

PRELIMINARY OFFICIAL STATEMENT
DATED MARCH 30, 2009

Book Entry Only
Bank Qualified

Rating: Moody's "____"
See Rating herein

In the opinion of Note Counsel, under existing law, (i) interest on the Notes will be excludable from gross income of the holders thereof for purposes of federal income taxation, (ii) interest on the Notes will not be a specific item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations and (iii) interest on the Notes is not includable in determining adjusted current earnings for purposes of the federal alternative minimum tax imposed on corporations and (iv) Interest on the Notes is also exempt from income taxation and the Notes are exempt from ad valorem taxation by the Commonwealth of Kentucky, all subject to the qualifications described herein under the heading "TAX EXEMPTION."

\$20,000,000
CITY OF OWENSBORO, KENTUCKY
GENERAL OBLIGATION BOND ANTICIPATION NOTES, SERIES 2009

Dated: Date of Delivery

Due: July 1, 2012

The captioned Notes (herein the "Notes") being issued by the City of Owensboro, Kentucky (the "City") will be issued in denominations of \$5,000 each or integral multiples thereof, and will bear interest payable on January 1, 2010 and thereafter semiannually on each July 1 and January 1.

Unless the City is notified in writing within twenty-four hours of the award of the Notes that the purchasers have elected (at the purchasers' expense) to take physical delivery of the Notes, The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Notes and the Notes will be issuable under a book entry system, registered in the name of The Depository Trust Company ("DTC") or its nominee. There will be no distribution of the Notes to the ultimate purchasers. See "Book Entry" herein. Principal and interest on the Notes is payable at the principal office of U.S. Bank, National Association, Louisville, Kentucky, as Paying Agent and Note Registrar. The Notes are subject to optional redemption prior to maturity as described herein.

The Notes are being issued as fully registered Notes in denominations of \$5,000 and integral multiples thereof. Interest payments will be mailed by the Paying Agent to each holder of record as of the fifteenth day of the month preceding the date for such interest payment.

The Notes are being issued in anticipation of the issuance of the City's General Obligation Bonds, Series 2012 (the "Series 2012 Bonds") for the purpose of (i) paying the costs of a downtown revitalization project consisting of the acquisition and site development of real property in an area bounded by Frederica Street, 1st Street, 2nd Street and St. Ann Streets within the City (collectively, the "Project"); and (ii) paying the costs of issuance of the Notes.

The City deems this Preliminary Official Statement to be final for purposes of Security and Exchange Commission Rule 15c2-12, except for certain information on the cover page hereof and certain pages herein which has been omitted in accordance with the Rule and will be provided with the final Official Statement.

The Notes are offered when, as and if issued, subject to the approval of legality and tax exemption by Peck, Shaffer & Williams LLP, Note Counsel, Covington, Kentucky. Certain legal matters have been passed upon for the City by Edward Ray, Esq., City Attorney. The Notes are expected to be available for delivery on or about April 23, 2009.

THIS COVER PAGE CONTAINS CERTAIN INFORMATION FOR QUICK REFERENCE ONLY. IT IS NOT A SUMMARY OF THIS ISSUE. INVESTORS MUST READ THE ENTIRE OFFICIAL STATEMENT TO OBTAIN INFORMATION ESSENTIAL TO THE MAKING OF AN INFORMED INVESTMENT DECISION.

FIRST KENTUCKY SECURITIES CORPORATION

CITY OF OWENSBORO, KENTUCKY

Mayor
Ron Payne

Board of Commissioners
Charlie Castlen (Mayor Pro-Tem)
Candance Brake
David Johnson
John Kazlauskas

City Manager/Administrator
William Parrish

Finance Director
J. T. Fulkerson

City Attorney
Edward Ray

City Clerk
Beverly Lovan

NOTE COUNSEL
Peck, Shaffer & Williams LLP
Covington, Kentucky

UNDERWRITER
First Kentucky Securities Corporation
Frankfort, Kentucky

NOTE REGISTRAR AND PAYING AGENT

U.S. Bank, National Association
Louisville, Kentucky

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REGARDING THIS OFFICIAL STATEMENT

This Official Statement does not constitute an offering of any security other than the original offering of the Notes of the City. No dealer, broker, salesman or other person has been authorized by the City to give any information or to make any representation, other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by the City. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Notes by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

The information and expressions of opinion herein are subject to change without notice. Neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City since the date hereof.

Upon issuance, the Notes will not be registered by the City under any federal or state securities law, and will not be listed on any stock or other securities exchange. Neither the Securities and Exchange Commission nor any other federal, state, municipal or other governmental entity or agency except the City will have, at the request of the City, passed upon the accuracy or adequacy of this Official Statement or approved the Notes for sale.

All financial and other information presented in this Official Statement has been provided by the City from its records, except for information expressly attributed to other sources. The presentation of information, including tables of receipts from taxes and other sources, is intended to show recent historic information, and is not intended to indicate future or continuing trends in the financial position or other affairs of the City. No representation is made that past experience, as is shown by that financial and other information, will necessarily continue or be repeated in the future. Insofar as the statements contained in this Official Statement involve matters of opinion or estimates, even if not expressly stated as such, such statements are made as such and not as representations of fact or certainty, no representation is made that any of such statements have been or will be realized, and such statements should be regarded as suggesting independent investigation or consultation of other sources prior to the making of investment decisions. Certain information may not be current; however, attempts were made to date and document sources of information. Neither this Official Statement nor any oral or written representations by or on behalf of the City preliminary to sale of the Notes should be regarded as part of the City's contract with the successful bidder or the holders from time to time of the Notes.

References herein to provisions of Kentucky law, whether codified in the Kentucky Revised Statutes ("KRS") or uncodified, or to the provisions of the Kentucky Constitution or the City's ordinances or resolutions, are references to such provisions as they presently exist. Any of these provisions may from time to time be amended, repealed or supplemented.

As used in this Official Statement, "debt service" means principal of, interest and any premium on, the obligations referred to; "City" means the City of Owensboro; and "State" or "Kentucky" means the Commonwealth of Kentucky.

INTRODUCTION

The purpose of this Official Statement, which includes the cover page and appendices hereto, is to provide certain information with respect to the issuance of \$20,000,000 aggregate principal amount of General Obligation Bond Anticipation Notes, Series 2009 (the "Notes") of the City of Owensboro, Kentucky as specified on the cover hereof.

This introduction is not a summary of this Official Statement. It is only a brief description of and guide to, and is qualified by, more complete and detailed information contained in the entire Official Statement, including the cover page and appendices hereto, and the documents summarized or described herein. A full review should be made of the entire Official Statement. The offering of Notes to potential investors is made only by means of the entire Official Statement.

The Issuer and Authorization

The Notes are being issued by the City of Owensboro, Kentucky a City and political subdivision of the Commonwealth of Kentucky (the "City"), pursuant to the Constitution and laws of the Commonwealth, Chapter 66 of the Kentucky Revised Statutes, as amended (the "Act"), and an ordinance adopted by the Board of Commissioners of the City on April 7, 2009 (the "Ordinance").

Sources of Payment for the Notes

The Notes are general obligation debt of the City issued in anticipation of the issuance of the City's General Obligation Bonds, Series 2012 (the "Series 2012 Bonds"). Pursuant to the Ordinance, the City has covenanted to cause the Series 2012 Bonds or other financing to be issued at or prior to the time necessary to pay in full the principal of, and interest on, the Notes when due. In the Ordinance the City has pledged the proceeds of such Series 2012 Bonds or other financing to the payment of the principal of, and interest on, the Notes at maturity on July 1, 2012. In addition to the proceeds of the Series 2012 Bonds or other permanent financing, the Notes shall be payable from the City's ability to levy an annual tax to pay the interest on and principal of the Notes as and when the same become due and payable. (See "Security and Source of Payment for the Notes," herein).

Purpose of the Notes

The Notes are being issued for the purpose of (i) paying the costs, on an interim basis, of a downtown revitalization project consisting of the acquisition and site development of real property in an area bounded by Frederica Street, 1st Street, 2nd Street and St. Ann Streets within the City (collectively, the "Project"); and (ii) paying certain costs related to the issuance of the Notes. (See "DESCRIPTION OF THE PROJECT" herein.)

Description of the Notes

The Notes mature as indicated on the cover page hereof. The Notes are being offered in the denominations of \$5,000 or any integral multiple thereof. The Notes are initially being issued in Book-Entry-Only form registered in the name of DTC or its nominee, and there will be no distribution of Notes to ultimate purchasers (see "Book-Entry", herein), unless the City is notified in writing within twenty-four hours of the award of the Notes that the purchasers have elected (at the purchasers' expense) to take physical delivery of the Notes.

Redemption. The Notes are subject to optional redemption prior to maturity at any time on or after July 1, 2010 in whole or in part (see "DESCRIPTION OF THE NOTES - Redemption Provisions", herein).

In the event any Notes are called for redemption, notice shall be given by mailing a copy of the redemption notice at least thirty (30) days prior to the date fixed for redemption to the registered owner of each Note to be redeemed (see "DESCRIPTION OF THE NOTES - Redemption Provisions", herein).

Book Entry

The Notes are issuable only as fully registered Notes, without coupons. The Notes, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York, which will act as securities depository for the Notes. Purchasers will not receive certificates representing their ownership interest in the Notes purchased. So long as DTC or its nominee is the registered owner of the Notes, payments of the principal of and interest due on the Notes will be made directly to DTC. Principal of, redemption premium, if any, and interest on the Notes will be paid directly to DTC by U.S. Bank, National Association, Louisville, Kentucky, as Registrar and Paying Agent (the "Registrar and Paying Agent"). See "BOOK-ENTRY" herein.

Interest

The Notes shall be dated their date of initial delivery and bear interest at the rates set forth on the cover hereof, payable on January 1, 2010 and thereafter semiannually on each July 1 and January 1 until maturity on July 1, 2012.

Tax Exemption

Under the laws, regulations, rulings and judicial decisions in effect as of the date hereof, interest, including original issue discount, if any, on the Notes is excludable from gross income for Federal income tax purposes, pursuant to the Internal Revenue Code of 1986, as amended (the "Code"). Furthermore, interest on the Notes will not be treated as a specific item of tax preference, under Section 57(a)(5) of the Code, in computing the alternative minimum tax for individuals and corporations. In rendering the opinions in this paragraph, Note Counsel has assumed continuing compliance with certain covenants designed to meet the requirements of Section 103 of the Code. Note Counsel expresses no other opinion as to the federal tax consequences of purchasing, holding or disposing of the Notes. Interest on the Notes is also exempt from income taxation and the Notes are exempt from ad valorem taxation by the Commonwealth of Kentucky and any of its political subdivisions.

The City has designated the Notes as "qualified tax-exempt obligations" with respect to certain financial institutions under Section 265 of the Internal Revenue Code of 1986, as amended. See Appendix E hereto for the form of the opinion Note Counsel proposes to deliver in connection with the Notes.

Parties to the Issuance of the Notes

The Registrar and Paying Agent is U.S. Bank, National Association, Louisville. Legal matters incident to the issuance of the Notes and with regard to the tax-exempt status of the interest thereon are subject to the approving legal opinion of Peck, Shaffer & Williams LLP, Covington, Kentucky, Note Counsel. The Underwriter and Financial Advisor to the City is First Kentucky Securities Corporation.

Authority for Issuance

Authority for the issuance of the Notes is provided by Sections 66.011 through 66.171 of the Kentucky Revised Statutes and an ordinance (the "Ordinance") adopted by the Board of Commissioners of the City on April 7, 2009.

Offering and Delivery of the Notes

The Notes are offered when, as and if issued by the City. The Notes will be delivered on or about April 23, 2009 in New York, New York through the Depository Trust Company (DTC).

Disclosure Information

This Official Statement speaks only as of its date, and the information contained herein is subject to change. This Official Statement and continuing disclosure documents of the City are intended to be made available through one or more repositories. Copies of the basic documentation relating to the Notes, including the authorizing ordinances and the note forms, are available from the City.

The City deems this Preliminary Official Statement to be final for the purposes of Securities and Exchange Commission Rule 15c2-12(b)(1) except for certain information on the cover page hereof and certain pages herein which has been omitted in accordance with the Rule and will be provided with the final Official Statement.

Additional Information

Additional information concerning this Official Statement, as well as copies of the basic documentation relating to the Notes, is available from First Kentucky Securities Corporation, as Underwriter, 305 Ann Street, Suite 400, Frankfort, Kentucky 40601, Telephone (502) 875-4611.

DESCRIPTION OF THE NOTES

The Notes will be dated their date of initial delivery and bear interest from such date at the rates set forth on the cover page of this Official Statement. The Notes are being issued as fully registered Notes in the denomination of \$5,000 or any integral multiple thereof.

Interest on the Notes is payable on January 1, 2010 and thereafter semiannually on each July 1 and January 1 until maturity on July 1, 2012. Interest on all Notes is payable by check or draft mailed to the registered holder by U.S. Bank, National Association, Louisville, the Registrar and Paying Agent. Principal is payable when due to the registered holder upon surrender of the Notes at the principal corporate office of the Registrar and Paying Agent.

Redemption Provisions

Optional Redemption

The Notes are subject to optional redemption at any time on or after July 1, 2010 in whole or in part at a redemption price equal to the principal amount to be redeemed, plus accrued interest to the date of redemption.

Notice of Redemption

If less than all Notes which are payable by their terms on the same date are to be called, the particular Notes or portions of Notes payable on such same date and to be redeemed from such series shall be selected by lot by the Registrar and Paying Agent, in such manner as the Registrar and Paying Agent in its discretion may determine; provided, however, that the portion of any Note to be redeemed shall be in the principal amount of \$5,000 or some multiple thereof, and that, in selecting Notes for redemption, the Registrar and Paying Agent shall treat each Note as representing that number of Notes which is obtained by dividing the principal amount of such Note by \$5,000.

At least thirty (30) days before the redemption date of any Notes the Registrar and Paying Agent shall cause a notice of such redemption either in whole or in part, signed by the Registrar and Paying Agent, to be mailed, postage prepaid, to all registered owners of Notes to be redeemed in whole or in part at their addresses as they appear on the registration books kept by the Registrar and Paying Agent, but failure so to mail any such notice shall not affect the validity of the proceedings for such redemption. Each such notice shall set forth the date fixed for redemption, the redemption price to be paid and, if less than all of the Notes being payable by their terms on a single date then outstanding shall be called for redemption, the distinctive numbers or letters, if any, of such Notes to be redeemed and, in the case of Notes to be redeemed in part only, the portion of the principal amount thereof to be redeemed. In case any Note is to be redeemed in part only, the notice of redemption which relates to such Note shall state also that on or after the redemption date upon surrender of such Notes, a new Note in principal amount equal to the unredeemed portion of such Notes will be issued.

On the date so designated for redemption, notice having been sent in the manner and under the conditions hereinabove provided and moneys for payment of the redemption price being held in separate accounts by the Registrar and Paying Agent for the holders of the Notes or portions thereof to be redeemed, the Notes or portions of Notes so called for redemption shall become and be due and payable at the redemption price provided for redemption of such Notes or portions of Notes on such date, interest on the Notes or portions of Notes so called for redemption shall cease to accrue, and the holders or registered owners of such Notes or portions of Notes shall have no rights in respect thereof except to receive payment of the redemption price thereof and to receive Notes for any unredeemed portions of Notes.

In case part but not all of an outstanding Note shall be selected for redemption, the registered owner thereof or his attorney or legal representative shall present and surrender such Note to the Registrar and Paying Agent for payment of the principal amount hereof so called for redemption, and the City shall execute and the Registrar and Paying Agent shall authenticate and deliver to or upon the order of such registered owner or his legal representative, without charge therefor, for the unredeemed portion of the principal amount of the Note so surrendered a Note of the same series and maturity and bearing interest at the same rate.

Security and Source of Payment for Notes

Pledge of Proceeds of Series 2012 Bonds, Renewal Notes and Other Financings

The Notes are payable from the proceeds of the Series 2012 Bonds, renewal notes ("Renewal Notes") and other financings obtained by the City for the permanent financing of the Project. The par value to be received from the sale of the Series 2012 Bonds anticipated by the Notes, and any excess funds resulting from the issuance of the Notes shall, to the extent necessary, be used only for the retirement of the Notes at maturity or prior redemption, together with interest thereon, and is pledged for such purpose. The City has covenanted in the Ordinance that prior to the maturity date of the Notes, the City will take all proper and necessary action under existing statutory authority and in accordance with law to issue and to deliver the Series 2012 Bonds in an amount which will be sufficient to provide for the retirement of the Notes. In the alternative, the City has reserved the right to issue Renewal Notes when, prior to maturity of the Notes, the City shall make a determination that by reason of construction delays, changes in plans, high long-term interest rates or uncertainties in the municipal bond market, or other causes justifying delay in the final offering of the Series 2012 Bonds, the Series 2012 Bonds should not immediately be offered, and the proceeds of the sale of such Renewal Notes shall be applied to the payment of the principal of the Notes. The City has further reserved the right, in lieu of the issuance of the Series 2012 Bonds or Renewal Notes, to retire the Notes from the proceeds of a loan from other sources of financing if the City shall determine that interest rates or other factors in the municipal bond market justify obtaining a loan from such other sources to retire the Notes.

Pledge of Taxing Power

In addition to the proceeds of the Series 2012 Bonds, the Notes are being issued as general obligations of the City and the full faith, credit and taxing power of the City is irrevocably pledged to the payment of principal of and interest on the Notes when due. The basic security for the general obligation debt of the City, including the Notes, is the City's ability to levy, and its pledge to levy, an annual tax to pay the interest on and principal of the Notes as and when the same become due and payable. The tax must be levied in sufficient amount to pay, as the same become due, the principal of and interest on the Notes as well as the principal of and interest on all outstanding general obligation bonds and bond anticipation notes of the City. The Constitution of the State mandates the collection of a tax sufficient to pay the interest on an authorized indebtedness and the creation of a sinking fund for the payment of the principal thereof. The Ordinance levies such annual tax which shall be collected to the extent other lawfully available monies of the City are not provided. The Ordinance also creates a sinking fund into which the proceeds of such tax or other lawfully available monies of the City are to be deposited for payment of the interest on and principal of the Notes and shall not be used for any other purpose.

Chapter 9 of the Federal Bankruptcy Code contains provisions relating to the adjustment of debts of a State's political subdivisions, public agencies and instrumentalities ("eligible entity"), such as the City. Under the Bankruptcy Code and in certain circumstances described therein, an eligible entity may be authorized to initiate Chapter 9 proceedings without prior notice to or consent of its creditors, which proceedings may result in material and adverse modification or alteration of the rights of its secured and unsecured creditors, including holders of its Notes and notes.

Section 66.400 of the Kentucky Revised Statutes permits a political subdivision, such as the City, for the purpose of enabling such subdivision to take advantage of the provisions of the Bankruptcy Code, and for that purpose only, to file a petition stating that the subdivision is insolvent or unable to meet its debts as they mature, and that it desires to effect a plan for the composition or readjustment of its debts, and to take such further proceedings as are set forth in the Bankruptcy Code as they relate to such subdivision. No taxing subdivision is permitted, in availing itself of the provisions of the Bankruptcy Code, to scale down, cut down or reduce the principal sum of its securities except that interest thereon may be reduced in whole or in part.

BOOK ENTRY

Unless the successful purchaser notifies the City in writing within twenty-four hours of the award of the Notes that it has elected (at such purchaser's expense) to take physical delivery of the Notes, The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Notes and the Notes initially will be issued solely in book-entry form to be held in the book-entry only system maintained by DTC. So long as such book-entry system is used, only DTC will receive or have the right to receive physical delivery of Notes and, except as otherwise provided herein with respect to Beneficial Owners (as defined below) of beneficial ownership interests, Beneficial Owners will not be or be considered to be, and will not have any rights as, owners or holders of the Notes under the Resolution.

The following information about the book-entry only system applicable to the Notes has been supplied by DTC. Neither the City nor the Paying Agent and Registrar make any representations, warranties or guarantees with respect to its accuracy or completeness.

DTC will act as securities depository for the Notes. The Notes will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may

be requested by an authorized representative of DTC. One fully-registered Note will be issued for in the aggregate principal amount of the Notes and will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 85 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing Corporation, and Emerging Markets Clearing Corporation, (NSCC, GSCC, MBSCC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Notes under the DTC system must be made by or through Direct Participants, which will receive a credit for the Notes on DTC's records. The ownership interest of each actual purchaser of each Note ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Notes are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Notes, except in the event that use of the book-entry system for the Notes is discontinued.

To facilitate subsequent transfers, all Notes deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Notes with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Notes; DTC's records reflect only the identity of the Direct Participants to whose accounts such Notes are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Notes may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Notes, such as redemptions, tenders, defaults, and proposed amendments to the Note documents. For example,

Beneficial Owners of Notes may wish to ascertain that the nominee holding the Notes for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Paying Agent and Registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Notes are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Notes unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Paying Agent and Registrar as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Notes are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and interest payments on the Notes will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Paying Agent and Registrar, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with Notes held for the accounts of customers in bearer form or registered in "street name" and will be the responsibility of such Participant and not of DTC or its nominee, the Paying Agent and Registrar or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or the Paying Agent and Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

A Beneficial Owner shall give notice to elect to have its Notes purchased or tendered, through its Participant, to the Remarketing Agent and shall effect delivery of such Notes by causing the Direct Participant to transfer the Participant's interest in the Notes, on DTC's records, to the Remarketing Agent. The requirement for physical delivery of Notes in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Notes are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Notes to the Remarketing Agent's DTC account.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the City believes to be reliable but neither the City nor the Paying Agent and Registrar take any responsibility for the accuracy thereof.

NEITHER THE CITY NOR THE PAYING AGENT AND REGISTRAR WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO ANY DIRECT PARTICIPANT, INDIRECT PARTICIPANT OR ANY BENEFICIAL OWNER OR ANY OTHER PERSON NOT SHOWN ON THE REGISTRATION BOOKS OF THE PAYING AGENT AND REGISTRAR AS BEING A HOLDER WITH RESPECT TO: (1) THE NOTES; (2) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT; (3) THE PAYMENT BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN RESPECT OF THE PURCHASE PRICE OF TENDERED NOTES OR THE PRINCIPAL OR REDEMPTION PRICE OF OR INTEREST ON THE NOTES; (4) THE DELIVERY BY ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY NOTICE TO ANY BENEFICIAL OWNER WHICH IS REQUIRED OR PERMITTED UNDER THE TERMS OF

THE RESOLUTION TO BE GIVEN TO HOLDERS; (5) THE SELECTION OF THE BENEFICIAL OWNERS TO RECEIVE PAYMENT IN THE EVENT OF ANY PARTIAL REDEMPTION OF THE NOTES; OR (6) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS HOLDER.

Each Beneficial Owner for whom a Direct Participant or Indirect Participant acquires an interest in the Notes, as nominee, may desire to make arrangements with such Direct Participant or Indirect Participant to receive a credit balance in the records of such Direct Participant or Indirect Participant, to have all notices of redemption, elections to tender Notes or other communications to or by DTC which may affect such Beneficial Owner forwarded in writing by such Direct Participant or Indirect Participant, and to have notification made of all debt service payments.

Beneficial Owners may be charged a sum sufficient to cover any tax, fee, or other governmental charge that may be imposed in relation to any transfer or exchange of their interests in the Notes.

The City and the Paying Agent and Registrar cannot and do not give any assurances that DTC, Direct Participants, Indirect Participants or others will distribute payments of debt service on the Notes made to DTC or its nominee as the registered owner, or any redemption or other notices, to the Beneficial Owners, or that they will do so on a timely basis, or that DTC, Direct Participants or Indirect Participants will serve and act in the manner described in this Official Statement.

DTC may determine to discontinue providing its service as securities depository with respect to the Notes at any time by giving notice to the City and discharging its responsibilities with respect thereto under applicable law. In such event, the Resolution provides for issuance of fully registered Notes ("Replacement Notes") directly to the Beneficial Owners of Notes, other than DTC or its nominee, only in the event that DTC resigns or is removed as the securities depository for the Notes. Upon the occurrence of this event, the City and the Paying Agent and Registrar may appoint another qualified depository. If the City and the Paying Agent and Registrar fail to appoint a successor depository, the Notes shall be withdrawn from DTC and issued in fully registered form, whereupon the City shall execute and the Paying Agent and Registrar, as authenticating agent, shall authenticate and deliver Replacement Notes in the denomination of \$5,000 or integral multiples thereof. The City will pay for all costs and expenses of printing, executing and authenticating the Replacement Notes. Transfer and exchange of such Replacement Notes shall be made as provided in the Resolution.

PURPOSE OF THE NOTES

The Notes are being issued for the purpose of (i) providing interim financing to pay the costs of a downtown revitalization project consisting of the acquisition and site development of real property in an area bounded by Frederica Street, 1st Street, 2nd Street and St. Ann Streets within the City (collectively, the "Project"); and (ii) paying certain costs related to the issuance of the Notes. (See "DESCRIPTION OF THE PROJECT" herein.)

DESCRIPTION OF THE PROJECT

The Project consists of the acquisition of the Executive Inn Property and the demolishing of the hotel portion of the complex. The Project also consists of the construction of the Market Square Plaza east of Frederica Street between West Second Street and Veterans Boulevard, and for land acquisition, engineering and design for this project and others in downtown.

SOURCES AND USES OF FUNDS

Sources:

Par Amount of Notes	\$ _____
---------------------	----------

Total Sources	\$ _____
---------------	----------

Uses:

Deposit to Construction Fund	\$ _____
------------------------------	----------

Original Issue Discount	_____
-------------------------	-------

Underwriter's Discount	_____
------------------------	-------

Cost of Issuance	_____
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TOTAL:	\$ _____
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INVESTMENT CONSIDERATIONS

The Notes, like all obligations of state and local government, are subject to changes in value due to changes in the condition of the tax-exempt bond market and/or changes in the financial condition of the City.

Prospective purchasers of the Notes may need to consult their own tax advisors prior to any purchase of the Notes as to the impact of the Internal Revenue Code of 1986, as amended, upon their acquisition, holding or disposition of the Notes.

It is possible under certain market conditions, or if the financial condition of the City should change, that the market price of the Notes could be adversely affected.

With regard to the risk involved in a lowering of the City's bond rating, see "RATING" herein. With regard to creditors' rights, see "SECURITY AND SOURCE OF PAYMENT FOR NOTES" herein.

PROFILE OF THE CITY AND SURROUNDING AREA

Economic and financial information with respect to the City is set forth in Appendix B hereto.

CITY GOVERNMENT

Organization and Major Offices

The City operates pursuant to the general statutes of the Commonwealth of Kentucky governing municipalities.

Elected and Appointed Officials

The City operates under a City Manager form of government. The Owensboro Board of Commissioners (the "Board") is made up of a Mayor and four Commissioners elected at large by the citizens on a non-partisan ballot. The Mayor is elected for a four-year term and Commissioners for a two-year term. The Mayor and Commissioners have equal voting power.

The Board sets the policies that govern the City. It appoints advisory citizen groups that help in the decision making process. The City Manager is hired by the Board and is responsible for the day-to-

day operations of the City's employees. The department managers are responsible for their various departments and report to the City Manager.

Financial Matters

The Finance Director is the chief fiscal officer of the City, and is appointed by and serves at the pleasure of the Board. The Finance Director is responsible for the accounting, collection, custody and disbursement of the funds of the City.

The City's fiscal year commences July 1 and ends the following June 30.

The administrative functions of the City are performed by or under the supervision of the following:

1. Establishment of overall financial policy, the Board.
2. Planning and development, the Mayor and Manager.
3. Assessment of real and personal property, the Daviess County Property Valuation Administrator.
4. Financial control functions, the Manager and the Finance Director.
5. Inspection and supervision of the accounts and reports of the City as required by law, by the Auditor of Public Accountants and by independent certified public accountants.

Financial Management

The Board is responsible for appropriating the funds used to support the various City activities. The Board exercises its legislative powers by budgeting, appropriating, levying taxes, issuing bonds and notes, and letting contracts for public works and services to provide this financial management.

Financial Reports and Examinations of Accounts

Each city in the State is required to keep its accounting records and render financial reports in such a way as to: (a) determine compliance with statutory provisions; (b) determine fairly and with full disclosure the financial operations of consistent funds and account groups of the city in conformity with generally accepted governmental accounting principles; and (c) readily provide such financial data as may be required by the federal revenue sharing program.

Municipal accounting systems are required to be organized and operated on a fund basis. The City maintains its accounts and other fiscal records on an appropriation and modified accrual basis in accordance with the procedures established and prescribed by the Kentucky Department for Local Government.

As required by law, financial reports are prepared annually by the City and filed with the Kentucky Department of Local Government. Audits are required to be completed by the February 1st immediately following the fiscal year being audited.

The accounting procedures prescribed by the Kentucky Department of Local Government are generally applicable to all cities in Kentucky and may be different from generally accepted government accounting principles as presented and recommended in the National Council on Governmental Accounting publication "Governmental Accounting Auditing and Financial Reporting," and the Industry

Audit Guide of the American Institute of Certified Public Accountants, entitled "Audits of State and Local Governmental Units." Those publications, among other things, provide for a modified accrual basis of accounting for the general fund, all special revenue funds and the debt service fund, and for a full accrual basis of accounting for all other funds, and further provide for the preparation for each fund of balance sheets, statements of revenues and expenditures, and statements showing changes in fund balances.

Budgeting and Appropriations Procedures

Detailed provisions for City budgeting, tax levies and appropriations are made in the Kentucky Revised Statutes. Cities are required to operate under an annual budget ordinance and no City may expend any moneys from a governmental or proprietary fund except in accordance with such budget. A budget proposal must be submitted to the City's legislative body no later than 30 days prior to the beginning of the fiscal year covered by the budget. No budget ordinance may be adopted which provides for appropriations to exceed revenues in a fiscal year. The full amount estimated to be required for debt service during the budget year must be appropriated.

Investment Policies

Section 66.480 of the Kentucky Revised Statutes sets forth the requirements and limitations for investments of the state's political subdivisions, including the City. Under that Section, the City must adopt an investment policy and may invest its funds only in the classifications of obligations which are eligible for investment, which are as follows:

- (a) Obligations of the United States and of its agencies and instrumentalities, including obligations subject to repurchase agreements, if delivery of these obligations subject to repurchase agreements is taken either directly or through an authorized custodian. These investments may be accomplished through repurchase agreements reached with sources including, but not limited to, national or state banks chartered in Kentucky;
- (b) Obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States or a United States governmental agency, including but not limited to:
 - 1. United States Treasury;
 - 2. Export-Import Bank of the United States;
 - 3. Farmers Home Administration;
 - 4. Governmental National Mortgage corporation; and
 - 5. Merchant Marine bonds;
- (c) Obligations of any corporation of the United States government, including but not limited to:
 - 1. Federal Home Loan Mortgage Corporation;
 - 2. Federal Farm Credit Banks;
 - 3. Bank for Cooperatives;
 - 4. Federal Intermediate Credit Banks;
 - 5. Federal Land Banks;
 - 6. Federal Home Loan Banks;
 - 7. Federal National Mortgage Association; and
 - 8. Tennessee Valley Authority;
- (d) Certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation or similar entity or which are collateralized, to the extent uninsured, by any obligations permitted by KRS 41.240(d);

- (e) Uncollateralized certificates of deposit issued by any bank or savings and loan institutions rated in one (1) of the three (3) highest categories by a nationally recognized rating agency;
- (f) Bankers' acceptances for banks rated in one (1) of the three (3) highest categories by a nationally recognized rating agency;
- (g) Commercial paper rated in the highest category by a nationally recognized rating agency;
- (h) Bonds or certificates of indebtedness of this state and of its agencies and instrumentalities;
- (i) Securities issued by a state or local government, or any instrumentality of agency thereof, in the United States, and rated in one (1) of the three highest categories by a nationally recognized rating agency; and
- (j) Shares of mutual funds, each of which shall have the following characteristics:
 - 1. The mutual fund shall be an open-end diversified investment company registered under the Federal Investment Company Act of 1940, as amended;
 - 2. The management company of the investment company shall have been in operation for at least five (5) years; and
 - 3. All of the securities in the mutual fund shall be eligible investments pursuant to this section.

Debt Limitation

Kentucky Constitution Section 158 provides that cities shall not incur indebtedness to an amount exceeding the following maximum percentages on the value of the taxable property therein, to be estimated by the last assessment previous to the incurring of the indebtedness:

- (a) Cities having a population of fifteen thousand (15,000) or more, ten percent (10%);
- (b) Cities having a population of less than fifteen thousand (15,000) but not less than three thousand, five percent (5%); and
- (c) Cities having a population of less than three thousand (3,000), three percent (3%).

Nothing shall prevent the issue of renewal bonds, or bonds to fund the floating indebtedness of any city, county, or taxing district. Subject to the limits and conditions set forth in that section and elsewhere in the Constitution, the General Assembly has the power to establish additional limits on indebtedness and conditions under which debt may be incurred by cities.

KRS 66.041 provides the same limitations as are set forth in the Constitution except that the limitations apply to "net indebtedness". In calculating "net indebtedness," KRS 66.031 provides that certain obligations of a municipality are not to be considered in the calculation, including self-supporting obligations, revenue bonds, and special assessment debt. (For a complete list of exempt debt see the Statement of Indebtedness attached as Appendix D.)

Other infrequently-issued types of obligations are also excluded from the calculation of net indebtedness. The City has no such obligations outstanding. Notes issued in anticipation of bonds excluded from the calculation of net indebtedness are also excluded from such calculation.

Appendix D of this Official Statement is a Statement of Indebtedness for the City, certified by the City, calculating the amount of the outstanding obligations of the City (including the Bonds) which are subject to the total direct debt limit (10% limit). The total principal amount of general obligation debt that could be issued by the City, subject to the 10% total direct debt limitation is \$274,304,093 and the City's net debt subject to such limitation presently outstanding (including the Bonds) is \$44,401,953 leaving a balance of approximately \$229,902,140 borrowing capacity issuable within such limitation.

However, as described below, the City's ability to incur debt in these amounts is restricted by tax limitations. In the case of general obligation debt, both the debt limitations and tax limitations must be met.

