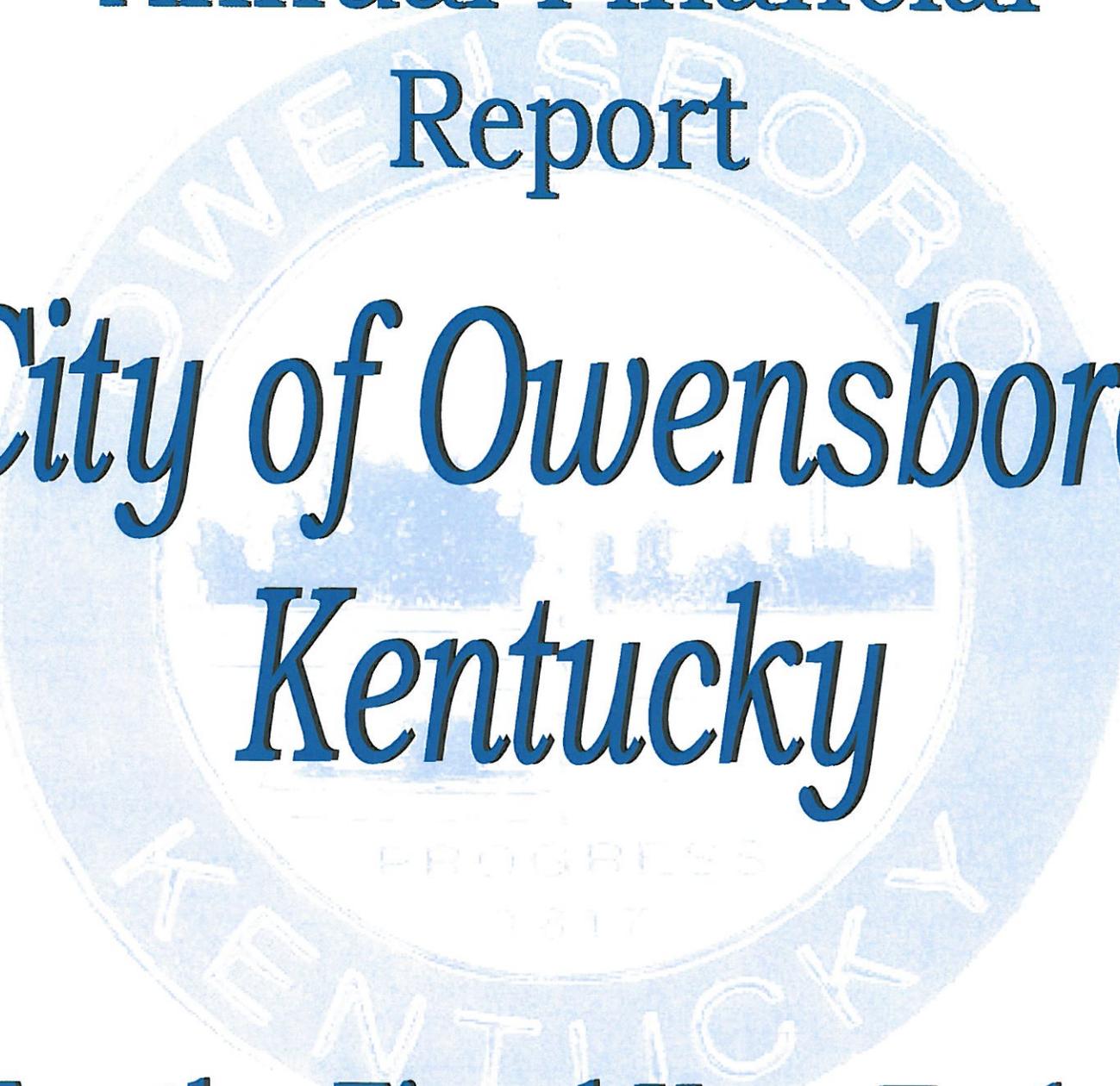

Comprehensive
Annual Financial
Report

City of Owensboro
Kentucky



For the Fiscal Year Ended
June 30, 2012

City of Owensboro

Comprehensive Annual Financial Report

for the

Fiscal Year Ended June 30, 2012



**Issued by the
Department of Finance**

**Angela Hamric
Director of Finance and Support Services**

**COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE CITY OF OWENSBORO, KENTUCKY
YEAR ENDED JUNE 30, 2012**

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City of Owensboro Kentucky

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

December 4, 2012

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, 2012. Responsibility for accuracy of the data and completeness and fairness of the presentation, including all disclosures, rests with the management of the City of Owensboro. To the best of our knowledge and belief, the enclosed data are accurate in all material respects and are reported in a manner designed to present fairly the financial position and results of operations of the various funds and component units of the City.

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

State statute requires an independent financial audit be conducted annually. The accounting firm of Riney Hancock CPAs, PSC performed the audit for the fiscal year ended June 30, 2012, 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 57,605.

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

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

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

Owensboro Municipal Utilities
Owensboro Riverport Authority

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

The City additionally maintains budgetary controls. The object of the controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the Board. Activities of the General Fund, Special Revenue Funds, Capital Projects Funds, Debt Service Fund, Enterprise Funds, Internal Service Funds, and Fiduciary Funds are included in the annual appropriated budget. The level of budgetary control (this is the level at which expenditures cannot legally exceed the appropriated amount) is at the departmental level within an individual fund. The City also maintains an encumbrance accounting system as one technique of accomplishing budgetary control.

LOCAL ECONOMY

Major industries located within the government's boundaries include health care (the local hospital provides employment to more than 3,300 healthcare professionals and staff), banking, manufacturing, and retail. The City of Owensboro has a diverse mix of industries in its economy and as a result, has not experienced the decline in its revenue stream that other cities have. The unemployment rate was 7.1% in June 2012, which was below the state and federal rate of 8.4%.

SIGNIFICANT EVENTS AND INITIATIVES

Strategic Organization Plan

The City has implemented a Strategic Organization Plan for all city departments and operations. More than 74% of the annual General Fund budget is related to personnel costs, which are rising exponentially each year. After a thorough review, the City has adopted a new direction making changes which increased efficiency, effectiveness and cooperation in all department's personnel and operations. Current savings from the plan are over \$1 million dollars. Through this plan the City has been able to respond to the community's desire to redevelop downtown and the riverfront. The plan moved the City closer toward its non-financial goal of maintaining a sustainable and flexible city government.

Riverfront Development

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

Downtown Development and Revitalization

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

Stormwater Master Plan

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

LONG-TERM FINANCIAL PLANNING

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

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

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

AWARDS AND ACKNOWLEDGEMENTS

The Government Finance Officers Association (GFOA) of the United States and Canada awarded the City a Certificate of Achievement for Excellence in Financial Reporting for fiscal year ended June 30, 2011, the 31st year Owensboro has received this prestigious award.

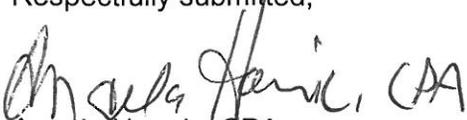
In order to be awarded this Certificate, the City published an easily readable and efficiently organized comprehensive annual financial report, the contents of which conform to program standards. This report satisfied both generally accepted accounting principles and applicable legal requirements.

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 13th year. In order to qualify for the Distinguished Budget Presentation Award, the government's budget document was judged to be proficient in several categories, including as a policy document, a financial plan, an operations guide, and a communications device.

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

Respectfully submitted,



Angela Hamric, CPA

Director of Finance and Support Services

DIRECTORY OF PUBLIC OFFICIALS

ELECTED OFFICIALS - BOARD OF COMMISSIONERS

Mayor Ron Payne

Commissioner Pamela Smith-Wright (Mayor Pro-Tem)

Commissioner Jeff Sanford

Commissioner Roger Stacy

Commissioner David Johnson

APPOINTED OFFICIALS AND DEPARTMENT HEADS

City Manager William Parrish

Operations Manager Tony Cecil

City Attorney Ed Ray

City Clerk Beth Cecil

Director of Finance & Support Services Angela Hamric

Director of Public Works Wayne Shelton

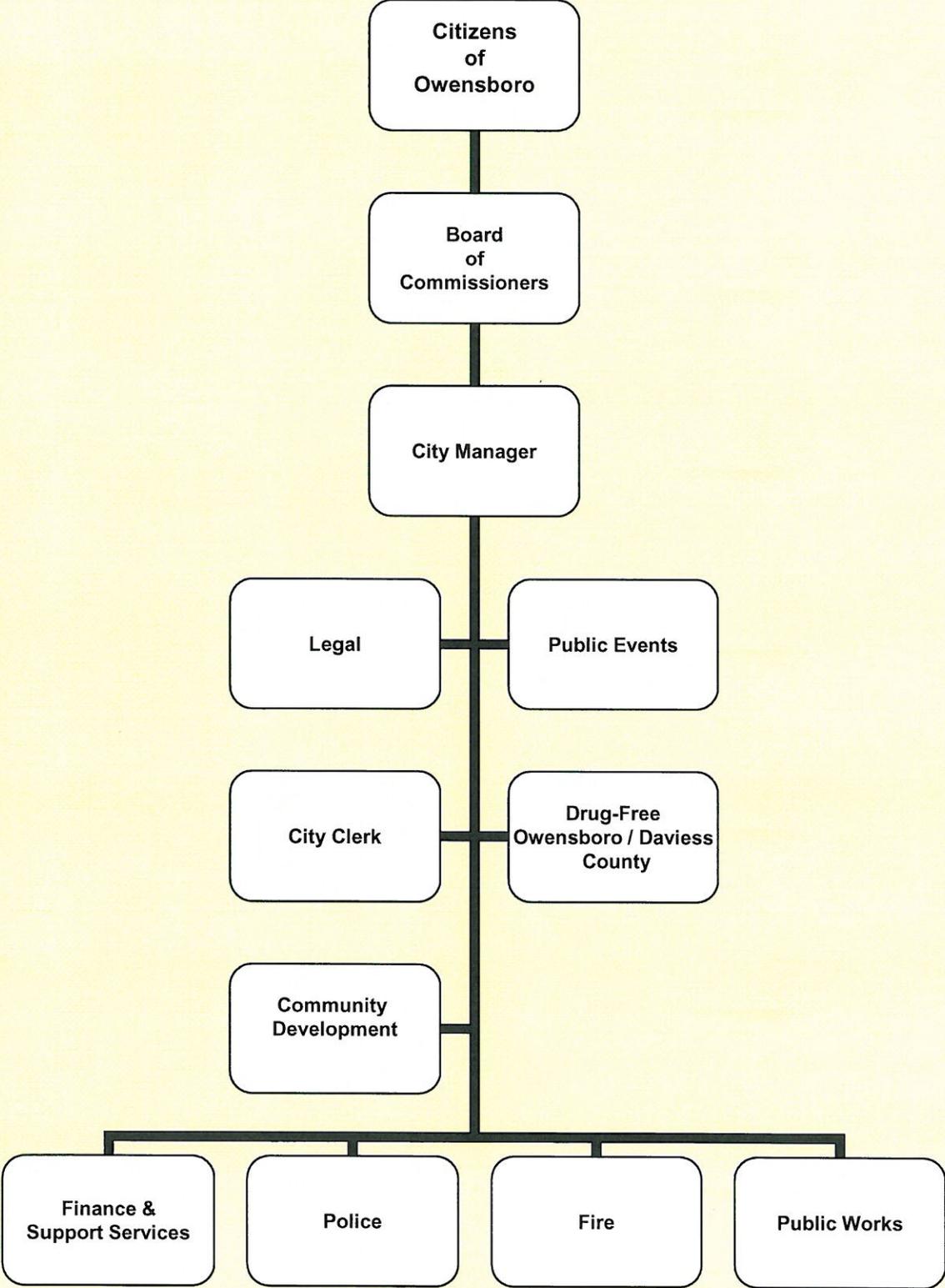
Fire Chief Steve Mitchell

Police Chief..... Glenn Skeens

Community Development Director Keith Free

Public Events Director..... Tim Ross

CITY OF OWENSBORO



Structure subject to change FY12-13.

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, 2011

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.



Linda C. Danison

President

Jeffrey R. Enos

Executive Director

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, 2012, 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, 2012, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 27, 2012, 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.



Owensboro, Kentucky
November 27, 2012



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, 2012. 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 19-103) provided in this document.

I. Financial Highlights

- Assets exceeded liabilities by \$147.5 million at the close of the 2011-2012 fiscal year. Of this amount, \$37.9 million (unrestricted net assets) may be used to meet City government's ongoing obligations to citizens and creditors.
- Total net assets increased by \$9.5 million.
- At fiscal year end, City governmental funds reported a combined ending fund balance of \$49.1 million. Approximately \$12.3 million, 25% of this total amount is unassigned and available for pending at the City's discretion.
- The unassigned general fund balance of \$12.3 million is equal to 34% 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, 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 19-20 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, Riverfront Development Fund, and Debt Service 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 Non-major Governmental Funds section in this report.

Readers may better understand the long-term impact of the City's near-term financing decisions by comparing the narrow-focus government funds financial statements with governmental activities in the government-wide financial statements. The governmental funds balance sheet (pages 21-22) and the statement of revenues, expenditures and changes in fund balances (pages 23-24) 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, Downtown Maintenance & 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.

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

Proprietary fund statements provide the same kind of information as government-wide financial statements, but in greater detail. Individual data for the proprietary fund financial statements is presented in the form of combining statements at pages 25-27 of this report. Individual data for the internal service fund financial statements are likewise presented in the form of combining statements at pages 92-94 of this report.

- 3) **Fiduciary Funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the government and are not reflected in government-wide financial statements because those resources are not available to support City programs. Individual data for the City's four fiduciary funds (City Employees' Pension, Police and Firefighters' Retirement, County Occupational Tax, and School District Tax) are presented in the form of combining statements at pages 95-98 of this report.

C. Notes to the Financial Statements

These notes provide additional information crucial to fully understanding data provided in the government-wide and fund financial statements. Notes to the financial statements can be found at pages 32-75 of this report.

D. Other Information

In addition to basic financial statements and accompanying notes, this report also presents certain required supplementary information (RSI) concerning City funding of its obligation to provide pension benefits to its employees and budgetary comparison schedules for the General Fund. RSI also includes budgetary comparison schedules for Your Community Vision and Downtown Development and Revitalization. Required supplementary information can be found on pages 76-82 of this report.

The combining statements referred to earlier in connection with non-major governmental funds and internal service funds are presented immediately following the required supplementary information. Combining and individual fund statements and schedules can be found on pages 83-100 of this report.

III. Government-Wide Financial Analysis

As previously indicated, net assets may serve over time as a useful indicator of the City's financial position. City assets exceeded liabilities by \$147.5 million at June 30, 2012.

The largest portion of the City's net assets, \$72.2 million, or 49%, reflects its investment in capital assets, net of related debt used to acquire those assets. The City uses these capital assets to provide service to citizens and as a result, these assets are not available for future spending. The City's capital assets are reported net of related debt, but the resources to pay this debt must be provided from other sources since the capital assets cannot be used to liquidate the liabilities.

An additional portion of City net assets, \$37.5 million, or 25%, represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$37.9 million, or 26%, represents unrestricted net assets that may be used to meet the City's ongoing obligations to citizens and creditors.

At the end of the last fiscal year, the City was able to report positive balances in all three categories of net 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	
	2011	2012	2011	2012	2011	2012
Current and other assets	\$96,262,742	\$96,059,245	\$12,852,858	\$12,586,626	\$109,115,600	\$108,645,871
Capital assets	139,103,729	168,106,205	3,790,528	3,991,570	142,894,257	172,097,775
Total assets	\$235,366,471	\$264,165,450	\$16,643,386	\$16,578,196	\$252,009,857	\$280,743,646
Long-term liabilities						
outstanding	\$89,077,233	\$108,965,250	\$395,617	\$414,205	\$89,472,850	\$109,379,455
Other liabilities	24,133,735	23,440,991	328,097	372,943	24,461,832	23,813,934
Total liabilities	\$113,210,968	\$132,406,241	\$723,714	\$787,148	\$113,934,682	\$133,193,389
Net assets:						
Invested in capital assets, net of related debt	\$59,036,580	\$68,207,310	\$3,790,528	\$3,991,570	\$62,827,108	\$72,198,880
Restricted	39,466,683	37,494,110	-	-	39,466,683	37,494,110
Unrestricted	23,652,240	26,057,789	12,129,144	11,799,478	35,781,384	37,857,267
Total net assets	\$122,155,503	\$131,759,209	\$15,919,672	\$15,791,048	\$138,075,175	\$147,550,257

A. Analysis of the City's Operations

The following table summarizes City operations for the year ended June 30, 2012. Governmental activities increased City net assets by \$9.6 million primarily due to a property acquisition from a lease agreement restructuring, increased intergovernmental revenues, and higher tax revenues in all areas resulting from economic growth, higher wages paid and higher profits earned by local businesses. Business-type activities decreased City net assets by \$0.1 million.

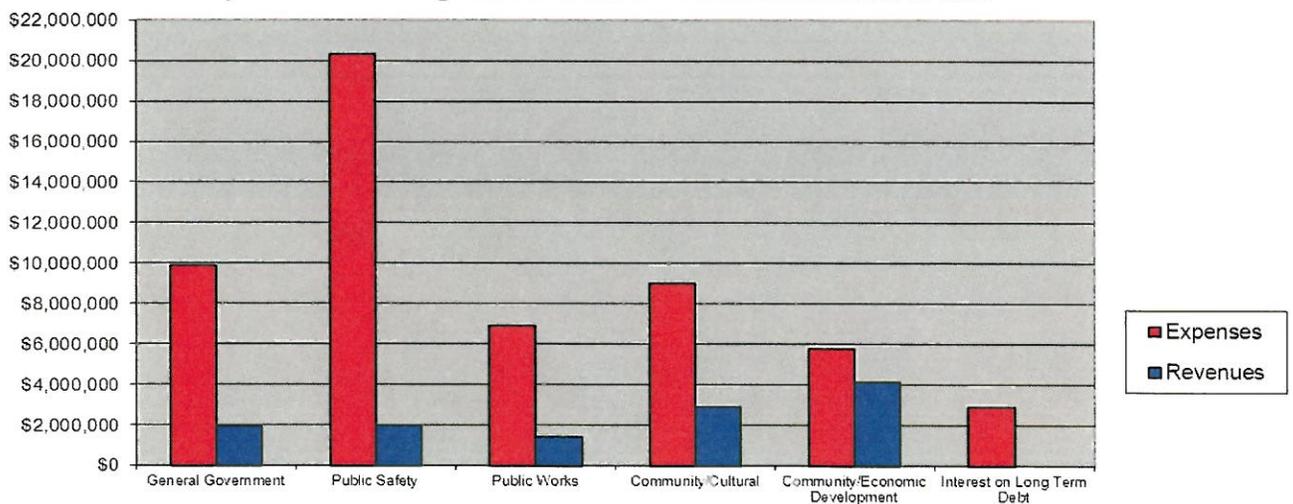
City of Owensboro – Changes in Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2011	2012	2011	2012	2011	2012
Revenues:						
Program revenues:						
Charges for services	\$3,364,312	\$3,681,029	\$7,068,711	\$7,426,085	\$10,433,023	\$11,107,114
Operating grants/contributions	3,971,261	3,894,683	475,124	517,384	4,446,385	4,412,067
Capital grants/contributions	6,634,939	4,836,952	469,719	410,061	7,104,658	5,247,013
General revenues:						
Property taxes	9,178,018	9,410,510	-	-	9,178,018	9,410,510
Occupational & NP License Fee	18,005,265	18,331,019	-	-	18,005,265	18,331,019
Regulatory taxes	7,276,039	7,533,345	-	-	7,276,039	7,533,345
Payment in lieu of taxes	1,990,074	2,363,275	-	-	1,990,074	2,363,275
Gain on sale of capital assets	263,620	152,660	115,412	-	379,032	152,660
Investment earnings	615,382	1,114,934	143,280	125,403	758,662	1,240,337
Intergovernmental revenues	6,658,744	7,822,292	-	-	6,658,744	7,822,292
Investment in joint venture	(108,088)	919,245	-	-	(108,088)	919,245
Miscellaneous	276,035	244,222	-	-	276,035	244,222
Special Item-property acquisition	-	5,917,293	-	-	-	5,917,293
Total revenues	\$58,125,601	\$66,221,459	\$8,272,246	\$8,478,933	\$66,397,847	\$74,700,392

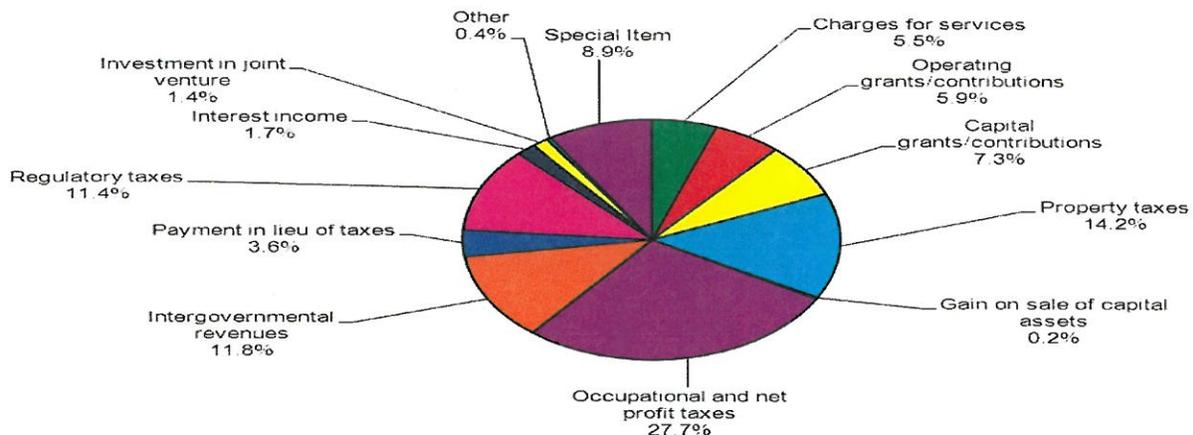
	Governmental Activities		Business-Type Activities		Total	
	2011	2012	2011	2012	2011	2012
Expenses:						
General government	\$8,501,561	\$9,900,004	-	-	\$8,501,561	\$9,900,004
Public safety	20,216,734	20,290,474	-	-	20,216,734	20,290,474
Public works	9,303,683	6,925,625	-	-	9,303,683	6,925,625
Community and cultural	8,180,079	9,028,838	-	-	8,180,079	9,028,838
Community/economic dev	3,174,407	5,802,913	-	-	3,174,407	5,802,913
Interest on long-term debt	2,310,662	2,936,429	-	-	2,310,662	2,936,429
Sanitation	-	-	4,882,331	5,195,084	4,882,331	5,195,084
Other enterprise funds	-	-	4,598,329	5,145,943	4,598,329	5,145,943
Total expenses	\$51,687,126	\$54,884,283	\$9,480,660	\$10,341,027	\$61,167,786	\$65,225,310
Increase in net assets						
before transfers	\$6,438,475	\$11,337,176	(\$1,208,414)	(\$1,862,094)	\$5,230,061	\$9,475,082
Transfers	(1,611,744)	(1,733,470)	1,611,744	1,733,470	-	-
Increase in net assets	4,826,731	9,603,706	403,330	(128,624)	5,230,061	9,475,082
Net assets						
– beginning of year	117,328,772	122,155,503	15,516,342	15,919,672	132,845,114	138,075,175
Net assets – end of year	\$122,155,503	\$131,759,209	\$15,919,672	\$15,791,048	\$138,075,175	\$147,550,257

B. Governmental Activities

Expenses and Program Revenues - Governmental Activities

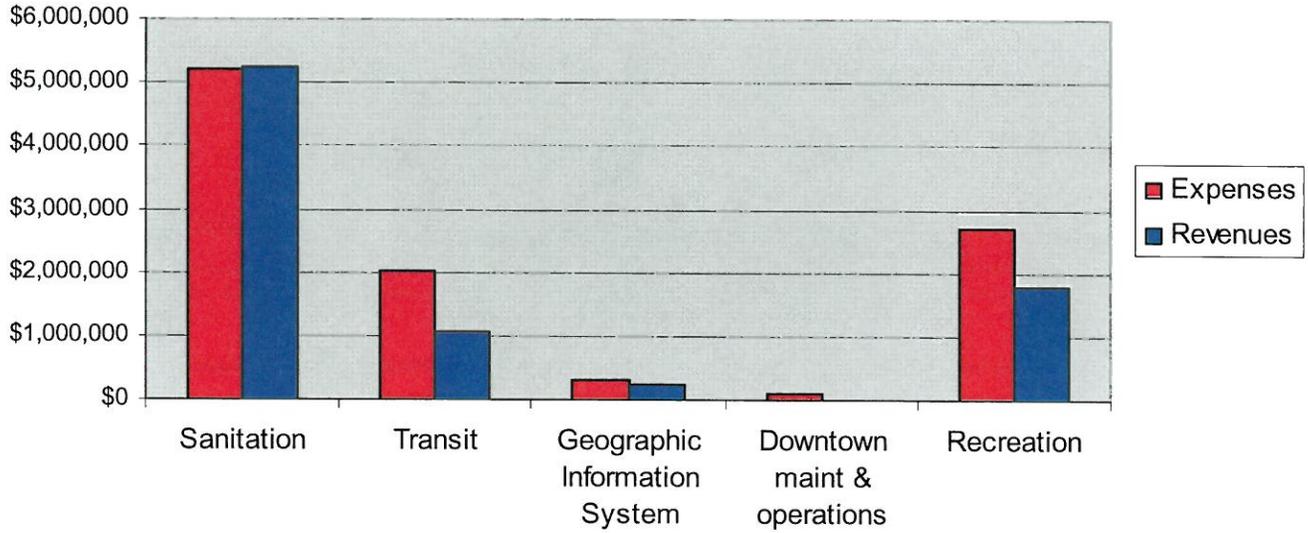


Revenue by Source - Governmental Activities

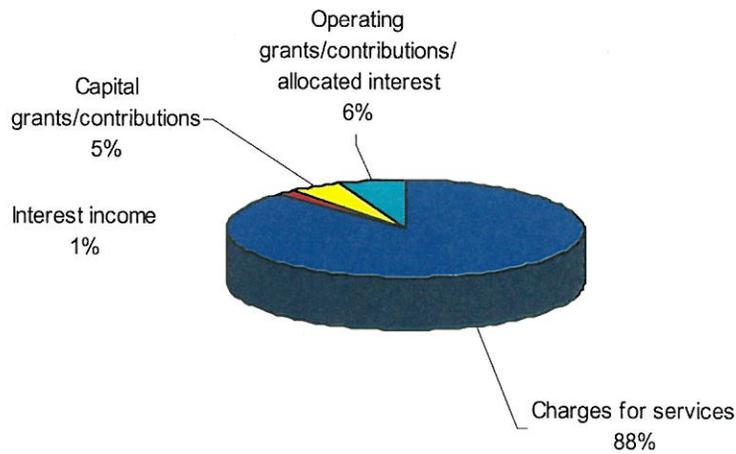


C. Business-Type Activities

Expenses and Revenues - Business-Type Activities



Revenue by Source - Business-Type Activities



IV. Financial Analysis of the City's Funds

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

A. Governmental Funds

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

At the end of the fiscal year, the City governmental funds reported combined ending fund balances of \$49.1 million. Approximately \$18 million is in restricted, and \$18.8 million is in committed. Approximately 25%, or \$12.3 million, is unassigned fund balance, which is available for spending at the city's discretion.

