

CITY OF PIKEVILLE, KENTUCKY

FINANCIAL STATEMENTS
For the year ended June 30, 2011

Wallen, Cornett, & Puckett, PSC

CERTIFIED PUBLIC ACCOUNTANTS
POST OFFICE BOX 1349
PIKEVILLE, KENTUCKY 41502

CITY OF PIKEVILLE, KENTUCKY
 COMBINED FINANCIAL STATEMENTS

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June 30, 2011

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CITY OF PIKEVILLE, KENTUCKY

MUNICIPAL OFFICIALS

JUNE 30, 2011

	<u>Office</u>	<u>Name</u>	<u>Term</u>	
Elective	Mayor	Franklin D. Justice, II	01/01/2011	12/31/2014
	Commissioners	Eugene "Gene" Davis	01/01/2011	12/31/2012
		Dallas Layne	01/01/2011	12/31/2012
		Jimmy Carter	01/01/2011	12/31/2012
		Barry Chaney	01/01/2011	12/31/2012
Appointed	City Manager	Donovan Blackburn		
	Finance Director	Tonya Taylor		
	City Clerk	Christy Billiter		
	City Attorney	Rusty R. Davis		

Management's Discussion and Analysis Financial Report

City of Pikeville

June 30, 2011

Our discussion and analysis of Pikeville's financial performance provides an overview of the city's financial activities for the fiscal year ending June 30, 2011. Please review in conjunction with the transmittal letter and the city's financial statements.

REVIEWING THE ANNUAL REPORT

The annual report covers multiple financial statements. The Statement of Net Assets and the Statement of Activities supply data about the activities of the city as a whole and provide information regarding the city's finances. For government activities, these statements provide long-term and short-term information about the city's overall status. Financial reporting is similar to that found in the private sector with its basis in full accrual accounting. Fund financial statements show city operations in more detail than government-wide statements, as they provide information about the city's most important funds.

FINANCIAL HIGHLIGHTS

Due to this year's operations, the city's net assets are as follows: Net assets of business-type activities were \$20,011,464 and net assets of governmental activities were \$56,154,825.

- The current year's expense total was \$13,633,584 as compared to the \$15,824,652 generated in fees and charges, grants, general revenues, and taxes for governmental programs (before extraordinary items). In the previous year, expenses were \$10,779,143 as compared to the \$15,238,297 generated in tax and other revenues for governmental programs (before extraordinary items).
- For business-type activities, city revenues were \$7,864,199. Expenses were \$8,088,951. In the previous year, city revenues were \$8,644,232. Expenses were \$7,918,685.
- The annual cost of all city programs was \$21,722,535. The previous year's cost was \$18,697,828.

Management's Discussion and Analysis Financial Report

City of Pikeville

June 30, 2011

THE CITY AS A WHOLE ANALYSIS

Because the Statement of Net Assets and the Statement of Activities provide facts about the city as a whole, the statements can help determine if a city's financial condition has improved or deteriorated as a result of the year's activities. All assets and liabilities are included in the statements using the accrual basis of accounting. The accrual method is comparable to the accounting used by most private corporations. All current year revenues and expenses are included. It does not matter when cash is paid or received.

These statements give an account of the city's net assets and any changes in those assets. However, to truly judge the condition of the city, some non-financial factors, such as diversification of the taxpayer base or the condition of the city's infrastructure, must be considered in addition to the financial information provided in this report.

The Statement of Net Assets and the Statement of Activities divide the city into two types of activities:

- 1) **Governmental activities:** The city's basic services are accounted for in this section, including the police, fire, public works, parks departments and general administration. Property taxes, franchise fees, and state and federal grants finance the majority of these activities.

- 2) **Business-type activities:** These activities are reported in the fund financial statements and generally report services for which the city charges customers a fee. There are two kinds of Business-type activities. These are enterprise funds and internal service funds. Enterprise funds essentially encompass the same functions reported as Business-type activities in the government-wide statements. Services are provided to customers external to the city organization such as water utilities. Internal service funds provide services and charge fees to customers within the city organization such as fleet services (maintenance and repair of vehicles) and the print shop (mail and printing services for city departments). Because the city's internal service funds primarily serve governmental functions, they are included within the Governmental activities of the government-wide financial statements.

Management's Discussion and Analysis Financial Report

City of Pikeville

June 30, 2011

DETAILING THE MOST IMPORTANT FUNDS

The fund financial statements provide detailed information about the most important funds of the city. Certain funds are mandated by State law and by bond agreements. Other funds are established to manage money, meet legal requirements or for certain taxes or grants.

- **Government funds:** Basic services are reported in government funds. Government fund financial statements detail how money flows in and out of the funds and reports the balances left at year-end that are on hand for disbursement. Government funds are reported using an accounting method called modified accrual accounting. This method measures cash and financial assets that can easily be converted to cash. The governmental fund accountability focuses on the use of spendable resources during the year and balances of spendable resources available at the end of the year. They are useful in evaluating annual financing requirements of governmental programs and the commitment of spendable resources for the next term.

Budgetary comparison statements are included in the basic financial statements for the general fund and major revenue fund. These statements and schedules demonstrate compliance within the city adopted and final revised budget.

- **Proprietary funds:** Proprietary funds are those in which the city charges for services it provides, both to city units and outside customers. Proprietary funds are reported in the Statement of Net Assets and the Statement of Revenues, Expenses and Changes in Fund Net Assets. The city's enterprise funds, a component of proprietary funds, are the same as the business-type activities we report in the government-wide statements, but they give more detailed information such as cash flow. Another component of proprietary funds are internal service funds. Internal service funds cover activities that provide supplies and services for city programs.

CITY SERVING AS TRUSTEE

Due to trust arrangements, the city is often accountable for assets that can only be used for trust beneficiaries. All of these trustee proceedings are detailed in separate Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets, if required. Because the city cannot use these assets to finance its operations, these activities are not included in other financial statements. However, the city must be certain the assets detailed in these funds are used for their intended purposes.

NOTES TO FINANCIAL STATEMENTS

The notes provide additional information that is necessary for a full understanding of the data provided in the accompanying financial statements.

OTHER INFORMATION

In addition to the financial statements and notes, this report contains supplementary information and details of the accompanying financial statements.

Management's Discussion and Analysis Financial Report

City of Pikeville

June 30, 2011

	Governmental Activities		Business-type Activities		Total Primary Government	
	Current	Previous	Current	Previous	Current	Previous
	Year	Year	Year	Year	Year	Year
Current and other Assets:	10,614,700	7,915,285	6,760,981	6,410,397	17,375,681	14,325,682
Capital Assets:	47,704,601	47,026,762	23,881,942	19,793,694	71,586,543	66,820,456
Total Assets	58,319,301	54,942,047	30,642,923	26,204,091	88,962,224	81,146,138
Long-term liabilities:	1,510,000	763,303	9,696,696	6,896,448	11,206,696	7,659,751
Other liabilities:	654,476	214,987	934,763	528,429	1,589,239	743,416
Total Liabilities	2,164,476	978,290	10,631,459	7,424,877	12,795,935	8,403,167
Net Assets:						
Invested in Capital Assets, net of related debt:	45,985,570	46,159,870	13,666,622	12,455,298	59,652,192	58,615,168
Restricted:	29,758	1,405	2,154,584	1,991,321	2,184,342	1,992,726
Unrestricted (deficit):	10,139,497	7,802,482	4,190,258	4,332,595	14,329,755	12,135,077
Total Net Assets	56,154,825	53,963,757	20,011,464	18,779,214	76,166,289	72,742,971

CITY AS A WHOLE

The city's combined net assets from the previous year were \$72,742,971 as compared to \$76,166,289 this year. However, net assets and expenses from governmental and business-type activities must be reviewed separately. Table 1 focuses on the net assets and Table 2 focuses on changes in the net assets of the city's governmental and business-type activities.

The city's net assets for governmental activities were \$56,154,825 this year as compared to \$53,963,757 last year. Unrestricted net assets were \$7,802,482 last year as compared to \$10,139,497 this year. Unrestricted net assets are those that can be used to finance every -day operations without restrictions set by legislation, debt covenants, or other legal regulations.

The net assets of the city's business-type activities were \$20,011,464 this year as compared to \$18,779,214 last year.

City revenues (excluding extraordinary items) for the current year were \$24,935,379 as compared to \$24,621,086 in the previous year. The total yearly cost of all programs and services was \$21,722,535 as compared to \$18,697,828 in the previous year.

Management's Discussion and Analysis Financial Report

City of Pikeville

June 30, 2011

Table 2
Changes in Net Assets

	Governmental Activities		Business-type Activities		Total Primary Government	
	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year
Revenues						
Program Revenues Restricted						
Charges for Services	67,693	44,789	7,864,199	8,644,232	7,931,892	8,689,021
Restricted Operating Grants	1,771,530	911,162			1,771,530	911,162
Restricted Capital Grants	1,601,923	3,855,807	2,170,308	0	3,772,231	3,855,807
Restricted Other						
General Revenue						
Property Taxes	969,540	950,516			969,540	950,516
Other Taxes	8,471,310	7,750,383			8,471,310	7,750,383
Interest & Investment Income	166,942	153,593	87,288	99,891	254,230	253,484
Other General Revenues	1,761,431	2,207,103	3,215	3,610	1,764,646	2,210,713
Total Revenues	14,810,369	15,873,353	10,125,010	8,747,733	24,935,379	24,621,086
Program Expenses						
General Government	2,616,266	2,169,547			2,616,266	2,169,547
Public Safety	5,191,340	4,665,489			5,191,340	4,665,489
Public Works						
Culture & Recreation	1,379,802	1,210,712			1,379,802	1,210,712
Community Development						
Education						
Interest on Long-Term Debt	35,416	39,847			35,416	39,847
Business Activities						
Water &/or Sewer			4,246,804	3,736,738	4,246,804	3,736,738
Other Utilities			3,842,147	4,191,947	3,842,147	4,191,947
Parking Facilities	68,520	68,951			68,520	68,951
Other Expenses	4,342,240	2,624,597			4,342,240	2,624,597
Total Expenses	13,633,584	10,779,143	8,088,951	7,928,685	21,722,535	18,707,828
Excess (deficiency) Before						
Extraordinary Items & Transfers:	1,176,785	5,094,210	2,036,059	819,048	3,212,844	5,913,258
Extraordinary Items & Transfers	1,014,283	(635,056)	(1,014,283)	635,056	0	0
Increase (Decrease) in Net Assets	2,191,068	4,459,154	1,021,776	1,454,104	3,212,844	5,913,258

Management's Discussion and Analysis Financial Report

City of Pikeville

June 30, 2011

GOVERNMENTAL ACTIVITIES

This year's governmental activities revenues were \$14,810,369 as compared to \$15,873,353 last year. The year's governmental activities cost was \$13,633,584 as compared to \$15,178,367 in the previous year.

Table 3 details the cost of the city's major programs as well as each program's net cost (total cost less revenues generated by the program). The net cost indicates the financial burden that was shifted to the city's taxpayers by each of these programs.

