4,066,154	2,904,106	3,379,634
Capital grants and contributions	1,558,369	7,524,594	5,920,293	3,564,624	3,142,387	4,533,823	7,478,058	20,161,264	15,445,926
Total governmental activities program revenues	6,941,962	12,994,903	11,210,000	9,990,156	11,929,909	11,735,188	15,207,132	26,716,350	22,293,620
Business-type activities:									
Charges for services:									
Sanitation	4,730,426	4,850,841	4,914,881	4,950,909	5,030,171	5,100,056	5,157,748	5,204,380	5,194,660
Transit	110,322	121,572	131,130	142,173	148,421	139,101	128,819	132,286	130,316
Geographic information system	-	-	-	-	-	-	262,612	243,914	262,419
Parking garage operations	60,359	46,735	45,590	54,175	56,556	53,825	54,109	57,071	56,126
Recreation	1,147,281	1,152,081	1,126,627	1,007,638	1,051,924	979,206	979,530	971,359	1,228,306
Operating grants and contributions	425,906	874,423	922,795	553,152	652,332	407,877	441,862	464,303	445,741
Capital grants and contributions	-	-	-	40,957	-	420,237	466,465	646,534	1,484,000
Total business-type activities program revenues	6,474,294	7,045,652	7,141,023	6,749,004	6,939,404	7,100,302	7,491,145	7,719,847	8,801,568
Total primary government program revenues	\$ 13,416,256	\$ 20,040,555	\$ 18,351,023	\$ 16,739,160	\$ 18,869,313	\$ 18,835,490	\$ 22,698,277	\$ 34,436,197	\$ 31,095,188

Schedule 2

CITY OF OWENSBORO
CHANGES IN NET ASSETS

Last Nine Fiscal Years
(accrual basis of accounting)

	2002	2003	2004	2005	2006	2007	2008	2009	2010
Net (expense)/revenue									
Governmental activities	\$ (30,995,130)	\$ (24,439,408)	\$ (24,804,768)	\$ (29,770,834)	\$ (32,004,626)	\$ (27,113,840)	\$ (25,750,168)	\$ (19,591,696)	\$ (25,277,232)
Business-type activities	(582,839)	(394,463)	138,040	206,892	138,272	133,560	(79,271)	(71,842)	213,854
Total primary government net expense	\$ (31,577,969)	\$ (24,833,871)	\$ (24,666,728)	\$ (29,563,942)	\$ (31,866,354)	\$ (26,980,280)	\$ (25,829,439)	\$ (19,663,538)	\$ (25,063,378)
General Revenues and Other Changes in Net Assets:									
Governmental activities:									
Taxes									
Property taxes	\$ 6,526,834	\$ 6,752,239	\$ 7,137,309	\$ 7,492,747	\$ 7,758,532	\$ 8,129,079	\$ 8,490,108	\$ 8,874,418	\$ 9,276,874
Occupational license taxes	11,824,621	8,100,690	11,219,801	12,575,637	12,282,123	13,202,290	13,765,193	13,726,575	13,836,353
Net profit license taxes	1,728,597	1,739,962	1,510,671	2,123,377	2,143,424	2,728,192	3,280,491	3,419,223	3,256,271
Regulatory taxes	3,632,070	4,069,041	4,480,570	4,505,405	4,722,033	4,815,086	5,040,813	4,824,993	5,867,123
Payments in lieu of taxes from component unit	1,395,499	1,565,495	1,609,728	1,627,979	1,480,187	1,399,301	1,756,428	2,012,646	2,015,823
Investment earnings	632,075	250,300	189,860	384,007	373,234	885,309	827,636	1,311,412	1,010,136
Unrestricted grants and contributions	147,306	3,941,209	4,248,066	4,843,914	6,172,509	5,768,103	6,134,347	6,713,786	6,832,843
Gain on sale of assets	651,283	(10,498,324)	140,242	-	127,727	584	296,830	161,646	143,517
Investment in joint venture	240,957	328,335	207,029	929,339	464,514	1,909,755	1,378,941	60,737	755,383
Miscellaneous	569,263	866,117	744,238	779,527	357,791	465,070	217,782	643,290	317,574
Transfers	2,814,062	(880,086)	(827,493)	(864,800)	(888,986)	(1,024,655)	(1,159,294)	(1,088,287)	(597,180)
Total governmental activities	30,162,567	16,234,978	30,651,021	34,397,132	34,993,088	38,278,114	40,029,275	40,660,439	42,714,717
Business-type activities:									
Investment earnings	66,003	98,497	56,966	159,369	166,231	410,982	383,904	454,797	236,370
Gain on sale of assets	208,979	45,993	124,141	-	142,184	115,938	68,232	88,848	180,913
Transfers	764,822	880,086	827,493	864,800	888,986	1,024,655	1,159,294	1,088,287	597,180
Total business-type activities	1,039,804	1,024,576	1,008,600	1,024,169	1,197,401	1,551,575	1,611,430	1,631,932	1,016,463
Total primary government	\$ 31,202,371	\$ 17,259,554	\$ 31,659,621	\$ 35,421,301	\$ 36,190,489	\$ 39,829,689	\$ 41,640,705	\$ 42,292,371	\$ 43,731,180
Change in Net Assets									
Governmental activities	\$ (832,563)	\$ (8,204,430)	\$ 5,846,253	\$ 4,626,298	\$ 2,988,462	\$ 11,164,274	\$ 14,279,107	\$ 21,066,743	\$ 17,437,485
Business-type activities	456,965	630,113	1,146,640	1,231,061	1,335,673	1,685,135	1,532,159	1,560,090	1,230,317
Total primary government	\$ (375,598)	\$ (7,574,317)	\$ 6,992,893	\$ 5,857,359	\$ 4,324,135	\$ 12,849,409	\$ 15,811,266	\$ 22,628,833	\$ 18,667,802

