Board of Municipal Utilities
Sikeston, Missouri

Financial Statements
May 31, 2008 and 2007

Board of Municipal Utilities
Sikeston, Missouri
Index
May 31, 2008 and 2007

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Report of Independent Auditors

To the Directors of the
Board of Municipal Utilities
Sikeston, Missouri

In our opinion, the accompanying balance sheet and the related statements of revenues, expenses and changes in net assets and cash flows present fairly, in all material respects, the financial position of the Board of Municipal Utilities – Sikeston, Missouri (the "Board") at May 31, 2008 and 2007 and the results of their operations and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Board's management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

Management's discussion and analysis included on pages 2 through 7 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. 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.

PricewaterhouseCoopers LLP

August 4, 2008

The following discussion and analysis of the Board of Municipal Utilities of Sikeston, Missouri (the "Utility") financial performance provides an overview of the Utility's financial activities for the years ended May 31, 2008 and 2007. This discussion and analysis should be read in conjunction with the Utility's audited financial statements and accompanying notes. All dollar amounts are presented in thousands.

BACKGROUND

The Utility is a municipally owned and operated enterprise engaged in the generation, distribution and sale of electric energy to retail and wholesale customers within the city limits of the City of Sikeston Missouri, (the "City"). The Utility also maintains a telecommunications department which provides a critical communications network for the City, Public Schools and Utility services as well as being an internet service provider. The Utility's primary asset is a 233 megawatt coal-fired generation station ("Sikeston Power Station") located in the City. The Utility has contractual agreements with the Missouri cities of Carthage, Columbia, Fulton, Trenton and West Plains to sell certain amounts of wholesale electric energy. The agreements state that each city will purchase a specified entitlement share of power at 110 percent of its proportionate share of the monthly power costs (including debt service costs related to the revenue bond issue) as defined in the agreement, for various annual periods extending to June 1, 2022. The agreements also state that each city will pay for the capacity to which it is entitled, whether or not available, and whether or not utilized. The total plant capacity allocated to these cities is 55% the Sikeston Power Station. The remaining capacity of the Sikeston Power Station is primarily used to serve retail electric customers located in the City. The Board also has contractual agreements with various other municipalities and third parties to sell electric energy.

The Utility is managed by a bi-partisan board, which consists of four members appointed by the City Council for a term of four years each. The Board is responsible for establishing the Utility's policies, rules and regulations that govern the day-to-day operations of the utility system. The Utility functions as a separate unit of City government. The Utility prepares annual budgets, which are approved by the Board. Financial results for the year ended May 31, 2008 varied from budgeted amounts due to greater availability of the Sikeston Power Station. See Note 1 to the financial statements for further information regarding the basis of accounting used.

Summary of Electric System Financial Position and Change in Net Assets

Assets	**May 31, 2008**	**May 31, 2007**
Property and Plant - Net	$ 121,949	$ 131,267
Restricted and Other Assets	51,260	53,380
Current Assets	68,378	53,097
Total assets	$ 241,587	$ 237,744
Liabilities and Net Assets		
Long Term Debt - Net	$ 164,153	$ 171,888
Current Liabilities	23,868	24,401
Net Assets	53,566	41,455
Total liabilities and net assets	$ 241,587	$ 237,744

ASSETS

Property and Plant – Net

The Board recorded approximately $1,323 in property and plant additions during the year ended May 31, 2008. The total amount of additions included $922 for annual system improvements including conductors, transformers and meters, $105 for a 69kv breaker, and $296 of routine plant and property additions. Depreciation expense in fiscal 2008 of $10,507 offset these additions.

Restricted and Other Assets

Restricted and other assets include debt service accounts required by the bond ordinance and unamortized debt costs. Unamortized debt costs decreased $873 as a result of annual amortization expense. Notes receivable, including interest, of $1,188 were paid by the purchasing cities as part of the 2006 outage cost financing agreement.

Deferred Mine Shutdown Costs

The decrease in deferred mine shutdown costs was the result of annual amortization.

Current Assets

Cash and temporary investments increased $13,237 mainly due to favorable power market pricing and greater availability at the Sikeston Power Station resulting in excess generation sales and operating income. Accounts receivable increased $988 due to the increase in wholesale billings, less the annual true-up, which represents additional amounts due to or from purchasing cities. Coal inventories increased $1,449 from last year as the Sikeston Power Station continued to receive shipments during the 2008 outage which resulted in a build-up of inventories at the end of 2008.

LIABILITIES

Long -Term Debt - Net

The long-term debt reduction of approximately $7,590 was due to scheduled payments of current bond maturities and the capital lease obligation for coal train cars was reduced by scheduled payments of $202. The remaining $57 was the annual amortization of the bond discount. The Board established and collected sufficient rates for the electric system to meet debt service requirements for both the years ended May 31, 2008 and 2007.

Current Liabilities

The decrease in current liabilities of $533 is mainly attributable to the recognition of deferred wholesale power sales of $1,981 relating to the financing agreement of 2006 outage costs between the Utility and the purchasing cities. Accounts payable was higher by $1,632 due to outage expenses incurred close to year end. In addition, the current portion of long term debt increased $440 as a result of scheduled future payments. Accrued interest payable decreased $214 based on payment dates and amounts outlined in the original debt agreements. Accrued mine shutdown costs decreased $397 as a result of funding throughout the year and the actuarial evaluation adjustment related to miner's benefits and the mine reclamation cost estimate. In December 1979, the Utility together with Kansas City entered into a coal supply agreement with Western Fuels Illinois ("WFI"). Under the terms of the agreement, the Utility was obligated to purchase a minimum amount of coal from the Brushy Creek Mine, which was operated by WFI. In November 1997, the agreement expired, and the mine ceased operations. Under this legacy contract, the Utility became responsible for mine reclamation costs and post-retirement benefits for certain mine workers. At May 31, 2008 and 2007, the Utility has recorded a liability of $3,958 and $4,355, respectively, for the amount of the remaining estimated post-retirement benefits and mine reclamation costs. The liability represents 50% share of the total estimated post-retirement benefits and mine reclamation costs less amounts previously funded by the Utility to WFI. See Note 2 to the Utility's financial statements for more information.

Net Assets
Net assets increased primarily due to the increase in current assets, specifically cash, driven by an increase in revenues and operating income. This increase in revenues was slightly offset by an increase in operating expenses. However, the increase in revenues outpaced the increase in operating expenses due to increased rates on spot wholesale power sales and increased rates to the purchasing cities.

Summary of Electric Revenues, Expenses, and Changes in Net Assets

	May 31, 2008	May 31, 2007
Operating Revenues	$ 84,848	$ 80,842
Operating Expenses	63,649	62,381
Deferred Mine Shutdown Costs	1,627	2,163
Operating Income	19,572	16,298
Interest and Other Income	2,967	2,730
Interest Expenses	(10,428)	(10,804)
Change in Net Assets	$ 12,111	$ 8,224

Operating Revenues
Operating revenues increased $4,006 as a result of greater plant availability, which creates higher contract sales and higher spot market sales. The Utility will routinely execute physical sales in the wholesale "spot" market of generated electricity that is not purchased by retail or wholesale customers. In addition, this increase to revenue was offset by $853 related to the accounts receivable true-up calculation at May 31, 2008. The true-up calculation created a payable to the purchasing cities and reduced revenue as the Utility collected too much during the year from the purchasing cities in relation to actual recoverable costs.

Retail revenues in 2008 were up $359 from 2007 as the retail system set a new peak demand during 2008. Residential kwh sold were up 4.8%, Commercial kwh sold were up 2.3% and Industrial kwh sold were down 2.2% from 2007. Telecom revenues were down approximately 8.8% or $15 due to the dwindling dial-up internet market.