Table 3
Governmental Activities

	Total Cost		Net Cost	
	of Services		of Services	
	Current	Previous	Current	Previous
	Year	Year	Year	Year
Police Department	1,954,197	2,047,717	1,954,197	2,047,717
Fire Department	2,270,373	1,975,301	2,270,373	1,975,301
Public Works				
Education				
Parks and Recreation	1,218,311	1,306,170	1,218,311	1,306,170
All others	8,190,703	9,849,179	8,190,703	9,849,179
Totals	13,633,584	15,178,367	13,633,584	15,178,367

BUSINESS-TYPE ACTIVITIES

This year's Business-type activities revenues (see Table 2) were \$10,125,010 as compared to \$8,747,733 last year. This year's expenses were \$8,088,951 as compared to \$7,928,685 in the previous year. These figures are somewhat due to these reasons:

GENERAL FUND BUDGETARY STATEMENTS

The City Council revisits the budget several times during the year. The current year's budgets focus on general funds, major funds and on availability of fund resources.

CITY FUNDS

At year end the city reported a government funds balance of \$76,166,289 as compared to \$72,742,971 in the previous year.

Management's Discussion and Analysis Financial Report

City of Pikeville

June 30, 2011

CAPITAL ASSETS

Table 4
Capital Assets at Year-End
(Net of Depreciation)

	Governmental Activities		Business-type		Totals	
	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year
Land	12,856,110	11,815,816	138,000	138,000	12,994,110	11,953,816
Buildings and Improvements	15,570,200	16,091,357			15,570,200	16,091,357
Equipment	1,817,725	1,719,350	793,666	1,438,391	2,611,391	3,157,741
Infrastructure	11,261,873	12,180,417	17,316,483	17,924,837	28,578,356	30,105,254
Other	6,198,695	5,219,822	5,633,797	292,469	11,832,492	5,512,291
Totals	47,704,603	47,026,762	23,881,946	19,793,697	71,586,549	66,820,459

At the close of the year, the city had invested \$71,586,549 in capital assets such as land, buildings and improvements, equipment or infrastructure (see Table 4). \$66,820,459 was invested in similar assets last year.

The current year's chief capital asset additions included:

- Construction in progress on Thompson Road.
- Purchase of ambulances, trucks for the sanitation fund and various other vehicles.
- Infrastructure for Sandy Valley water fund and Mossy Bottom sewer fund.

Management's Discussion and Analysis Financial Report

City of Pikeville

June 30, 2011

Table 5
Outstanding Debt at Year-End

	Governmental		Business-type		Totals	
	Activities		Activities			
	Current	Previous	Current	Previous	Current	Previous
	Year	Year	Year	Year	Year	Year
General obligation bonds (backed by the city)	1,710,000	850,000			1,710,000	850,000
Revenue bonds and notes (backed by specific tax and fee revenues)			10,215,320	7,338,396	10,215,320	7,338,396
Other bonds or outstanding obligations	9,031	16,892			9,031	16,892
Totals	1,719,031	866,892	10,215,320	7,338,396	11,934,351	8,205,288

DEBT MANAGEMENT

At the close of the year, the city had \$11,934,351 in outstanding bonds and notes as compared to \$8,205,288 in the previous year (see table 5).

ECONOMIC ISSUES / UPCOMING YEARLY BUDGETS

City public officials considered many issues when establishing the upcoming year's budget, tax rates, and fees.

CONTACT INFORMATION

This report has been created to give our citizens, taxpayers, customers, investors and creditors a summary of city finances and to show how its revenues are used. If you have any questions regarding this report, or if you need additional financial information, please contact:

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INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners
City of Pikeville, Kentucky

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Pikeville, Kentucky, as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of City of Pikeville, Kentucky's management. 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. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Pikeville, Kentucky, as of June 30, 2011, and the respective changes in financial position, and cash flows, where applicable, 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 January 20, 2011, on our consideration of the City of Pikeville, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

To the Board of Commissioners
City of Pikeville, Kentucky

Page 2

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 1 through 9 and 56 through 71 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Pikeville, Kentucky's financial statements as a whole. The introductory section, combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

WALLEN, PUCKETT, AND ANDERSON, P. S. C.

Wallen, Puckett and Anderson, P.S.C.

Certified Public Accountants

Pikeville, Kentucky

January 23, 2012

CITY OF PIKEVILLE, KENTUCKY

STATEMENT OF NET ASSETS

June 30, 2011

	Governmental Activities	Business Type	Total
ASSETS			
Cash	\$ 7,525,453	\$ 1,696,069	\$ 9,221,522
Certificates of Deposit and Savings	2,001,124	2,075,882	4,077,006
Receivables (Net of Allowance for Uncollectibles)			
Taxes	36,825	0	36,825
Accounts	864,557	807,442	1,671,999
Due From Other Funds	107,601	0	107,601
Prepaid Expenses	79,140	1,721	80,861
Restricted Assets			
Cash	0	781,309	781,309
Certificates of Deposit	0	1,270,751	1,270,751
Other Receivables	0	127,807	127,807
Capital Assets, Net	<u>47,704,601</u>	<u>23,881,942</u>	<u>71,586,543</u>
TOTAL ASSETS	<u>\$ 58,319,301</u>	<u>\$ 30,642,923</u>	<u>\$ 88,962,224</u>
LIABILITIES AND NET ASSETS			
LIABILITIES			
Accounts Payable	\$ 362,002	\$ 164,255	\$ 526,257
Accrued Expenses	0	104,930	104,930
Current Portion of Long-Term Debt	209,031	518,624	727,655
Customer's Deposit	0	53,849	53,849
Due To Other Funds	17,601	90,000	107,601
Deferred Revenue	46,725	0	46,725
Payable from Restricted Assets			
Matured Coupons Payable	15,117	3,105	18,222
Matured Bonds Payable	4,000	0	4,000
General Obligation Bonds Payable - Note B	1,510,000	0	1,510,000
Revenue Bonds Payable - Note B	0	7,107,181	7,107,181
Notes Payable - Note B	0	2,589,515	2,589,515
TOTAL LIABILITIES	<u>\$ 2,164,476</u>	<u>\$ 10,631,459</u>	<u>\$ 12,795,935</u>
NET ASSETS			
Investment in Capital Assets, Net of Related Debt	45,985,570	13,666,622	59,652,192
Restricted For:			
Reserve for Depreciation	0	461,200	461,200
Sinking Fund Reserve	0	1,108,570	1,108,570
Reserve For Operation and Maintenance	0	430,000	430,000
Reserved for Revenue Bond Retirement	0	154,814	154,814
Designated for Debt Service	29,758	0	29,758
Unrestricted	<u>10,139,497</u>	<u>4,190,258</u>	<u>14,329,755</u>
TOTAL NET ASSETS	<u>\$ 56,154,825</u>	<u>\$ 20,011,464</u>	<u>\$ 76,166,289</u>

The accompanying notes are an integral part of the combined financial statements.

CITY OF PIKEVILLE, KENTUCKY
STATEMENT OF ACTIVITIES
JUNE 30, 2011

Functions	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business - Type Activities	Total
Primary Government							
Governmental Activities							
General Government	\$ 2,616,266	\$ 0	\$ 0	\$ 0	(2,616,266)	\$	(2,616,266)
Public Safety	5,191,340	0	0	0	(5,191,340)		(5,191,340)
Streets	2,685,808	0	0	0	(2,685,808)		(2,685,808)
Parking Garage	68,520	0	0	0	(68,520)		(68,520)
Recreation	1,379,802	0	0	0	(1,379,802)		(1,379,802)
Lake Cleanup	66,579	0	0	0	(66,579)		(66,579)
Landscape	86,216	0	0	0	(86,216)		(86,216)
Texas Road House Debt Service	204,997	0	0	0	(204,997)		(204,997)
Grants / Loan Advances	642,764	0	0	0	(642,764)		(642,764)
Other	691,292	0	0	0	(691,292)		(691,292)
Total Governmental Funds	\$ 13,633,584	\$ 0	\$ 0	\$ 0	\$ (13,633,584)		\$ (13,633,584)
Business-Type Activities							
Water	\$ 2,778,476	\$ 2,579,613	\$ 0	\$ 0	\$	(198,863)	\$ (198,863)
Sewer	1,468,328	1,039,661	0	0		(428,667)	(428,667)
Gas	1,761,193	1,905,654	0	0		144,461	144,461
Sanitation	1,142,174	1,149,346	0	0		7,172	7,172
Mossy Bottom Sewer	428,706	541,358	0	0		112,652	112,652
Other	510,074	648,567	0	0		138,493	138,493
Total Business-type Activities	\$ 8,088,951	\$ 7,864,199	\$ 0	\$ 0	\$	(224,752)	\$ (224,752)
Total Primary Government	\$ 21,722,535	\$ 7,864,199	\$ 0	\$ 0	\$		\$
General Revenues - Detailed:							
Ad Valorem Taxes					\$ 969,540		\$ 969,540
Franchise Taxes					556,680		556,680
Occupational License Fees					7,560,209		7,560,209
Other Taxes					355,421		355,421
Permits and Fees					67,693		67,693
Intergovernmental Revenue					2,351,956	2,170,308	4,522,264
Other Grants					1,021,497		1,021,497
Interest Income					166,942	87,288	254,230
Other					1,248,914		1,248,914
Royalties					0	3,215	3,215
Gain on disposal of assets					512,517	0	512,517
Transfers					1,014,283	(1,014,283)	0
Total General Revenues, Contributions, Special Items, and Transfers					\$ 15,824,652	\$ 1,246,528	\$ 17,071,180
Change in Net Assets					\$ 2,191,068	\$ 1,021,776	\$ 3,212,844
Net Assets - Beginning					53,963,757	18,779,210	72,742,967
Prior Period Adjustment					0	210,478	210,478
Net Assets - Ending					\$ 56,154,825	\$ 20,011,464	\$ 76,166,289

The accompanying notes are an integral part of the combined financial statements.

CITY OF PIKEVILLE, KENTUCKY

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2011

ASSETS	Other Government Funds				Total
	General	Coal Severance	Projects Control	Other Government Funds	
Cash and Investments					
Cash	\$ 4,297,370	\$ 532,188	\$ 2,629,000	\$ 66,895	\$ 7,525,453
Certificates of Deposit and Savings	1,269,833	731,291	0	0	2,001,124
Receivables (Net of Allowance for Uncollectibles)					
Taxes	36,825	0	0	0	36,825
Miscellaneous	864,557	0	0	0	864,557
Due From Other Funds	90,569	15,844	1,188	0	107,601
Prepaid Expenses	79,140	0	0	0	79,140
TOTAL ASSETS	<u>\$ 6,638,294</u>	<u>\$ 1,279,323</u>	<u>\$ 2,630,188</u>	<u>\$ 66,895</u>	<u>\$ 10,614,700</u>

LIABILITIES AND FUND EQUITY

LIABILITIES

Accounts Payable	\$ 124,101	\$ 0	\$ 227,958	\$ 9,943	\$ 362,002
Accrued Expenses	0	0	0	0	0
Customer's Deposit	0	0	0	0	0
Due From Other Funds	17,032	0	0	569	17,601
Deferred Revenue	46,725	0	0	0	46,725
Payable from Restricted Assets					
Matured Coupons Payable	0	0	0	15,117	15,117
Matured Bonds Payable	0	0	0	4,000	4,000
TOTAL LIABILITIES	<u>\$ 187,858</u>	<u>\$ 0</u>	<u>\$ 227,958</u>	<u>\$ 29,629</u>	<u>\$ 445,445</u>

FUND BALANCES

Designated for Debt Service	\$ 0	\$ 0	\$ 0	\$ 29,758	\$ 29,758
Undesignated	6,450,436	1,279,323	2,402,230	7,508	10,139,497
TOTAL FUND BALANCES	<u>\$ 6,450,436</u>	<u>\$ 1,279,323</u>	<u>\$ 2,402,230</u>	<u>\$ 37,266</u>	<u>\$ 10,169,255</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 6,638,294</u>	<u>\$ 1,279,323</u>	<u>\$ 2,630,188</u>	<u>\$ 66,895</u>	<u>\$ 10,614,700</u>

The accompanying notes are an integral part of the combined financial statements.