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				INTEREST	MISC. REVENUES
					GENERAL GOVERNMENT	SERVICES - GENERAL	FINES AND FORFEITS	GOVERNMENT		
2001	\$32,249,206	\$6,113,868	\$15,686,280	\$5,251,379	\$559,169	\$163,874	\$1,239,060	\$3,235,576		
2002	31,895,064	6,526,834	16,746,632	6,165,109	570,068	159,989	793,119	933,313		
2003	39,623,935	6,752,239	14,656,485	16,034,683	550,469	179,297	268,236	1,182,526		
2004	36,978,225	7,137,309	17,474,479	10,376,501	570,841	138,012	165,233	1,115,850		
2005	42,198,008	7,492,747	18,668,701	13,435,874	599,425	120,197	325,533	1,555,531		
2006	46,212,243	7,758,532	19,924,204	15,769,971	654,748	161,279	303,186	1,640,323		
2007	47,597,695	8,129,079	21,032,128	15,418,252	697,149	157,286	728,907	1,434,894		
2008	53,515,825	8,490,108	22,575,081	19,616,625	744,040	234,062	716,395	1,139,514		
2009	67,217,494	8,874,418	22,437,240	32,091,906	740,105	149,672	1,156,431	1,767,722		
2010	63,550,508	9,276,874	23,473,559	27,600,534	815,486	132,250	909,938	1,341,867		

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)

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
General fund										
Nonspendable	\$ 127	\$ 130	\$ 128	\$ 79	\$ 87	\$ 153	\$ 267	\$ 175	\$ 290	\$ 17
Restricted	-	-	-	-	-	-	-	-	-	-
Committed	-	-	-	-	-	-	-	-	-	213
Assigned	-	-	-	-	-	-	-	-	-	-
Total Reserved	\$ 127	\$ 130	\$ 128	\$ 79	\$ 87	\$ 153	\$ 267	\$ 175	\$ 290	\$ 230
Unassigned	1,855	1,951	1,749	1,550	1,855	3,591	5,662	7,473	7,545	9,451
Total General Fund	\$ 1,982	\$ 2,081	\$ 1,877	\$ 1,629	\$ 1,942	\$ 3,744	\$ 5,929	\$ 7,648	\$ 7,835	\$ 9,681
All other governmental units										
Nonspendable	\$ 7,708	\$ 4,834	\$ 2,865	\$ 6,158	\$ 3,958	\$ 3,256	\$ 6,154	\$ 13,216	\$ 28,496	\$ -
Restricted	-	-	-	-	-	-	-	-	-	21,988
Committed	-	-	-	-	-	-	-	-	-	8,636
Assigned	-	-	-	-	-	-	-	-	-	-
Total Reserved	\$ 7,708	\$ 4,834	\$ 2,865	\$ 6,158	\$ 3,958	\$ 3,256	\$ 6,154	\$ 13,216	\$ 28,496	\$ 30,624
Unassigned	4,276	9,458	2,717	3,260	1,931	2,835	1,129	1,972	2,117	-
Total all other government funds	\$ 11,984	\$ 14,292	\$ 5,582	\$ 9,418	\$ 5,889	\$ 6,091	\$ 7,283	\$ 15,188	\$ 30,613	\$ 30,624