The General Fund is the chief operating fund of the City. At the end of the 2011-2012 fiscal year, the General Fund unassigned fund balance was \$12,327,909, while total fund balance was \$12,391,914. As a measure of General Fund liquidity, readers may compare both unassigned fund balance and total fund balance to total General Fund expenditures. Unassigned fund represents 34% of total General Fund expenditures of \$36.4 million, while total fund balance also represents 34% of total General fund expenditures. The General Fund balance increased by \$1,442,386 during the 2011-2012 fiscal year. This increase is primarily due to increased property tax revenue, dividends and payments in lieu of taxes from component units, investment earnings and fewer funds transferred out.

The Your Community Vision Fund balance of \$9,081,165 represents an increase of \$1,480,485 from prior year. This increase is primarily due to less capital outlay, issuance of debt and transfers out. The capital outlay and issuance of debt relate to activity for the city's stormwater projects, which are financed with Kentucky Infrastructure Authority (KIA) loans. The entire fund balance is committed.

The Downtown Development and Revitalization Fund balance of \$24,563,361 represents a marginal increase of \$825,734 from prior year. This increase is primarily due to higher regulatory license fees and investment earnings. There was \$11,816,114 more in expenditures and capital outlay, however, this was offset by issuance of debt. Of the total fund balance, \$16,844,418 is restricted and \$7,718,943 is committed.

The Riverfront Development Fund balance of \$624,772 represents a significant decrease of \$1,719,944 from prior year. This decrease is due to less grant revenue received as compared to the capital outlay. The city has a receivable reflected to account for the difference. The entire fund balance is restricted.

The Debt Service Fund has a total fund balance of \$11,621, all of which is restricted for payment of debt service.

B. Proprietary Funds

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

Sanitation	\$7,756,595
Non-major Enterprise Funds	\$3,118,407

The net assets for the Proprietary Funds decreased approximately \$0.2 million. Sanitation Fund decreased \$2.1 million, while the Non-major Enterprise Funds increased \$1.9 million. 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 \$1,676,168 increase in appropriations and transfers and can be briefly summarized as follows:

• \$ (41,710)	decrease in Administration
• \$ (35,620)	decrease in Community Development
• \$ 563,632	increase in Engineering
• \$ (3,628)	decrease in Finance
• \$ 10,477	increase in Fire
• \$ (131,775)	decrease in Information Technology
• \$ 2,400	increase in Parking Garage
• \$ 2,060	increase in Personnel
• \$ (71,974)	decrease in Police
• \$ 107,003	increase in Street
• \$1,221,020	increase in General Government
• \$ 54,283	increase in transfers

The net budgetary increase due to appropriations and transfers of \$1,676,168 was deducted from the available fund balance.

The decreases are primarily due to vacant positions and overall savings in the Information Technology and Police departments. The increases are due to various reasons as follows:

- Engineering and Street are due to carryovers from prior year for street maintenance.
- General Government is primarily due to elimination of budget contingency.

VI. Capital Asset and Debt Administration

A. Capital Assets

The City's investment in capital assets for governmental and business-type activities as of June 30, 2012, is \$172.1 million (net of accumulated depreciation). This investment in capital assets includes land, buildings and system improvements, machinery and equipment, park facilities, roads, highways and bridges, and construction in progress.

The City's multi-year Riverfront Development Project focuses on public and private enhancement along the Owensboro Riverfront. The purpose of the Riverfront Development Project is to provide public access to the river while stimulating economic growth in the downtown and riverfront areas. The \$40 million project, primarily funded by a federal grant, is now complete. It includes the river wall and significant additional green space along the riverfront.

The City has also begun a \$99 million Downtown Redevelopment and Revitalization Project. The City has partnered with Daviess County Fiscal Court in the development and financing of this project with the City sponsoring \$79 million of the project and the County sponsoring the additional

\$20 million. The project contains additions and enhancements to the downtown area which will promote economic growth and encourage additional downtown development by private developers. Riverfront Crossing was completed in spring of 2012. Smothers Park with its signature fountain, children's playground and water-park was completed in fall of 2012. The Convention Center which overlooks the Ohio River is to be completed by 2014.

	Governmental Activities		Business-Type Activities		Total	
	2011	2012	2011	2012	2011	2012
Land	\$21,756,168	\$22,564,510	\$118,739	\$118,739	\$21,874,907	\$22,683,249
Land improvements	94,999,824	89,944,871	54,150	227,899	95,053,974	90,172,770
Buildings	18,899,645	22,666,907	490,329	439,259	19,389,974	23,106,166
Vehicles	1,843,524	2,085,678	2,790,440	2,802,874	4,633,964	4,888,552
Machinery and equipment	1,604,568	1,859,589	336,870	402,799	1,941,438	2,262,388
Construction in Progress	-	28,984,650	-	-	-	28,984,650
Total	\$139,103,729	\$168,106,205	\$3,790,528	\$3,991,570	\$142,894,257	\$172,097,775

Additional information on City capital assets can be found on pages 101-103 of this report and in Footnote 5 at pages 49-51.

B. Long-Term Debt

At year end, the City had \$106,184,929 in outstanding bonds and capital leases, compared to \$86,077,201 at June 30, 2011. That is a 46.3% increase as shown in the following table:

	Governmental Activities	
	2011	2012
General obligation bonds	\$68,024,000	\$80,195,000
Lease revenue bonds	345,000	305,000
Advance refunding bonds	1,130,000	6,060,000
Floating indebtedness funding bond	34,100	29,800
KIA loan payable	16,544,101	19,595,129
Total	\$86,077,201	\$106,184,929

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 \$321,289,180. 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 3% of the General Fund budget is expended for debt service, and thus has little impact on current and future operations.

Additional information on City Long-Term Debt can be found in Footnote 6 at pages 52-61.

C. Types of Municipal Debt

- i. **Advance Refunding Bonds.** The City issued General Obligation Public Projects Refunding Bonds to advance refund the 1993 and 1994 Series Bonds, which reduced debt service payments. During 2003-2004, the City issued General Obligation Refunding Bonds to advance refund the Floating Indebtedness Bond, which reduced debt service payments. In 2012, the City issued General Obligation Refunding Bonds Series 2012A and 2012C to advance refund the 2002A and 2002B Series Bonds to reduce debt service payments and pay down the 2002B Series.
- ii. **Floating Indebtedness Funding Bond.** This debt was issued in early 2005 to finance the remodeling of the new Owensboro Symphony offices.
- iii. **Lease Revenue Bonds.** This debt was issued in May 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, 2012, is \$19,595,129.

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

- A. **Unemployment Rate.** The unemployment rate for the City of Owensboro as of June 2012 was 7.1%. The state and federal unemployment rate was 8.4%.
- 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 2012-2013 annual operating budget. Less than 3% 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 2012-2013 City budget was prepared. The beginning general fund balance for fiscal year 2012-2013 is \$12,391,914. The City estimated an ending fund balance of \$12,391,914 (30% of projected general fund revenues). The City is in good financial condition at the present time and no tax increase is planned for this fiscal year.

VIII. Requests for Information

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



CITY OF OWENSBORO, KENTUCKY
STATEMENT OF NET ASSETS
June 30, 2012

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
ASSETS				
Equity in pooled deposits and investments	\$ 59,715,638	\$ 10,455,213	\$ 70,170,851	\$ 3,091,307
Cash and cash equivalents:				
In segregated accounts	140,156	181,585	321,741	21,101,979
With escrow agents	6,085	-	6,085	-
Temporary investments	-	-	-	-
Receivables:				
Accounts	313,705	54,603	368,308	13,360,164
Lease	11,523,203	-	11,523,203	-
Component units	11,741	839,417	851,158	-
Taxes	2,671,783	-	2,671,783	-
Intergovernmental	5,770,683	100,931	5,871,614	-
Delinquent taxes receivable, net of allowance for uncollectibles of \$160,000	31,097	-	31,097	-
Internal balances	(924,476)	924,476	-	-
Materials and supplies inventory	59,469	30,401	89,870	2,955,803
Prepaid items	20,771	-	20,771	492,490
Other current assets	-	-	-	1,267,443
Restricted assets	-	-	-	88,004,732
Capital assets, net of accumulated depreciation:				
Land	22,564,510	118,739	22,683,249	-
Construction in progress	28,984,650	-	28,984,650	-
Depreciable capital assets	116,557,045	3,872,831	120,429,876	249,648,959
Other noncurrent assets	1,642,234	-	1,642,234	2,730,890
Deferred charges	592,693	-	592,693	9,523,757
Investment in joint venture	14,484,463	-	14,484,463	-
Total assets	\$ 264,165,450	\$ 16,578,196	\$ 280,743,646	\$ 392,177,524
LIABILITIES AND NET ASSETS				
Liabilities:				
Accounts payable	\$ 4,355,886	\$ 218,766	\$ 4,574,652	\$ 11,553,429
Accrued wages	450,024	-	450,024	-
Other accrued liabilities	1,589,850	145,592	1,735,442	188,200
Accrued interest payable	402,115	-	402,115	1,947,291
Other payables	-	-	-	5,278,239
Intergovernmental payable	3,924,663	-	3,924,663	-
Component unit payable	264,367	-	264,367	-
Deferred revenue	12,454,086	8,585	12,462,671	5,076,684
Customers' advances	-	-	-	407,447
Deferred gain	-	-	-	340,369
Long-term liabilities:				
Due within one year	3,718,723	4,572	3,723,295	18,934,065
Due in more than one year	105,246,527	409,633	105,656,160	181,481,602
Total liabilities	132,406,241	787,148	133,193,389	225,207,326
Net assets:				
Invested in capital assets, net of related debt	68,207,310	3,991,570	72,198,880	88,602,821
Restricted for:				
Capital projects	36,525,578	-	36,525,578	4,565,426
Economic development	603,596	-	603,596	-
Debt service	-	-	-	16,327,998
Other purposes	364,936	-	364,936	22,196,964
Unrestricted	26,057,789	11,799,478	37,857,267	35,276,989
Total net assets	131,759,209	15,791,048	147,550,257	166,970,198
Total liabilities and net assets	\$ 264,165,450	\$ 16,578,196	\$ 280,743,646	\$ 392,177,524

See Notes to Financial Statements

CITY OF OWENSBORO, KENTUCKY
STATEMENT OF ACTIVITIES
Year Ended June 30, 2012

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	Primary Government		
						Business-Type Activities	Total	
Governmental activities:								
General government	\$ 9,900,004	\$ 1,943,070	\$ -	\$ -	\$ (7,956,934)	\$ -	\$ (7,956,934)	
Public safety	20,290,474	790,746	864,385	344,580	(18,290,763)		(18,290,763)	
Public works	6,925,625	67,627	1,360,230	17,630	(5,480,138)		(5,480,138)	
Community and cultural	9,028,838	-	266,815	2,624,675	(6,137,348)		(6,137,348)	
Community / economic development	5,802,913	879,586	1,403,253	1,850,067	(1,670,007)		(1,670,007)	
Interest on long-term debt	2,936,429	-	-	-	(2,936,429)		(2,936,429)	
Total governmental activities	54,884,283	3,681,029	3,894,683	4,836,952	(42,471,619)		(42,471,619)	
Business-type activities:								
Sanitation	5,195,084	5,260,990	-	-	\$ 65,906	\$ 65,906	65,906	
Transit	2,023,807	139,100	517,384	410,061	(957,262)		(957,262)	
Geographic information system	321,526	245,370	-	-	(76,156)		(76,156)	
Downtown maintenance and operations	107,081	-	-	-	(107,081)		(107,081)	
Recreation	2,693,529	1,780,625	-	-	(912,904)		(912,904)	
Total business-type activities	10,341,027	7,426,085	517,384	410,061	(1,987,497)		(1,987,497)	
Total primary government	65,225,310	11,107,114	4,412,067	5,247,013	(42,471,619)		(44,459,116)	
COMPONENT UNITS								
Owensboro Municipal Utilities	\$ 155,484,324	\$ 150,965,914	\$ -	\$ 447,895				\$ (4,070,515)
Owensboro Riverport Authority	5,002,627	6,465,770	-	-				1,463,143
Total component units	160,486,951	157,431,684	-	447,895				(2,607,372)
General revenues:								
Property taxes					9,410,510		9,410,510	
Occupational license fees					15,303,516		15,303,516	
Net profit license fees					3,027,503		3,027,503	
Regulatory license fees					7,533,345		7,533,345	
Intergovernmental, unrestricted					7,822,292		7,822,292	
Investment earnings					1,114,934	125,403	1,240,337	1,342,152
Payments in lieu of taxes from component unit					2,363,275		2,363,275	
Miscellaneous					244,222		244,222	
Gain on sale of capital assets					152,660		152,660	
Investment in joint venture					919,245		919,245	
Special item - property acquired under lease restructure					5,917,293		5,917,293	
Transfers					(1,733,470)	1,733,470	-	
Total general revenues, special item and transfers					52,075,325	1,858,873	53,934,198	5,228,628
Change in net assets					9,603,706	(128,624)	9,475,082	2,621,256
Net assets, June 30, 2011					122,155,503	15,919,672	138,075,175	164,348,942
Net assets, June 30, 2012					\$ 131,759,209	\$ 15,791,048	\$ 147,550,257	\$ 166,970,198

See Notes to Financial Statements

CITY OF OWENSBORO, KENTUCKY
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2012

	General Fund	Your Community Vision Fund	Downtown Development and Revitalization Fund	Riverfront Development Fund	Debt Service Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS							
Equity in pooled deposits and investments	\$ 15,111,316	\$ 9,359,823	\$ 26,811,906	\$ -	\$ 7,113	\$ 2,186,255	\$ 53,476,413
Cash and cash equivalents:							
In segregated accounts	31,635	-	-	-	-	-	31,635
With escrow agents	-	-	1,577	-	4,508	-	6,085
Receivables:							
Accounts	292,445	-	-	-	-	19,299	311,744
Lease	-	-	-	-	11,523,203	-	11,523,203
Component units	11,741	-	-	-	-	-	11,741
Interfund	-	-	-	-	-	-	-
Taxes	1,891,380	668,799	-	-	-	111,604	2,671,783
Intergovernmental	115,881	788,705	-	4,482,189	-	362,037	5,748,812
Delinquent taxes receivable, net of allowance for uncollectibles of \$160,000	31,097	-	-	-	-	-	31,097
Materials and supplies inventory	16,659	-	-	-	-	-	16,659
Prepaid items	-	-	-	-	-	-	-
Restricted assets	-	-	-	-	-	-	-
Total assets	\$ 17,502,154	\$ 10,817,327	\$ 26,813,483	\$ 4,482,189	\$ 11,534,824	\$ 2,679,195	\$ 73,829,172
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable	\$ 240,738	\$ 843,003	\$ 2,248,622	\$ -	\$ -	\$ 104,305	\$ 3,436,668
Accrued wages	442,230	1,740	-	-	-	6,054	450,024
Other accrued liabilities	1,526,336	-	1,500	-	-	-	1,527,836
Intergovernmental payable	40,228	-	-	3,857,417	-	27,018	3,924,663
Due to other funds	-	-	-	-	-	-	-
Component unit payable	264,367	-	-	-	-	-	264,367
Deferred revenue	2,596,341	891,419	-	-	11,523,203	114,906	15,125,869
Total liabilities	5,110,240	1,736,162	2,250,122	3,857,417	11,523,203	252,283	24,729,427
Fund balances:							
Nonspendable	16,659	-	-	-	-	-	16,659
Restricted	-	-	16,844,418	624,772	11,621	511,726	17,992,537
Committed	47,346	9,081,165	7,718,943	-	-	1,915,186	18,762,640
Assigned	-	-	-	-	-	-	-
Unassigned	12,327,909	-	-	-	-	-	12,327,909
Total fund balances	12,391,914	9,081,165	24,563,361	624,772	11,621	2,426,912	49,099,745
Total liabilities and fund balances	\$ 17,502,154	\$ 10,817,327	\$ 26,813,483	\$ 4,482,189	\$ 11,534,824	\$ 2,679,195	\$ 73,829,172

See Notes to Financial Statements

CITY OF OWENSBORO, KENTUCKY
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
June 30, 2012

Total fund balances - governmental funds \$ 49,099,745

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	\$ 232,661,872	
Accumulated depreciation	<u>(66,611,031)</u>	166,050,841

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. 6,562,944

The City has an equity interest in a joint venture. This investment is not a current financial resource, and therefore is not reported in the funds. 14,484,463

Certain assets not available to pay for current period expenditures:

Occupational and net profit taxes	\$ 2,671,783	
Negative net pension obligation	1,642,234	
BAB interest subsidy receivable	21,871	
Deferred debt issuance costs	<u>592,693</u>	4,928,581

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	\$ (106,184,929)	
Accrued interest payable	(402,115)	
Debt issuance discounts	712,999	
Debt issuance premiums	(34,319)	
Deferred refunding charges	367,176	
Compensated absences	<u>(3,826,177)</u>	<u>(109,367,365)</u>

Net assets of governmental activities \$ 131,759,209

See Notes to Financial Statements

CITY OF OWENSBORO, KENTUCKY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2012

	General Fund	Your Community Vision Fund	Downtown Development and Revitalization Fund	Riverfront Development Fund	Debt Service Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:							
Real and personal property taxes	\$ 9,167,002	\$ -	\$ -	\$ -	\$ -	\$ 243,508	\$ 9,410,510
Occupational license fees	10,656,008	3,781,667	-	-	-	768,597	15,206,272
Net profit license fees	2,203,643	756,693	-	-	-	16,848	2,977,184
Regulatory license fees	4,389,079	-	2,960,242	-	-	184,024	7,533,345
Intergovernmental	3,201,377	415,630	-	2,002,997	1,129,966	2,426,732	9,176,702
Investment earnings	315,780	181,062	477,178	-	(1)	40,226	1,014,245
Fees, licenses and permits	451,006	46,371	-	-	-	-	497,377
Fines and forfeitures	114,465	-	-	-	-	-	114,465
Rentals	-	-	-	-	897,702	713,185	1,610,887
Charges for services	812,117	-	-	-	-	-	812,117
Contributions and donations	-	-	-	-	-	9,880	9,880
Dividends from component units	6,379,600	-	-	-	-	-	6,379,600
Payments in lieu of taxes from component unit	2,363,275	-	-	-	-	-	2,363,275
Miscellaneous income	636,478	-	14,250	-	-	236,892	887,620
Total revenues	40,689,830	5,181,423	3,451,670	2,002,997	2,027,667	4,639,892	57,993,479
Expenditures:							
Current:							
General government	7,889,242	-	-	-	-	-	7,889,242
Public safety	18,996,825	-	-	-	-	423,071	19,419,896
Public works	3,436,968	1,132,243	-	-	-	540,015	5,109,226
Community and cultural	4,349,945	-	-	-	-	-	4,349,945
Community /economic development	377,624	-	3,135,577	-	-	2,289,712	5,802,913
Capital outlay	1,330,660	4,907,337	17,686,396	3,722,941	-	3,788,869	31,436,203
Debt service:							
Principal	-	-	-	-	22,238,300	-	22,238,300
Interest	-	-	-	-	2,867,038	-	2,867,038
Issuance costs	-	-	211,478	-	46,501	-	257,979
Total expenditures	36,381,264	6,039,580	21,033,451	3,722,941	25,151,839	7,041,667	99,370,742
Excess (deficiency) of revenues over expenditures	4,308,566	(858,157)	(17,581,781)	(1,719,944)	(23,124,172)	(2,401,775)	(41,377,263)
Other financing sources (uses):							
Sale of capital assets	6,119	-	-	-	-	142,816	148,935
Issuance of debt	-	3,051,028	40,400,000	-	-	-	43,451,028
Refunding bonds issued	-	-	-	-	5,195,000	-	5,195,000
Payment to bond refunding escrow	-	-	-	-	(6,507,708)	-	(6,507,708)
Discount on bonds issued	-	-	(186,945)	-	(17,381)	-	(204,326)
Premium on bonds issued	-	-	-	-	34,319	-	34,319
Transfers in	1,414,215	-	-	-	24,349,701	334,250	26,098,166
Transfers out	(4,286,514)	(712,386)	(21,805,540)	-	-	(714,470)	(27,518,910)
Total other financing sources (uses)	(2,866,180)	2,338,642	18,407,515	-	23,053,931	(237,404)	40,696,504
Net change in fund balances	1,442,386	1,480,485	825,734	(1,719,944)	(70,241)	(2,639,179)	(680,759)
Fund balances, beginning of year	10,949,528	7,600,680	23,737,627	2,344,716	81,862	5,066,091	49,780,504
Fund balances, end of year	\$ 12,391,914	\$ 9,081,165	\$ 24,563,361	\$ 624,772	\$ 11,621	\$ 2,426,912	\$ 49,099,745

See Notes to Financial Statements

CITY OF OWENBORO, 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, 2012

Net change in fund balances - total governmental funds \$ (680,759)

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	\$ 31,402,715	
Depreciation expense	<u>(8,834,102)</u>	22,568,613

Governmental funds report the disposal of capital assets to the extent proceeds are received. However, the statement of activities reports the gain or loss. 3,725

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	\$ 147,563	
Property received under lease restructure	5,917,293	
Decrease in BAB interest subsidy receivable	(665)	
Decrease in investment in joint venture	<u>919,245</u>	6,983,436

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	\$ 22,238,300	
Proceeds from debt issuance	(48,646,028)	
Payment to bond refunding escrow	6,507,708	
Bond issuance costs	257,979	
Amortization of bond issuance costs	(30,717)	
Discounts on bonds issued	204,326	
Amortization of bond discounts and premiums	(58,936)	
Premiums on bonds issued	(34,319)	
Amortization of deferred amounts on refunding	<u>(42,797)</u>	(19,604,484)

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	\$ (56,271)	
Decrease in negative net pension obligation	(257,877)	
Decrease in accrued interest payable	<u>63,059</u>	(251,089)

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. 584,264

Change in net assets of governmental activities \$ 9,603,706

See Notes to Financial Statements

CITY OF OWENSBORO, KENTUCKY
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
June 30, 2012

	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	\$ 7,315,249	\$ 3,139,964	\$ 10,455,213	\$ 6,239,225
Cash and cash equivalents:				
In segregated accounts	300	181,285	181,585	108,521
Receivables:				
Accounts	9,373	45,230	54,603	1,961
Component units	821,373	18,044	839,417	-
Intergovernmental	-	100,931	100,931	-
Materials and supplies inventory	4,279	26,122	30,401	42,810
Prepaid expenses	-	-	-	20,771
Total current assets	<u>8,150,574</u>	<u>3,511,576</u>	<u>11,662,150</u>	<u>6,413,288</u>
Noncurrent assets:				
Capital assets, net of accumulated depreciation:				
Land	13,000	105,739	118,739	-
Depreciable capital assets	2,553,622	1,319,209	3,872,831	2,055,364
Total noncurrent assets	<u>2,566,622</u>	<u>1,424,948</u>	<u>3,991,570</u>	<u>2,055,364</u>
Total assets	<u>\$ 10,717,196</u>	<u>\$ 4,936,524</u>	<u>\$ 15,653,720</u>	<u>\$ 8,468,652</u>
LIABILITIES AND NET ASSETS				
Current liabilities:				
Accounts payable	\$ 151,111	\$ 67,655	\$ 218,766	\$ 919,218
Accrued liabilities	53,131	92,461	145,592	62,014
Compensated absences	502	4,070	4,572	-
Deferred revenue	-	8,585	8,585	-
Total current liabilities	<u>204,744</u>	<u>172,771</u>	<u>377,515</u>	<u>981,232</u>
Non-current liabilities:				
Compensated absences	189,235	220,398	409,633	-
Total non-current liabilities	<u>189,235</u>	<u>220,398</u>	<u>409,633</u>	<u>-</u>
Total liabilities	<u>393,979</u>	<u>393,169</u>	<u>787,148</u>	<u>981,232</u>
Net assets:				
Invested in capital assets	2,566,622	1,424,948	3,991,570	2,055,364
Unrestricted	7,756,595	3,118,407	10,875,002	5,432,056
Total net assets	<u>10,323,217</u>	<u>4,543,355</u>	<u>14,866,572</u>	<u>7,487,420</u>
Total liabilities and net assets	<u>\$ 10,717,196</u>	<u>\$ 4,936,524</u>	<u>\$ 15,653,720</u>	<u>\$ 8,468,652</u>
Total net assets			\$ 14,866,572	
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds			<u>924,476</u>	
Net assets of business-type activities			<u>\$ 15,791,048</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, 2012