Tax Limitation

The Kentucky Constitution Section 157 also indirectly imposes a debt limitation on general obligation indebtedness of Cities by limiting the tax rates cities may impose upon the value of taxable property, as follows:

- (a) cities having a population of fifteen thousand or more, one dollar and fifty cents on each hundred dollars of assessed value;
- (b) cities having a population of less than fifteen thousand and not less than ten thousand, one dollar on each hundred dollars of assessed value; and
- (c) cities having a population of less than ten thousand, seventy-five cents on the hundred dollars.

Section 159 of the Kentucky Constitution requires the collection of an annual tax sufficient to pay the interest on contracted indebtedness and to retire indebtedness over a period not exceeding forty years. The two constitutional provisions operate as a limit on general obligation debt. Because the indirect debt limit results from tax limitations and the requirement to levy taxes to pay debt charges, it has application only to debts which are payable from taxes either initially or in the event other pledged non-tax revenues prove to be insufficient. It does not have any application where the type of debt being issued does not pledge the credit of the municipality or when the debt is payable solely out of the revenues of non-tax sources, such as utility income.

Appendix D of this Official Statement contains a Statement of Indebtedness, certified by the City, setting forth the property tax rate currently levied by the City (.2593) and certifying that the issuance of the Bonds will not cause such rate to increase to an amount which would exceed the maximum permissible rate.

Future Borrowings of the City

The City anticipates issuing the Series 2012 Bonds and also anticipates issuing up to \$10,000,000 in Grant Anticipation Notes ("GANs") to advance fund the construction of a river wall on the Ohio River bank at Owensboro. The GANs will be redeemed with a portion of the proceeds from a \$40,000,000 US Corp of Engineers grant that will fully pay for the project. It is anticipated that ultimately the City will not need to borrow any funds long term to pay for the project.

LEGAL MATTERS

General Information

Legal matters incident to the issuance of the Notes and with regard to the tax-exempt status thereof are subject to the approving legal opinion of Peck, Shaffer & Williams LLP, Note Counsel. Upon delivery of the Notes of the City to the successful bidder therefor, the Notes will be accompanied by an approving opinion dated the date of such delivery, rendered by Peck, Shaffer & Williams LLP. A draft of such legal opinion for the Notes is attached as Appendix E.

Said firm as Note Counsel has performed certain functions to assist the City in the preparation by the City of its Official Statement. However, said firm assumes no responsibility for, and will express no opinion regarding the accuracy or completeness of this Official Statement or any other information relating to the City or the Notes that may be made available by the City or others to the bidders or holders of the Notes or others.

The engagement of said firm as Note Counsel is limited to the preparation of certain of the documents contained in the transcript of proceedings with regard to the Notes, and an examination of such transcript proceedings incident to rendering its legal opinion. In its capacity as Note Counsel, said firm has reviewed the information in this Official Statement under Sections entitled "General Information" as to legal matters, "Authority for Issuance", "Security and Source of Payment for Notes", "Debt Limitation", "Tax Limitation" and "Tax Exemption", which review did not include any independent verification of financial statements and statistical data included therein, if any.

Transcript and Closing Certificates

A complete transcript of proceedings, a no-litigation certificate and other appropriate closing documents will be delivered by the City when the Notes are delivered to the original purchaser. The City will also provide to the original purchaser, at the time of such delivery, a certificate from the City's Mayor and or Finance Director addressed to such purchaser relating to the accuracy and completeness of this Official Statement.

Litigation

To the knowledge of the City, no litigation or administrative action or proceeding is pending or threatened directly affecting the Notes, the security for the Notes or the improvements being financed from the proceeds of the Notes. A No-Litigation Certificate to that effect will be delivered to the purchaser at the time of the delivery of the Notes.

Tax Exemption

In the opinion of Note Counsel for the Bonds, based upon an analysis of existing laws, regulations, rulings and court decisions, interest on the Bonds will be excludable from gross income for Federal income tax purposes. Note Counsel for the Bonds is also of the opinion that interest on the Bonds will not be a specific item of tax preference under Section 57 of the Internal Revenue Code of 1986 (the "Code") for purposes of the Federal individual or corporate alternative minimum taxes nor includable in "adjusted current earnings" under Section 56(c) of the Code for purposes of the corporate alternative minimum tax. Furthermore, Note Counsel for the Bonds is of the opinion that interest on the Bonds is exempt from income taxation and the Bonds are exempt from ad valorem taxation by the Commonwealth of Kentucky and any of its political subdivisions.

A copy of the opinion of Note Counsel for the Notes is set forth in Appendix E, attached hereto.

The Code imposes various restrictions, conditions, and requirements relating to the exclusion from gross income for Federal income tax purposes of interest on obligations such as the Bonds. The City has covenanted to comply with certain restrictions designed to ensure that interest on the related issues of Bonds will not be includable in gross income for Federal income tax purposes. Failure to comply with these covenants could result in interest on the Bonds being includable in income for Federal income tax purposes and such inclusion could be required retroactively to the date of issuance of the Bonds. The opinion of Note Counsel assumes compliance with these covenants. However, Note Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken) or events occurring (or not occurring) after the date of issuance of the Bonds may adversely affect the tax status of the interest on the Bonds.

Certain requirements and procedures contained or referred to in the Bond documents and other relevant documents may be changed and certain actions (including, without limitation, defeasance of the Bonds) may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents. Note Counsel expresses no opinion as to any Bonds or the interest thereon if any such change occurs or action is taken or omitted upon the advice or approval of Note Counsel other than Peck, Shaffer & Williams LLP.

Although Note Counsel for the Bonds is of the opinion that interest on the Bonds will be excludable from gross income for Federal income tax purposes and that interest on the Bonds is excludable from gross income for Kentucky income tax purposes, the ownership or disposition of, or the accrual or receipt of interest on, the Bonds may otherwise affect a Bondholder's Federal, state or local tax liabilities. The nature and extent of these other tax consequences may depend upon the particular tax status of the Bondholder or the Bondholder's other items of income or deduction. Note Counsel expresses no opinions regarding any tax consequences other than what is set forth in its opinion and each Bondholder or potential Bondholder is urged to consult with tax counsel with respect to the effects of purchasing, holding or disposing the Bonds on the tax liabilities of the individual or entity.

Receipt of tax-exempt interest, ownership or disposition of the Bonds may result in other collateral federal, state or local tax consequences for certain taxpayers. Such effects may include, without limitation, increasing the federal tax liability of certain foreign corporations subject to the branch profits tax imposed by Section 884 of the Code, increasing the federal tax liability of certain insurance companies, under Section 832 of the Code, increasing the federal tax liability and affecting the status of certain S Corporations subject to Sections 1362 and 1375 of the Code, increasing the federal tax liability of certain individual recipients of Social Security or the Railroad Retirement benefits under Section 86 of the Code and limiting the amount of the Earned Income Credit under Section 32 of the Code that might otherwise be available. Ownership of any of the Bonds may also result in the limitation of interest and certain other deductions for financial institutions and certain other taxpayers, pursuant to Section 265 of the Code. Finally, residence of the holder of the Bonds in a state other than Kentucky or being subject to tax in a state other than Kentucky may result in income or other tax liabilities being imposed by such states or their political subdivisions based on the interest or other income from the Bonds.

The City has designated the Bonds as "qualified tax-exempt obligations" within the meaning of Section 265 of the Code.

RATING

As noted on the cover page of this Official Statement, Moody's Investor's Service ("Moody's") has assigned its municipal bond rating of "___", to this issue of Notes.

Such rating reflects only the view of said organization. Any explanation of the significance of such rating may only be obtained from Moody's, at the following address: Moody's Investors Service, 7 World Trade Center, 250 Greenwich Street, New York, New York 10007.

There can be no assurance that a rating when assigned will continue for any given period of time or that it will not be lowered or withdrawn entirely by the rating agency if in its judgment circumstances so warrant. Any such downward change in or withdrawal of a rating may have an adverse effect on the marketability and/or market price of the Notes.

CONTINUING DISCLOSURE

In accordance with the Securities and Exchange Commission Rule 15c2-12 (the "Rule") and so long as the Notes are outstanding the City of Owensboro (the "Obligated Person") will agree pursuant to a Continuing Disclosure Agreement dated as of April 23, 2009 between the City and U.S. Bank, National Association, Louisville, Kentucky, to be delivered on the date of delivery of the Notes, to cause the following information to be provided:

- (i) to each nationally recognized municipal securities information repository ("NRMSIR") and, if one is established for the Commonwealth of Kentucky, to its state information depository ("SID"), certain annual financial information and operating data, including audited financial statements, generally consistent with the information contained in "Appendix B" and "Appendix C" of the Official Statement ("Financial Data"). The annual financial information shall be provided within 210 days after the end of the fiscal year ending June 30, commencing with the fiscal year ending June 30, 2009; provided that the audited financial statements may not be available by such date, but will be made available immediately upon delivery thereof by the auditors for the Obligated Person; and;
- (ii) to each NRMSIR or to the Municipal Securities Rulemaking Board ("MSRB") and to the SID, if any, notice of the occurrence of the following events, if material, with respect to the Notes:
 - (a) Principal and interest payment delinquencies;
 - (b) Non-payment related defaults;
 - (c) Unscheduled draws on debt service reserves reflecting financial difficulties;
 - (d) Unscheduled draws on credit enhancements reflecting financial difficulties;
 - (e) Substitution of credit or liquidity providers, or their failure to perform;
 - (f) Adverse tax opinions or events affecting the tax-exempt status of the security;
 - (g) Modifications to rights of security holders;
 - (h) Note calls, except for mandatory scheduled redemptions not otherwise contingent upon the occurrence of an event;
 - (i) Defeasances;
 - (j) Release, substitution or sale of property securing repayment of the securities;
 - (k) Rating changes; and
 - (l) The cure, in the manner provided under the Note Ordinance, of any payment or nonpayment related default.
- (iii) to each NRMSIR or to the MSRB and to the SID, if any, notice of a failure (of which the Obligated Person or Disclosure Agent has knowledge) of the Obligated Person to provide the required annual financial information on or before the date specified in its written continuing disclosure undertaking.

The Continuing Disclosure Agreement provides Noteholders with certain enforcement rights in the event of a failure by the Obligated Person to comply with the terms thereof; however, a default under the Continuing Disclosure Agreement does not constitute a default under the Note Legislation. The Continuing Disclosure Agreement may be amended or terminated under certain circumstances in accordance with the Rule as more fully described therein. Noteholders are advised that the Continuing

Disclosure Agreement copies of which are available at the office of the Obligated Party should be read in its entirety for more complete information regarding its contents.

For purposes of this transaction with respect to events as set forth in the Rule:

- (a) there are no debt service reserve funds applicable to the Notes;
- (b) there are no liquidity providers applicable to the Notes; and
- (c) there is no property securing the repayment of the Notes.

The City has entered into numerous disclosure agreements under the Rule. To the best of the City's knowledge, the City is in compliance with the continuing disclosure undertaking contained in such existing agreements.

UNDERWRITING

The Notes are being purchased for reoffering by First Kentucky Securities Corporation (the "Underwriter"). The Underwriter has agreed to purchase the Notes at an aggregate purchase price of \$_____ (reflecting the par amount of the Notes, less original issue discount of \$_____, less underwriter's discount of \$______). The initial public offering prices which produce the yields set forth on the cover page of this Official Statement may be changed by the Underwriter and the Underwriter may offer and sell the Notes to certain dealers (including dealers depositing Notes into investment trusts) and others at prices lower than the offering prices which produce the yields set forth on the cover page.

FINANCIAL ADVISOR

First Kentucky Securities Corporation, Frankfort, Kentucky has been employed as Financial Advisor in connection with the issuance of the Notes. First Kentucky Securities Corporation's fee for services rendered as financial advisor with respect to the sale of the Notes is contingent upon the issuance and delivery thereof.

MISCELLANEOUS

To the extent any statements made in this Official Statement involve matters of opinion or estimates, whether or not expressly stated to be such, such statements are made as such and not as representations of fact or certainty, and no representation is made that any of such statements will be realized. Information herein has been derived by the City from official and other sources and is believed by the City to be reliable, but such information other than that obtained from official records of the City has not been independently confirmed or verified by the City and its accuracy is not guaranteed. Neither this Official Statement nor any statement which may have been made orally or in writing is to be construed as a contract with the holders of the Notes.

This Official Statement has been duly executed and delivered for and on behalf of the City of Owensboro, Kentucky, by its Mayor.

CITY OF OWENSBORO, KENTUCKY

By: /s/ Ron Payne
Mayor

Dated: April __, 2009

APPENDIX A

CITY OF OWENSBORO, KENTUCKY GENERAL OBLIGATION BOND ANTICIPATION NOTES, SERIES 2009

ESTIMATED DEBT SERVICE REQUIREMENTS FOR THE NOTES

ESTIMATED DEBT SERVICE SCHEDULE

Maturity				Fiscal Year
Date	Principal	Interest	Total	Total
01/01/2010		\$316,888.89	\$316,888.89	\$316,888.89
07/01/2010		230,000.00	230,000.00	
01/01/2011		230,000.00	230,000.00	460,000.00
07/01/2011		230,000.00	230,000.00	
01/01/2012		230,000.00	230,000.00	460,000.00
07/01/2012	<u>\$20,000,000</u>	<u>230,000.00</u>	<u>20,230,000.00</u>	<u>20,230,000.00</u>
Totals	<u>\$20,000,000</u>	<u>\$1,466,888.89</u>	<u>\$21,466,888.89</u>	

Source: Financial Advisor

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APPENDIX B

CITY OF OWENSBORO, KENTUCKY GENERAL OBLIGATION BOND ANTICIPATION NOTES, SERIES 2009

ECONOMIC AND FINANCIAL DATA ON THE CITY OF OWENSBORO, KENTUCKY

CITY OF OWENSBORO, KENTUCKY

The City

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

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

Location

Owensboro is the county seat of Daviess County, Kentucky, and lies on the southern banks of the 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. The William H. Natcher Bridge, a long awaited new bridge from Owensboro into southern Indiana, provides a direct route to Interstate 64 in Indiana, providing a link from St. Louis to Louisville. The Natcher Bridge opened in October of 2002.

Industry and Economic Development

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

The City is active in promoting economic development, as new developmental job growth is necessary to ensure the continued stability of the City's revenue base. Economic indicators and trends reflect stabilization in the area's economy compared to the previous year. As of April 2002, area employment was approximately the same as during the prior 12-month period and averaged approximately 47,133. The April 1, 2002, unemployment rate was 5.39%, about the same as both state and national rates. Active electric and water meters showed slight growth for the year.

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

Total Population

	2004	2005	2006	2007	2008
Labor Market Area	474,067	474,583	477,943	478,776	485,214
Daviess County	92,587	92,957	93,334	94,174	97,005
Owensboro	55,000	55,459	55,525	55,398	N/A

Source: Applied Geographic Solutions, Simi Valley, CA (Labor Market Area and County, 2005 and later); U.S. Department of Commerce, Bureau of the Census (all other).

Population Projections

	2013			
Labor Market Area	496,254			
	2010	2015	2020	2025
Daviess County	94,567	97,166	99,438	101,420

Source: Applied Geographic Solutions, Simi Valley, CA (Labor Market Area); Kentucky State Data Center, University of Louisville (Counties).

Personal Income

	2001	2006	Pct. Change
Daviess County	\$24,610	\$29,978	21.8 %
Kentucky	\$24,914	\$29,729	19.3 %
U.S.	\$30,575	\$36,714	20.1 %
Labor Market Area Range	\$18,590- \$29,498	\$20,739- \$36,286	

Source: U.S. Department of Commerce, Bureau of Economic Analysis.

Households

	2008		2008 Median Household Income
	Number of Households	Persons Per Household	
Daviess County	38,648	2.44	\$45,663

Source: Applied Geographic Solutions, Simi Valley, CA

Summary of Recent Locations and Expansions, 2006-Present

	Companies	Jobs	Reported Investment
Manufacturing Location	1	28	\$25,000,000
Manufacturing Expansion	25	361-389	\$115,084,540
Supportive/Service Location	1	15	\$115,500
Supportive/Service Expansion	1	N/A	\$700,000

Click [here](#) for detailed location and expansion information.

Note: Totals include announced locations and expansions.

Source: Kentucky Cabinet for Economic Development (5/20/2008).

Employment by Major Industry by Place of Work, 2007

	Daviess County		Labor Market Area	
	Employment	Percent	Employment	Percent
All Industries	43,824	100.0	217,879	100.0
Agriculture, Forestry, Fishing and Hunting	121	0.3	594	0.3
Mining	167	0.4	N/A	N/A
Construction	2,248	5.1	13,335	6.1
Manufacturing	6,525	14.9	37,313	17.1
Trade, Transportation, and Utilities	9,729	22.2	44,920	20.6
Information	534	1.2	1,288	0.6
Financial Activities	2,253	5.1	8,617	4.0
Services	14,841	33.9	76,551	35.1
Public Administration	1,381	3.2	5,189	2.4
Other	25	0.1	N/A	N/A

Source: U.S. Department of Labor, Bureau of Labor Statistics.

Major Business & Industry (Manufacturing & Supportive Service Firms Only)

Firm	Product(s)/Service(s)	Emp.	Year Established
Owensboro			
AT&T	National directory call center (1+411)	200	1997
Constellation Spirits	Whiskey, gin, vodka, wines, brandy & cocktail bottling	185	1869
Daramic Inc	Automotive deep cycle & Industrial battery separators	264	1959
HON Co	Wooden office chairs	218	1945
JCIM LLC	Plastic blow molded automotive parts	200	1974
Kimberly-Clark Corp	Tissue paper & towels	342	N/A
Miles Farm Supply LLC	Agricultural distribution center	175	1973
MPD Inc	Commercial tubes & components, microwave & police radar equipment, breath analyzers, ceramics & ceramic to metal seals	240	1987
Omico Plastics Inc	Blow molded plastic parts	198	1964
Owensboro Grain Company LLC	Soybean crude oil & meal, biodiesel	159	1906
Southern Star Central Gas Pipeline Inc	Headquarters	456	2004
Specialty Foods Field Packing Division	Processed meat products	450	1915
Swedish Match North America	Smokeless tobacco products	332	1973
Texas Gas Transmission LLC	Headquarters	300	1960
Toyotetsu Mid America LLC	Automotive stampings and welded assemblies	540	2002
Unifirst	Uniform distribution	328	1998
Unilever Foods	Pasta sauces and frozen foods	445	1974
US Bank Home Mortgage	Loan processing and underwriting service center, loan servicing center	815	1992
Yager Materials LLC	Ready-mixed concrete, crushed limestone, sand & gravel	192	1917
Philpot			
Premium Allied Tool Inc	Precision metal stampings, deep draw stampings, wire forms & strip forms	250	1966

Source: Kentucky Cabinet for Economic Development (5/20/2008).

Tax Base Information

Year	Real Estate	Tangible Personal (1)	Real Estate Franchise	Tangible Franchise	Total Assessed Value
07/08	\$2,366,775,100	\$314,983,944	\$20,230,899	\$41,050,985	\$2,743,040,928
06/07	2,240,389,072	307,709,918	20,032,146	50,883,475	2,619,014,611
05/06	2,149,205,217	253,083,835	30,242,635	65,784,833	2,498,316,520
04/05	2,028,537,916	232,560,600	43,075,632	84,433,475	2,388,607,623
03/04	1,907,097,401	225,651,953	32,854,639	69,256,167	2,234,860,160

(1) Includes Motor Vehicles and Watercraft.

Assessment Rates (per \$100.00 assessed valuation)

Year	Real Estate	Tangible Personal	Real Estate Franchise	Tangible Franchise	Motor Vehicles	Watercraft
07/08	.2601	.2743	.2601	.2743	.3030	.3030
06/07	.2608	.2744	.2608	.2744	.3030	.3030
05/06	.2580	.3072	.2580	.3072	.3030	.3030
04/05	.2586	.3091	.2586	.3091	.3030	.3030
03/04	.2612	.2946	.2612	.2946	.3030	.3030

Tax Collections

Year	Total Charges	Net to City
07/08	\$8,490,108	\$8,419,367
06/07	8,129,079	8,045,021
05/06	7,778,567	7,641,239
04/05	7,514,441	7,396,847
03/04	7,147,174	7,024,928

Largest City Principal Taxpayers (for year ended 6/30/08)

Name	Assessment
Wal-Mart Real Estate	\$35,605,452
Toyotetsu Mid America	33,263,946
Ragu/Unilever/Lipton	26,064,653
Towne Square Mall, LLC	26,021,000
Texas Gas Transmission	20,067,573
Unifirst Corporation	19,127,173
Owensboro Towne Center	19,025,000
Atmos Energy	17,865,721
Field Packing	14,814,579
Bellsoouth/AT&T	12,655,303

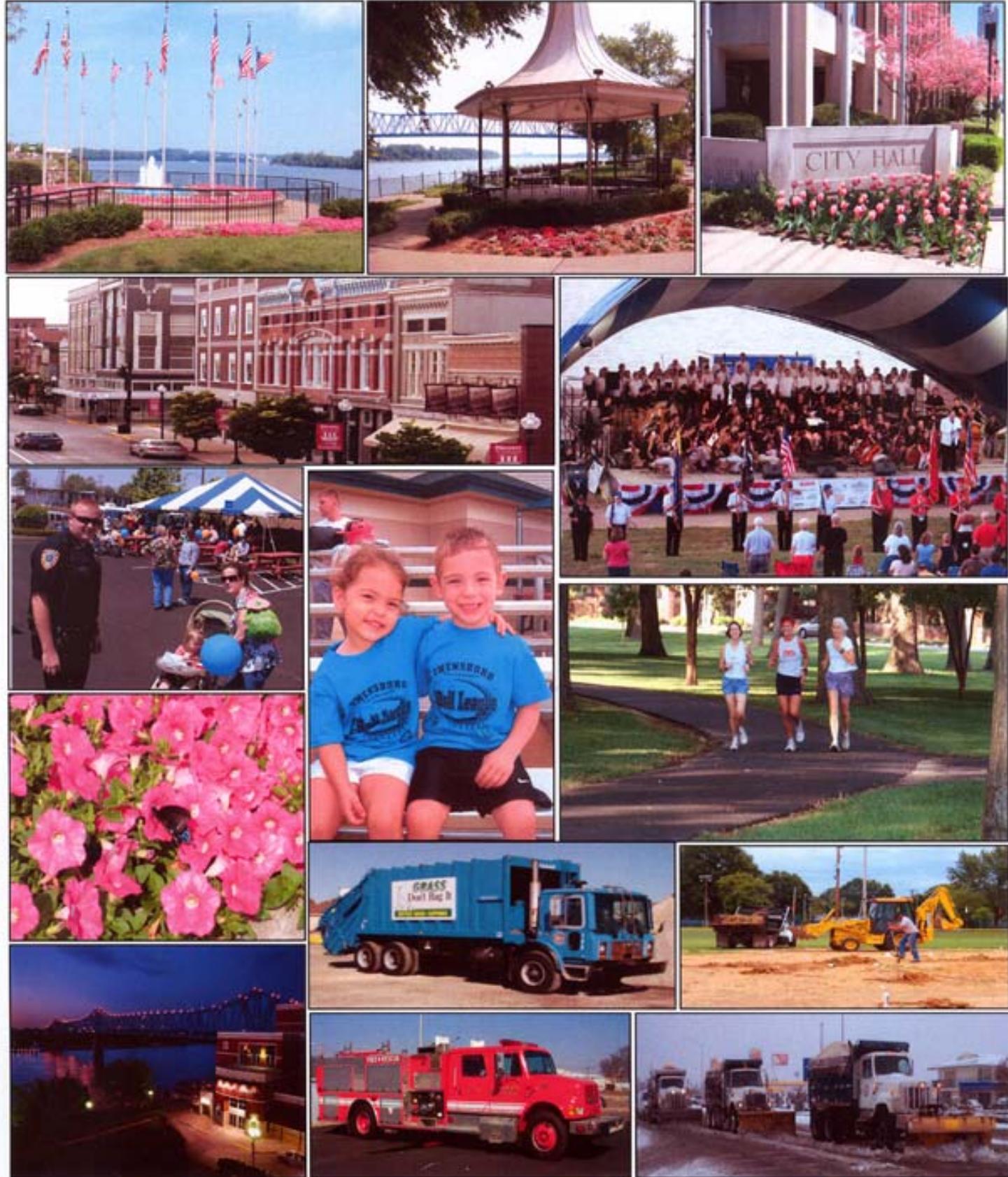
APPENDIX C

CITY OF OWENSBORO, KENTUCKY GENERAL OBLIGATION BOND ANTICIPATION NOTES, SERIES 2009

AUDITED GENERAL PURPOSE FINANCIAL STATEMENTS OF CITY OF OWENSBORO,
KENTUCKY FOR FISCAL YEAR ENDING JUNE 30, 2008

Comprehensive Annual Financial Report

for the Fiscal Year Ended June 30, 2008



CITY OF OWENSBORO

PREPARED BY: DEPARTMENT OF FINANCE, JAMES A. FULKERSON, FINANCE DIRECTOR

City of Owensboro

Comprehensive Annual Financial Report

for the

Fiscal Year Ended June 30, 2008



**Issued by the
Department of Finance**

**James A. Fulkerson
Director of Finance**

**COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE CITY OF OWENSBORO, KENTUCKY
YEAR ENDED JUNE 30, 2008**

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City of Owensboro Kentucky

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

December 16, 2008

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

The Comprehensive Annual Financial Report of the City of Owensboro (the City) for the fiscal year ended June 30, 2008, is hereby submitted. Responsibility for accuracy of the data and completeness and fairness of the presentation, including all disclosures, rests with the management of the City of Owensboro. To the best of our knowledge and belief, the enclosed data are accurate in all material respects and are reported in a manner designed to present fairly the financial position and results of operations of the various funds and component units of the City. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

LEGAL REQUIREMENT

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

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

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

REPORTING ENTITY

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

The City has performed a comprehensive evaluation of its financial reporting entity in accordance with Governmental Accounting Standards Board Statement No. 14, "*The Financial Reporting Entity*", and, based on the foregoing criteria, has included the following separate organizations as discretely presented component units within the City's basic financial statements:

Mayor, City Commissioners, City Manager

and Citizens of Owensboro

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Owensboro Municipal Utilities
Owensboro Riverport Authority

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

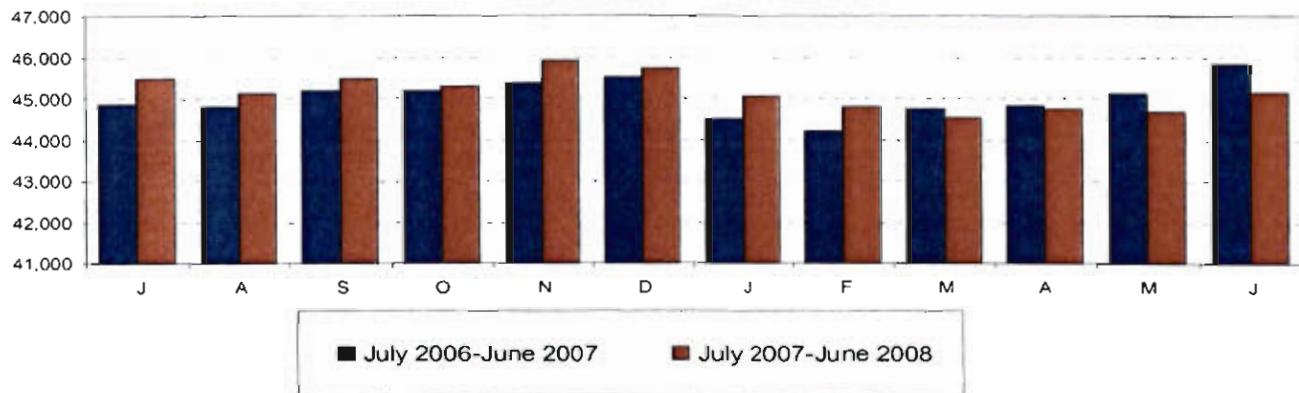
Owensboro Public Housing Authority
Owensboro-Daviess County Hospital Board
Owensboro-Daviess County Planning Commission
Regional Water Resource Agency

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

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

ECONOMIC DEVELOPMENT AND OUTLOOK

The City continues to grow and the unemployment rate as measured by the Kentucky Cabinet for Human Resources (KYCHR) continues to decline. Employment in the City's Metropolitan Statistical Area (MSA) during the two-year period ended June 30, 2008 is shown below (source - KYCHR).



The City continues to be actively involved in promoting economic development, as new developmental job growth is necessary to ensure the continued stability of the City's revenue base. Economic indicators and trends reflect improvement in the area's economy over the previous year. Area employment averaged 45,158, slightly up over the prior 12-month period. The June 30, 2008 unemployment rate was 4.9%, below the state rate of 5.6% and the same as the national rate of 4.9%, and down from the prior year. Active electric meters were up .12% and active water meters were slightly down by .12%. Residential construction permits were obtained for 157 units of single-family units, a 13.77% increase. Construction permits were obtained for 28 multi-family houses, a 154.55% increase. The value of commercial and industrial permits was \$43,344,412, a 24.48% increase.

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and Citizens of Owensboro

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SIGNIFICANT EVENTS AND INITIATIVES

The accomplishments by each department in Fiscal Year 2007-2008 embody each of the characteristics set forth in the City's mission statement. The City continues to form partnerships with other departments, outside state, federal, and local departments, and with the citizenry itself, to meet its goals and spend its tax dollars wisely. The City's response to recent storm-related crises continues to confirm that the goals of each department contribute to the higher mission statement of the City. An efficiently functioning City government was able to respond quickly to the needs of the citizens and to continue addressing those needs with high levels of commitment and standards of excellence. Refinement of department goals and the City mission statement have strengthened those commitments and standards.

The City had much to be proud of in 2007-2008. The City's commitment to public safety, stormwater management, and street repair was emphasized in the previous fiscal year, as it is in the current budget. Other accomplishments include:

1. Secured \$23,000,000 low interest loans for design/construction of 5 stormwater improvement projects.
2. Secured a state agreement to pre-fund \$14,400,000 of future federal riverfront funding to begin the riverwall project this year and completed design and construction of the English Park Boat Ramp and Scenic Overlook project.
3. Worked with State legislators and Kentucky League of Cities to promote tax increment financing options, retirement system reforms and local taxing options.
4. Completed and recommended to the Commission a strategic planning program with a new direction in staffing, structure and priorities.
5. Enhanced internet property tax website to improve simplicity when checking or paying tax bills; increased non-compliant business license collections.
6. Received the Government Finance Officers Association (GFOA) Certificate of Achievement for Excellence in Financial Reporting (27th year) and the GFOA Distinguished Budget Presentation Award (9th year); received the National Institute of Governmental Purchasing Certificate of Excellence in Achievement Award; and prepared a balanced budget for 2008-2009 in accordance with GFOA budget preparation criteria.
7. Created data required by and programmed the 911 emergency dispatch system to reflect changes to the Emergency Service Number (ESN) boundaries, providing more efficient response times; provided professional first responder services and targeted high crime areas to meet community needs.
8. Strengthened working relationships with Social Services and Multi-Disciplinary Task Force Teams while working child sex abuse and physical abuse investigations to minimize negative affects on children during investigations, and increased quality of services provided to the individual child.
9. Revitalized and increased participation of the Neighborhood Watch Program.
10. Implemented new emergency medical protocols, including addition of responses to weapons of mass destruction (WMD), triage, and assisted administration of patient medications.
11. Conducted comprehensive cleanup operations after the October 18, 2007 tornado struck; put disaster action plan into motion, and conducted a follow-up event to plan, critique and evaluate regarding execution of operations.
12. Conducted numerous public outreach programs including: 4-Neighborhood Cleanups, "Friday after 5" equipment demo, "Trail of Treats", 52 "Owensboro Updates", 2 "Focus" interviews, pre-school visit and "Recycling in Owensboro" briefing. Participation increased "Ghosts and Goblins" by 132%, "Trail of Treats" booths by 45%, and number of Corporate Challenge companies by 23%.

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ACCOUNTING SYSTEM, INTERNAL CONTROLS AND BUDGETARY CONTROLS

Accounting System

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

Internal Controls

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

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

As a part of the City's single audit, tests are made to determine the adequacy of the internal control structure, including that portion related to federal financial assistance programs, as well as to determine that the City has complied with applicable laws and regulations. The results of the City's single audit for the fiscal year ended June 30, 2008 disclosed no instances of material weaknesses in the internal control structure or significant violations of applicable laws and regulations.

Budgetary Controls

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

GENERAL GOVERNMENTAL FUNCTIONS

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

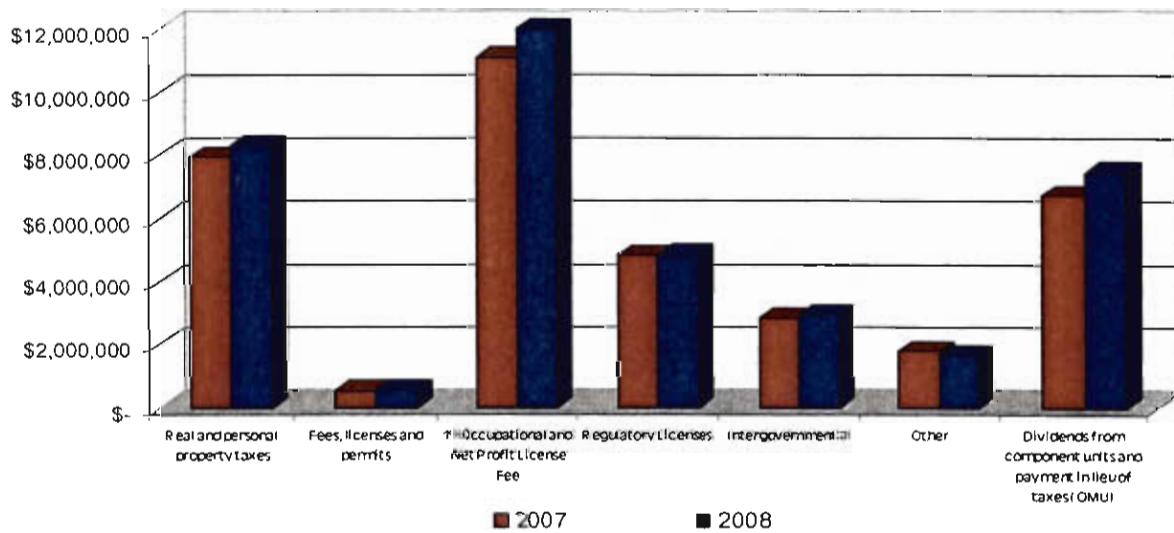
General Fund

General Fund revenue and other financing sources totaled \$39,179,633 in fiscal year 2007-2008, an increase of 8.6% over fiscal year 2006-2007. Expenditures and transfers out totaled \$37,460,451, an increase of 10.6%. The City's general fund unreserved fund balance of \$7,473,181 gives the City a strong financial posture. For further information on the General Fund, please see MD&A, pages 19-20.