GASB Statement 54 started in 2010

Schedule 5

CITY OF OWENSBORO
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS

	2002	2003	2004	2005	2006	2007	2008	2009	2010
Revenues									
Real and personal property taxes	\$ 6,526,834	\$ 6,752,239	\$ 7,137,309	\$ 7,492,747	\$ 7,758,532	\$ 8,129,079	\$ 8,490,108	\$ 8,874,418	\$ 9,276,874
Occupational licenses	10,862,478	8,305,933	10,930,002	11,542,558	12,236,772	12,911,250	13,645,643	13,645,423	13,782,813
Net profit license fees	1,709,697	1,721,567	1,516,557	2,101,988	2,435,859	2,781,868	3,277,814	3,400,218	3,252,516
Regulatory licenses	3,632,070	4,069,041	4,480,570	4,505,405	4,722,033	4,815,086	5,040,813	4,824,983	5,867,123
Intergovernmental	4,769,610	11,012,959	4,995,066	7,802,319	9,193,929	8,694,133	12,167,197	24,320,460	19,508,106
Interest	793,119	268,236	165,233	325,533	303,186	728,907	716,395	1,156,431	909,938
Fees, licenses and permits	542,387	559,944	547,350	518,750	529,540	523,924	569,811	566,606	571,107
Fines and forfeitures	159,989	179,297	138,012	170,197	161,279	157,286	234,062	149,672	132,250
Rentals	208,816	540,190	619,696	617,021	741,230	720,896	651,199	566,512	566,385
Charges for services	570,068	550,469	570,841	599,425	654,748	697,149	744,040	740,105	815,486
Contributions and donations	142,093	15,732	343	263,200	22,227	20,197	17,648	8,879	16,386
Dividends from component units	3,244,027	3,456,229	3,780,707	4,005,576	5,095,855	5,324,818	5,693,000	5,758,800	6,076,605
Payments in lieu of taxes from component unit	1,395,499	1,565,495	1,600,728	1,627,979	1,480,187	1,389,301	1,756,428	2,012,646	2,015,823
Miscellaneous income	584,404	626,604	495,811	675,310	876,866	693,801	470,687	1,192,331	759,096
Total Revenues	35,139,091	39,623,935	36,978,225	42,198,008	46,212,243	47,597,695	53,515,825	67,217,494	63,550,508
Expenditures									
Current:									
General government	4,998,728	5,342,397	5,954,993	6,183,140	7,373,975	7,680,375	8,484,458	8,309,429	9,374,755
Public safety	13,878,294	14,133,879	14,998,734	15,566,845	20,447,210	16,697,923	17,796,001	18,553,309	18,034,183
Public works	4,856,662	4,782,763	4,316,735	6,998,503	5,078,227	4,534,225	5,913,174	7,055,774	4,736,354
Community and cultural	4,346,214	3,294,964	4,292,232	4,100,447	3,962,926	3,963,882	4,669,820	5,227,916	3,436,163
Community/economic development	1,194,519	1,650,649	1,320,396	1,394,189	1,113,760	1,013,498	898,056	1,258,411	2,512,015
Capital outlay	3,712,815	10,681,356	3,441,023	8,692,798	7,278,471	7,086,041	10,859,962	34,254,857	29,444,904
Debt service:									
Principal	3,661,455	7,940,423	1,389,470	1,489,027	1,662,807	1,841,400	2,714,000	1,933,300	1,318,300
Interest	1,083,751	1,243,380	987,219	883,816	810,979	920,447	928,832	1,054,240	1,912,906
Issuance costs	167,807	2,000	86,552	10,500	147,933	-	55,778	103,773	44,306
Total Expenditures	37,900,245	49,071,811	36,789,354	45,319,265	47,876,288	43,737,791	52,320,081	77,751,009	70,813,886
Excess (deficiency) of revenues over expenditures	(2,761,154)	(9,447,876)	188,871	(3,121,257)	(1,664,045)	3,859,904	1,195,744	(10,533,515)	(7,263,378)
Other financing sources (uses):									
Sale of capital assets	540,561	388,267	4,145,279	138,367	190,561	16,292	992,048	191,943	192,076
Issuance of debt	4,835,397	-	88,552	357,000	4,100,000	-	8,104,292	27,035,051	9,242,705
Refunding bond issue	-	-	-	-	2,550,000	-	-	-	-
Payment to bond refunding escrow	-	-	-	-	(2,881,398)	-	-	-	-
Discount on bonds issued	-	-	-	-	-	-	(35,475)	(154,000)	(25,350)
Transfers in	4,995,489	9,842,399	2,240,697	2,681,286	2,453,572	5,582,783	3,680,791	3,425,235	3,717,098
Transfers out	(5,255,454)	(9,787,292)	(2,552,566)	(2,570,185)	(2,745,219)	(6,081,359)	(4,313,729)	(4,352,763)	(4,005,121)
	5,115,993	443,364	3,921,962	606,488	3,667,516	(482,284)	8,427,927	26,145,466	9,121,408
Net change in fund balances	2,354,839	(9,004,512)	4,110,833	(2,514,789)	2,003,471	3,377,620	9,623,671	15,611,951	1,858,030
Debt service as a percentage of non-capital expenditures	14.3%	22.3%	7.3%	6.3%	6.1%	7.6%	9.4%	7.5%	8.4%