CITY OF PIKEVILLE, KENTUCKY

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS

June 30, 2011

TOTAL FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$ 10,169,255

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 fund statements. 47,704,601

Long-Term Liabilities, including bonds payable, are not due and payable in the
the current period and therefore are not reported in the funds. (1,719,031)

Total Net Assets - Governmental Activities \$ 56,154,825

The accompanying notes are an integral part of the combined financial statements.

CITY OF PIKEVILLE, KENTUCKY

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2011

REVENUES	Coal		Projects Control	Other Funds		Totals
	General	Severance				
Ad Valorem Taxes	\$ 969,540	\$ 0	\$ 0	\$ 0	\$ 0	\$ 969,540
Franchise Taxes	555,680	0	0	0	0	555,680
Occupational License Fees	7,560,209	0	0	0	0	7,560,209
Other Taxes	355,421	0	0	0	0	355,421
Permits and Fees	67,693	0	0	0	0	67,693
Intergovernmental Revenue	1,241,200	711,163	360,723	38,870	0	2,351,956
Other Grants	87,883	0	933,614	0	0	1,021,497
Interest Income	107,448	20,928	36,971	1,595	0	166,942
Other Revenue	1,240,512	0	8,402	0	0	1,248,914
Total Revenues	\$ 12,185,586	\$ 732,091	\$ 1,339,710	\$ 40,465	\$ 0	\$ 14,297,852
EXPENDITURES						
CURRENT						
General Government	\$ 2,912,266	\$ 94	\$ 10	\$ 10	\$ 0	\$ 2,912,380
Public Safety	4,889,595	0	0	7,367	0	4,896,962
Streets	1,630,671	0	0	0	0	1,630,671
Parking Garage	68,520	0	0	0	0	68,520
Recreation	1,218,311	0	0	0	0	1,218,311
Lake Cleanup	66,579	0	0	0	0	66,579
Landscape	86,216	0	0	0	0	86,216
Eastern Kentucky Exposition Center	204,997	0	0	0	0	204,997
Other	657,716	0	1,835,406	33,576	0	691,292
Capital Outlay	0	341,239	0	87,413	0	2,264,058
Debt Service						
Principal Retirement	8,597	0	0	140,000	0	148,597
Interest	773	0	0	34,643	0	35,416
Grants / Loan Advances	599,264	43,500	0	0	0	642,764
Total Expenditures	\$ 12,343,505	\$ 384,833	\$ 1,835,416	\$ 303,009	\$ 0	\$ 14,866,763
Excess of Revenues Over (Under) Expenditures	\$ (157,919)	\$ 347,258	\$ (495,706)	\$ (262,544)	\$ 0	\$ (568,911)
OTHER FINANCING SOURCES (USES)						
Proceeds from Long-Term Debt	\$ 1,000,000	\$ 0	\$ 407,480	\$ 0	\$ 0	\$ 1,407,480
Proceeds from Sale of Fixed Assets	512,517	0	0	0	0	512,517
Operating Transfers In	290,401	0	5,778,625	203,148	0	6,272,174
Operating Transfers Out	(203,148)	(332,992)	(4,721,751)	0	0	(5,257,891)
Total Other Financing Sources (Uses)	\$ 1,599,770	\$ (332,992)	\$ 1,464,354	\$ 203,148	\$ 0	\$ 2,934,280
EXCESS OF REVENUES AND OTHER SOURCES OVER						
(UNDER) EXPENDITURES AND OTHER (USES)	\$ 1,441,851	\$ 14,266	\$ 968,648	\$ (59,396)	\$ 0	\$ 2,365,369
FUND BALANCES - BEGINNING OF YEAR						
	5,008,585	1,265,057	1,433,582	96,662	0	7,803,886
FUND BALANCES-END OF YEAR	\$ 6,450,436	\$ 1,279,323	\$ 2,402,230	\$ 37,266	\$ 0	\$ 10,169,255

The accompanying notes are an integral part of the combined financial statements.

CITY OF PIKEVILLE, KENTUCKY

RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2011

Net change in fund balances - total governmental funds.	\$ 2,365,369
Amounts reported for the 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 useful lives and reported as	3,145,345
The cost of capital assets is allocated over their useful lives and reported as depreciation expense.	(2,060,763)
Proceeds from Long-Term Debt	(1,407,480)
The repayment of debt principal is an expenditure of governmental funds, but the repayment reduces long-term debt in the state	148,597
Change in net assets of governmental activities	<u>\$ 2,191,068</u>

The accompanying notes are an integral part of the combined financial statements.

CITY OF PIKEVILLE, KENTUCKY

FUND BALANCE SHEET
PROPRIETARY FUNDS

June 30, 2011

	Water Fund	Sewer Fund	Gas Fund	Sanitation Fund	Mossy Bottom	Other Funds	Total
ASSETS							
Cash	\$323,640	\$79,817	\$614,625	\$244,351	\$145,026	\$288,610	\$1,696,069
Certificates Of Deposit	477,199	0	1,149,684	274,057	43,274	131,668	2,075,882
Customer's Accounts Receivable	246,360	99,452	249,575	99,365	57,400	55,290	907,442
Prepaid Expenses	4	0	1,717	0	0	0	1,721
Due From Other Funds	0	0	0	0	0	0	0
Property, Plant and Equipment	7,652,840	6,943,495	609,628	514,245	6,055,824	2,105,910	23,881,942
Restricted Assets:							
Cash	55,896	222,354	0	0	91,294	411,765	781,309
Certificates of Deposit	471,570	439,484	0	0	308,223	51,474	1,270,751
Other Receivables	112,407	15,400	0	0	0	0	127,807
TOTAL ASSETS	\$9,339,916	\$7,800,002	\$2,625,229	\$1,132,018	\$6,701,041	\$3,044,717	\$30,642,923

LIABILITIES AND NET ASSETS

LIABILITIES							
Accounts Payable	\$62,984	\$45,687	\$9,684	\$45,811	\$0	\$89	\$164,255
Accrued Interest	29,366	838	0	0	45,760	28,947	104,931
Due To Other Funds	0	90,000	0	0	0	0	90,000
Current Portion of Long-Term Debt	271,500	143,713	0	0	90,643	12,768	518,624
Customer's Deposits	0	0	0	0	0	53,849	53,849
Notes Payable	582,500	498,702	0	0	1,508,313	0	2,589,515
Bonds Payable (Net of Discount)	3,047,592	0	0	0	2,418,500	1,641,089	7,107,181
Restricted Liabilities:							
Matured Bonds Payable	0	0	0	0	0	0	0
Matured Coupons Payable	0	0	3,105	0	0	0	3,105
Total Liabilities	\$3,993,942	\$778,940	\$12,789	\$45,811	\$4,063,236	\$1,736,742	\$10,631,460

NET ASSETS

Invested in capital Assets, net of related debt	\$3,751,248	\$6,301,080	\$609,628	514,245	2,038,368	\$453,238	\$13,667,807
Reserve for Depreciation	411,000	0	0	0	0	50,200	461,200
Sinking Fund Reserve	836,155	0	3,105	0	269,310	0	1,108,570
Reserve for Operation and Maintenance	0	430,000	0	0	0	0	430,000
Reserve for Revenue Bond Retirement, et al	0	142,233	0	0	0	0	142,233
Unreserved	347,571	147,749	1,999,707	571,962	330,127	804,537	4,201,653
Total Net Assets	\$5,345,974	\$7,021,062	\$2,612,440	\$1,086,207	\$2,637,805	\$1,307,975	\$20,011,463
TOTAL LIABILITIES AND NET ASSETS	\$9,339,916	\$7,800,002	\$2,625,229	\$1,132,018	\$6,701,041	\$3,044,717	\$30,642,923

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

CITY OF PIKEVILLE, KENTUCKY

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
 PROPRIETARY FUNDS

For The Fiscal Year Ended June 30, 2011

	Water	Sewer	Gas	Sanitation	Mossy Bottom	Other Proprietary Funds	TOTAL
OPERATING REVENUES	<u>\$2,571,605</u>	<u>\$1,033,755</u>	<u>\$1,905,654</u>	<u>\$1,149,346</u>	<u>\$551,268</u>	<u>\$652,571</u>	<u>\$7,864,199</u>
OPERATING EXPENSES							
Personnel Costs	\$28,888	\$39,519	\$46,143	\$34,691	\$35,758	\$45,023	\$230,022
Gas Purchased	0	0	1,158,935	0	0	0	1,158,935
Contractual Services	1,256,534	675,915	410,077	601,029	17,341	54,534	3,015,430
Dumping Fees	0	0	0	313,696	0	0	313,696
Repairs and Maintenance	99,517	213,469	20,757	0	63,561	23,606	420,910
Operational	764,911	147,573	40,013	93,609	177,683	293,316	1,517,105
Bad Debts	1,343	3	2,198	1,336	1,798	2,109	8,787
Depreciation	425,219	361,829	83,070	97,813	63,896	38,515	1,070,342
Total Operating Expenses	<u>\$2,576,412</u>	<u>\$1,438,308</u>	<u>\$1,761,193</u>	<u>\$1,142,174</u>	<u>\$360,037</u>	<u>\$457,103</u>	<u>\$7,735,227</u>
Operating Income (Loss)	<u>(\$4,807)</u>	<u>(\$404,553)</u>	<u>\$144,461</u>	<u>\$7,172</u>	<u>\$191,231</u>	<u>\$195,468</u>	<u>\$128,972</u>
NONOPERATING INCOME (EXPENSES)							
Royalties	\$0	\$0	\$3,215	\$0	\$0	\$0	\$3,215
Interest Income	20,945	13,086	26,358	6,264	8,093	12,542	87,288
Interest Expense	(165,513)	(13,104)	0	0	(103,860)	(71,247)	(353,724)
Premium (Discount) on Debt Restructuring	0	0	0	0	0	0	0
Gain (Loss) on Disposition of Fixed Assets	0	0	0	0	0	0	0
Grant	0	0	0	34,989	1,808,528	326,791	2,170,308
Total Nonoperating Income (Expense)	<u>(\$144,568)</u>	<u>(\$18)</u>	<u>\$29,573</u>	<u>\$41,253</u>	<u>\$1,712,761</u>	<u>\$268,086</u>	<u>\$1,907,087</u>
NET INCOME (LOSS)(Before Transfers)	<u>(\$149,375)</u>	<u>(\$404,571)</u>	<u>\$174,034</u>	<u>\$48,425</u>	<u>\$1,903,992</u>	<u>\$463,554</u>	<u>\$2,036,059</u>
TRANSFERS							
Operating Transfers In	\$0	\$109,343	\$0	\$0	4,201,474	\$1,394,639	\$5,705,456
Operating Transfers (Out)	(902,794)	(324,627)	0	0	(4,247,028)	(1,245,291)	(6,719,740)
Total Transfers	<u>(\$902,794)</u>	<u>(215,284)</u>	<u>\$0</u>	<u>\$0</u>	<u>(\$45,554)</u>	<u>\$149,348</u>	<u>(\$1,014,284)</u>
NET INCOME (LOSS)	<u>(\$1,052,169)</u>	<u>(\$619,855)</u>	<u>\$174,034</u>	<u>\$48,425</u>	<u>\$1,858,438</u>	<u>\$612,902</u>	<u>\$1,021,775</u>
NET ASSETS - BEGINNING OF YEAR	\$6,187,665	\$7,640,917	\$2,438,406	\$1,037,782	\$779,367	\$695,073	\$18,779,210
Prior Period Adjustment	210,478	0	0	0	0	0	210,478
NET ASSETS - END OF YEAR	<u>\$5,345,974</u>	<u>\$7,021,062</u>	<u>\$2,612,440</u>	<u>\$1,086,207</u>	<u>\$2,637,805</u>	<u>\$1,307,975</u>	<u>\$20,011,463</u>

The accompanying notes are an integral part of the combined financial statements.