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GENERAL FUND MAJOR REVENUE CATEGORIES

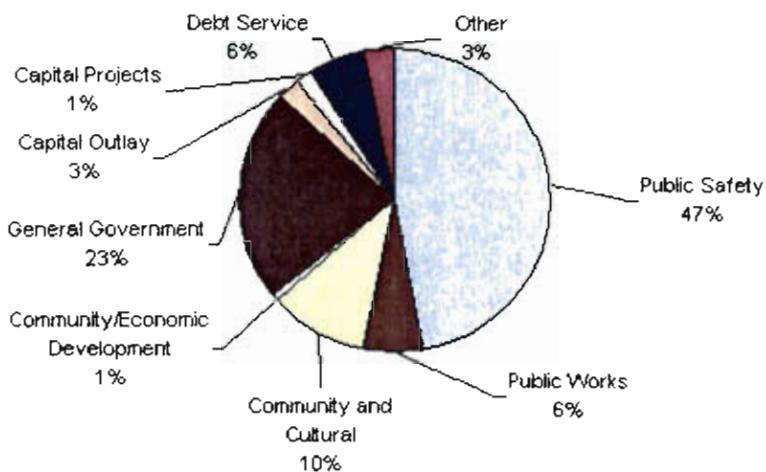
Category	Fiscal 2008	Fiscal 2007	Difference	%
Real and personal property taxes	\$ 8,289,048	\$ 7,961,663	\$ 327,385	4%
Fees, licenses and permits	537,801	523,924	13,877	3%
1% Occupational and Net Profit License Fee	11,978,621	11,077,094	901,527	8%
Regulatory Licenses	4,840,519	4,815,086	25,433	1%
Intergovernmental	2,938,184	2,821,214	116,970	4%
Other	1,674,681	1,751,736	(77,055)	-4%
Dividends from component units and payment in lieu of taxes (OMU)	7,449,428	6,724,119	725,309	11%
Total	\$ 37,708,282	\$ 35,674,836	\$ 2,033,446	6%



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

USE OF GENERAL FUND REVENUE RESOURCES

Category	Fiscal 2008	Fiscal 2007	Difference	%
Public Safety	\$ 17,553,141	\$ 16,484,921	\$ 1,068,220	6%
Public Works	2,348,176	2,085,514	262,662	13%
Community and Cultural	3,786,401	3,437,353	349,048	10%
Community/Economic Development	397,346	366,466	30,880	8%
General Government	8,480,058	7,666,545	813,513	11%
Capital Outlay	968,072	1,138,926	(170,854)	-15%
Transfers Out:				
Capital Projects	560,000	146,525	413,475	282%
Debt Service	2,182,832	1,506,950	675,882	45%
Other	1,184,425	1,049,337	135,088	13%
Total	\$ 37,460,451	\$ 33,882,537	\$ 3,577,914	11%



Capital Projects Fund

Expenditures for the Capital Projects Funds totaled \$3,315,320. Major projects included the Riverfront project and the Stormwater Master Plan.

Special Revenue Fund

Special Revenue funds are restricted to use by federal government and other external requirements. Revenues for these funds decreased by 49% over the prior year and amounted to \$3,471,807.

Debt Service Fund

The Debt Service Fund is used to account for payment of bond principal and interest. These payments totaled \$3,642,832 for the fiscal year ended June 30, 2008. Lease payments (operating transfers) from the General Fund of the City of Owensboro and various civic organizations finance this fund.

ENTERPRISE FUNDS

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

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

Mayor, City Commissioners, City Manager

and Citizens of Owensboro

December 16, 2008

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The City's five enterprise funds provide sanitation, transit services, geographic information system, parking garage operations, and recreation, and transit services. With the exception of sanitation, which is self-supporting, the other enterprises receive subsidy from the General Fund. The following table summarizes the City's enterprise funds at June 30, 2008:

Summary of City Enterprise Funds

Enterprise	Net Income (Loss)		Fund Equity (Deficit)		Total Assets	
	Fiscal 2008	Increase/ (Decrease) from 2007	Fiscal 2008	Increase/ (Decrease) from 2007	Fiscal 2008	Increase/ (Decrease) from 2007
Sanitation	\$1,306,052	\$(215,188)	\$10,834,890	\$1,306,052	\$11,086,263	\$1,325,849
Other Enterprise Funds	113,794	53,263	1,483,903	113,794	1,698,781	76,531
Total	<u>\$1,419,846</u>	<u>\$(161,925)</u>	<u>\$12,318,793</u>	<u>\$1,419,846</u>	<u>\$12,785,044</u>	<u>\$1,402,380</u>

The City's component unit enterprises include the Riverport Authority and Owensboro Municipal Utilities (OMU), which provides the electric, light and power system and the water works system. The chart below depicts a summary of component unit enterprise activity as of June 30, 2008.

Summary of Component Unit Enterprises

Enterprise	Net Income (Loss)		Fund Equity (Deficit)		Total Assets	
	Fiscal 2008	Increase/ (Decrease) from 2007	Fiscal 2008	Increase/ (Decrease) from 2007	Fiscal 2008	Increase/ (Decrease) from 2007
Electric (OMU)	\$ (1,785,135)	\$(2,911,093)	\$115,978,423	\$(1,785,135)	\$326,902,051	\$(1,093,117)
Water (OMU)	523,776	(202,544)	29,163,017	523,776	50,553,217	(1,030,211)
Riverport	1,651,773	782,930	19,102,366	1,651,773	24,687,516	(1,800,377)
Total	<u>\$ 390,414</u>	<u>\$(2,330,707)</u>	<u>\$164,243,806</u>	<u>\$ 390,414</u>	<u>\$402,142,784</u>	<u>\$(3,923,705)</u>

PENSION FUND MANAGEMENT

City of Owensboro employees are covered by one of three retirement systems:

The Police and Firefighters' Retirement Fund is a contributory defined benefit plan created by ordinance under state statute. Members contributed 8% of their earnings. A board of trustees manages the investments of this fund, which uses J.P. Morgan as its advisor. Monthly reports are received and quarterly meetings are held with the professional managers to review progress and objectives of the fund. The actuarial report showed assets were less than projected liabilities by \$719,831 as of June 30, 2008. There were no active members and 68 pensioners as of June 30, 2008.

The City Employees' Pension Fund is a contributory defined benefit plan created by ordinance under state statute. The 2008 actuarial report reported that the plan covered no active employees and 61 retirees as of June 30, 2008. The actuarial report showed assets in excess of projected plan liabilities of \$1,266,197. J.P. Morgan is financial advisor to the board of trustees.

Mayor, City Commissioners, City Manager

and Citizens of Owensboro

December 16, 2008

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The County Employees Retirement System (CERS) is a multiple-employer, cost-sharing, defined benefit plan administered by the Kentucky Retirement System. All future full-time City employees will be members of the CERS. All employees previously covered by the City's plan, except for 7 active members, converted to CERS in October 1986. On August 1, 1988, all current police and firefighters had the option of changing from the present plan to the CERS. All but 6 active members chose the County Employees Retirement System. Each employee now participating in CERS contributes 5% if non-hazardous and 8% if hazardous. The City contributed 16.17% for non-hazardous and 33.87% for hazardous employees during the year ended June 30, 2008.

DEBT ADMINISTRATION

The City's long-term bonds and other long-term obligations amounted to \$29,238,302 at June 30, 2008. Changes in the City's general long-term debt are as follows:

	Balance June 30, 2007	Additions	Reductions	Balance June 30, 2008	Due Within One Year
Governmental activities:					
Bonds and loan payable:					
Lease revenue bonds:					
Series 1989	\$ 585,000	\$ -	\$ (60,000)	\$ 525,000	\$ 60,000
Floating indebtedness bonds:					
Series 2005	132,000	-	(85,000)	47,000	10,000
General obligation bonds:					
Series 1999	360,000	-	(65,000)	295,000	70,000
Series 1999B	295,000	-	(145,000)	150,000	150,000
Series 2001	985,000	-	(480,000)	505,000	505,000
Series 2002A	2,725,000	-	(130,000)	2,595,000	140,000
Series 2002B	5,830,000	-	(285,000)	5,545,000	295,000
Series 2003A	2,575,000	-	(219,000)	2,356,000	224,000
Series 2006	3,960,000	-	(145,000)	3,815,000	150,000
Series 2006 Refunding	2,110,000	-	(230,000)	1,880,000	240,000
Series 2007		7,095,000	-	7,095,000	-
Loan Payable:					
KIA A07-04	-	1,009,292	-	1,009,292	45,826
Other	870,000	-	(870,000)	-	-
	20,427,000	8,104,292	(2,714,000)	25,817,292	1,889,826
Less deferred amounts:					
For issuance discounts	(65,973)	(35,475)	18,248	(83,200)	-
On refunding	(494,553)	-	73,072	(421,481)	-
Total bonds and loan payable	19,866,474	8,068,817	(2,622,680)	25,312,611	1,889,826
Net pension obligation	-	-	-	-	-
Compensated absences	3,642,492	1,913,190	(1,875,903)	3,679,779	286,557
Total governmental	\$23,508,966	\$ 9,982,007	\$ (4,498,583)	\$28,992,390	\$ 2,176,383
Business-type activities:					
Compensated absences	\$ 195,861	\$ 222,351	\$ (172,300)	\$ 245,912	\$ 8,430

Mayor, City Commissioners, City Manager

and Citizens of Owensboro

December 16, 2008

Page -9-

CASH MANAGEMENT

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

RISK MANAGEMENT

The City uses various risk control techniques to minimize accident-related losses, with the major emphasis on employee accident prevention training. The City continued a comprehensive study of all insurance programs in Fiscal 2007-2008.

CERTIFICATE OF ACHIEVEMENT FOR EXCELLENCE IN FINANCIAL REPORTING

The Government Finance Officers Association (GFOA) of the United States and Canada awarded the City a Certificate of Achievement for Excellence in Financial Reporting for fiscal year ended June 30, 2007, the 27th 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.

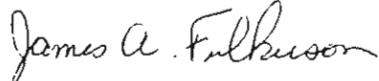
The Certificate is valid for a period of one year only. We believe our current report continues to conform to program requirements and will submit it to GFOA to determine its eligibility for another certificate.

In addition, the City also received the GFOA Distinguished Budget Presentation Award for its annual budget document for the 9th year. In order to qualify for the Distinguished Budget Presentation Award, the government's budget document was judged to be proficient in several categories, including as a policy document, a financial plan, an operations guide, and a communications device.

ACKNOWLEDGMENTS

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

Respectfully submitted,



James A. Fulkerson
Director of Finance

DIRECTORY OF PUBLIC OFFICIALS

ELECTED OFFICIALS - BOARD OF COMMISSIONERS

Mayor Tom Watson

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

Commissioner David Johnson
Commissioner Cathy Armour

APPOINTED OFFICIALS AND DEPARTMENT HEADS

City Manager	William Parrish
Operations Manager.....	Tony Cecil
City Attorney	David Fowler
City Clerk.....	Beverly Lovan
City Engineer	Joe Schepers
Community Development.....	Keith Free
Facilities Maintenance Superintendent	Lelan Hancock
Director of Finance/Treasurer.....	Jim Tony Fulkerson
Fire Chief	Ronnie Heep
Garage Superintendent.....	Eddie Buchanan
Information Services Director.....	Harvey Sopher
Parks & Recreation Director	Cyndi Sturgeon
Personnel Director	Danielle Woodward
Police Chief.....	Glenn Skeens
Purchasing Manager.....	Joey Beatty
Sanitation Manager.....	Downey Ward
Street Manager.....	Wayne Shelton
Transit System Manager.....	Louis Lindsay

City of Owensboro

Organization Chart



Our Values

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

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Owensboro
Kentucky

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2007

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.



Clare S. Cox

President

Jeffrey P. Evans

Executive Director

Riney, Hancock & Co., PSC
Certified Public Accountants & Financial Advisors

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270-926-4540
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PKF North American Network

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Owensboro, Kentucky, as of and for the year ended June 30, 2008, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the management of the City of Owensboro, Kentucky. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Owensboro, Kentucky, as of June 30, 2008, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 9, 2008, on our consideration of the City of Owensboro, Kentucky's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

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

Owensboro, Kentucky
December 9, 2008

Riney, Hancock + Co., PSC



Management's Discussion and Analysis (Required Supplementary Information)

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, 2008. To fully understand the entire scope of the City's financial activities, this information should be read in conjunction with the letter of transmittal (pages 1-9) and the financial statements (pages 24-101) provided in this document.

I. Financial Highlights

- Assets exceeded liabilities by \$91.5 million at the close of the 2007-2008 fiscal year. Of this amount, \$28.1 million (unrestricted net assets) may be used to meet City government's ongoing obligations to citizens and creditors.
- Total net assets increased by \$15.8 million.
- At fiscal year end, City governmental funds reported a combined ending fund balance of \$22.8 million. Approximately \$9.4 million, 41% of this total amount is unreserved and available for spending at the City's discretion.
- At the end of the current fiscal year, unreserved general fund balance was \$7.5 million, 22% of total general fund expenditures.

II. Overview of Financial Statements

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

A. Government-Wide Financial Statements

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

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

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

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

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

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

B. Fund Financial Statements

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

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

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

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

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

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

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

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

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

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

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

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

C. Notes to the Financial Statements

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

D. Other Information

In addition to basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning City funding of its obligation to provide pension benefits to its employees and budgetary comparison schedules for the general fund. The General Fund is the budgeted major general fund. Required supplementary information can be found on pages 75-80 of this report.

The combining statements referred to earlier in connection with non-major governmental funds and internal service funds are presented immediately following the required supplementary information on pensions. Combining and individual fund statements and schedules can be found on pages 81-98 of this report.

III. Government-Wide Financial Analysis

As previously indicated, net assets may serve over time as a useful indicator of the City's financial position. City assets exceeded liabilities by \$91.5 million at June 30, 2008.

The largest portion of the City's net assets (52%) reflects its investment in capital assets (i.e., land, buildings, machinery, and equipment) less outstanding related debt used to acquire those assets. The City uses these capital assets to provide service to citizens and as a result, these assets are not available for future spending. The City's capital assets investment is reported net of related debt, but the resources to pay this debt must be provided from other sources since the capital assets cannot be used to liquidate the liabilities.

An additional portion of City net assets (17%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$28.1 million) may be used to meet the City's ongoing obligations to citizens and creditors.

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

City of Owensboro Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2007	2008	2007	2008	2007	2008
Current and other assets	\$ 40,520,377	\$ 53,337,763	\$ 9,608,517	\$ 10,958,775	\$ 50,128,894	\$ 64,296,538
Capital assets	56,425,443	65,029,846	1,959,205	2,233,411	58,384,648	67,263,257
Total assets	<u>\$96,945,820</u>	<u>\$118,367,609</u>	<u>\$11,567,722</u>	<u>\$13,192,186</u>	<u>\$108,513,542</u>	<u>\$131,559,795</u>
Long-term liabilities outstanding	\$23,508,966	\$ 28,992,390	\$ 195,860	\$ 245,912	\$ 23,704,826	\$ 29,238,302
Other liabilities	8,893,417	10,552,675	178,086	220,339	9,071,503	10,773,014
Total liabilities	<u>\$32,402,383</u>	<u>\$ 39,545,065</u>	<u>\$ 373,946</u>	<u>\$ 466,251</u>	<u>\$ 32,776,329</u>	<u>\$ 40,011,316</u>
Net assets:						
Invested in capital assets, net of related debt	\$42,842,237	\$ 45,664,473	\$ 1,959,205	\$ 2,233,411	\$ 44,801,442	\$ 47,897,884
Restricted	7,638,119	15,587,202	-	-	7,638,119	15,587,202
Unrestricted	14,063,081	17,570,869	9,234,571	10,492,524	23,297,652	28,063,393
Total net assets	<u>\$64,543,437</u>	<u>\$ 78,822,544</u>	<u>\$11,193,776</u>	<u>\$12,725,935</u>	<u>\$ 75,737,213</u>	<u>\$ 91,548,479</u>

A. Analysis of the City's Operations

The following table summarizes City operations for the year ended June 30, 2008. Governmental activities increased City net assets by \$14.3 million, primarily due to higher grant revenues for development of the riverfront and higher collections for Occupational & Net Profit Licenses, lower public works expenses due to construction of the boat ramp in 2007, partially offset by higher expenses as follows: higher utilities and professional services in general government; higher pension fund contributions in public safety and increased contributions in community and cultural. Business-type activities increased City net assets by \$1.5 million. The Sanitation Fund continues to build reserves by maintaining costs.

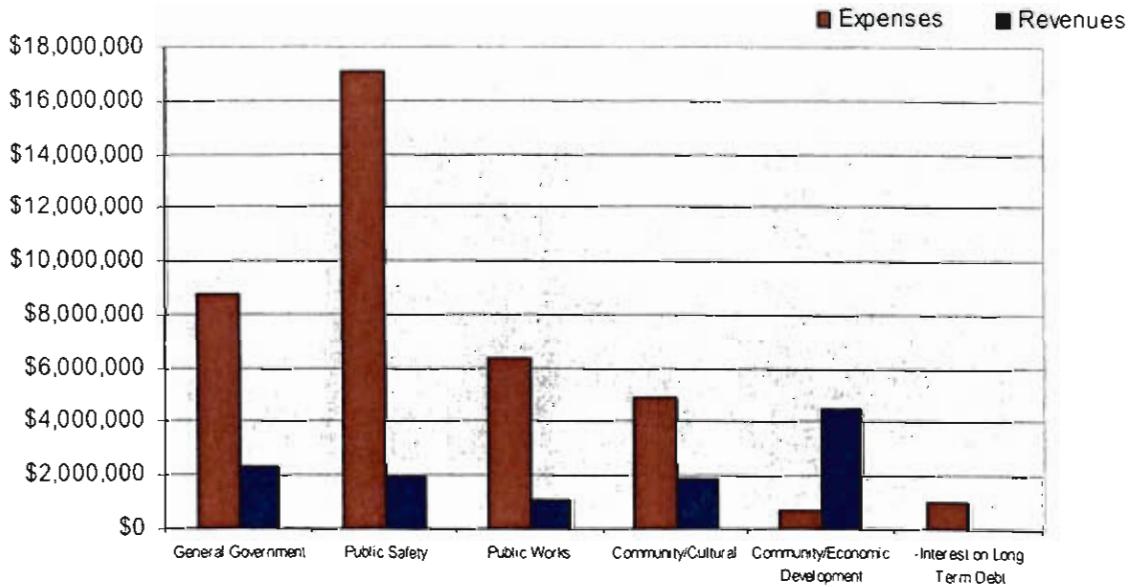
City of Owensboro – Changes in Capital Assets

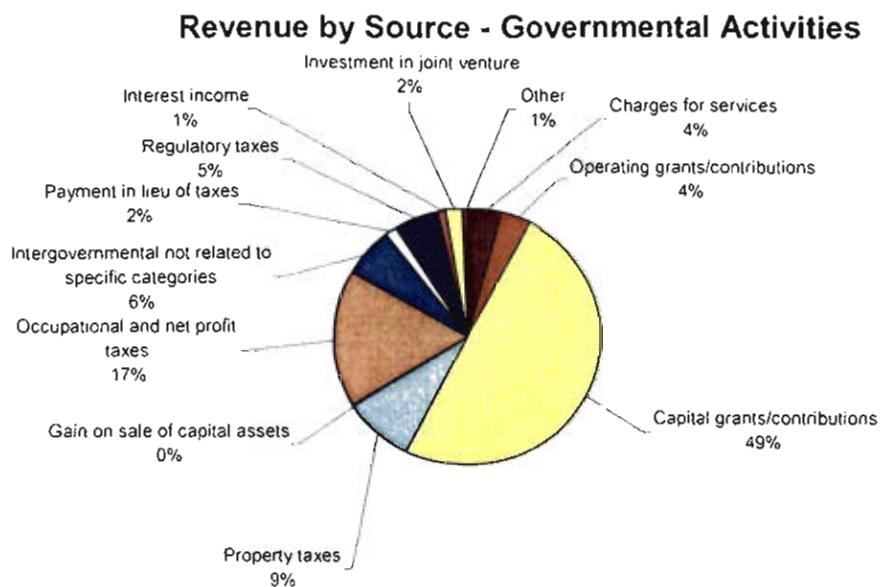
	Governmental Activities		Business-Type Activities		Total	
	2007	2008	2007	2008	2007	2008
Revenues:						
Program revenues:						
Charges for services	\$ 3,730,504	\$ 3,662,920	\$6,272,188	\$6,582,818	\$10,002,692	\$10,245,738
Operating grants/contributions	3,470,861	4,066,154	407,877	441,862	3,878,738	4,508,016
Capital grants/contributions	4,533,823	7,478,058	420,237	466,465	4,954,060	7,944,523
General revenues:						
Property taxes	8,129,079	8,490,108	-	-	8,129,079	8,490,108
Occupational & Net Profit Licenses	15,930,482	17,045,684	-	-	15,930,482	17,045,684
Regulatory taxes	4,815,086	5,040,813	-	-	4,815,086	5,040,813
Payment in lieu of taxes	1,399,301	1,756,428	-	-	1,399,301	1,756,428
Gain on sale of capital assets	584	296,830	115,938	68,232	116,522	365,062
Investment earnings	885,309	827,636	410,982	383,904	1,296,291	1,211,540
Intergovernmental revenues	5,768,103	6,134,347	-	-	5,768,103	6,134,347
Investment in joint venture	1,909,755	1,378,941	-	-	1,909,755	1,378,941
Miscellaneous	465,070	217,782	-	-	465,070	217,782
Total revenues	<u>\$51,037,957</u>	<u>\$56,395,701</u>	<u>\$7,627,222</u>	<u>\$7,943,281</u>	<u>\$58,665,179</u>	<u>\$64,338,982</u>

	Governmental Activities		Business-Type Activities		Total	
	2007	2008	2007	2008	2007	2008
Expenses:						
General government	\$ 8,793,519	\$ 9,680,973	\$ -	\$ -	\$ 8,793,519	\$ 9,680,973
Public safety	17,055,086	18,129,214	-	-	17,055,086	18,129,214
Public works	6,395,367	5,558,089	-	-	6,395,367	5,558,089
Community and cultural	4,886,150	5,662,963	-	-	4,886,150	5,662,963
Community/economic development	703,557	898,056	-	-	703,557	898,056
Interest on long-term debt	1,015,349	1,028,005	-	-	1,015,349	1,028,005
Sanitation	-	-	4,047,686	4,255,487	4,047,686	4,255,487
Other enterprise funds	-	-	2,919,056	3,314,929	2,919,056	3,314,929
Total expenses	\$38,849,028	\$40,957,300	\$ 6,966,742	\$ 7,570,416	\$45,815,770	\$48,527,716
Increase in net assets before transfers	\$12,188,929	\$15,438,401	\$ 660,480	\$ 372,865	\$12,849,409	\$15,811,266
Transfers	(1,024,655)	(1,159,294)	1,024,655	1,159,294	-	-
Increase in net assets	11,164,274	14,279,107	1,685,135	1,532,159	12,849,409	15,811,266
Net assets - beginning of year	53,379,163	64,543,437	9,508,641	11,193,776	62,887,804	75,737,213
Net assets – end of year	<u>\$64,543,437</u>	<u>\$78,822,544</u>	<u>\$11,193,776</u>	<u>\$12,725,935</u>	<u>\$75,737,213</u>	<u>\$91,548,479</u>

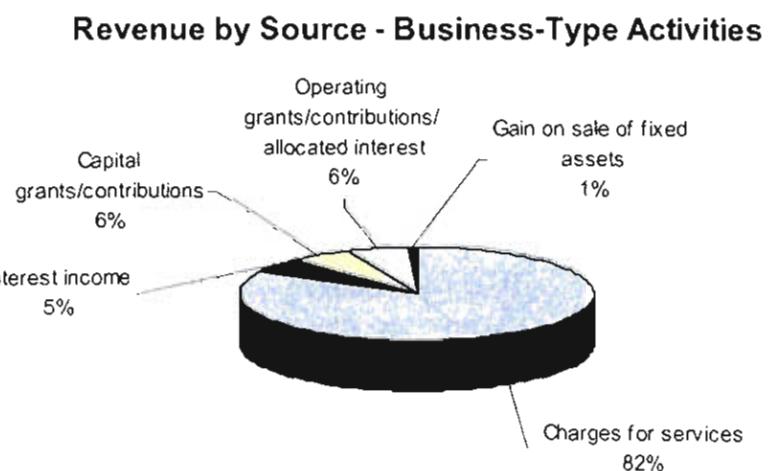
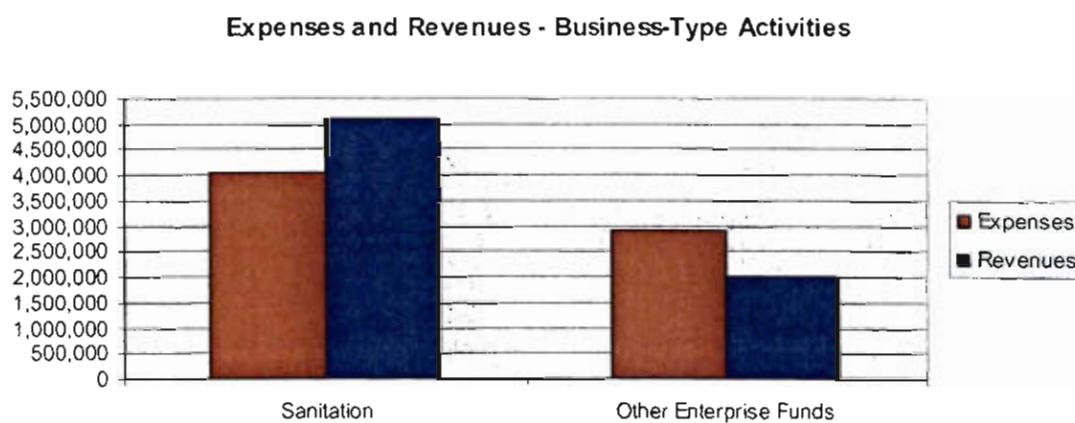
B. Governmental Activities

Expenses and Program Revenues - Governmental Activities





C. Business-Type Activities



IV. Financial Analysis of the City's Funds

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

A. Governmental Funds

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

At the end of the fiscal year, the City governmental funds reported combined ending fund balances of \$22.8 million. Approximately 41% of this total amount, \$9.4 million, is unreserved fund balance, which is available for spending at the government's discretion. The remainder of fund balance is reserved to indicate it is not available for new spending because it has already been committed as follows: \$14.1 million to liquidate contracts and purchase orders of the prior period; \$315,817 to pay debt service; \$1.1 million to account for grant funds unreimbursed as of June 30, 2008 and \$14,226 to provide for inventory.

The general fund is the chief operating fund of the City. At the end of the 2007-2008 fiscal year, the general fund unreserved fund balance was \$7,473,181, while total fund balance was \$7,648,330. As a measure of general fund liquidity, readers may compare both unreserved fund balance and total fund balance to total general fund expenditures. Unreserved fund balance represents 22% and total fund balance represents 23% of total general fund expenditures (\$33.5 million).

The City's general fund balance increased by \$1.7 million during the 2007-2008 fiscal year. Key factors contributing to this increase are:

- * Growth in occupational and net profit license fees.
- * Increase in dividends from component units.

The Capital Improvements Fund has a total fund balance of \$3.1 million, a decrease of \$688,407 from prior year due to the start of construction on the ice rink.

The Debt Service Fund has a total fund balance of \$315,817, all of which is reserved for payment of debt service. The net decrease in the debt service fund balance was \$236,830.

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	\$9,697,863
Other Enterprise Funds	\$ 387,519

The change in net assets for the five funds was \$1.4 million. Sanitation increased \$1.3 million. Other Enterprise Funds increased \$113,794. Other factors concerning the proprietary enterprise funds have been addressed in the discussion of City business-type activities.

V. General Fund Budgetary Highlights

Differences between the original budget and the final amended budget resulted in a \$982,986 increase in appropriations and can be briefly summarized as follows:

• \$ -	no change in Administration
• \$ (42,127)	decrease in Community Development
• \$ 91,726	increase in Engineering
• \$ (46,000)	decrease in Finance
• \$ (181,688)	decrease in Fire
• \$ 50,783	increase in Information Services
• \$ (64,924)	decrease in Parks
• \$ 84,323	increase in Personnel
• \$ (310,934)	decrease in Police
• \$ 49,373	increase in Street
• \$1,229,954	increase in General Government
• \$ 122,500	increase in Community Services

Payments In Lieu of Taxes were increased by \$216,000. The net increase to appropriations and transfers out of \$776,986 was deducted from the available fund balance.

Decreases in Community Development, Finance, Fire, Parks and Police were primarily due to elimination of a \$950,000 budgeted contingency. Increase in Engineering is due to higher street resurfacing costs. Increase in Information Services was due to encumbrance rollover for services and supplies. Increase in Personnel was primarily due to higher personnel recruiting costs and hiring a temporary assistant. Increase in Street was due to higher street maintenance costs. Increase in General Government is primarily due to elimination of budgeted contingency and partially due to additional work on stormwater project and higher costs for street lights. Increase in Community Services was primarily due to higher contributions.

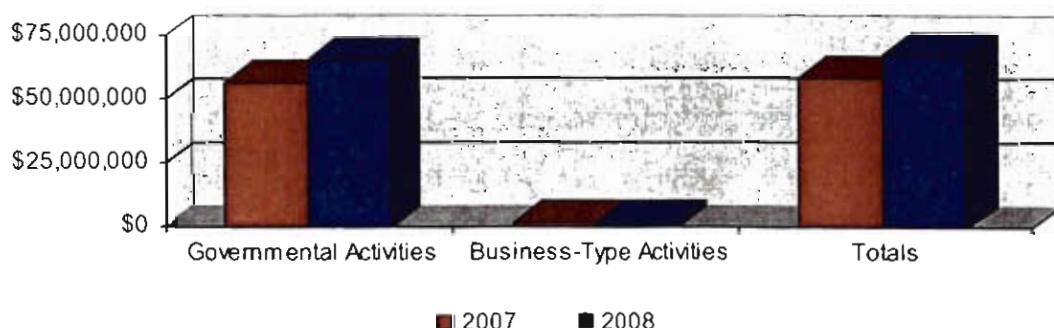
VI. Capital Asset and Debt Administration

A. Capital Assets

The City's investment in capital assets for governmental and business-type activities as of June 30, 2008, is \$67.3 million (net of accumulated depreciation). This investment in capital assets includes land, buildings and system improvements, machinery and equipment, park facilities, roads, highways and bridges, and construction in progress.

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

Capital Projects - Governmental and Business-Type Activities



	Governmental Activities		Business-Type Activities		Total	
	2007	2008	2007	2008	2007	2008
Land	\$10,999,244	\$11,645,962	\$ 118,739	\$ 118,739	\$11,117,983	\$11,764,701
Land improvements	33,224,414	41,352,011	-	-	33,224,414	41,352,011
Buildings	9,185,287	9,260,549	701,549	676,551	9,886,836	9,937,100
Vehicles	1,142,407	2,265,940	149,037	1,338,542	1,291,444	3,604,482
Machinery and equipment	1,874,091	505,384	989,880	99,579	2,863,971	604,963
Total	<u>\$56,425,443</u>	<u>\$65,029,846</u>	<u>\$1,959,205</u>	<u>\$2,233,411</u>	<u>\$58,384,648</u>	<u>\$67,263,257</u>

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

B. Long-Term Debt

At year end the City had \$25,817,292 in outstanding notes, bonds and capital leases, compared to \$20,427,000 at June 30, 2007. That is a 26.4% increase as shown in the following table:

	Governmental Activities	
	2007	2008
General obligation bonds	\$ 6,980,000	\$13,655,000
Lease revenue bonds	585,000	525,000
Advance refunding bonds	11,860,000	10,581,000
Floating indebtedness funding bond	132,000	47,000
Notes Payable	870,000	-
KIA Loan Payable	-	1,009,292
Total	<u>\$20,427,000</u>	<u>\$25,817,292</u>

The City's legal debt limit under Kentucky Constitution Section 158 is 10% of total assessed value of taxable property in Owensboro; therefore the debt limit is \$268,018,183. The City's latest bond rating is A2.

The City issues and incurs debt in order to fund capital improvement projects, purchase major capital equipment facilities, and respond to other special funding needs. Total municipal debt outstanding at June 30, 2008, is \$25,817,292, with maturities extending through the year 2028. The City has a very low amount of general obligation debt, which explains our large legal debt margin. Less than 5% of the General Fund budget is expended for debt service, and thus has little impact on current and future operations.

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. The outstanding amount is \$10,581,000.
- 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. **City of Owensboro Notes.** Notes were formerly payable for acquisition of land at the AirPark and Area Museum of Science. The outstanding debt is \$0, a decrease from the previous fiscal year of \$870,000. Additional information on City long-term debt can be found in Footnote 6 at pages 56-63.
- v. **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, 2008 is \$1,009,292.