Schedule 6

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

FISCAL YEAR	ASSESSED VALUE				TOTAL DIRECT TAX RATE	ESTIMATED ACTUAL VALUE ²	PERCENT ASSESSED TO ESTIMATED VALUE
	REAL ESTATE	PERSONAL PROPERTY ¹	FRANCHISE	BANK DEPOSITS			
2001	\$1,703,101,329	\$245,253,177	\$97,151,789	\$1,057,944,963	0.1970	\$3,475,309,359	89.3%
2002	1,813,449,766	269,369,280	98,459,750	1,082,074,798	0.2000	3,550,983,236	91.9%
2003	1,858,072,636	259,602,395	102,153,004	1,230,406,541	0.1959	3,779,008,298	91.3%
2004	1,907,097,401	225,651,953	102,110,806	1,728,792,581	0.1803	4,327,131,813	91.6%
2005	2,028,537,916	232,560,600	127,509,107	1,492,852,832	0.1937	4,120,446,343	94.2%
2006	2,149,205,217	253,083,835	96,027,468	1,284,683,290	0.2063	3,887,975,139	97.3%
2007	2,240,389,072	307,709,918	70,915,621	1,313,720,034	0.2080	4,256,206,326	92.4%
2008	2,366,775,100	314,983,944	61,281,884	1,406,922,969	0.2046	4,491,302,919	92.4%
2009	2,508,651,235	312,311,411	69,204,784	1,498,007,365	0.2022	4,718,467,522	93.0%
2010	2,602,525,073	326,108,291	73,128,586	1,626,947,361	0.2004	4,737,675,856	97.7%

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

²Source: Property Valuation Administration

Schedule 7

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

REAL PROPERTY:

Fiscal Year	DIRECT		OVERLAPPING							TOTAL CITY RESIDENT ¹	
	City	City Schools	County Schools	State	County	Health	Extension	Library	City School	County School	
											City
2001	0.2472	0.6460	0.4770	0.1480	0.1280	0.0250	0.0090	0.0390	1.2422	1.0732	
2002	0.2472	0.6690	0.4900	0.1360	0.1280	0.0350	0.0090	0.0400	1.2642	1.0852	
2003	0.2541	0.6640	0.5070	0.1350	0.1280	0.0350	0.0090	0.0410	1.2661	1.1091	
2004	0.2612	0.6970	0.5250	0.1330	0.1300	0.0350	0.0090	0.0560	1.3212	1.1492	
2005	0.2586	0.7010	0.5330	0.1310	0.1340	0.0350	0.0090	0.0660	1.3346	1.1666	
2006	0.2580	0.7040	0.5360	0.1310	0.1270	0.0350	0.0090	0.0570	1.3210	1.1530	
2007	0.2608	0.7400	0.5450	0.1280	0.1270	0.0350	0.0090	0.0503	1.3501	1.1551	
2008	0.2601	0.7480	0.5470	0.1240	0.1300	0.0350	0.0090	0.0590	1.3651	1.1701	
2009	0.2593	0.7640	0.5630	0.1220	0.1360	0.0350	0.0090	0.0600	1.3853	1.1843	
2010	0.2593	0.7670	0.5630	0.1220	0.1360	0.0350	0.0090	0.0590	1.3873	1.1833	

PERSONAL PROPERTY:

Fiscal Year	DIRECT		OVERLAPPING							TOTAL CITY RESIDENT ¹	
	City	City Schools	County Schools	State	County	Health	Extension	Library	City School	County School	
											City
2001	0.2472	0.6460	0.4830	0.4500	0.1470	0.0250	0.0090	0.0395	1.5637	1.4007	
2002	0.2472	0.6690	0.4900	0.4500	0.1470	0.0350	0.0090	0.0400	1.5972	1.4182	
2003	0.2541	0.6640	0.5070	0.4500	0.1470	0.0350	0.0090	0.0411	1.6002	1.4432	
2004	0.2946	0.6970	0.5250	0.4500	0.1638	0.0350	0.0090	0.0462	1.6965	1.5245	
2005	0.3091	0.7020	0.5330	0.4500	0.1638	0.0350	0.0090	0.0570	1.7259	1.5569	
2006	0.3072	0.7040	0.5360	0.4500	0.1572	0.0350	0.0107	0.0577	1.7218	1.5538	
2007	0.2744	0.7400	0.5450	0.4500	0.1592	0.0350	0.0108	0.0594	1.7288	1.5338	
2008	0.2743	0.7480	0.5470	0.4500	0.1696	0.0350	0.0111	0.0622	1.7502	1.5492	
2009	0.2927	0.7640	0.5630	0.4500	0.1946	0.0350	0.0090	0.0693	1.8146	1.6136	
2010	0.2927	0.7670	0.5630	0.4500	0.1946	0.0350	0.0090	0.0687	1.8170	1.6130	

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

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

Schedule 8

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

TAXPAYER	TYPE OF BUSINESS	June 30, 2010			June 30, 2001		
		ASSESSED VALUATION ¹	RANK	PERCENTAGE OF TOTAL ASSESSED VALUATION OF \$3,019,870,935	ASSESSED VALUATION ¹	RANK	PERCENTAGE OF TOTAL ASSESSED VALUATION OF \$1,948,354,506
Wal-Mart Real Estate	Retail	\$ 34,927,601	1	1.16%	\$ -	-	-
Toyotetsu Mid America	Manufacturer	32,680,313	2	1.08%	-	-	-
Towne Square Mall, LLC	Mall Development	29,000,000	3	0.96%	30,112,976	3	1.55%
Ragu/Unilever/Lipton	Manufacturer	27,869,740	4	0.92%	10,365,694	10	0.53%
Boardwalk Pipelines	Gas Company	23,655,600	5	0.78%	11,430,619	7	0.59%
Unifirst Corporation	Manufacturer	18,909,935	6	0.63%	31,038,332	2	1.59%
Atmos Energy	Gas Company	18,349,934	7	0.61%	14,997,880	5	0.77%
Bellsouth/AT&T	Telecommunications	16,743,807	8	0.63%	31,401,012	1	1.61%
Lowe's	Retail	15,158,637	9	0.50%	-	-	-
Owensboro Towne Center	Mall Development	14,661,964	10	0.49%	-	-	-
Century Venture Corporation	Cable TV	-	-	-	26,021,000	4	1.34%
Field Packing	Manufacturer	-	-	-	12,492,542	6	0.64%
General Electric	Manufacturer	-	-	-	10,822,230	8	0.56%
Dana Corporation	Manufacturer	-	-	-	10,766,025	9	0.55%
		<u>\$231,957,531</u>		<u>7.76%</u>	<u>\$ 189,448,310</u>		<u>9.73%</u>

¹Source: Daviess County Property Valuation Office

Schedule 9

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

FISCAL YEAR	TOTAL TAX LEVY FOR FISCAL YEAR		ADJUSTMENTS TO LEVY	FINAL ADJUSTED LEVY	COLLECTED WITHIN FISCAL YEAR OF LEVY		COLLECTIONS SUBSEQUENT YEARS	TOTAL COLLECTIONS TO DATE	
	FISCAL YEAR	AMOUNT			FISCAL YEAR OF LEVY	% OF LEVY		AMOUNT	% OF LEVY
2001	\$5,879,384	\$234,484	\$6,113,868	\$5,894,785	96.4%	\$216,110	\$6,110,895	99.9%	
2002	6,569,149	(42,313)	6,526,836	6,378,460	97.7%	143,705	6,522,165	99.9%	
2003	6,477,380	282,335	6,759,715	6,598,792	97.6%	149,812	6,748,604	99.8%	
2004	6,834,685	312,475	7,147,160	7,024,928	98.3%	117,603	7,142,531	99.9%	
2005	7,135,269	383,251	7,518,520	7,396,847	98.4%	112,231	7,509,078	99.9%	
2006	7,236,158	570,834	7,806,992	7,641,239	97.9%	159,286	7,800,525	99.9%	
2007	7,677,452	505,750	8,183,202	8,045,021	98.3%	125,520	8,170,541	99.8%	
2008	8,027,057	521,824	8,548,881	8,419,367	98.5%	115,419	8,534,786	99.8%	
2009	8,328,260	575,480	8,903,740	8,792,417	98.7%	79,734	8,872,151	99.6%	
2010	8,703,133	573,741	9,276,874	9,157,345	98.7%	-	9,157,345	98.7%	