	Business-Type Activities Enterprise Funds			Governmental Activities- Internal Service Funds
	Sanitation Fund	Nonmajor Enterprise Funds	Total	
Operating revenues:				
Charges for services	\$ 5,218,611	\$ 2,162,086	\$ 7,380,697	\$ 9,933,156
Miscellaneous income	42,379	3,009	45,388	-
Total operating revenues	<u>5,260,990</u>	<u>2,165,095</u>	<u>7,426,085</u>	<u>9,933,156</u>
Operating expenses:				
Salaries, wages, and benefits	1,711,605	2,345,717	4,057,322	1,926,031
Maintenance	533,543	912,373	1,445,916	1,636,444
Utilities	15,498	275,698	291,196	26,213
Administrative	-	-	-	295,370
Supplies	394,833	634,180	1,029,013	891,569
Other	2,032,616	599,050	2,631,666	43,711
Claims	-	-	-	3,997,605
Depreciation	526,797	440,987	967,784	648,144
Total operating expenses	<u>5,214,892</u>	<u>5,208,005</u>	<u>10,422,897</u>	<u>9,465,087</u>
Operating income (loss)	<u>46,098</u>	<u>(3,042,910)</u>	<u>(2,996,812)</u>	<u>468,069</u>
Nonoperating revenues:				
Gain (loss) on sale of capital assets	29,857	(54,348)	(24,491)	103,921
Investment earnings	(42,743)	168,146	125,403	100,689
Operating grants	-	517,384	517,384	17,946
Total nonoperating revenues	<u>(12,886)</u>	<u>631,182</u>	<u>618,296</u>	<u>222,556</u>
Income (loss) before contributions and transfers	33,212	(2,411,728)	(2,378,516)	690,625
Capital contributions - grants	-	410,061	410,061	-
Transfers in	-	3,948,893	3,948,893	-
Transfers out	(2,200,000)	(15,423)	(2,215,423)	-
Change in net assets	(2,166,788)	1,931,803	(234,985)	690,625
Net assets, beginning of year	<u>12,490,005</u>	<u>2,611,552</u>	<u>15,101,557</u>	<u>6,796,795</u>
Net assets, end of year	<u>\$ 10,323,217</u>	<u>\$ 4,543,355</u>	<u>\$ 14,866,572</u>	<u>\$ 7,487,420</u>
Change in net assets			\$ (234,985)	
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds			<u>106,361</u>	
Change in net assets of business-type activities			<u>\$ (128,624)</u>	

See Notes to Financial Statements

CITY OF OWENSBORO, KENTUCKY
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2012

	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	\$ 5,133,350	\$ 2,178,434	\$ 7,311,784	\$ 9,932,993
Other cash receipts	42,379	-	42,379	-
Cash payments to employees for services	(1,691,620)	(2,322,573)	(4,014,193)	(1,910,557)
Cash payments to suppliers	(2,960,366)	(2,413,585)	(5,373,951)	(2,841,776)
Cash payments for interfund services used	-	-	-	-
Cash payments for claims	-	-	-	(3,997,605)
Net cash provided by (used in) operating activities	<u>523,743</u>	<u>(2,557,724)</u>	<u>(2,033,981)</u>	<u>1,183,055</u>
Cash flows from noncapital financing activities:				
Operating grants	-	513,179	513,179	17,946
Transfers in	-	3,948,893	3,948,893	-
Transfers out	(2,200,000)	(15,423)	(2,215,423)	-
Net cash provided by (used in) noncapital financing activities	<u>(2,200,000)</u>	<u>4,446,649</u>	<u>2,246,649</u>	<u>17,946</u>
Cash flows from capital and related financing activities:				
Proceeds from sale of capital assets	29,857	6,611	36,468	106,802
Capital contributions - grants	-	439,824	439,824	-
Payments for capital acquisitions	(1,171,663)	(58,121)	(1,229,784)	(1,163,871)
Net cash provided by (used in) capital and related financing activities	<u>(1,141,806)</u>	<u>388,314</u>	<u>(753,492)</u>	<u>(1,057,069)</u>
Cash flows from investing activities:				
Interest on investments	(42,743)	168,146	125,403	100,689
Net increase (decrease) in cash and cash equivalents	<u>(2,860,806)</u>	<u>2,445,385</u>	<u>(415,421)</u>	<u>244,621</u>
Equity in pooled cash and deposits, and cash and cash equivalents, beginning of year	<u>10,176,355</u>	<u>875,864</u>	<u>11,052,219</u>	<u>6,103,125</u>
Equity in pooled cash and deposits, and cash and cash equivalents, end of year	<u>\$ 7,315,549</u>	<u>\$ 3,321,249</u>	<u>\$ 10,636,798</u>	<u>\$ 6,347,746</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:				
Operating income (loss)	\$ 46,098	\$ (3,042,910)	\$ (2,996,812)	\$ 468,069
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation	526,797	440,987	967,784	648,144
Change in assets and liabilities:				
(Increase) decrease in assets:				
Accounts receivable	(2,550)	(13,173)	(15,723)	(162)
Component unit receivable	(82,711)	20,253	(62,458)	-
Materials and supplies inventory	827	8,968	9,795	(7,155)
Prepaid expenses	-	-	-	2,592
Increase (decrease) in liabilities:				
Accounts payable	15,297	(1,253)	14,044	56,093
Unearned revenue	-	6,260	6,260	-
Accrued liabilities	5,796	18,745	24,541	15,474
Compensated absences	14,189	4,399	18,588	-
Interfund payables	-	-	-	-
Net cash provided by (used in) operating activities	<u>\$ 523,743</u>	<u>\$ (2,557,724)</u>	<u>\$ (2,033,981)</u>	<u>\$ 1,183,055</u>

See Notes to Financial Statements

CITY OF OWENSBORO, KENTUCKY
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
June 30, 2012

	Pension Trust Funds	Investment Trust Fund	Agency Funds
	<u> </u>	<u> </u>	<u> </u>
ASSETS			
Equity in pooled deposits and investments	\$ 6,435,725	\$ 1,537,742	\$ 80,518
Cash and cash equivalents	1,877,196	-	-
Cash and cash equivalents, restricted	12,450	-	-
Interest receivable	-	-	-
Intergovernmental receivable	-	3,884,435	40,228
Investments, at fair value:			
Mutual funds	-	-	-
Investments at fair value, restricted:			
Mutual funds	<u>983,317</u>	<u>-</u>	<u>-</u>
Total assets	<u>9,308,688</u>	<u>5,422,177</u>	<u>120,746</u>
LIABILITIES			
Pension payable	96,705	-	-
Other	<u>950</u>	<u>-</u>	<u>120,746</u>
Total liabilities	<u>97,655</u>	<u>-</u>	<u>120,746</u>
NET ASSETS			
Held in trust for pension benefits	8,215,266	-	-
Held in trust for debt service	995,767	-	-
Held in trust for external pool participants	<u>-</u>	<u>5,422,177</u>	<u>-</u>
Total net assets	<u>\$ 9,211,033</u>	<u>\$ 5,422,177</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, 2012

	<u>Pension Trust Funds</u>	<u>Investment Trust Fund</u>
Additions:		
Purchases of pool units	\$ -	\$ 25,730,179
Contributions:		
Employer	-	-
Other	5,366	-
Total contributions	<u>5,366</u>	<u>-</u>
Investment earnings:		
Net appreciation (depreciation) in fair value of investments	(8,886)	11,090
Interest	248,917	664,016
Total investment earnings	240,031	26,405,285
Less investment expense	<u>14,752</u>	<u>-</u>
Net investment earnings	<u>225,279</u>	<u>26,405,285</u>
Total additions	<u>230,645</u>	<u>26,405,285</u>
Deductions:		
Benefits	1,421,921	-
Transfer to debt service fund	312,726	-
Redemption of pool units	-	28,829,797
Total deductions	<u>1,734,647</u>	<u>28,829,797</u>
Change in net assets	(1,504,002)	(2,424,512)
Net assets, beginning of year	<u>10,715,035</u>	<u>7,846,689</u>
Net assets, end of year	<u>\$ 9,211,033</u>	<u>\$ 5,422,177</u>

See Notes to Financial Statements

CITY OF OWENSBORO, KENTUCKY
STATEMENT OF NET ASSETS
COMPONENT UNITS
June 30, 2012

	Owensboro Municipal Utilities	Owensboro Riverport Authority	Total
ASSETS			
Equity in pooled deposits and investments	\$ -	\$ 3,091,307	\$ 3,091,307
Cash and cash equivalents:			
In segregated accounts	19,677,638	1,424,341	21,101,979
Accounts receivable (less allowance of \$76,896 and \$6,828 for OMU and ORA, respectively)	12,588,193	771,971	13,360,164
Material and supplies inventory	2,955,803	-	2,955,803
Prepaid items	357,657	134,833	492,490
Other current assets	1,242,945	24,498	1,267,443
Restricted assets	88,004,732	-	88,004,732
Capital assets, net of accumulated depreciation	226,696,097	22,952,862	249,648,959
Other noncurrent assets	-	2,730,890	2,730,890
Deferred charges	9,523,757	-	9,523,757
Total assets	\$ 361,046,822	\$ 31,130,702	\$ 392,177,524
LIABILITIES AND NET ASSETS			
Liabilities:			
Accounts payable	\$ 11,443,860	\$ 109,569	\$ 11,553,429
Accrued liabilities	-	188,200	188,200
Accrued interest payable	1,947,291	-	1,947,291
Other payables	5,278,239	-	5,278,239
Deferred revenue	4,936,660	140,024	5,076,684
Customers' advances	407,447	-	407,447
Deferred gain	-	340,369	340,369
Non-current liabilities:			
Long-term debt:			
Due within one year	17,991,838	942,227	18,934,065
Due in more than one year	176,807,735	4,542,578	181,350,313
Other	131,289	-	131,289
Total liabilities	218,944,359	6,262,967	225,207,326
Net assets:			
Invested in capital assets, net of related debt	68,746,719	19,856,102	88,602,821
Restricted for:			
Capital projects	4,565,426	-	4,565,426
Debt service	16,327,998	-	16,327,998
Other purposes	22,196,964	-	22,196,964
Unrestricted	30,265,356	5,011,633	35,276,989
Total net assets	142,102,463	24,867,735	166,970,198
Total liabilities and net assets	\$ 361,046,822	\$ 31,130,702	\$ 392,177,524

See Notes to Financial Statements

CITY OF OWENSBORO, KENTUCKY
STATEMENT OF ACTIVITIES
COMPONENT UNITS
Year Ended June 30, 2012

	Program Revenues		Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services and Sales	Capital Grants and Contributions	Owensboro Municipal Utilities	Owensboro Riverport Authority	Total
Owensboro Municipal Utilities	\$ 155,484,324	\$ 150,965,914	\$ 447,895	\$ -	\$ -	\$ (4,070,515)
Owensboro Riverport Authority	<u>5,002,627</u>	<u>6,465,770</u>	<u>-</u>	<u>1,463,143</u>	<u>1,463,143</u>	<u>1,463,143</u>
Total Component Units	<u>\$ 160,486,951</u>	<u>\$ 157,431,684</u>	<u>\$ 447,895</u>	<u>(4,070,515)</u>	<u>1,463,143</u>	<u>(2,607,372)</u>
General revenues:						
Earnings on investments				1,269,789	72,363	1,342,152
Miscellaneous				3,722,330	-	3,722,330
Gain on sale of capital assets				-	164,146	164,146
Total general revenues				<u>4,992,119</u>	<u>236,509</u>	<u>5,228,628</u>
Change in net assets				921,604	1,699,652	2,621,256
Net assets, beginning of year				<u>141,180,859</u>	<u>23,168,083</u>	<u>164,348,942</u>
Net assets, end of year				<u>\$ 142,102,463</u>	<u>\$ 24,867,735</u>	<u>\$ 166,970,198</u>

See Notes to Financial Statements

CITY OF OWENSBORO, KENTUCKY
NOTES TO THE BASIC FINANCIAL STATEMENTS
Year Ended June 30, 2012

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, 2012. 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, 2012

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, 2012

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, 2012

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 revenues received for the purpose of developing recreational areas and activities.

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

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

Capital Projects Funds

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

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

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

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

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

CITY OF OWENSBORO, KENTUCKY
NOTES TO THE BASIC FINANCIAL STATEMENTS, continued
Year Ended June 30, 2012

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.

Downtown Maintenance and Operations Fund – established for the purpose of managing and accounting for the operations of the convention and events center.

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

Internal Service Funds

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

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

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

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

CITY OF OWENSBORO, KENTUCKY
NOTES TO THE BASIC FINANCIAL STATEMENTS, continued
Year Ended June 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Fiduciary Funds

Fiduciary fund reporting focuses on net 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, 2012

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, 2012

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, 2012

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, 2012

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

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

- Nonspendable fund balance—amounts that are not in spendable form (such as inventory) or are required to be maintained intact.
- Restricted fund balance—amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
- Committed fund balance—amounts constrained to specific purposes by the City itself, using its highest level of decision-making authority (i.e., City Commission). To be reported as committed, amounts cannot be used for any other purpose unless the City takes the same highest level action to remove or change the constraint.
- Assigned fund balance—amounts the City intends to use for a specific purpose. 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, 2012

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, 2012.

CITY OF OWENSBORO, KENTUCKY
NOTES TO THE BASIC FINANCIAL STATEMENTS, continued
Year Ended June 30, 2012

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

2. PROPERTY TAXES

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

The City is permitted by Section 157 of the Constitution of Kentucky to levy taxes up to \$1.50 per \$100 of assessed valuation for general governmental services other than school purposes. The real property tax rate to finance general governmental services other than school purposes for the year ended June 30, 2012, was \$.2593 per \$100, which means that the City has a tax margin of \$1.2407 per \$100, on the assessed valuation of \$2,663,355,200. 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 \$.2905 and \$.3030 per \$100 of assessed value, respectively.

CITY OF OWENSBORO, KENTUCKY
 NOTES TO THE BASIC FINANCIAL STATEMENTS, continued
 Year Ended June 30, 2012

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, 2012, 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	\$12,016,792	10,935,000	1.50%-5.25%	1/13-12/17
Certificates of deposit	15,000,000	15,000,000	1.25%-2.50%	10/12-10/15
Cash	<u>54,299,351</u>	<u>54,299,351</u>		
Totals	<u>\$81,316,143</u>	<u>80,234,351</u>		

The following condensed statements of net assets and changes in net assets for the year ended June 30, 2012, are presented for the pool as a whole:

Statement of Net Assets

Assets:

Investments at fair value	\$12,016,792
Certificates of deposit	15,000,000
Cash and cash equivalents	<u>54,299,351</u>
Total assets	<u>\$81,316,143</u>

Net assets:

Net assets held in trust for external pool participants:

Component units	\$ 3,091,307
Fiduciary:	
Pension trust funds	6,435,725
Agency funds	<u>80,518</u>
	9,607,550
Other external participants	<u>5,422,177</u>
	15,029,727

Net assets held in trust for internal pool participants	<u>66,286,416</u>
Total net assets	<u>\$81,316,143</u>

Net assets consist of:

Participants' units outstanding (\$1.00 par)	<u>80,234,351</u>
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CITY OF OWENSBORO, KENTUCKY
NOTES TO THE BASIC FINANCIAL STATEMENTS, continued
Year Ended June 30, 2012

3. DEPOSITS AND INVESTMENTS (continued)

Statement of Changes in Net Assets

Revenues:	
Interest income	\$ 1,242,295
Net change in fair value	<u>315,878</u>
Total revenues	<u>1,558,173</u>
Share transactions at net asset value of \$1.00 per share:	
Purchase of units	121,142,917
Redemption of units	<u>(124,002,268)</u>
Net decrease in net assets and shares resulting from share transactions	<u>(2,859,351)</u>
Total decrease in net assets	<u>(1,301,178)</u>
Net assets:	
Beginning of period	<u>82,617,321</u>
End of period	<u>\$81,316,143</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.

Credit Risk

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

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

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the city will not be able to recover the value of its investments that are in the possession of an outside party. All of the City's investments in government instrumentalities were purchased by the City and held by the counterparty on the City's behalf; therefore, these investments are not subject to custodial credit risk. The City's investments in U.S. instrumentality obligations were rated AA+ by Standard & Poor's Ratings Services, and Aaa by Moody's Investors Service, Inc. The Metcalfe County Kentucky School District Obligations were rated Aa3 by Moody's Investor Services, Inc. The State of Illinois Obligations were rated A2 by Moody's Investor Services, Inc., and A+ by Standard & Poor's Ratings Services. It is the City's policy that

CITY OF OWENSBORO, KENTUCKY
NOTES TO THE BASIC FINANCIAL STATEMENTS, continued
Year Ended June 30, 2012

3. DEPOSITS AND INVESTMENTS (continued)

all cash and investments maintained in any financial institution named as a depository be collateralized. In order to anticipate market changes and provide a level of security for all funds, the collateralization level shall be 110% of the market value of principal, plus accrued interest. Collateral shall always be held by an independent third-party custodian with whom the City has a current custodial agreement.

As of June 30, 2012, \$71,153,883 of the City's bank balances were fully collateralized and insured by \$70,903,883 of pledged securities held by the pledging financial institution in the City's name and \$250,000 FDIC Insurance.

As of June 30, 2012, the City had the following investments. Investments are reported at fair values.

<u>Investments</u>	<u>Maturities</u>	
Federal Farm Credit Bank Obligations	46 months average	\$ 4,597,970
Federal Home Loan Bank Obligations	14 months average	529,373
Federal Home Loan Mortgage Corporation Obligations	35 months average	2,005,233
Federal National Mortgage Association Obligations	52 months average	1,001,201
Tennessee Valley Authority	54 months average	1,172,746
Illinois State Taxable GO	6 months average	1,741,534
Metcalfe County KY School District	43 months average	968,735
Certificates of deposit	22 months average	<u>15,000,000</u>
		<u>\$27,016,792</u>

Primary Government

	<u>Bank Balance</u>	<u>Carrying Amount</u>
Deposits and investments:		
Non-pooled:		
Cash and cash equivalents	<u>\$327,826</u>	\$ 327,826
Fiduciary cash equivalents		1,889,646
Fiduciary investments		<u>983,317</u>
		<u>3,200,789</u>
Pooled:		
Cash and cash equivalents		54,299,351
Certificates of deposit		15,000,000
Government obligations		<u>12,016,792</u>
		<u>81,316,143</u>
Total deposits and investments		84,516,932
Less:		
External participants' equity in pool:		
Component units		(3,091,307)
Other external participants – Investment Trust Fund		(1,537,742)
Fiduciary:		
Cash equivalents		(1,889,646)
Equity in pool:		
Pension Trust Funds		(6,435,725)
Agency Funds		(80,518)
Investments		<u>(983,317)</u>
Total deposits and investments – primary government		<u>\$70,498,677</u>

CITY OF OWENSBORO, KENTUCKY
NOTES TO THE BASIC FINANCIAL STATEMENTS, continued
Year Ended June 30, 2012

3. DEPOSITS AND INVESTMENTS (continued)

Statement of Net Assets Accounts:

Equity in pooled deposits and investments	\$70,170,851
Cash and cash equivalents:	
In segregated accounts	321,741
With escrow agents	<u>6,085</u>
Total deposits and investments – primary government	<u>\$70,498,677</u>

Component Units

	Bank Balance	Carrying Amount
Deposits:		
Cash and cash equivalents	<u>\$99,980,299</u>	\$ 93,672,394
Investments:		
Equity in pooled deposits and investments		3,091,307
Repurchase agreements		<u>8,900,000</u>
Total investments		<u>11,991,307</u>
Total deposits and investments – component units		<u>\$105,663,701</u>

Balance Sheet Accounts:

Equity in pooled deposits and investments	\$ 3,091,307
Cash and cash equivalents	<u>21,101,979</u>
	<u>24,193,286</u>
Restricted assets:	
Cash and cash equivalents	72,570,415
Investments	8,900,000
Other restricted assets	<u>6,534,317</u>
	<u>88,004,732</u>
Less other restricted assets	<u>(6,534,317)</u>
Total deposits and investments – component units	<u>\$105,663,701</u>

CITY OF OWENSBORO, KENTUCKY
NOTES TO THE BASIC FINANCIAL STATEMENTS, continued
Year Ended June 30, 2012

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>6,085</u>

Component Units

Certain assets of Owensboro Municipal Utilities as of May 31, 2012, which are restricted, consist of the following:

Electric Light and Power System:	
Cash and investments	\$ 66,780,056
Investments	8,900,000
Accrued interest receivable	279,297
Fuel inventory, at cost	5,472,823
Other	<u>782,013</u>
	<u>82,214,189</u>
Water Works System:	
Cash and equivalents	5,790,359
Accrued interest receivable	<u>184</u>
	<u>5,790,543</u>
 Total restricted assets – component units	 <u>\$ 88,004,732</u>

CITY OF OWENSBORO, KENTUCKY
NOTES TO THE BASIC FINANCIAL STATEMENTS, continued
Year Ended June 30, 2012

5. CAPITAL ASSETS

Primary Government

Capital asset activity for the City for the year ended June 30, 2012 was as follows:

	Balance June 30, 2011	Increases	Decreases	Balance June 30, 2012
Governmental activities:				
Capital assets, not being depreciated:				
Land	21,756,168	808,342	-	22,564,510
Construction in progress	-	28,984,650	-	28,984,650
Total capital assets, not being depreciated	<u>\$ 21,756,168</u>	<u>\$ 29,792,992</u>	<u>\$ -</u>	<u>\$ 51,549,160</u>
Capital assets, being depreciated:				
Land improvements/infrastructure	127,734,773	1,571,188	-	129,305,961
Buildings	29,870,629	13,671,926	3,104	43,545,659
Vehicles	8,732,924	999,657	(226,961)	9,505,620
Machinery and equipment	5,408,644	666,860	(140,454)	5,935,050
Total capital assets, being depreciated	<u>171,746,970</u>	<u>16,909,631</u>	<u>(364,311)</u>	<u>188,292,290</u>
Less accumulated depreciation for:				
Land improvements/infrastructure	(32,734,949)	(6,626,141)	-	(39,361,090)
Buildings	(10,970,984)	(9,908,389)	621	(20,878,752)
Vehicles	(6,889,400)	(748,729)	218,187	(7,419,942)
Machinery and equipment	(3,804,076)	(411,839)	140,454	(4,075,461)
Total accumulated depreciation	<u>(54,399,409)</u>	<u>(17,695,098)</u>	<u>359,262</u>	<u>(71,735,245)</u>
Total capital assets, being depreciated, net	<u>117,347,561</u>	<u>(785,467)</u>	<u>(5,049)</u>	<u>116,557,045</u>
Governmental activities capital assets, net	<u>\$ 139,103,729</u>	<u>\$ 29,007,525</u>	<u>\$ (5,049)</u>	<u>\$ 168,106,205</u>
Business-type activities:				
Capital assets, not being depreciated:				
Land	<u>\$ 118,739</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 118,739</u>
Capital assets, being depreciated:				
Land improvements	603,417	182,150	-	785,567
Buildings	1,943,091	21,140	(31,655)	1,932,576
Vehicles	6,170,502	857,354	(815,935)	6,211,921
Machinery and equipment	707,994	169,141	(11,868)	865,267
Total capital assets, being depreciated	<u>9,425,004</u>	<u>1,229,785</u>	<u>(859,458)</u>	<u>9,795,331</u>
Less accumulated depreciation for:				
Land improvements	(549,267)	(8,401)	-	(557,668)
Buildings	(1,454,333)	(70,639)	31,655	(1,493,317)
Vehicles	(3,380,062)	(783,961)	754,976	(3,409,047)
Machinery and equipment	(369,553)	(104,783)	11,868	(462,468)
Total accumulated depreciation	<u>(5,753,215)</u>	<u>(967,784)</u>	<u>798,499</u>	<u>(5,922,500)</u>
Total capital assets, being depreciated, net	<u>3,671,789</u>	<u>262,001</u>	<u>(60,959)</u>	<u>3,872,831</u>
Business-type activities capital assets, net	<u>\$ 3,790,528</u>	<u>\$ 262,001</u>	<u>\$ (60,959)</u>	<u>\$ 3,991,570</u>

CITY OF OWENSBORO, KENTUCKY
NOTES TO THE BASIC FINANCIAL STATEMENTS, continued
Year Ended June 30, 2012

5. CAPITAL ASSETS (continued)

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

Governmental activities:	
General government	\$ 1,895,907
Public safety	412,703
Public works	1,842,570
Community and cultural	<u>4,682,922</u>
Total depreciation expense, governmental activities	<u>\$ 8,834,102</u>
Business-type activities:	
Sanitation	\$ 526,797
Transit	404,692
Recreation	34,013
Geographic information system	<u>2,282</u>
Total depreciation expense, business-type activities	<u>\$ 967,784</u>

Component Units

Capital asset activity for Owensboro Municipal Utilities for the year ended May 31, 2012, was as follows:

	<u>Balance</u> <u>May 31, 2011</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>May 31, 2012</u>
Electric Light and Power System:				
Capital assets, not being depreciated:				
Construction in progress	\$ 5,830,607	\$ 4,143,424	\$ -	\$ 9,974,031
Capital assets, being depreciated:				
Utility plant	396,146,527	7,153,964	(1,195,279)	402,105,212
Less accumulated depreciation	<u>(217,287,152)</u>	<u>(13,809,257)</u>	<u>1,035,905</u>	<u>(230,060,504)</u>
Total capital assets, being depreciated, net	<u>178,859,375</u>	<u>(6,655,293)</u>	<u>(159,374)</u>	<u>172,044,708</u>
Electric Light and Power System capital assets, net	<u>\$ 184,689,982</u>	<u>\$ (2,511,869)</u>	<u>\$ (159,374)</u>	<u>\$ 182,018,739</u>
Water Works System:				
Capital assets, not being depreciated:				
Construction in progress	\$ 2,130,411	\$ (664,296)	\$ -	\$ 1,466,115
Capital assets, being depreciated:				
Utility plant	70,992,696	2,804,983	(670,646)	73,127,033
Less accumulated depreciation	<u>(28,434,202)</u>	<u>(2,329,487)</u>	<u>847,899</u>	<u>(29,915,790)</u>
Total capital assets, being depreciated, net	<u>42,558,494</u>	<u>475,496</u>	<u>177,253</u>	<u>43,211,243</u>
Water Works System capital assets, net	<u>\$ 44,688,905</u>	<u>\$ (188,800)</u>	<u>\$ 177,253</u>	<u>\$ 44,677,358</u>

CITY OF OWENSBORO, KENTUCKY
NOTES TO THE BASIC FINANCIAL STATEMENTS, continued
Year Ended June 30, 2012

5. CAPITAL ASSETS (continued)

Capital asset activity for Owensboro Riverport Authority for the year ended June 30, 2012, was as follows:

	Balance June 30, 2011	Increases	Decreases	Balance June 30, 2012
Capital assets, not being depreciated:				
Land and land improvements	\$ 3,441,306	\$ 177,336	\$ -	\$ 3,618,642
Construction in progress	84,900	381,135	(242,843)	223,192
Total capital assets, not being depreciated	<u>3,526,206</u>	<u>558,471</u>	<u>(242,843)</u>	<u>3,841,834</u>
Capital assets, being depreciated:				
Port facilities	23,058,355	174,838	(776,299)	22,456,894
Machinery and equipment	7,305,177	98,457	(793,514)	6,610,120
Office furniture and equipment	1,343,397	12,450	(369,571)	986,276
Property on operating leases	3,825,352	-	(26,722)	3,798,630
Total capital assets, being depreciated	<u>35,532,281</u>	<u>285,745</u>	<u>(1,966,106)</u>	<u>33,851,920</u>
Less accumulated depreciation for:				
Port facilities	(9,501,305)	(709,140)	776,280	(9,434,165)
Machinery and equipment	(4,347,426)	(339,281)	752,956	(3,933,751)
Office furniture and equipment	(974,689)	(87,979)	369,571	(693,097)
Property on operating leases	(593,907)	(112,694)	26,722	(679,879)
Total accumulated depreciation	<u>(15,417,327)</u>	<u>(1,249,094)</u>	<u>1,925,529</u>	<u>(14,740,892)</u>
Total capital assets, being depreciated, net	<u>20,114,954</u>	<u>(963,349)</u>	<u>(40,577)</u>	<u>19,111,028</u>
Owensboro Riverport Authority capital assets, net	<u>\$ 23,641,160</u>	<u>\$ (404,878)</u>	<u>\$ (283,420)</u>	<u>\$ 22,952,862</u>

CITY OF OWENSBORO, KENTUCKY
NOTES TO THE BASIC FINANCIAL STATEMENTS, continued
Year Ended June 30, 2012

6. LONG-TERM LIABILITIES

Primary Government

Long-term liability activity for the City for the year ended June 30, 2012, was as follows:

	Balance June 30, 2011	Additions	Reductions	Balance June 30, 2012	Due Within One Year
Governmental activities:					
Bonds and loans payable:					
Lease revenue bonds:					
Series 1989	\$ 345,000	\$ -	\$ (40,000)	\$ 305,000	\$ 40,000
Floating indebtedness bonds:					
Series 2005	34,100	-	(4,300)	29,800	4,300
General obligation bonds:					
Series 1999	80,000	-	(80,000)	-	-
Series 2002A	2,160,000	-	(2,160,000)	-	-
Series 2002B	4,625,000	-	(4,625,000)	-	-
Series 2003A	1,664,000	-	(249,000)	1,415,000	260,000
Series 2006	3,340,000	-	(170,000)	3,170,000	175,000
Series 2006 Refunding	1,130,000	-	(265,000)	865,000	280,000
Series 2008	2,410,000	-	(100,000)	2,310,000	105,000
Series 2009	20,000,000	-	(20,000,000)	-	-
Series 2009 BABs	4,920,000	-	(160,000)	4,760,000	165,000
Series 2010	5,420,000	-	(190,000)	5,230,000	195,000
Series 2011	20,460,000	-	(385,000)	20,075,000	395,000
Series 2011	2,945,000	-	(110,000)	2,835,000	115,000
Series 2012A Refunding	-	2,120,000	-	2,120,000	205,000
Series 2012B	-	40,400,000	-	40,400,000	870,000
Series 2012C Refunding	-	3,075,000	-	3,075,000	295,000
Loans Payable:					
KIA A07-04	<u>16,544,101</u>	<u>3,051,028</u>	<u>-</u>	<u>19,595,129</u>	<u>420,437</u>
	86,077,201	48,646,028	(28,538,300)	106,184,929	3,524,737
Less deferred amounts:					
For issuance premiums	-	34,319	-	34,319	-
For issuance discounts	(567,609)	(204,326)	58,936	(712,999)	-
On refunding	<u>(202,265)</u>	<u>(207,708)</u>	<u>42,797</u>	<u>(367,176)</u>	<u>-</u>
Total bonds and loans payable	85,307,327	48,268,313	(28,436,567)	105,139,073	3,524,737
Net pension obligation	-	-	-	-	-
Compensated absences	<u>3,769,906</u>	<u>1,836,902</u>	<u>(1,780,631)</u>	<u>3,826,177</u>	<u>193,986</u>
Total governmental	<u>\$89,077,233</u>	<u>\$50,105,215</u>	<u>\$(30,217,198)</u>	<u>\$108,965,250</u>	<u>\$ 3,718,723</u>
Business-type activities:					
Compensated absences	<u>\$ 395,617</u>	<u>\$ 247,723</u>	<u>\$(229,135)</u>	<u>\$ 414,205</u>	<u>\$ 4,572</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, 2012, consisted of the following:

Series 1989 Lease Revenue Bonds:	
3.61% variable rate bonds with principal due annually and interest due semi-annually through January 2019	\$ 305,000

CITY OF OWENSBORO, KENTUCKY
NOTES TO THE BASIC FINANCIAL STATEMENTS, continued
Year Ended June 30, 2012

6. LONG-TERM LIABILITIES (continued)

Series 2005 Floating Indebtedness Bonds: 3.61% variable rate bonds with principal and interest due semi-annually through January 2019	29,800
Series 2003A General Obligation Bonds: 2.0%-4.375% with principal due annually and interest due semi-annually through June 2017	1,415,000
Series 2006 General Obligation Bonds: 3.75% with principal due annually and interest due semi-annually through March 2026	3,170,000
Series 2006 Refunding General Obligation Bonds: 3.50%-3.85% with principal due annually and interest due semi-annually through June 2015	865,000
Kentucky Infrastructure Authority Federally Assisted Wastewater Revolving Loan A07-04: 1% with semi-annual interest only until final closing, thereafter, due in semi-annual principal and interest payments for a period not to exceed twenty years	19,595,129
Series 2008 General Obligation Bonds: 2.20%-3.50% with principal due annually and interest due semi-annually through July 2028	2,310,000
Series 2009 General Obligation Build America Bonds: 4.75-5.50% with principal due annually and interest due semi-annually through October 2029	4,760,000
Series 2010 General Obligation Bonds: 2.0%-5.875% with principal due annually and interest due semi-annually through December 2030	5,230,000
Series 2011 General Obligation Bonds: 3.0%-5.0% with principal due annually and interest due semi-annually through April 2041	20,075,000
Series 2011 General Obligation Bonds; 0.8%-5.0% with principal due annually and interest due semi-annually through June 2031	2,835,000
Series 2012A General Obligation Refunding Bonds: 1.00%-2.75% with principal due annually and interest due semi-annually through February 2022	2,120,000

CITY OF OWENSBORO, KENTUCKY
 NOTES TO THE BASIC FINANCIAL STATEMENTS, continued
 Year Ended June 30, 2012

6. LONG-TERM LIABILITIES (continued)

Series 2012B General Obligation Bonds: 2%-4% with principal due annually and interest due semi-annually through June 2042	40,400,000
Series 2012C General Obligation Refunding Bonds: 2%-2.5% with principal due annually and interest due semi-annually through September 2021	<u>3,075,000</u>
	<u>\$106,184,929</u>

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

The City obtains loans and issues general obligation bonds primarily to provide funds for the acquisition and construction of various public projects in the City, except as follows: (1) proceeds from the Series 2003A General Obligation Bonds were used to fund past service cost for the County Employees Retirement System and (2) proceeds from the Series 2006 General Obligation Bonds were used to reduce the unfunded accrued actuarial liability in the Police and Firefighters' Retirement Fund. General Obligation Bonds are direct obligations and 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, 2012, \$8,703,549 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>
2013	\$ 3,524,737	\$ 3,330,491	\$ 6,855,228
2014	4,006,492	3,652,194	7,658,686
2015	4,094,985	3,531,006	7,625,991
2016	3,883,563	3,404,079	7,287,642
2017	3,992,227	3,272,835	7,265,062
2018-2022	19,680,971	14,447,585	34,128,556
2023-2027	19,277,682	10,963,618	30,241,300
2028-2032	19,575,171	7,693,306	27,268,477
2033-2037	13,729,101	4,789,271	18,518,372
2038-2042	<u>14,420,000</u>	<u>1,797,050</u>	<u>16,217,050</u>
	<u>\$ 106,184,929</u>	<u>\$ 56,881,435</u>	<u>\$ 163,066,364</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 \$88,812 for fiscal year 2012. Remaining interest subsidies through maturity of the bonds are as follows:

CITY OF OWENSBORO, KENTUCKY
 NOTES TO THE BASIC FINANCIAL STATEMENTS, continued
 Year Ended June 30, 2012

6. LONG-TERM LIABILITIES (continued)

Year Ending June 30:

2013	\$	86,111
2014		83,285
2015		80,292
2016		77,175
2017		73,933
2018-2022		313,497
2023-2027		186,773
2028-2030		<u>33,688</u>
	\$	<u>934,754</u>

Component Units

Owensboro Municipal Utilities Electric Light and Power System

Long-term liability activity for the year ended May 31, 2012, 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	\$105,106,233	\$ 6,971,962	\$(15,725,000)	\$ 96,353,195	\$15,111,838
Series of 2002-A	25,315,000	-	(2,175,000)	23,140,000	2,310,000
Series of 2010-A	10,070,000	-	-	10,070,000	-
Series of 2010-B	31,425,000	-	-	31,425,000	-
Series of 2010-C	<u>8,935,000</u>	<u>-</u>	<u>-</u>	<u>8,935,000</u>	<u>-</u>
	180,851,233	6,971,962	(17,900,000)	169,923,195	17,421,838
Add unamortized debt premium (discount)	604,105	-	(50,885)	553,220	-
Less unamortized deferred loss on debt defeasance	<u>(164,804)</u>	<u>-</u>	<u>19,200</u>	<u>(145,604)</u>	<u>-</u>
Total long-term liabilities	<u>\$181,290,534</u>	<u>\$ 6,971,962</u>	<u>\$(17,931,685)</u>	<u>\$ 170,330,811</u>	<u>\$17,421,838</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 2011 to 2020 (original principal outstanding bonds at May 31, 2012, was \$23,767,551) \$ 96,353,195

Series of 2002-A:

6.34% due 2020, subject to annual pro rata sinking fund redemption from 2011 to 2020 23,140,000

Series of 2010-A:

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

Series of 2010-B:

Current interest bonds, 4.88% to 5.58% due from 2021 to 2025 31,425,000

CITY OF OWENSBORO, KENTUCKY
NOTES TO THE BASIC FINANCIAL STATEMENTS, continued
Year Ended June 30, 2012

6. LONG-TERM LIABILITIES (continued)

Series of 2010-C:	
Current interest bonds, 5.00%, due from 2021 to 2022	<u>8,935,000</u>
Total	\$169,923,195
Less current maturities	(17,421,838)
Add unamortized debt premium	553,220
Less unamortized deferred net loss on debt defeasance	<u>(145,604)</u>
Total	<u>\$152,908,973</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>
2013	\$ 18,035,000	\$ 4,066,820	\$ 22,101,820
2014	18,180,000	3,920,366	22,100,366
2015	18,335,000	3,764,719	22,099,719
2016	18,505,000	3,599,245	22,104,245
2017	18,680,000	3,422,993	22,102,993
2018-2022	85,135,000	13,624,188	98,759,188
2023-2027	<u>22,500,000</u>	<u>2,480,199</u>	<u>24,980,199</u>
	<u>\$199,370,000</u>	<u>\$34,878,530</u>	<u>\$234,248,530</u>

The scheduled principal maturities include \$29,446,805 of interest scheduled to be incurred in future years on deferred interest bonds, which will be compounded and added to the original principal amounts.

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

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

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

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

CITY OF OWENSBORO, KENTUCKY
 NOTES TO THE BASIC FINANCIAL STATEMENTS, continued
 Year Ended June 30, 2012

6. LONG-TERM LIABILITIES (continued)

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

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

The 2010-B Series bonds (Build America Bonds—Direct Payment) were issued in connection with the American Recovery and Reinvestment Act of 2009 (Act). Under the Act, state and local governments were authorized to issue taxable bonds to finance capital expenditures for which they could otherwise issue tax-exempt bonds, and receive from the IRS a direct interest subsidy totaling 35% of the total coupon interest paid to investors. Interest subsidy received for fiscal year 2012 was \$647,986. Remaining interest subsidies scheduled through maturity of the bonds are as follows:

<u>Year ending May 31:</u>	
2013	\$ 578,846
2014	578,846
2015	578,846
2016	578,846
2017	578,846
2018-2022	2,819,161
2023-2027	<u>868,070</u>
	<u>\$ 6,581,461</u>

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

CITY OF OWENSBORO, KENTUCKY
NOTES TO THE BASIC FINANCIAL STATEMENTS, continued
Year Ended June 30, 2012

6. LONG-TERM LIABILITIES (continued)

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

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

Owensboro Municipal Utilities Water Works System

Long-term liability activity for the year ended May 31, 2012, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Bonds Payable:					
Series of 1999	\$ 2,790,000	\$ -	\$ (345,000)	\$ 2,445,000	\$ 365,000
Series of 2003	3,355,000	-	(200,000)	3,155,000	205,000
Series of 2009	<u>19,160,000</u>	<u>-</u>	<u>-</u>	<u>19,160,000</u>	<u>-</u>
	25,305,000	-	(545,000)	24,760,000	570,000
Add unamortized debt premium	341,288	-	(14,633)	326,655	-
Less unamortized deferred loss on debt defeasance	<u>(734,660)</u>	<u>-</u>	<u>116,767</u>	<u>(617,893)</u>	<u>-</u>
Total bonds payable	<u>\$ 24,911,628</u>	<u>\$ -</u>	<u>\$ (442,866)</u>	<u>\$24,468,762</u>	<u>\$ 570,000</u>

Long-term debt at May 31, 2012, consists of the following Water Revenue Bonds:

Series of 1999: 4.3% to 4.75% due serially September 15, 2010 to 2017	\$ 2,445,000
Series of 2003: 3.0% to 4.25%, due serially September 15, 2010 to 2023	3,155,000
Series of 2009: 5.0% to 5.25%, due serially September 15, 2018 to 2035	<u>19,160,000</u>
Total	24,760,000
Less current maturities	(570,000)
Add unamortized debt premium	326,655
Less unamortized deferred loss on debt defeasance	<u>(617,893)</u>
	<u>\$23,898,762</u>

CITY OF OWENSBORO, KENTUCKY
 NOTES TO THE BASIC FINANCIAL STATEMENTS, continued
 Year Ended June 30, 2012

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>
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	650,000	1,123,619	1,773,619
2017	680,000	1,093,831	1,773,831
2018-2022	3,910,000	4,951,844	8,861,844
2023-2027	4,970,000	3,891,844	8,861,844
2028-2032	6,370,000	2,487,750	8,857,750
2033-2037	<u>6,395,000</u>	<u>689,556</u>	<u>7,084,556</u>
	<u>\$24,760,000</u>	<u>\$17,770,690</u>	<u>\$42,530,690</u>

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

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

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

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

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

CITY OF OWENSBORO, KENTUCKY
NOTES TO THE BASIC FINANCIAL STATEMENTS, continued
Year Ended June 30, 2012

6. LONG-TERM LIABILITIES (continued)

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

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

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

Owensboro Riverport Authority

Long-term debt and lease obligations activity for the year ended June 30, 2012, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Maturities
Variable rate lease obligation payable in monthly installments, until October 2016, effective rate was .17% at June 30, 2012	\$3,067,211	\$ -	\$ 599,212	\$2,467,999	\$ 612,532
Tank farm lease obligation for advanced lease payments annually ranging from \$202,125 to \$228,375 until July 1, 2025, including interest at 1.6%	2,790,326	-	162,311	2,628,015	170,183
Land lease obligation for monthly advanced lease payments until February 2015 (adjusted annually for CPI); \$13,057 as of August 1, 2010	548,070	-	159,579	388,791	159,512
Capital lease obligation (Note 4)	<u>15,026</u>	<u>-</u>	<u>15,026</u>	<u>-</u>	<u>-</u>
	<u>\$6,420,633</u>	<u>\$ -</u>	<u>\$ 935,828</u>	<u>\$5,484,805</u>	<u>\$ 942,227</u>

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

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

CITY OF OWENSBORO, KENTUCKY
 NOTES TO THE BASIC FINANCIAL STATEMENTS, continued
 Year Ended June 30, 2012

6. LONG-TERM LIABILITIES (continued)

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

Scheduled aggregate maturities of lease obligations are as follows:

<u>Year ending June 30:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 942,227	\$ 86,327	\$ 1,028,554
2014	964,421	78,809	1,043,230
2015	897,029	71,015	968,044
2016	782,071	60,816	842,887
2017	197,993	30,665	228,658
Thereafter	<u>1,701,064</u>	<u>125,935</u>	<u>1,827,000</u>
	<u>\$ 5,484,805</u>	<u>\$ 453,567</u>	<u>\$ 5,938,373</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-employer, defined-benefit plan, the CEPF was created by ordinance on August 13, 1946, under KRS 90.310-90.410. Benefit provisions and contribution requirements are established under these authorities. A board of trustees consisting of the Mayor, two commissioners and four employees administers the plan.

Police and Firefighters' Retirement Fund (PFRF)

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

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

CITY OF OWENSBORO, KENTUCKY
 NOTES TO THE BASIC FINANCIAL STATEMENTS, continued
 Year Ended June 30, 2012

7. PENSION PLANS (continued)

Significant Plan Accounting Policies:

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

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

	<u>CEPF</u>	<u>PFRF</u>
Contribution rates:		
City	-	-
Plan members	-	-
Annual required contribution	\$ -	\$ 206,252
Interest on net pension obligation	\$ (722)	\$ (113,388)
Adjustment to annual required contribution	\$ (974)	\$ (164,761)
Annual pension cost	\$ 252	\$ 257,625
Contributions made	\$ -	\$ -
Actuarial valuation date	June 30, 2011	June 30, 2011
Change in net pension obligation	\$ 252	\$ 257,625
Net pension obligation (negative)	\$ (10,067)	\$ (1,632,167)
Actuarial cost method	Entry age	Entry age
Amortization method	Level dollar – closed	Level dollar – closed
Remaining amortization period	20 years	20 years
Asset valuation method	Market	Market
Actuarial assumptions:		
Investment rate of return	6.0%	5.0%
Inflation rate	None	None
Projected salary increases	None	None
Cost of living adjustment	None	None

CITY OF OWENSBORO, KENTUCKY
 NOTES TO THE BASIC FINANCIAL STATEMENTS, continued
 Year Ended June 30, 2012

7. PENSION PLANS (continued)

Methods Used to Value Investments: Plan investments are reported at fair value. Investments at June 30, 2012, consist of investments in mutual funds.

Fiscal Year ended June 30,	Three-Year Trend Information		(Negative) Net Pension Obligation
	Annual Pension Cost (APC)	Percentage of APC Contributed	
CEPF: 6/30/2012	\$ 252	-	\$ (10,067)
6/30/2011	\$ 258	-	\$ (10,319)
6/30/2010	\$ 264	-	\$ (10,577)
PFRF: 6/30/2012	\$257,625	-	\$ (1,632,167)
6/30/2011	\$264,824	-	\$ (1,889,792)
6/30/2010	\$254,826	-	\$ (2,154,616)

Schedules of Funding Progress
 (Required supplementary information)

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability – Entry Age	Funded (Unfunded) Actuarial Accrued Liability	Funded Ratio	Covered Payroll	Funded (Unfunded) Actuarial Accrued Liability as a Percentage of Covered Payroll
CEPF:							
2012	June 30, 2011	\$3,752,348	\$3,237,338	\$ 515,010	115.9%	\$ -	N/A
2011	June 30, 2011	\$4,099,357	\$3,218,528	\$ 880,829	127.4%	\$ -	N/A
2010	June 30, 2009	\$3,916,086	\$3,362,870	\$ 553,216	116.5%	\$ -	N/A
PFRF:							
2012	June 30, 2011	\$4,462,918	\$7,784,406	\$(3,321,488)	57.3%	\$ -	N/A
2011	June 30, 2011	\$5,334,191	\$7,841,811	\$(2,507,620)	68.0%	\$ -	N/A
2010	June 30, 2009	\$6,107,711	\$8,418,823	\$(2,311,112)	72.5%	\$ -	N/A

County Employees Retirement System (CERS)

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

Funding Policy: Plan members participating in CERS on or before August 31, 2008, are required to contribute 5% or 8% of their annual creditable compensation for non-

CITY OF OWENSBORO, KENTUCKY
 NOTES TO THE BASIC FINANCIAL STATEMENTS, continued
 Year Ended June 30, 2012

7. PENSION PLANS (continued)

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 16.93% of annual covered payroll for nonhazardous employees and 33.25% 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, 2011, 2010, and 2009, were equal to the required contributions for each year and are as follows:

	<u>2012</u>	<u>2011</u>	<u>2010</u>
City of Owensboro	\$5,012,225	\$4,610,427	\$4,505,220
Component Units:			
Owensboro Municipal Utilities:			
Electric Light and Power System	\$2,547,000	\$2,278,000	\$2,097,000
Water Works System	\$ 498,000	\$ 446,000	\$ 415,000
Owensboro Riverport Authority	\$ 263,357	\$ 248,791	\$ 244,570

8. LEASES

Primary Government

The City's leasing operations are as follows:

Lessor

(a) Museum of Fine Art, Inc.

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

(b) Owensboro Independent School District

Under the terms of an agreement dated July 20, 2004, the City entered into a twenty-year lease agreement with Owensboro Independent School District relating to the assignment of Shively Park, together with all equipment, fixtures and improvement thereon, for athletic and other recreational events. The agreement provided for a one-time payment of \$210,000, to be recognized as rental income over the twenty-year lease term. In September of 2008, that lease agreement was amended to reflect an extended total lease term of twenty-four years. Rental income for fiscal year 2012 totaled \$10,501, resulting in deferred revenue of \$126,012 at June 30, 2012. The lease automatically renews June 30 of each successive year for \$1.00 per annum.

(c) RiverPark Center, Inc.

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

CITY OF OWENSBORO, KENTUCKY
 NOTES TO THE BASIC FINANCIAL STATEMENTS, continued
 Year Ended June 30, 2012

8. LEASES (continued)

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

Land	\$ 849,562
Buildings	<u>14,676,733</u>
	15,526,295
Less accumulated depreciation	<u>(9,611,254)</u>
	<u>\$ 5,915,041</u>

Lessee

Centre for Business and Research

The City leases premises for its Centre for Business and Research, the purpose of which is to sub-lease incubator space for the start-up of new businesses in the City. Under the City's master lease, monthly rental payments are dependent upon the amount and type of space sub-leased, and subject to increases, if applicable, in the Consumer Price Index. Based on the existing sub-leases at June 30, 2012, the City's future annual minimum lease payments are estimated to be as follows:

<u>Year ending June 30:</u>	
2013	\$ 212,309
2014	212,309
2015	212,309
2016	212,309
2017	212,309
2018-2022	1,061,543
2023	<u>48,689</u>
	<u>\$2,171,775</u>

Because sublease agreements are generally for a period of one year, future annual minimum sublease payments to be received do not extend beyond fiscal year 2013. The City's rental expense and sub-lease income for the year ended June 30, 2012, totaled \$197,191 and \$29,315, respectively.

Component Units

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

Owensboro Riverport Authority

Lessor

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

CITY OF OWENSBORO, KENTUCKY
 NOTES TO THE BASIC FINANCIAL STATEMENTS, continued
 Year Ended June 30, 2012

8. LEASES (continued)

Investments in property on operating leases at June 30, 2012, are as follows:

Bulk storage warehouse	\$ 460,878
Tank farm	<u>3,337,752</u>
	3,798,630
Less accumulated depreciation	<u>(679,879)</u>
	<u>\$3,118,751</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>	
2013	\$ 866,659
2014	798,080
2015	803,440
2016	802,000
2017	788,400
Thereafter	<u>6,601,179</u>
	<u>\$ 10,659,758</u>

Contingent rentals included in operating income are based upon through-put agreements and totaled \$162,439 in 2012.

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, 2012, was \$16,214.

All the equipment leases expired during the year ended June 30, 2012; therefore, there were no future minimum lease payments to be paid under operating leases at June 30, 2012.

The Authority was obligated under a lease for equipment accounted for as a capital lease. Assets under the capital lease at June 30, 2012, totaled zero, net of accumulated depreciation of \$133,359. Amortization of the capital lease included in depreciation expense totaled \$13,336 for the year ended June 30, 2012. There are no future minimum lease payments to be paid under the capital lease obligation as of June 30, 2012.

9. PROJECT FINANCING

Owensboro Symphony Orchestra

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

CITY OF OWENSBORO, KENTUCKY
 NOTES TO THE BASIC FINANCIAL STATEMENTS, continued
 Year Ended June 30, 2012

9. PROJECT FINANCING (continued)

U.S. Bank

In fiscal year 2011, the City issued general obligation bonds totaling \$8,365,000 to construct certain property to be leased to U.S. Bank (Bank). The City and the Bank then entered into a twenty-year lease agreement wherein the Bank agreed to pay to the City, as rent for the property, annual payments based on square footage which may decrease in future years depending upon the number of new jobs created. Payments of principal and interest due on the debt shall be provided by the additional occupational license fees generated from such new jobs and the annual rental payments. The lease is an absolute net lease under which the Bank pays, in addition to rent as stated above, any and all expenses related to the leased premises. Upon the earlier of the end of the term or the payoff and retirement of the bond issues, and for 90 days thereafter, the Bank has the option to purchase the property from the City for \$1.

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>	
2013	\$ 716,634
2014	716,479
2015	716,324
2016	716,169
2017	716,013
2018-2022	3,565,392
2023-2027	3,556,875
2028-2032	<u>2,608,375</u>
Net minimum lease payments	13,312,261
Less amount representing interest	<u>(1,789,058)</u>
Present value of minimum lease payments	<u>\$11,523,203</u>

10. DEFERRED COMPENSATION PLANS

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

CITY OF OWENSBORO, KENTUCKY
 NOTES TO THE BASIC FINANCIAL STATEMENTS, continued
 Year Ended June 30, 2012

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 2011 totaled \$186,085 for governmental activities and \$7,358 for business-type activities.

12. INTERFUND BALANCES

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

<u>Fund</u>	<u>Receivable</u>	<u>Payable</u>
Fiduciary Funds:		
Agency Fund:	\$ -	\$ -
School District Tax Fund	40,228	-
Major Governmental Funds:		
General Fund	3,884,435	40,228
Riverfront Development Fund	-	3,857,417
Nonmajor Governmental Funds:		
Community Development Fund	<u>-</u>	<u>27,018</u>
	<u>\$ 3,924,663</u>	<u>\$ 3,924,663</u>

Receivable and payable balances involving component units at June 30, 2012, were as follows:

<u>Primary Government</u>	<u>Receivable</u>	<u>Payable</u>
General Fund	\$ 11,741	\$ 264,367
Sanitation Fund	821,373	-
GIS Fund	<u>18,044</u>	<u>-</u>
	<u>\$ 851,158</u>	<u>\$ 264,367</u>
<u>Component Unit</u>		
Owensboro Municipal Utilities	<u>\$ 264,367</u>	<u>\$ 851,158</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.