Operating Expenses
The Sikeston Power Station had increased operating expenses of $1,783. This was the result of increased maintenance costs of $3,299 due to a larger outage in 2008 compared to 2007. The higher maintenance costs included work to the boiler, generator and turbine. This was offset by a decrease in coal fuel expense of $1,905 in fiscal year 2008 as less coal was used due to the longer outage compared to 2007. The Board has an agreement with Western Fuels Association for the purchase of coal. Under the provisions of this agreement, the Board is required to purchase a minimum of one million tons of coal per year from the Black Thunder Mine in Campbell County, Wyoming through December 31, 2012. The price of coal is fixed by contract over the life of the agreement. The Utility has an agreement for delivery of this coal with the Burlington Northern Santa Fe Railroad which extends through December 31, 2012.

The cost to deliver the coal is established through a base price, which is adjusted quarterly by indices set out in the agreement. Depreciation expense for the Sikeston Power Station increased $412 due to capital expenditures required to maintain the Sikeston Power Station. The use of the sinking fund method of depreciation for the original cost of the Sikeston Power Station resulted in an increase in depreciation expense from year to year.

Deferred Mine Shutdown Costs
Mine shutdown costs relate to costs of post-retirement benefits, changes in estimated mine reclamation costs and administrative costs incurred by WFI. See Note 2, Mine Shutdown Costs.

Nonoperating Income (Expense)
Operating and Maintenance (O & M) reserve investment balances increased causing an increase in interest income of $401 which was offset by a $163 decrease in other income accounts. Interest expense was lower in the current year due to the reduction in long term debt as scheduled bond payments were made. Primarily all of the Utility's debt obligations pay fixed rates of interest.

Summary of Water & Sewer Consolidated Financial Position and Change in Net Assets

Assets	**May 31, 2008**	**May 31, 2007**
Property and plant - net	$ 6,747	$ 7,262
Restricted and other assets	950	837
Current assets	1,893	1,413
Total assets	$ 9,590	$ 9,512
Liabilities and Net Assets		
Long term debt - net	$ 2,958	$ 3,572
Current liabilities	1,078	857
Net assets	5,554	5,083
Total liabilities and net assets	$ 9,590	$ 9,512

ASSETS

Property and Plant – Net
The Board recorded approximately $614 in plant and property additions during the year ended May 31, 2008. The total amount of additions included $204 of routine plant and property additions and the sewer lagoon in the Industrial Park had $410 in upgrades that went into service in 2008. The Lagoon upgrades were installed as part of a state grant program and the balance will be repaid to the utility by Good Humor Breyers over a set amortization schedule. The capital additions were offset by depreciation expense of $687 in fiscal 2008.

Restricted and Other Assets
Restricted and other assets include debt service accounts required by the bond ordinance and unamortized debt costs. The increase of $113 was primarily in the debt service reserve account to escrow the debt payments due.

Current Assets

The $478 increase in current assets is mainly attributable to the increase of $499 in cash as a result of additional funds being added to the reserves from the increase in operating cash flow. This was offset by minor decreases in other current assets.

LIABILITIES

Long-Term Debt

The long term debt reduction was due to scheduled payments of $671 of current bond maturities offset by a new lease payable of $57. For the year ended May 31, 2008 the Board established and collected sufficient rates for the water and sewer systems to meet the 125% of aggregate debt service costs requirement. The water and sewer rates applied for the year ended May 31, 2008 covered 199% of aggregate debt service costs. For the year ended May 31, 2007 the Board established and collected insufficient rates for the water and sewer systems to meet the 125% of aggregate debt service costs requirement. The water and sewer rates applied for the year ended May 31, 2007 covered only 88% of aggregate debt service costs. During May 2007, the Board approved water and sewer rate increases, which resulted in the systems meeting the 125% debt service cost requirement in fiscal 2008. In addition, management believed that the failure to meet this debt service costs coverage requirement as of May 31, 2007, did not constitute an event of default under the bond ordinance.

Current Liabilities

The current portion of long-term debt increased as a result of scheduled future payments.

Summary of Water & Sewer Revenues, Expenses, and Changes in Net Assets

	May 31, 2008	May 31, 2007
Operating Revenues	$ 4,810	$ 3,966
Operating Expenses	4,269	4,179
Operating Income (Loss)	541	(213)
Nonoperating Expense	(70)	(84)
Change in Net Assets	$ 471	$ (297)

Operating Revenues
Water and Sewer revenues increased $844 from fiscal 2008 compared fiscal 2007. Water revenues increased $428. The largest increase was in metered water sales of $474 as the rate increase was in effect the entire fiscal year 2008. Water tap fees were down $43 from the prior year. Sewer revenues increased $416, including billings for Industrial Park waste water treatment plant fees which increased $80.

Operating Expenses
Sewer outside service expense increased $196 from fiscal 2007 to fiscal 2008 due to increased lagoon maintenance expenses. Production chemical costs were down $93 from fiscal 2007 after the upgrades were made to the lagoon.

Nonoperating Expense
Water and Sewer investment balances were increased in the current year as cash was invested into O&M reserves which resulted in higher interest income over the prior year. However, interest expense was higher in the current year due to the increase in debt service payment amounts. Primarily all of the Utility's debt obligations pay fixed rates of interest.

Board of Municipal Utilities
Sikeston, Missouri
Balance Sheet
May 31, 2008 and 2007

	May 31, 2008			May 31, 2007		
	Electric System	Water and Sewer System	Combined	Electric System	Water and Sewer System	Combined
Assets						
Property and plant, at original cost	$ 281,218,900	$ 17,887,287	$ 299,106,187	$ 280,284,993	$ 17,274,079	$ 297,559,072
Less - Accumulated depreciation	(159,362,767)	(11,140,097)	(170,502,864)	(149,043,994)	(10,457,134)	(159,501,128)
	121,856,133	6,747,190	128,603,323	131,240,999	6,816,945	138,057,944
Construction work in progress	92,963	-	92,963	25,930	445,013	470,943
Total property and plant, net	121,949,096	6,747,190	128,696,286	131,266,929	7,261,958	138,528,887
Restricted assets						
Debt service reserve account	16,900,300	913,417	17,813,717	16,900,300	796,447	17,696,747
Debt service account	12,408,687	-	12,408,687	12,300,305	-	12,300,305
Total restricted assets	29,308,987	913,417	30,222,404	29,200,605	796,447	29,997,052
Notes receivable	2,475,995	-	2,475,995	3,565,433	-	3,565,433
Unamortized debt costs	19,474,840	36,379	19,511,219	20,347,786	40,175	20,387,961
Deferred mine shutdown costs	-	-	-	267,032	-	267,032
Current assets						
Cash and cash equivalents	43,301,615	1,545,365	44,846,980	30,064,220	1,046,176	31,110,396
Temporary investments	8,500,000	-	8,500,000	8,500,000	-	8,500,000
Accounts receivable, net	6,604,066	409,506	7,013,572	5,615,155	429,091	6,044,246
Notes and other receivables	1,188,478	49,975	1,238,453	1,188,478	48,409	1,236,887
Accrued interest receivable	100,073	731	100,804	229,881	146	230,027
Coal inventories	3,631,396	-	3,631,396	2,182,288	-	2,182,288
Materials and supplies	3,850,442	305,911	4,156,353	3,851,408	276,237	4,127,645
Prepaid expenses and other assets	711,009	72,605	783,614	959,735	118,728	1,078,463
Inter-department due (to) from	491,425	(491,425)	-	505,453	(505,453)	-
Total current assets	68,378,504	1,892,668	70,271,172	53,096,618	1,413,334	54,509,952
Total assets	$ 241,587,422	$ 9,589,654	$ 251,177,076	$ 237,744,403	$ 9,511,914	$ 247,256,317

