



Electric System Balance Sheets (Figures in Thousands)

| | Management 2007 | Audited 2006 | Audited 2005 | Audited 2004 |
|---|--------------------|------------------|------------------|------------------|
| ASSETS | | | | |
| Utility Plant, Net | \$214,448 | \$222,109 | \$229,797 | \$234,266 |
| Restricted Assets | 86,086 | 81,839 | 85,390 | 81,568 |
| Current Assets | 24,564 | 25,991 | 20,375 | 19,460 |
| Noncurrent Assets | 2,897 | 4,923 | 2,055 | 2,328 |
| TOTAL ASSETS | \$327,995 | \$334,862 | \$337,617 | \$337,622 |
| LIABILITIES & NET ASSETS | | | | |
| Total Net Assets | \$117,763 | \$116,637 | \$113,988 | \$100,049 |
| Long-Term Debt | 165,282 | 174,784 | 182,754 | 198,501 |
| L-T Payable to KU | 2,846 | 2,521 | 2,608 | 2,375 |
| Current Liabilities | 33,617 | 33,506 | 32,549 | 33,278 |
| Deferred Revenue | 8,487 | 7,414 | 5,718 | 3,419 |
| TOTAL LIABILITIES & NET ASSETS | \$327,995 | \$334,862 | \$337,617 | \$337,622 |

Electric System Statements of Revenues, Expenses & Changes in Net Assets (Figures in Thousands)

| | Management 2007 | Audited 2006 | Audited 2005 | Audited 2004 |
|--|--------------------|------------------|------------------|------------------|
| Kilowatt Hours | | | | |
| OMU | 902,185 | 892,615 | 870,060 | 864,545 |
| KU/Other (01) | 1,327,167 | 1,327,755 | 1,515,179 | 1,657,142 |
| TOTAL KILOWATT HOURS SOLD | 2,229,352 | 2,220,370 | 2,385,239 | 2,521,687 |
| Operating Revenues | \$88,292 | \$92,372 | \$96,820 | \$83,237 |
| Operating Expenses | 72,508 | 73,829 | 66,382 | 62,207 |
| OPERATING INCOME | \$15,784 | \$18,543 | \$30,438 | \$21,030 |
| Nonoperating Revenues (Expenses) | (8,227) | (9,701) | (11,248) | (9,539) |
| INCOME BEFORE CONTRIBUTIONS & TRANSFERS | \$ 7,557 | \$8,842 | \$19,190 | \$ 11,491 |
| Dividend to City | (6,431) | (6,193) | (5,251) | (5,042) |
| CHANGE IN NET ASSETS | \$ 1,126 | \$2,649 | \$13,939 | \$6,449 |

(01) Includes kWh from SEPA power sales.
Fiscal years 2006-2007 and 2005-2006 revenues include unbilled revenue accounting adjustments of \$91,000 and \$1,412,000, respectively.

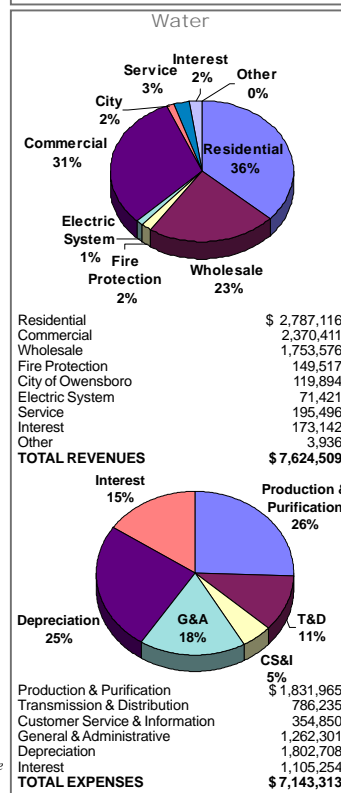
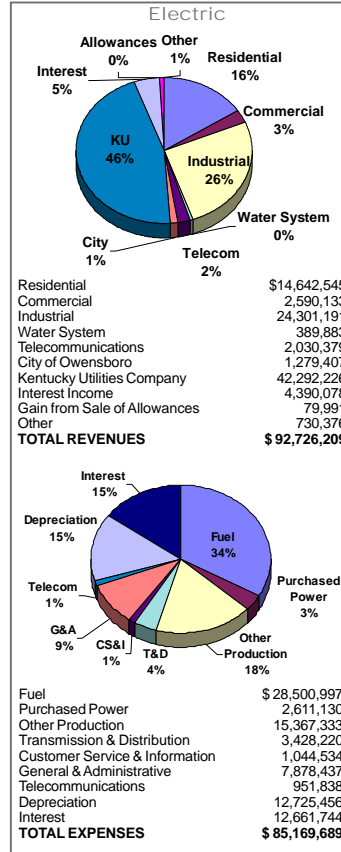
Water System Balance Sheets (Figures in Thousands)