CITY OF PIKEVILLE, KENTUCKY
 STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 June 30, 2011

CASH FLOWS FROM OPERATING ACTIVITIES

	Water Fund	Sewer Fund	Gas Fund	Sanitation Fund	Mossy Bottom	Other Funds	TOTAL
Cash Received from Customers	\$2,522,722	\$1,042,221	\$1,858,521	\$1,135,897	\$531,490	\$641,850	\$7,732,701
Cash Received from Other Operating Revenues	77,839	38,033	16,629	5,812	16,337	8,950	163,600
Miscellaneous Revenues	0	0	0	0	0	(45,023)	(45,023)
Cash Payments for Personnel Costs	(28,866)	(39,519)	(46,143)	(34,691)	(35,758)	(54,534)	(239,533)
Cash Payments for Gas Purchases	0	0	(1,158,935)	0	0	0	(1,158,935)
Cash Payments for Contractual Services	(1,286,534)	(675,915)	(410,077)	(801,029)	(17,341)	(25,506)	(2,986,402)
Cash Payments for Other Operating Expenses	(816,894)	(315,355)	(52,033)	(361,869)	(244,615)	(290,295)	(2,081,022)
Net Cash Provided by Operating Activities	\$498,245	\$49,465	\$207,952	\$144,120	\$250,113	\$235,481	\$1,385,386

Cash Flows from Non-Capital Financing Activities

Proceeds from Asset Dispositions	\$0	\$0	\$0	\$34,989	\$0	\$0	\$34,989
Operating Transfers In	0	109,343	0	0	4,201,474	1,394,639	5,705,456
Operating Transfers (Out)	(902,794)	(324,627)	0	0	(4,247,028)	(1,245,291)	(6,719,740)
Increase in Restricted Other Receivables	(112,407)	0	0	0	0	0	(112,407)
Grants	0	0	0	0	1,808,528	0	1,808,528
Increase in Amounts Due Other Funds	0	90,000	0	0	0	0	90,000
Other	0	0	(2)	0	0	0	(2)
Net Cash Flows from Non-Capital Financing Activities	(\$1,015,201)	(\$125,284)	(\$2)	\$34,989	\$1,762,974	\$149,348	\$806,824

Cash Flows from Capital Financing Activities

Interest Expense	(\$147,347)	(\$12,266)	\$0	\$0	(\$59,443)	(\$42,300)	(\$261,356)
Purchase of Fixed Assets	581,053	102,108	(140,739)	(102,692)	(4,201,310)	(1,397,010)	(5,158,959)
Premium (Discount) on Debt Restructuring	0	0	0	0	0	0	0
Maturing Coupons & Bonds	0	0	0	0	0	0	0
Retirement of Principal	(1,650,751)	(137,360)	0	0	(84,348)	906,359	(966,100)
Net Cash Flows from Capital Financing Activities	(\$1,217,045)	(\$47,518)	(\$140,739)	(\$102,692)	(\$4,345,101)	(\$532,951)	(\$6,386,046)

Cash Flows from Investing Activities

Proceeds From Long-Term Debt	\$1,635,000	\$0	\$0	\$0	\$2,418,500	\$0	\$4,053,500
Discount on Sale of Bonds	0	0	0	0	0	0	0
Royalties	0	0	3,215	0	0	0	3,215
Interest Income	20,845	13,086	26,358	6,264	8,093	12,542	87,288
Net Cash Flows from Investing Activities	\$1,655,945	\$13,086	\$29,573	\$6,264	\$2,426,593	\$12,542	\$4,144,003
Net Increase (Decrease) in Cash and Cash Equivalents	(\$78,056)	(\$110,251)	\$96,794	\$82,681	\$94,579	(\$135,580)	(\$49,833)
Cash and Cash Equivalents at Beginning of Year	1,406,361	851,907	1,657,516	495,727	493,238	692,306	5,647,054
Cash and Cash Equivalents at End of Year	\$1,328,305	\$741,656	\$1,754,309	\$578,408	\$587,817	\$556,726	\$5,497,221

RECONCILIATION OF INCOME (LOSS) FROM OPERATING ACTIVITIES TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES

Income (Loss) from Operations	(\$4,807)	(\$404,563)	\$144,461	\$7,172	\$191,231	\$195,466	\$128,972
Adjustments to Reconcile Income From Operations to Net Cash Provided by Operating Activities:							
Depreciation and Amortization	425,219	361,829	83,070	97,813	63,895	38,515	1,070,342
(Increase) Decrease in Customer Accounts Receivable	30,299	46,502	(30,796)	(6,301)	(1,643)	(1,771)	36,288
(Increase) Decrease in Prepaid Expenses	0	0	2,492	0	0	0	2,492
(Increase) Decrease in Due From Other Funds	47,534	45,687	8,737	45,436	0	0	45,436
Increase (Decrease) in Accounts Payable	0	0	0	0	(3,371)	(1,122)	97,465
Increase (Decrease) in Accrued Expenses	0	0	0	0	0	0	0
Increase (Decrease) in Due To Other Funds	0	0	0	0	0	0	0
Increase (Decrease) in Customer Deposits	0	0	0	0	0	0	0
Net Cash Provided by Operating Activities	\$498,245	\$49,465	\$207,952	\$144,120	\$250,113	\$235,481	\$1,385,386

Noncash Investing, Capital, and Financing Activities:
 Amortization of Bond Discount
 Total Noncash Investing, Capital, and Financing Activities:

	\$2,227	\$0	\$0	\$0	\$0	\$0	\$2,227
	\$2,227	\$0	\$0	\$0	\$0	\$0	\$2,227

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

CITY OF PIKEVILLE, KENTUCKY

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2011

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The town of Pikeville was established by Charter on June 5th 1893.

The City of Pikeville, Kentucky (City) operates under a Council-Manager form of government with four commissioners and a mayor. The mayor serves a four year term and the commissioners serve a two year term.

The City provides the following services as authorized by its charter: public safety (police and fire), highway and streets, water, sewer, gas, sanitation, culture-recreation, public improvements, planning and zoning, and general administrative services.

The financial statements of the City have been prepared in conformity with generally accepted accounting principles (GAAP). The City's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements, which is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Proprietary funds apply Financial Accounting Standards Boards (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails.

The more significant of the City's accounting policies are described below.

1 – Related Organizations

The accounts of the related entities listed below are not included because these entities are autonomous agencies operating independently from the City. Their elected or appointed board contracts independently for audits of their financial statements.

Pikeville Independent School Board	Swim Team Board
Pikeville Housing Authority	Park Board
Pikeville/Pike County Public Library	Pikeville/Pike County/Elkhorn City Joint
Industrial Development and Economic Authority (IDEA)	Planning Commission
Pikeville Main Street Program, Inc.	Big Sandy Heritage Center
Historic Preservation Board	Hillbilly Days Board
Tourism Commission	Zoning Board
Pike TV, Inc.	Pikeville Tourism Commission

2 – Government-Wide and Fund Financial Statements

a) Government-wide Financial Statements

The government-wide financial statements include the statement of net assets and the statement of activities. These statements report financial information for the City as a whole excluding fiduciary activities. The primary governments are presented separately within the financial statements with the focus on the primary government. Individual funds are not displayed but the statements distinguish governmental activities, generally supported by taxes and City general revenues, from business-type activities, generally financed in whole or in part with fees charged to external customers.

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges for services which report fees, fines and forfeitures, and other charges to users of the City's services; (2) operating grants and contributions which finance annual operating activities including restricted investment income; and (3) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets and include fees to developers. These revenues are subject to externally imposed restrictions to these program uses. Taxes and other revenue sources not properly included with program revenues are reported as general revenues.

CITY OF PIKEVILLE, KENTUCKY

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2011

NOTE A-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2 – Government-Wide and Fund Financial Statements (concluded)

b) Fund Financial Statements

Fund financial statements are provided for governmental, proprietary, and fiduciary funds. Major individual governmental and enterprise funds are reported in separate columns with composite columns for non-major funds.

3. Measurement Focus, Basis of Accounting, and financial statement Presentation

The financial statements of the City are prepared in accordance with generally accepted accounting principles (GAAP). The City's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements and applicable Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless they conflict with GASB pronouncements. The City's reporting entity does not apply FASB pronouncements or APB opinions issued after November 30, 1989.

The government-wide statements report using the economic resources measurement focus and the accrual basis of accounting generally including the reclassification or elimination of internal activity (between or within funds). However, internal eliminations do not include utility services provided to City departments. Reimbursements are reported as reductions to expenses. Proprietary and fiduciary fund financial statements also report using this same focus and basis of accounting although internal activity is not eliminated in these statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax revenues are recognized in the year for which they are levied while grants are recognized when grantor eligibility requirements are met.

Governmental fund financial statements report using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The City considers revenues to be available if they are collected within 60 days of the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported as expenditures in the year due.

Major revenue sources susceptible to accrual include: property taxes, franchise taxes (fees), and hotel/motel taxes. In general, other revenues are recognized when cash is received.

Operating income reported in proprietary fund financial statements includes revenues and expenses related to the primary, continuing operations of the fund. Principal operating revenues for proprietary funds are charges to customers for sales or services. Principal operating expenses are the costs of providing goods or services and include administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements.

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 needed.

CITY OF PIKEVILLE, KENTUCKY

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2011

NOTE A-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4 - Fund Types and Major Funds

The City reports the following major funds:

a) *Governmental Funds*

General Fund - The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

Projects Control - are used to account for the construction of major capital facilities (other than those financed by proprietary funds). Principal sources of revenue are grants, City funding, and municipal long-term debt proceeds and interest income.

Debt Service Fund Types - accounts for funds used to pay debt service costs. Principal sources of revenue are City Funding and interest income

b) *Proprietary Funds*

The City reports the following major enterprise funds:

Water - accounts for the operating activities of the City's water utilities service.