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

- A. **Unemployment Rate.** The unemployment rate for the City of Owensboro as of June 2008 was 4.9%. This rate is lower than the 5.6% state unemployment rate and the same as the 4.9% federal unemployment rate.
- B. **Inflationary Trends.** Inflationary trends in the City also compare favorably to state and national trends.
- C. **Annexation Policy.** Incentive investments in annexation and economic development should enable revenue to increase significantly over the next 2-3 years. The City will continue to aggressively pursue its annexation efforts as these efforts will insure long-term financial stability for the City in terms of increased property taxes, occupational license fees, and occupational net profit fees through mixed commercial, industrial, and residential development. City policy will continue to provide annexation and economic development incentives that will pay for themselves within five years of implementation and serve as incentive investments in future revenues to offset the cost of providing services to the newly annexed areas. The policy of balanced and controlled growth will be the City's greatest challenge in the next 5-10 years.
- D. **Fleet and Facilities Maintenance Plan.** The City's strategy to continue to limit expenditure growth and seek cost savings opportunities will insure that funds are available for needed capital projects in the future. The City has been helped in this regard by implementation of the Fleet and Facilities Maintenance Plan. This plan allows the City to make long-range plans for facility maintenance and to replace vehicles at the optimal time to avoid high maintenance costs and take advantage of a higher resale value.
- E. **Debt Service Payments.** All future debt service payments must come from operating funds. As a result, debt service requirements were an important consideration when preparing the 2008-2009 annual operating budget. Less than 5% of the General Fund budget is expended for debt service. This does not now impact the City's annual operating budget and should have little impact on the operating budget in the future.

All the above factors, in addition to current and future needs of the City of Owensboro, were considered when the 2008-2009 City budget was prepared. The beginning general fund fiscal year balance is \$7,648,330. The City estimated an ending fund balance of \$7,648,591 (20%) of projected general fund revenues. The City is in good financial condition at the present time and no tax increase is planned for this fiscal year.

VIII. Requests for Information

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

Basic Financial Statements

CITY OF OWENSBORO, KENTUCKY
STATEMENT OF NET ASSETS
June 30, 2008

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
ASSETS				
Equity in pooled deposits and investments	\$ 24,008,007	\$ 9,642,368	\$ 33,650,375	\$ 3,566,865
Cash and cash equivalents:				
In segregated accounts	118,210	4,400	122,610	8,937,901
With escrow agents	4	-	4	-
Receivables:				
Accounts	905,014	167,479	1,072,493	8,782,153
Lease	5,592,000	-	5,592,000	-
Component units	126,802	709,882	836,684	-
Taxes	2,232,938	-	2,232,938	-
Intergovernmental	4,839,568	-	4,839,568	-
Delinquent taxes receivable, net of allowance for uncollectibles of \$160,000	5,067	-	5,067	-
Internal balances	(407,142)	407,142	-	-
Investments	-	-	-	10,000,000
Materials and supplies inventory	22,708	27,504	50,212	2,856,838
Prepaid items	34,997	-	34,997	99,727
Other current assets	-	-	-	72,613
Restricted assets	315,813	-	315,813	85,880,043
Capital assets, net of accumulated depreciation:				
Land	11,645,962	118,739	11,764,701	-
Depreciable capital assets	53,383,884	2,114,672	55,498,556	273,222,213
Other noncurrent assets	2,477,108	-	2,477,108	24,103
Deferred charges	209,483	-	209,483	8,700,328
Investment in joint venture	12,857,186	-	12,857,186	-
Total assets	\$ 118,367,609	\$ 13,192,186	\$ 131,559,795	\$ 402,142,784
LIABILITIES AND NET ASSETS				
Liabilities:				
Accounts payable	\$ 2,882,530	\$ 154,825	\$ 3,037,355	\$ 20,463,694
Accrued wages	292,186	-	292,186	-
Other accrued liabilities	218,425	65,514	283,939	254,706
Accrued interest payable	261,687	-	261,687	1,155,316
Other payables	-	-	-	3,332,822
Intergovernmental payable	368,805	-	368,805	-
Component unit payable	179,714	-	179,714	-
Unearned revenue	6,349,328	-	6,349,328	9,252,157
Customers' advances	-	-	-	976,959
Non-current liabilities:				
Due within one year	2,176,383	8,430	2,184,813	25,046,402
Due in more than one year	26,816,007	237,482	27,053,489	177,416,922
Total liabilities	\$ 39,545,065	\$ 466,251	\$ 40,011,316	\$ 237,898,978
Net assets:				
Invested in capital assets, net of related debt	45,664,473	2,233,411	47,897,884	83,014,434
Restricted for:				
Capital projects	14,572,638	-	14,572,638	1,073,822
Economic development	601,527	-	601,527	-
Debt service	54,130	-	54,130	20,790,386
Other purposes	358,907	-	358,907	30,758,289
Unrestricted	17,570,869	10,492,524	28,063,393	28,606,875
Total net assets	\$ 78,822,544	\$ 12,725,935	\$ 91,548,479	\$ 164,243,806
Total liabilities and net assets	\$ 118,367,609	\$ 13,192,186	\$ 131,559,795	\$ 402,142,784

See Notes to Financial Statements

CITY OF OWENSBORO, KENTUCKY
STATEMENT OF ACTIVITIES
Year Ended June 30, 2008

Functions / Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets			Component Units	
					Primary Government				
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total		
PRIMARY GOVERNMENT									
Governmental activities:									
General government	\$ 9,680,973	\$ 2,477,103	\$ 100	\$ -	\$ (7,203,770)		\$ (7,203,770)		
Public safety	18,129,214	952,424	1,425,587	-	(15,751,203)		(15,751,203)		
Public works	5,558,089	17,901	1,047,279	-	(4,492,909)		(4,492,909)		
Community and cultural	5,662,963	-	10,501	\$ 203,960	(5,652,462)		(5,652,462)		
Community / economic development	898,056	215,492	1,582,687	2,274,098	900,123		900,123		
Interest on long-term debt	1,028,005	-	-	-	(1,028,005)		(1,028,005)		
Total governmental activities	<u>40,957,300</u>	<u>3,662,920</u>	<u>4,066,154</u>	<u>7,478,058</u>	<u>(25,750,168)</u>		<u>(25,750,168)</u>		
Business-type activities:									
Sanitation	4,255,487	5,157,748	-	-	\$ 902,261		902,261		
Transit	1,537,889	128,819	441,862	466,465	(500,743)		(500,743)		
Geographic information system	291,095	262,612	-	-	(28,483)		(28,483)		
Parking garage operations	81,852	54,109	-	-	(27,743)		(27,743)		
Recreation	1,404,093	979,530	-	-	(424,563)		(424,563)		
Total business-type activities	<u>7,570,416</u>	<u>6,582,818</u>	<u>441,862</u>	<u>466,465</u>	<u>(79,271)</u>		<u>(79,271)</u>		
Total primary government	<u>\$ 48,527,716</u>	<u>\$ 10,245,718</u>	<u>\$ 4,508,916</u>	<u>\$ 7,944,523</u>	<u>(25,750,168)</u>	<u>(79,271)</u>	<u>(25,829,439)</u>		
COMPONENT UNITS									
Owensboro Municipal Utilities	\$ 122,562,032	\$ 115,912,804	\$ -	\$ 612,681			\$ (6,036,547)		
Owensboro Riverport Authority	<u>6,042,427</u>	<u>6,989,908</u>	<u>-</u>	<u>-</u>			<u>947,481</u>		
Total component units	<u>\$ 128,604,459</u>	<u>\$ 122,902,712</u>	<u>\$ -</u>	<u>\$ 612,681</u>			<u>(5,089,066)</u>		
General revenues									
Property taxes				8,490,108	-	8,490,108	-		
Occupational license taxes				13,765,193	-	13,765,193	-		
Net profit license taxes				3,280,191	-	3,280,491	-		
Regulatory taxes				5,040,813	-	5,040,813	-		
Payments in lieu of taxes from component unit				1,756,428	-	1,756,428	-		
Investment earnings				827,636	383,904	1,211,540	4,910,241		
Intergovernmental, unrestricted				6,134,347	-	6,134,347	-		
Gain on sale of capital assets				296,830	68,232	365,062	471,363		
Investment in joint venture				1,378,941	-	1,378,941	-		
Miscellaneous				217,782	-	217,782	97,876		
Transfers				(1,159,294)	1,159,294	-	-		
Total general revenues and transfers				<u>40,029,275</u>	<u>1,611,430</u>	<u>41,640,705</u>	<u>5,479,480</u>		
Change in net assets				14,279,107	1,532,159	15,811,266	390,314		
Net assets, June 30, 2007				<u>64,543,437</u>	<u>11,193,776</u>	<u>75,737,213</u>	<u>163,853,392</u>		
Net assets, June 30, 2008				<u>\$ 78,822,544</u>	<u>\$ 12,725,935</u>	<u>\$ 91,548,479</u>	<u>\$ 164,243,806</u>		

CITY OF OWENSBORO, KENTUCKY
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2008

	General Fund	Your Community Vision Fund	Debt Service Fund	Riverfront Development Fund	Capital Improvements Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS							
Equity in pooled deposits and investments	\$ 6,549,641	\$ 9,539,001	\$ -	\$ -	\$ 3,249,995	\$ 1,108,201	\$ 20,446,838
Cash and cash equivalents:							
In segregated accounts	15,891	-	-	-	-	-	15,891
With escrow agents	-	-	4	-	-	-	4
Receivables:							
Accounts	700,019	-	-	-	-	155,902	855,921
Lease	-	-	5,592,000	-	-	-	5,592,000
Component units	126,802	-	-	-	-	-	126,802
Interfund	2,019,336	-	-	-	-	-	2,019,336
Taxes receivable	1,571,658	562,565	-	-	-	98,715	2,232,938
Intergovernmental	73,742	1,271,045	-	1,792,892	896,191	805,698	4,839,568
Delinquent taxes receivable, net of allowance for uncollectibles of \$160,000	5,067	-	-	-	-	-	5,067
Materials and supplies inventory	14,226	-	-	-	-	-	14,226
Prepaid items	-	-	-	-	-	-	-
Restricted assets	-	-	315,813	-	-	-	315,813
Total assets	\$ 11,076,382	\$ 11,372,611	\$ 5,907,817	\$ 1,792,892	\$ 4,146,186	\$ 2,168,516	\$ 36,464,404
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable	\$ 339,932	\$ 458,579	\$ -	\$ 50,297	\$ 1,052,029	\$ 104,565	\$ 2,005,402
Accrued wages	287,316	2,411	-	-	-	2,459	292,186
Other accrued liabilities	180,757	-	-	-	-	-	180,757
Intergovernmental payable	368,805	-	-	-	-	-	368,805
Due to other funds	-	-	-	1,826,283	-	193,053	2,019,336
Component unit payable	179,714	-	-	-	-	-	179,714
Deferred revenue	2,071,528	673,183	5,592,000	-	-	245,554	8,582,265
Total liabilities	3,428,052	1,134,173	5,592,000	1,876,580	1,052,029	545,631	13,628,465
Fund balances:							
Reserved for:							
Encumbrances	160,923	4,534,731	-	978,067	6,449,362	1,999,657	14,122,740
Inventories	14,226	-	-	-	-	-	14,226
Debt service	-	-	315,817	(1,061,755)	-	-	(745,938)
Unreserved	7,473,181	5,703,707	-	-	(3,355,205)	-	9,821,683
Unreserved, reported in nonmajor							
Special revenue funds	-	-	-	-	-	(1,130,573)	(1,130,573)
Capital projects funds	-	-	-	-	-	753,801	753,801
Total fund balances	7,648,330	10,238,438	315,817	(83,688)	3,094,157	1,622,885	22,835,939
Total liabilities and fund balances	\$ 11,076,382	\$ 11,372,611	\$ 5,907,817	\$ 1,792,892	\$ 4,146,186	\$ 2,168,516	\$ 36,464,404

See Notes to Financial Statements

CITY OF OWENSBORO, KENTUCKY
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
June 30, 2008

Total fund balances - governmental funds	\$ 22,835,939
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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	\$ 96,551,636	
Accumulated depreciation	<u>(33,229.971)</u>	63,321,665

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.

4,142,303

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.

12,857,186

Certain assets not available to pay for current period expenditures:

Occupational and net profit taxes	\$ 2,232,937	
Negative net pension obligation	2,477,108	
Deferred issuance costs	<u>209.483</u>	4,919,528

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	\$ (25,817,292)	
Accrued interest payable	(261,687)	
Debt issuance discounts	83,200	
Deferred refunding charges	421,481	
Compensated absences	<u>(3,679,779)</u>	<u>(29,254,077)</u>

Net assets of governmental activities	<u>\$ 78,822,544</u>
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CITY OF OWENSBORO, KENTUCKY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2008

	General Fund	Our Community Vision Fund	Debt Service Fund	Riverfront Development Fund	Capital Improvements Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:							
Real and personal property taxes	\$ 8,289,048	\$ -	\$ -	\$ -	\$ -	\$ 201,060	\$ 8,490,108
Occupational licenses	9,568,358	3,404,137	-	-	-	714,148	13,686,643
Net profit license fees	2,410,263	817,492	-	-	-	50,059	3,277,814
Regulatory licenses	4,840,519	-	-	-	-	200,294	5,040,813
Intergovernmental	2,938,184	-	129,991	5,165,711	1,842,322	2,090,989	12,167,197
Interest	374,487	127,228	30,550	-	138,965	45,165	716,395
Fees, licenses and permits	537,801	32,010	-	-	-	-	569,811
Fines and forfeitures	234,062	-	-	-	-	-	234,062
Rentals	-	-	630,359	-	-	20,840	651,199
Charges for services	744,040	-	-	-	-	-	744,040
Contributions and donations	100	-	-	-	-	17,548	17,648
Dividends from component units	5,693,000	-	-	-	-	-	5,693,000
Payments in lieu of taxes from component unit	1,756,428	-	-	-	-	-	1,756,428
Miscellaneous income	321,992	-	-	-	-	148,675	470,667
Total revenues	37,708,282	4,380,867	790,900	5,165,711	1,981,287	3,488,778	53,515,825
Expenditures:							
Current:							
General government	8,480,058	-	-	-	4,400	-	8,484,458
Public safety	17,553,141	-	-	-	-	242,860	17,796,001
Public works	2,348,176	1,278,211	-	-	1,313,020	973,767	5,913,174
Community and cultural	3,786,401	-	-	-	-	883,419	4,669,820
Community economic development	397,346	-	-	41,960	-	459,650	898,956
Capital outlay	968,072	2,092,258	-	5,208,339	1,917,963	673,339	10,859,962
Debt service:							
Principal	-	-	2,714,000	-	-	-	2,714,000
Interest	-	-	928,832	-	-	-	928,832
Issuance costs	-	55,778	-	-	-	-	55,778
Total expenditures	33,533,194	3,426,247	3,642,832	5,249,399	3,235,383	3,233,026	52,320,081
Excess (deficiency) of revenues over expenditures	4,175,088	954,620	(2,851,932)	(83,688)	(1,254,096)	255,752	1,195,744
Other financing sources (uses):							
Sale of capital assets	971,351	-	-	-	-	20,697	992,048
Issuance of debt	-	8,104,292	-	-	-	-	8,104,292
Refunding bonds issued	-	-	-	-	-	-	-
Payment to bond refunding escrow	-	-	-	-	-	-	-
Discount on bonds issued	-	(35,475)	-	-	-	-	(35,475)
Transfers in	500,000	-	2,615,102	-	565,689	-	3,680,791
Transfers out	(3,927,257)	(95,783)	-	-	-	(290,689)	(4,313,729)
Total other financing sources (uses)	(2,455,906)	7,973,034	2,615,102	-	565,689	(269,992)	8,427,927
Net change in fund balances	1,719,182	8,927,654	(236,830)	(83,688)	(688,407)	(14,240)	9,623,671
Fund balances, beginning of year	5,929,148	1,310,784	552,647	-	3,782,564	1,637,125	13,212,268
Fund balances, end of year	\$ 7,648,330	\$ 10,238,438	\$ 315,817	\$ (83,688)	\$ 3,094,157	\$ 1,622,885	\$ 22,835,939

See Notes to Financial Statements

CITY OF OWENSBORO, KENTUCKY
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2008

Net change in fund balances - total governmental funds \$ 9,623.671

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	\$ 12,993,489
Depreciation expense	<u>(3,613,826)</u> 9,379,663

Governmental funds report the disposal of capital assets to the extent proceeds
are received. However, the statement of activities reports the gain or loss. (695.218)

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	\$ 81,227
Property maintenance code revenue	(315,619)
Increase in investment in joint venture	<u>1,378,941</u> 1,144,549

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	\$ 2,714,000
Proceeds from debt issuance	(8,104,292)
Amortization of refunding costs and issuance discounts	(55,845)
Amortization of bond issuance costs	<u>23,223</u> (5,422,914)

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	\$ (37,287)
Decrease in negative net pension obligation	(68,803)
Decrease in accrued interest	<u>24,702</u> (81,388)

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. 330,744

Change in net assets of governmental activities \$ 14,279,107

See Notes to Financial Statements

CITY OF OWENSBORO, KENTUCKY
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
June 30, 2008

	Business-Type Activities			Governmental Activities-Internal Service Funds	
	Enterprise Funds		Total		
	Sanitation Fund	Nonmajor Enterprise Funds			
ASSETS					
Current assets:					
Equity in pooled deposits and investments	\$ 9,249,584	\$ 392,784	\$ 9,642,368	\$ 3,561,169	
Cash and cash equivalents:					
In segregated accounts	125	4,275	4,400	102,319	
Receivables:					
Accounts	8,160	159,319	167,479	49,093	
Component units	676,443	33,439	709,882	-	
Intergovernmental	-	-	-	-	
Materials and supplies inventory	14,924	12,580	27,504	22,708	
Prepaid expenses	-	-	-	20,771	
Total current assets	<u>9,949,236</u>	<u>602,397</u>	<u>10,551,633</u>	<u>3,756,060</u>	
Noncurrent assets:					
Capital assets, net of accumulated depreciation:					
Land	13,000	105,739	118,739	-	
Depreciable capital assets	<u>1,124,027</u>	<u>990,645</u>	<u>2,114,672</u>	<u>1,708,181</u>	
Total noncurrent assets	<u>1,137,027</u>	<u>1,096,384</u>	<u>2,233,411</u>	<u>1,708,181</u>	
Total assets	<u>\$ 11,086,263</u>	<u>\$ 1,698,781</u>	<u>\$ 12,785,044</u>	<u>\$ 5,464,241</u>	
LIABILITIES AND NET ASSETS					
Current liabilities:					
Accounts payable	\$ 103,041	\$ 51,784	\$ 154,825	\$ 877,128	
Accrued liabilities	25,707	39,807	65,514	37,668	
Compensated absences	5,933	2,497	8,430	-	
Unearned revenue	-	-	-	-	
Due to other funds	-	-	-	-	
Total current liabilities	<u>134,681</u>	<u>94,088</u>	<u>228,769</u>	<u>914,796</u>	
Non-current liabilities:					
Compensated absences	<u>116,692</u>	<u>120,790</u>	<u>237,482</u>	<u>-</u>	
Total non-current liabilities	<u>116,692</u>	<u>120,790</u>	<u>237,482</u>	<u>-</u>	
Total liabilities	<u>251,373</u>	<u>214,878</u>	<u>466,251</u>	<u>914,796</u>	
Net assets:					
Invested in capital assets	1,137,027	1,096,384	2,233,411	1,708,181	
Unrestricted	<u>9,697,863</u>	<u>387,519</u>	<u>10,085,382</u>	<u>2,841,264</u>	
Total net assets	<u>10,834,890</u>	<u>1,483,903</u>	<u>12,318,793</u>	<u>4,549,445</u>	
Total liabilities and net assets	<u>\$ 11,086,263</u>	<u>\$ 1,698,781</u>	<u>\$ 12,785,044</u>	<u>\$ 5,464,241</u>	
Total net assets			\$ 12,318,793		
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds			<u>407,142</u>		
Net assets of business-type activities			<u>\$ 12,725,935</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, 2008

	Business-Type Activities			Governmental Activities- Internal Service Funds	
	Enterprise Funds		Total		
	Sanitation Fund	Nonmajor Enterprise Funds			
Operating revenues:					
Charges for services	\$ 5,110,722	\$ 1,425,070	\$ 6,535,792	\$ 9,170,909	
Miscellaneous income	47,026	-	47,026	-	
Total operating revenues	<u>5,157,748</u>	<u>1,425,070</u>	<u>6,582,818</u>	<u>9,170,909</u>	
Operating expenses:					
Salaries, wages, and benefits	1,408,605	1,620,927	3,029,532	2,142,317	
Maintenance	611,789	774,631	1,386,420	1,335,837	
Utilities	10,974	157,329	168,303	35,433	
Administrative	-	-	-	213,734	
Supplies	309,993	350,398	660,391	747,655	
Other	1,718,850	361,669	2,080,519	59,146	
Claims	-	-	-	3,636,215	
Depreciation	243,621	113,943	357,564	550,688	
Total operating expenses	<u>4,303,832</u>	<u>3,378,897</u>	<u>7,682,729</u>	<u>8,721,025</u>	
Operating income (loss)	<u>853,916</u>	<u>(1,953,827)</u>	<u>(1,099,911)</u>	<u>449,884</u>	
Nonoperating revenues:					
Gain on sale of capital assets	68,232	-	68,232	96,932	
Interest income	383,904	-	383,904	111,241	
Grants	-	908,327	908,327	-	
Total nonoperating revenues	<u>452,136</u>	<u>908,327</u>	<u>1,360,463</u>	<u>208,173</u>	
Income (loss) before transfers	1,306,052	(1,045,500)	260,552	658,057	
Transfers in	-	1,184,425	1,184,425	-	
Transfers out	-	(25,131)	(25,131)	(215,000)	
Change in net assets	1,306,052	113,794	1,419,846	443,057	
Net assets, beginning of year	<u>9,528,838</u>	<u>1,370,109</u>	<u>10,898,947</u>	<u>4,106,388</u>	
Net assets, end of year	<u>\$ 10,834,890</u>	<u>\$ 1,483,903</u>	<u>\$ 12,318,793</u>	<u>\$ 4,549,445</u>	
Change in net assets			\$ 1,419,846		
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds			<u>112,313</u>		
Change in net assets of business-type activities			<u>\$ 1,532,159</u>		

See Notes to Financial Statements

CITY OF OWENSBORO, KENTUCKY
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2008

	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	\$ 5,141,333	\$ 1,445,252	\$ 6,586,585	\$ 9,123,274	
Other cash receipts	47,026	-	47,026	-	
Cash payments to employees for services	(1,387,405)	(1,571,600)	(2,959,005)	(2,134,000)	
Cash payments to suppliers	(2,650,797)	(1,583,768)	(4,234,565)	(2,346,338)	
Cash payments for interfund services used	-	(109,771)	(109,771)	-	
Cash payments for claims	-	-	-	(3,636,215)	
Net cash provided by (used in) operating activities	<u>1,150,157</u>	<u>(1,819,887)</u>	<u>(669,730)</u>	<u>1,006,721</u>	
Cash flows from noncapital financing activities:					
Government grants	-	868,918	868,918	-	
Transfers in	-	1,184,425	1,184,425	-	
Transfers out	-	(25,131)	(25,131)	(215,000)	
Net cash provided by (used in) noncapital financing activities	-	<u>2,028,212</u>	<u>2,028,212</u>	<u>(215,000)</u>	
Cash flows from capital and related financing activities:					
Proceeds from sale of capital assets	68,232	-	68,232	96,932	
Payments for capital acquisitions	(591,249)	(40,521)	(631,770)	(470,647)	
Net cash provided by (used in) noncapital financing activities	<u>(523,017)</u>	<u>(40,521)</u>	<u>(563,538)</u>	<u>(373,715)</u>	
Cash flows from investing activities:					
Interest on investments	383,904	-	383,904	111,241	
Net increase in cash and cash equivalents	<u>1,011,044</u>	<u>167,804</u>	<u>1,178,848</u>	<u>529,247</u>	
Equity in pooled cash and deposits, and cash and cash equivalents, beginning of year	<u>8,238,665</u>	<u>229,255</u>	<u>8,467,920</u>	<u>3,134,241</u>	
Equity in pooled cash and deposits, and cash and cash equivalents, end of year	<u>\$ 9,249,709</u>	<u>\$ 397,059</u>	<u>\$ 9,646,768</u>	<u>\$ 3,663,488</u>	
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:					
Operating income (loss)	\$ 853,916	\$ (1,953,827)	\$ (1,099,911)	\$ 449,884	
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation	243,621	113,943	357,564	550,688	
Change in assets and liabilities:					
(Increase) decrease in assets:					
Accounts receivable	3,669	58,481	62,150	(47,635)	
Component unit receivable	26,942	(33,439)	(6,497)	-	
Materials and supplies inventory	2,212	1,548	3,760	(2,396)	
Prepaid expenses	-	30,670	30,670	-	
Increase (decrease) in liabilities:					
Accounts payable	(1,403)	28,041	26,638	47,863	
Unearned revenue	-	(4,860)	(4,860)	-	
Accrued liabilities	5,793	14,682	20,475	8,317	
Compensated absences	15,407	34,645	50,052	-	
Interfund payables	-	(109,771)	(109,771)	-	
Net cash provided by (used in) operating activities	<u>\$ 1,150,157</u>	<u>\$ (1,819,887)</u>	<u>\$ (669,730)</u>	<u>\$ 1,006,721</u>	

See Notes to Financial Statements

CITY OF OWENSBORO, KENTUCKY
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
June 30, 2008

	Pension Trust Funds	Investment Trust Fund	Agency Funds
ASSETS			
Equity in pooled deposits and investments	\$ 4,404,573	\$ 13,772,804	\$ 95,573
Cash and cash equivalents	236,991	-	-
Cash and cash equivalents, restricted	60,872	-	-
Interest receivable	37,897	-	-
Intergovernmental receivable	-	-	243,046
Investments, at fair value:			
Mutual funds	8,359,036	-	-
Investments at fair value, restricted:			
Mutual funds	<u>1,998,437</u>	-	-
Total assets	<u>15,097,806</u>	<u>13,772,804</u>	<u>338,619</u>
LIABILITIES			
Pension payable	112,930	-	-
Other	<u>1,077</u>	-	<u>338,619</u>
Total liabilities	<u>114,007</u>	-	<u>338,619</u>
NET ASSETS			
Held in trust for pension benefits	12,917,212	-	-
Held in trust for debt service	2,066.587	-	-
Held in trust for external pool participants	<u>-</u>	<u>13,772,804</u>	<u>-</u>
Total net assets	<u>\$ 14,983,799</u>	<u>\$ 13,772,804</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, 2008

	Pension Trust Funds	Investment Trust Fund
Additions:		
Purchases of pool units	\$ -	\$ 23,468.319
Contributions:		
Other	40.142	-
Total contributions	<u>40,142</u>	<u>-</u>
Investment earnings:		
Net depreciation in fair value of investments	(625,047)	(7,551)
Interest	<u>536.798</u>	<u>533,731</u>
Total investment earnings (loss)	<u>(88.249)</u>	<u>23,994,499</u>
Less investment expense	<u>16,750</u>	<u>-</u>
Net investment earnings (loss)	<u>(104.999)</u>	<u>23,994,499</u>
Total additions (reductions)	<u>(64,857)</u>	<u>23,994,499</u>
Deductions:		
Benefits	1,639,553	-
Transfer to debt service fund	311,356	-
Redemption of pool units	<u>-</u>	<u>24,967,446</u>
Total deductions	<u>1,950.909</u>	<u>24,967,446</u>
Change in net assets	<u>(2,015.766)</u>	<u>(972,947)</u>
Net assets, beginning of year	<u>16,999.565</u>	<u>14,745.751</u>
Net assets, end of year	<u>\$ 14,983.799</u>	<u>\$ 13,772.804</u>

See Notes to Financial Statements

CITY OF OWENSBORO, KENTUCKY
STATEMENT OF NET ASSETS
COMPONENT UNITS
June 30, 2008

	Owensboro Municipal Utilities	Owensboro Riverport Authority	Total
ASSETS			
Equity in pooled deposits and investments	\$ -	\$ 3,566,865	\$ 3,566,865
Cash and cash equivalents:			
In segregated accounts	7,756,679	1,181,222	8,937,901
Accounts receivable (less allowance of \$48,132 and \$3,139 for OMU and ORA, respectively)	7,580,602	1,201,551	8,782,153
Investments	10,000,000	-	10,000,000
Material and supplies inventory	2,856,838	-	2,856,838
Prepaid items	99,248	479	99,727
Other current assets	53,555	19,058	72,613
Restricted assets	85,880,043	-	85,880,043
Capital assets, net of accumulated depreciation	254,527,975	18,694,238	273,222,213
Other noncurrent assets	-	24,103	24,103
Deferred charges	8,700,328	-	8,700,328
Total assets	\$ 377,455,268	\$ 24,687,516	\$ 402,142,784

LIABILITIES AND NET ASSETS

Liabilities:			
Accounts payable	\$ 20,270,529	\$ 193,165	\$ 20,463,694
Accrued liabilities	-	254,706	254,706
Accrued interest payable	1,155,316	-	1,155,316
Other payables	3,332,822	-	3,332,822
Deferred revenue	9,057,374	194,783	9,252,157
Customers' advances	976,959	-	976,959
Non-current liabilities:			
Due within one year	24,449,360	597,042	25,046,402
Due in more than one year	173,071,468	4,345,454	177,416,922
Total liabilities	232,313,828	5,585,150	237,898,978
Net assets:			
Invested in capital assets, net of related debt	69,262,692	13,751,742	83,014,434
Restricted for:			
Capital projects	1,073,822	-	1,073,822
Debt service	20,790,386	-	20,790,386
Other purposes	30,758,289	-	30,758,289
Unrestricted	23,256,251	5,350,624	28,606,875
Total net assets	145,141,440	19,102,366	164,243,806
Total liabilities and net assets	\$ 377,455,268	\$ 24,687,516	\$ 402,142,784

See Notes to Financial Statements

CITY OF OWENSBORO, KENTUCKY
STATEMENT OF ACTIVITIES
COMPONENT UNITS
Year Ended June 30, 2008

	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	\$ 122,562,032	\$ 115,912,804	\$ 612,681	\$ (6,036,547)	\$ -	\$ (6,036,547)
Owensboro Riverport Authority	6,042,427	6,989,908	-	-	947,481	947,481
Total Component Units	\$ 128,604,459	\$ 122,902,712	\$ 612,681	(6,036,547)	947,481	(5,089,066)
 General revenues:						
Earnings on investments and sales type leases			4,677,312	232,929	4,910,241	
Gain on sale of capital assets			-	471,363	471,363	
Miscellaneous		97,876		-	97,876	
Total general revenues		4,775,188		704,292		5,479,480
 Change in net assets						
			(1,261,359)	1,651,773	390,414	
Net assets. beginning of year			146,402,799	17,450,593	163,853,392	
Net assets. end of year		\$ 145,141,440		\$ 19,102,366		\$ 164,243,806

See Notes to Financial Statements

CITY OF OWENSBORO, KENTUCKY
NOTES TO THE BASIC FINANCIAL STATEMENTS
Year Ended June 30, 2008

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. The following component units are included in the City's reporting entity because the primary government is financially accountable and is able to impose its will on the organizations.

Owensboro Municipal Utilities

Owensboro Municipal Utilities (OMU) is managed, controlled and operated by the City Utility Commission, established by the City in 1940. OMU consists of the Electric Light and Power System and the Water Works System. The fiscal year-end for OMU is May 31; data presented for OMU is as of and for the year ended May 31, 2008. 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, 2008

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.

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

Related Organization:

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

(b) Government-Wide and Fund Financial Statements

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

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

CITY OF OWENSBORO, KENTUCKY
NOTES TO THE BASIC FINANCIAL STATEMENTS, continued
Year Ended June 30, 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

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

The City reports the following governmental funds:

General Fund

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

Debt Service Fund

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

CITY OF OWENSBORO, KENTUCKY
NOTES TO THE BASIC FINANCIAL STATEMENTS, continued
Year Ended June 30, 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Special Revenue Funds

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

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

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

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

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

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

Capital Projects Funds

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

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

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

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

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

CITY OF OWENSBORO, KENTUCKY
NOTES TO THE BASIC FINANCIAL STATEMENTS, continued
Year Ended June 30, 2008

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 Services Department.

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

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

Internal Service Funds

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

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

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

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

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

CITY OF OWENSBORO, KENTUCKY
NOTES TO THE BASIC FINANCIAL STATEMENTS, continued
Year Ended June 30, 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fiduciary Funds

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

City Employees' Pension Fund

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

Police and Firefighters Retirement Fund

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

Investment Trust Fund

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

Agency Funds

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

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

CITY OF OWENSBORO, KENTUCKY
NOTES TO THE BASIC FINANCIAL STATEMENTS, continued
Year Ended June 30, 2008

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, 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

(e) Deferred Revenue

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

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

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

(f) Deposits and Investments

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

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

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

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

(g) Materials and Supplies Inventory

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

CITY OF OWENSBORO, KENTUCKY
NOTES TO THE BASIC FINANCIAL STATEMENTS, continued
Year Ended June 30, 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Capital Assets

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

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

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

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

(i) Property Taxes

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

(j) Compensated Absences

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

CITY OF OWENSBORO, KENTUCKY
NOTES TO THE BASIC FINANCIAL STATEMENTS, continued
Year Ended June 30, 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Interfund Balances

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

(l) Accrued Liability and Long-Term Obligations

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

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

(m) Bond Discounts/Issuance Costs

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

(n) Fund Balance Reserves

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

(o) Net Assets

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

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

CITY OF OWENSBORO, KENTUCKY
NOTES TO THE BASIC FINANCIAL STATEMENTS, continued
Year Ended June 30, 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(p) Interfund Activity

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

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

(q) Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of City administration and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year ended June 30, 2008.

(r) Estimates

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

(s) Budgetary Information

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

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

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

CITY OF OWENSBORO, KENTUCKY
NOTES TO THE BASIC FINANCIAL STATEMENTS, continued
Year Ended June 30, 2008

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, 2008, was \$.2601 per \$100, which means that the City has a tax margin of \$1.2399 per \$100, on the assessed valuation of \$2,374,960,400. 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 \$.2743 and \$.3030 per \$100 of assessed value, respectively.