Board of Municipal Utilities
Sikeston, Missouri
Balance Sheet
May 31, 2008 and 2007

	May 31, 2008			May 31, 2007		
	Electric System	Water and Sewer System	Combined	Electric System	Water and Sewer System	Combined
Liabilities and net assets						
Net assets						
Invested in capital assets, net of related debt	$ (22,728,611)	$ 3,825,787	$ (18,902,824)	$ (20,273,052)	$ 3,730,272	$ (16,542,780)
Restricted	16,862,806	250,692	17,113,498	16,980,565	355,203	17,335,768
Unrestricted	59,432,614	1,477,374	60,909,988	44,747,957	997,815	45,745,772
Total net assets	53,566,809	5,553,853	59,120,662	41,455,470	5,083,290	46,538,760
Long-term debt	165,453,081	2,960,424	168,413,505	173,245,118	3,575,000	176,820,118
Less - Unamortized bond discount	(1,300,534)	(2,642)	(1,303,176)	(1,357,351)	(3,139)	(1,360,490)
Total long-term debt	164,152,547	2,957,782	167,110,329	171,887,767	3,571,861	175,459,628
Current liabilities from restricted assets						
Current maturities of long-term debt	7,792,111	671,356	8,463,467	7,352,092	440,000	7,792,092
Accrued interest payable	4,654,070	41,344	4,695,414	4,867,948	49,653	4,917,601
	12,446,181	712,700	13,158,881	12,220,040	489,653	12,709,693
Current liabilities from unrestricted assets						
Accounts payable and accrued expenses	4,704,557	104,151	4,808,708	3,072,201	117,454	3,189,655
Customer deposits	444,916	-	444,916	463,220	-	463,220
Accrued mine shutdown costs	3,958,000	-	3,958,000	4,354,900	-	4,354,900
Deferred wholesale power sales	-	-	-	1,980,796	-	1,980,796
Other liabilities	2,314,412	261,168	2,575,580	2,310,009	249,656	2,559,665
	11,421,885	365,319	11,787,204	12,181,126	367,110	12,548,236
Total current liabilities	23,868,066	1,078,019	24,946,085	24,401,166	856,763	25,257,929
Total liabilities and net assets	$ 241,587,422	$ 9,589,654	$ 251,177,076	$ 237,744,403	$ 9,511,914	$ 247,256,317

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

Board of Municipal Utilities
Sikeston, Missouri
Statement of Revenues, Expenses and Changes in Net Assets
May 31, 2008 and 2007

	May 31, 2008			May 31, 2007		
	Electric System	Water and Sewer System	Combined	Electric System	Water and Sewer System	Combined
Operating revenues						
Retail	$ 15,559,796	$ 4,809,562	$ 20,369,358	$ 15,200,754	$ 3,966,008	$ 19,166,762
Wholesale	69,127,754	-	69,127,754	65,466,216	-	65,466,216
Telecommunications	160,012	-	160,012	175,508	-	175,508
Total operating revenues	84,847,562	4,809,562	89,657,124	80,842,478	3,966,008	84,808,486
Operating expenses						
Production and operations	39,800,884	1,316,729	41,117,613	37,727,358	1,377,567	39,104,925
Purchased power	5,050,695	-	5,050,695	5,393,926	-	5,393,926
Distribution costs	1,869,963	769,009	2,638,972	1,747,034	752,539	2,499,573
Depreciation and amortization	10,774,474	687,429	11,461,903	10,362,894	703,675	11,066,569
General and administrative	5,262,592	1,224,163	6,486,755	5,269,742	1,088,536	6,358,278
Donated services	388,861	123,323	512,184	372,173	117,549	489,722
Mine shutdown costs	1,627,003	-	1,627,003	2,162,649	-	2,162,649
Other operating expenses	501,075	147,989	649,064	457,223	138,899	596,122
Total operating expenses	65,275,547	4,268,642	69,544,189	63,492,999	4,178,765	67,671,764
Operating income (loss)	19,572,015	540,920	20,112,935	17,349,479	(212,757)	17,136,722
Nonoperating income (expense)						
Interest income	2,520,426	62,012	2,582,438	2,118,960	61,361	2,180,321
Interest expense	(10,428,012)	(152,959)	(10,580,971)	(10,804,276)	(165,296)	(10,969,572)
Miscellaneous, net	446,910	20,590	467,500	610,127	20,277	630,404
Payments to Liberty Coal Company	-	-	-	(1,050,000)	-	(1,050,000)
Total nonoperating income (expense)	(7,460,676)	(70,357)	(7,531,033)	(9,125,189)	(83,658)	(9,208,847)
Change in net assets	12,111,339	470,563	12,581,902	8,224,290	(296,415)	7,927,875
Net assets, beginning of year	41,455,470	5,083,290	46,538,760	33,231,180	5,379,705	38,610,885
Net assets, end of year	$ 53,566,809	$ 5,553,853	$ 59,120,662	$ 41,455,470	$ 5,083,290	$ 46,538,760

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

Board of Municipal Utilities
Sikeston, Missouri
Statement of Cash Flows
May 31, 2008 and 2007

	May 31, 2008			May 31, 2007		
	Electric System	Water and Sewer System	Combined	Electric System	Water and Sewer System	Combined
Cash flows from operating activities						
Receipts from customers	$ 83,858,651	$ 4,829,147	$ 88,687,798	$ 83,818,214	$ 3,862,148	$ 87,680,362
Payments to suppliers	(45,949,291)	(2,138,753)	(48,088,044)	(45,177,508)	(1,948,333)	(47,125,841)
Payments to employees	(7,383,070)	(1,443,396)	(8,826,466)	(6,607,139)	(1,374,011)	(7,981,150)
Payments for mine shutdown costs	(2,023,903)	-	(2,023,903)	(1,350,000)	-	(1,350,000)
Net cash provided by operating activities	28,502,387	1,246,998	29,749,385	30,683,567	539,804	31,223,371
Cash flows from investing activities						
(Increase)/decrease in temporary cash investments maintained in debt service accounts	(108,382)	(116,970)	(225,352)	(287,243)	148,806	(138,437)
Interest received	2,650,234	61,427	2,711,661	2,721,479	64,433	2,785,912
Payments to Liberty Coal Company	-	-	-	(1,050,000)	-	(1,050,000)
Net cash provide by (used in) investing activities	2,541,852	(55,543)	2,486,309	1,384,236	213,239	1,597,475
Cash flows from capital and related financing activities						
Purchases of property and plant, net	(1,189,609)	(172,661)	(1,362,270)	(2,406,634)	(485,228)	(2,891,862)
Payment of long-term debt	(7,149,981)	(383,220)	(7,533,201)	(6,750,770)	(410,000)	(7,160,770)
Payment of capital lease obligation	(202,037)	-	(202,037)	(191,999)	-	(191,999)
Interest paid	(9,712,127)	(156,975)	(9,869,102)	(10,128,780)	(172,477)	(10,301,257)
Other	446,910	20,590	467,500	610,127	20,277	630,404
Net cash used in financing activities	(17,806,844)	(692,266)	(18,499,110)	(18,868,056)	(1,047,428)	(19,915,484)
Net increase/(decrease) in cash and cash equivalents	13,237,395	499,189	13,736,584	13,199,747	(294,385)	12,905,362
Cash and cash equivalents at the beginning of the year	30,064,220	1,046,176	31,110,396	16,864,473	1,340,561	18,205,034
Cash and cash equivalents at the end of the year	$ 43,301,615	$ 1,545,365	$ 44,846,980	$ 30,064,220	$ 1,046,176	$ 31,110,396