14. FUND BALANCE CLASSIFICATIONS

The composition of the fund balance classifications at June 30, 2012 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:							
Nonspendable:							
Inventory	\$ 16,659	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 16,659
	<u>16,659</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>16,659</u>
Restricted for:							
Debt service	-	-	-	11,621	-	-	11,621
Downtown development	-	-	16,844,418	-	-	-	16,844,418
Riverfront project	-	-	-	-	624,772	-	624,772
Police services	-	-	-	-	-	311,971	311,971
Parks and wellness	-	-	-	-	-	105,436	105,436
Public works building	-	-	-	-	-	13,550	13,550
U.S. Bank building	-	-	-	-	-	80,769	80,769
	<u>-</u>	<u>-</u>	<u>16,844,418</u>	<u>11,621</u>	<u>624,772</u>	<u>511,726</u>	<u>17,992,537</u>
Committed:							
General government	5,229	-	-	-	-	-	5,229
Public safety	5,218	-	-	-	-	-	5,218
Public works	36,899	-	-	-	-	-	36,899
Parks	-	-	-	-	-	52,965	52,965
Stormwater maintenance and capital projects	-	9,081,165	-	-	-	1,450,998	10,532,163
Downtown development	-	-	7,718,943	-	-	-	7,718,943
Economic development	-	9,081,165	7,718,943	-	-	411,223	411,223
	<u>47,346</u>	<u>9,081,165</u>	<u>7,718,943</u>	<u>-</u>	<u>-</u>	<u>1,915,186</u>	<u>18,762,640</u>
Assigned:	-	-	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Unassigned:	12,327,909	-	-	-	-	-	12,327,909
	<u>12,327,909</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>12,327,909</u>
Total fund balances	\$ 12,391,914	\$ 9,081,165	\$ 24,563,361	\$ 11,621	\$ 624,772	\$ 2,426,912	\$ 49,099,745
	<u>\$ 12,391,914</u>	<u>\$ 9,081,165</u>	<u>\$ 24,563,361</u>	<u>\$ 11,621</u>	<u>\$ 624,772</u>	<u>\$ 2,426,912</u>	<u>\$ 49,099,745</u>

NOTE:
The City has \$12,572,934 of encumbrances of operating funds in major and nonmajor funds at June 30, 2012, which rolled over into the next fiscal year.

CITY OF OWENSBORO, KENTUCKY
 NOTES TO THE BASIC FINANCIAL STATEMENTS, continued
 Year Ended June 30, 2012

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 \$709,705 reported in the Insurance Fund at June 30, 2011, 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, 2008, are as follows:

<u>Fiscal year ended June 30,</u>	<u>Beginning of Fiscal Year Liability</u>	<u>Current Year Claims & Changes in Estimates</u>	<u>Claims Payments</u>	<u>End of Fiscal Year Liability</u>
2012	\$709,705	\$3,783,647	\$(3,755,803)	\$737,549
2011	\$416,942	\$4,119,801	\$(3,827,038)	\$709,705
2010	\$561,422	\$3,093,390	\$(3,237,870)	\$416,942

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, 2012

16. TRANSFERS – COMPONENT UNITS

Owensboro Municipal Utilities

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

The Ordinance calls for the transfer to the City of a sum equal to the dollar value of services purchased by the City from the Electric Light and Power System in the fiscal year, not to exceed \$700,000 for the fiscal year ended June 30, 1985, and thereafter increasing at a compound rate of 5% per annum. Transfers to the City under this ordinance and agreement were \$8,365,863 for 2012.

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 \$147,013 for the year.

Owensboro Riverport Authority

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

17. DISCLOSURE ABOUT FAIR VALUE OF FINANCIAL STATEMENTS

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

18. CONDUIT DEBT OBLIGATIONS

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

At June 30, 2012, two of these bond issues were outstanding with principal balances totaling \$6,596,832.

19. JOINT VENTURE

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

The Board is primarily autonomous in its operation. The City does not exercise any control over the Board in its budgetary or financial affairs. If the Airport were to cease operation, its properties would be distributed to the City and County in direct proportion to their cumulative contributed grants. This proportion is approximately 50% each at June 30, 2012.

CITY OF OWENSBORO, KENTUCKY
NOTES TO THE BASIC FINANCIAL STATEMENTS, continued
Year Ended June 30, 2012

19. JOINT VENTURE (continued)

The City's equity interest in the Owensboro-Daviess County Regional Airport at June 30, 2012, was \$14,484,463 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 decrease in this investment of \$919,245 for the year ended June 30, 2012, 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.

20. DEFICIT FUND EQUITY

No funds of the City had a deficit fund balance as of June 30, 2012.

21. COMMITMENTS AND CONTINGENCIES

Primary Government

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

The City of Owensboro and the Daviess County Fiscal Court have entered into an interlocal agreement which provides for the construction of a downtown convention and events center by the Industrial Development Authority (IDA). Under the agreement, the County has agreed to convey to the IDA \$20 million in land and bond proceeds to begin the project. Costs to complete construction, to be provided by the City, are estimated to be \$28 million. Construction is expected to be complete in 2013, at which time the facility will be transferred to the City. Costs incurred by the City as of June 30, 2012 approximated \$1.4 million.

Other significant commitments at June 30, 2012, include encumbrances outstanding as follows:

Major Governmental Funds:

General Fund	\$ 160,059
Your Community Vision Fund	1,891,212
Riverfront Development Fund	158,395
Downtown Development and Revitalization Fund	<u>9,596,909</u>
	11,806,575

Nonmajor Governmental Funds

<u>766,359</u>
<u><u>\$ 12,572,934</u></u>

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

Component Units

The OMU Electric Light and Power System has entered into contracts to purchase fuel and related products for electric generation. Although contracts have termination provisions, minimum

CITY OF OWENSBORO, KENTUCKY
NOTES TO THE BASIC FINANCIAL STATEMENTS, continued
Year Ended June 30, 2012

21. COMMITMENTS AND CONTINGENCIES (continued)

future payments on these contracts for the years ending May 31 are estimated to be as follows:

<u>Year ending May 31,</u>	
2013	\$ 52,798,554
2014	31,376,296
2015	19,675,642
2016	<u>11,012,400</u>
	\$ <u>114,862,892</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, 2012, OMU has paid \$57,500, plus legal costs, related to this matter. Based upon the opinion of its outside legal counsel, management does not anticipate additional costs to be material; however, the ultimate resolution of this matter and the related financial impact on OMU, if any, cannot be determined at this time.

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

22. NONMONETARY TRANSACTION

Special Item

In fiscal year 2002, the City issued the Series 2002B bonds in connection with a lease purchase agreement relating to RiverPark Center (RPC). The agreement provided for rental payments from RPC equal to principal and interest due on this debt, the balance of which was \$4,625,000 at June 30, 2011.

During fiscal year 2011, the Daviess County Fiscal Court (DCFC) and the City challenged RPC to raise \$1 million, after which DCFC and the City pledged to pay \$1 million and \$2.625 million, respectively, to retire the debt.

In August of 2011, RPC did reach this fundraising goal, after which the management and lease agreement disclosed in Footnote 8 was signed. Under this agreement, the \$1 million raised by RPC is to be retained in a Capital Maintenance Reserve to be used for the cost of major and capital maintenance, replacement and/or renovation. The agreement also specifies that RPC will conduct, supervise, and manage the operation of RPC without compensation from the City, and that the agreement is an "absolute net" lease under which RPC agrees to pay annual rent of \$1 plus any and all expenses relating to the premises.

Funds totaling \$1 million were then received from DCFC to contribute toward the retirement of the Series 2002B bonds as described above. The Series 2012C bonds in the amount of \$3,075,000 were issued by the City to defease the remaining balance of the Series 2002B bonds. In consideration for the release of RPC from its obligation under the 2002 lease purchase agreement, the net book value of the RPC property in the amount of \$5,917,293 was transferred to the City, and is reported as a special item (nonmonetary transaction) following general revenues in the government-wide statement of activities.

CITY OF OWENSBORO, KENTUCKY
NOTES TO THE BASIC FINANCIAL STATEMENTS, continued
Year Ended June 30, 2012

23. SUBSEQUENT EVENTS

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



CITY OF OWENSBORO, KENTUCKY
SCHEDULES OF FUNDING PROGRESS
FIDUCIARY FUNDS
June 30, 2012

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, 2012	June 30, 2011	\$ 3,752,348	\$ 3,237,338	\$ 515,010	115.9%	\$ -	N/A
June 30, 2011	June 30, 2011	\$ 4,099,357	\$ 3,218,528	\$ 880,829	127.4%	\$ -	N/A
June 30, 2010	June 30, 2009	\$ 3,916,086	\$ 3,362,870	\$ 553,216	116.5%	\$ -	N/A
Police and Firefighters' Retirement Fund							
June 30, 2012	June 30, 2011	\$ 4,462,918	\$ 7,784,406	\$ (3,321,488)	57.3%	\$ -	N/A
June 30, 2011	June 30, 2011	\$ 5,334,191	\$ 7,841,811	\$ (2,507,620)	68.0%	\$ -	N/A
June 30, 2010	June 30, 2009	\$ 6,107,711	\$ 8,418,823	\$ (2,311,112)	72.5%	\$ -	N/A

CITY OF OWENSBORO, KENTUCKY
SCHEDULES OF EMPLOYER CONTRIBUTIONS
FIDUCIARY FUNDS
June 30, 2012

Year Ended	Annual Required Contribution	Actual Contribution	Percentage Contribution
City Employees' Pension Fund			
June 30, 2012	\$ -	\$ -	-
June 30, 2011	\$ -	\$ -	-
June 30, 2010	\$ -	\$ -	-
Police and Firefighters' Retirement Fund			
June 30, 2012	\$ 206,252	\$ -	-
June 30, 2011	\$ 206,252	\$ -	-
June 30, 2010	\$ 187,474	\$ -	-

CITY OF OWENSBORO, KENTUCKY
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
Year Ended June 30, 2012

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes:				
Real and personal property	\$ 8,536,000	\$ 8,536,000	\$ 8,211,838	\$ (324,162)
Personal tax-state collected	776,000	776,000	955,164	179,164
Total taxes	<u>9,312,000</u>	<u>9,312,000</u>	<u>9,167,002</u>	<u>(144,998)</u>
Licenses and permits:				
Occupational:				
Employees' withholding	10,512,064	10,512,064	10,656,008	143,944
Net profits	2,012,500	2,012,500	2,203,643	191,143
Regulatory:				
Insurance license fee	3,752,478	3,752,478	3,516,429	(236,049)
Alcoholic beverage license fee	63,000	63,000	72,121	9,121
Franchise fee	777,900	777,900	800,529	22,629
Other	506,800	506,800	451,006	(55,794)
Total licenses and permits	<u>17,624,742</u>	<u>17,624,742</u>	<u>17,699,736</u>	<u>74,994</u>
Intergovernmental revenues:				
Data processing fees	748,395	748,395	344,403	(403,992)
Federal grants	119,262	119,262	162,193	42,931
State grants - KLEFPF incentive	760,000	760,000	783,391	23,391
City's portion of state gasoline tax	1,044,435	1,044,435	1,258,097	213,662
LGEA mineral severance tax	85,000	85,000	102,133	17,133
County contribution	551,160	551,160	551,160	-
Total intergovernmental revenues	<u>3,308,252</u>	<u>3,308,252</u>	<u>3,201,377</u>	<u>(106,875)</u>
Charges for services:				
Tax collection	245,443	245,443	231,337	(14,106)
Management fee	565,000	565,000	580,780	15,780
Total charges for services	<u>810,443</u>	<u>810,443</u>	<u>812,117</u>	<u>1,674</u>
Other revenues:				
Fines and forfeitures	125,000	125,000	114,465	(10,535)
Investment income	100,000	100,000	315,780	215,780
Dividends from component units	6,388,349	6,388,349	6,379,600	(8,749)
Payments in lieu of taxes	2,116,614	2,502,814	2,363,275	(139,539)
Miscellaneous	458,329	458,329	636,478	178,149
Total other revenues	<u>9,188,292</u>	<u>9,574,492</u>	<u>9,809,598</u>	<u>235,106</u>
Total revenues	<u>40,243,729</u>	<u>40,629,929</u>	<u>40,689,830</u>	<u>59,901</u>

CITY OF OWENSBORO, KENTUCKY
BUDGETARY COMPARISON SCHEDULE, CONCLUDED
GENERAL FUND
Year Ended June 30, 2012

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Positive (Negative)
Expenditures:				
Administration	1,061,982	1,020,272	987,772	32,500
Community development	439,896	404,276	378,552	25,724
Engineering	1,908,296	2,471,928	1,836,033	635,895
Finance	1,571,000	1,567,372	1,497,244	70,128
Fire	8,416,489	8,426,966	8,197,968	228,998
Information technology	2,136,097	2,004,322	1,924,502	79,820
Parks	2,751,292	2,751,292	2,656,463	94,829
Parking garage	197,109	199,509	196,869	2,640
Personnel	551,556	553,616	528,161	25,455
Police	12,197,767	12,125,793	11,524,928	600,865
Street	2,054,986	2,161,989	1,764,532	397,457
General government	2,418,402	3,639,422	3,193,269	446,153
Community services	1,724,306	1,724,306	1,694,971	29,335
Total expenditures	<u>37,429,178</u>	<u>39,051,063</u>	<u>36,381,264</u>	<u>2,669,799</u>
Excess of revenues over expenditures	<u>2,814,551</u>	<u>1,578,866</u>	<u>4,308,566</u>	<u>2,729,700</u>
Other financing sources (uses):				
Sale of capital assets	5,000	5,000	6,119	1,119
Transfer in	1,414,215	1,414,215	1,414,215	-
Transfers out	<u>(4,233,415)</u>	<u>(4,287,698)</u>	<u>(4,286,514)</u>	<u>1,184</u>
Total other financing sources (uses)	<u>(2,814,200)</u>	<u>(2,868,483)</u>	<u>(2,866,180)</u>	<u>2,303</u>
Net change in fund balances	351	(1,289,617)	1,442,386	2,732,003
Fund balances, beginning of year	<u>10,949,528</u>	<u>10,949,528</u>	<u>10,949,528</u>	<u>-</u>
Fund balances, end of year	<u>\$ 10,949,879</u>	<u>\$ 9,659,911</u>	<u>\$ 12,391,914</u>	<u>\$ 2,732,003</u>

CITY OF OWENSBORO, KENTUCKY
BUDGETARY COMPARISON SCHEDULE
YOUR COMMUNITY VISION SPECIAL REVENUE FUND
Year Ended June 30, 2012

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Occupational licenses	\$ 3,479,559	\$ 3,479,559	\$ 3,781,667	\$ 302,108
Net profit license fee	655,452	655,452	756,693	101,241
Interest	-	-	181,062	181,062
Fees, licenses and permits	20,000	20,000	46,371	26,371
Intergovernmental	<u>71,050</u>	<u>1,238,734</u>	<u>415,630</u>	<u>(823,104)</u>
Total revenues	<u>4,226,061</u>	<u>5,393,745</u>	<u>5,181,423</u>	<u>(212,322)</u>
Expenditures:				
Public works	1,138,783	2,386,815	1,132,243	1,254,572
Capital outlay	<u>669,366</u>	<u>11,413,114</u>	<u>4,907,337</u>	<u>6,505,777</u>
Total expenditures	<u>1,808,149</u>	<u>13,799,929</u>	<u>6,039,580</u>	<u>7,760,349</u>
Excess (deficiency) of revenues over expenditures	<u>2,417,912</u>	<u>(8,406,184)</u>	<u>(858,157)</u>	<u>7,548,027</u>
Other financing sources (uses):				
Issuance of debt	-	6,346,478	3,051,028	(3,295,450)
Transfers out	<u>(1,980,606)</u>	<u>(1,900,606)</u>	<u>(712,386)</u>	<u>1,188,220</u>
Total other financing sources (uses)	<u>(1,980,606)</u>	<u>4,445,872</u>	<u>2,338,642</u>	<u>(2,107,230)</u>
Net change in fund balances	437,306	(3,960,312)	1,480,485	5,440,797
Fund balances, beginning of year	<u>7,600,680</u>	<u>7,600,680</u>	<u>7,600,680</u>	<u>-</u>
Fund balances, end of year	<u>\$ 8,037,986</u>	<u>\$ 3,640,368</u>	<u>\$ 9,081,165</u>	<u>\$ 5,440,797</u>

CITY OF OWENSBORO, KENTUCKY
BUDGETARY COMPARISON SCHEDULE
DOWNTOWN DEVELOPMENT AND REVITALIZATION FUND
Year Ended June 30, 2012

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Regulatory licenses	\$ 2,726,783	\$ 2,726,783	\$ 2,960,242	\$ 233,459
Interest	50,000	50,000	477,178	427,178
Miscellaneous	-	-	14,250	14,250
Total revenues	<u>2,776,783</u>	<u>2,776,783</u>	<u>3,451,670</u>	<u>674,887</u>
Expenditures:				
Community/economic development	-	6,110,941	3,135,577	2,975,364
Capital outlay	-	55,104,889	17,686,396	37,418,493
Issuance costs	-	-	211,478	(211,478)
Total expenditures	<u>-</u>	<u>61,215,830</u>	<u>21,033,451</u>	<u>40,182,379</u>
Excess (deficiency) of revenues over expenditures	<u>2,776,783</u>	<u>(58,439,047)</u>	<u>(17,581,781)</u>	<u>40,857,266</u>
Other financing sources (uses):				
Sale of capital assets	-	-	-	-
Issuance of debt	20,000,000	40,000,000	40,400,000	400,000
Discount on bonds issued	-	-	(186,945)	(186,945)
Transfers out	<u>(20,650,000)</u>	<u>(21,805,540)</u>	<u>(21,805,540)</u>	<u>-</u>
Total other financing sources (uses)	<u>(650,000)</u>	<u>18,194,460</u>	<u>18,407,515</u>	<u>213,055</u>
Net change in fund balances	2,126,783	(40,244,587)	825,734	41,070,321
Fund balances, beginning of year	<u>23,737,627</u>	<u>23,737,627</u>	<u>23,737,627</u>	<u>-</u>
Fund balances, end of year	<u>\$ 25,864,410</u>	<u>\$ (16,506,960)</u>	<u>\$ 24,563,361</u>	<u>\$ 41,070,321</u>

CITY OF OWENSBORO, KENTUCKY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (RSI)
ON BUDGETARY ACCOUNTING AND CONTROL
Year Ended June 30, 2012

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, 2012

	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	\$ -	\$ 52,965	\$ 300,280	\$ 494,681	\$ 847,926	\$ -	\$ 1,232,893	\$ 105,436	\$ 1,338,329	\$ 2,186,255
Accounts receivable	-	-	19,299	-	19,299	-	-	-	-	19,299
Taxes receivable	-	-	-	111,604	111,604	-	-	-	-	111,604
Intergovernmental receivable	53,305	-	-	-	53,305	-	308,732	-	308,732	362,037
Total assets	\$ 53,305	\$ 52,965	\$ 319,579	\$ 606,285	\$ 1,032,134	\$ -	\$ 1,541,625	\$ 105,436	\$ 1,647,061	\$ 2,679,195
LIABILITIES AND FUND BALANCES										
Liabilities:										
Accounts payable	\$ 25,674	\$ -	\$ 1,554	\$ -	\$ 27,228	\$ -	\$ 77,077	\$ -	\$ 77,077	\$ 104,305
Accrued wages	-	-	6,054	-	6,054	-	-	-	-	6,054
Intergovernmental payable	27,018	-	-	-	27,018	-	-	-	-	27,018
Deferred revenue	613	-	-	114,293	114,906	-	-	-	-	114,906
Total liabilities	\$ 53,305	\$ -	\$ 7,608	\$ 114,293	\$ 175,206	\$ -	\$ 77,077	\$ -	\$ 77,077	\$ 252,283
Fund balances:										
Nonspendable	-	-	-	-	-	-	-	-	-	-
Restricted	-	-	311,971	80,769	392,740	-	13,550	105,436	118,986	511,726
Committed	-	52,965	-	411,223	464,188	-	1,450,998	-	1,450,998	1,915,186
Assigned	-	-	-	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-	-	-	-
Total fund balances	\$ -	\$ 52,965	\$ 311,971	\$ 491,992	\$ 856,928	\$ -	\$ 1,464,548	\$ 105,436	\$ 1,569,984	\$ 2,426,912
Total liabilities and fund balances	\$ 53,305	\$ 52,965	\$ 319,579	\$ 606,285	\$ 1,032,134	\$ -	\$ 1,541,625	\$ 105,436	\$ 1,647,061	\$ 2,679,195

CITY OF OWENSBORO, KENTUCKY
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
 Year Ended June 30, 2012

	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	Capital Projects Funds	Total Capital Projects Funds	
Revenues:											
Real and personal property taxes	-	-	-	\$ 243,508	\$ 243,508	-	-	-	-	\$ -	\$ 243,508
Occupational licenses	-	-	-	768,597	768,597	-	-	-	-	-	768,597
Net profit license fee	-	-	-	16,848	16,848	-	-	-	-	-	16,848
Regulatory licenses	-	-	-	184,024	184,024	-	-	-	-	-	184,024
Intergovernmental	1,055,993	-	71,114	-	1,127,107	-	1,299,625	-	1,299,625	-	2,426,732
Investment earnings	-	1,083	4,587	9,147	14,817	-	23,293	2,116	25,409	-	40,226
Rentals	8,247	-	9,880	704,938	713,185	-	-	-	-	-	713,185
Contributions and donations	-	-	236,892	-	236,892	-	-	-	-	-	9,880
Other	-	-	-	-	-	-	-	-	-	-	236,892
Total revenues	1,064,240	1,083	322,473	1,927,062	3,314,858	-	1,322,918	2,116	1,325,034	-	4,639,892
Expenditures:											
Current:											
General government	-	-	423,071	-	423,071	-	-	-	-	-	-
Public safety	-	-	-	-	513,799	-	26,216	-	26,216	-	540,015
Public works	513,799	-	-	-	-	-	-	-	-	-	-
Community and cultural	-	-	-	-	-	-	-	-	-	-	-
Community /economic development	684,259	-	-	1,089,673	1,773,932	515,780	-	-	515,780	-	2,289,712
Debt service:											
Issuance costs	-	-	-	-	-	-	-	-	-	-	-
Capital outlay	-	-	39,910	2,134,840	2,174,750	-	1,607,907	6,212	1,614,119	-	3,788,869
Total expenditures	1,198,058	-	462,981	3,224,513	4,885,552	515,780	1,634,123	6,212	2,156,115	-	7,041,667
Excess of revenues over (under) expenditures	(133,818)	1,083	(140,508)	(1,297,451)	(1,570,694)	(515,780)	(311,205)	(4,096)	(83,108)	(83,108)	(2,401,775)
Other financing sources (uses):											
Sale of capital assets	133,818	-	8,998	-	142,816	-	-	-	-	-	142,816
Issuance of debt	-	-	-	-	-	-	-	-	-	-	-
Refunding bonds issued	-	-	-	-	-	-	-	-	-	-	-
Payment to bond refunding escrow	-	-	-	-	-	-	-	-	-	-	-
Discount on bonds issued	-	-	10,000	-	10,000	-	324,250	-	324,250	-	334,250
Transfers in	-	-	-	(694,470)	(694,470)	-	-	(20,000)	(20,000)	-	(714,470)
Transfers out	-	-	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	133,818	-	18,998	(694,470)	(541,654)	-	324,250	(20,000)	304,250	(237,404)	(2,639,179)
Net change in fund balances	-	1,083	(121,510)	(1,991,921)	(2,112,348)	(515,780)	13,045	(24,096)	(526,831)	(526,831)	(2,639,179)
Fund balances, beginning of year	-	51,882	433,481	2,483,913	2,969,276	515,780	1,451,503	129,532	2,096,815	-	5,066,091
Fund balances, end of year	-	\$ 52,965	\$ 311,971	\$ 491,992	\$ 856,928	\$ -	\$ 1,464,548	\$ 105,436	\$ 1,569,984	\$ -	\$ 2,426,912

CITY OF OWENSBORO, KENTUCKY
BUDGETARY COMPARISON SCHEDULE
COMMUNITY DEVELOPMENT SPECIAL REVENUE FUND
Year Ended June 30, 2012

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Intergovernmental	\$ 589,000	\$ 1,954,063	\$ 1,055,993	\$ (898,070)
Rentals	<u>20,000</u>	<u>20,000</u>	<u>8,247</u>	<u>(11,753)</u>
Total revenues	<u>609,000</u>	<u>1,974,063</u>	<u>1,064,240</u>	<u>(909,823)</u>
Expenditures:				
Public works	314,000	1,103,378	513,799	589,579
Community/economic development	<u>295,000</u>	<u>1,005,185</u>	<u>684,259</u>	<u>320,926</u>
Total expenditures	<u>609,000</u>	<u>2,108,563</u>	<u>1,198,058</u>	<u>910,505</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>(134,500)</u>	<u>(133,818)</u>	<u>682</u>
Other financing sources (uses):				
Sale of capital assets	<u>-</u>	<u>134,500</u>	<u>133,818</u>	<u>(682)</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>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

CITY OF OWENSBORO, KENTUCKY
BUDGETARY COMPARISON SCHEDULE
GREENBELT SPECIAL REVENUE FUND
Year Ended June 30, 2012

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Intergovernmental	\$ -	\$ -	\$ -	\$ -
Interest	-	-	1,083	1,083
Total revenues	-	-	1,083	1,083
Expenditures:				
Capital outlay	-	-	-	-
Total expenditures	-	-	-	-
Excess (deficiency) of revenues over expenditures	-	-	1,083	1,083
Other financing sources (uses):				
Transfers in	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balances	-	-	1,083	1,083
Fund balances, beginning of year	51,882	51,882	51,882	-
Fund balances, end of year	<u>\$ 51,882</u>	<u>\$ 51,882</u>	<u>\$ 52,965</u>	<u>\$ 1,083</u>

CITY OF OWENSBORO, KENTUCKY
BUDGETARY COMPARISON SCHEDULE
DRUG AND PROPERTY RECOVERY SPECIAL REVENUE FUND
Year Ended June 30, 2012