Note: This table includes all governmental funds.

Schedule 10

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

FISCAL YEAR	GENERAL BONDS	LEASE REVENUE BONDS	LOAN PAYABLE	TOTAL PRIMARY GOV'T	PERCENTAGE OF PERSONAL INCOME ¹	PER CAPITA ¹
2002	\$ 18,269	\$ 10,420	\$ 1,441	\$ 30,130	2.29%	\$ 557
2003	17,226	3,900	1,063	22,189	1.62%	410
2004	16,467	3,687	1,009	21,163	1.55%	390
2005	15,633	3,440	958	20,031	1.40%	365
2006	20,722	640	906	22,268	1.50%	402
2007	18,972	585	870	20,427	1.32%	368
2008	24,283	525	1,009	25,817	1.59%	466
2009	45,110	465	5,344	50,919	3.02%	917
2010	48,921	405	9,517	58,843	3.23%	1,056

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

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

Schedule 11

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

FISCAL YEAR	POPULATION ¹	ESTIMATED ACTUAL VALUE ²	TOTAL BONDS AND LOAN PAYABLE		LESS APPLICABLE AMOUNTS ³	NET BONDED DEBT	RATIO OF NET BONDED DEBT TO ASSESSED VALUE		NET BONDED DEBT PER CAPITA
2001	54,067	\$3,475,309,359	\$28,495,967	\$23,220,967	\$5,275,000	0.15	0.15	97.56	
2002	54,119	3,550,983,236	29,714,207	14,999,513	14,714,694	0.41	0.41	271.90	
2003	54,176	3,779,008,298	21,818,080	7,974,089	13,843,991	0.37	0.37	255.54	
2004	54,312	4,327,131,813	20,500,877	7,567,589	12,933,288	0.30	0.30	238.13	
2005	54,900	4,120,446,343	19,441,119	7,091,534	12,349,585	0.30	0.30	224.95	
2006	55,459	3,887,975,139	21,622,467	4,056,698	17,565,769	0.45	0.45	316.73	
2007	55,525	4,256,206,326	19,866,474	3,778,268	16,088,206	0.38	0.38	289.75	
2008	55,398	4,491,302,919	25,312,611	3,666,530	21,646,081	0.48	0.48	390.74	
2009	55,516	4,718,467,522	50,368,627	7,745,551	42,623,076	0.90	0.90	767.76	
2010	55,745	4,737,675,856	58,401,792	11,657,226	46,744,566	0.99	0.99	838.54	

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

¹Source: Bureau of the Census Count

²Source: Kentucky Department of Revenue - Research Division

³These amounts include the general obligation bonds that are being repaid from the Police & Firefighters' Retirement Fund, the Lease Revenue Bonds and the Loan Payable.

Schedule 12

CITY OF OWENSBORO
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
 June 30, 2010