Sewer - accounts for the operating activities of the City's sewer utilities service.

Gas - accounts for the operating activities of the City's natural gas utilities service.

Sanitation - accounts for the operating activities of the City's garbage collection service.

Sandy Valley Water - accounts for the operating activities of the City's Sandy Valley water utilities service assumed from the Sandy Valley Water District in the fiscal year ended June 30, 2007.

Mossy Bottom Sewer - accounts for the operating activities of the City's Mossy Bottom sewer utilities service assumed from the Mountain Water District during the fiscal year ended June 30, 2007.

c) *Other Fund Types*

The City also reports the following fund type:

Agency - report fiduciary resources held by the City in a custodial capacity as an agent on behalf of others. The City's agency fund is used to account for various deposits.

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2011

NOTE A-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

5 - Fixed Assets

The City's property, plant, equipment, and infrastructure with useful lives of more than one year are stated at historical cost and comprehensively reported in the government-wide financial statements. Proprietary capital assets are also reported in their respective fund financial statements. Donated assets are stated at fair value on the date donated. The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. Capital assets, including those of component units, are depreciated using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations.

The City has complied with GASB 34 and included certain infrastructure assets in the government-wide financial statements. A listing of streets and their respective length, in feet, were provided by the city engineer with an estimated replacement cost per foot. The weighted-average age of the streets were used to determine the date in which to book the streets. The replacement cost per foot was discounted back to that date and applied to the Accumulated depreciation is calculated from that date to present. Also, the City's bridges were booked using same method on a "per square foot" basis.

All proprietary funds are accounted for on a cost of services or "capital maintenance" measurement focus. This means that all assets and all liabilities (whether current or non-current) associated with their activity are included on their balance sheets. Their reported fund equity (net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund type operating statements present increase (revenues) and decrease (expenses) in net total assets.

Depreciation of all exhaustible fixed assets used by proprietary funds is charged as an expense against their operations. Accumulated depreciation is reported on proprietary fund balance sheets. Depreciation has been provided over the estimated useful lives using the straight line method. The estimated useful lives are as follows:

Utility plant	40 years
Machinery and Equipment	5-10 years

CITY OF PIKEVILLE, KENTUCKY

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2011

NOTE A-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

6 - Budgets and Budgetary Accounting

The City Council follows these procedures in establishing the budgetary data reflected in the financial statements:

- a) In accordance with the City Charter, prior to June 1, the City Manager submits to the City Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them for the upcoming year, along with actual for the current year and prior year budget. The City Charter requires that the budget be submitted in summary form. In addition, more detailed line item budgets are included for administrative control. The level of control for the detailed budgets is at the department head/function level.
- b) Public hearings are conducted to obtain taxpayer comment.
- c) Prior to June 30, the budget is to be legally enacted through passage of an ordinance.
- d) Formal budgetary integration is employed as a management control device during the year for the General Fund, Special Revenue Funds, Debt Service Fund, and Enterprise Funds.
- e) Budgets for the General, Debt Service, Special Revenue Funds, and Enterprise Funds are adopted on a basis consistent with generally accepted accounting principles (GAAP).
- f) Budgetary data for the Capital Project Funds has not been presented in the accompanying combined and combining financial statements as such funds are budgeted over the life of the respective project and not on an annual basis.
- g) Appropriations lapse at the end of each fiscal year.
- h) The City Council may authorize supplemental appropriations during the year.

7 - Investments Policy

With prior approval of the Mayor and City Commission the Finance Director may invest in obligations of the United States and its agencies and instrumentality.

Without prior approval of the Mayor and City Commission the Finance Director may invest in 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 section 41.240(4) of the Kentucky Revised Statutes.

For the current fiscal year the City invested only in certificates of deposit and savings accounts. Investments are stated at cost or amortized cost approximates market.

8 - Restricted Assets

These assets consist of cash and short-term investments restricted for debt service.

CITY OF PIKEVILLE, KENTUCKY

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2011

NOTE A-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

9 - Reserves

The City records reserves to indicate that a portion of the retained earnings and fund balance is legally segregated for a specific future use. Following is a description of each reserve used by the City and a list of all reserves:

Reserve for Debt Service - An account used to segregate a portion of fund balance for debt service resources restricted to accumulate to the maximum amount of principal and interest that will become due in any subsequent twelve-month period per the bond covenants.

Reserve for Operation and Maintenance - An account used to segregate a portion of fund balance restricted for operating and maintaining the system. The reserve reflects amounts accumulated to a balance specified in the bond covenant.

Reserve for Sinking Fund - An account used to segregate a portion of fund balance for debt service resources restricted to the payment of long-term debt principal and interest amounts maturing in future years when sufficient amounts are not reserved in bond debt service accounts.

Reserve for depreciation - An account used to segregate a portion of fund balance for amortization of capital expenditures as required per bond covenant.

Reserve for Prior Sinking Fund - Per Bond ordinance for "City of Pikeville Water and Sewer System Revenue Bonds, Series 2007." Amount transferred from the revenue fund and deposited as required by prior bond ordinance.

CITY OF PIKEVILLE, KENTUCKY

NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2011

NOTE A-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)
9 - Reserves (Concluded)

	<u>2011</u>	<u>2010</u>	
<u>A) Water-Sewer Fund</u>			
Reserve for Sinking Fund 1988 Issue	\$ 836,155	\$ 836,155	
Reserve for Depreciation 1988/1985 Issue	\$ 411,000	\$ 411,000	
1993 KIA	0	44,893	
Total Reserves for Depreciation	<u>\$ 411,000</u>	<u>\$ 455,893</u>	
<u>B) Gas Fund</u>			
Reserve for Sinking Fund 1976 Issue	\$ 3,105	\$ 3,105	
Total Reserves for Debt Service	<u>\$ 3,105</u>	<u>\$ 3,105</u>	
<u>C) Sewer Fund</u>			
Reserve for Operations and Maintenance			
1995 Sewer Extension	\$ 430,000	\$ 430,000	
Reserve for Sinking Fund 1992 KIA	\$ 0	\$ 0	
Reserve for Depreciation Thompson Road Sewer 1992 Issue	\$ 0	\$ 0	
Total Depreciation Reserves	<u>\$ 0</u>	<u>\$ 0</u>	
<u>D) Sandy Valley</u>			
Reserve for Depreciation 2007 Series	\$ 50,200	\$ 26,351	
<u>E) Mossy Bottom</u>			
Reserve for Sinking Fund KIA Loan # A95-16	\$ 143,150	\$ 143,150	
KIA Loan # A00-03	40,000	40,000	
KIA Loan # 92-14	86,160	86,160	
Total Reserve for Sinking Fund B23	<u>\$ 269,310</u>	<u>\$ 269,310</u>	
<u>Reserve Funding:</u>			
	Required	Cash	Over (Under)
	Reserves	Designated For	Funded
		Debt Service	
A) Water-Sewer Fund	\$ 1,247,155	\$ 680,337	\$ 566,818
B) Gas Fund	3,105	0	3,105
C) Sewer Fund	430,000	706,694	(276,694)
D) Sandy Valley	50,200	327,109	(276,909)
E) Mossy Bottom	269,310	349,829	(80,519)
	<u>\$ 1,730,460</u>	<u>\$ 1,714,140</u>	<u>\$ 16,320</u>

CITY OF PIKEVILLE, KENTUCKY

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2011

NOTE A-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

10 - Revenue Recognition - Property Taxes

The City's ad valorem property tax is levied each October 1 on the assessed value listed as of the prior January 1 for both real and personal property located in the City. The City adopts the county assessment of property situated within the city limits, for both real and personal property. The assessed value of the roll, upon which the levy for 2011 fiscal year was based, was \$420,217,797 real and \$73,117,693 tangible.

The tax rates assessed for the year ended June 30, 2011 were \$.150 per \$100 valuation for real estate and \$.150 per \$100 valuation for tangible personal property.

Taxes are due on October 1 and become delinquent by February 1 following the October 1 levy date. Current tax collections for the year ended June 30, 2011 were 98.685% of the tax levy. Property taxes on vehicles are assessed at January 1, and are billed when the vehicle is licensed. These funds are collected by the Pike County Court Clerk and remitted to the City. These amounts were not used in computing the above percentage.

All property tax revenues are recognized and recorded when they become measurable and available. Available means due, or past due and receivable within the current period and collected no longer than sixty days after the close of the current period.

Property taxes receivable as of June 30, 2011 and 2010 are composed of the following:

Year of Levy	2011 Amount	2010 Amount
2010	\$ 4,849	\$ 0
2009	16,449	16,449
2008	9,274	9,274
2007	8,180	8,180
2006	6,802	6,802
2005	7,545	7,545
2004	7,942	7,942
2003	7,284	7,284
2002	6,090	6,090
2001	4,186	4,186
2000	7,380	7,380
1999	6,088	6,088
1998	6,531	6,531
1997	8,769	8,769
1996	9,027	9,027
1995	10,496	10,496
1994	14,141	14,145
	\$ 141,033	\$ 136,188
Less: Allowance for doubtful accounts	74,346	89,489
Net Property Taxes Receivable	\$ 66,687	\$ 46,699

CITY OF PIKEVILLE, KENTUCKY

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2011

NOTE A-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

11 - Receivables - Proprietary Funds

Receivables are recorded at net realizable value. Net realizable value is equal to gross receivables less an allowance for uncollectable accounts.

<u>2011</u>	<u>Gas</u>	<u>Water</u>	<u>Sewer</u>	<u>Sani-tation</u>	<u>Sandy Valley</u>	<u>Mossy Bottom</u>	<u>TOTAL</u>
Total Accounts Receivable	\$ 257,308	\$ 253,993	\$ 102,533	\$ 102,444	\$ 57,003	\$ 59,178	\$ 832,459
Less: Allowance for							
Doubtfull Accounts	7,733	7,633	3,079	3,081	1,713	1,778	25,017
Net Receivables	<u>\$ 249,575</u>	<u>\$ 246,360</u>	<u>\$ 99,454</u>	<u>\$ 99,363</u>	<u>\$ 55,290</u>	<u>\$ 57,400</u>	<u>\$ 807,442</u>

<u>2010</u>	<u>Gas</u>	<u>Water</u>	<u>Sewer</u>	<u>Sani-tation</u>	<u>Sandy Valley</u>	<u>Mossy Bottom</u>	<u>TOTAL</u>
Total Accounts Receivable	\$ 226,237	\$ 286,093	\$ 150,931	\$ 96,238	\$ 55,344	\$ 57,662	\$ 872,505
Less: Allowance for							
Doubtfull Accounts	7,460	9,434	3,174	4,977	1,825	1,901	28,771
Net Receivables	<u>\$ 218,777</u>	<u>\$ 276,659</u>	<u>\$ 147,757</u>	<u>\$ 91,261</u>	<u>\$ 53,519</u>	<u>\$ 55,761</u>	<u>\$ 843,734</u>

12 - Compensated Absences

City employees are granted vacation and sick leave in varying amounts. In the event of termination, an employee is entitled to receive accrued vacation but not accrued sick leave. Accumulated vacation pay at June 30, 2011 and 2010, respectively was \$127,460 and \$113,176.