Board of Municipal Utilities
Sikeston, Missouri
Statement of Cash Flows
May 31, 2008 and 2007

	May 31, 2008			May 31, 2007		
	Electric System	Water and Sewer System	Combined	Electric System	Water and Sewer System	Combined
Reconciliation of operating income to net cash provided by operating activities						
Operating income/(loss)	$ 19,572,015	$ 540,920	$ 20,112,935	$ 17,349,479	$ (212,757)	$ 17,136,722
Adjustments to reconcile operating income/(loss) to net cash provided by operating activities						
Depreciation and amortization expense	10,774,474	687,429	11,461,903	10,362,894	703,675	11,066,569
Mine shutdown costs	1,627,003	-	1,627,003	2,162,649	-	2,162,649
Payments of mine shutdown costs	(2,023,903)	-	(2,023,903)	(1,350,000)	-	(1,350,000)
Changes in assets and liabilities						
(Increase)/decrease in accounts receivable	(988,911)	18,019	(970,892)	4,956,532	(105,937)	4,850,595
(Increase)/decrease in coal inventories	(1,449,108)	-	(1,449,108)	2,487,346	-	2,487,346
Increase in materials and supplies	966	(29,674)	(28,708)	(348,709)	(15,777)	(364,486)
Decrease/(increase) in notes and other receivable	1,089,438	-	1,089,438	(4,753,911)	-	(4,753,911)
Decrease/(increase) in prepaid expenses and other assets	248,726	46,123	294,849	(108,909)	(32,131)	(141,040)
Increase/(decrease) in accounts payable and accrued expenses	1,632,356	(13,303)	1,619,053	(2,022,027)	(2,116)	(2,024,143)
(Decrease)/increase in deferred revenue	(1,980,796)	-	(1,980,796)	1,980,796	-	1,980,796
(Decrease)/increase in customer deposits and other liabilities	(13,901)	11,514	(2,387)	159,943	12,331	172,274
Inter-department due from (to)	14,028	(14,028)	-	(192,516)	192,516	-
Net cash provided by operating activities	$ 28,502,387	$ 1,247,000	$ 29,749,387	$ 30,683,567	$ 539,804	$ 31,223,371

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

1. Summary of Significant Accounting Policies

Nature of Operations

The Board of Municipal Utilities of Sikeston, Missouri (the "Board" or the "Utility") is a municipally owned and operated enterprise engaged in the generation, distribution and sale of electric energy to retail and wholesale customers, and the treatment, distribution and sale of water and operation of a sanitary sewer system within the city limits of the City of Sikeston, Missouri (the "City"). The Board also maintains a telecommunications department which provides a critical communications network for the City, Public Schools and Utility services as well as being an internet service provider. The Board's primary asset is a 233 megawatt coal-fired generation station (the "Sikeston Power Station") located in the City. The Board has contractual agreements with the Missouri cities of Carthage, Columbia, Fulton, Trenton and West Plains to sell certain amounts of wholesale electric energy. The agreements state that each city will purchase a specified entitlement share of power at 110% of its proportionate share of monthly power costs (including debt service costs related to the revenue bond issue) as defined in the agreement, for various annual periods extending to June 1, 2022. The agreements also state that each city will pay for the capacity to which it is entitled, whether or not available, and whether or not utilized. The total plant capacity allocated to these cities is 55% of the Sikeston Power Station. The remaining capacity of the Sikeston Power Station is primarily used to serve retail electric customers located in the City. The Board also routinely enters into short-term contractual agreements with various municipalities and other third parties to sell electric energy.

The Utility is managed by a bi-partisan board, which consists of four members appointed by the City Council for a term of four years each. The board is responsible for establishing the Utility's policies, rules and regulations that govern the day-to-day operations of the utility system. The Utility functions as a separate unit of the City government.

Basis of Accounting

The Utility is accounted for as an enterprise fund. Significant inter-department accounts, including inter-department sales, have been eliminated. The Board accounts for its transactions on the flow of economic resources measurement focus and uses the accrual basis of accounting under which revenues are recognized when earned and expenses are recorded when liabilities are incurred. The financial statements are prepared in accordance with generally accepted accounting principles and follow accounting guidance provided by the Governmental Accounting Standards Board ("GASB"). The Board elected the option permitted by GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting* to implement all Financial Accounting Standards Board ("FASB") pronouncements that do not conflict or contradict GASB pronouncements. In accordance with FASB Statement No. 71, *Accounting for the Effects of Certain Types of Regulation* (FAS 71), certain costs or credits may be recorded as deferred charges or credits when it is probable, based on historical precedents and Board resolutions, that future rates established by the Board will recover or return such costs or credits. At May 31, 2008, there were no regulatory assets or liabilities recorded. At May 31, 2007, deferred mine shutdown costs were the only regulatory assets deferred by the Utility under the provisions of FAS 71 (Note 2) and no regulatory liabilities were recorded. The Board's accounting records generally follow the Uniform System of Accounts as prescribed by the Federal Energy Regulatory Commission.

Property and Plant

The costs of additions to and betterments of units of property and plant are capitalized. Maintenance and repairs, including replacement of minor items of property, are charged to expense as incurred. When units of depreciable property are retired or otherwise disposed of, the related cost and accumulated depreciation are removed from the accounts, and any gain or loss is recorded.

Impairment of Long-Lived Assets

The Utility reviews long-lived assets for impairment whenever events or changes in business circumstances indicate the carrying amount of the assets may not be fully recoverable. The Utility performs a nondiscounted cash flow analysis to determine if an impairment exists. If an impairment is determined to exist, any related impairment loss is calculated based on the present value of cash flows using discount rates which reflect the inherent risk of the underlying business. Impairment losses on assets to be disposed (if any) are based on the estimated proceeds to be received less costs of disposal. The Board has concluded that no impairment of the value of long-lived assets has occurred as of May 31, 2008.

Depreciation

Provisions for depreciation of property and plant are charged to expense and credited to accumulated depreciation in accordance with a policy of providing for the retirement of depreciable property and plant over its expected useful life on a straight-line basis except for the original cost of the Sikeston Power Station.

The Utility uses the sinking fund method of depreciation for the original cost of the Sikeston Power Station. Depreciation is based on the annual principal and interest requirements on the Electric System Revenue bonds. At May 31, 2008 and 2007, the original cost of the Sikeston Power Station less retirements was $188,735,721 and $189,383,225, respectively, and accumulated depreciation was $93,500,049 and $88,923,767, respectively.

Depreciation on additions to the Sikeston Power Station is charged to expense in the period that the related revenue is recognized. Otherwise, purchased property and plant are recorded at cost. For other than the Sikeston Power Station, property and plant are depreciated over their estimated useful lives, ranging from 3 to 40 years, using the straight-line method.

Lives of major classes of depreciable property other than the Sikeston Power Station are:

Class	**Years**
Buildings	40
Plant in service	4-40
Distribution systems	20-40
Trucks and autos	4
Railcars	14
Furniture, fixtures and equipment	3-10
Telecommunications	3

Unamortized Debt Costs
Costs incurred in connection with the issuance of debt, including underwriter and insurance fees and other costs associated with the refunding of debt, are capitalized and amortized over the term of the related indebtedness. Losses incurred in conjunction with debt refunding are also capitalized and amortized over the term of the related indebtedness pursuant to GASB Statement No. 23, *Accounting and Financial Reporting for Refundings of Debt Reported by Proprietary Activities* (see Note 5).