Jurisdiction	Governmental Activities Debt Outstanding	Percentage Applicable to City (1)	Amount Applicable to City of Owensboro
Direct			
City of Owensboro			
General Obligation Bonds	\$ 43,813,000	100.0%	\$ 43,813,000
Revolving Loan	9,517,048	100.0%	9,517,048
Floating Indebtedness Bonds	38,400	100.0%	38,400
Lease Revenue Bonds	405,000	100.0%	405,000
General Obligation Build America Bonds	5,070,000		5,070,000
Owensboro Independent Schools			-
General Obligation Bonds	24,389,253	100.0%	24,389,253
KISTA Loans	1,033,089	100.0%	1,033,089
	<u>Total Direct</u>		<u>84,265,790</u>
Overlapping			
Daviess County			
General Obligation Bonds	33,065,000	58.4%	19,309,960
Capital Lease Obligations	6,487,736	58.4%	3,788,838
Recovery Zone Economic Development Bonds	980,000	58.4%	572,320
Daviess County Schools			-
General Obligation Bonds	71,217,083	43.1%	30,694,563
	<u>Total Overlapping Debt</u>		<u>54,365,681</u>
	<u>Total Direct and Overlapping Debt</u>		<u>\$ 138,631,471</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									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Debt limit	\$ 230,545,940	\$ 234,476,604	\$ 236,619,486	\$ 252,127,162	\$ 263,731,552	\$ 263,731,552	\$ 276,122,241	\$ 289,737,193	\$ 304,779,543	\$ 317,339,605
Total net debt applicable to limit	14,475,000	13,615,000	13,092,955	12,504,430	17,640,212	17,640,212	15,987,234	21,719,010	43,052,036	47,100,283
Legal debt margin	\$ 216,070,940	\$ 220,861,604	\$ 223,526,531	\$ 239,622,732	\$ 246,091,340	\$ 246,091,340	\$ 260,135,007	\$ 268,018,183	\$ 261,727,507	\$ 270,239,322
Total net debt applicable to the limit as a percentage of debt limit	6.28%	5.81%	5.53%	4.96%	6.69%	6.69%	5.79%	7.50%	14.13%	14.84%

Legal Debt Margin Calculation for Fiscal Year 2008

Net assessed value	\$3,001,761,950
Add back: exempt real property	171,634,100
Total assessed value	\$3,173,396,050
Debt limit - 10% of total assessed value ¹	\$ 317,339,605
Amount of debt applicable to debt limit:	
Total general bonded debt	\$ 58,401,792
Less: Revenue Bonds	(405,000)
Loan Payable	(9,517,048)
Amount set aside for repayment of general obligation bonds	(1,379,461)
Total debt applicable to limitation	\$ 47,100,283
Legal debt margin	\$ 270,239,322

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 ⁴	SCHOOL ENROLLMENT ²	UNEMPLOYMENT RATE ³
2001	54,067	\$1,267,476	\$23,383	3,902	5.0%
2002	54,119	1,317,044	24,238	3,861	5.2%
2003	54,176	1,365,620	25,095	3,910	5.8%
2004	54,312	1,361,187	25,014	3,849	5.9%
2005	54,900	1,426,577	25,985	3,978	6.1%
2006	55,459	1,488,298	26,836	3,942	5.9%
2007	55,525	1,546,038	27,844	3,934	5.0%
2008	55,398	1,619,062	29,226	3,934	4.9%
2009	55,516	1,686,632	30,381	4,031	10.6%
2010	55,745	1,821,970	32,684	4,053	8.9%

Sources:

¹United States Census Estimates

²Owensboro Board of Education; represents elementary and secondary public schools

³Kentucky Department for Employment Services

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

Schedule 15

City of Owensboro
Principal Employers

Current Year and Nine Years Ago

<u>Employer</u>	<u>2010</u>			<u>2001</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 Medical Health System	3,300	1	5.92%	2,500	1	5.51%
US Bank Home Mortgage	1,261	2	2.26%	475	5	1.05%
Owensboro Public Schools	778	3	1.40%	830	2	1.83%
Specialty Foods (Field Packing Company)	470	4	0.84%			
Wal-Mart	541	5	0.97%	470	6	1.04%
Unilever Foods North America	515	6	0.92%	432	8	0.95%
City of Owensboro	481	7	0.86%	534	4	1.18%
Commonwealth of Kentucky	471	8	0.84%	412	9	0.91%
Toyotetsu Mid-America	372	9	0.67%			
Unifirst	350	10	0.63%			
River Valley Behavioral Health				775	3	1.71%
Boardwalk - Texas Gas				390	10	0.86%
Wyndall's Enterprises, Inc.				435	7	0.96%
Total	8,539		15.32%	7,253		15.01%

Source: Chamber of Commerce

Schedule 16

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

	Full-time Equivalent Employees as of June 30									
Function	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Governmental Activities:										
General government	66	66	68	69	74	80	71	73	66	49
Public safety	257	259	246	252	257	245	240	237	230	237
Public works	80	79	81	80	71	72	66	70	64	64
Community and cultural	15	14	12	12	5	5	5	4	2	3
Total Governmental Activities	418	418	407	413	407	402	382	384	362	353
Business-type activities:										
Sanitation	32	32	32	32	32	28	27	27	27	27
Other enterprise funds	90	93	94	94	101	95	95	93	69	79
Total business-type activities	122	125	126	126	133	123	122	120	96	106
Total primary government	540	543	533	539	540	525	504	504	458	459