13 - Statement of Cash Flows

For purposes of the Statement of Cash Flows; the Gas Fund, Water and Sewer Fund, and the Sanitation Fund; all highly liquid investments (including restricted assets) were considered to be cash equivalents. Highly liquid investments are defined as investments that (a) are readily convertible to known amounts of cash and/or (b) are near to their maturity that they present insignificant risk of changes in value because of changes in interest rates.

14- Utility Deposits

The City requires a deposit be made before services will be provided for those customers who are tenants. Those deposits are for gas (\$75.00) and water (\$25.00). When the customer has services disconnected the deposit plus interest accrued is applied to their last bill and the remainder being refunded. Interest is accrued at the rate of 6.0 % per annually.

15 - Prepaid Expenses

Certain payments to vendors reflects costs or deposits applicable to future accounting periods and are recorded as prepaid items in the basic financial statements.

CITY OF PIKEVILLE, KENTUCKY

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE B – GENERAL OBLIGATION BONDS, SERIES 2010
(Refinancing Series 1998 Refunding Revenue Bonds)

On October 6, 2010, the City of Pikeville, Kentucky issued general obligation bonds of \$5,000 (par value) with interest rates varying from 1.000% to 3.250% to refinance term bonds with an interest rate of 4.705%. The term bonds mature on February 1, 2021. The general obligation bonds were issued at a discount and, after paying issuance costs of \$54,900, the net proceeds were \$1,564,332, including proceeds of \$306,503. The net proceeds from the issuance of the general obligation bonds were used to refinance Refunding Revenue Bonds, Series 1998. The advance refunding met the requirements of an in-substance debt defeasance and the term bonds were removed from the City's government-wide financial statements.

As a result of the advance refunding, the City reduced its total debt service requirements by \$356,923 (adjusted for proceeds), which resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$303,438.

NOTE C - LONG-TERM DEBT

The following is a summary of bonds and notes payable of the City for the year ended June 30, 2011.

CHANGES IN LONG-TERM DEBT:

<u>DESCRIPTION</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
General Obligation Bonds	\$ 850,000	\$ 1,000,000	\$ 140,000	\$ 1,710,000
Revenue Bonds	4,284,498	4,845,000	1,734,141	7,395,357
Less: Discount	(12,181)	(15,768)	(13,540)	(14,409)
N/P - KIA A 90-06	0	0		0
N/P - KIA - B 291-08	0	0		0
N/P - KIA - C 92-04	85,000	0	25,000	60,000
N/P - KIA - B 93-05	0	0		0
N/P - KIA - A 94-20	694,775	0	112,360	582,415
N/P - USDA - Rural Development - 91-06	603,000	0	10,000	593,000
N/P - KIA Fund A95-16	211,510	0	23,691	187,819
N/P - KIA Fund A00-03	690,494	0	54,556	635,938
N/P - KIA Fund 92-12	145,800	4,800	2,900	147,700
N/P - USDA - Rural Development - 92-14	635,500	0	8,000	627,500
N/P - Citizens National Bank	16,892	0	7,861	9,031
N/P - Community Trust Bank	356,347	407,480	763,827	0
Total	\$ 8,561,635	\$ 6,241,512	\$ 2,868,796	\$ 11,934,351

N/P = Note Payable CL = Capitalized Lease

CITY OF PIKEVILLE, KENTUCKY

NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2011

NOTE C - LONG-TERM DEBT (Continued)

Bonds and notes payable as of June 30, 2011 are comprised of the following:

General Obligation Bonds

\$1,440,000 Series 2003 maturing through 2018, with interest at 3.100% Maturing in June 2018. Payments in the amount of \$90,000 and \$95,000 due in 2010 and 2011 respectively.	\$ 760,000
Community Trust Bank, Inc. \$465,000 Series 2010N-1 - Non Taxable (Texasroad House) maturing though December 2015, with interest at 5.495%, with the balance of principal due December 1, 2015,	\$ 508,250
Community Trust Bank, Inc. \$535,000 Series 2010N-2 - Taxable (Texasroad House) maturing though December 2015, with interest at 7%, with the balance of principal due December 1, 2015.	\$ 441,750
Total General Obligation Bonds	\$ 1,710,000

Revenue Bonds

Bank of New York Trust Company, N. A. - Refunding of \$3,354,000 1985 Series A Revenue Bonds maturing through 2025, with interest at 5%. Payments in the amount of \$91,000 and \$96,000 due in 2010 and 2011 respectively.	\$ 1,808,000
\$2,285,000 Series 1998 Refunding Revenue Bonds maturing through 2021, with interest at 4.705% (Estimated average rate over maturity of bonds). Refinanced in the current fiscal year.	0
\$1,635,000 General Obligation Bonds, Series 2010 maturing through February 1, 2021, with interest at 2.91%. Payments in the amount of \$18,338 and \$148,338 due in 2012 and payments of \$17,688 and \$152,687 in 2013 respectively.	1,515,000
\$781,527 Water and Sewer System Revenue Bonds, Series 2007 maturing through June 1, 2040, with interest at 4.75%. Payments in the amount of \$12,141 and \$12,141 due in 2010 and 2011 respectively.	735,357
USDA Rural Development \$1,500,000 Build America Bonds, Taxable Series 2010S-1 maturing through January 1, 2050, with interest at 2.25%. Payments in the amount of \$16,875 due in 2012 and payments of \$16,685 and \$40,875 in 2013.	1,500,000
USDA Rural Development \$1,837,000 Build America Bonds, Taxable Series 2010S-2 maturing through January 1, 2050, with interest at 2.50%. Payments in the amount of \$22,963 and \$22,963. due in 2012 and payments of \$22,963 and \$52,463 in 2013.	1,837,000
Total Revenue Bonds	\$ 7,395,357
Less: Discounts	14,408
Net Revenue Bonds Payable	\$ 7,380,949
Total Bonds Payable	\$ 9,090,949

Notes Payable and Capital Leases

The loan was restructured in the fiscal year ended June 30, 2005. Debt service reserve was applied to principal balance. Interest after restructure are 2.250% to 5.190%. Monthly payments are in the amount of \$2,764.79 with last payment due June 2, 2013.	60,000
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CITY OF PIKEVILLE, KENTUCKY

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE C - LONG-TERM DEBT (Continued)

KENTUCKY INFRASTRUCTURE AUTHORITY - This note is for the construction of additions to the City's sewer system. Total loan amount is \$2,114,295. The note will be repaid at an interest rate of 1.2% in semi annual installments starting December 1, 1996, and the last payment being on June 1, 2016. Semi annual payments of \$60,986.50 and \$60,931.15 are due in 2010 and 60,875.47 and \$60,819.46 are due in 2011.	582,415
USDA - RURAL DEVELOPMENT - Loan in the amount of \$668,000 was used for water system improvements. The loan is for a term of 40 years, with annual installments of \$36,301., at an interest rate of 4.50%, with the last installment due in 2041.	593,000
USDA - RURAL DEVELOPMENT - Loan in the amount of \$650,000 was assumed from Mountain Water District in June 2009 in exchange for assets of the Mossy Bottom Sewer system. The loan is for a term of 38 years, with varying annual installments at an interest rate of 4.125%, with the last installment due January 1, 2046. Payments due for 2010 and 2011 are \$34,023.75 and \$34,214.38, respectively.	627,500
KENTUCKY INFRASTRUCTURE AUTHORITY - This loan in the amount of \$280,770.14 was assumed from the Mountain Water District when the City assumed operation of the Mossy Bottom Sewage System. The loan is for a term of 11.5 years, with Semi annual installments of \$13,182.19, at an interest rate of 1.30%, with the last installment due in December 2018.	187,818
KENTUCKY INFRASTRUCTURE AUTHORITY - This loan in the amount of \$848,416.47 was assumed from the Mountain Water District when the City assumed operation of the Mossy Bottom Sewage System. The loan is for a term of 14.5 years, with Semi annual installments of \$33,370.22, at an interest rate of 1.80%, with the last installment due in December 2021.	635,938
USDA - RURAL DEVELOPMENT - This loan in the amount of \$161,300.00 was assumed from the Mountain Water District when the City assumed operation of the Mossy Bottom Sewage System. The loan is for a term of 31.5 years, with semi annual principal payments of \$2,600, plus interest, at an interest rate of 4.50%, with the last installment due in January 2038. Payments due for 2010 and 2011 are \$6,056.00 and \$5,997.50; and \$5,939.00 and \$5,880.50, respectively.	147,700
CITIZENS NATIONAL BANK (formerly Kentucky National Bank) - This loan in the amount of \$80,000 was for the construction of locker rooms at the Hambley Athletic Complex. It is secured with a mortgage on the locker room building. The Loan is for a term of twelve years, with a monthly installment of \$780.83, at an interest rate of 6.00%, with the last payment being due on June 6, 2012.	9,031
Total \$	<u>11,934,351</u>

CITY OF PIKEVILLE, KENTUCKY

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE C - LONG-TERM DEBT (Continued)
CURRENT MATURITIES

The maturities of the Bonds Payable are as follows:

	Obligation Bonds	Revenue Bonds				TOTAL
		Water	Sewer	Gas	Sandy Valley	
2012	\$ 200,000	\$ 261,000	\$ 0	\$ 0	\$ 12,768	\$ 473,768
2013	200,000	298,500	24,000	0	13,395	535,895
2014	205,000	303,500	24,500	0	13,965	546,965
2015	210,000	318,000	25,500	0	15,219	568,719
2016	660,000	325,000	26,000	0	15,219	1,026,219
2017-2021	235,000	1,824,500	140,000	0	89,490	2,288,990
2022-2026	0	482,000	158,000	0	113,316	753,316
2027-2031	0	220,000	179,000	0	142,785	541,785
2032-2036	0	248,500	202,500	0	181,545	632,545
2037-2041	0	281,000	229,000	0	137,655	647,655
2042-2046	0	318,000	259,500	0	0	577,500
2047-2051	0	280,000	232,000	0	0	512,000
Total	<u>\$ 1,710,000</u>	<u>\$ 5,160,000</u>	<u>\$ 1,500,000</u>	<u>\$ 0</u>	<u>\$ 735,357</u>	<u>\$ 9,105,357</u>

Interest Portion

	General Obligation Bonds	Revenue Bonds				Total
		Water	Sewer	Gas	Sandy Valley	
2012	\$ 81,837	\$ 180,900	\$ 33,750	\$ 0	\$ 34,929	\$ 331,416
2013	72,436	174,550	33,750	0	34,323	315,059
2014	63,036	166,488	33,210	0	33,687	296,421
2015	53,481	157,475	32,659	0	33,023	276,638
2016	28,021	148,000	32,085	0	32,300	240,406
2017-2021	11,005	571,938	151,358	0	149,765	884,066
2022-2026	0	272,963	134,809	0	126,389	534,161
2027-2031	0	157,688	116,111	0	96,796	370,595
2032-2036	0	128,800	94,950	0	59,440	283,190
2037-2041	0	96,163	71,010	0	13,778	180,951
2042-2046	0	59,250	43,898	0	0	103,148
2047-2051	0	17,563	13,219	0	0	30,782
Total	<u>\$ 309,816</u>	<u>\$ 2,131,778</u>	<u>\$ 790,809</u>	<u>\$ 0</u>	<u>\$ 614,430</u>	<u>\$ 3,846,833</u>

CITY OF PIKEVILLE, KENTUCKY

NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2011

NOTE C - LONG-TERM DEBT (Concluded)
CURRENT MATURITIES

The maturities of the Notes Payable and Capital Leases are as follows:

	General Long- Term Debt	Proprietary Funds	Total Principal	Interest	Total
2012	\$ 9,031	\$ 244,855	\$ 253,886	\$ 77,702	\$ 331,588
2013	0	248,141	248,141	72,076	320,217
2014	0	222,566	222,566	68,212	290,778
2015	0	225,430	225,430	65,808	291,238
2016	0	229,934	229,934	63,377	293,311
2017-2021	0	526,172	526,172	278,306	804,478
2022-2026	0	214,873	214,873	223,625	438,498
2027-2031	0	225,300	225,300	180,103	405,403
2032-2036	0	278,900	278,900	126,437	405,337
2037-2041	0	266,200	266,200	62,833	329,033
2042-2046	0	152,000	152,000	6,270	158,270
2047-2051	0	0	0	0	0
Total	\$ 9,031	\$ 2,834,371	\$ 2,843,402	\$ 1,224,749	\$ 4,068,151

NOTE D - LEASE COMMITMENTS

PITNEY BOWES - A three year lease for a postage machines for city hall and the police station. Payments are monthly in the amounts of \$377.00 and \$138.00. Lease is cancelable by either party upon ninety days written notice.