Cash and Cash Equivalents
For purposes of reporting cash flows, the Utility has defined cash and cash equivalents as all highly liquid investments that mature within 90 days. The carrying amount approximates fair value because of the short maturity of those instruments. Investments in restricted accounts are excluded from cash and cash equivalents.

Temporary Investments
For balance sheet disclosure purposes, cash held in accounts with an original maturity greater than 90 days but less than one year are reported as temporary investments. The carrying amount approximates the fair value because of the short maturity of those instruments.

Coal Inventories and Materials and Supplies
Coal inventories and materials and supplies are stated at the lower of average cost or market.

Revenue and Fuel Costs
The Utility records revenue as billed to its retail customers based on monthly meter readings to determine consumption, which is applied to rates approved by the City. The Utility records revenue as billed to its telecommunications customers based on monthly service contracts. Wholesale revenue is recorded based upon monthly consumption billed at budgeted annual production costs (including debt service and excluding depreciation) and is adjusted annually to reflect actual production costs incurred. Fuel costs are expensed as the fuel is consumed.

Deferred wholesale power sales represent revenues billed to wholesale customers during the year ended May 31, 2008.

Accounts Receivable and Notes Receivable
An estimate is made for the provision for uncollectible accounts based on an analysis of the aging of accounts receivable and historical write-offs, net of recoveries. Additional amounts may be included based upon the credit risks of significant parties. Allowances totaled $148,322 and $138,435 as of May 31, 2008 and 2007, respectively. Notes receivable represents extended payment terms provided to the five cities that purchase wholesale electric energy from the Utility. Note receivable balances totaled $3,664,473 and $4,753,911 as of May 31, 2008 and 2007, respectively, and will be paid to the Utility over five years beginning June 1, 2007. The current portion of the note receivable balance is $1,188,478 for the years ended May 31, 2008 and 2007, respectively.

Donated Services
The City is not charged by the Board for services rendered to the City. Such services include street lights, fire hydrants and consumption of electricity and water by other City departments. The Utility is not currently required to pay franchise or property taxes to the City.

Interest Capitalization
It was the policy of the Utility to capitalize net interest cost specifically identified with the Sikeston Power Station during the period of construction through the date of commencement of commercial operation. Such costs are amortized over the life of the Electric System Revenue Bond issues using the bonds outstanding method. Subsequent to commencement of commercial operations, interest costs have been expensed as incurred, and interest earned has been credited to the respective accounts as specified by the bond ordinance.

Use of Estimates
The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires that management make estimates and assumptions which impact the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates and assumptions.

Statement of Cash Flows Presentation
In accordance with GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, the statement of cash flows has been presented using the direct method of reporting.

New Accounting Pronouncements
In July 2004, the GASB issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions* (GASB 45). GASB 45 establishes standards for the measurement, recognition, and display of other postemployment benefits (OPEB) expense/expenditures and related liabilities (assets), note disclosures, and, if applicable, required supplementary information in the financial reports of state and local governmental employers. The approach followed in this statement generally is consistent with the approach adopted in GASB Statement No. 27, *Accounting for Pensions by State and Local Government Employers,* with modifications to reflect differences between pension benefits and OPEB. This statement is effective for financial statements of the Utility for periods beginning after December 15, 2006. The Utility adopted GASB 45 in fiscal year 2008 and the impact was not material.

In November 2006, the GASB issued Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations* (GASB 49). GASB 49 addresses accounting and financial reporting standards for pollution (including contamination) remediation obligations, which are obligations to address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities such as site assessments and cleanups. The scope of the document excludes pollution prevention or control obligations with respect to current operations, and future pollution remediation activities that are required upon retirement of an asset, such as landfill closure and postclosure care and nuclear power plant decommissioning. This statement is effective for financial statements of the Utility for periods beginning after December 15, 2007. The Utility anticipates adopting GASB 49 in fiscal year 2009 and the impact is not expected to be material.

In May 2007, the GASB issued Statement No. 50, *Pension Disclosures an amendment of GASB Statements No. 25 and No. 27* (GASB 50). GASB 50 more closely aligns the financial reporting requirements for pensions with those for other postemployment benefits (OPEB) and, in doing so, enhances information disclosed in notes to financial statements or presented as required supplementary information (RSI) by pension plans and by employers that provide pension benefits. The reporting changes required by this Statement amend applicable note disclosure and RSI requirements of Statements No. 25, *Financial Reporting for Defined Benefit Pension Plans and*

Note Disclosures for Defined Contribution Plans, and No. 27, *Accounting for Pensions by State and Local Governmental Employers,* to conform with requirements of Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans,* and No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions.* This statement is effective for financial statements of the Utility for periods beginning after June 15, 2007. The Utility anticipates adopting GASB 50 in fiscal year 2009 and the impact is not expected to be material.

2. Mine Shutdown Costs

The Utility indirectly holds a 50% beneficial interest in Brushy Creek Coal Company (BC). BC was the owner and operator of a coal mine and related equipment located in Illinois (the "BC Mine"). BC is owned by Western Fuels-Illinois, Inc. (WFI), a Wyoming mutual benefit nonprofit corporation that operates as a cooperative. The Class B (nonvoting) stock of WFI, representing the beneficial interest in WFI, is owned 50% by the Utility with the remaining 50% owned by the Unified Government of Wyandotte County, Kansas City, Kansas (Kansas City). The Class A (voting) stock is owned by Western Fuels Association (WFA), a Wyoming nonprofit corporation that operates as a cooperative. The Utility is a member of the WFA and has representation on the WFA board of directors. The WFI board of directors consists of one representative from each of the Utility, Kansas City and WFA.

In December 1979, the Utility and Kansas City each entered into a separate coal supply agreement with WFI. Under the terms of this agreement, the Utility was obligated to purchase a minimum amount of coal from the BC Mine, which was operated first by an unaffiliated third party and then by BC. In November 1997, the agreement expired, and the mine ceased operations in 1999. Under this legacy contract, the Utility became responsible for 50% of the mine reclamation costs and 50% of the post-retirement benefits for certain former mine workers. At May 31, 2008 and 2007, the Utility has recorded a liability of $3,958,000 and $4,354,900, respectively, for the amount of the remaining estimated post-retirement benefits and mine reclamation costs. The liability represents the Utility's 50% proportional share of the total estimated post-retirement benefits and mine reclamation costs less amounts previously funded by the Utility to WFI. During the years ended May 31, 2008 and 2007, the Utility recorded mine shutdown costs of $1,627,003 and $2,162,649, respectively, related to current year costs of post-retirement benefits, changes in the estimated mine reclamation costs and administrative costs incurred by WFI. For the years ended May 31, 2008 and 2007, the Utility paid $2,023,903 and $1,350,000, respectively, to WFI to fund these obligations as well as administrative costs incurred by WFI. Total payments through May 31, 2008 from the Utility to WFI to fund these obligations and costs were $10,150,000. The Utility expects to fund an additional $1,800,000 during the year ending May 31, 2009.

Certain original post-retirement benefit and mine reclamation costs related to the BC Mine and incurred by the Utility were being recovered through billings to the Utility's retail and wholesale customers. As a result, the Utility had recorded deferred expenses pursuant to FAS 71 related to the mine shutdown of $267,032 at May 31, 2007. These were charged to expense during fiscal 2008 as the amount was included in electric rates throughout the year.

In June 2002, the Liberty Coal Company (Liberty), a Colorado limited liability company, commenced operations. Liberty is owned by the Cities Trust (the Trust). The equal beneficiaries of the Trust are the Utility and Kansas City. Liberty was formed for the purpose of developing the Liberty Mine, a different coal seam near the former BC Mine. WFI owns the land and coal at the mine and has assigned these interests along with related equipment through a lease agreement to Liberty. In accordance with Accounting Principles Board Opinion No. 18, *The Equity Method of Accounting for Investments in Common Stock,* the Utility accounts for its interest in Liberty under the equity method of accounting.