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Intergovernmental	\$ -	\$ 97,764	\$ 71,114	\$ (26,650)
Interest	6,000	6,000	4,587	(1,413)
Donations	-	-	9,880	9,880
Restitution and other income	<u>56,500</u>	<u>56,500</u>	<u>236,892</u>	<u>180,392</u>
Total revenues	<u>62,500</u>	<u>160,264</u>	<u>322,473</u>	<u>162,209</u>
Expenditures:				
Public safety	177,028	285,724	423,071	(137,347)
Capital outlay	<u>11,995</u>	<u>23,479</u>	<u>39,910</u>	<u>(16,431)</u>
Total expenditures	<u>189,023</u>	<u>309,203</u>	<u>462,981</u>	<u>(153,778)</u>
Excess (deficiency) of revenues over expenditures	<u>(126,523)</u>	<u>(148,939)</u>	<u>(140,508)</u>	<u>8,431</u>
Other financing sources (uses):				
Sale of capital assets	3,500	3,500	8,998	5,498
Transfers in	-	10,000	10,000	-
Transfers out	<u>(25,000)</u>	<u>(25,000)</u>	<u>-</u>	<u>25,000</u>
Total other financing sources (uses)	<u>(21,500)</u>	<u>(11,500)</u>	<u>18,998</u>	<u>30,498</u>
Net change in fund balances	(148,023)	(160,439)	(121,510)	38,929
Fund balances, beginning of year	<u>433,481</u>	<u>433,481</u>	<u>433,481</u>	<u>-</u>
Fund balances, end of year	<u>\$ 285,458</u>	<u>\$ 273,042</u>	<u>\$ 311,971</u>	<u>\$ 38,929</u>

CITY OF OWENSBORO, KENTUCKY
BUDGETARY COMPARISON SCHEDULE
ECONOMIC DEVELOPMENT SPECIAL REVENUE FUND
Year Ended June 30, 2012

	<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	\$ 134,104	\$ 238,104	\$ 243,508	\$ 5,404
Occupational licenses	455,279	780,279	768,597	(11,682)
Net profit license fee	39,589	39,589	16,848	(22,741)
Regulatory licenses	180,000	180,000	184,024	4,024
Interest	10,000	10,000	9,147	(853)
Rentals	468,782	468,782	704,938	236,156
Total revenues	<u>1,287,754</u>	<u>1,716,754</u>	<u>1,927,062</u>	<u>210,308</u>
Expenditures:				
Community/economic development	782,805	1,211,805	1,089,673	122,132
Capital outlay	-	2,227,550	2,134,840	92,710
Issuance costs	-	-	-	-
Total expenditures	<u>782,805</u>	<u>3,439,355</u>	<u>3,224,513</u>	<u>214,842</u>
Excess (deficiency) of revenues over expenditures	<u>504,949</u>	<u>(1,722,601)</u>	<u>(1,297,451)</u>	<u>425,150</u>
Other financing sources (uses):				
Issuance of debt	-	-	-	-
Discount on bonds issued	-	-	-	-
Transfers out	(477,686)	(694,471)	(694,470)	1
Total other financing sources (uses)	<u>(477,686)</u>	<u>(694,471)</u>	<u>(694,470)</u>	<u>1</u>
Net change in fund balances	27,263	(2,417,072)	(1,991,921)	425,151
Fund balances, beginning of year	<u>2,483,913</u>	<u>2,483,913</u>	<u>2,483,913</u>	<u>-</u>
Fund balances, end of year	<u>\$ 2,511,176</u>	<u>\$ 66,841</u>	<u>\$ 491,992</u>	<u>\$ 425,151</u>

CITY OF OWENSBORO, KENTUCKY
COMBINING STATEMENT OF NET ASSETS
NONMAJOR PROPRIETARY FUNDS
June 30, 2012

	Enterprise Funds				Total Nonmajor Enterprise Funds
	Transit Fund	Geographic Information System Fund	Downtown Maintenance and Operations Fund	Recreation Fund	
ASSETS					
Current assets:					
Equity in pooled deposits and investments	\$ 225,451	\$ 97,359	\$ 2,092,420	\$ 724,734	\$ 3,139,964
Cash and cash equivalents:					
In segregated accounts	100	-	173,160	8,025	181,285
Accounts receivable	1,860	5,630	-	37,740	45,230
Component units receivable	-	18,044	-	-	18,044
Intergovernmental receivable	100,931	-	-	-	100,931
Materials and supplies inventory	-	-	-	26,122	26,122
Prepaid expenses	-	-	-	-	-
Total current assets	<u>328,342</u>	<u>121,033</u>	<u>2,265,580</u>	<u>796,621</u>	<u>3,511,576</u>
Noncurrent assets:					
Capital assets, net of accumulated depreciation:					
Land	-	-	-	105,739	105,739
Depreciable capital assets	1,196,296	11,641	-	111,272	1,319,209
Total noncurrent assets	<u>1,196,296</u>	<u>11,641</u>	<u>-</u>	<u>217,011</u>	<u>1,424,948</u>
Total assets	<u>\$ 1,524,638</u>	<u>\$ 132,674</u>	<u>\$ 2,265,580</u>	<u>\$ 1,013,632</u>	<u>\$ 4,936,524</u>
LIABILITIES AND NET ASSETS					
Current liabilities:					
Accounts payable	\$ 9,132	\$ 2,255	\$ 5,928	\$ 50,340	\$ 67,655
Accrued liabilities	29,488	9,877	-	53,096	92,461
Compensated absences	3,821	-	-	249	4,070
Unearned revenue	-	-	-	8,585	8,585
Total current liabilities	<u>42,441</u>	<u>12,132</u>	<u>5,928</u>	<u>112,270</u>	<u>172,771</u>
Non-current liabilities:					
Due in more than one year	54,978	50,954	-	114,466	220,398
Total non-current liabilities	<u>54,978</u>	<u>50,954</u>	<u>-</u>	<u>114,466</u>	<u>220,398</u>
Total liabilities	<u>97,419</u>	<u>63,086</u>	<u>5,928</u>	<u>226,736</u>	<u>393,169</u>
Net assets:					
Invested in capital assets	1,196,296	11,641	-	217,011	1,424,948
Unrestricted	230,923	57,947	2,259,652	569,885	3,118,407
Total net assets	<u>1,427,219</u>	<u>69,588</u>	<u>2,259,652</u>	<u>786,896</u>	<u>4,543,355</u>
Total liabilities and net assets	<u>\$ 1,524,638</u>	<u>\$ 132,674</u>	<u>\$ 2,265,580</u>	<u>\$ 1,013,632</u>	<u>\$ 4,936,524</u>

CITY OF OWENSBORO, KENTUCKY
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
NONMAJOR PROPRIETARY FUNDS
Year Ended June 30, 2012

	Enterprise Funds				Total Nonmajor Enterprise Funds
	Transit Fund	Geographic Information System Fund	Downtown Maintenance and Operations Fund	Recreation Fund	
Operating revenues:					
Charges for services	\$ 139,100	\$ 245,370	\$ -	\$ 1,777,616	\$ 2,162,086
Miscellaneous income	-	-	-	3,009	3,009
Total operating revenues	139,100	245,370	-	1,780,625	2,165,095
Operating expenses:					
Salaries, wages, and benefits	845,238	291,872	-	1,208,607	2,345,717
Maintenance	254,949	2,073	-	655,351	912,373
Utilities	18,263	5,026	644	251,765	275,698
Supplies	240,467	533	-	393,180	634,180
Other	190,568	19,400	106,437	282,645	599,050
Depreciation	404,692	2,282	-	34,013	440,987
Total operating expenses	1,954,177	321,186	107,081	2,825,561	5,208,005
Operating loss	(1,815,077)	(75,816)	(107,081)	(1,044,936)	(3,042,910)
Nonoperating revenues:					
Gain (loss) on sale of capital assets	(58,715)	-	-	4,367	(54,348)
Investment earnings	-	1,413	166,733	-	168,146
Operating grants	517,384	-	-	-	517,384
Total nonoperating revenues	458,669	1,413	166,733	4,367	631,182
Loss before contributions and transfers	(1,356,408)	(74,403)	59,652	(1,040,569)	(2,411,728)
Capital contributions - grants	410,061	-	-	-	410,061
Transfers in	544,675	87,870	2,200,000	1,116,348	3,948,893
Transfers out	-	-	-	(15,423)	(15,423)
Change in net assets	(401,672)	13,467	2,259,652	60,356	1,931,803
Net assets, beginning of year	1,828,891	56,121	-	726,540	2,611,552
Net assets, end of year	\$ 1,427,219	\$ 69,588	\$ 2,259,652	\$ 786,896	\$ 4,543,355

CITY OF OWENSBORO, KENTUCKY
COMBINING STATEMENT OF CASH FLOWS
NONMAJOR PROPRIETARY FUNDS
Year Ended June 30, 2012

	Enterprise Funds				Total Nonmajor Enterprise Funds
	Transit Fund	Geographic Information System Fund	Downtown Maintenance and Operations Fund	Recreation Fund	
Cash flows from operating activities:					
Cash received from customers	\$ 137,506	\$ 273,290	\$ -	\$ 1,767,638	\$ 2,178,434
Cash payments to employees for services	(844,249)	(293,443)	-	(1,184,881)	(2,322,573)
Cash payments to suppliers	(715,856)	(24,777)	(101,153)	(1,571,799)	(2,413,585)
Cash payments for interfund services used	-	-	-	-	-
Net cash provided by (used in) operating activities	<u>(1,422,599)</u>	<u>(44,930)</u>	<u>(101,153)</u>	<u>(989,042)</u>	<u>(2,557,724)</u>
Cash flows from noncapital financing activities:					
Operating grants	513,179	-	-	-	513,179
Transfers in	544,675	87,870	2,200,000	1,116,348	3,948,893
Transfers out	-	-	-	(15,423)	(15,423)
Net cash provided by (used in) noncapital financing activities	<u>1,057,854</u>	<u>87,870</u>	<u>2,200,000</u>	<u>1,100,925</u>	<u>4,446,649</u>
Cash flows from capital and related financing activities:					
Proceeds from sale of capital assets	2,244	-	-	4,367	6,611
Capital contributions - grants	439,824	-	-	-	439,824
Payments for capital acquisitions	(45,768)	(12,353)	-	-	(58,121)
Net cash used in capital and related financing activities	<u>396,300</u>	<u>(12,353)</u>	<u>-</u>	<u>4,367</u>	<u>388,314</u>
Cash flows from investing activities:					
Interest on investments	-	1,413	166,733	-	168,146
Net increase (decrease) in cash and cash equivalents	31,555	32,000	2,265,580	116,250	2,445,385
Cash and cash equivalents, beginning of year	193,996	65,359	-	616,509	875,864
Cash and cash equivalents, end of year	<u>\$ 225,551</u>	<u>\$ 97,359</u>	<u>\$ 2,265,580</u>	<u>\$ 732,759</u>	<u>\$ 3,321,249</u>
Reconciliation of operating loss to net cash used in operating activities:					
Operating loss	\$ (1,815,077)	\$ (75,816)	\$ (107,081)	\$ (1,044,936)	\$ (3,042,910)
Adjustments to reconcile operating loss to net cash used in operating activities:					
Depreciation	404,692	2,282	-	34,013	440,987
Change in assets and liabilities:					
(Increase) decrease in assets:					
Accounts receivable	(1,594)	7,667	-	(19,246)	(13,173)
Component unit receivable	-	20,253	-	-	20,253
Materials and supplies inventory	-	-	-	8,968	8,968
Prepaid expenses	-	-	-	-	-
Increase (decrease) in liabilities:					
Accounts payable	(11,609)	2,255	5,928	2,173	(1,253)
Unearned revenue	-	-	-	6,260	6,260
Accrued liabilities	6,082	1,412	-	11,251	18,745
Compensated absences	(5,093)	(2,983)	-	12,475	4,399
Interfund payables	-	-	-	-	-
Net cash provided by (used in) operating activities	<u>\$ (1,422,599)</u>	<u>\$ (44,930)</u>	<u>\$ (101,153)</u>	<u>\$ (989,042)</u>	<u>\$ (2,557,724)</u>



CITY OF OWENSBORO, KENTUCKY
COMBINING STATEMENT OF NET ASSETS
INTERNAL SERVICE FUNDS
June 30, 2012

	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	\$ 858,066	\$ 981,972	\$ 567,326	\$ 3,831,861	\$ 6,239,225
Cash and cash equivalents:					
In segregated accounts	-	108,421	100	-	108,521
Accounts receivable	1,961	-	-	-	1,961
Material and supplies inventory	-	-	42,810	-	42,810
Prepaid expenses	-	20,771	-	-	20,771
Total current assets	<u>860,027</u>	<u>1,111,164</u>	<u>610,236</u>	<u>3,831,861</u>	<u>6,413,288</u>
Noncurrent assets:					
Capital assets, net of accumulated depreciation:					
Depreciable capital assets	107,867	-	-	1,947,497	2,055,364
Total noncurrent assets	<u>107,867</u>	<u>-</u>	<u>-</u>	<u>1,947,497</u>	<u>2,055,364</u>
Total assets	<u>\$ 967,894</u>	<u>\$ 1,111,164</u>	<u>\$ 610,236</u>	<u>\$ 5,779,358</u>	<u>\$ 8,468,652</u>
LIABILITIES AND NET ASSETS					
Current liabilities:					
Accounts payable	\$ 107,181	\$ 737,549	\$ 51,297	\$ 23,191	\$ 919,218
Accrued liabilities	45,589	-	16,425	-	62,014
Total liabilities	<u>152,770</u>	<u>737,549</u>	<u>67,722</u>	<u>23,191</u>	<u>981,232</u>
Net assets:					
Invested in capital assets	107,867	-	-	1,947,497	2,055,364
Unrestricted	707,257	373,615	542,514	3,808,670	5,432,056
Total net assets	<u>815,124</u>	<u>373,615</u>	<u>542,514</u>	<u>5,756,167</u>	<u>7,487,420</u>
Total liabilities and net assets	<u>\$ 967,894</u>	<u>\$ 1,111,164</u>	<u>\$ 610,236</u>	<u>\$ 5,779,358</u>	<u>\$ 8,468,652</u>

CITY OF OWENSBORO, KENTUCKY
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
INTERNAL SERVICE FUNDS
Year Ended June 30, 2012

	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	\$ 3,171,993	\$ 3,882,457	\$ 1,235,504	\$ 1,643,202	\$ 9,933,156
Miscellaneous income	-	-	-	-	-
Total operating revenues	3,171,993	3,882,457	1,235,504	1,643,202	9,933,156
Operating expenses:					
Salaries, wages, and benefits	1,442,589	-	483,442	-	1,926,031
Maintenance	1,403,921	-	38,385	194,138	1,636,444
Utilities	15,760	-	10,453	-	26,213
Administrative	-	295,370	-	-	295,370
Supplies	279,674	-	611,895	-	891,569
Other	40,096	-	3,615	-	43,711
Claims	-	3,997,605	-	-	3,997,605
Depreciation	3,183	-	-	644,961	648,144
Total operating expenses	3,185,223	4,292,975	1,147,790	839,099	9,465,087
Operating income (loss)	(13,230)	(410,518)	87,714	804,103	468,069
Nonoperating revenues:					
Gain on sale of capital assets	20,737	-	3,493	79,691	103,921
Investment earnings	-	23,397	-	77,292	100,689
Grants	17,946	-	-	-	17,946
Total nonoperating revenues	38,683	23,397	3,493	156,983	222,556
Income (loss) before transfers	25,453	(387,121)	91,207	961,086	690,625
Transfers out	-	-	-	-	-
Change in net assets	25,453	(387,121)	91,207	961,086	690,625
Net assets, beginning of year	789,671	760,736	451,307	4,795,081	6,796,795
Net assets, end of year	\$ 815,124	\$ 373,615	\$ 542,514	\$ 5,756,167	\$ 7,487,420

CITY OF OWENSBORO, KENTUCKY
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
Year Ended June 30, 2012

	Governmental Activities				
	Internal Service Funds				
	Facilities Maintenance Fund	Insurance Fund	Garage Service Fund	Fleet and Facilities Fund	Total Internal Service Funds
Cash flow from operating activities:					
Cash received from customers	\$ 3,171,830	\$ 3,882,457	\$ 1,235,504	\$ 1,643,202	\$ 9,932,993
Cash payments to employees for services	(1,430,831)	-	(479,726)	-	(1,910,557)
Cash payments to suppliers	(1,719,829)	(269,229)	(676,072)	(176,646)	(2,841,776)
Cash payments for claims	-	(3,997,605)	-	-	(3,997,605)
Net cash provided by (used in) operating activities	<u>21,170</u>	<u>(384,377)</u>	<u>79,706</u>	<u>1,466,556</u>	<u>1,183,055</u>
Cash flows from noncapital financing activities:					
Grants	17,946	-	-	-	17,946
Transfers out	-	-	-	-	-
Net cash provided by (used in) noncapital financing activities	<u>17,946</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>17,946</u>
Cash flows from capital and related financing activities:					
Proceeds from sale of capital assets	20,737	-	3,493	82,572	106,802
Payments for capital acquisitions	(106,100)	-	-	(1,057,771)	(1,163,871)
Net cash provided by (used in) capital and related financing activities	<u>(85,363)</u>	<u>-</u>	<u>3,493</u>	<u>(975,199)</u>	<u>(1,057,069)</u>
Cash flows from investing activities:					
Interest on investments	-	23,397	-	77,292	100,689
Net increase (decrease) in cash and cash equivalents	<u>(46,247)</u>	<u>(360,980)</u>	<u>83,199</u>	<u>568,649</u>	<u>244,621</u>
Cash and cash equivalents, beginning of year	<u>904,313</u>	<u>1,451,373</u>	<u>484,227</u>	<u>3,263,212</u>	<u>6,103,125</u>
Cash and cash equivalents, end of year	<u>\$ 858,066</u>	<u>\$ 1,090,393</u>	<u>\$ 567,426</u>	<u>\$ 3,831,861</u>	<u>\$ 6,347,746</u>
Reconciliation of operating income to net cash provided by operating activities:					
Operating income (loss)	\$ (13,230)	\$ (410,518)	\$ 87,714	\$ 804,103	\$ 468,069
Adjustments to reconcile operating income to net cash provided by operating activities:					
Depreciation	3,183	-	-	644,962	648,145
Change in assets and liabilities:					
(Increase) decrease in assets:					
Accounts receivable	(163)	-	-	-	(163)
Materials and supplies inventory	-	-	(7,155)	-	(7,155)
Prepaid expenses	-	2,592	-	-	2,592
Increase (decrease) in liabilities:					
Accounts payable	19,622	23,549	(4,569)	17,491	56,093
Accrued liabilities	11,758	-	3,716	-	15,474
Net cash provided by (used in) operating activities	<u>\$ 21,170</u>	<u>\$ (384,377)</u>	<u>\$ 79,706</u>	<u>\$ 1,466,556</u>	<u>\$ 1,183,055</u>



CITY OF OWENSBORO, KENTUCKY
COMBINING STATEMENT OF FIDUCIARY NET ASSETS
PENSION TRUST FUNDS
June 30, 2012

	<u>City Employees' Pension Fund</u>	<u>Police and Firefighters' Retirement Fund</u>	<u>Total Pension Trust Funds</u>
ASSETS			
Equity in pooled deposits and investments	\$ 1,894,772	\$ 4,540,953	\$ 6,435,725
Cash and cash equivalents	1,877,196	-	1,877,196
Cash and cash equivalents, restricted	-	12,450	12,450
Interest receivable	-	-	-
Investments, at fair value	-	-	-
Investments at fair value, restricted	-	983,317	983,317
	<u>3,771,968</u>	<u>5,536,720</u>	<u>9,308,688</u>
Total assets			
LIABILITIES			
Pension payable	19,119	77,586	96,705
Other	501	449	950
	<u>19,620</u>	<u>78,035</u>	<u>97,655</u>
Total liabilities			
NET ASSETS			
Held in trust for pension benefits	3,752,348	4,462,918	8,215,266
Restricted for debt service	-	995,767	995,767
	<u>-</u>	<u>995,767</u>	<u>995,767</u>
Total net assets	<u>\$ 3,752,348</u>	<u>\$ 5,458,685</u>	<u>\$ 9,211,033</u>

CITY OF OWENSBORO, KENTUCKY
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
PENSION TRUST FUNDS
Year Ended June 30, 2012

	City Employees' Pension Fund	Police and Firefighters' Retirement Fund	Total Pension Trust Funds
	<u> </u>	<u> </u>	<u> </u>
Additions:			
Contributions:			
Employer	\$	\$	\$
Other	-	5,366	5,366
	<u> </u>	<u> </u>	<u> </u>
Total contributions	-	5,366	5,366
	<u> </u>	<u> </u>	<u> </u>
Investment earnings:			
Net appreciation (depreciation) in fair value of investments	6,278	(15,164)	(8,886)
Interest	121,342	127,575	248,917
	<u> </u>	<u> </u>	<u> </u>
Total investment earnings	127,620	112,411	240,031
	<u> </u>	<u> </u>	<u> </u>
Less investment expense	6,356	8,396	14,752
	<u> </u>	<u> </u>	<u> </u>
Net investment earnings	121,264	104,015	225,279
	<u> </u>	<u> </u>	<u> </u>
Total additions	121,264	109,381	230,645
	<u> </u>	<u> </u>	<u> </u>
Deductions:			
Benefits	468,273	953,648	1,421,921
Operating transfer to Debt Service Fund	-	312,726	312,726
	<u> </u>	<u> </u>	<u> </u>
Total deductions	468,273	1,266,374	1,734,647
	<u> </u>	<u> </u>	<u> </u>
Change in net assets	(347,009)	(1,156,993)	(1,504,002)
	<u> </u>	<u> </u>	<u> </u>
Net assets, beginning of year	4,099,357	6,615,678	10,715,035
	<u> </u>	<u> </u>	<u> </u>
Net assets, end of year	\$ 3,752,348	\$ 5,458,685	\$ 9,211,033
	<u> </u>	<u> </u>	<u> </u>

CITY OF OWENSBORO, KENTUCKY
COMBINING STATEMENT OF ASSETS AND LIABILITIES
AGENCY FUNDS
June 30, 2012

	County Occupational Tax Fund	School District Tax Fund	Total Agency Funds
ASSETS			
Equity in pooled deposits and investments	\$ 80,518	\$ -	\$ 80,518
Intergovernmental receivable	<u>-</u>	<u>40,228</u>	<u>40,228</u>
Total assets	<u>80,518</u>	<u>40,228</u>	<u>120,746</u>
LIABILITIES			
Other	<u>80,518</u>	<u>40,228</u>	<u>120,746</u>
Total liabilities	<u>80,518</u>	<u>40,228</u>	<u>120,746</u>
NET ASSETS			
Held in trust for agency funds	<u>-</u>	<u>-</u>	<u>-</u>
Total net assets	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

CITY OF OWENSBORO, KENTUCKY
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
Year Ended June 30, 2012

	<u>Balance</u> <u>June 30, 2011</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2012</u>
County Occupational Tax Fund				
Assets:				
Equity in pooled deposits and investments	\$ 95,485	\$ 1,767,373	\$ 1,782,340	\$ 80,518
Liabilities:				
Other	\$ 95,485	\$ 1,767,373	\$ 1,782,340	\$ 80,518
School District Tax Fund				
Assets:				
Intergovernmental receivable	\$ 22,393	\$ 9,449,964	\$ 9,432,129	\$ 40,228
Liabilities:				
Other	\$ 22,393	\$ 9,449,964	\$ 9,432,129	\$ 40,228
Total Agency Funds				
Assets:				
Equity in pooled deposits and investments	\$ 95,485	\$ 1,767,373	\$ 1,782,340	\$ 80,518
Intergovernmental receivable	22,393	9,449,964	9,432,129	40,228
Total assets	\$ 117,878	\$ 11,217,337	\$ 11,214,469	\$ 120,746
Liabilities:				
Other	\$ 117,878	\$ 11,217,337	\$ 11,214,469	\$ 120,746

CITY OF OWENSBORO, KENTUCKY
COMBINING STATEMENT OF NET ASSETS
COMPONENT UNIT
OWENSBORO MUNICIPAL UTILITIES
June 30, 2012

	<u>Electric Light and Power System</u>	<u>Water Works System</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents:			
In segregated accounts	\$ 17,618,129	\$ 2,059,509	\$ 19,677,638
Temporary investments	-	-	-
Accounts receivable (less allowance of \$61,256 and \$11,787 for Electric and Water, respectively)	11,011,426	1,576,767	12,588,193
Material and supplies inventory	2,392,599	563,204	2,955,803
Prepaid items	357,657	-	357,657
Other current assets	1,128,514	114,431	1,242,945
Restricted assets	82,214,189	5,790,543	88,004,732
Capital assets, net of accumulated depreciation:	182,018,739	44,677,358	226,696,097
Other noncurrent assets:			
Deferred charges	<u>8,608,279</u>	<u>915,478</u>	<u>9,523,757</u>
Total assets	<u>\$ 305,349,532</u>	<u>\$ 55,697,290</u>	<u>\$ 361,046,822</u>
 LIABILITIES AND NET ASSETS			
Liabilities:			
Accounts payable	\$ 10,560,028	\$ 883,832	\$ 11,443,860
Accrued interest payable	1,694,508	252,783	1,947,291
Other payables	5,220,377	57,862	5,278,239
Deferred revenue	4,473,943	462,717	4,936,660
Customers' advances	-	407,447	407,447
Non-current liabilities:			
Long-term debt:			
Due within one year	17,421,838	570,000	17,991,838
Due in more than one year	152,908,973	23,898,762	176,807,735
Other	<u>131,289</u>	<u>-</u>	<u>131,289</u>
Total liabilities	<u>192,410,956</u>	<u>26,533,403</u>	<u>218,944,359</u>
Net assets:			
Invested in capital assets, net of related debt	43,167,714	25,579,005	68,746,719
Restricted for:			
Capital projects	4,474,847	90,579	4,565,426
Debt service	15,835,372	492,626	16,327,998
Other purposes	22,196,964	-	22,196,964
Unrestricted	<u>27,263,679</u>	<u>3,001,677</u>	<u>30,265,356</u>
Total net assets	<u>112,938,576</u>	<u>29,163,887</u>	<u>142,102,463</u>
Total liabilities and net assets	<u>\$ 305,349,532</u>	<u>\$ 55,697,290</u>	<u>\$ 361,046,822</u>

CITY OF OWENSBORO, KENTUCKY
COMBINING STATEMENT OF ACTIVITIES
COMPONENT UNIT
OWENSBORO MUNICIPAL UTILITIES
Year Ended June 30, 2012

	Program Revenues	Net (Expense) Revenue and Changes in Net Assets			
	Charges for Services and Sales	Capital Grants and Contributions	Electric Light and Power System	Water Works System	Total
Owensboro Municipal Utilities:					
Electric Light and Power System	\$ 145,628,713	\$ -	\$ (4,154,504)	\$ -	\$ (4,154,504)
Water Works System	<u>9,855,611</u>	<u>447,895</u>	<u>-</u>	<u>83,989</u>	<u>83,989</u>
	<u>\$ 155,484,324</u>	<u>\$ 447,895</u>	<u>(4,154,504)</u>	<u>83,989</u>	<u>(4,070,515)</u>
Total Owensboro Municipal Utilities					
General revenues:					
Earnings on investments			1,260,971	8,818	1,269,789
Miscellaneous			<u>3,722,330</u>	<u>-</u>	<u>3,722,330</u>
			<u>4,983,301</u>	<u>8,818</u>	<u>4,992,119</u>
Total general revenues					
Change in net assets			828,797	92,807	921,604
Net assets, beginning of year			<u>112,109,779</u>	<u>29,071,080</u>	<u>141,180,859</u>
Net assets, end of year			<u>\$ 112,938,576</u>	<u>\$ 29,163,887</u>	<u>\$ 142,102,463</u>

CITY OF OWENSBORO, KENTUCKY
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE BY SOURCE
June 30, 2012

Governmental funds capital assets:	
Land	\$ 22,564,510
Land improvements/infrastructure	129,305,961
Buildings	43,361,432
Vehicles	2,846,692
Equipment	5,598,627
Construction in Progress	28,984,650
	<u>\$ 232,661,872</u>
Investments in governmental funds capital assets by source:	
General Fund	\$ 228,842,476
Community Development Fund	3,215,232
City of Owensboro Municipal Improvement Corporation	604,164
	<u>\$ 232,661,872</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.