The related future minimum lease payments are as follows:

2012	\$ 3090
2013	0
2014	0
2015	0
2016	0
	<u>\$ 3090</u>

CITY OF PIKEVILLE, KENTUCKY

NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2011

NOTE E – CHANGES IN CAPITAL ASSETS

The following is a summary of changes in the Capital Assets as of June 30, 2011.

CHANGES IN FIXED ASSETS – GOVERNMENTAL ACTIVITIES

ASSETS

Description	Beginning Cost	Additions	Deletions	Ending Cost
Property, Plant, and Equipment	\$ 22,857,018	\$ 72,494	\$ 0	\$ 22,929,512
Land	11,815,816	1,554,294	514,000	12,856,110
Vehicles	3,808,019	349,271	47,148	4,110,142
Equipment	3,289,835	344,820	0	3,634,655
Infrastructure	36,376,345	0	0	36,376,345
Construction In Progress	5,219,822	1,578,649	599,776	6,198,695
TOTALS	\$ 83,366,855	\$ 3,899,528	\$ 1,160,924	\$ 86,105,459

ACCUMULATED DEPRECIATION

Description	Beginning Balance	Current Provisions	Deletions	Ending Balance
Property, Plant, and Equipment	\$ 6,765,661	\$ 593,651	\$ 0	\$ 7,359,312
Vehicles	2,874,149	316,482	0	3,190,631
Equipment	2,504,355	232,086	0	2,736,441
Infrastructure	24,195,928	918,544	0	25,114,472
TOTALS	\$ 36,340,093	\$ 2,060,763	\$ 0	\$ 38,400,856
NET ASSETS	\$ 47,026,762			\$ 47,704,603

Depreciation expense was charged to Governmental Activities

General Government	\$ 549,757
Public Safety	294,378
Streets	1,055,137
Recreation and Parks	161,491
Total Depreciation Expense Governmental Activities	\$ 2,060,763

CITY OF PIKEVILLE, KENTUCKY

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE F - PROPRIETARY FUNDS PROPERTY, PLANT AND EQUIPMENT

The following is a summary of the Property, Plant and Equipment of the Enterprise Funds as of June 30, 2011.

CHANGES IN FIXED ASSETS - GAS FUND

ASSETS

Description	Beginning Cost	Additions	Deletions	Ending Cost
Plant and Distribution System	\$ 2,218,662	\$ 100,950	\$ 0	\$ 2,319,612
Equipment	201,167	39,791	0	240,958
Vehicles	110,050	0	27,246	82,804
TOTALS	\$ 2,529,879	\$ 140,741	\$ 27,246	\$ 2,643,374

ACCUMULATED DEPRECIATION

Description	Beginning Balance	Current Provisions	Deletions	Ending Balance
Plant and Distribution System	\$ 1,708,421	\$ 58,029	\$ 0	\$ 1,766,450
Equipment	167,669	19,849	0	187,518
Vehicles	101,830	5,192	27,246	79,776
TOTALS	\$ 1,977,920	\$ 83,070	\$ 27,246	\$ 2,033,744
NET ASSETS	\$ 551,959			\$ 609,630

CHANGES IN FIXED ASSETS - WATER

ASSETS

Description	Beginning Cost	Additions	Deletions	Ending Cost
Plant and Distribution System	\$ 16,320,477	\$ 0	\$ 0	\$ 16,320,477
Equipment	572,370	8,100	0	580,470
Vehicles	153,680	0	0	153,680
Construction in Process	589,152	0	589,152	0
TOTALS	\$ 17,635,679	\$ 8,100	\$ 589,152	\$ 17,054,627

ACCUMULATED DEPRECIATION

Description	Beginning Balance	Current Provisions	Deletions	Ending Balance
Plant and Distribution System	\$ 8,356,984	\$ 391,385	\$ 0	\$ 8,748,369
Equipment	494,302	24,214	0	518,516
Vehicles	125,281	9,620	0	134,901
TOTALS	\$ 8,976,567	\$ 425,219	\$ 0	\$ 9,401,786
NET ASSETS	\$ 8,659,112			\$ 7,652,841

CITY OF PIKEVILLE, KENTUCKY

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE F - PROPRIETARY FUNDS PROPERTY, PLANT AND EQUIPMENT (Continued)

CHANGES IN FIXED ASSETS – SEWER

ASSETS

Description	Beginning Cost	Additions	Deletions	Ending Cost
Plant and Distribution System	\$ 14,697,235	\$ 86,563	\$ 0	\$ 14,783,798
Equipment	256,143	24,916	0	281,059
Vehicles	101,006	42,561	0	143,567
Construction In Progress	322,900	0	256,149	66,751
TOTALS	\$ 15,377,284	\$ 154,040	\$ 256,149	\$ 15,275,175

ACCUMULATED DEPRECIATION

Description	Beginning Balance	Current Provisions	Deletions	Ending Balance
Plant and Distribution System	\$ 7,740,711	\$ 312,794	\$ 0	\$ 8,053,505
Equipment	157,100	34,529	0	191,629
Vehicles	72,041	14,505	0	86,546
TOTALS	\$ 7,969,852	\$ 361,828	\$ 0	\$ 8,331,680
NET ASSETS	\$ 7,407,432			\$ 6,943,495

CHANGES IN FIXED ASSETS - SANITATION

ASSETS

Description	Beginning Cost	Additions	Deletions	Ending Cost
Property and Plant	\$ 150,096	\$ 23,333	\$ 0	\$ 173,429
Equipment	224,519	59,360	0	283,879
Vehicles	882,751	19,999	0	902,750
TOTALS	\$ 1,257,366	\$ 102,692	\$ 0	\$ 1,360,058

ACCUMULATED DEPRECIATION

Description	Beginning Balance	Current Provisions	Deletions	Ending Balance
Property and Plant	\$ 41,044	\$ 10,014	\$ 0	\$ 51,058
Equipment	162,771	33,159	0	195,930
Vehicles	544,184	54,640	0	598,824
TOTALS	\$ 747,999	\$ 97,813	\$ 0	\$ 845,812
NET ASSETS	\$ 509,367			\$ 514,246

CITY OF PIKEVILLE, KENTUCKY

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2011

NOTE F - PROPRIETARY FUNDS PROPERTY, PLANT AND EQUIPMENT (Concluded)

CHANGES IN FIXED ASSETS – SANDY VALLEY

ASSETS

Description	Beginning	Additions	Deletions	Ending Cost
Distribution System	\$ 745,027	\$ 15,000	\$ 0	\$ 760,027
Equipment	50,473	10,272	0	60,745
Vehicles	36,825	0	0	36,825
Construction in progress	0	1,371,737	0	1,371,737
TOTALS	\$ 832,325	\$ 1,397,009	\$ 0	\$ 2,229,334

ACCUMULATED DEPRECIATION

Description	Beginning	Additions	Deletions	Ending
Distribution System	\$ 57,429	\$ 19,001	\$ 0	\$ 76,430
Equipment	26,253	12,149	0	38,402
Vehicles	1,227	7,365		8,592
TOTALS	\$ 84,909	\$ 38,515	\$ 0	\$ 123,424
NET ASSETS	\$ 747,416			\$ 2,105,910

CHANGES IN FIXED ASSETS – MOSSY BOTTOM

ASSETS

Description	Beginning	Additions	Deletions	Ending Cost
Distribution System	\$ 1,953,087	\$ 6,000	\$ 0	\$ 1,959,087
Equipment	51,017	0	0	51,017
Vehicles	36,825	0		36,825
Constructruction in progress	0	4,195,309		4,195,309
TOTALS	\$ 2,040,929	\$ 4,201,309	\$ 0	\$ 6,242,238

ACCUMULATED DEPRECIATION

Description	Beginning	Current	Deletions	Ending
Distribution System	\$ 117,158	\$ 48,977	\$ 0	\$ 166,135
Equipment	4,133	7,554	0	11,687
Vehicles	1,227	7,365	0	8,592
TOTALS	\$ 122,518	\$ 63,896	\$ 0	\$ 186,414
NET ASSETS	\$ 1,918,411			\$ 6,055,824

NET ASSETS PROPRIETARY FUNDS

FUND	Beginning Net Assets	Ending Net Assets
GAS	\$ 551,959	\$ 609,630
WATER	8,659,112	7,652,841
SEWER	7,407,432	6,943,495
SANITATION	509,367	514,246
SANDY VALLEY WATER	747,416	2,105,910
MOSSY BOTTOM	1,918,411	6,055,824
	\$ 19,793,697	\$ 23,881,946

CITY OF PIKEVILLE, KENTUCKY

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2011

NOTE G - LITIGATION

Various claims and lawsuits are pending against the City. In the opinion of the City attorney, the potential loss on all claims will not be significant to the City's Financial Statements.

NOTE H - COMMITMENTS AND CONTINGENT LIABILITIES

FEDERAL GRANT PROGRAMS - The City participates in a number of federally assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives.

NOTE I - REPORT RECLASSIFICATIONS

Certain previously reported amounts have been reclassified to conform to 2011 report classifications.

NOTE J - MANAGEMENT CONTRACT

The City contracted with the UMG to manage the Street, Water and Sewer, Gas, and Garbage departments of the City. The contract went into effect on December 2006.

UMG is paid a monthly fee and in turn they pay certain expenses relating to the operation of the above departments.

The City bills and collects all utility charges and related fees.

NOTE K - HELLIER MANOR APARTMENTS, LTD (HDG GRANT)

In 1984 the City received a Housing Development Grant (HDG) from the U. S. Department of Housing and Urban Development in the amount of \$1,430,002. The City loaned the grant proceeds to Hellier Manor Apartments, Ltd. (HMA) who used the funds, in addition to bond proceeds, to construct the Ridge Cliff Apartments.

These funds are to be repaid over a twenty-year period that will commence when the bonds are paid and is to be paid from profits in excess of a 10% return on investment.