Source: Government Budget

Schedule 17

City of Owensboro
Operating Indicators by Function
Last Ten Fiscal Years

Function	Fiscal Year									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Police										
Physical arrests	4,251	4,722	4,820	5,394	5,052	5,423	4,312	4,531	4,391	4,272
Parking violations	7,835	6,917	7,490	7,825	9,235	11,820	12,331	10,306	8,965	4,636 *
Traffic violations and courtesy notices	13,000	17,500	22,372	33,045	29,315	23,655	20,600	11,453	14,563	10,870
Fire										
Number of calls answered	1,482	1,467	1,503	1,482	1,442	1,575	2,375	2,051	2,163	2,540
Inspections	3,448	3,407	3,516	3,448	3,417	3,601	3,650	3,408	3,445	1,899 **
Highways and streets										
Street resurfacing (miles)	10.5	11.0	5.3	5.5	4.3	3.8	4.6	4.6	5.9	3.4
Potholes repaired	600	650	440	550	700	788	833	1,793	1,197	1,161
Sanitation										
Refuse collected (tons/day)	177.1	180.9	181.0	183.2	181.9	180.8	183.9	183.0	220.1	176.6
Recyclables collected (tons/year)	211.1	292.1	317.9	380.8	414.9	387.5	317.0	309.3	399.2	455.2
Culture and recreation										
Participants in programs	n/a	96,307	101,291	104,732	96,064	91,071	105,407	107,692	103,964	106,000
Number of programs	150	162	170	250	253	323	373	344	311	290
Water¹										
New connections	278	306	236	241	226	198	193	236	145	150
Water main breaks and service leaks repaired	512	510	437	330	529	443	454	523	470	378
Average daily consumption (thousands of gallons)	12,039	11,369	12,030	11,491	11,735	11,915	11,520	11,516	11,418	11,336
Riverport										
Terminal operations (thousands of tons)	939.5	906.0	991.1	916.9	1183.7	1063.2	846.2	753.0	761.5	856.7
Electric¹										
New connections (net)	172	86	725	873	576	207	216	-9	-51	16

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.

** Restructuring of department; only one inspector now.

Schedule 18

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

Function	Fiscal Year									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
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	54	54	58	64	61	78	83	77	74	85
Fire stations	5	5	5	5	5	5	5	5	5	5
Sanitation										
Collection trucks (not including seasonal yard waste equipment)	17	17	17	16	15	15	15	15	17	17
Highways and streets										
Streets (miles)	219.8	224.7	230.2	232.9	234.2	237.0	239.3	242.4	243.1	243.7
Streetlights	10,554	10,663	10,819	10,729	10,797	10,876	11,002	11,077	11,025	11,068
Traffic signals	102	105	106	108	110	111	112	112	112	113
Culture and recreation										
Parks acreage	326	378	378	378	378	378	378	378	372	967 *
Parks	19	20	20	20	20	20	19	19	19	25 *
Ball diamonds	16	15	15	15	16	16	16	16	15	15
Basketball courts	8	8	8	8	9	9	9	9	9	11
Golf Courses	1	1	1	1	1	1	1	1	1	3
Sports Arena	1	1	1	1	1	1	1	1	1	1
Swimming pools	3	3	3	3	2	2	2	2	2	2
Tennis courts	29	29	29	23	25	25	25	25	22	22
Ice skating rinks	1	1	1	1	1	1	1	1	1	1
Community centers	1	1	1	1	1	1	1	1	1	1
Water ¹										
Water mains (miles)	273	273	273	279	281	285	289	289	290	291
Fire hydrants	2,102	2,125	2,147	2,182	2,318	2,355	2,382	2,389	2,403	2,415
Maximum daily capacity (thousands of gallons)	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000
Sewer										
Sanitary sewers (miles)	261.06	261.06	263.65	272.63	272.87	276.84	277.40	277.80	293.88	299.14
Storm sewers (miles)	32.51	35.22	35.94	37.51	38.45	39.06	41.69	44.54	46.71	46.71
Maximum daily treatment capacity (thousands of gallons)	21,800	21,800	21,800	21,800	21,800	21,800	21,800	21,800	21,800	21,800
Electric ¹										
Number of distribution stations	15	15	15	15	15	15	15	15	15	15
Miles of service lines	292	293	291	294	301	304	309	309	309	313

Sources: Various government departments and component units.

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

* Acquisition of golf course/park from the State of Kentucky.