3. DEPOSITS AND INVESTMENTS

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

The City has neither provided nor obtained any legally binding guarantees during the period to support the value of shares. The pool includes no involuntary participants. The investments held by the pool at June 30, 2008, 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	\$45,911,375	46,490,000	3.500%-6.790%	4/09-2/17
Cash	9,578,815	9,578,815		
Totals	\$55,490,190	56,068,815		

CITY OF OWENSBORO, KENTUCKY
NOTES TO THE BASIC FINANCIAL STATEMENTS, continued
Year Ended June 30, 2008

3. DEPOSITS AND INVESTMENTS (continued)

The following condensed statements of net assets and changes in net assets for the year ended June 30, 2008, are presented for the pool as a whole:

Statement of Net Assets	
Assets:	
Investments in securities, at fair value	\$45,911,375
Cash and cash equivalents	9,578,815
Total assets	<u>\$55,490,190</u>
Net assets:	
Net assets held in trust for external pool participants	\$21,839,815
Net assets held in trust for internal pool participants	33,650,375
Total net assets	<u>\$55,490,190</u>
Net assets consist of:	
Participants' units outstanding (\$1.00 par)	<u>56,068,815</u>
Statement of Changes in Net Assets	
Revenues:	
Interest income	\$ 2,374,520
Net change in fair value	(203,707)
Total revenues	<u>2,170,813</u>
Share transactions at net asset value of \$1.00 per share:	
Purchase of units	95,004,367
Redemption of units	(88,177,574)
Net increase in net assets and shares resulting from share transactions	<u>6,826,793</u>
Total increase in net assets	8,997,606
Net assets:	
Beginning of period	46,492,584
End of period	<u>\$55,490,190</u>

Interest Rate Risk

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

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

CITY OF OWENSBORO, KENTUCKY
NOTES TO THE BASIC FINANCIAL STATEMENTS, continued
Year Ended June 30, 2008

3. DEPOSITS AND INVESTMENTS (continued)

Credit Risk

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

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counter-party, the city will not be able to recover the value of its investments that are in the possession of an outside party. All of the City's investments in U.S. government instrumentalities were held by the counterparty and carry the implicit guarantee of the U.S. government. All of the City's investments were rated AAA by Standard & Poor's and Fitch Ratings, and Aaa by Moody's Investors Service. It is the City's policy that all cash and investments maintained in any financial institution named as a depository be collateralized. In order to anticipate market changes and provide a level of security for all funds, the collateralization level shall be 110% of the market value 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, 2008, \$11,306,464 of the City's bank balances were fully collateralized and insured by pledged securities and FDIC Insurance.

As of June 30, 2008, the City had the following investments. Investments are reported at fair values.

<u>Investments</u>	<u>Maturities</u>
Federal Farm Credit Bank Obligations	61 months average
Federal Home Loan Bank Obligations	61 months average
Federal Home Loan Mortgage Corp. Obligations	61 months average
Federal National Mortgage Association Obligations	58 months average
Tennessee Valley Authority Obligations	83 months average
	<u><u>\$45,911,375</u></u>

Primary Government	<u>Bank Balance</u>	<u>Carrying Amount</u>
Deposits and investments:		
Non-pooled:		
Cash and cash equivalents	\$210,151	\$ 210,151
Government obligations		228,276
Fiduciary cash equivalents		297,863
Investments		<u>10,655,336</u>
	<u><u>11,391,626</u></u>	
Pooled:		
Cash and cash equivalents		9,578,815
Government obligations		<u>45,911,375</u>
	<u><u>55,490,190</u></u>	
Total deposits and investments		66,881,816

CITY OF OWENSBORO, KENTUCKY
NOTES TO THE BASIC FINANCIAL STATEMENTS, continued
Year Ended June 30, 2008

3. DEPOSITS AND INVESTMENTS (continued)

Less:

External participants' equity in pool:	
Component units	(3,566,865)
Other external participants – Investment Trust Fund	(13,772,804)

Fiduciary:

Cash equivalents	(297,863)
Equity in pool:	
Pension Trust Funds	(4,404,573)
Agency Funds	(95,573)
Investments	<u>(10,655,336)</u>

Total deposits and investments – primary government

\$34,088,802

Balance Sheet Accounts:

Equity in pooled deposits and investments	\$33,650,375
Cash and cash equivalents:	
In segregated accounts	122,610
With escrow agents	4
Restricted assets:	
Cash and cash equivalents	<u>315,813</u>
Total deposits and investments – primary government	<u>\$34,088,802</u>

Component Units

	Bank Balance	Carrying Amount
Deposits:		
Cash and cash equivalents	<u>\$89,609,134</u>	<u>\$85,852,395</u>
Investments:		
Equity in pooled deposits and investments	3,566,865	
Repurchase agreements	8,900,000	
Total investments	<u>12,466,865</u>	
Total deposits and investments – component units		<u>\$98,319,260</u>

Balance Sheet Accounts:

Equity in pooled deposits and investments	\$ 3,566,865
Cash and cash equivalents	8,937,901
Investments	<u>10,000,000</u>
	<u>22,504,766</u>
Restricted assets:	
Cash and cash equivalents	19,768,445
Investments	56,046,049
Other restricted assets	<u>10,065,549</u>
	<u>85,880,043</u>
Less other restricted assets	<u>(10,065,549)</u>
Total deposits and investments – component units	<u>\$98,319,260</u>

CITY OF OWENSBORO, KENTUCKY
NOTES TO THE BASIC FINANCIAL STATEMENTS, continued
Year Ended June 30, 2008

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>\$ 315,813</u>
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Component Units

Certain assets of Owensboro Municipal Utilities as of May 31, 2008, which are restricted, consist of the following:

Electric Light and Power System:

Cash and investments	\$18,294,094
Investments	55,993,394
Purchased power receivable	4,583,356
Accrued interest receivable	1,246,137
Fuel inventory, at cost	3,884,368
Other	<u>349,241</u>
	<u>84,350,590</u>

Water Works System:

Cash and equivalents	1,474,351
Temporary investments	52,655
Accrued interest receivable	<u>2,447</u>
	<u>1,529,453</u>

Total restricted assets – component units	<u>\$85,880,043</u>
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CITY OF OWENSBORO, KENTUCKY
NOTES TO THE BASIC FINANCIAL STATEMENTS. continued
Year Ended June 30, 2008

5. CAPITAL ASSETS

Primary Government

Capital asset activity for the City for the year ended June 30, 2008 was as follows:

	Balance June 30, 2007	Increases	Decreases	Balance June 30, 2008
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 10,999,244	\$ 1,259,785	\$ (613,067)	\$ 11,645,962
Capital assets, being depreciated:				
Land improvements/infrastructure	50,411,917	10,776,116	-	61,188,033
Buildings	17,186,423	755,391	(416,067)	17,525,747
Vehicles	7,805,933	631,391	(479,825)	7,957,499
Machinery and equipment	3,873,286	41,454	(26,417)	3,888,323
Total capital assets, being depreciated	<u>79,277,559</u>	<u>12,204,352</u>	<u>(922,309)</u>	<u>90,559,602</u>
Less accumulated depreciation for:				
Land improvements/infrastructure	(17,187,503)	(2,648,519)	-	(19,836,022)
Buildings	(8,001,136)	(597,977)	333,915	(8,265,198)
Vehicles	(5,443,420)	(727,964)	479,825	(5,691,559)
Machinery and equipment	(3,219,301)	(190,055)	26,417	(3,382,939)
Total accumulated depreciation	<u>(33,851,360)</u>	<u>(4,164,515)</u>	<u>840,157</u>	<u>(37,175,718)</u>
Total capital assets, being depreciated, net	<u>45,426,199</u>	<u>8,039,837</u>	<u>(82,152)</u>	<u>53,383,884</u>
Governmental activities capital assets, net	<u>\$ 56,425,443</u>	<u>\$ 9,299,622</u>	<u>\$ (695,219)</u>	<u>\$ 65,029,846</u>
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 118,739	\$ -	\$ -	\$ 118,739
Capital assets, being depreciated:				
Land improvements	545,446	-	-	545,446
Buildings	2,517,101	40,521	-	2,557,622
Vehicles	4,440,381	591,249	(495,243)	4,536,387
Machinery and equipment	340,835	-	-	340,835
Total capital assets, being depreciated	<u>7,843,763</u>	<u>631,770</u>	<u>(495,243)</u>	<u>7,980,290</u>
Less accumulated depreciation for:				
Land improvements	(545,446)	-	-	(545,446)
Buildings	(1,815,552)	(65,519)	-	(1,881,071)
Vehicles	(3,450,501)	(242,587)	495,243	(3,197,845)
Machinery and equipment	(191,798)	(49,458)	-	(241,256)
Total accumulated depreciation	<u>(6,003,297)</u>	<u>(357,564)</u>	<u>495,243</u>	<u>(5,865,618)</u>
Total capital assets, being depreciated, net	<u>1,840,466</u>	<u>274,206</u>	<u>-</u>	<u>2,114,672</u>
Business-type activities capital assets, net	<u>\$ 1,959,205</u>	<u>\$ 274,206</u>	<u>\$ -</u>	<u>\$ 2,233,411</u>

CITY OF OWENSBORO, KENTUCKY
NOTES TO THE BASIC FINANCIAL STATEMENTS, continued
Year Ended June 30, 2008

5. CAPITAL ASSETS (continued)

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

Governmental activities:

General government	\$ 1,079,406
Public safety	262,839
Public works	1,863,315
Community and cultural	958,955
Total depreciation expense, governmental activities	<u>\$ 4,164,515</u>

Business-type activities:

Sanitation	\$ 243,621
Transit	113,419
Geographic information system	524
Total depreciation expense, business-type activities	<u>\$ 357,564</u>

Component Units

Capital asset activity for Owensboro Municipal Utilities for the year ended May 31, 2008, was as follows:

	Balance May 31, 2007	Increases	Decreases	Balance May 31, 2008
Electric Light and Power System:				
Capital assets, not being depreciated:				
Construction in progress	<u>\$ 4,049,569</u>	<u>\$ 281,277</u>	<u>\$ -</u>	<u>\$ 4,330,846</u>
Capital assets, being depreciated:				
Utility plant	382,578,176	6,422,354	(1,463,104)	387,537,426
Less accumulated depreciation	(172,179,294)	(12,424,890)	1,215,069	(183,389,115)
Total capital assets, being depreciated, net	<u>210,398,882</u>	<u>(6,002,536)</u>	<u>(248,035)</u>	<u>204,148,311</u>
Electric Light and Power System capital assets, net	<u>\$ 214,448,451</u>	<u>\$ (5,721,259)</u>	<u>\$ (248,035)</u>	<u>\$ 208,479,157</u>
Water Works System:				
Capital assets, not being depreciated:				
Construction in progress	<u>\$ 1,643,608</u>	<u>\$ 42,250</u>	<u>\$ -</u>	<u>\$ 1,685,858</u>
Capital assets, being depreciated:				
Utility plant	66,288,755	1,542,188	(208,386)	67,622,557
Less accumulated depreciation	(21,704,803)	(1,968,568)	413,774	(23,259,597)
Total capital assets, being depreciated, net	<u>44,583,952</u>	<u>(426,380)</u>	<u>205,388</u>	<u>44,362,960</u>
Water Works System capital assets, net	<u>\$ 46,227,560</u>	<u>\$ (384,130)</u>	<u>\$ 205,388</u>	<u>\$ 46,048,818</u>

CITY OF OWENSBORO, KENTUCKY
NOTES TO THE BASIC FINANCIAL STATEMENTS, continued
Year Ended June 30, 2008

5. CAPITAL ASSETS (continued)

Capital asset activity for Owensboro Riverport Authority for the year ended June 30, 2008, was as follows:

	Balance June 30, 2007	Increases	Decreases	Balance June 30, 2008
Capital assets, not being depreciated:				
Land and land improvements	\$ 3,129,947	\$ 470,920	\$ -	\$ 3,600,867
Construction in progress	-	-	-	-
Total capital assets, not being depreciated	<u>3,129,947</u>	<u>470,920</u>	<u>-</u>	<u>3,600,867</u>
Capital assets, being depreciated:				
Port facilities	21,064,268	62,144	(361,642)	20,764,770
Machinery and equipment	4,803,568	452,757	(275,971)	4,980,354
Office furniture and equipment	1,100,041	111,004	-	1,211,045
Property on operating leases	487,600	-	-	487,600
Total capital assets, being depreciated	<u>27,455,477</u>	<u>625,905</u>	<u>(637,613)</u>	<u>27,443,769</u>
Less accumulated depreciation for:				
Port facilities	(6,902,604)	(658,444)	36,650	(7,524,398)
Machinery and equipment	(3,592,617)	(324,993)	256,008	(3,661,602)
Office furniture and equipment	(559,927)	(125,595)	-	(685,522)
Property on operating leases	(476,763)	(2,113)	-	(478,876)
Total accumulated depreciation	<u>(11,531,911)</u>	<u>(1,111,145)</u>	<u>292,658</u>	<u>(12,350,398)</u>
Total capital assets, being depreciated, net	<u>15,923,566</u>	<u>(485,240)</u>	<u>(344,955)</u>	<u>15,093,371</u>
Owensboro Riverport Authority capital assets, net	<u>\$ 19,053,513</u>	<u>\$ (14,320)</u>	<u>\$ (344,955)</u>	<u>\$ 18,694,238</u>

CITY OF OWENSBORO, KENTUCKY
NOTES TO THE BASIC FINANCIAL STATEMENTS, continued
Year Ended June 30, 2008

6. LONG-TERM LIABILITIES

Primary Government

Long-term liability activity for the City for the year ended June 30, 2008, was as follows:

	Balance June 30, 2007	Additions	Reductions	Balance June 30, 2008	Due Within One Year
Governmental activities:					
Bonds and loan payable:					
Lease revenue bonds:					
Series 1989	\$ 585,000	-	\$ (60,000)	\$ 525,000	\$ 60,000
Floating indebtedness bonds:					
Series 2005	132,000	-	(85,000)	47,000	10,000
General obligation bonds:					
Series 1999	360,000	-	(65,000)	295,000	70,000
Series 1999B	295,000	-	(145,000)	150,000	150,000
Series 2001	985,000	-	(480,000)	505,000	505,000
Series 2002A	2,725,000	-	(130,000)	2,595,000	140,000
Series 2002B	5,830,000	-	(285,000)	5,545,000	295,000
Series 2003A	2,575,000	-	(219,000)	2,356,000	224,000
Series 2006	3,960,000	-	(145,000)	3,815,000	150,000
Series 2006 Refunding	2,110,000	-	(230,000)	1,880,000	240,000
Series 2007		7,095,000	-	7,095,000	-
Loan Payable:					
KIA A07-04	-	1,009,292	-	1,009,292	45,826
Other	870,000	-	(870,000)	-	-
	20,427,000	8,104,292	(2,714,000)	25,817,292	1,889,826
Less deferred amounts:					
For issuance discounts	(65,973)	(35,475)	18,248	(83,200)	-
On refunding	(494,553)	-	73,072	(421,481)	-
Total bonds and loan payable	19,866,474	8,068,817	(2,622,680)	25,312,611	1,889,826
Net pension obligation	-	-	-	-	-
Compensated absences	3,642,492	1,913,190	(1,875,903)	3,679,779	286,557
Total governmental	<u>\$23,508,966</u>	<u>\$ 9,982,007</u>	<u>\$(4,498,583)</u>	<u>\$28,992,390</u>	<u>\$2,176,383</u>
Business-type activities:					
Compensated absences	\$ 195,861	\$ 222,351	\$ (172,300)	\$ 245,912	\$ 8,430

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, 2008, consisted of the following:

Series 1989 Lease Revenue Bonds:

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

Series 2005 Floating Indebtedness Bonds:

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

\$ 525,000

47,000

CITY OF OWENSBORO, KENTUCKY
NOTES TO THE BASIC FINANCIAL STATEMENTS, continued
Year Ended June 30, 2008

6. LONG-TERM LIABILITIES (continued)

Series 1999 General Obligation Bonds:		
4.0%-4.35% with principal due annually and interest due semi-annually through August 2011		295,000
Series 1999B General Obligation Bonds:		
4%-4.65% with principal due annually and interest due semi-annually through July 2009		150,000
Series 2001 General Obligation Bonds:		
3.75%-4.0% with principal due annually and interest due semi-annually through February 2009		505,000
Series 2002A General Obligation Bonds:		
4%-5% with principal due annually and interest due semi-annually through February 2022		2,595,000
Series 2002B General Obligation Bonds:		
3%-5% with principal due annually and interest due semi-annually through September 2021		5,545,000
Series 2003A General Obligation Bonds:		
2.0%-4.375% with principal due annually and interest due semi-annually through June 2017		2,356,000
Series 2006 General Obligation Bonds:		
3.75% with principal due annually and interest due semi-annually through March 2026		3,815,000
Series 2006 Refunding General Obligation Bonds:		
3.50%-3.85% with principal due annually and interest due semi-annually through June 2015		1,880,000
Series 2007 General Obligation Bonds:		
3.00% with interest due semi-annually through December 2010 at which time principal is due		7,095,000
Federally Assisted Wastewater Revolving Loans:		
1.0% Kentucky Infrastructure Authority Federally Assisted Wastewater Revolving Loan A07-04 dated October 4, 2007, for a stormwater separation project, due in semi-annual principal and interest payments through June 2028		<u>1,009,292</u>
		<u>\$25,817.292</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 Southpark, and 3) Symphony building renovations. The Airport bonds are secured by the acquired Airport property and are subject to optional redemption.

The City issues general obligation bonds primarily to provide funds for the acquisition and construction of various public projects in the City, except as follows: (1) proceeds from the Series 2003A General Obligation Bonds were used to fund past service cost for the County Employees Retirement System and (2) proceeds from the Series 2006 General Obligation Bonds were

CITY OF OWENSBORO, KENTUCKY
NOTES TO THE BASIC FINANCIAL STATEMENTS, continued
Year Ended June 30, 2008

6. LONG-TERM LIABILITIES (continued)

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, 2008, \$5,832,285 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>
2009	\$ 1,889,826	\$ 968,062	\$ 2,857,888
2010	1,275,286	896,770	2,172,056
2011	8,425,750	741,509	9,167,259
2012	1,348,218	580,237	1,928,455
2013	1,307,691	524,084	1,831,775
2014-2018	6,100,727	1,809,326	7,910,053
2019-2023	4,373,292	652,359	5,025,651
2024-2028	1,096,502	75,827	1,172,329
	<u>\$25,817,292</u>	<u>\$6,248,174</u>	<u>\$32,065,466</u>

Component Units

Owensboro Municipal Utilities Electric Light and Power System

Long-term liability activity for the year ended May 31, 2008, was as follows:

Bonds Payable	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Series of 1991-B	\$134,771,257	\$9,038,504	\$(15,725,000)	\$128,084,761	\$15,116,084
Series of 1993-B	8,225,174	419,586	(1,300,000)	7,344,760	7,344,760
Series of 2002-A	31,105,000	-	(1,825,000)	29,280,000	-
Series of 2002-B	10,660,000	-	(705,000)	9,955,000	-
	<u>\$184,761,431</u>	<u>9,458,090</u>	<u>(19,555,000)</u>	<u>174,664,521</u>	<u>22,460,844</u>
Less unamortized debt discount	(551,246)	-	111,337	(439,909)	-
Less unamortized deferred loss on debt defeasance	(13,237)	-	8,362	(4,875)	-
Total bonds payable	184,196,948	9,458,090	(19,435,301)	174,219,737	22,460,844
Other liabilities:					
Long-term payable to Kentucky Utilities Co.	3,074,539	784,447	(228,623)	3,630,363	448,516
Total long-term liabilities	<u>\$187,271,487</u>	<u>\$10,242,537</u>	<u>\$(19,663,924)</u>	<u>\$177,850,100</u>	<u>\$22,909,360</u>

CITY OF OWENSBORO, KENTUCKY
NOTES TO THE BASIC FINANCIAL STATEMENTS, continued
Year Ended June 30, 2008

6. LONG-TERM LIABILITIES (continued)

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

Series of 1991-B:

Deferred interest bonds including interest compounded semi-annually at 6.70% to 6.95%, principal and interest due from 2005 to 2020 (original principal outstanding bonds at May 31, 2008, was \$41,666,218) \$128,084,761

Series of 1993-B:

Deferred interest bonds including interest compounded semi-annually at 3.80% to 5.45%, principal and interest due from 1996 to 2009 (original principal of outstanding bonds at May 31, 2008, was \$3,361,657) 7,344,760

Series of 2002-A:

6.34% due 2020, subject to annual pro rata sinking fund redemption from 2005 to 2020 29,280,000

Series of 2002-B:

Current interest bonds of 3.25% to 4.75%, due from 2005 to 2017 6,725,000

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

Total 174,664,521

Less current maturities (22,460,844)

Less unamortized debt discount (439,909)

Less unamortized deferred net loss on debt defeasance (4,875)

Total \$151,758,893

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>
2009	\$23,300,000	\$2,316,952	\$25,616,952
2010	18,370,000	2,316,952	20,686,952
2011	18,520,000	2,166,224	20,686,224
2012	18,680,000	2,005,634	20,685,634
2013	18,850,000	1,834,589	20,684,589
2014-2018	97,245,000	6,190,787	103,435,787
2019-2023	40,545,000	828,645	41,373,645
	<u>\$235,510,000</u>	<u>\$17,659,783</u>	<u>\$253,169,783</u>

The scheduled principal maturities include \$60,845,479 of interest scheduled to be incurred in future years on deferred interest bonds, which will be compounded and added to the original principal amounts.

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

CITY OF OWENSBORO, KENTUCKY
NOTES TO THE BASIC FINANCIAL STATEMENTS, continued
Year Ended June 30, 2008

6. LONG-TERM LIABILITIES (continued)

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

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

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

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

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

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

As discussed above, the electric system accomplished in-substance defeasances of certain bonds by irrevocably placing U.S. Government obligations in escrow funds to be used solely for satisfying schedule debt service payments on the defeased bonds. The in-substance defeasances resulted in the accounting recognition of net gains approximating \$8,901,000. Consistent with the ratemaking treatment, this gain has been deferred and is being amortized to income (straight-line method) during the period to 2009. As a result of the in-substance defeasances, escrow fund assets and the liability for the defeased bonds are not included in the electric system's financial statements. At May 31, 2008, there were no outstanding bonds considered defeased.

Owensboro Municipal Utilities Water Works System

Long-term liability activity for the year ended May 31, 2008, was as follows:

CITY OF OWENSBORO, KENTUCKY
 NOTES TO THE BASIC FINANCIAL STATEMENTS, continued
 Year Ended June 30, 2008

6. LONG-TERM LIABILITIES (continued)

	<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	\$17,895,000	\$ -	\$(1,290,000)	\$16,605,000	\$1,360,000
Series of 2003	4,085,000	-	(175,000)	3,910,000	180,000
	21,980,000	-	(1,465,000)	20,515,000	1,540,000
Less unamortized debt discount	(22,259)	-	2,163	(20,096)	-
Less unamortized deferred loss on on debt defeasance	(912,876)	-	88,700	(824,176)	-
Total bonds payable	\$21,044,865	\$ -	\$(1,374,137)	\$19,670,728	\$1,540,000

Long-term debt at May 31, 2008, consists of the following Water Revenue Bonds:

Series of 1999:			
4.0% to 5.25% due serially September 15, 1999 to 2017			\$16,605,000
Series of 2003:			
2.0% to 4.25%, due serially September 15, 2004 to 2023			3,910,000
Total			20,515,000
Less current maturities			(1,540,000)
Less unamortized debt discount			(20,096)
Less unamortized deferred loss on debt defeasance			(824,176)
			<u>\$18,130,728</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>
2009	\$ 1,540,000	\$ 873,884	\$ 2,413,884
2010	1,605,000	803,795	2,408,795
2011	1,665,000	736,869	2,401,869
2012	1,745,000	665,316	2,410,316
2013	1,815,000	588,873	2,403,873
2014-2018	10,370,000	1,605,622	11,975,622
2019-2023	1,445,000	217,562	1,662,562
2024-2028	330,000	6,806	336,806
	<u>\$20,515,000</u>	<u>\$5,498,727</u>	<u>\$26,013,727</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.

CITY OF OWENSBORO, KENTUCKY
NOTES TO THE BASIC FINANCIAL STATEMENTS, continued
Year Ended June 30, 2008

6. LONG-TERM LIABILITIES (continued)

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.

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

In 2002, the Authority entered into a \$10,175,000 Lease Agreement with the Kentucky League of Cities Funding Trust to construct warehouse and storage facilities. 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 lease.

Long-term debt activity for the year ended June 30, 2008, 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 1.63% for 2008	\$8,367,437	\$ -	\$(3,522,210)	\$4,845,227	\$571,069
Capital lease obligations	- -	133,359	(36,090)	97,269	25,973
	<u>\$8,367,437</u>	<u>\$ 133,359</u>	<u>\$(3,558,300)</u>	<u>\$4,942,496</u>	<u>\$597,042</u>

CITY OF OWENSBORO, KENTUCKY
NOTES TO THE BASIC FINANCIAL STATEMENTS, continued
Year Ended June 30, 2008

6. LONG-TERM LIABILITIES (continued)

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

<u>Year ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 571,069	\$129,466	\$ 700,535
2010	576,785	116,756	693,541
2011	587,703	103,723	691,426
2012	598,829	90,503	689,332
2013	610,165	76,848	687,013
2014-2016	<u>1,900,676</u>	<u>146,944</u>	<u>2,047,620</u>
	<u>\$4,845,227</u>	<u>\$664,240</u>	<u>\$5,509,467</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, 2008

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	\$ -	\$ 6,700
Interest on net pension obligation	\$ (797)	\$ (177,416)
Adjustment to annual required contribution	\$ (1,075)	\$ (239,241)
Annual pension cost	\$ 278	\$ 68,525
Contributions made	-	-
Actuarial valuation date	June 30, 2007	June 30, 2007
Change in net pension obligation	\$ 278	\$ 68,525
Net pension obligation (negative)	\$ (11,112)	\$ (2,465,996)
Actuarial cost method	Entry age	Entry age
Amortization method	Level dollar – closed	Level dollar – closed
Remaining amortization period	20 years	20 years
Asset valuation method	Market	Market
Actuarial assumptions:		
Investment rate of return	7.0%	7.0%
Inflation rate	None	None
Projected salary increases	None	None
Cost of living adjustment	None	None

Methods Used to Value Investments: Plan investments are reported at fair value. Investments at June 30, 2008, consist of investments in mutual funds.

		<u>Three-Year Trend Information</u>		
		<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>(Negative) Net Pension Obli- gation</u>
<u>Fiscal Year ended June 30,</u>				
CEPF:	6/30/2008	\$ 278	-	\$ (11,112)
	6/30/2007	\$ 285	-	\$ (11,390)
	6/30/2006	\$ 292	-	\$ (11,675)
PFRF:	6/30/2008	\$ 68,525	-	\$ (2,465,996)
	6/30/2007	\$ 70,238	-	\$ (2,534,521)
	6/30/2006	\$ 37,085	100%	\$ (2,604,759)

CITY OF OWENSBORO, KENTUCKY
NOTES TO THE BASIC FINANCIAL STATEMENTS, continued
Year Ended June 30, 2008

7. PENSION PLANS (continued)

Schedules of Funding Progress
(Required supplementary information)

Year Ended June 30,	Actuarial Value of Assets	Actuarial Ac- crued Liabil- ity – Entry Age	Funded (Un- funded) Actuarial Accrued Liability	Funded Ratio	Covered Payroll	Funded (Unfunded) Actuarial Accrued Liability as a Percentage of Covered Payroll
CEPF:						
2008	\$5,000,515	\$3,734,318	\$ 1,266,197	133.9%	\$ -	n/a
2007	\$5,659,509	\$3,927,731	\$ 1,731,778	144.1%	\$ -	n/a
2006	\$5,467,685	\$4,078,434	\$ 1,389,251	134.1%	\$ -	n/a
PFRF:						
2008	\$7,916,697	\$ 8,636,528	\$ (719,831)	91.7%	\$ -	n/a
2007	\$8,915,816	\$ 9,048,534	\$ (132,718)	98.5%	\$ -	n/a
2006	\$8,826,614	\$ 9,706,095	\$ (879,481)	90.9%	\$ -	n/a

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 are required to contribute a percent of their annual creditable compensation (5% if non-hazardous and 8% if hazardous) and the System is required to contribute at an actuarially determined rate. The current rate is 16.17% of annual covered payroll for nonhazardous employees and 33.87% 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, 2008, 2007 and 2006, were equal to the required contributions for each year and are as follows:

	<u>2008</u>	<u>2007</u>	<u>2006</u>
City of Owensboro	\$4,401,079	\$3,601,530	\$3,231,089
Component Units:			
Owensboro Municipal Utilities:			
Electric Light and Power System	\$1,785,000	\$1,384,000	\$1,114,000
Water Works System	\$ 364,000	\$ 284,000	\$ 229,000
Owensboro Riverport Authority	\$ 282,437	\$ 238,822	\$ 196,451

CITY OF OWENSBORO, KENTUCKY
NOTES TO THE BASIC FINANCIAL STATEMENTS, continued
Year Ended June 30, 2008

8. LEASES

Primary Government

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

(a) Museum of Fine Art, Inc. Lease

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

(b) Owensboro Independent School District

Under the terms of an agreement dated July 20, 2004, the City entered into a twenty-year lease agreement with Owensboro Independent School District relating to the assignment of Shifley Park, together with all equipment, fixtures and improvement thereon, for athletic and other recreational events. The agreement provided for a one-time payment of \$210,000, which is being recognized as rental income over the twenty-year lease term. Rental income for fiscal year 2008 totaled \$10,501, resulting in deferred revenue of \$168,016 at June 30, 2008. The lease automatically renews June 30, of each successive year for \$1.00 per annum.

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

Land	\$ 41,220
Buildings	1,349,037
	1,390,257
Less accumulated depreciation	<u>(768,380)</u>
	<u>\$ 621,877</u>

Component Units

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

Owensboro Riverport Authority

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

Operating Leases

Investments in property on operating leases at June 30, 2008, are as follows:

Asphalt pad	\$ 25,324
Bulk storage warehouse	<u>462,276</u>
	<u>487,600</u>
Less accumulated depreciation	<u>(478,876)</u>
	<u>\$ 8,724</u>

CITY OF OWENSBORO, KENTUCKY
NOTES TO THE BASIC FINANCIAL STATEMENTS, continued
Year Ended June 30, 2008

8. LEASES (continued)

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

2009	\$135,998
2010	151,930
2011	151,930
2012	151,930
2013	<u>37,983</u>
	<u>\$629,771</u>

Contingent rentals included in operating income are based upon through-put agreements and totaled \$63,001 in 2008.

Sales Type Lease

The Authority's harbor boat lease agreement was considered a sales type lease. The lease expired during the year ended June 30, 2006. The Authority sold the harbor boat during the year ended June 30, 2008, and recognized a gain on the sale of \$233,698. The net investment in the harbor boat sales type lease at June 30, 2007, was \$23,802, which consisted of the unguaranteed estimated residual value of the leased property.

The Authority's leasing operations (as lessee) during 2008 consisted of leased warehouse space under operating leases, all of which are renewable on a yearly basis, and various equipment leases. Total rent expense for the year ended June 30, 2008, was \$484,534.

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

2009	\$ 88,262
2010	53,104
2011	28,321
2012	<u>17,676</u>
	<u>\$187,363</u>

9. PROJECT FINANCING

RiverPark Center

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

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

CITY OF OWENSBORO, KENTUCKY
NOTES TO THE BASIC FINANCIAL STATEMENTS, continued
Year Ended June 30, 2008

9. PROJECT FINANCING (continued)

Owensboro Symphony Orchestra

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

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

Year ending June 30,

2009	\$ 561,369
2010	559,258
2011	566,173
2012	555,490
2013	539,138
2014-2018	2,701,618
2019-2022	<u>2,165,411</u>
Net minimum lease payments	7,648,457
Less amount representing interest	<u>(2,056,457)</u>
Present value of minimum lease payments	<u>\$ 5,592,000</u>

10. DEFERRED COMPENSATION PLANS

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

11. COMPENSATED ABSENCES

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

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

CITY OF OWENSBORO, KENTUCKY
NOTES TO THE BASIC FINANCIAL STATEMENTS, continued
Year Ended June 30, 2008

11. COMPENSATED ABSENCES (continued)

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

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

The liability for the aforementioned compensated absences is recorded as a non-current liability on the statement of net assets, and benefits paid under these provisions during fiscal year 2008 totaled \$394,444 for governmental activities and \$49 for business-type activities.