On July 13, 2006, Liberty indefinitely suspended operations of the Liberty Mine. During November 2006, Liberty filed for Chapter 7 bankruptcy protection in the Southern District of Illinois United States Bankruptcy Court. As of August 4, 2008, bankruptcy proceedings were still ongoing. As the Utility's equity investment related to its interest in Liberty is zero, the Utility's financial statements do not reflect Liberty's losses. Management believes the Utility is under no obligation to fund any portion of these losses. During the year ended May 31, 2008 and 2007, the Utility provided funding to Liberty of $0 and $1,050,000, respectively, for use as working capital which has been recorded as a non-operating income (expense) on the Utility's statement of revenues, expenses and changes in net assets. The Utility has not provided any funding to Liberty subsequent to the suspension of Liberty's operations.

At the date of the bankruptcy filing, Liberty had approximately $5,936,000 (unaudited) of personal property and $6,143,000 (unaudited), $1,055,000 (unaudited), and $7,159,000 (unaudited) in amounts owed to creditors holding secured claims related to equipment leases, creditors holding unsecured priority claims related to taxes and owed vacation pay and creditors holding unsecured nonpriority claims related to various loans from WFI and the Utility as well as various other claims for amounts owed to vendors, respectively. During 2008, certain sales of Liberty assets have been executed by the bankruptcy court with the proceeds used to satisfy certain Liberty liabilities. Also, during 2008, the trustee in the bankruptcy proceeding filed a claim in an effort to hold the Utility and Kansas City liable for the net liabilities of Liberty. Management and their legal counsel believe that the Utility has no legal obligation to fund any of the liabilities of Liberty. Accordingly, no liability has been recorded by the Utility related to the Liberty bankruptcy at May 31, 2008.

3. Designated Assets

Certain cash and temporary investments have been designated by Board policy or the bond ordinance (Note 7) for specific purposes. These amounts are not restricted and are as follows:

	2008		2007	
	Electric System	Water and Sewer System	Electric System	Water and Sewer System
Contingency fund investments	$ 5,000,000	$ -	$ 5,000,000	$ -
Operations and maintenance reserve	20,516,967	736,832	20,294,539	359,875
Retail rate stabilization	7,043,316	-	3,853,522	-
Insurance fund	613,439	-	594,085	-
Mine shutdown costs	3,084,816	-	2,987,488	-
Renewals and replacements	1,085,538	-	1,051,905	-
Tank maintenance	-	260,000	-	225,000
	$ 37,344,076	$ 996,832	$ 33,781,539	$ 584,875

4. Capital Assets

Capital asset activity for the year ended May 31, 2008 is as follows:

Electric System	**Beginning Balance**	**Additions**	**Deletions**	**Transfers/ adjustments**	**Ending Balance**
Land	$ 5,314,685	$ 80,834	$ (30,000)	$ -	$ 5,365,519
Buildings	40,688,766	-	-	-	40,688,766
Plant in service	183,186,045	12,284	(282,821)	-	182,915,508
Distribution system	31,008,476	1,017,882	-	-	32,026,358
Trucks and autos	1,130,559	39,878	(5,645)	-	1,164,792
Railcars	3,594,286	-	-	-	3,594,286
Furniture, fixtures and equipment	4,180,178	98,730	-	-	4,278,908
Telecommunications equipment	2,178,097	2,765	-	-	2,180,862
Capitalized interest	9,003,901	-	-	-	9,003,901
Construction in progress	25,930	70,551	-	(3,518)	92,963
	280,310,923	1,322,924	(318,466)	(3,518)	281,311,863
Less accumulated depreciation	(149,043,994)	(10,507,442)	318,466	(129,797)	(159,362,767)
Electric, net	$ 131,266,929	$ (9,184,518)	$ -	$ (133,315)	$ 121,949,096

Water and Sewer System	**Beginning Balance**	**Additions**	**Deletions**	**Transfers/ adjustments**	**Ending Balance**
Land	$ 48,368	$ -	$ -	$ -	$ 48,368
Buildings	5,129,511	-	-	-	5,129,511
Plant in service	5,498,862	409,925	-	-	5,908,787
Distribution system	4,696,160	50,825	-	(553)	4,746,432
Trucks and autos	387,262	79,823	-	-	467,085
Furniture, fixtures and equipment	1,502,923	73,188	-	-	1,576,111
Capitalized interest	10,993	-	-	-	10,993
Construction in progress	445,013	-	-	(445,013)	-
	17,719,092	613,761	-	(445,566)	17,887,287
Less accumulated depreciation	(10,457,134)	(687,429)	-	4,466	(11,140,097)
Water and Sewer, net	$ 7,261,958	$ (73,668)	$ -	$ (441,100)	$ 6,747,190

Capital asset activity for the year ended May 31, 2007 is as follows:

Electric System	Beginning Balance	Additions	Deletions	Transfers/ adjustments	Ending Balance
Land	$ 4,941,241	$ 373,444	$ -	$ -	$ 5,314,685
Buildings	40,565,966	122,800	-	-	40,688,766
Plant in service	183,186,045	-	-	-	183,186,045
Distribution system	29,120,280	1,888,196	-	-	31,008,476
Trucks and autos	1,098,597	31,962	-	-	1,130,559
Railcars	3,594,286	-	-	-	3,594,286
Furniture, fixtures and equipment	3,974,687	234,864	(29,373)	-	4,180,178
Telecommunications equipment	2,163,708	14,389	-	-	2,178,097
Capitalized interest	9,003,901	-	-	-	9,003,901
Construction in progress	163,048	6,111	-	(143,229)	25,930
	277,811,759	2,671,766	(29,373)	(143,229)	280,310,923
Less accumulated depreciation	(138,855,602)	(10,095,862)	29,373	(121,903)	(149,043,994)
Electric, net	$ 138,956,157	$ (7,424,096)	$ -	$ (265,132)	$ 131,266,929

Water and Sewer System	Beginning Balance	Additions	Deletions	Transfers/ adjustments	Ending Balance
Land	$ 48,368	$ -	$ -	$ -	$ 48,368
Buildings	5,121,567	7,944	-	-	5,129,511
Plant in service	5,498,862	-	-	-	5,498,862
Distribution system	4,562,497	158,277	-	(24,614)	4,696,160
Trucks and autos	371,713	15,549	-	-	387,262
Furniture, fixtures and equipment	1,479,478	-	(448)	23,893	1,502,923
Capitalized interest	10,993	-	-	-	10,993
Construction in progress	141,555	303,458	-	-	445,013
	17,235,033	485,228	(448)	(721)	17,719,092
Less accumulated depreciation	(9,758,920)	(699,383)	448	721	(10,457,134)
Water and Sewer, net	$ 7,476,113	$ (214,155)	$ -	$ -	$ 7,261,958

5. Long-Term Debt

The Board's long-term indebtedness (excluding current maturities of long-term debt and unamortized bond discount) as of May 31, 2008 and 2007 is comprised of the following obligations:

Electric System	**2008**	**2007**
Electric revenue bonds, issued June 11, 1992, 4.75% to 6.25%, due in installments through June 1, 2011	$ 14,930,000	$ 21,745,000
Electric revenue bonds, issued February 7, 1996, 3.6% to 5%, due in installments through June 1, 2022	149,685,000	150,460,000
Capital lease obligation	838,081	1,040,118
	$ 165,453,081	$ 173,245,118