| | Management 2007 | Audited 2006 | Audited 2005 | Audited 2004 |
|---|--------------------|-----------------|-----------------|------------------|
| ASSETS | | | | |
| Utility Plant, Net | \$46,228 | \$46,202 | \$46,462 | \$44,316 |
| Restricted Assets | 1,876 | 2,321 | 2,804 | 4,347 |
| Current Assets | 3,147 | 3,292 | 2,895 | 2,669 |
| Noncurrent Assets | 332 | 386 | 391 | 427 |
| TOTAL ASSETS | \$51,583 | \$52,201 | \$52,552 | \$51,759 |
| LIABILITIES & NET ASSETS | | | | |
| Total Net Assets | \$28,639 | \$27,913 | \$26,777 | \$25,235 |
| Long-Term Debt | 19,580 | 20,954 | 22,278 | 23,546 |
| Current Liabilities | 2,184 | 2,193 | 2,382 | 1,912 |
| Customers' Advances for Construction | 1,147 | 1,141 | 1,115 | 1,066 |
| Other | 33 | - | - | - |
| TOTAL LIABILITIES & NET ASSETS | \$51,583 | \$52,201 | \$52,552 | \$ 51,759 |

Water System Statements of Revenues, Expenses & Changes in Net Assets (Figures in Thousands)

| | Management 2007 | Audited 2006 | Audited 2005 | Audited 2004 |
|--|--------------------|-----------------|-----------------|-----------------|
| CUBIC FEET SOLD | 542,240 | 563,499 | 549,254 | 542,067 |
| Operating Revenues | \$7,451 | \$7,838 | \$7,405 | \$7,272 |
| Operating Expenses | 6,038 | 5,724 | 5,396 | 5,123 |
| OPERATING INCOME | \$1,413 | \$2,114 | \$2,009 | \$2,149 |
| Nonoperating Revenues (Expenses) | (932) | (1,014) | (1,125) | (1,092) |
| INCOME BEFORE CONTRIBUTIONS & TRANSFERS | \$481 | \$1,100 | \$884 | \$1,057 |
| Capital Contributions | 365 | 199 | 859 | 390 |
| Dividend to City | (120) | (163) | (201) | (201) |
| CHANGE IN NET ASSETS | \$726 | \$1,136 | \$1,542 | \$1,246 |

Fiscal years 2006-2007 and 2005-2006 revenues include unbilled revenue accounting adjustments of (\$27,000) and \$215,000, respectively.



Public Power Week 2007

For the past 20 years in October, the more than 2,000 municipally-owned and operated electric utilities have celebrated Public Power Week. OMU joins others this week and throughout the month in celebrating the concept of local community control and ownership of their electric service.

In this annual report, you will get a glimpse of Owensboro Municipal Utilities. You will see that we have proudly served our community for the past 107 years. We hope to continue to serve you, our customer and our owner, efficiently and effectively.

OMU: Your Electric, Water and Telecommunications Utility

As you may know, OMU is a municipally-owned utility, which means that you, our customers, are our owners. Initially, Owensboro Municipal Utilities served only a few hundred customers. As Owensboro has grown, OMU has expanded and now provides service to 25,710 electric customers and 24,299 water users, including both residential and commercial accounts.

Electric peak

OMU set a new all-time electric peak on August 7, 2007 at the hour ending 3 p.m. with 203.4 megawatts.

Water peak

OMU set its all-time peak for water production on July 23, 1999 when OMU pumped a daily total of 19,122,000 gallons of water to its customers. OMU set its 2007 peak on August 9 when it pumped 17,404,000 gallons.