12. INTERFUND BALANCES

Interfund balances, which resulted from expenditures disbursed by the General Fund on behalf of the other funds, at June 30, 2008, consisted of the following:

<u>Fund</u>	<u>Receivable</u>	<u>Payable</u>
Major Fund:		
General Fund	\$2,019,336	\$ -
Non-Major Governmental Funds:		
Community Development Fund	-	193,053
Riverfront Development Fund	- _____	1,826,283
	<u>\$2,019,336</u>	<u>\$2,019,336</u>

Receivable and payable balances involving component units at June 30, 2008, were as follows:

<u>Primary Government</u>	<u>Receivable</u>	<u>Payable</u>
General Fund	\$ 126,802	\$ 179,714
Sanitation Fund	676,443	-
GIS Fund	33,439	-
	<u>\$ 836,684</u>	<u>\$ 179,714</u>
<u>Component Unit</u>		
Owensboro Municipal Utilities	<u>\$ 179,714</u>	<u>\$ 836,684</u>

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

13. TRANSFERS

Interfund transfers for the year ended June 30, 2008, consisted of the following:

	Transfer in:							
	Major Funds				Enterprise Funds			
	General Fund	Debt Service Fund	Capital Improvements Fund	Transit Fund	Geographic Information System Fund	Parking Garage Operations Fund	Recreation Fund	Total
<u>Transfer out:</u>								
Major Funds:								
General Fund	\$ -	\$ 2,182,832	\$ 560,000	\$ 508,160	\$ 90,886	\$ 27,061	\$ 558,318	\$ 3,927,257
Your Community Vision Fund	-	95,783	-	-	-	-	-	95,783
								<u>4,023,040</u>
Nonmajor Governmental Funds:								
Greenbelt Fund	-	-	5,689	-	-	-	-	5,689
Economic Development Fund	285,000	-	-	-	-	-	-	285,000
								<u>290,689</u>
Enterprise Funds:								
Recreation Fund	-	25,131	-	-	-	-	-	25,131
Internal Service Funds:								
Garage Service Fund	50,000	-	-	-	-	-	-	50,000
Fleet and Facilities Fund	165,000	-	-	-	-	-	-	165,000
								<u>215,000</u>
Fiduciary Funds:								
Police and Firefighters' Retirement Fund	-	311,356	-	-	-	-	-	311,356
	<u>\$ 500,000</u>	<u>\$ 2,615,102</u>	<u>\$ 565,689</u>	<u>\$ 508,160</u>	<u>\$ 90,886</u>	<u>\$ 27,061</u>	<u>\$ 558,318</u>	<u>\$ 4,865,216</u>

NOTE: Transfers are used to :

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

CITY OF OWENSBORO, KENTUCKY
NOTES TO THE BASIC FINANCIAL STATEMENTS, continued
Year Ended June 30, 2008

14. RISK MANAGEMENT

Primary Government

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

All funds of the City participate in the program and make payments to the Insurance Fund based on historical cost information of the amounts needed to pay prior and current year claims. The claims liability of \$714,934 reported in the Fund at June 30, 2008, 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, 2005, are as follows:

Fiscal year ended June 30	Beginning of Fiscal Year Liability	Current Year Claims & Changes in Estimates	Claims Payments	End of Fiscal Year Liability
2008	\$715,467	\$3,461,353	(\$3,461,886)	\$714,934
2007	\$656,692	\$3,403,994	(\$3,345,219)	\$715,467
2006	\$355,667	\$3,852,060	(\$3,551,035)	\$656,692

Component Units

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

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

CITY OF OWENSBORO, KENTUCKY
NOTES TO THE BASIC FINANCIAL STATEMENTS, continued
Year Ended June 30, 2008

15. POWER SALE CONTRACT - COMPONENT UNIT

The City and Utility Commission have a contract with Kentucky Utilities Company (KU) whereby KU has agreed to purchase all surplus power produced at Owensboro Municipal Utilities Elmer Smith in excess of that required by the System to fulfill the demands of its customers. Elmer Smith is operated as a separate division within the Electric System. Power sold by Elmer Smith to the Electric System and KU under this agreement is priced to cover all operations and debt service (principal and interest) requirements of Elmer Smith and such requirements are allocated to each party based on usage and demand as defined in the agreement. Because revenue under this agreement is generated in amounts equal to debt service requirements, the sinking fund method of depreciation was adopted in order to match costs and related revenues. This agreement shall expire on January 1, 2020, and may be extended by mutual consent or terminated as stated in the contract. The agreement provides that amounts contributed to the restricted asset funds by KU and OMU be maintained in such funds until the related bonds are no longer outstanding. If the agreement with KU is terminated, amounts contributed by KU will be paid to them upon termination. The long-term payable to KU for such contributions plus certain interest earned on such funds totaled \$3,630,363 at May 31, 2008.

16. TRANSFERS – COMPONENT UNITS

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

Effective July 1, 1984, both parties agreed that the amount of the transfer, equal to the dollar value of service purchased, would not exceed \$700,000 for fiscal year ended June 30, 1985, and thereafter increase at a compound rate of 5% per annum. Transfers to the General Fund under this ordinance and agreement were \$7,037,293 for the year.

The Water Works System transfers to the General Fund each year a sum equal to the dollar value of service purchased by the City from the Water Works System. Transfers to the General Fund under this ordinance were \$131,334 for the year.

The Owensboro Riverport Authority made transfers to the General Fund in the amount of \$300,000 for the year.

17. COMMITMENTS AND CONTINGENCIES

Primary Government

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

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

Component Units

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

CITY OF OWENSBORO, KENTUCKY
NOTES TO THE BASIC FINANCIAL STATEMENTS, continued
Year Ended June 30, 2008

17. COMMITMENTS AND CONTINGENCIES (continued)

Year ending May 31,

2009	\$29,372,882
2010	19,246,782
2011	2,026,042
2012	2,075,521
2013	<u>2,119,792</u>

\$54,841,019

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

OMU has been identified by the United States Environmental Protection Agency as one of numerous parties that may be liable for damages under federal law with respect to a superfund hazardous waste site. Through May 31, 2008, OMU has paid \$57,500 plus legal costs related to this matter. Based upon the opinion of its outside legal counsel, management does not anticipate additional costs to be material; however, the ultimate resolution of this matter and the related financial impact on OMU, if any, cannot be determined at this time.

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

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

CITY OF OWENSBORO, KENTUCKY
NOTES TO THE BASIC FINANCIAL STATEMENTS, continued
Year Ended June 30, 2008

17. COMMITMENTS AND CONTINGENCIES (continued)

On February 28, 2007, KU asserted a counterclaim against OMU. In this counterclaim, KU seeks "tens of millions of dollars" in damages based on its allegations that OMU has failed to properly operate and maintain OMU's Elmer Smith Station. While the likelihood of a favorable or unfavorable outcome of this litigation is not known at this time, management believes it has meritorious defenses and will vigorously defend; however, the ultimate resolution of this matter and the related financial impact on OMU, if any, cannot be determined at this time.

18. DISCLOSURE ABOUT FAIR VALUE OF FINANCIAL INSTRUMENTS

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

19. CONDUIT DEBT OBLIGATIONS

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

At June 30, 2008, two of these bond issues were outstanding with principal balances totaling \$179,970,000.

20. JOINT VENTURE

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

The Board is primarily autonomous in its operation. The City does not exercise any control over the Board in its budgetary or financial affairs. If the Airport were to cease operation, its properties would be distributed to the City and County in direct proportion to their cumulative contributed grants. This proportion is approximately 50% each at June 30, 2008.

The City's equity interest in the Owensboro-Daviess County Regional Airport at June 30, 2008, was \$12,857,186 and is reported as investment in joint venture in the statement of net assets. Because the City's participation in the joint venture is for investment purposes, the increase in this investment of \$1,378,941 for the year ended June 30, 2008, is reported as a general revenue in the statement of activities.

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



**Required Supplementary Information
(other than Management's Discussion and Analysis)**

CITY OF OWENSBORO, KENTUCKY
SCHEDULES OF FUNDING PROGRESS
FIDUCIARY FUNDS
June 30, 2008

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, 2008	June 30, 2007	\$ 5,000,515	\$ 3,734,318	\$ 1,266,197	133.9%	\$ -	N/A
June 30, 2007	June 30, 2007	\$ 5,659,509	\$ 3,927,731	\$ 1,731,778	144.1%	\$ -	N/A
June 30, 2006	June 30, 2006	\$ 5,467,685	\$ 4,078,434	\$ 1,389,251	134.1%	\$ -	N/A
Police and Firefighters' Retirement Fund							
June 30, 2008	June 30, 2007	\$ 7,916,697	\$ 8,636,528	\$ (719,831)	91.7%	\$ -	N/A
June 30, 2007	June 30, 2007	\$ 8,915,816	\$ 9,048,534	\$ (132,718)	98.5%	\$ -	N/A
June 30, 2006	June 30, 2006	\$ 8,826,614	\$ 9,706,095	\$ (879,481)	90.9%	\$ -	N/A

CITY OF OWENSBORO, KENTUCKY
SCHEDULES OF EMPLOYER CONTRIBUTIONS
FIDUCIARY FUNDS
June 30, 2008

Year Ended	Annual Required Contribution	Actual Contribution	Percentage Contribution
City Employees' Pension Fund			
June 30, 2008	\$ -	\$ -	-
June 30, 2007	\$ -	\$ -	-
June 30, 2006	\$ -	\$ -	-
Police and Firefighters' Retirement Fund			
June 30, 2008	\$ 6,700	\$ -	-
June 30, 2007	\$ 6,700	\$ -	-
June 30, 2006	\$ 70,306	\$ 4,003,748	100.00%

CITY OF OWENSBORO, KENTUCKY
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
Year Ended June 30, 2008

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Taxes:				
Real and personal property	\$ 7,266,000	\$ 7,266,000	\$ 7,388,127	\$ 122,127
Personal tax-state collected	879,000	879,000	900,921	21,921
Total taxes	<u>8,145,000</u>	<u>8,145,000</u>	<u>8,289,048</u>	<u>144,048</u>
Licenses and permits:				
Occupational:				
Employees' withholding	9,343,000	9,343,000	9,568,358	225,358
Net profits	1,800,000	1,800,000	2,410,263	610,263
Regulatory:				
Insurance license fee	4,030,000	4,030,000	4,006,769	(23,231)
Alcoholic beverage license fee	60,000	60,000	43,710	(16,290)
Franchise fee	856,000	856,000	790,040	(65,960)
Other	520,700	520,700	537,801	17,101
Total licenses and permits	<u>16,609,700</u>	<u>16,609,700</u>	<u>17,356,941</u>	<u>747,241</u>
Intergovernmental revenues:				
Data processing fees	987,200	987,200	975,519	(11,681)
Federal grants	174,038	174,038	175,383	1,345
State grants - KLEFPF incentive	760,000	760,000	740,003	(19,997)
State grants - other	-	-	-	-
City's portion of state gasoline tax	890,000	890,000	983,295	93,295
LGEA mineral severance tax	36,000	36,000	63,984	27,984
Total intergovernmental revenues	<u>2,847,238</u>	<u>2,847,238</u>	<u>2,938,184</u>	<u>90,946</u>
Charges for services:				
Tax collection	216,000	216,000	226,555	10,555
Management fee	512,000	512,000	517,485	5,485
Total charges for services	<u>728,000</u>	<u>728,000</u>	<u>744,040</u>	<u>16,040</u>
Other revenues:				
Fines and forfeitures	155,828	155,828	234,062	78,234
Investment income	300,000	300,000	374,487	74,487
Dividends from component units	5,710,010	5,710,010	5,693,000	(17,010)
Payments in lieu of taxes	1,350,000	1,566,000	1,756,428	190,428
Miscellaneous	355,185	355,185	322,092	(33,093)
Total other revenues	<u>7,871,023</u>	<u>8,087,023</u>	<u>8,380,069</u>	<u>293,046</u>
Total revenues	<u>36,200,961</u>	<u>36,416,961</u>	<u>37,708,282</u>	<u>1,291,321</u>

CITY OF OWENSBORO, KENTUCKY
BUDGETARY COMPARISON SCHEDULE, CONCLUDED
GENERAL FUND
Year Ended June 30, 2008

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Expenditures:				
Administration	1,133,293	1,133,293	1,075,347	57,946
Community development	470,393	428,266	400,680	27,586
Engineering	917,229	1,008,955	816,986	191,969
Finance	1,407,760	1,361,760	1,290,615	71,145
Fire	7,835,176	7,653,488	7,646,665	6,823
Information services	2,859,482	2,910,265	2,660,383	249,882
Parks	2,569,047	2,504,123	2,486,698	17,425
Personnel	654,710	739,033	711,882	27,151
Police	11,097,760	10,786,826	10,382,552	404,274
Street	1,830,199	1,879,572	1,683,683	195,889
General government	1,805,988	3,035,942	2,854,057	181,885
Community services	1,409,625	1,532,125	1,523,646	8,479
Total expenditures	<u>33,990,662</u>	<u>34,973,648</u>	<u>33,533,194</u>	<u>1,440,454</u>
Excess of revenues over expenditures	<u>2,210,299</u>	<u>1,443,313</u>	<u>4,175,088</u>	<u>2,731,775</u>
Other financing sources (uses):				
Sale of capital assets	20,000	988,470	971,351	(17,119)
Transfer in	500,000	500,000	500,000	-
Transfers out	(2,763,571)	(3,947,972)	(3,927,257)	20,715
Total other financing sources (uses)	<u>(2,243,571)</u>	<u>(2,459,502)</u>	<u>(2,455,906)</u>	<u>3,596</u>
Net change in fund balances	(33,272)	(1,016,189)	1,719,182	2,735,371
Fund balances, beginning of year	<u>5,929,148</u>	<u>5,929,148</u>	<u>5,929,148</u>	<u>-</u>
Fund balances, end of year	<u>\$ 5,895,876</u>	<u>\$ 4,912,959</u>	<u>\$ 7,648,330</u>	<u>\$ 2,735,371</u>

CITY OF OWENSBORO, KENTUCKY
BUDGETARY COMPARISON SCHEDULE
YOUR COMMUNITY VISION SPECIAL REVENUE FUND
Year Ended June 30, 2008

	Budgeted Amounts			Variance with Final Budget	
	Original	Final	Actual	Positive (Negative)	
Revenues:					
Occupational licenses	\$ 3,169,353	\$ 3,169,353	\$ 3,404,137	\$ 234,784	
Net profit license fee	632,210	632,210	817,492	185,282	
Interest	-	-	127,228	127,228	
Fees, licenses and permits	10,000	10,000	32,010	22,010	
Intergovernmental	-	-	-	-	
Total revenues	<u>3,811,563</u>	<u>3,811,563</u>	<u>4,380,867</u>	<u>569,304</u>	
Expenditures:					
Public safety	-	-	-	-	
Public works	1,000,381	1,319,766	1,278,211	41,555	
Capital outlay	27,125,416	27,821,800	2,092,258	25,729,542	
Issuance costs	-	-	55,778	(55,778)	
Total expenditures	<u>28,125,797</u>	<u>29,141,566</u>	<u>3,426,247</u>	<u>25,715,319</u>	
Excess (deficiency) of revenues over expenditures	<u>(24,314,234)</u>	<u>(25,330,003)</u>	<u>954,620</u>	<u>26,284,623</u>	
Other financing sources (uses):					
Issuance of debt	25,273,801	25,273,801	8,104,292	(17,169,509)	
Transfers out	(541,011)	(731,011)	(95,783)	635,228	
Total other financing sources (uses)	<u>24,732,790</u>	<u>24,542,790</u>	<u>8,008,509</u>	<u>(16,534,281)</u>	
Net change in fund balances	418,556	(787,213)	8,963,129	9,750,342	
Fund balances, beginning of year	<u>1,310,784</u>	<u>1,310,784</u>	<u>1,310,784</u>	<u>-</u>	
Fund balances, end of year	<u>\$ 1,729,340</u>	<u>\$ 523,571</u>	<u>\$ 10,273,913</u>	<u>\$ 9,750,342</u>	

CITY OF OWENSBORO, KENTUCKY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (RSI)
ON BUDGETARY ACCOUNTING AND CONTROL
Year Ended June 30, 2008

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.

Nonmajor Governmental Funds

CITY OF OWENSBORO, KENTUCKY
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2008

	Special Revenue					Capital Projects			Total Capital Projects Funds	Total Nonmajor Governmental Funds
	Community Development Fund	Greenbelt Fund	Drug and Property Recovery Fund	Economic Development Fund	Total Special Revenue Funds	Airpark Fund	Wellness Fund			
ASSETS										
Equity in pooled deposits and investments	\$ -	\$ 32,174	\$ 318,934	\$ 541,807	\$ 892,915	\$ -	\$ 215,286	\$ 215,286	\$ 1,108,201	
Accounts receivable	104,190	23,377	28,335	-	155,902	-	-	-	-	155,902
Taxes receivable	-	-	-	98,715	98,715	-	-	-	-	98,715
Intergovernmental receivable	248,014	-	11,804	-	259,818	545,880	-	545,880	-	805,698
Total assets	\$ 352,204	\$ 55,551	\$ 359,073	\$ 640,522	\$ 1,407,350	\$ 545,880	\$ 215,286	\$ 761,166	\$ 2,168,516	
LIABILITIES AND FUND BALANCES										
Liabilities:										
Accounts payable	\$ 54,961	\$ 6,400	\$ 4,209	\$ 38,995	\$ 104,565	\$ -	\$ -	\$ -	\$ -	\$ 104,565
Accrued wages	-	-	2,459	-	2,459	-	-	-	-	2,459
Due to other funds	193,053	-	-	-	193,053	-	-	-	-	193,053
Deferred revenue	104,190	-	42,649	98,715	245,554	-	-	-	-	245,554
Total liabilities	352,204	6,400	49,317	137,710	545,631	-	-	-	-	545,631
Fund balances:										
Reserved for:										
Encumbrances	948,903	801,318	242,071	-	1,992,292	-	7,365	7,365	7,365	1,999,657
Unreserved, reported in:										
Special Revenue Funds	(948,903)	(752,167)	67,685	502,812	(1,130,573)	-	207,921	753,801	753,801	(1,130,573)
Capital Projects Funds	-	-	-	-	-	545,880	-	-	-	753,801
Total fund balances	-	49,151	309,756	502,812	861,719	545,880	215,286	761,166	761,166	1,622,885
Total liabilities and fund balances	\$ 352,204	\$ 55,551	\$ 359,073	\$ 640,522	\$ 1,407,350	\$ 545,880	\$ 215,286	\$ 761,166	\$ 761,166	\$ 2,168,516

CITY OF OWENSBORO, KENTUCKY
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
Year Ended June 30, 2008

	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	Wellness Fund	Total Capital Projects Funds		
	\$	\$	\$	\$	\$	\$	\$	\$	\$	
Revenues										
Real and personal property taxes	\$ -	\$ -	\$ 201,060	\$ 201,060	\$ 201,060	\$ -	\$ -	\$ -	\$ 201,060	
Occupational licenses	-	-	-	714,148	714,148	-	-	-	-	714,148
Net profit license fee	-	-	-	50,059	50,059	-	-	-	-	50,059
Regulatory licenses	-	-	-	200,294	200,294	-	-	-	-	200,294
Intergovernmental	1,384,704	38,249	668,036	-	2,090,989	-	-	-	-	2,090,989
Interest	-	1,424	13,406	13,364	28,194	\$,390	11,581	16,971	-	45,165
Rentals	20,840	-	-	-	20,840	-	-	-	-	20,840
Contributions and donations	-	-	17,548	-	17,548	-	-	-	-	17,548
Other	-	-	148,675	-	148,675	-	-	-	-	148,675
Total revenues	<u>1,405,544</u>	<u>39,673</u>	<u>847,665</u>	<u>1,178,925</u>	<u>3,471,807</u>	<u>5,390</u>	<u>11,581</u>	<u>16,971</u>	<u>3,488,778</u>	
Expenditures										
Current										
General government	-	-	-	-	-	-	-	-	-	-
Public safety	-	-	242,860	-	242,860	-	-	-	-	242,860
Public works	973,767	-	-	-	973,767	-	-	-	-	973,767
Community and cultural	-	37,518	-	845,901	883,419	-	-	-	-	883,419
Community/economic development	431,777	-	-	-	431,777	27,873	-	27,873	-	459,650
Debt service										
Issuance costs										
Capital outlay	-	12,993	668,273	-	681,266	-	52,064	52,064	-	673,350
Total expenditures	<u>1,405,544</u>	<u>50,511</u>	<u>851,133</u>	<u>845,901</u>	<u>3,153,089</u>	<u>27,873</u>	<u>52,064</u>	<u>70,937</u>	<u>3,233,026</u>	
Excess of revenues over (under) expenditures	-	(10,838)	(3,468)	333,024	318,718	(22,483)	(40,483)	(62,966)	(255,755)	
Other financing sources (uses)										
Sale of capital assets	-	-	20,697	-	20,697	-	-	-	-	20,697
Issuance of debt	-	-	-	-	-	-	-	-	-	-
Refunding bonds issued	-	-	-	-	-	-	-	-	-	-
Payment to refunding bond escrow	-	-	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-	-	-
Transfers out	-	(5,689)	-	(285,000)	(290,689)	-	-	-	-	(290,689)
Total other financing sources (uses)	-	(5,689)	20,697	(285,000)	(269,992)	-	-	-	-	(269,992)
Net change in fund balances	-	(16,527)	17,229	48,024	48,726	(22,483)	(40,483)	(62,966)	(14,240)	
Fund balances, beginning of year	-	65,678	292,527	454,788	812,993	568,363	255,760	824,152	3,637,125	
Fund balances, end of year	\$ -	\$ 49,151	\$ 309,756	\$ 502,812	\$ 861,719	\$ 545,880	\$ 215,286	\$ 761,366	\$ 1,622,886	

CITY OF OWENSBORO, KENTUCKY
BUDGETARY COMPARISON SCHEDULE
COMMUNITY DEVELOPMENT SPECIAL REVENUE FUND
Year Ended June 30, 2008

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Intergovernmental	\$ 1,083,918	\$ 2,189,665	\$ 1,384,704	\$ (804,961)
Rentals	<u>20,000</u>	<u>20,000</u>	<u>20,840</u>	<u>840</u>
Total revenues	<u>1,103,918</u>	<u>2,209,665</u>	<u>1,405,544</u>	<u>(804,121)</u>
Expenditures:				
Public works	556,468	1,042,773	973,767	69,006
Community/economic development	<u>547,450</u>	<u>1,166,892</u>	<u>431,777</u>	<u>735,115</u>
Total expenditures	<u>1,103,918</u>	<u>2,209,665</u>	<u>1,405,544</u>	<u>804,121</u>
Excess (deficiency) of revenues over expenditures	-	-	-	-
Other financing sources (uses):				
Sale of capital assets	-	-	-	-
Net change in fund balances	-	-	-	-
Fund balances, beginning of year	-	-	-	-
Fund balances, end of year	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>

CITY OF OWENSBORO, KENTUCKY
BUDGETARY COMPARISON SCHEDULE
GREENBELT SPECIAL REVENUE FUND
Year Ended June 30, 2008

	<u>Budgeted Amounts</u>			Variance with Final Budget	
	Original	Final	Actual	Positive (Negative)	
Revenues:					
Intergovernmental	\$ -	\$ 702,910	\$ 38,249	\$ (664.661)	
Interest	-	-	1,424	1,424	
Contributions and donations	-	-	-	-	
Total revenues	-	702,910	39,673	(663.237)	
Expenditures:					
Community and cultural	-	42,570	37,518	5,052	
Capital outlay	-	850,340	12,993	837,347	
Total expenditures	-	892,910	50,511	842,399	
Excess (deficiency) of revenues over expenditures	-	(190,000)	(10,838)	179,162	
Other financing sources (uses):					
Transfers in	-	190,000	-	(190,000)	
Transfers out	-	-	(5,689)	(5,689)	
Total other financing sources (uses)	-	190,000	(5,689)	(195,689)	
Net change in fund balances	-	-	(16,527)	(16,527)	
Fund balances, beginning of year	<u>65,678</u>	<u>65,678</u>	<u>65,678</u>	<u>-</u>	
Fund balances, end of year	<u>\$ 65,678</u>	<u>\$ 65,678</u>	<u>\$ 49,151</u>	<u>\$ (16,527)</u>	

CITY OF OWENSBORO, KENTUCKY
BUDGETARY COMPARISON SCHEDULE
DRUG AND PROPERTY RECOVERY SPECIAL REVENUE FUND
Year Ended June 30, 2008

	<u>Budgeted Amounts</u>			Variance with Final Budget	
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	Positive	(Negative)
Revenues:					
Intergovernmental	\$ -	\$ 863,312	\$ 668,036	\$ (195,276)	
Interest	6,920	6,920	13,406		6,486
Donations	20,012	20,012	17,548		(2,464)
Restitution and other income	56,200	56,200	148,675		92,475
Total revenues	<u>83,132</u>	<u>946,444</u>	<u>847,665</u>		<u>(98,779)</u>
Expenditures:					
Public safety	137,306	225,274	242,860		(17,586)
Capital outlay	-	803,025	608,273		194,752
Total expenditures	<u>137,306</u>	<u>1,028,299</u>	<u>851,133</u>		<u>177,166</u>
Excess (deficiency) of revenues over expenditures	<u>(54,174)</u>	<u>(81,855)</u>	<u>(3,468)</u>		<u>78,387</u>
Other financing sources (uses):					
Sale of capital assets	3,500	3,500	20,697		17,197
Transfers in	(25,000)	(25,000)	-		25,000
Transfers out	-	-	-		-
Total other financing sources (uses)	<u>(21,500)</u>	<u>(21,500)</u>	<u>20,697</u>		<u>42,197</u>
Net change in fund balances	<u>(75,674)</u>	<u>(103,355)</u>	<u>17,229</u>		<u>120,584</u>
Fund balances, beginning of year	<u>244,687</u>	<u>244,687</u>	<u>292,527</u>		<u>-</u>
Fund balances, end of year	<u>\$ 169,013</u>	<u>\$ 141,332</u>	<u>\$ 309,756</u>		<u>\$ 120,584</u>

CITY OF OWENSBORO, KENTUCKY
BUDGETARY COMPARISON SCHEDULE
ECONOMIC DEVELOPMENT SPECIAL REVENUE FUND
Year Ended June 30, 2008

	<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	\$ 210,000	\$ 210,000	\$ 201,060	\$ (8,940)	
Occupational licenses	580,000	580,000	714,148	134,148	
Net profit license fee	25,000	25,000	50,059	25,059	
Regulatory licenses	-	250,000	200,294	(49,706)	
Interest	-	-	13,364	13,364	
Total revenues	<u>815,000</u>	<u>1,065,000</u>	<u>1,178,925</u>	<u>113,925</u>	
Expenditures:					
Community/economic development	<u>629,696</u>	<u>999,696</u>	<u>845,901</u>	<u>153,795</u>	
Excess (deficiency) of revenues over expenditures	<u>185,304</u>	<u>65,304</u>	<u>333,024</u>	<u>267,720</u>	
Other financing uses:					
Transfers out	<u>(285,000)</u>	<u>(285,000)</u>	<u>(285,000)</u>	<u>-</u>	
Net change in fund balances	<u>(99,696)</u>	<u>(219,696)</u>	<u>48,024</u>	<u>267,720</u>	
Fund balances, beginning of year	<u>454,788</u>	<u>454,788</u>	<u>454,788</u>	<u>-</u>	
Fund balances, end of year	<u>\$ 355,092</u>	<u>\$ 235,092</u>	<u>\$ 502,812</u>	<u>\$ 267,720</u>	

Nonmajor Enterprise Funds

CITY OF OWENSBORO, KENTUCKY
COMBINING STATEMENT OF NET ASSETS
NONMAJOR PROPRIETARY FUNDS
June 30, 2008

	Enterprise Funds					Total Nonmajor Enterprise Funds
	Transit Fund	Geographic Information System Fund	Parking Garage Operations Fund	Recreation Fund		
ASSETS						
Current assets:						
Equity in pooled deposits and investments	\$ 43,003	\$ 9,022	\$ -	\$ 340,759	\$ 392,784	
Cash and cash equivalents:						
In segregated accounts	100	-	-	4,175	4,275	
Accounts receivable	107,944	20,977	-	30,398	159,319	
Component units receivable	-	33,439	-	-	33,439	
Intergovernmental receivable	-	-	-	-	-	
Materials and supplies inventory	-	-	-	12,580	12,580	
Prepaid expenses	-	-	-	-	-	
Total current assets	<u>151,047</u>	<u>63,438</u>	<u>-</u>	<u>387,912</u>	<u>602,397</u>	
Noncurrent assets:						
Capital assets, net of accumulated depreciation						
Land	-	-	-	105,739	105,739	
Depreciable capital assets	<u>985,934</u>	<u>4,711</u>	<u>-</u>	<u>-</u>	<u>990,645</u>	
Total noncurrent assets	<u>985,934</u>	<u>4,711</u>	<u>-</u>	<u>105,739</u>	<u>1,096,384</u>	
Total assets	\$ 1,136,981	\$ 68,149	\$ -	\$ 493,651	\$ 1,698,781	
LIABILITIES AND NET ASSETS						
Current liabilities:						
Accounts payable	\$ 13,860	\$ 628	\$ -	\$ 37,296	\$ 51,784	
Accrued liabilities	15,879	5,080	-	18,848	39,807	
Compensated absences	2,497	-	-	-	2,497	
Unearned revenue	-	-	-	-	-	
Due to other funds	-	-	-	-	-	
Total current liabilities	<u>32,236</u>	<u>5,708</u>	<u>-</u>	<u>56,144</u>	<u>94,088</u>	
Non-current liabilities:						
Due in more than one year	<u>64,485</u>	<u>-</u>	<u>-</u>	<u>56,305</u>	<u>120,790</u>	
Total non-current liabilities	<u>64,485</u>	<u>-</u>	<u>-</u>	<u>56,305</u>	<u>120,790</u>	
Total liabilities	<u>96,721</u>	<u>5,708</u>	<u>-</u>	<u>112,449</u>	<u>214,878</u>	
Net assets:						
Invested in capital assets	<u>985,934</u>	<u>4,711</u>	<u>-</u>	<u>105,739</u>	<u>1,096,384</u>	
Unrestricted	<u>54,326</u>	<u>57,730</u>	<u>-</u>	<u>275,463</u>	<u>387,519</u>	
Total net assets	<u>1,040,260</u>	<u>62,441</u>	<u>-</u>	<u>381,202</u>	<u>1,483,903</u>	
Total liabilities and net assets	<u>\$ 1,136,981</u>	<u>\$ 68,149</u>	<u>\$ -</u>	<u>\$ 493,651</u>	<u>\$ 1,698,781</u>	

CITY OF OWENSBORO, KENTUCKY
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
NONMAJOR PROPRIETARY FUNDS
Year Ended June 30, 2008

	Enterprise Funds				
	Transit Fund	Geographic Information System Fund	Parking Garage Operations Fund	Recreation Fund	Total Nonmajor Enterprise Funds
Operating revenues:					
Charges for services	\$ 128,819	\$ 262,612	\$ 54,109	\$ 979,530	\$ 1,425,070
Total operating revenues	<u>128,819</u>	<u>262,612</u>	<u>54,109</u>	<u>979,530</u>	<u>1,425,070</u>
Operating expenses:					
Salaries, wages, and benefits	795,882	246,895	35,221	542,929	1,620,927
Maintenance	256,600	897	31,503	485,631	774,631
Utilities	21,644	5,576	9,341	120,768	157,329
Supplies	168,845	141	51	181,361	350,398
Other	188,636	37,024	5,284	130,725	361,669
Depreciation	113,419	524	-	-	113,943
Total operating expenses	<u>1,545,026</u>	<u>291,057</u>	<u>81,400</u>	<u>1,461,414</u>	<u>3,378,897</u>
Operating loss	<u>(1,416,207)</u>	<u>(28,445)</u>	<u>(27,291)</u>	<u>(481,884)</u>	<u>(1,953,827)</u>
Nonoperating revenues:					
Gain on sale of capital assets	-	-	-	-	-
Grants	908,327	-	-	-	908,327
Total nonoperating revenues	<u>908,327</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>908,327</u>
Loss before transfers	<u>(507,880)</u>	<u>(28,445)</u>	<u>(27,291)</u>	<u>(481,884)</u>	<u>(1,045,500)</u>
Transfers in	508,160	90,886	27,061	558,318	1,184,425
Transfers out	-	-	-	(25,131)	(25,131)
Change in net assets	280	62,441	(230)	51,303	113,794
Net assets, beginning of year	<u>1,039,980</u>	<u>-</u>	<u>230</u>	<u>329,899</u>	<u>1,370,109</u>
Net assets, end of year	<u>\$ 1,040,260</u>	<u>\$ 62,441</u>	<u>\$ -</u>	<u>\$ 381,202</u>	<u>\$ 1,483,903</u>

CITY OF OWENSBORO, KENTUCKY
COMBINING STATEMENT OF CASH FLOWS
NONMAJOR PROPRIETARY FUNDS
Year Ended June 30, 2008

	Enterprise Funds					
	Transit Fund	Geographic Information System Fund	Parking Garage Operations Fund	Recreation Fund	Total Nonmajor Enterprise Funds	
Cash flows from operating activities:						
Cash received from customers	\$ 228,740	\$ 208,196	\$ 54,109	\$ 954,207	\$ 1,445,252	
Cash payments to employees for services	(789,281)	(241,815)	(36,343)	(504,161)	(1,571,600)	
Cash payments to suppliers	(628,477)	(43,010)	(46,179)	(866,102)	(1,583,768)	
Cash payments for interfund services used	(109,771)	-	-	-	(109,771)	
Net cash used in operating activities	<u>(1,298,789)</u>	<u>(76,629)</u>	<u>(28,413)</u>	<u>(416,056)</u>	<u>(1,819,887)</u>	
Cash flows from noncapital financing activities:						
Government grants	868,918	-	-	-	868,918	
Transfers in	508,160	90,886	27,061	558,318	1,184,425	
Transfers out	-	-	-	(25,131)	(25,131)	
Net cash provided by noncapital financing activities	<u>1,377,078</u>	<u>90,886</u>	<u>27,061</u>	<u>533,187</u>	<u>2,028,212</u>	
Cash flows from capital and related financing activities:						
Proceeds from sale of capital assets	-	-	-	-	-	
Payments for capital acquisitions	(35,286)	(5,235)	-	-	(40,521)	
Net cash used in capital and related financing activities	<u>(35,286)</u>	<u>(5,235)</u>	<u>-</u>	<u>-</u>	<u>(40,521)</u>	
Net increase (decrease) in cash and cash equivalents	43,003	9,022	(1,352)	117,131	167,804	
Cash and cash equivalents, beginning of year	100	-	1,352	227,803	229,255	
Cash and cash equivalents, end of year	<u>\$ 43,103</u>	<u>\$ 9,022</u>	<u>\$ -</u>	<u>\$ 344,934</u>	<u>\$ 397,059</u>	
Reconciliation of operating loss to net cash used in operating activities:						
Operating loss	\$ (1,416,207)	\$ (28,445)	\$ (27,291)	\$ (481,884)	\$ (1,953,827)	
Adjustments to reconcile operating loss to net cash used in operating activities						
Depreciation	113,419	524	-	-	113,943	
Change in assets and liabilities.						
(Increase) decrease in assets.						
Accounts receivable	99,921	(20,977)	-	(20,463)	58,481	
Component unit receivable	-	(33,439)	-	-	(33,439)	
Materials and supplies inventory	-	-	-	1,548	1,548	
Prepaid expenses	-	-	-	30,670	30,670	
Increase (decrease) in liabilities:						
Accounts payable	7,248	628	-	20,165	28,041	
Unearned revenue	-	-	-	(4,860)	(4,860)	
Accrued liabilities	4,589	5,080	(1,122)	6,135	14,682	
Compensated absences	2,012	-	-	32,633	34,645	
Interfund payables	(109,771)	-	-	-	(109,771)	
Net cash used in operating activities	<u>\$ (1,298,789)</u>	<u>\$ (76,629)</u>	<u>\$ (28,413)</u>	<u>\$ (416,056)</u>	<u>\$ (1,819,887)</u>	