Water and Sewer System		
Combined waterworks and sewer revenue bonds, issued July 1, 1989, 6.8% to 8%, due in installments through February 1, 2009	$ -	$ 185,000
Waterworks revenue bonds, issued November 10, 1992, 4% to 6.25%, due in installments through February 1, 2012	805,000	1,040,000
Combined waterworks and sewer revenue bonds, issued December 1, 1997, 3.9% to 5.125%, due in installments through January 1, 2018	1,635,000	1,795,000
Waterworks certificates of participation, issued October 1, 1998, 5.5%, due in installments through October 1, 2013	475,000	555,000
Capital lease obligation	45,424	-
	$ 2,960,424	$ 3,575,000

The summarized activity of the Board's long-term debt (including current maturities of long-term debt) during the year ended May 31, 2008 is presented below:

Electric System	**Beginning balance**	**Additions**	**Reductions**	**Ending balance**	**Amount due in one year**
Revenue Bonds					
1992	$ 28,170,000	$ -	$ 6,425,000	$ 21,745,000	$ 6,815,000
1996	151,195,000	-	735,000	150,460,000	775,000
1998 Train Car Lease	1,232,210	-	192,018	1,040,192	202,111
	180,597,210	-	7,352,018	173,245,192	7,792,111
Less unamortized discount	(1,357,351)	-	56,817	(1,300,534)	-
	$ 179,239,859	$ -	$ 7,295,201	$ 171,944,658	$ -

Water & Sewer System	Beginning balance	Additions	Reductions	Ending balance	Amount due in one year
Revenue Bonds					
1989	$ 360,000	$ -	$ 175,000	$ 185,000	$ 185,000
1992	1,070,000	-	30,000	1,040,000	235,000
1997	1,955,000	-	160,000	1,795,000	160,000
1998 Certificates of Participation	630,000	-	75,000	555,000	80,000
2008 Trailer Lease	-	56,780	-	56,780	11,356
	4,015,000	56,780	440,000	3,631,780	671,356
Unamortized premium	1,628	-	(153)	1,475	-
Less unamortized discount	(4,767)	-	650	(4,117)	-
	$ 4,011,861	$ 56,780	$ 439,503	$ 3,629,138	$ -

The summarized activity of the Board's long-term debt (including current maturities of long-term debt) during the year ended May 31, 2007 is presented below:

Electric System	Beginning balance	Additions	Reductions	Ending balance	Amount due in one year
Revenue Bonds					
1992	$ 34,225,000	$ -	$ 6,055,000	$ 28,170,000	$ 6,425,000
1996	151,900,000	-	705,000	151,195,000	735,000
1998 Train Car Lease	1,414,979	-	182,769	1,232,210	192,092
	187,539,979	-	6,942,769	180,597,210	7,352,092
Less unamortized discount	(1,410,784)	-	53,433	(1,357,351)	-
	$ 186,129,195	$ -	$ 6,889,336	$ 179,239,859	$ -

Water & Sewer System	Beginning balance	Additions	Reductions	Ending balance	Amount due in one year
Revenue Bonds					
1987	$ 85,000	$ -	$ 85,000	$ -	$ -
1989	435,000	-	75,000	360,000	175,000
1992	1,095,000	-	25,000	1,070,000	30,000
1997	2,110,000	-	155,000	1,955,000	160,000
1998 Certificates of Participation	700,000	-	70,000	630,000	75,000
	4,425,000	-	410,000	4,015,000	440,000
Unamortized premium	1,782	-	(154)	1,628	-
Less unamortized discount	(5,417)	-	650	(4,767)	-
	$ 4,421,365	$ -	$ 409,504	$ 4,011,861	$ -

On February 7, 1996, $139,765,000 of serial 1992 Series Electric System Revenue Bonds were refunded with the proceeds of the issuance of $152,895,000 serial 1996 Series Electric System Revenue Bonds. A bond discount of $248,709, deferred debt issuance costs of $2,607,099 and a deferred net loss on the refunded debt of $10,249,367 were recorded in relation to the refunding. These amounts are being amortized over the remaining life of the 1996 bond issue. At May 31, 2008, $150,460,000 of these bonds remain outstanding, with a related unamortized discount of $174,628. Deferred financing costs of $1,830,543 and a deferred loss of $7,196,468 also are included on the Utility's balance sheet at May 31, 2008 associated with these bonds.

Interest payments on the 1996 bonds are due semi-annually on June 1 and December 1 at interest rates ranging from 3.6% to 5.0%. A bond principal payment was paid when due on June 1, 1996 and then principal payments are due annually on June 1 beginning June 1, 2006 through 2022.

At May 31, 2008, $21,745,000 of serial 1992 Series Electric System Revenue Bonds remain outstanding (including current maturities), with a related unamortized discount of $1,125,906. At May 31, 2008, deferred financing costs of $5,630,364 and a deferred net loss of $4,817,465 associated with the Series 1992 Electric System Revenue Bonds not refunded during 1996 are included on the Utility's balance sheet. The amounts are being amortized over the life of the 1992 bond issue.

Interest payments on the Series 1992 Bonds are due semi-annually on June 1 and December 1 at interest rates ranging from 4.75% to 6.25%. Bond principal payments are due annually on June 1 from 1996 through 2010.

The estimated fair value of the revenue bonds outstanding at May 31, 2008 and 2007 is $183,012,001 and $189,592,423, respectively. Fair value, which was obtained from a broker, was estimated by calculating market premiums or discounts to face values for the issues based on rates currently available for debt with similar terms.

The respective maturities of current and long-term debt outstanding at May 31, 2008 are as follows:

	Electric System	Water and Sewer System	Total
Debt maturing during years ending			
May 31, 2009	$ 7,792,111	$ 671,356	$ 8,463,467
May 31, 2010	8,262,486	511,356	8,773,842
May 31, 2011	8,763,395	541,356	9,304,751
May 31, 2012	9,294,825	566,356	9,861,181
May 31, 2013	10,157,209	291,356	10,448,565
Subsequent to May 31, 2013	128,975,166	1,050,000	130,025,166
	$ 173,245,192	$ 3,631,780	$ 176,876,972

6. Lease Obligations

The Board conducts certain of its operations with leased equipment. Terms of these operating leases, including renewals, maintenance costs and purchase options, vary by lease. Total rental expense charged to operations was approximately $810,000 and $824,000 for the years ended May 31, 2008 and 2007, respectively.

At May 31, 2008, future minimum leased payments under noncancellable operating leases are as follows:

Year ending May 31,	
2009	$ 511,915
2010	511,915
2011	511,915
2012	511,915
2013	255,958
	$ 2,303,618

In addition to the aforementioned operating leases, the Board also maintains a capital lease for railcars and for a sludge trailer. At May 31, 2008 and 2007, the Board had approximately $3,651,066 and $3,594,286, respectively, of such assets under capital leases. These amounts are included in the respective property and plant classification within Note 4. The future minimum lease payments are included in the schedule of debt maturities in Note 5.

7. Bond Ordinance and Debt Service Requirements

Electric System

On February 23, 1978, the City enacted the Electric System Revenue Bond Ordinance. The bond ordinance was supplemented by the 1992 and 1996 Series Revenue Bond Ordinances. The ordinance, as updated, provides, among other things, the following:

a. The bonds will not constitute a general obligation of the City nor an indebtedness of the City.

b. The bonds will be payable solely from and secured solely by a pledge of the (i) proceeds of the bonds, (ii) the revenues derived by the City from the ownership and operation of the Electric System and (iii) all funds established under the ordinance.

c. The Utility will at all times establish and collect rates for the sale of output of the Electric System to provide revenue sufficient to cover operation and maintenance expenses, 110% of aggregate debt service costs, required deposits into accounts established by the ordinance and all other charges payable from revenues.

d. The Utility shall keep proper books of record and account in accordance with the FERC Uniform System of Accounts prescribed for Class A and Class B Public Utilities and Licensees.