City of Owensboro

OMU transferred \$6,550,456 in cash and free electric and water service to the City of Owensboro in fiscal year 2006-2007, lowering the tax requirements for the city. This saved each Owensboro resident approximately \$118 in taxes based on an estimated city population of 55,500.

Electric costs*

On average, OMU electric customers paid 4.8 cents per kilowatt hour in fiscal year 2006-2007, which is among the lowest rates in the region and the nation.

Water costs**

OMU water customers paid an average of \$1.92 per 1000 gallons, or less than 2/10 of a cent per gallon. OMU's two water treatment plants provide water to not only Owensboro residents, but also supply wholesale water to three local districts (Southeast Daviess County, West Daviess County and East Daviess County), who distribute water throughout Daviess County.

Payment options

OMU continually looks for ways to better serve our customers. We offer a variety of programs that make paying your combined services bill easier. For instance, 2,457 customers have their monthly bill automatically deducted from their local checking account. Many others choose from two of our monthly budgeting plans: levelized or budget billing. In March 2001, OMU added credit cards to its list of payment options. Customers can use a VISA, Discover or Mastercard debit or credit card to pay their combined services bill.

In addition, OMU launched online bill payment through its website at www.omu.org, allowing customers to use their checking account or credit card to pay through the Internet.

Coal

The Elmer Smith Station burns locally-mined coal and uses a tire-derived fuel system (TDF) to produce the electricity Owensboro requires. The plant purchased 1,130,989 tons of fuel in fiscal year 2007 at a cost of \$23,996,914, an average of \$21.22 per ton.

The TDF system consumed a total of 6,469 tons of chipped tires which removed approximately 647,000 waste tires from our landscape, saving valuable landfill space and providing environmental benefits.

Telecommunications

OMU added a third utility to its list of services in 1996. OMU's telecommunication division provides dark fiber, Internet and point-to-point services for commercial and industrial customers. The telecom utility has grown significantly since its birth. Gross revenues for the telecom division rose from \$1,934,433 in fiscal year 2006 to \$2,030,379 in fiscal year 2007.

OMU launched its wireless Internet program in November 2002. We provided service to 3,009 commercial and residential customers as the fiscal year ended May 31, 2007.

Safety program

At OMU, safety comes first for the community and our employees. In the past year, our employees celebrated several safety milestones. We congratulate them on working safely and encourage them to continue this tradition.

Community

Since its birth, OMU has maintained a strong commitment to its community. For instance, Owensboro Municipal Utilities' employees have remained one of the largest donors to United Way annually. Employees also participate in the March of Dimes WalkAmerica, Corporate Challenge, local blood drives, festivals, Neighborhood Alliance projects and numerous other fundraising events and drives for other organizations. In addition, OMU is proud of its school safety program. Power Town and Louie the Lightning Bug® tell children each year about the importance of electricity and using it safely.

For over 100 years, Owensboro Municipal Utilities has served our community by providing quality services at the most economical cost.

Owensboro is one of 2,000 cities across the nation to realize the benefits of being served by a public utility. Our customers know that their service provider is only a local phone call or a short drive away.

Planning, hard work and employee dedication have enabled us to offer water, electricity and telecommunications to our customers at low rates.

OMU is lead by a commission who dedicates their time and talents to assuring that we serve our community with quality, affordable services. In August, we mourned the passing of Grant Talbott, III who had not only served as a commissioner for the past 10 years, but who had served the Owensboro community as an educator, father, husband, coach, counselor, and leader. We are grateful for his leadership, his insight and his friendship. He is missed by each of us here at OMU and throughout our community.

We are proud to serve our community. We live and work here and have a vested interest in its future success.

OMU will continue to carry forward our philosophy of customer satisfaction and quality service. We will strive to continually improve and meet your needs in the most efficient and effective way.

If you have any questions about this annual report or any of our services, please contact a member of the OMU staff. On behalf of all of our employees, we look forward to continuing to provide the quality services that you deserve.

Sincerely,
Stan Conn
Interim General Manager

*Average electric revenues from residential, industrial and commercial customers. **Average water revenues from residential and commercial customers.