Internal Service Funds

CITY OF OWENSBORO, KENTUCKY
COMBINING STATEMENT OF NET ASSETS
INTERNAL SERVICE FUNDS
June 30, 2008

	Governmental Activities Internal Service Funds					Total Internal Service Funds	
	Facilities Maintenance Fund	Insurance Fund	Garage Service Fund	Fleet and Facilities Fund			
ASSETS							
Current assets:							
Equity in pooled deposits and investments	\$ 401,854	\$ 1,165,373	\$ 247,819	\$ 1,746,123	\$ 3,561,169		
Cash and cash equivalents:							
In segregated accounts	450	101,769	100	-	102,319		
Accounts receivable	7,193	41,900	-	-	49,093		
Material and supplies inventory	-	-	22,708	-	22,708		
Prepaid expenses	-	20,771	-	-	20,771		
Total current assets	<u>409,497</u>	<u>1,329,813</u>	<u>270,627</u>	<u>1,746,123</u>	<u>3,756,060</u>		
Noncurrent assets:							
Capital assets, net of accumulated depreciation:							
Depreciable capital assets	5,315	-	14,772	1,688,094	1,708,181		
Total noncurrent assets	<u>5,315</u>	<u>-</u>	<u>14,772</u>	<u>1,688,094</u>	<u>1,708,181</u>		
Total assets	<u>\$ 414,812</u>	<u>\$ 1,329,813</u>	<u>\$ 285,399</u>	<u>\$ 3,434,217</u>	<u>\$ 5,464,241</u>		
LIABILITIES AND NET ASSETS							
Current liabilities:							
Accounts payable	\$ 58,216	\$ 764,473	\$ 45,603	\$ 8,836	\$ 877,128		
Accrued liabilities	27,286	-	10,382	-	37,668		
Total liabilities	<u>85,502</u>	<u>764,473</u>	<u>55,985</u>	<u>8,836</u>	<u>914,796</u>		
Net assets:							
Invested in capital assets	5,315	-	14,772	1,688,094	1,708,181		
Unrestricted	323,995	565,340	214,642	1,737,287	2,841,264		
Total net assets	<u>329,310</u>	<u>565,340</u>	<u>229,414</u>	<u>3,425,381</u>	<u>4,549,445</u>		
Total liabilities and net assets	<u>\$ 414,812</u>	<u>\$ 1,329,813</u>	<u>\$ 285,399</u>	<u>\$ 3,434,217</u>	<u>\$ 5,464,241</u>		

CITY OF OWENSBORO, KENTUCKY
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
INTERNAL SERVICE FUNDS
Year Ended June 30, 2008

	Governmental Activities Internal Service Funds				
	Facilities Maintenance Fund	Insurance Fund	Garage Service Fund	Fleet and Facilities Fund	Total Internal Service Funds
Operating revenues:					
Charges for services	\$ 2,926,329	\$ 3,800,321	\$ 1,238,613	\$ 1,205,646	\$ 9,170,909
Total operating revenues	<u>2,926,329</u>	<u>3,800,321</u>	<u>1,238,613</u>	<u>1,205,646</u>	<u>9,170,909</u>
Operating expenses:					
Salaries, wages, and benefits	1,619,261	-	523,056	-	2,142,317
Maintenance	1,075,789	-	55,133	204,915	1,335,837
Utilities	22,732	-	12,701	-	35,433
Administrative	-	213,734	-	-	213,734
Supplies	219,818	-	527,837	-	747,655
Other	52,575	-	6,571	-	59,146
Claims	-	3,636,215	-	-	3,636,215
Depreciation	2,126	-	6,515	542,047	550,688
Total operating expenses	<u>2,992,301</u>	<u>3,849,949</u>	<u>1,131,813</u>	<u>746,962</u>	<u>8,721,025</u>
Operating income (loss)	<u>(65,972)</u>	<u>(49,628)</u>	<u>106,800</u>	<u>458,684</u>	<u>449,884</u>
Nonoperating revenues:					
Gain on sale of capital assets	1,487	-	-	95,445	96,932
Interest income	-	60,553	-	50,688	111,241
Grants	-	-	-	-	-
Total nonoperating revenues	<u>1,487</u>	<u>60,553</u>	<u>-</u>	<u>146,133</u>	<u>208,173</u>
Income before transfers	<u>(64,485)</u>	<u>10,925</u>	<u>106,800</u>	<u>604,817</u>	<u>658,057</u>
Transfers out	<u>-</u>	<u>-</u>	<u>(50,000)</u>	<u>(165,000)</u>	<u>(215,000)</u>
Change in net assets	<u>(64,485)</u>	<u>10,925</u>	<u>56,800</u>	<u>439,817</u>	<u>443,057</u>
Net assets, beginning of year	<u>393,795</u>	<u>554,415</u>	<u>172,614</u>	<u>2,985,564</u>	<u>4,106,388</u>
Net assets, end of year	<u>\$ 329,310</u>	<u>\$ 565,340</u>	<u>\$ 229,414</u>	<u>\$ 3,425,381</u>	<u>\$ 4,549,445</u>

CITY OF OWENSBORO, KENTUCKY
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
Year Ended June 30, 2008

	Governmental Activities Internal Service Funds				
	Facilities Maintenance Fund	Insurance Fund	Garage Service Fund	Fleet and Facilities Fund	Total Internal Service Funds
Cash flow from operating activities:					
Cash received from customers	\$ 2,920,594	\$ 3,758,421	\$ 1,238,613	\$ 1,205,646	\$ 9,123,274
Cash payments to employees for services	(1,612,622)	-	(521,378)	-	(2,134,000)
Cash payments to suppliers	(1,381,585)	(165,172)	(598,640)	(200,941)	(2,346,338)
Cash payments for claims	-	(3,636,215)	-	-	(3,636,215)
Net cash provided by (used in) operating activities	<u>(73,613)</u>	<u>(42,966)</u>	<u>118,595</u>	<u>1,004,705</u>	<u>1,006,721</u>
Cash flows from noncapital financing activities:					
Grants	-	-	-	-	-
Transfers out	-	-	(50,000)	(165,000)	(215,000)
Net cash used in noncapital financing activities	<u>-</u>	<u>-</u>	<u>(50,000)</u>	<u>(165,000)</u>	<u>(215,000)</u>
Cash flows from capital and related financing activities:					
Proceeds from sale of capital assets	1,487	-	-	95,445	96,932
Payments for capital acquisitions	-	-	-	(470,647)	(470,647)
Net cash provided by (used in) noncapital financing activities	<u>1,487</u>	<u>-</u>	<u>-</u>	<u>(375,202)</u>	<u>(373,715)</u>
Cash flows from investing activities:					
Interest on investments	-	60,553	-	50,688	111,241
Net increase (decrease) in cash and cash equivalents	<u>(72,126)</u>	<u>17,587</u>	<u>68,595</u>	<u>515,191</u>	<u>529,247</u>
Cash and cash equivalents, beginning of year	<u>474,430</u>	<u>1,249,555</u>	<u>179,324</u>	<u>1,230,932</u>	<u>3,134,241</u>
Cash and cash equivalents, end of year	<u>\$ 402,304</u>	<u>\$ 1,267,142</u>	<u>\$ 247,919</u>	<u>\$ 1,746,123</u>	<u>\$ 3,663,488</u>
Reconciliation of operating income to net cash provided by operating activities:					
Operating income (loss)	\$ (65,972)	\$ (49,628)	\$ 106,800	\$ 458,684	\$ 449,884
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation	2,126	-	6,515	542,047	550,688
Change in assets and liabilities:					
(Increase) decrease in assets:					
Accounts receivable	(5,735)	(41,900)	-	-	(47,635)
Materials and supplies inventory	-	-	(2,396)	-	(2,396)
Prepaid expenses	-	-	-	-	-
Increase (decrease) in liabilities:					
Accounts payable	(10,671)	48,562	5,998	3,974	47,863
Accrued liabilities	<u>6,639</u>	<u>-</u>	<u>1,678</u>	<u>-</u>	<u>8,317</u>
Net cash provided by (used in) operating activities	<u>\$ (73,613)</u>	<u>\$ (42,966)</u>	<u>\$ 118,595</u>	<u>\$ 1,004,705</u>	<u>\$ 1,006,721</u>



Fiduciary Funds

CITY OF OWENSBORO, KENTUCKY
COMBINING STATEMENT OF FIDUCIARY NET ASSETS
PENSION TRUST FUNDS
June 30, 2008

	City Employees' Pension Fund	Police and Firefighters' Retirement Fund	Total Pension Trust Funds
ASSETS			
Equity in pooled deposits and investments	\$ 1,279	\$ 4,403,294	\$ 4,404,573
Cash and cash equivalents	154,218	82,773	236,991
Cash and cash equivalents, restricted	-	60,872	60,872
Interest receivable	17,796	20,101	37,897
Investments, at fair value	4,849,887	3,509,149	8,359,036
Investments at fair value, restricted	-	1,998,437	1,998,437
Total assets	5,023,180	10,074,626	15,097,806
LIABILITIES			
Pension payable	22,093	90,837	112,930
Other	572	505	1,077
Total liabilities	22,665	91,342	114,007
NET ASSETS			
Held in trust for pension benefits	5,000,515	7,916,697	12,917,212
Held in trust for debt service	-	2,066,587	2,066,587
Total net assets	\$ 5,000,515	\$ 9,983,284	\$ 14,983,799

CITY OF OWENSBORO, KENTUCKY
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
PENSION TRUST FUNDS
Year Ended June 30, 2008

	City Employees' Pension Fund	Police and Firefighters' Retirement Fund	Total Pension Trust Funds
Additions:			
Contributions:			
Other	\$ 14,815	\$ 25,327	\$ 40,142
Total contributions	<u>14,815</u>	<u>25,327</u>	<u>40,142</u>
Investment earnings:			
Net appreciation (depreciation) in fair value of investments	(290,723)	(334,324)	(625,047)
Interest	<u>157,728</u>	<u>379,070</u>	<u>536,798</u>
Total investment earnings (loss)	<u>(132,995)</u>	<u>44,746</u>	<u>(88,249)</u>
Less investment expense	<u>7,572</u>	<u>9,178</u>	<u>16,750</u>
Net investment earnings (loss)	<u>(140,567)</u>	<u>35,568</u>	<u>(104,999)</u>
Total additions (reductions)	<u>(125,752)</u>	<u>60,895</u>	<u>(64,857)</u>
Deductions:			
Benefits	533,242	1,106,311	1,639,553
Operating transfer to debt service fund	<u>-</u>	<u>311,356</u>	<u>311,356</u>
Total deductions	<u>533,242</u>	<u>1,417,667</u>	<u>1,950,909</u>
Change in net assets	<u>(658,994)</u>	<u>(1,356,772)</u>	<u>(2,015,766)</u>
Net assets, beginning of year	<u>5,659,509</u>	<u>11,340,056</u>	<u>16,999,565</u>
Net assets, end of year	<u>\$ 5,000,515</u>	<u>\$ 9,983,284</u>	<u>\$ 14,983,799</u>

CITY OF OWENSBORO, KENTUCKY
COMBINING STATEMENT OF ASSETS AND LIABILITIES
AGENCY FUNDS
June 30, 2008

	County Occupational Tax Fund	School District Tax Fund	Total Agency Funds
ASSETS			
Equity in pooled deposits and investments	\$ 95,573	\$ -	\$ 95,573
Intergovernmental receivable	- <hr/>	243,046 <hr/>	243,046 <hr/>
Total assets	<hr/> 95,573	<hr/> 243,046	<hr/> 338,619
LIABILITIES			
Other	95,573 <hr/>	243,046 <hr/>	338,619 <hr/>
Total liabilities	<hr/> 95,573	<hr/> 243,046	<hr/> 338,619
NET ASSETS			
Held in trust for agency funds	- <hr/>	- <hr/>	- <hr/>
Total net assets	<hr/> \$ -	<hr/> \$ -	<hr/> \$ -

CITY OF OWENSBORO, KENTUCKY
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
Year Ended June 30, 2008

	Balance June 30, 2007	Additions	Deductions	Balance June 30, 2008
County Occupational Tax Fund				
Assets:				
Equity in pooled deposits and investments	\$ 78,045	\$ 1,838,670	\$ 1,821,142	\$ 95,573
Liabilities:				
Other	\$ 78,045	\$ 1,838,670	\$ 1,821,142	\$ 95,573
School District Tax Fund				
Assets:				
Intergovernmental receivable	\$ 19,746	\$ 8,622,162	\$ 8,398,862	\$ 243,046
Liabilities:				
Other	\$ 19,746	\$ 8,700,399	\$ 8,477,099	\$ 243,046
Total Agency Funds				
Assets:				
Equity in pooled deposits and investments	\$ 78,045	\$ 1,838,670	\$ 1,821,142	\$ 95,573
Intergovernmental receivable	\$ 19,746	\$ 8,622,162	\$ 8,398,862	\$ 243,046
Total assets	\$ 97,791	\$ 10,460,832	\$ 10,220,004	\$ 338,619
Liabilities:				
Other	\$ 97,791	\$ 10,539,069	\$ 10,298,241	\$ 338,619

Component Unit

Component Unit

CITY OF OWENSBORO, KENTUCKY
COMBINING STATEMENT OF NET ASSETS
COMPONENT UNIT
OWENSBORO MUNICIPAL UTILITIES
June 30, 2008

	Electric Light and Power System	Water Works System	Total
ASSETS			
Cash and cash equivalents:			
In segregated accounts	\$ 6,816.782	\$ 939.897	\$ 7,756,679
Accounts receivable (less allowance of \$39,803 and \$9,462 for Electric and Water, respectively)	6,441,345	1,139,257	7,580,602
Investments	10,000,000	-	10,000,000
Material and supplies inventory	2,336,270	520,568	2,856,838
Prepaid items	99,248	-	99,248
Other current assets	-	53,555	53,555
Restricted assets	84,350,590	1,529,453	85,880,043
Capital assets, net of accumulated depreciation:	208,479,157	46,048,818	254,527,975
Other noncurrent assets:			
Deferred charges	<u>8,378.659</u>	<u>321,669</u>	<u>8,700,328</u>
Total assets	\$ 326,902,051	\$ 50,553,217	\$ 377,455,268
LIABILITIES AND NET ASSETS			
Liabilities:			
Accounts payable	\$ 19,738,886	\$ 531,643	\$ 20,270,529
Accrued interest payable	965,397	189,919	1,155,316
Other payables	3,311,871	20,951	3,332,822
Deferred revenue	9,057,374	-	9,057,374
Customers' advances	-	976,959	976,959
Non-current liabilities:			
Due within one year	22,909,360	1,540,000	24,449,360
Due in more than one year	<u>154,940,740</u>	<u>18,130,728</u>	<u>173,071,468</u>
Total liabilities	<u>210,923,628</u>	<u>21,390,200</u>	<u>232,313,828</u>
Net assets:			
Invested in capital assets, net of related debt	43,564,545	25,698,147	69,262,692
Restricted for:			
Capital projects	962,113	111,709	1,073,822
Debt service	19,575,778	1,214,608	20,790,386
Other purposes	30,758,289	-	30,758,289
Unrestricted	<u>21,117,698</u>	<u>2,138,553</u>	<u>23,256,251</u>
Total net assets	<u>115,978,423</u>	<u>29,163,017</u>	<u>145,141,440</u>
Total liabilities and net assets	<u>\$ 326,902,051</u>	<u>\$ 50,553,217</u>	<u>\$ 377,455,268</u>

CITY OF OWENSBORO, KENTUCKY
COMBINING STATEMENT OF ACTIVITIES
COMPONENT UNIT
OWENSBORO MUNICIPAL UTILITIES
Year Ended June 30, 2008

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services and Sales	Capital Grants and Contributions	Electric Light and Power System	Water Works System	Total
Owensboro Municipal Utilities:						
Electric Light and Power System	\$ 114,569,360	\$ 108,126,989	\$ -	\$ (6,442,371)	\$ -	\$ (6,442,371)
Water Works System	7,992,672	7,785,815	612,681	-	405,824	405,824
Total Owensboro Municipal Utilities	<u>\$ 122,562,032</u>	<u>\$ 115,912,804</u>	<u>\$ 612,681</u>	<u>(6,442,371)</u>	<u>405,824</u>	<u>(6,036,547)</u>
General revenues:						
Earnings on investments and sales type leases			4,559,360	117,952	4,677,312	
Miscellaneous			97,876	-	97,876	
Total general revenues			<u>4,657,236</u>	<u>117,952</u>	<u>4,775,188</u>	
Change in net assets			(1,785,135)	523,776	(1,261,359)	
Net assets, beginning of year			<u>117,763,558</u>	<u>28,639,241</u>	<u>146,402,799</u>	
Net assets, end of year			<u>\$ 115,978,423</u>	<u>\$ 29,163,017</u>	<u>\$ 145,141,440</u>	

Capital Assets Used in the Operation of Governmental Funds

CITY OF OWENSBORO, KENTUCKY
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE BY SOURCE
June 30, 2008

Governmental funds capital assets:

Land	\$ 11,645,962
Land improvements/infrastructure	61,188,033
Buildings	17,525,747
Vehicles	2,814,130
Machinery and equipment	3,377,764
	<hr/>
	\$ 96,551,636

Investments in governmental funds capital assets by source:

General Fund	\$ 92,870,677
Community Development Fund	3,030,032
City of Owensboro Municipal Improvement Corporation	650,927
	<hr/>
	\$ 96,551,636

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

CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS

SCHEDULE BY FUNCTION AND ACTIVITY

June 30, 2008

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	-	-	-	-	9,928	9,928
Personnel	-	-	-	-	6,474	6,474
Information services	-	-	82,124	-	378,733	460,857
Unallocated	2,840,476	4,871,354	5,617,113	21,388	1,109,740	14,460,071
Total general government	<u>3,042,469</u>	<u>4,871,354</u>	<u>7,415,654</u>	<u>21,388</u>	<u>1,643,786</u>	<u>16,994,651</u>
Public safety:						
Police	767,184	-	3,469,976	125,673	625,570	4,988,403
Fire	353,862	-	2,093,300	1,546,302	133,367	4,126,831
Total public safety	<u>1,121,046</u>	<u>-</u>	<u>5,563,276</u>	<u>1,671,975</u>	<u>758,937</u>	<u>9,115,234</u>
Public works:						
Engineering	-	-	-	-	29,709	29,709
Streets	3,249,346	40,096,217	16,616	9,703	167,692	43,539,574
Garage	22,500	-	173,527	-	96,580	292,607
Stormwater	-	-	-	76,877	108,080	184,957
Total public works	<u>3,271,846</u>	<u>40,096,217</u>	<u>190,143</u>	<u>86,580</u>	<u>402,061</u>	<u>44,046,847</u>
Community and cultural:						
Parks	2,404,059	2,234,558	3,060,620	-	282,394	7,981,631
Other agencies	1,527,640	993,060	1,160,259	-	-	3,680,959
Your community vision	278,902	12,992,844	135,795	1,034,187	290,586	14,732,314
Total community and cultural	<u>4,210,601</u>	<u>16,220,462</u>	<u>4,356,674</u>	<u>1,034,187</u>	<u>572,980</u>	<u>26,394,904</u>
Total governmental funds capital assets	<u>\$ 11,645,962</u>	<u>\$ 61,188,033</u>	<u>\$ 17,525,747</u>	<u>\$ 2,814,130</u>	<u>\$ 3,377,764</u>	<u>\$ 96,551,636</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, 2008

Function and Activity	Governmental Funds Capital Assets			Governmental Funds Capital Assets June 30, 2008
	June 30, 2007	Additions	Deductions	
General government:				
City manager, commissioners and legal	\$ 2,051,624	\$ 5,697	\$ -	\$ 2,057,321
Finance	9,928	-	-	9,928
Personnel	6,474	-	-	6,474
Information services	460,857	-	-	460,857
Unallocated	15,457,587	-	(997,516)	14,460,071
Total general government	17,986,470	5,697	(997,516)	16,994,651
Public safety:				
Police	5,009,307	5,571	(26,475)	4,988,403
Fire	4,297,380	-	(170,549)	4,126,831
Total public safety	9,306,687	5,571	(197,024)	9,115,234
Public works:				
Engineering	29,709	-	-	29,709
Streets	39,339,256	4,222,783	(22,465)	43,539,574
Garage	292,607	-	-	292,607
Stormwater	184,957	-	-	184,957
Total public works	39,846,529	4,222,783	(22,465)	44,046,847
Community and cultural:				
Parks	7,252,657	755,391	(26,417)	7,981,631
Other agencies	3,102,526	578,433	-	3,680,959
Your community vision	7,315,851	7,425,615	(9,152)	14,732,314
Total community and cultural	17,671,034	8,759,439	(35,569)	26,394,904
Total governmental funds capital assets	\$ 84,810,720	\$ 12,993,490	\$ (1,252,574)	\$ 96,551,636

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



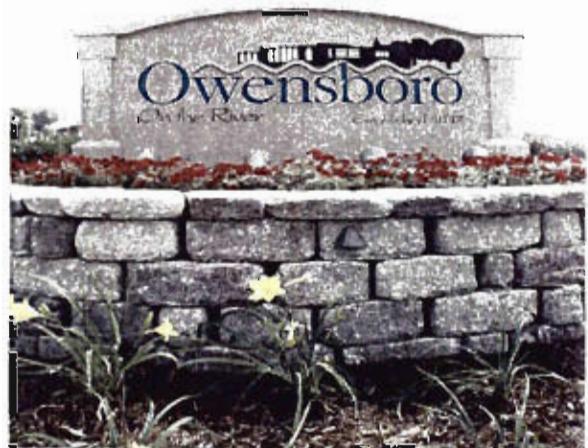


CITY OF OWENSBORO GENERAL INFORMATION

The City

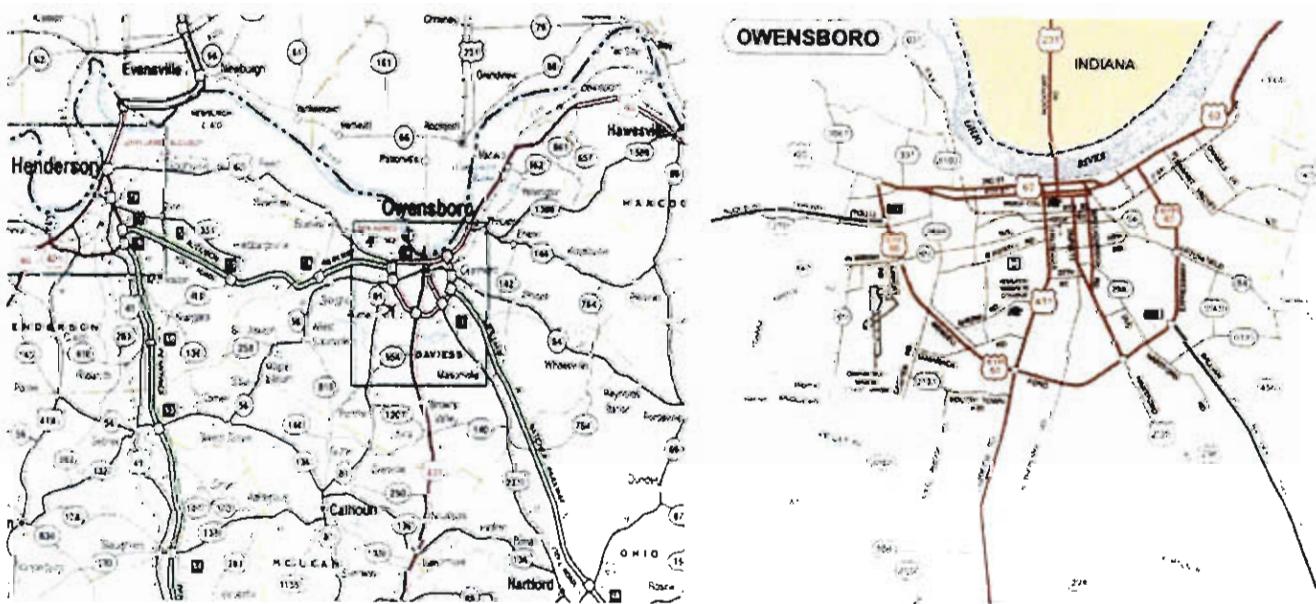
Owensboro, originally known as "Yellowbanks" in reference to the color of the soil along the Ohio River banks, was first settled in 1797. By 1810, David Morton had opened a general store and population of the settlement grew to 100 by 1815. An 1817 Act of the Kentucky Legislature incorporated the town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

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



Location

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



Industry and Economic Development

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



The City is active in promoting economic development, as new developmental job growth is necessary to ensure the continued stability of the City's revenue base. Economic indicators and trends reflect stabilization in the area's economy compared to the previous year. As of May 2008, area employment averaged approximately 45,158. The June 2008 unemployment rate was 4.9%, slightly lower than the state rate of 5.6%. Construction of multi-family units has increased by 154.55%.



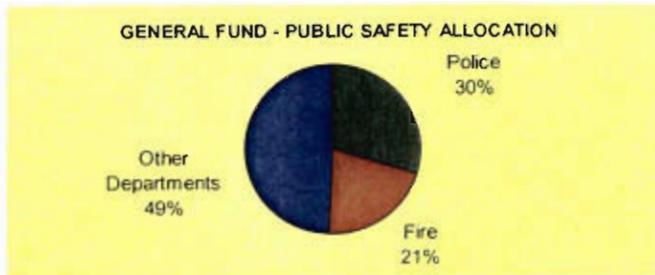
An aggressive annexation policy is being pursued to insure continued growth and development for the City of Owensboro. Much of the City's long-term growth potential lies in the Carter Road/Airport Corridor, anchored by the 400-acre Mid-America Airpark. The City has coordinated with the Greater Owensboro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

Communications

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

Public Safety

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



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

Education

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

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

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



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

Medical Facilities

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

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



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

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

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

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

Recreation and Culture

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



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

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

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



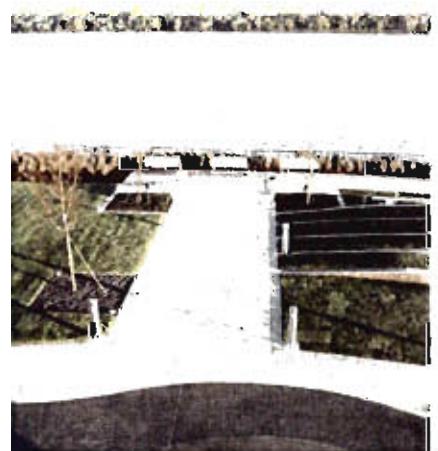
Owensboro RiverPark Center, a performing arts and civic center, boasts a 1,500 seat multi-purpose auditorium, and experimental theatre, a riverfront plaza, an open-air courtyard, meeting/reception rooms, and the International Bluegrass Music Museum. Each year the RiverPark Center hosts over 150 performance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



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



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



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

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

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

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



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

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

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

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

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

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



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



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



The Government

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

CITY OF OWENSBORO, KENTUCKY
Statistical Section Objectives

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

<u>Contents</u>	<u>Pages</u>
Financial Trends These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	110-114
Revenue Capacity These schedules contain information to help the reader assess the City's most significant local revenue sources.	115-118
Debt Capacity These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	119-122
Demographic and Economic Information These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.	123-124
Operating Information These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.	125-127

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

Schedule 1

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

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

Schedule 2

**CITY OF OWENSBORO
CHANGES IN NET ASSETS**

Last Seven Fiscal Years
(accrual basis of accounting)

	2002	2003	2004	2005	2006	2007	2008
Expenses							
Governmental activities:							
General government	\$ 7,784,656	\$ 4,035,934	\$ 7,088,369	\$ 7,204,175	\$ 8,644,720	\$ 8,793,519	\$ 9,680,973
Public safety	16,266,681	14,832,206	15,128,745	15,551,627	19,513,418	17,055,086	18,129,214
Public works	5,968,403	7,800,541	7,009,244	10,304,723	9,278,026	6,395,367	5,558,089
Community and cultural	5,396,683	7,856,954	4,447,914	4,373,153	4,457,954	4,886,150	5,662,963
Community/economic development	1,217,759	1,669,357	1,320,396	1,394,189	1,113,760	703,557	898,056
Interest on long-term debt	1,302,910	1,239,319	1,020,100	933,123	926,657	1,015,349	1,028,005
Total governmental activities expenses	<u>37,937,092</u>	<u>37,434,311</u>	<u>36,014,765</u>	<u>39,760,990</u>	<u>43,934,535</u>	<u>38,849,028</u>	<u>40,957,300</u>
Business-Type activities:							
Sanitation	4,103,902	4,456,174	4,024,897	3,862,662	4,013,954	4,047,686	4,255,487
Transit	1,347,934	1,358,112	1,361,964	1,293,099	1,367,534	1,477,294	1,537,889
Geographic information system	-	-	-	-	-	-	291,095
Parking garage operations	76,774	73,650	57,211	58,022	74,906	68,660	81,852
Recreation	1,528,523	1,552,179	1,558,911	1,328,329	1,344,738	1,373,102	1,404,093
Total business-type activities expenses	<u>7,057,133</u>	<u>7,440,115</u>	<u>7,002,983</u>	<u>6,542,112</u>	<u>6,801,132</u>	<u>6,966,742</u>	<u>7,570,416</u>
Total primary government expenses	<u>\$ 44,994,225</u>	<u>\$ 44,874,426</u>	<u>\$ 43,017,751</u>	<u>\$ 46,303,102</u>	<u>\$ 50,735,667</u>	<u>\$ 45,815,770</u>	<u>\$ 48,527,716</u>
Program Revenues							
Governmental activities:							
Charges for services:	\$ 1,536,809	\$ 1,600,274	\$ 1,923,581	\$ 2,043,874	\$ 2,325,733	\$ 2,337,646	\$ 2,477,103
General government	748,111	846,853	756,206	748,939	778,650	875,431	952,424
Public safety	194,722	177,140	177,930	231,022	215,894	216,483	17,901
Public works	9,721	12,095	-	-	13,001	-	-
Community and cultural	219,914	268,022	313,486	421,745	301,812	300,944	215,492
Community/economic development	2,674,516	2,565,925	2,118,504	2,979,952	5,152,432	3,470,861	4,066,154
Operating grants and contributions	1,558,369	7,524,594	5,920,293	3,564,624	3,142,387	4,533,823	7,478,058
Total governmental activities program revenues	<u>6,941,962</u>	<u>12,994,903</u>	<u>11,210,000</u>	<u>9,990,156</u>	<u>11,929,909</u>	<u>11,735,188</u>	<u>15,207,132</u>
Business-type activities:							
Charges for services:	4,730,426	4,850,841	4,914,881	4,950,909	5,030,171	5,100,056	5,157,748
Sanitation	110,322	121,572	131,130	142,173	148,421	139,101	128,819
Transit	-	-	-	-	-	-	262,612
Geographic information system	60,359	46,735	45,590	54,175	56,556	53,825	54,109
Parking garage operations	1,147,281	1,152,081	1,126,627	1,007,638	1,051,924	979,206	979,530
Recreation	425,906	874,423	922,795	553,152	652,332	407,877	441,862
Operating grants and contributions	-	-	-	40,957	-	420,237	466,465
Capital grants and contributions	-	-	-	-	-	-	-
Total business-type activities program revenues	<u>6,474,294</u>	<u>7,045,652</u>	<u>7,141,023</u>	<u>6,749,004</u>	<u>6,939,404</u>	<u>7,100,302</u>	<u>7,491,145</u>
Total primary government program revenues	<u>\$ 13,416,256</u>	<u>\$ 20,040,555</u>	<u>\$ 18,351,023</u>	<u>\$ 16,739,160</u>	<u>\$ 18,869,313</u>	<u>\$ 18,835,490</u>	<u>\$ 22,698,277</u>
Net (expense)revenue							
Governmental activities	\$ (30,995,130)	\$ (24,439,408)	\$ (24,804,768)	\$ (29,770,834)	\$ (32,004,626)	\$ (27,113,840)	\$ (25,750,168)
Business-type activities	(582,839)	(394,463)	138,040	206,892	138,272	133,560	(79,271)
Total primary government net expense	<u>\$ (31,577,969)</u>	<u>\$ (24,833,871)</u>	<u>\$ (24,666,728)</u>	<u>\$ (29,563,942)</u>	<u>\$ (31,866,354)</u>	<u>\$ (26,980,280)</u>	<u>\$ (25,829,439)</u>
General Revenues and Other Changes in Net Assets:							
Governmental activities:							
Taxes	\$ 6,526,834	\$ 6,752,239	\$ 7,137,309	\$ 7,492,747	\$ 7,758,532	\$ 8,129,079	\$ 8,490,108
Property taxes	11,824,621	8,100,690	11,219,801	12,575,637	12,282,123	13,202,290	13,765,193
Occupational license taxes	1,728,597	1,739,962	1,510,671	2,123,377	2,143,424	2,728,192	3,280,491
Net profit license taxes	3,632,070	4,069,041	4,480,570	4,505,405	4,722,033	4,815,086	5,040,813
Regulatory taxes	1,395,499	1,565,495	1,600,728	1,627,979	1,480,187	1,399,301	1,756,428
Payments in lieu of taxes from component unit	632,075	250,300	189,860	384,007	373,234	885,309	827,636
Investment earnings	147,306	3,941,209	4,248,066	4,843,914	6,172,509	5,768,103	6,134,347
Unrestricted grants and contributions	651,283	(10,498,324)	140,242	-	127,727	584	296,830
Gain on sale of assets	240,957	328,335	207,029	929,339	464,514	1,909,755	1,378,941
Investment in joint venture	569,263	866,117	744,238	779,527	357,791	465,070	217,782
Miscellaneous	2,814,062	(880,086)	(827,493)	(864,800)	(888,986)	(1,024,655)	(1,159,294)
Transfers	30,162,567	16,234,978	30,651,021	34,397,132	34,993,088	38,278,114	40,029,275
Total governmental activities	<u>\$ 31,202,371</u>	<u>\$ 17,259,554</u>	<u>\$ 31,659,621</u>	<u>\$ 35,421,301</u>	<u>\$ 36,190,489</u>	<u>\$ 39,829,689</u>	<u>\$ 41,640,705</u>
Business-type activities:							
Investment earnings	66,003	98,497	56,966	159,369	166,231	410,982	383,904
Gain on sale of assets	208,979	45,993	124,141	-	142,184	115,938	68,232
Transfers	764,822	880,086	827,493	864,800	888,986	1,024,655	1,159,294
Total business-type activities	<u>1,039,804</u>	<u>1,024,576</u>	<u>1,008,600</u>	<u>1,024,169</u>	<u>1,197,401</u>	<u>1,551,575</u>	<u>1,611,430</u>
Total primary government	<u>\$ 31,202,371</u>	<u>\$ 17,259,554</u>	<u>\$ 31,659,621</u>	<u>\$ 35,421,301</u>	<u>\$ 36,190,489</u>	<u>\$ 39,829,689</u>	<u>\$ 41,640,705</u>
Change In Net Assets							
Governmental activities	\$ (832,563)	\$ (8,204,430)	\$ 5,846,253	\$ 4,626,298	\$ 2,988,462	\$ 11,164,274	\$ 14,279,107
Business-type activities	456,965	630,113	1,146,640	1,231,061	1,335,673	1,685,135	1,532,159
Total primary government	<u>\$ (375,598)</u>	<u>\$ (7,574,317)</u>	<u>\$ 6,992,893</u>	<u>\$ 5,857,359</u>	<u>\$ 4,324,135</u>	<u>\$ 12,849,409</u>	<u>\$ 15,811,266</u>

Schedule 3

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

FISCAL YEAR	TOTAL	PROPERTY TAXES	LICENSES AND PERMITS	INTER- GOVERNMENTAL REVENUES	SERVICES - GENERAL GOVERNMENT	FINES AND FORFEITS	CHARGES FOR MISC.	
							INTEREST	REVENUES
1999	\$ 29,399,449	\$ 5,429,767	\$ 14,747,523	\$ 6,998,149	\$ 700,655	\$ 173,843	\$ 774,514	\$ 574,998
2000	29,220,862	5,820,136	15,225,664	5,267,504	594,010	167,262	1,187,816	958,470
2001	32,249,206	6,113,868	15,686,280	5,251,379	559,169	163,874	1,239,060	3,235,576
2002	31,895,064	6,526,834	16,746,632	6,165,109	570,068	159,989	793,119	933,313
2003	39,623,935	6,752,239	14,656,485	16,034,683	550,469	179,297	268,236	1,182,526
2004	36,978,225	7,137,309	17,474,479	10,376,501	570,841	138,012	165,233	1,115,850
2005	42,198,008	7,492,747	18,668,701	13,435,874	599,425	120,197	325,533	1,555,531
2006	46,212,243	7,758,532	19,924,204	15,769,971	654,748	161,279	303,186	1,640,323
2007	47,597,695	8,129,079	21,032,128	15,418,252	697,149	157,286	728,907	1,434,894
2008	53,515,825	8,490,108	22,575,081	19,616,625	744,040	234,062	716,395	1,139,514

This table includes all governmental funds.