CITY OF OWENSBORO, KENTUCKY
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE BY FUNCTION AND ACTIVITY
June 30, 2012

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	-	-	-	-	13,545	13,545
Information technology	-	-	82,124	-	474,744	556,868
Unallocated	3,662,589	6,043,402	24,157,832	21,388	1,660,523	35,545,734
Total general government	<u>3,864,582</u>	<u>6,043,402</u>	<u>25,956,373</u>	<u>21,388</u>	<u>2,319,098</u>	<u>38,204,843</u>
Public safety:						
Police	767,183	-	3,469,976	137,688	1,988,896	6,363,743
Fire	353,862	-	2,093,300	1,546,302	144,931	4,138,395
Total public safety	<u>1,121,045</u>	<u>-</u>	<u>5,563,276</u>	<u>1,683,990</u>	<u>2,133,827</u>	<u>10,502,138</u>
Public works:						
Engineering	-	-	-	-	47,054	47,054
Streets	4,305,872	42,748,048	858,951	9,703	167,835	48,090,409
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>42,748,048</u>	<u>1,032,478</u>	<u>86,580</u>	<u>393,759</u>	<u>48,589,237</u>
Community and cultural:						
Parks	3,240,261	2,439,329	9,229,973	-	143,096	15,052,659
Other agencies	1,480,878	1,041,014	1,160,259	-	-	3,682,151
Downtown revitalization	7,183,356	9,980,987	-	-	-	17,164,343
Your community vision	1,346,016	67,053,181	419,073	1,054,734	608,847	70,481,851
Total community and cultural	<u>13,250,511</u>	<u>80,514,511</u>	<u>10,809,305</u>	<u>1,054,734</u>	<u>751,943</u>	<u>106,381,004</u>
Construction in Progress	-	-	-	-	28,984,650	28,984,650
Total governmental funds capital assets	<u>\$ 22,564,510</u>	<u>\$ 129,305,961</u>	<u>\$ 43,361,432</u>	<u>\$ 2,846,692</u>	<u>\$ 5,598,627</u>	<u>\$ 28,984,650</u>
						<u>\$ 232,661,872</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, 2012

Function and Activity	Governmental Funds Capital Assets June 30, 2011	Additions	Deductions	Governmental Funds Capital Assets June 30, 2012
General government:				
City manager, commissioners and legal	\$ 2,057,321	\$ -	\$ -	\$ 2,057,321
Finance	31,375	-	-	31,375
Personnel	13,545	-	-	13,545
Information technology	555,171	24,413	(22,716)	556,868
Unallocated	19,618,319	15,924,311	3,104	35,545,734
Total general government	22,275,731	15,948,724	(19,612)	38,204,843
Public safety:				
Police	6,273,303	90,440	-	6,363,743
Fire	4,138,395	-	-	4,138,395
Total public safety	10,411,698	90,440	-	10,502,138
Public works:				
Engineering	47,054	-	-	47,054
Streets	47,795,815	294,594	-	48,090,409
Garage	292,607	-	-	292,607
Stormwater	159,167	-	-	159,167
Total public works	48,294,643	294,594	-	48,589,237
Community and cultural:				
Parks	15,052,659	-	-	15,052,659
Other agencies	3,659,847	-	-	3,659,847
Downtown revitalization	17,164,343	22,304	-	17,186,647
Your community vision	70,324,481	198,042	(40,672)	70,481,851
Total community and cultural	106,201,330	220,346	(40,672)	106,381,004
Construction in Progress	-	28,984,650	-	28,984,650
Total governmental funds capital assets	\$ 187,183,402	\$ 45,538,754	\$ (60,284)	\$ 232,661,872

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





CITY OF OWENSBORO GENERAL INFORMATION

The City

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

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



Owensboro has received recent national recognition, as follows:

In November 2009, *BusinessWeek* Magazine named Owensboro as their Kentucky selection for “America’s Best Place to Raise Your Kids”. In July 2010, *Money* magazine ranked Owensboro #93 on their Top 100 list of “America’s Best Places to Live”. Owensboro was the only Kentucky city selected for the list, which considered cities with populations of 50,000 to 300,000. Both magazines utilized statistics from data services company Onboard Informatics to compile information for their lists. The entire *Money* Magazine article can be read at <http://money.cnn.com>. In 2012, Owensboro was ranked #58 on Forbes Magazine’s Top 100 Best Small Places for Business and Careers, including a #29 ranking for Low Cost of Doing Business.

Location

Owensboro is the county seat of Daviess County, Kentucky. It lies on the southern banks of the Ohio River, one of the nation’s major waterways, in the western Kentucky coal field region. Owensboro is located 32 miles southeast of Evansville, Indiana, 123 miles north of Nashville, Tennessee, and 109 miles southwest of Louisville, Kentucky. A recently improved section of U.S. Highway 231 in southern Indiana completes a 4-lane direct link through Owensboro from Interstate 64 in Indiana to Interstate 65 in southern Kentucky.



Industry and Economic Development

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

The City is active in promoting economic development, as new developmental job growth is necessary to ensure the continued stability of the City's revenue base. Economic indicators and trends reflect stabilization in the area's economy compared to the previous year. As of June 2012, area employment over the prior twelve months averaged 45,889, an increase of 812 over the prior year. The June 2012 unemployment rate was 7.0%, significantly lower than both the State rate of 8.4% and the U.S. rate of 8.4%. The number of active water meters rose slightly to 24,837 while the number of active electric meters edged up to 25,688. The rate of construction of single-family units dropped slightly from the prior year, but the value of non-residential projects has remained at an all-time high in the local area due to work on several major projects, including the continued construction of a new \$385 million hospital.

An aggressive annexation policy is pursued to ensure continued growth and development for the City of Owensboro. Much of the City's long-term industrial growth potential lies in the Carter Road/Airport Corridor, anchored by the 400-acre Mid-America Airpark. The City coordinated with the Greater Owensboro Economic Development Corporation to complete Mid-America AirPark, which includes AirPark, Tamarack, and Unifirst Drives, and this is a valuable tool for attracting new industry to Owensboro. Two buildings in the Airpark recently opened with a local expansion of a national mortgage processing company and the addition of 500 jobs. The Owensboro-Daviess County Regional Airport recently finished a \$40 million expansion, and a \$1.8 million terminal expansion was dedicated in November 2012. Direct flights to the Orlando area added in the past three years make Owensboro a hub for convenient and cost-effective transportation between Florida and the Owensboro region, and multiple daily flights between Owensboro and St. Louis serve a vital connection to cities nationwide. The overall outlook for the area's economy remains bright due to its diversification.

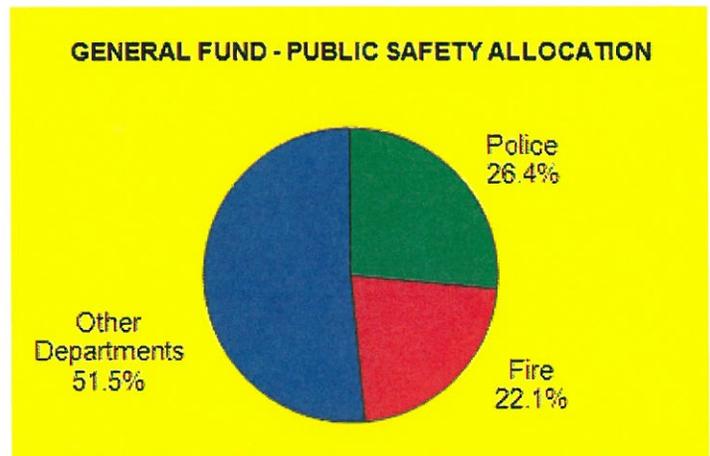
In spring 2009, the City began Riverfront Development project which includes construction of a river wall, a signature fountain, a spray park, playground, and significant additional green space in Smothers Park. This project was funded mostly by a \$40 million federal grant and was completed in August 2012. Also, the City has begun a \$99 million downtown redevelopment and revitalization project. The City has partnered with Daviess County Fiscal Court in the development and financing of this project, with the City sponsoring \$79 million of the project and the County sponsoring \$20 million. The latest plans call for a \$48 million convention and events center overlooking the Ohio River. It will be flanked by \$90 million in private development projects which include two full-service convention class hotels totaling 270 rooms, a corporate headquarters, and multiple residential buildings on available riverfront property, with additional property available for future development.

Communications

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

Public Safety

The City is committed to excellence from its Police (OPD) and Fire (OFD) Departments. Emergency response times average 3.30 minutes for OPD and 4.21 minutes for OFD, in accordance with the National Fire Protection and United States Insurance Service Offices recommendations. Recent consolidation to our combined City-County 911 Dispatch Center helps ensure efficient and effective Public Safety dispatch services throughout the county. 48.5% of General Fund expenditures are budgeted for public safety. The chart illustrates General Fund percentages for public safety and all other departments, not including capital projects funding.



Education

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

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

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

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

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

Medical Facilities

Owensboro is home to Owensboro Medical Health System (OMHS), an excellent well-staffed hospital that serves 11 counties in Kentucky and southern Indiana and is licensed for 447 beds. Approximately 180 physicians and 50 dentists serve our citizens. A state-of-the-art new hospital building is



currently under construction on the east side of the city, about two miles from the current hospital location. It is scheduled to open in 2013 at a cost of \$385 million

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 200,000 books and 23,000 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, which now features an Atrium Sculpture Court, a restored Civil War-era mansion, a priceless collection of German stained glass windows, and the Kentucky Spirit Galleries. These institutions are recognized as among the finest in western Kentucky. Owensboro offers wide ranges of recreational and cultural activities to its citizens. 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.

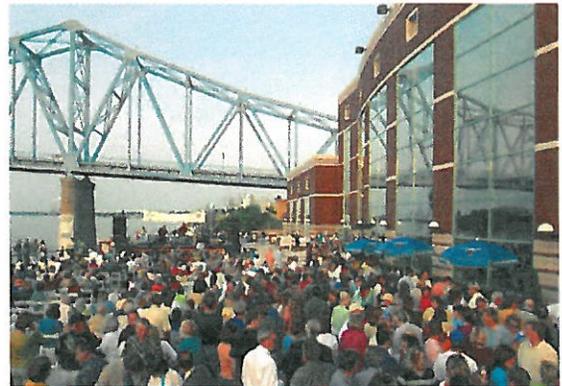


The City maintains two swimming pools and the Kendall Perkins SprayPark, a shallow water play area specially built for small children. Legion Park's sprayground is an enhancement to a beautiful

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 has hosted the International Mystery Writers' Festival since 2008 and attendees have included 2-time Oscar winner Gene Hackman, actor Josh Hucherson, writer Stuart Kaminsky, and Mary Higgins Clark, the "Queen of Suspense". Features of this festival are both full and "Live Radio Theatre" productions. Other community activities include music, theatre and art. Cultural activities play a major role in the everyday lives of Owensboro's residents. The City funds many cultural agencies in part.

Friday After 5 is a weekly series of free outdoor concerts held on the riverfront beginning at the RiverPark Center patio and continuing for nearly 4 city blocks. The festival, created by Downtown Owensboro, Inc., began in 1996 with 10 concert weekends. It has grown to a summer-long signature event for the tri-state area hosting more than 50,000 visitors and generally runs from May to September. The festival includes live bands, interactive events for families, entertainment and crafts each Friday after 5:00 p.m. until 10:00 p.m.



Mitch McConnell Plaza and Walkway connects the newly expanded Smothers Park to the convention center/hotel area currently under construction on the riverfront. 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.

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 Celebration of the American Spirit July 4th festivities. This generally includes multiple varieties of musical entertainment capped off by a traditional major fireworks display.

The annual Owensboro Dragon Boat Festival premiered in 2011 with 14 teams and had more than 20 teams participating in August 2012. This festival takes place at English Park, taking advantage of its recently-constructed boat ramp and boarding dock facilities. Paddling teams of 20 people race the boats in multiple heats along a 100-meter course down the Ohio River. Other festivals range from Bluegrass and Dulcimer Music Festivals in the spring to Pumpkin, Farm, and Apple Festivals each fall.



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

The Owensboro Sportscenter, a 5,000-seat, air-conditioned auditorium/arena, is home to local high school and college basketball. The City has several times hosted the NCAA Division II Men's "March Madness" Basketball 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 more than 30 national level softball and baseball world series' and championships since 2001. The Complex is a multiple recipient of the NSA Outstanding Park Award, and the City has received the ASA James Ferrall Award of Excellence on tournament operations multiple times since 2001. The City successfully hosted the three largest Amateur Softball Association's (ASA) National Championships in the history of the ASA: 2004 ASA Men's Class D Nationals-143 teams, 2005 ASA Girls 14 & under Class A Fast Pitch National Championship-144 teams, and 2008 ASA Girls 16 & Under Class A Fast Pitch National Championship-144 teams.

The Owensboro Parks and Recreation Department, in partnership with Owensboro Catholic High School, has been the host community of the KHSAA Girls Fast Pitch Softball State Championship in 2004-05, 2008-11, and has been awarded the honor of hosting the annual event through 2013. Anything more than a three-year award to the same host community is unprecedented in the history of the event, and the current six-year award speaks volumes regarding the caliber of our facilities and staff. The Owensboro Catholic Lady Aces have earned five state fast-pitch softball titles since 1998.

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

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

There are also developmental and instructional programs in t-ball, soccer, cheerleading, tumbling, tennis, golf, tae-kwon do, baseball, softball, volleyball, ice-skating, swimming, and fishing. The City opened its new Ice Arena in August 2009, replacing a facility that was built in 1963. Owensboro Youth Hockey Association, Inc. is open to youth ages 4-18. The Owensboro Youth Soccer League involves youth ages 6-19 during spring and fall seasons. Owensboro Youth Baseball develops young people ages 6-18 in baseball.

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

2012 marked the 13-year anniversary of Corporate Challenge. Plans are currently being made for the 2013 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 20 companies competed in the games. Corporate Challenge has created a lifetime of health and friendships for many of the participants.

Multi-Cultural

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

The Government

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

CITY OF OWENSBORO, KENTUCKY
Statistical Section Objectives

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

<u>Contents</u>	<u>Pages</u>
Financial Trends These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	112-117
Revenue Capacity These schedules contain information to help the reader assess the City's most significant local revenue sources.	118-121
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.	122-125
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.	126-127
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.	128-130

Sources: Unless otherwise noted, the information in this section is derived from the comprehensive annual financial reports for the relevant year. The City implemented GASB Statement 54 in 2010.

Schedule 1

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

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Governmental activities										
Invested in capital assets, net of related debt	\$ 26,898,535	\$ 29,640,819	\$ 34,377,954	\$ 33,144,429	\$ 42,842,237	\$ 45,664,473	\$ 54,604,577	\$ 63,729,670	\$ 59,036,580	\$ 68,207,310
Restricted	4,181,654	9,409,580	6,204,137	6,321,540	7,638,119	15,587,202	31,047,376	31,138,063	39,466,683	37,494,110
Unrestricted	9,064,125	6,437,574	8,830,893	11,296,760	14,063,081	17,570,869	14,239,334	22,461,039	23,652,240	26,057,789
Total governmental activities net assets	\$ 40,164,314	\$ 45,487,973	\$ 49,412,984	\$ 50,762,729	\$ 64,543,437	\$ 78,822,544	\$ 99,891,287	\$ 117,328,772	\$ 122,155,503	\$ 131,759,209
Business-Type activities										
Invested in capital assets, net of related debt	\$ 2,426,237	\$ 2,266,909	\$ 1,909,075	\$ 2,059,230	\$ 1,959,205	\$ 2,233,411	\$ 3,002,194	\$ 4,090,975	\$ 3,790,528	\$ 3,991,570
Unrestricted	3,369,030	4,674,998	6,263,893	7,449,411	9,234,571	10,492,524	11,293,831	11,425,367	12,129,144	11,799,478
Total business-type activities net assets	\$ 5,795,267	\$ 6,941,907	\$ 8,172,968	\$ 9,508,641	\$ 11,193,776	\$ 12,725,935	\$ 14,286,025	\$ 15,516,342	\$ 15,919,672	\$ 15,791,048
Primary government										
Invested in capital assets, net of related debt	\$ 29,324,772	\$ 31,907,728	\$ 36,287,029	\$ 35,203,659	\$ 44,801,442	\$ 47,897,884	\$ 57,606,771	\$ 67,820,645	\$ 62,827,108	\$ 72,198,880
Restricted	4,181,654	9,409,580	6,204,137	6,321,540	7,638,119	15,587,202	31,047,376	31,138,063	39,466,683	37,494,110
Unrestricted	12,453,155	11,112,572	15,094,786	18,746,171	23,297,652	28,063,393	25,523,165	33,866,406	35,781,384	37,857,267
Total primary government net assets	\$ 45,959,581	\$ 52,429,880	\$ 57,585,952	\$ 60,271,370	\$ 75,737,213	\$ 91,548,479	\$ 114,177,312	\$ 132,845,114	\$ 138,075,175	\$ 147,550,257

Schedule 2

**CITY OF OWENSBORO
CHANGES IN NET ASSETS**

Last Ten Fiscal Years
(accrual basis of accounting)

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Expenses										
Governmental activities:										
General government	\$ 4,035,934	\$ 7,088,369	\$ 7,204,175	\$ 8,644,720	\$ 8,793,519	\$ 9,680,973	\$ 8,772,143	\$ 10,693,412	\$ 8,501,561	\$ 9,900,004
Public safety	14,832,206	15,128,745	15,551,627	19,513,418	17,055,086	18,129,214	18,614,163	18,445,524	20,216,734	20,290,474
Public works	7,800,541	7,009,244	10,304,723	9,278,026	6,395,367	5,558,089	9,615,871	7,181,580	9,303,683	6,925,625
Community and cultural	7,856,954	4,447,914	4,373,153	4,457,954	4,886,150	5,662,963	6,749,708	6,677,344	8,180,079	9,028,838
Community/economic development	1,669,357	1,320,396	1,394,189	1,113,760	703,557	898,056	1,258,411	2,512,015	3,174,407	5,802,913
Interest on long-term debt	1,239,319	1,020,100	933,123	926,657	1,015,349	1,028,005	1,297,750	2,060,977	2,310,662	2,936,429
Total governmental activities expenses	\$ 37,434,311	\$ 36,014,768	\$ 39,760,990	\$ 43,934,535	\$ 38,849,028	\$ 40,957,300	\$ 46,308,046	\$ 47,570,852	\$ 51,687,126	\$ 54,884,283
Business-Type activities:										
Sanitation	4,456,174	4,024,897	3,862,662	4,013,954	4,047,686	4,255,487	4,412,040	4,578,085	4,882,331	5,195,084
Transit	1,358,112	1,361,964	1,293,089	1,367,534	1,477,294	1,537,889	1,606,014	1,741,449	2,026,221	2,023,807
Geographic information system	-	-	-	-	-	291,095	295,960	375,634	316,945	321,526
Downtown maintenance and operations	73,650	57,211	58,022	74,906	68,660	81,852	114,875	84,383	-	107,081
Recreation	1,552,179	1,558,911	1,328,329	1,344,738	1,373,102	1,404,093	1,363,000	1,808,163	2,255,163	2,693,529
Total business-type activities expenses	\$ 7,440,115	\$ 7,002,983	\$ 6,542,112	\$ 6,801,132	\$ 6,966,742	\$ 7,570,416	\$ 7,791,889	\$ 8,587,114	\$ 9,480,660	\$ 10,341,027
Total primary government expenses	\$ 44,874,426	\$ 43,017,751	\$ 46,303,102	\$ 50,735,667	\$ 45,815,770	\$ 48,527,716	\$ 54,099,935	\$ 56,158,966	\$ 61,167,786	\$ 65,225,310
Program Revenues										
Governmental activities:										
Charges for services:	\$ 1,600,274	\$ 1,923,581	\$ 2,043,874	\$ 2,325,733	\$ 2,337,646	\$ 2,477,103	\$ 2,305,783	\$ 2,228,883	\$ 2,199,982	\$ 1,943,070
General government	846,853	756,206	748,939	778,650	875,431	952,424	1,133,134	960,415	803,850	790,746
Public safety	177,140	177,930	231,022	215,894	216,483	17,901	21,907	22,789	18,624	67,627
Public works	12,095	-	-	13,001	-	-	-	-	-	-
Community and cultural	268,022	313,486	421,745	301,812	300,944	215,492	190,156	255,973	341,856	879,566
Community/economic development	2,565,925	2,118,504	2,979,952	5,152,432	3,470,861	4,066,154	2,904,106	3,379,634	3,971,261	3,894,883
Operating grants and contributions	7,524,594	5,920,293	3,564,624	3,142,387	4,533,823	7,478,058	20,161,264	15,445,926	6,634,939	4,836,952
Capital grants and contributions	12,994,903	11,210,000	9,990,156	11,929,909	11,735,188	15,207,132	26,716,350	22,293,620	13,970,512	12,412,664
Total governmental activities program revenues	\$ 4,850,841	\$ 4,914,881	\$ 4,950,909	\$ 5,030,171	\$ 5,100,056	\$ 5,157,748	\$ 5,204,380	\$ 5,194,660	\$ 5,211,205	\$ 5,260,990
Business-type activities:										
Charges for services:	121,572	131,130	142,173	148,421	139,101	128,819	132,286	130,316	126,704	139,100
Sanitation	-	-	-	-	-	-	-	-	-	-
Transit	46,735	45,590	54,175	56,556	53,825	54,109	57,071	56,126	-	-
Geographic information system	1,152,081	1,126,627	1,007,638	1,051,924	979,206	979,530	971,359	1,228,306	1,517,155	1,790,625
Downtown maintenance and operations	874,423	922,795	553,152	652,332	407,877	441,862	464,303	445,741	475,124	517,384
Recreation	7,045,652	7,141,023	40,957	-	420,237	466,465	646,534	1,468,000	469,719	410,061
Operating grants and contributions	20,040,555	19,351,023	16,739,160	18,869,313	18,835,450	22,698,277	34,436,197	31,095,188	21,984,066	20,766,194
Capital grants and contributions	-	-	-	-	-	-	-	-	-	-
Total business-type activities program revenues	\$ 20,040,555	\$ 19,351,023	\$ 16,739,160	\$ 18,869,313	\$ 18,835,450	\$ 22,698,277	\$ 34,436,197	\$ 31,095,188	\$ 21,984,066	\$ 20,766,194

Schedule 2

**CITY OF OWENSBORO
CHANGES IN NET ASSETS**

Last Ten Fiscal Years
(accrual basis of accounting)

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Net (expense)/revenue	\$ (24,439,408)	\$ (24,804,768)	\$ (29,770,834)	\$ (32,004,626)	\$ (27,113,840)	\$ (25,750,168)	\$ (19,591,696)	\$ (25,277,232)	\$ (37,716,614)	\$ (42,471,619)
Governmental activities	(394,463)	138,040	206,892	138,272	133,560	(79,271)	(71,842)	213,854	(1,467,106)	(1,987,497)
Business-type activities	(24,833,871)	(24,866,728)	(29,563,942)	(31,866,354)	(26,980,280)	(25,829,439)	(19,663,538)	(25,063,378)	(39,183,720)	(44,459,116)
Total primary government net expense	\$ 6,752,239	\$ 7,137,309	\$ 7,492,747	\$ 7,758,532	\$ 8,129,079	\$ 8,490,108	\$ 8,874,418	\$ 9,276,874	\$ 9,178,018	\$ 9,410,510
Governmental activities:	8,100,690	11,219,801	12,575,637	12,282,123	13,202,290	13,765,193	13,726,575	13,836,353	14,828,760	15,303,516
Taxes	1,739,962	1,510,671	2,123,377	2,143,424	2,728,192	3,280,491	3,419,223	3,256,271	3,176,505	3,027,503
Property taxes	4,069,041	4,480,570	4,505,405	4,722,033	4,815,086	5,040,813	4,824,993	5,867,123	7,276,039	7,533,345
Occupational license taxes	1,565,495	1,600,728	1,627,979	1,480,187	1,399,301	1,756,428	2,012,846	2,015,823	1,990,074	2,363,275
Net profit/loss taxes	250,300	189,860	384,007	373,234	885,309	827,636	1,311,412	1,010,136	615,382	1,114,934
Regulatory taxes	3,941,209	4,248,066	4,843,914	6,172,509	5,768,103	6,134,347	6,713,786	6,832,843	6,658,744	7,822,292
Payments in lieu of taxes from component unit	(10,498,324)	140,242	-	127,727	584	296,830	161,646	143,517	263,620	152,660
Investment earnings	328,335	207,029	929,339	464,514	1,909,755	1,376,941	60,737	755,383	(108,088)	919,245
Unrestricted grants and contributions	866,117	744,238	779,527	357,791	465,070	217,782	643,290	317,574	276,035	244,222
Gain on sale of assets	(880,086)	(827,493)	(864,800)	(888,986)	(1,024,855)	(1,159,294)	(1,088,287)	(597,180)	(1,611,744)	5,917,293
Investment in joint venture	16,234,978	30,651,021	34,397,132	34,983,088	38,278,114	40,029,275	40,660,439	42,714,717	42,543,345	52,075,325
Miscellaneous	98,497	56,966	159,369	166,231	410,982	383,904	454,797	238,370	143,280	125,403
Special Item-Property acquired under lease restructure	45,993	124,141	-	142,184	115,938	66,232	88,848	180,913	115,412	-
Transfers	880,986	827,433	864,800	888,986	1,024,655	1,159,294	1,088,287	597,180	1,611,744	1,733,470
Total governmental activities	1,024,576	1,008,600	1,024,169	1,197,401	1,551,575	1,811,430	1,631,932	1,016,463	1,870,436	1,858,873
Business-type activities:	17,259,554	31,659,621	35,421,301	36,190,489	39,829,689	41,840,705	42,292,371	43,731,180	44,413,781	53,934,198
Investment earnings	(8,204,430)	5,846,253	4,626,298	2,988,462	11,164,274	14,279,107	21,068,743	17,437,485	4,826,731	9,603,706
Gain on sale of assets	630,113	1,146,640	1,231,061	1,335,673	1,685,135	1,532,159	1,560,090	1,230,317	403,330	(128,624)
Transfers	(7,574,317)	6,982,893	5,857,359	4,324,135	12,849,409	15,811,266	22,628,633	18,667,802	5,230,061	9,475,082
Total business-type activities	\$ (8,204,430)	\$ 5,846,253	\$ 4,626,298	\$ 2,988,462	\$ 11,164,274	\$ 14,279,107	\$ 21,068,743	\$ 17,437,485	\$ 4,826,731	\$ 9,603,706
Total primary government	\$ (7,574,317)	\$ 6,982,893	\$ 5,857,359	\$ 4,324,135	\$ 12,849,409	\$ 15,811,266	\$ 22,628,633	\$ 18,667,802	\$ 5,230,061	\$ 9,475,082