In accordance with the bond ordinance, certain bond proceeds have been deposited in restricted accounts maintained by a Trustee (BNY Trust Company of Missouri). The ordinance, as updated, provides, among other things, that the accounts be operated in the following manner:

a. Debt service account - for payment of Electric System revenue bond principal and interest.

b. Debt service reserve account - for payment of Electric System revenue bond principal and interest to the extent funds are not available in the debt service account. This account reserves for the greatest amount of aggregate debt service for any year.

In addition to the Trustee-maintained accounts established by the bond ordinance, certain other unrestricted accounts are to be maintained and operated by the Utility in accordance with the ordinance. At May 31, 2008 and 2007, these accounts include the following:

a. Reserve account – for the deposit of all Electric System revenues.

b. General reserve account – for the deposit of all unexpended monies originally deposited in the revenue account.

c. Contingency fund – for payment of major renewals, replacements, repairs, additions, betterments, improvements, decommissionings and disposals and also payment of extraordinary operation and maintenance costs or any unusual loss or damage to prevent a loss of revenues.

At May 31, 2008 and 2007, the above accounts consisted of deposits with highly rated financial institutions. The carrying amount of these accounts approximates fair value.

Water and Sewer System

In accordance with the bond ordinance, certain bond proceeds have been deposited in restricted accounts maintained by a Trustee (Montgomery Bank). The ordinance, as updated, provides, among other things, that the accounts be operated in the following manner:

a. Bond retirement accounts - deposit monthly an amount equal to one-twelfth of the current principal and one-sixth of the current interest requirements for payment of bond principal and interest.

b. Bond reserve accounts - deposit monthly various fixed amounts until an aggregate balance of $324,000 is maintained in these accounts. These accounts are available for the payment of bond principal and interest only to the extent other funds are not available for that purpose.

In addition to the Trustee-maintained accounts established by the bond ordinance, certain other unrestricted accounts are to be maintained and operated by the Utility in accordance with the ordinance. At May 31, 2008 and 2007, these accounts include the following:

a. Construction fund - represents bond proceeds to be used for payment of the cost of constructing, modifying, extending and improving the sewage treatment facilities.

b. Operations and maintenance accounts - deposit monthly an amount sufficient to operate and maintain the system for the following month.

c. Depreciation and replacement account - deposit monthly the sum of $3,833 to make replacements and repairs in and to the combined waterworks and sewer system as may be necessary to keep the system in good repair and working order.

d. Surplus account - deposit monthly any monies remaining from waterworks revenues to meet the general obligations of the system to the extent the other monies already provided are not sufficient.

e. The utility will at all times establish and collect rates for the sale of output of the sewer system to provide revenue sufficient to cover operation and maintenance expenses, 125% of aggregate debt service costs, required deposits into accounts established by the ordinance and all other charges payable from revenues.

At May 31, 2008 and 2007, the above accounts of the combined Water and Sewer Systems consisted of deposits with highly rated institutions. The carrying amount of these accounts approximates fair value.

For the year ended May 31, 2008, the Board established and collected sufficient rates for the water and sewer systems to meet the 125% of aggregate debt service costs requirement. The water and sewer rates applied for the year ended May 31, 2008 covered 199% of aggregate debt service costs. For the year ended May 31, 2007, the Board established and collected insufficient rates for the water and sewer systems to meet the 125% of aggregate debt service costs requirement. The water and sewer rates applied for the year ended May 31, 2007 covered only 88% of aggregate debt service costs. During May 2007, the Board approved water and sewer rate increases, which resulted in the systems meeting the 125% debt service cost requirement in fiscal 2008. In addition, management believed that the failure to meet this debt service costs coverage requirement as of May 31, 2007, did not constitute an event of default under the bond ordinance.

8. Pension Costs

Plan Description

The Board is a member of the Missouri Local Government Employees Retirement Systems (“LAGERS”). LAGERS provides retirement benefits to plan members and beneficiaries. LAGERS is an agent multiple-employer pension plan established by Missouri statutes with mandatory participation for all employees of political subdivisions that elect to join LAGERS. The City and the Board retain the authority to participate in LAGERS and to amend the benefit provisions of the plan. LAGERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by contacting LAGERS.

Funding Policy

The Board is required to contribute an actuarially determined percentage of its annual covered payroll. For the years ended May 31, 2008 and 2007, this rate was 10.7% and 11.7%, respectively. This rate is comprised of 8.3% for current benefits earned and 2.4% to 3.4% for prior service costs in 2008 and 2007, respectively. The Board's full-time employees do not contribute to the plan. The following table presents certain actuarial information regarding the Board's participation in the plan as of the two previous actuarial valuation dates:

				Unfunded Accrued Liability	
Valuation Date	Accrued Liability	Actuarial Value of Assets	Funded Percent	Dollar Amount	Percent of Annual Payroll
2/28/2007	$ 22,849,391	$ 19,270,519	84.3	$ 3,578,872	42.0
2/29/2008	21,641,976	20,993,131	97.0	648,845	8.2

Pursuant to GASB 27, *Accounting for Pensions by State and Local Government Employers,* the unfunded accrued liability associated with the plan is not reflected in the Utility's balance sheet as the Utility has funded all required plan contributions.

Annual Pension Cost

For the years ended May 31, 2008 and 2007, the Board's annual pension costs were $1,153,526 and $1,146,070, respectively. These amounts were equal to the Board's required annual contributions. The required contribution was determined as part of the actuarial valuation using the individual entry age actuarial cost method. The actuarial assumptions included (a) 7.5% investment rate of return, (b) projected salary increases ranging from 0% to 6% per year, and (c) cost-of-living adjustments contingent upon investment return, with a maximum of the lower of 4% or the cumulative CPI since retirement. Both (a) and (b) included an inflation component of 4%.

9. Commitments and Contingencies

Coal Contracts

The Board has an agreement with Western Fuels Association for the purchase of coal. Under the provisions of this agreement, the Board is required to purchase a minimum of one million tons of coal per year from the Black Thunder Mine in Campbell County, Wyoming through December 31, 2012. The price of coal is fixed by contract over the life of the agreement. The Utility has an agreement for the delivery of this coal with the Burlington Northern Santa Fe Railroad which extends through December 31, 2012. The cost to deliver the coal is established through a base price, which is adjusted quarterly by indices set out in the agreement.

Brushy Creek Coal Company and Liberty Coal Company

See Note 2 for discussion.

Other Contingencies

The Board is involved in various claims and legal proceedings in which monetary damages and other relief is sought. The Board is vigorously contesting these claims; however the resolution is not expected to occur quickly, and the ultimate outcome cannot presently be predicted. It is the opinion of management that the ultimate resolution of these claims, legal proceedings, and other contingencies, either individually or in the aggregate, will not materially affect the Board's financial position, results of operations or liquidity.

10. Significant Customers and Concentration of Credit Risk

For the years ended May 31, 2008 and 2007, the Utility had three and three wholesale customers, respectively, which individually exceeded 10% of total revenues. Approximately, 48% and 50% of the Electric System's revenue during the years ended May 31, 2008 and 2007, respectively, was generated through sales to these customers. As of May 31, 2008 and 2007, total receivables due from these customers was $7,125,635 and $7,817,756, respectively. No other customer represented 10% or more of the Electric System revenue. The Electric System's receivables from retail customers are located in Sikeston, Missouri, and its wholesale receivable customers are located throughout the states of Missouri, Arkansas, Kansas, Oklahoma and Texas.