Schedule 4

CITY OF OWENSBORO
FUND BALANCES OF GOVERNMENTAL FUNDS
 Last Ten Fiscal Years
 (modified accrual basis of accounting)
 (amounts expressed in thousands)

	Fiscal Year									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
General fund										
Reserved	\$ 35	\$ 57	\$ 127	\$ 130	\$ 128	\$ 79	\$ 87	\$ 153	\$ 267	\$ 175
Unreserved	2,402	1,625	1,855	1,951	1,749	1,550	1,855	3,591	5,662	7,473
Total General Fund	<u>\$ 2,437</u>	<u>\$ 1,682</u>	<u>\$ 1,982</u>	<u>\$ 2,081</u>	<u>\$ 1,877</u>	<u>\$ 1,629</u>	<u>\$ 1,942</u>	<u>\$ 3,744</u>	<u>\$ 5,929</u>	<u>\$ 7,648</u>
All other governmental units										
Reserved	\$ 13,820	\$ 9,942	\$ 7,708	\$ 4,834	\$ 2,865	\$ 6,158	\$ 3,958	\$ 3,256	\$ 6,154	\$ 13,216
Unreserved, reported in:										
Special revenue funds	348	463	424	6,447	371	890	(125)	(547)	958	(1,131)
Capital projects funds	4,704	5,327	3,852	3,011	2,346	2,370	2,056	3,382	171	3,103
Total all other government funds	<u>\$ 18,872</u>	<u>\$ 15,732</u>	<u>\$ 11,984</u>	<u>\$ 14,292</u>	<u>\$ 5,582</u>	<u>\$ 9,418</u>	<u>\$ 5,889</u>	<u>\$ 6,091</u>	<u>\$ 7,283</u>	<u>\$ 15,188</u>

Schedule 5
CITY OF OWENSBORO
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS

	2002	2003	2004	2005	2006	2007	2008
Revenues							
Real and personal property taxes	\$ 6,526,834	\$ 6,752,239	\$ 7,137,309	\$ 7,492,747	\$ 7,758,532	\$ 8,129,079	\$ 8,490,108
Occupational licenses	10,862,478	8,305,933	10,930,002	11,542,558	12,236,772	12,911,250	13,686,643
Net profit license fees	1,709,697	1,721,567	1,516,557	2,101,988	2,435,859	2,781,868	3,277,814
Regulatory licenses	3,632,070	4,069,041	4,480,570	4,505,405	4,722,033	4,815,086	5,040,813
Intergovernmental	4,769,610	11,012,959	4,995,066	7,802,319	9,193,929	8,694,133	12,167,197
Interest	793,119	268,236	165,233	325,533	303,186	728,907	716,395
Fees, licenses and permits	542,387	559,944	547,350	518,750	529,540	523,924	569,811
Fines and forfeitures	159,989	179,297	138,012	120,197	161,279	157,286	234,062
Rentals	206,816	540,190	619,696	617,021	741,230	720,896	651,199
Charges for services	570,068	550,469	570,841	599,425	654,748	697,149	744,040
Contributions and donations	142,093	15,732	343	263,200	22,227	20,197	17,648
Dividends from component units	3,244,027	3,456,229	3,780,707	4,005,576	5,095,855	5,324,818	5,693,000
Payments in lieu of taxes from component unit	1,395,499	1,565,495	1,600,728	1,627,979	1,480,187	1,399,301	1,756,428
Miscellaneous income	584,404	626,604	495,811	675,310	876,866	693,801	470,667
Total Revenues	<u>35,139,091</u>	<u>39,623,935</u>	<u>36,978,225</u>	<u>42,198,008</u>	<u>46,212,243</u>	<u>47,597,695</u>	<u>53,515,825</u>
Expenditures							
Current:							
General government	4,998,728	5,342,397	5,954,993	6,183,140	7,373,975	7,680,375	8,484,458
Public safety	13,878,294	14,133,879	14,998,734	15,566,845	20,447,210	16,697,923	17,796,001
Public works	4,856,662	4,782,763	4,316,735	6,998,503	5,078,227	4,534,225	5,913,174
Community and cultural	4,346,214	3,294,964	4,292,232	4,100,447	3,962,926	3,963,882	4,669,820
Community/economic development	1,194,519	1,650,649	1,320,396	1,394,189	1,113,760	1,013,498	898,056
Capital outlay	3,712,815	10,681,356	3,441,023	8,692,798	7,278,471	7,086,041	10,859,962
Debt service:							
Principal	3,661,455	7,940,423	1,389,470	1,489,027	1,662,807	1,841,400	2,714,000
Interest	1,083,751	1,243,380	987,219	883,816	810,979	920,447	928,832
Issuance costs	167,807	2,000	88,552	10,500	147,933	-	91,253
Total Expenditures	<u>37,900,245</u>	<u>49,071,811</u>	<u>36,789,354</u>	<u>45,319,265</u>	<u>47,876,288</u>	<u>43,737,791</u>	<u>52,355,556</u>
Excess (deficiency) of revenues over expenditures	(2,761,154)	(9,447,876)	188,871	(3,121,257)	(1,664,045)	3,859,904	1,160,269
Other financing sources (uses):							
Sale of capital assets	540,561	388,257	4,145,279	138,367	190,561	16,292	992,048
Issuance of debt	4,835,397	-	88,552	357,000	4,100,000	-	8,104,292
Refunding bond issue	-	-	-	-	2,550,000	-	-
Payment to bond refunding escrow	-	-	-	-	(2,881,398)	-	-
Transfers in	4,995,489	9,842,399	2,240,697	2,681,286	2,453,572	5,582,783	3,680,791
Transfers out	(5,255,454)	(9,787,292)	(2,552,566)	(2,570,185)	(2,745,219)	(6,081,359)	(4,313,729)
Net change in fund balances	<u>\$ 2,354,839</u>	<u>\$ (9,004,512)</u>	<u>\$ 4,110,833</u>	<u>\$ (2,514,789)</u>	<u>\$ 2,003,471</u>	<u>\$ 3,377,620</u>	<u>\$ 9,623,671</u>
Debt service as a percentage of non-capital expenditures	14.3%	22.3%	7.3%	6.3%	6.1%	7.6%	9.5%

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			
1999	\$ 1,494,560,342	\$ 195,187,485	\$ 61,547,829	1,006,008,128	\$ 2,757,303,784	0.1969	\$ 2,952,425,301	93.4%
2000	1,605,314,275	247,846,205	83,578,504	1,023,387,597	2,960,126,581	0.1966	3,218,547,651	92.0%
2001	1,703,101,329	245,253,177	97,151,789	1,057,944,963	3,103,451,258	0.1970	3,475,309,359	89.3%
2002	1,813,449,766	269,369,280	98,459,750	1,082,074,798	3,263,353,594	0.2000	3,550,983,236	91.9%
2003	1,858,072,636	259,602,395	102,153,004	1,230,406,541	3,450,234,576	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%

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

²Source: Kentucky Department of Revenue - Research Division

Schedule 7

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

REAL PROPERTY:

Fiscal Year	DIRECT		OVERLAPPING						TOTAL CITY RESIDENT ¹	
	City	City Schools	County Schools	State	County	Health	Extension	Library	City School	County School
1999	0.2535	0.6580	0.4730	0.1530	0.1310	0.0250	0.0090	0.0395	1.2690	1.0840
2000	0.2535	0.6640	0.4860	0.1480	0.1310	0.0250	0.0090	0.0405	1.2710	1.0930
2001	0.2472	0.6460	0.4770	0.1480	0.1280	0.0250	0.0090	0.0390	1.2422	1.0732
2002	0.2472	0.6690	0.4900	0.1360	0.1280	0.0350	0.0090	0.0400	1.2642	1.0852
2003	0.2541	0.6640	0.5070	0.1350	0.1280	0.0350	0.0090	0.0410	1.2661	1.1091
2004	0.2612	0.6970	0.5250	0.1330	0.1300	0.0350	0.0090	0.0560	1.3212	1.1492
2005	0.2586	0.7010	0.5330	0.1310	0.1340	0.0350	0.0090	0.0660	1.3346	1.1666
2006	0.2580	0.7040	0.5360	0.1310	0.1270	0.0350	0.0090	0.0570	1.3210	1.1530
2007	0.2608	0.7400	0.5450	0.1280	0.1270	0.0350	0.0090	0.0503	1.3501	1.1551
2008	0.2601	0.7480	0.5470	0.1240	0.1300	0.0350	0.0090	0.0590	1.3651	1.1701

PERSONAL PROPERTY:

Fiscal Year	DIRECT		OVERLAPPING						TOTAL CITY RESIDENT ¹	
	City	City Schools	County Schools	State	County	Health	Extension	Library	City School	County School
1999	0.2726	0.6580	0.4800	0.4500	0.1680	0.0250	0.0090	0.0405	1.6231	1.4451
2000	0.2592	0.6640	0.4860	0.4500	0.1510	0.0250	0.0090	0.0450	1.6032	1.4252
2001	0.2472	0.6460	0.4830	0.4500	0.1470	0.0250	0.0090	0.0395	1.5637	1.4007
2002	0.2472	0.6690	0.4900	0.4500	0.1470	0.0350	0.0090	0.0400	1.5972	1.4182
2003	0.2541	0.6640	0.5070	0.4500	0.1470	0.0350	0.0090	0.0411	1.6002	1.4432
2004	0.2946	0.6970	0.5250	0.4500	0.1638	0.0350	0.0090	0.0462	1.6965	1.5245
2005	0.3091	0.7020	0.5330	0.4500	0.1638	0.0350	0.0090	0.0570	1.7259	1.5569
2006	0.3072	0.7040	0.5360	0.4500	0.1572	0.0350	0.0107	0.0577	1.7218	1.5538
2007	0.2744	0.7400	0.5450	0.4500	0.1592	0.0350	0.0108	0.0594	1.7288	1.5338
2008	0.2743	0.7480	0.5470	0.4500	0.1696	0.0350	0.0111	0.0622	1.7502	1.5492

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, 2008			June 30, 1999		
		ASSESSED VALUATION ¹	RANK	PERCENTAGE OF TOTAL ASSESSED	ASSESSED VALUATION ¹	RANK	PERCENTAGE OF TOTAL ASSESSED
				VALUATION OF \$2,774,023,023			VALUATION OF \$1,858,299,056
Wal-Mart Real Estate	Retail	\$ 35,605,452	1	1.28%	\$ -	-	0.00%
Toyotetsu Mid America	Manufacturer	33,263,946	2	1.20%	-	-	0.00%
Ragu/Unilever/Lipton	Manufacturer	26,064,653	3	0.94%	19,884,411	3	1.07%
Towne Square Mall, LLC	Mall Development	26,021,000	4	0.94%	20,029,800	2	1.08%
Texas Gas Transmission	Gas Company	20,067,573	5	0.72%	9,789,583	7	0.53%
Unifirst Corporation	Manufacturer	19,127,173	6	0.69%	-	-	0.00%
Owensboro Towne Center	Mall Development	19,025,000	7	0.69%	-	-	0.00%
Atmos Energy	Gas Company	17,865,721	8	0.64%	11,562,962	4	0.62%
Field Packing	Manufacturer	14,814,579	9	0.53%	-	-	0.00%
Bellsouth/AT&T	Telephone	12,655,303	10	0.46%	29,642,363	1	1.60%
Executive Inn Rivermont	Hotel	-	-	-	10,290,000	5	0.55%
General Electric	Manufacturer	-	-	-	10,030,914	6	0.54%
Willamette Industries, Inc.	Manufacturer	-	-	-	9,673,759	8	0.52%
Barton Brands	Manufacturer	-	-	-	8,781,680	9	0.47%
Owensboro National Bank	Bank	-	-	-	8,176,251	10	0.44%
		<u>\$ 224,510,400</u>		<u>8.09%</u>	<u>\$ 137,861,723</u>		<u>7.42%</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		FINAL ADJUSTED LEVY	COLLECTED WITHIN		COLLECTIONS IN SUBSEQUENT YEARS	TOTAL COLLECTIONS	
	LEVY FOR FISCAL YEAR	ADJUSTMENTS TO LEVY		FISCAL YEAR OF LEVY	AMOUNT		AMOUNT	% OF LEVY
1999	\$ 5,227,568	\$ 202,199	\$ 5,429,767	\$ 5,322,760	98.0%	\$ 104,249	\$ 5,427,009	99.9%
2000	5,632,122	188,014	5,820,136	5,685,827	97.7%	128,894	5,814,721	99.9%
2001	5,879,384	234,484	6,113,868	5,894,785	96.4%	216,110	6,110,895	99.9%
2002	6,569,149	(42,313)	6,526,836	6,378,460	97.7%	143,705	6,522,165	99.9%
2003	6,477,380	282,335	6,759,715	6,598,792	97.6%	149,567	6,748,359	99.8%
2004	6,834,685	312,475	7,147,160	7,024,928	98.3%	116,629	7,141,557	99.9%
2005	7,135,269	382,752	7,518,021	7,396,847	98.4%	106,173	7,503,020	99.8%
2006	7,236,158	568,389	7,804,547	7,641,239	97.9%	145,062	7,786,301	99.8%
2007	7,677,452	503,387	8,180,839	8,045,021	98.3%	96,369	8,141,390	99.5%
2008	8,027,057	463,051	8,490,108	8,419,367	99.2%	-	8,419,367	99.2%

Note: This table includes all governmental funds.

Schedule 10

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

FISCAL YEAR	GENERAL OBLIGATION BONDS	LEASE REVENUE BONDS	LOAN PAYABLE	TOTAL PRIMARY GOVERNMENT	PERCENTAGE OF PERSONAL INCOME ¹	PER CAPITA ¹
2002	\$ 18,269	\$ 10,420	\$ 1,441	\$ 30,130	2.29%	\$ 557
2003	17,226	3,900	1,063	22,189	1.62%	410
2004	16,467	3,687	1,009	21,163	1.55%	390
2005	15,633	3,440	958	20,031	1.40%	365
2006	20,722	640	906	22,268	1.50%	402
2007	18,972	585	870	20,427	1.32%	368
2008	24,283	525	1,009	25,817	1.59%	466

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			RATIO OF	
			BONDS AND LOAN PAYABLE	LESS APPLICABLE AMOUNTS ³	NET BONDED DEBT	NET BONDED DEBT TO ASSESSED VALUE	NET BONDED DEBT PER CAPITA
1999	54,200	\$ 2,952,425,301	\$ 34,710,896	\$ 33,900,896	\$ 810,000	0.03	\$ 14.94
2000	54,010	3,218,547,651	33,341,817	31,451,817	1,890,000	0.06	34.99
2001	54,067	3,475,309,359	28,495,967	23,220,967	5,275,000	0.15	97.56
2002	54,119	3,550,983,236	29,714,207	14,999,513	14,714,694	0.41	271.90
2003	54,176	3,779,008,298	21,818,080	7,974,089	13,843,991	0.37	255.54
2004	54,312	4,327,131,813	20,500,877	7,567,589	12,933,288	0.30	238.13
2005	54,900	4,120,446,343	19,441,119	7,091,534	12,349,585	0.30	224.95
2006	55,459	3,887,975,139	21,622,467	4,056,698	17,565,769	0.45	316.73
2007	55,525	4,256,206,326	19,866,474	3,778,268	16,088,206	0.38	289.75
2008	55,398	4,491,302,919	25,312,611	3,666,530	21,646,081	0.48	390.74

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, 2008**

	DEBT OUTSTANDING ¹	ESTIMATED PERCENT APPLICABLE	TOTAL SHARE OF OVERLAPPING DEBT	TOTAL DIRECT AND OVERLAPPING DEBT
Jurisdiction:				
City of Owensboro	\$ 25,817,292	100.0	\$ -	\$ 25,817,292
Owensboro Independent Schools	5,055,275	100.0	5,055,275	5,055,275
Daviess County	14,261,264	58.2	8,300,056	8,300,056
Daviess County Schools	<u>63,606,694</u>	43.2	<u>27,478,092</u>	<u>27,478,092</u>
Total	<u><u>\$ 108,740,525</u></u>		<u><u>\$ 40,833,423</u></u>	<u><u>\$ 66,650,715</u></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.

¹Gross general bonded debt less reserves.

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

Schedule 13
CITY OF OWENSBORO
LEGAL DEBT MARGIN INFORMATION
Last Ten Fiscal Years

	Fiscal Year									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Debt limit	\$ 204,667,058	\$ 216,097,480	\$ 230,545,940	\$ 234,476,604	\$ 236,619,486	\$ 252,127,162	\$ 263,731,552	\$ 263,731,552	\$ 276,122,241	\$ 289,737,193
Total net debt applicable to limit	-	4,570,000	14,475,000	13,615,000	13,092,955	12,504,430	17,640,212	17,640,212	15,987,234	21,719,010
Legal debt margin	<u>\$ 204,667,058</u>	<u>\$ 211,527,480</u>	<u>\$ 216,070,940</u>	<u>\$ 220,861,604</u>	<u>\$ 223,526,531</u>	<u>\$ 239,622,732</u>	<u>\$ 246,091,340</u>	<u>\$ 246,091,340</u>	<u>\$ 260,135,007</u>	<u>\$ 268,018,183</u>
Total net debt applicable to the limit as a percentage of debt limit	0.00%	2.11%	6.28%	5.81%	5.53%	4.96%	6.69%	6.69%	5.79%	7.50%
Legal Debt Margin Calculation for Fiscal Year 2008										
Net assessed value										\$2,743,040,928
Add back: exempt real property										<u>154,331,000</u>
Total assessed value										\$2,897,371,928
Debt limit - 10% of total assessed value ¹										\$ 289,737,193
Amount of debt applicable to debt limit:										
Total general bonded debt										\$ 25,312,611
Less: Revenue Bonds										(525,000)
Loan Payable										(1,009,292)
Amount set aside for repayment of general obligation bonds										<u>(2,059,309)</u>
Total debt applicable to limitation										\$ 21,719,010
Legal debt margin										<u>\$ 268,018,183</u>

¹Section 158 of the Commonwealth of Kentucky Constitution states:

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

Schedule 14

CITY OF OWENSBORO
DEMOGRAPHIC AND ECONOMIC STATISTICS
Last Ten Fiscal Years

FISCAL YEAR	POPULATION ¹	PERSONAL INCOME (AMOUNT EXPRESSED IN THOUSANDS)		PER CAPITA INCOME ⁴	SCHOOL ENROLLMENT ²	UNEMPLOYMENT RATE ³
1999	54,200	\$	1,215,218	\$ 22,421	4,055	4.8%
2000	54,010		1,233,426	22,837	4,000	4.8%
2001	54,067		1,267,476	23,383	3,902	5.0%
2002	54,119		1,317,044	24,238	3,861	5.2%
2003	54,176		1,365,620	25,095	3,910	5.8%
2004	54,312		1,361,187	25,014	3,849	5.9%
2005	54,900		1,426,577	25,985	3,978	6.1%
2006	55,459		1,488,298	26,836	3,942	5.9%
2007	55,525		1,546,038	27,844	3,934	5.0%
2008	55,398		1,619,062	29,226	3,934	4.9%

Sources:

¹United States Census Estimates

²Board of Education; represents elementary and secondary public schools

³Kentucky Department for Employment Services

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

Schedule 15

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

<u>Employer</u>	2008			1999		
	<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	7.31%	2,216	1	4.88%
US Bank Home Mortgage	873	2	1.93%			
Owensboro Public Schools	779	3	1.73%	811	2	1.79%
Texas Gas	596	4	1.32%			
Toyotetsu Mid-America	585	5	1.30%			
Wal-Mart	541	6	1.20%	410	9	0.90%
Specialty Foods (Field Packing Company)	500	7	1.11%	584	4	1.29%
City of Owensboro	481	8	1.07%	530	6	1.17%
Commonwealth of Kentucky	471	9	1.04%	561	5	1.24%
Unilever Foods North America	397	10	0.88%	451	7	0.99%
River Valley Behavioral Health				694	3	1.53%
Swedish Match				410	9	0.90%
General Electric Motor Plant				425	8	0.94%
Total	<u>8,523</u>		<u>18.87%</u>	<u>7,092</u>		<u>15.62%</u>

Schedule 16

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

Function	Full-time Equivalent Employees as of June 30									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Governmental Activities:										
General government ¹	55	59	66	66	68	69	74	80	71	73
Public safety	257	257	257	259	246	252	257	245	240	237
Public works	68	79	80	79	81	80	71	72	66	70
Community and cultural	16	13	15	14	12	12	5	5	5	4
Total Governmental Activities	396	408	418	418	407	413	407	402	382	384
Business-type activities:										
Sanitation	39	32	32	32	32	32	32	28	27	27
Other enterprise funds ²	30	94	90	93	94	94	101	95	95	93
Total business-type activities	69	126	122	125	126	126	133	123	122	120
Total primary government	465	534	540	543	533	539	540	525	504	504

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Source: Government Budget

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

²Temporary employees not included in employee counts until 2000

Schedule 17

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

Function	Fiscal Year									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Police										
Physical arrests	3,995	4,063	4,251	4,722	4,820	5,394	5,052	5,423	4,312	4,531
Parking violations	9,080	9,028	7,835	6,917	7,490	7,825	9,235	11,820	12,331	10,306
Traffic violations and courtesy notices	13,800	12,988	13,000	17,500	22,372	33,045	29,315	23,655	20,600	11,453
Fire										
Number of calls answered	1,122	1,503	1,482	1,467	1,503	1,482	1,442	1,575	2,375	2,051
Inspections	3,490	3,571	3,448	3,407	3,516	3,448	3,417	3,601	3,650	3,408
Highways and streets										
Street resurfacing (miles)	11.0	11.9	10.5	11.0	5.3	5.5	4.3	3.8	4.6	4.6
Potholes repaired	800	850	600	650	440	550	700	788	833	1,793
Sanitation										
Refuse collected (tons/day)	156.4	163.8	177.1	180.9	181.0	183.2	181.9	180.8	183.9	183.0
Recyclables collected (tons/year)	276.2	252.6	211.1	292.1	317.9	380.8	414.9	387.5	317.0	309.3
Culture and recreation										
Participants in programs	n/a	n/a	n/a	96,307	101,291	104,732	96,064	91,071	105,407	107,692
Number of programs	148	145	150	162	170	250	253	323	373	344
Water¹										
New connections	481	359	278	306	236	241	226	198	193	236
Water main breaks and service leaks repaired	n/a	401	512	510	437	330	529	443	454	523
Average daily consumption (thousands of gallons)	12,007	12,314	12,039	11,369	12,030	11,491	11,735	11,915	11,520	11,516
Riverport										
Terminal operations (thousands of tons)	1108.1	859.9	939.5	906.0	991.1	916.9	1183.7	1063.2	846.2	753.0
Electric¹										
New connections (net)	144	33	172	86	725	873	576	207	216	-9

Sources: Various government departments and component units.

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

Schedule 18

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

Function	Fiscal Year									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
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	48	51	54	54	58	64	61	78	83	77
Fire stations	5	5	5	5	5	5	5	5	5	5
Sanitation										
Collection trucks (not including seasonal yard waste equipment)	17	17	17	17	17	16	15	15	15	15
Highways and streets										
Streets (miles)	215.9	217.0	219.8	224.7	230.2	232.9	234.2	237.0	239.3	242.4
Streetlights	10,275	10,346	10,554	10,663	10,819	10,729	10,797	10,876	11,002	11,077
Traffic signals	102	102	102	105	106	108	110	111	112	112
Culture and recreation										
Parks acreage	326	326	326	378	378	378	378	378	378	378
Parks	19	19	19	20	20	20	20	20	19	19
Ball diamonds	16	17	16	15	15	15	16	16	16	16
Basketball courts	8	8	8	8	8	8	9	9	9	9
Swimming pools	3	3	3	3	3	3	2	2	2	2
Tennis courts	31	29	29	29	29	23	25	25	25	25
Ice skating rinks	1	1	1	1	1	1	1	1	1	1
Community centers	2	1	1	1	1	1	1	1	1	1
Water ¹										
Water mains (miles)	262	271	273	273	273	279	281	285	289	289
Fire hydrants	2,098	2,102	2,102	2,125	2,147	2,182	2,318	2,355	2,382	2,389
Sewer										
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
Sanitary sewers (miles)	257.84	259.63	261.06	261.06	263.65	272.63	272.87	276.84	277.40	277.80
Storm sewers (miles)	29.30	30.25	32.51	35.22	35.94	37.51	38.45	39.06	41.69	44.54
Maximum daily treatment capacity (thousands of gallons)	18,800	18,800	21,800	21,800	21,800	21,800	21,800	21,800	21,800	21,800
Electric ¹										
Number of distribution stations	14	14	15	15	15	15	15	15	15	15
Miles of service lines	296	292	292	293	291	294	301	304	332	332

Sources: Various government departments and component units.

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

APPENDIX D

**CITY OF OWENSBORO, KENTUCKY
GENERAL OBLIGATION BOND ANTICIPATION NOTES, SERIES 2009**

STATEMENT OF INDEBTEDNESS OF THE CITY

STATEMENT OF INDEBTEDNESS
KY CONST. §§157 and 158
KRS §66.041

COMMONWEALTH OF KENTUCKY)
) SS
COUNTY OF DAVIESS)

The undersigned Finance Director of the City of Owensboro, Commonwealth of Kentucky, does hereby certify that the following statements concerning the financial condition of said City are true and correct as they appear from records of the City:

1.	The assessed valuation of all the taxable property in the City as estimated on the last certified assessment is.....	\$2,743,040,928
2.	The current population of the City is.....	55,398
3.	The total of all bonds, notes and other obligations currently issued and outstanding, including the present issue of \$20,000,000.....	\$441,385,549
4.	Bonds, notes and other obligations excluded from the calculation of net indebtedness are as follows:	
(a)	Obligations issued in anticipation of the levy or collection of special assessments which are payable solely from those assessments or are otherwise self-supporting obligations.....	\$525,000
(b)	Obligations issued in anticipation of the collection of current taxes or revenues for the fiscal year which are payable within that fiscal year.....	\$-0-
(c)	Obligations, which are not self-supporting obligations, issued after July 15, 1996 by any instrumentality of the City created for the purpose of financing public projects for which there has been no pledge to the payment of debt charges of any tax of the City or for which there is no covenant by the City to collect or levy tax to pay debt charges.....	\$-0-
(d)	Self-supporting obligations and other obligations for which there has been no pledge to the payment of debt charges of any tax of the City or for which there is no covenant by the City to collect or levy a tax to pay debt charges.....	\$396,411,596
(e)	Obligations issued to pay costs of public projects to the extent they are issued in anticipation of the receipt of, and are payable as to principal from, federal or state grants within that fiscal year.....	\$-0-

(f)	Leases entered into under KRS 65.940 to 65.956 after July 15, 1996 which are not tax-supported leases.....	\$-0-
(g)	Bonds issued in the case of an emergency, when the public health or safety should so require.....	\$-0-
(h)	Bonds issued to fund a floating indebtedness.....	\$47,000
	TOTAL EXEMPT OBLIGATIONS.....	\$396,983,596
5.	The total of bonds, notes and other obligations subject to the debt limitation set forth in KRS 66.041 (3 minus 4) is.....	\$44,401,953
6.	The total of bonds, notes and other obligations subject to the debt limitation set forth in KRS 66.041 as computed in 5 above, does not exceed 10% of the assessed valuation of all the taxable property in the City.	
7.	The current tax rate of the City, for other than school purposes, upon the value of the taxable property therein is <u>.2593</u> which does not exceed the maximum permissible tax rate for the City as set forth in Section 157 of the Kentucky Constitution.	
8.	The issuance of the bonds, notes or other obligations set forth in 3 hereof will not cause the tax rate set forth in 7 hereof to increase in an amount which would exceed the maximum permissible tax rate for the City as set forth in Section 157 of the Kentucky Constitution.	

*10% for cities having a population of fifteen thousand or more;
 5% for cities having a population of less than fifteen thousand but not less than three thousand; and
 3% for cities having a population of less than three thousand.

IN WITNESS WHEREOF, I have hereunto set my hand this ____ day of April, 2009.

/S/ J. T. Fulkerson
 Finance Director

PECK, SHAFFER & WILLIAMS LLP
 BOND ATTORNEYS
 Covington, Kentucky

APPENDIX E

**CITY OF OWENSBORO, KENTUCKY
GENERAL OBLIGATION BOND ANTICIPATION NOTES, SERIES 2009**

FORM OF LEGAL APPROVING OPINION OF NOTE COUNSEL

[Date of Delivery]

City of Owensboro, Kentucky
Owensboro, Kentucky

Re: \$20,000,000 City of Owensboro, Kentucky General Obligation Bond Anticipation Notes, Series 2009

Gentlemen:

We have examined a certified copy of the transcript of proceedings of the City of Owensboro, Kentucky, a municipal corporation and political subdivision of the Commonwealth of Kentucky (the "Issuer") relating to the authorization, sale and issuance of its General Obligation Bond Anticipation Notes, Series 2009, in the aggregate principal amount of \$20,000,000 (the "Series 2009 Notes"), dated April __, 2009.

The Series 2009 Notes have been authorized and issued pursuant to the Constitution and laws of the Commonwealth of Kentucky (the "Commonwealth"), including particularly Chapter 66 of the Kentucky Revised Statutes (the "Act") and an Ordinance adopted by the Issuer on April 7, 2009 (the "Ordinance").

We have examined such portions of the Constitution, Statutes and laws of the United States, the Constitution, Statutes and laws of the Commonwealth, and such applicable court decisions, regulations, rulings and opinions as we have deemed necessary or relevant for the purposes of the opinions set forth below.

We have also examined records and the transcript of proceedings relating to the authorization and issuance of the Series 2009 Notes, including a specimen Series 2009 Note, and other relevant matters. We have also made such investigation as we have deemed necessary for the purposes of such opinion, and relied upon certificates of officials of the Issuer as to certain factual matters.

Based on the foregoing examination, we are of the opinion, based upon laws, regulations, rulings and decisions in effect on the date hereof, that:

1. The Series 2009 Notes constitute valid obligations of the Issuer in accordance with their terms, which unless paid from other sources, are payable from the proceeds of the Issuer's General Obligation Bonds, Series 2012, or otherwise from taxes to be levied by the Issuer without limitation as to rate.

2. The Ordinance has been duly authorized, executed and delivered by the Issuer and is a valid and binding obligation of the Issuer enforceable in accordance with its terms.

3. Under the laws, regulations, rulings and judicial decisions in effect as of the date hereof, interest on the Series 2009 Notes is excludable from gross income for Federal income tax purposes, pursuant to the Internal Revenue Code of 1986, as amended (the "Code"). Furthermore, interest on the Bonds will not be treated as a specific item of tax preference, under Section 57(a)(5) of the Code, in computing the alternative minimum tax for individuals and corporations, nor be includable in adjusted current earnings, under Section 56(c) of the Code, in computing the alternative minimum tax for corporations. In rendering the opinions in this paragraph, we have assumed continuing compliance with certain covenants designed to meet the requirements of Section 103 of the Code. We express no other opinion as to the federal tax consequences of purchasing, holding or disposing of the Series 2009 Notes.

4. The interest on the Series 2009 Notes is not subject to taxation by the Commonwealth, and the Series 2009 Notes are not subject to ad valorem taxation by the Commonwealth or by any political subdivision thereof.

The Issuer has designated the Series 2009 Notes as "qualified tax-exempt obligations" under Section 265 of the Code.

Our opinion set forth above is subject to the qualification that the enforceability of the Ordinance, the Series 2009 Notes and agreements relating thereto may be limited by bankruptcy, reorganization, moratorium, insolvency, or other similar laws relating to or affecting the enforcement of creditors' rights, and to the exercise of judicial discretion in accordance with general equitable principles.

Very truly yours,