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		
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		
2011	56,698,024	9,178,019	25,671,513	18,853,864	810,145	111,517	547,605	1,525,361		
2012	57,993,479	9,410,510	26,214,178	17,919,577	812,117	114,465	1,014,245	2,508,387		

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)

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General fund										
Nonspendable	\$ 128	\$ 79	\$ 87	\$ 153	\$ 267	\$ 175	\$ 290	\$ 17	\$ 18	\$ 17
Restricted	-	-	-	-	-	-	-	-	-	-
Committed	-	-	-	-	-	-	-	213	44	47
Assigned	-	-	-	-	-	-	-	-	-	-
Unassigned	1,749	1,550	1,855	3,591	5,662	7,473	7,545	9,451	10,888	12,328
Total General Fund	\$ 1,877	\$ 1,629	\$ 1,942	\$ 3,744	\$ 5,929	\$ 7,648	\$ 7,835	\$ 9,681	\$ 10,950	\$ 12,392
All other governmental units										
Nonspendable	\$ 2,865	\$ 6,158	\$ 3,958	\$ 3,256	\$ 6,154	\$ 13,216	\$ 28,496	\$ -	\$ -	\$ -
Restricted	-	-	-	-	-	-	-	21,988	25,331	17,993
Committed	-	-	-	-	-	-	-	8,636	13,500	18,715
Assigned	-	-	-	-	-	-	-	-	-	-
Unassigned	2,717	3,260	1,931	2,835	1,129	1,972	2,117	-	-	-
Total all other government funds	\$ 5,582	\$ 9,418	\$ 5,889	\$ 6,091	\$ 7,283	\$ 15,188	\$ 30,613	\$ 30,624	\$ 38,831	\$ 36,708

GASB Statement 54 started in 2010

Schedule 5

CITY OF OWENSBORO
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Revenues										
Real and personal property taxes	\$ 6,752,239	\$ 7,137,309	\$ 7,492,747	\$ 7,758,532	\$ 8,129,079	\$ 8,490,108	\$ 8,874,418	\$ 9,276,874	\$ 9,178,019	\$ 9,410,510
Occupational licenses	8,305,933	10,930,002	11,542,558	12,236,772	12,911,250	13,686,643	13,645,423	13,782,813	14,702,852	15,206,272
Net profit license fees	4,069,041	1,516,557	2,101,988	2,435,859	2,781,868	3,277,814	3,400,218	3,252,516	3,168,582	2,977,184
Regulatory licenses	11,012,959	4,985,066	7,802,319	9,193,929	8,694,133	5,040,813	4,824,993	5,867,123	7,276,039	7,533,345
Intergovernmental	266,236	1,012,959	323,533	303,186	728,907	12,167,197	24,320,460	19,508,106	10,648,365	9,176,702
Interest	559,944	165,233	518,750	529,540	523,924	568,811	1,156,631	909,938	547,605	1,014,245
Fees, licenses and permits	179,297	540,190	120,197	161,279	157,286	234,062	149,672	332,250	524,040	497,377
Fines and forfeitures	540,190	619,696	617,021	741,230	720,896	651,199	566,512	566,385	690,104	1,114,465
Rentals	550,469	570,841	599,425	654,748	697,149	744,040	740,105	815,486	690,104	1,160,887
Charges for services	15,732	343	263,200	22,227	20,197	17,648	8,879	16,386	810,145	812,117
Contributions and donations	3,456,229	3,780,707	4,005,576	5,085,855	5,324,818	5,693,000	5,758,800	6,076,805	6,215,425	6,379,600
Dividends from component units	1,565,495	1,600,728	1,627,979	1,480,187	1,389,301	1,758,428	2,012,846	2,015,823	1,990,074	2,363,275
Payments in lieu of taxes from component unit	626,604	495,811	675,310	876,866	693,801	470,667	1,192,331	759,096	821,416	887,620
Miscellaneous income	39,623,935	36,978,225	42,198,008	46,212,243	47,597,695	53,515,825	67,217,494	63,550,508	56,698,024	57,993,479
Total Revenues										
Expenditures										
Current:										
General government	5,342,397	5,954,993	6,183,140	7,373,975	7,680,375	8,484,458	8,309,429	9,374,755	7,493,690	7,889,242
Public safety	14,133,879	14,998,734	15,566,845	20,447,210	16,697,923	17,796,001	18,553,309	18,034,183	19,280,032	19,419,896
Public works	4,782,763	4,316,735	6,998,503	5,078,227	4,534,225	5,913,174	7,055,774	4,736,354	5,277,177	5,109,226
Community and cultural	3,294,964	4,292,232	4,100,447	3,962,926	3,963,862	4,669,820	5,227,916	3,436,163	4,339,919	4,349,945
Community/economic development	1,650,649	1,320,396	1,394,189	1,113,760	1,013,498	898,056	1,258,411	2,512,015	3,174,407	5,802,913
Capital outlay	10,681,356	3,441,023	8,692,798	7,278,471	7,086,041	10,859,962	34,254,857	29,444,904	31,409,589	31,436,203
Debt service:										
Principal	7,940,423	1,389,470	1,489,027	1,662,807	1,841,400	2,714,000	1,933,300	1,318,300	818,300	22,238,300
Interest	1,243,360	987,219	883,816	810,979	920,447	928,832	1,054,240	1,912,906	1,946,891	2,867,038
Issuance costs	2,000	88,552	10,500	147,933	-	55,778	103,773	44,306	184,781	257,979
Total Expenditures	49,071,811	36,789,354	45,319,265	47,876,288	43,737,791	57,320,081	77,751,009	70,813,886	81,724,786	99,370,742
Excess (deficiency) of revenues over expenditures	(9,447,876)	188,871	(3,121,257)	(1,664,045)	3,859,904	1,195,744	(10,533,515)	(7,263,378)	(25,028,762)	(41,377,263)
Other financing sources (uses):										
Sale of capital assets	388,257	4,145,279	138,367	190,561	16,292	992,048	191,943	192,076	274,378	148,935
Issuance of debt	-	88,552	357,000	4,100,000	-	8,104,292	27,035,051	9,242,705	35,862,052	43,451,028
Refunding bond issue	-	-	-	2,550,000	-	-	-	-	-	5,195,000
Payment to bond refunding escrow	-	-	-	(2,881,398)	-	-	-	-	-	(6,507,708)
Discount on bonds issued	-	-	-	-	-	(35,475)	(154,000)	(25,350)	(460,796)	(204,326)
Premiums on bonds issued	-	-	-	-	-	-	-	-	-	34,319
Transfers in	9,842,399	2,240,697	2,681,286	2,453,572	5,582,783	3,680,791	3,425,235	3,717,098	12,100,265	26,098,166
Transfers out	(9,787,282)	(2,552,566)	(2,570,185)	(2,745,219)	(6,081,359)	(4,313,729)	(4,352,763)	(4,005,121)	(13,264,553)	(27,518,910)
Total Other Financing Sources (Uses)	443,364	3,921,962	606,468	3,667,516	(482,284)	8,427,927	26,145,466	9,121,408	34,501,346	40,696,504
Net change in fund balances	(9,004,512)	4,110,833	(2,514,789)	2,003,471	3,377,620	9,623,671	15,611,951	1,858,030	9,474,584	(680,759)
Debit service as a percentage of non-capital expenditures	22.2%	7.0%	6.3%	5.8%	7.6%	9.3%	6.7%	7.7%	20.1%	36.9%

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	TOTAL			
2003	\$ 1,858,072,636	\$ 259,602,395	\$ 102,153,004	\$ 1,230,406,541	\$ 3,450,234,576	0.1959	\$ 3,779,008,298	91.3%
2004	1,907,097,401	225,651,953	102,110,806	1,728,792,581	3,963,652,741	0.1803	4,327,131,813	91.6%
2005	2,028,537,916	232,560,600	127,509,107	1,492,852,832	3,881,460,455	0.1937	4,120,446,343	94.2%
2006	2,149,205,217	253,083,835	96,027,468	1,284,683,290	3,782,999,810	0.2063	3,887,975,139	97.3%
2007	2,240,389,072	307,709,918	70,915,621	1,313,720,034	3,932,734,645	0.2080	4,256,206,326	92.4%
2008	2,366,775,100	314,983,944	61,281,884	1,406,922,969	4,149,963,897	0.2046	4,491,302,919	92.4%
2009	2,508,651,235	312,311,411	69,204,784	1,498,007,365	4,388,174,795	0.2022	4,718,467,522	93.0%
2010	2,602,525,073	326,108,291	73,128,586	1,626,947,361	4,628,709,311	0.2004	4,811,548,140	96.2%
2011	2,622,683,843	303,510,001	70,560,952	1,674,615,507	4,671,370,303	0.1965	4,810,885,997	97.1%
2012	2,654,566,364	304,153,090	76,148,350	1,692,285,825	4,727,153,629	0.1991	4,883,423,170	96.8%

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	School	
2003	0.2541	0.6640	0.5070	0.1350	0.1280	0.0350	0.0090	0.0410	1.2661	1.1091	1.1091	
2004	0.2612	0.6970	0.5250	0.1330	0.1300	0.0350	0.0090	0.0560	1.3212	1.1492	1.1492	
2005	0.2586	0.7010	0.5330	0.1310	0.1340	0.0350	0.0090	0.0660	1.3346	1.1666	1.1666	
2006	0.2580	0.7040	0.5360	0.1310	0.1270	0.0350	0.0090	0.0570	1.3210	1.1530	1.1530	
2007	0.2608	0.7400	0.5450	0.1280	0.1270	0.0350	0.0090	0.0503	1.3501	1.1551	1.1551	
2008	0.2601	0.7480	0.5470	0.1240	0.1300	0.0350	0.0090	0.0590	1.3651	1.1701	1.1701	
2009	0.2593	0.7640	0.5630	0.1220	0.1360	0.0350	0.0090	0.0600	1.3853	1.1843	1.1843	
2010	0.2593	0.7670	0.5630	0.1220	0.1360	0.0350	0.0090	0.0590	1.3873	1.1833	1.1833	
2011	0.2593	0.7800	0.5680	0.1220	0.1360	0.0350	0.0090	0.0610	1.4023	1.1903	1.1903	
2012	0.2593	0.7850	0.5860	0.1220	0.1360	0.0350	0.0090	0.0630	1.4093	1.2103	1.2103	

PERSONAL PROPERTY:

Fiscal Year	DIRECT			OVERLAPPING						TOTAL CITY RESIDENT ¹		
	City	City Schools	County Schools	State	County	Health	Extension	Library	City School	County School	School	
2003	0.2541	0.6640	0.5070	0.4500	0.1470	0.0350	0.0090	0.0411	1.6002	1.4432	1.4432	
2004	0.2946	0.6970	0.5250	0.4500	0.1638	0.0350	0.0090	0.0462	1.6965	1.5245	1.5245	
2005	0.3091	0.7020	0.5330	0.4500	0.1638	0.0350	0.0090	0.0570	1.7259	1.5569	1.5569	
2006	0.3072	0.7040	0.5360	0.4500	0.1572	0.0350	0.0107	0.0577	1.7218	1.5538	1.5538	
2007	0.2744	0.7400	0.5450	0.4500	0.1592	0.0350	0.0108	0.0594	1.7288	1.5338	1.5338	
2008	0.2743	0.7480	0.5470	0.4500	0.1696	0.0350	0.0111	0.0622	1.7502	1.5492	1.5492	
2009	0.2927	0.7640	0.5630	0.4500	0.1946	0.0350	0.0090	0.0693	1.8146	1.6136	1.6136	
2010	0.2927	0.7670	0.5630	0.4500	0.1946	0.0350	0.0090	0.0687	1.8170	1.6130	1.6130	
2011	0.2927	0.7800	0.5680	0.4500	0.1946	0.0350	0.0090	0.0751	1.8364	1.6244	1.6244	
2012	0.2905	0.7850	0.5860	0.4500	0.1946	0.0350	0.0090	0.0817	1.8458	1.6468	1.6468	

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, 2012			June 30, 2003		
		ASSESSED VALUATION ¹	RANK	PERCENTAGE OF TOTAL ASSESSED VALUATION OF	ASSESSED VALUATION ¹	RANK	PERCENTAGE OF TOTAL ASSESSED VALUATION OF
Bellsouth/AT&T	Telecommunications	\$ 31,057,831	1	1.02%	\$ 30,422,170	2	1.37%
Towne Square Mall, LLC	Mall Development	26,021,000	2	0.85%	26,021,000	3	1.17%
Toyotetsu Mid America	Manufacturer	25,580,165	3	0.84%	-	-	-
Atmos Energy	Gas Company	20,939,320	4	0.69%	17,136,120	6	0.77%
Wal-Mart Real Estate	Retail	19,373,046	5	0.64%	-	-	-
Unifirst Corporation	Manufacturer	19,080,453	6	0.63%	23,405,367	4	1.05%
Boardwalk Pipelines	Gas Company	17,462,465	7	0.57%	22,518,585	5	1.01%
Lowe's	Retail	15,609,850	8	0.51%	-	-	-
US Bank	Bank	14,898,917	9	0.49%	-	-	-
Owensboro Grain	Manufacturer	13,979,108	10	0.46%	-	-	-
Century Venture Corporation	Cable TV	-	-	-	30,674,504	1	1.38%
Dana Corporation	Manufacturer	-	-	-	13,230,998	7	0.60%
Field Packing Company	Manufacturer	-	-	-	10,141,789	10	0.46%
Owensboro National Bank	Bank	-	-	-	11,464,929	9	0.52%
Willamette Industries	Manufacturer	-	-	-	11,910,768	8	0.54%
		<u>\$204,002,155</u>		<u>6.70%</u>	<u>\$ 196,926,230</u>		<u>8.87%</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	
	AMOUNT	% OF LEVY			AMOUNT	% OF LEVY		AMOUNT	% OF LEVY
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		312,417	7,147,102	7,024,928	98.3%	117,603	7,142,531	99.9%
2005	7,135,269		383,194	7,518,463	7,396,847	98.4%	113,435	7,510,282	99.9%
2006	7,236,158		570,777	7,806,935	7,641,239	97.9%	162,115	7,803,354	99.9%
2007	7,677,452		505,867	8,183,319	8,045,021	98.3%	129,581	8,174,602	99.9%
2008	8,027,057		521,888	8,548,945	8,419,367	98.5%	122,578	8,541,945	99.9%
2009	8,328,260		575,575	8,903,835	8,792,417	98.7%	101,722	8,894,139	99.9%
2010	8,703,133		582,200	9,285,333	9,157,345	98.6%	110,024	9,267,369	99.8%
2011	8,618,306		582,310	9,200,616	9,037,488	98.2%	118,934	9,156,422	99.5%
2012	8,829,884		580,626	9,410,510	9,310,565	98.9%	-	9,310,565	98.9%

Note: This table includes all governmental funds.

Schedule 10

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

FISCAL YEAR	GENERAL OBLIGATION BONDS		LEASE REVENUE BONDS		LOAN PAYABLE	TOTAL PRIMARY GOV'T	PERCENTAGE OF PERSONAL INCOME ¹		PER CAPITA ¹
	\$		\$				INCOME ¹		
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		
2011	69,188	345	16,544	86,077		4.58%	1,503		
2012	86,285	305	19,595	106,185		5.56%	1,843		

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
2003	54,176	\$ 3,779,008,298	\$ 21,818,080	\$ 7,974,089	\$ 13,843,991	0.37	\$	256		
2004	54,312	4,327,131,813	20,500,877	7,567,589	12,933,288	0.30		238.13		
2005	54,900	4,120,446,343	19,441,119	7,091,534	12,349,585	0.30		224.95		
2006	55,459	3,887,975,139	21,622,467	4,056,698	17,565,769	0.45		316.73		
2007	55,525	4,256,206,326	19,866,474	3,778,268	16,088,206	0.38		289.75		
2008	55,398	4,491,302,919	25,312,611	3,666,530	21,646,081	0.48		390.74		
2009	55,516	4,718,467,522	50,368,627	7,745,551	42,623,076	0.90		767.76		
2010	55,745	4,811,548,140	58,401,792	11,657,226	46,744,566	0.97		838.54		
2011	57,265	4,810,885,997	85,307,327	18,413,249	66,894,078	1.39		1,168.15		
2012	57,605	4,883,423,170	105,139,073	21,203,247	83,935,826	1.72		1,457.09		

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, 2012

Jurisdiction	Governmental Activities Debt Outstanding	Percentage Applicable to City (1)	Amount Applicable to City of Owensboro
Direct			
City of Owensboro			
General Obligation Bonds	\$ 81,495,000	100.0%	\$ 81,495,000
Revolving Loan	19,595,129	100.0%	19,595,129
Floating Indebtedness Bonds	29,800	100.0%	29,800
Lease Revenue Bonds	305,000	100.0%	305,000
General Obligation Build America Bonds	4,760,000		4,760,000
Owensboro Independent Schools			-
General Obligation Bonds	22,608,500	100.0%	22,608,500
KISTA Loans	905,666	100.0%	905,666
	<u>Total Direct</u>		<u>129,699,095</u>
Overlapping			
Daviess County			
General Obligation Bonds	34,030,000	57.8%	19,669,340
Capital Lease Obligations	365,376	57.8%	211,187
Recovery Zone Economic Development Bonds	980,000	57.8%	566,440
Daviess County Schools			
General Obligation Bonds	63,500,000	42.6%	27,051,000
	<u>Total Overlapping Debt</u>		<u>47,497,967</u>
	<u>Total Direct and Overlapping Debt</u>		<u>\$ 177,197,062</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									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Debt limit	\$ 236,619,486	\$ 252,127,162	\$ 263,731,552	\$ 263,731,552	\$ 276,122,241	\$ 289,737,193	\$ 304,779,543	\$ 317,339,605	\$ 317,118,600	\$ 321,289,180
Total net debt applicable to limit	13,092,955	12,504,430	17,640,212	17,640,212	15,987,234	21,719,010	43,052,036	47,100,283	67,363,992	84,245,408
Legal debt margin	\$ 223,526,531	\$ 239,622,732	\$ 246,091,340	\$ 246,091,340	\$ 260,135,007	\$ 268,018,183	\$ 261,727,507	\$ 270,239,322	\$ 249,754,608	\$ 237,043,772
Total net debt applicable to the limit as a percentage of debt limit	5.53%	4.96%	6.69%	6.69%	5.79%	7.50%	14.13%	14.84%	21.24%	26.22%

Legal Debt Margin Calculation for Fiscal Year 2012

Net assessed value	\$ 3,034,867,804
Add back: exempt real property	178,024,000
Total assessed value	\$ 3,212,891,804
Debt limit - 10% of total assessed value ¹	\$ 321,289,180
Amount of debt applicable to debt limit:	
Total general bonded debt	\$ 105,139,073
Less: Revenue Bonds	(305,000)
Loan Payable	(19,595,129)
Amount set aside for repayment of general obligation bonds	(993,536)
Total debt applicable to limitation	\$ 84,245,408
Legal debt margin	\$ 237,043,772

¹Section 158 of the Commonwealth of Kentucky Constitution states:

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

Schedule 14

CITY OF OWENSBORO
 DEMOGRAPHIC AND ECONOMIC STATISTICS
 Last Ten Fiscal Years

FISCAL YEAR	POPULATION ¹	PERSONAL PER			SCHOOL ENROLLMENT ²	UNEMPLOYMENT RATE ³
		INCOME (IN THOUSANDS)	CAPITA INCOME ⁴			
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%
2011	57,265	1,879,266	32,817		4,254	8.4%
2012	57,605	1,910,182	33,160		4,473	7.1%

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>2012</u>			<u>2003</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	15.13%	2,500	1	11.36%
US Bank Home Mortgage	1,261	2	5.78%	475	5	2.16%
Owensboro Public Schools	778	3	3.57%	830	2	3.77%
Unilever Foods North America	582	4	2.67%	450	6	2.05%
Wal-Mart	541	5	2.48%	450	6	2.05%
City of Owensboro	481	6	2.21%	534	4	2.43%
Commonwealth of Kentucky	471	7	2.16%	412	9	1.87%
Specialty Foods (Field Packing Company)	470	8	2.15%	450	6	2.05%
Toyotetsu Mid-America	390	9	1.79%			
Unifirst	390	9	1.79%			
River Valley Behavioral Health				655	3	2.98%
Boardwalk - Texas Gas				409	10	1.86%
Total	8,664		39.72%	7,165		32.57%

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	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Governmental Activities:										
General government	68	69	74	80	71	73	66	49	56	53
Public safety	246	252	257	245	240	237	230	237	233	229
Public works	81	80	71	72	66	70	64	64	57	61
Community and cultural	12	12	5	5	5	4	2	3	5	4
Total Governmental Activities	407	413	407	402	382	384	362	353	351	347
Business-type activities:										
Sanitation	32	32	32	28	27	27	27	27	26	27
Other enterprise funds	94	94	101	95	95	93	69	79	54	44
Total business-type activities	126	126	133	123	122	120	96	106	80	71
Total primary government	533	539	540	525	504	504	458	459	431	418

Source: Government Budget

Schedule 17

City of Owensboro
Operating Indicators by Function
Last Ten Fiscal Years

Function	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Police										
Physical arrests	4,820	5,394	5,052	5,423	4,312	4,531	4,391	4,272	4,235	4,297
Parking violations	7,490	7,825	9,235	11,820	12,331	10,306	8,965	4,636	5,661	4,705 *
Traffic violations and courtesy notices	22,372	33,045	29,315	23,655	20,600	11,453	14,563	10,870	10,986	8,336
Fire										
Number of calls answered	1,503	1,482	1,442	1,575	2,375	2,051	2,163	2,540	4,285	6,297 **
Inspections	3,516	3,448	3,417	3,601	3,650	3,408	3,445	1,899	1,878	1,795 ***
Highways and streets										
Street resurfacing (miles)	5.3	5.5	4.3	3.8	4.6	4.6	5.9	3.4	3.5	3.7
Potholes repaired	440	550	700	788	833	1,793	1,197	1,161	1,429	1,198
Sanitation										
Refuse collected (tons/day)	181.0	183.2	181.9	180.8	183.9	183.0	220.1	176.6	177.3	174.9
Recyclables collected (tons/year)	317.9	380.8	414.9	387.5	317.0	309.3	399.2	455.2	442.9	446.0
Culture and recreation										
Participants in programs	101,291	104,732	96,064	91,071	105,407	107,692	103,964	106,000	161,390	183,850
Number of programs	170	250	253	323	373	344	311	290	353	309
Water ¹										
New connections	236	241	226	198	193	236	145	150	128	100
Water main breaks and service leaks repaired	437	330	529	443	454	523	470	378	438	336
Average daily consumption (thousands of gallons)	12,030	11,491	11,735	11,915	11,520	11,516	11,418	11,336	11,234	12,164
Riverport										
Terminal operations (thousands of tons)	991.1	916.9	1183.7	1063.2	846.2	753.0	761.5	856.7	822.0	861.3
Electric ¹										
New connections (net)	725	873	576	207	216	-9	-51	16	64	54

Sources: Various government departments and component units.

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

* Citation officer position vacant for extended time 2010.

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

Schedule 18

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

Function	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
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	58	64	61	78	83	77	74	85	80	79
Fire stations	5	5	5	5	5	5	5	5	5	5
Sanitation										
Collection trucks (not including seasonal yard waste equipment)	17	16	15	15	15	15	17	17	17	17
Streets (miles)	230.2	232.9	234.2	237.0	239.3	242.4	243.1	243.7	248.0	248.0
Streetlights	10,819	10,729	10,797	10,876	11,002	11,077	11,025	11,068	11,167	11,233
Traffic signals	106	108	110	111	112	112	112	113	114	114
Culture and recreation										
Parks acreage	378	378	378	378	378	378	372	967	975.1	963.1 *
Parks	20	20	20	20	19	19	19	25	25	24 *
Ball diamonds	15	15	16	16	16	16	15	15	15	15
Basketball courts	8	8	9	9	9	9	9	11	11	11
Golf Courses	1	1	1	1	1	1	1	3	3	3
Sports Arena	1	1	1	1	1	1	1	1	1	1
Swimming pools	3	3	2	2	2	2	2	2	2	2
Tennis courts	29	23	25	25	25	25	22	22	22	22
Ice skating rinks	1	1	1	1	1	1	1	1	1	1
Community centers	1	1	1	1	1	1	1	1	1	1
Water ¹										
Water mains (miles)	273	279	281	285	289	289	290	291	292	326 *
Fire hydrants	2,147	2,182	2,318	2,355	2,382	2,389	2,403	2,415	2,426	2,428
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)	263.65	272.63	272.87	276.84	277.40	277.80	293.88	299.14	300.80	302.30
Storm sewers (miles)	35.94	37.51	38.45	39.06	41.69	44.54	46.71	46.71	48.73	50.10
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	291	294	301	304	309	309	309	313	314	315

Sources: Various government departments and component units.

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

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