Due to the length of time between the origination of the loan and the commencement of payment, and the possibility of unforeseen conditions, the likelihood of collection is such that it cannot be predicted, thus this loan receivable is not recorded.

NOTE L - LETTER OF CREDIT - KENTUCKY INFRASTRUCTURE AUTHORITY

This note payable is for the construction of additions to the City's wastewater treatment plant. The note will be repaid in semi-annual installments starting December 1, 1992 and the last payment being on June 1, 2012. The City is required to maintain an irrevocable letter of credit in the amount of \$381,888 to cover debt service payments for two years. The City is required to establish a Reserve for Operation and Maintenance in the amount of 5% of the original principal by making deposits on or before each payment date, in the amount of 10% of each payment.

The City also increased occupational license fees to 2%, with the .5% being earmarked for debt service of this note.

There currently is no balance outstanding.

NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2011

NOTE M - RETIREMENT PLAN

All employees are covered under the County Employees' Retirement System (CERS), a cost sharing, multi-employer, public employers' retirement system administered by the Kentucky Retirement Systems. The Plan operates on a fiscal year ending on June 30, and issues financial statements as of that date, which can be obtained from Kentucky Retirement Systems or viewed at www.kyret.com.

Employers contribute at the rate determined by the Board of Trustees, of the Kentucky Retirement Systems, to be necessary for the actuarial soundness of the systems as required by KRS 61.565. The employer rate is reviewed annually following the valuation by a consulting actuary. *Employer contributions are not deposited to member accounts.* Employer contributions are deposited to the Retirement Allowance Account and are used to pay monthly benefits and the expenses of the systems.

Funding for this Plan is provided through payroll withholdings from the employee's total compensation subject to contribution. All required contributions were made. Contribution percentages and amounts of contributions required for CERS are as follows:

	Year	Rate – Non-hazardous		Amount	
		Employee	Employer	Employee	Employer
The City's payroll subject to retirement withholding for 2011, 2010 and 2009 was \$3,273,434, \$3,042,330 and \$2,895,721 respectively.	2011	5.00%	16.93%	\$71,244	\$236,313
	2010	5.00%	16.16%	\$56,512	\$173,430
	2009	5.00%	13.50%	\$45,851	\$123,797

The "pension benefit obligation" is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases and step-rate benefits, estimated to be payable in the future as a result of employee service to date. The measure, which is the actuarial present value of credited projected benefits, is intended to help users assess the pensions' funding status on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among the plans and employers.

Year	Rate – Hazardous		Amount	
	Employee	Employer	Employee	Employer
2011	8.00%	33.25%	\$137,385	\$570,565
2010	8.00%	32.97%	\$138,394	\$570,357
2009	8.00%	29.50%	\$143,066	\$527,285

Year	Total Amount	
	Employee	Employer
2011	\$208,629	\$806,878
2010	\$194,906	\$743,787
2009	\$188,917	\$651,082

CERS does not make separate measurements of assets and pension benefit obligation for individual employers. As the City is only one of several employers participating in the Plan, it is not practicable to determine the City's portion of the unfunded past service cost or the vested benefits of the City's portion of the Plan assets.

The benefits of all vested members are based on years of service and final compensation. Annual benefits are computed based on 2.2% of Final Compensation multiplied by Years of Service as defined under the plan. The Plan provides for benefits upon early retirement based on the number of years of service and age. Additional details can be found in the Plan.

For non-hazardous members, final compensation is the average of the five fiscal years during which the member had the highest average monthly salary. A non-hazardous member must have a minimum of 48 months in his final compensation. If the five fiscal years with highest earnings contain fewer than 48 months, additional fiscal years will be added to the calculation.

For non-hazardous members with 27 years service who retire between August 1, 2001 and January 1, 2009, final compensation will be based on the three highest fiscal years of salary if the member's age when added to his service is at least 75. There must be a minimum of 24 months in the three fiscal years. If the three fiscal years with highest earnings contain fewer than 24 months, additional fiscal years will be added to the calculation.

CITY OF PIKEVILLE, KENTUCKY

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2011

NOTE N - RETIREMENT PLAN (concluded)

For hazardous members, final compensation is the average of the three fiscal years during which the member had the highest average monthly salary. A hazardous member must have a minimum of 24 months in the final compensation. If the three fiscal years with highest earnings contain fewer than 24 months, additional fiscal years will be added to the calculation.

NOTE O – DEFERRED COMPENSATION PLAN

The City of Pikeville adopted Plan I and Plan II under the Kentucky Public Employees Deferred Compensation Authority allowing eligible employees to defer a portion of their compensation under Internal Revenue Code sections 457 and 401 (k). The plan was adopted for payroll ending October 16, 1998.

Funding for these plans is provided through payroll withholdings that are set by the employees. The City of Pikeville elected not to match any contribution to these funds for any employee. The contributions, by employees, to the 457 and 401 (k) are as follows:

<u>Year</u>	<u>457</u>	<u>401 (k)</u>
2011	\$17,127	\$4,865
2010	\$16,197	\$5,630
2009	\$14,685	\$6,665

NOTE P - RETIREMENT BENEFITS ORDINANCE

The City Board of Commissioners adopted ordinance no. 0-98-001 establishing parameters for certain retirement benefits. The ordinance establishes benefits for employees that meet the following criteria:

1. Were employed by the City of Pikeville on August 25, 1975;
2. Have completed at least 25 years of employment with the City of Pikeville; and
3. Retired from employment for the City of Pikeville.

The pension shall be \$500.00 per month payable from general funds, but there shall be a dollar for dollar offset for any other pension or retirement benefits received from any other source other than Social Security or SSI. The pension is payable only to the employee for and during his natural life. No disability plan or fund is established. No policemen or firemen are eligible to participate in this retirement plan.

The "pension benefit obligation" is a standardized disclosure measure of the present value of pension benefits estimated to be payable in the future. This Obligation could not be computed as information as to the number employees who are eligible, life expectancy, and the amount of other pensions or retirement benefits being received by those eligible. Due to the inability to compute the liability, no conclusions as to the materiality can be ascertained.

NOTE Q - DEPOSITS WITH FINANCIAL INSTITUTIONS

At June 30, 2011, the carrying amount of the City's deposits with financial institutions was \$15,340,243 and the bank balance, per statements, was \$15,714,046. The bank balance is categorized as follows:

Amount insured by the FDIC	\$ 613,604
Amount collateralized with securities held by third party in the City's name	15,100,442
Uncollateralized (\$ 0 of this amount is collateralized with securities held by the pledging financial institution)	0
Total Bank Balance	<u>\$ 15,714,046</u>

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE R - LONG-TERM LEASE AGREEMENTS

Pike County Chamber of Commerce, Inc. – Leases the building at 261 Hambley Blvd (train station). The lease is for a term of five (5) years, with the Lessor having the right to cancel upon 90 days written notice during the first three years of the lease if the City desires to sell the premises. Either party to the lease may cancel the lease upon 90 days written notice in the last two years of the lease term. Rent will be in the amount of \$400 per month.

Pikeville-Pike County Tourism and Recreation Commission - leases a Passenger Train Car and Contents located on Huffman Avenue for \$1.00 per year. The lease is a one year lease, automatically renewed for successive one-year terms, termination can be by either party upon giving sixty (60) days notice prior to the end of the term.

Dilco Development Company - leases the Dils Cemetery located adjacent to the Pikeville Bypass Road and Chloe Creek Road for \$1.00 per year. The lease is for a term of fifteen years, automatically renewed for successive one-year terms under the same terms and conditions, termination can be by either party upon giving 180 days notice prior to the end of the term.

Pikeville Area Family YMCA, Inc. - YMCA leases several properties:

a - Land located in Bob Amos Park for consideration of \$1.00 per year for a term of fifty years. This agreement is dated December 31, 1991.

b - Teen Center Building located in the Hambley Athletic Complex for consideration of \$450.00 per month.

c - Softball Field located in Bob Amos Park for consideration of \$1.00 per year for a period of one year and the right to renew for five additional one year terms. Either party has the right to cancel by giving thirty days written notice of the parties' intent to terminate this lease or renewal thereof.

d - For the Operation of the Pool from May 1, 2010 through September 30, 2011 the City agrees to pay \$25,000.

Model City Day Care Center, Inc. - leases daycare facilities located on Bank Street in Pikeville, Kentucky for \$1.00 per year. The lease is for a term of two years ending on December 31, 1992, renewable for two consecutive two year terms under the same terms and conditions, upon on written notice by Model City Day Care Center, Inc. of its intent to renew 180 days prior to the end of the term of the lease or any renewal thereof. Any renewal is contingent on the Model City Day Care Center, Inc. being in substantial compliance with this agreement.

As amended on December 14, 2009 the term of the lease is extended to include the period of January 1, 2010 to December 31, 2012 and is extendable for two consecutive two year terms by written notification 180 days prior to the end of the term.

Commonwealth of Kentucky - leases land for use as a firing range by the Kentucky State Police. The agreement is for the period from May 1, 1996, to April 30, 2006.

Channel 51 - leases the land located on Hambley Boulevard for consideration of \$10,917.43 a year.

Pikeville Independent Board of Education - Use of the Hambley Athletic Complex for consideration of \$20,000 per year for the life of the general obligation bonds; \$1,000 per month for the Maintenance and Operation rental Fee and \$800 per month for one hundred and thirty eight (138) months beginning July 1, 2000.

Big Sandy Heritage Center – Free use of the building at 773 Hambley Blvd (train station).

Pikeville College – Use of Hambley complex \$2,955.00 per month.

CITY OF PIKEVILLE, KENTUCKY

NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2011

NOTE S – INTER FUND RECEIVABLES AND PAYABLES

Inter-fund balances at June 30, 2011 are as follows:

To Fund	From Fund	Purpose	Amount
General	Sewer	Operating	\$ 90,000
General	Cash Flow	Operating	569
Severance	General	Operating	15,844
Projects	General	Operating	1,188
			<u>\$ 107,601</u>

NOTE T – INTER FUND TRANSFERS

From Fund	To Fund	Purpose	Amount
General	Football Field Debt Service	Debt Service	\$ 121,505
General	Texas Road House	Debt Service	81,501
General	Federal Police Case	Operating	142
Coal Severance	General	Operating	290,401
Coal Severance	Sewer	Operating	42,591
Projects Control	Sewer	Fixed Assets	66,754
Projects Control	Mossy Bottom Sewer	Fixed Assets	989,075
Projects Control	Mossy Bottom Sewer	Fixed Assets	2,883,335
Projects Control	Sandy Valley Water	Fixed Assets	782,587
Water	Sandy Valley Water	Fixed Assets	589,152
Water	Projects Control	Fixed Assets	306,305
Water	Mossy Bottom Sewer	Debt Service	2,575
Water	Mossy Bottom Sewer	Operating	2,381
Water	Sandy Valley Water	Operating	2,381
Sewer	Sandy Valley Water	Operating	519
Sewer	Mossy Bottom Sewer	Operating	519
Sewer	Mossy Bottom Sewer	Operating	322,900
Sewer	Mossy Bottom Sewer	Operating	689
Sandy Valley Water	Projects Control	Fixed Assets	1,245,291
Mossy Bottom Sewer	Projects Control	Fixed Assets	4,227,028
Mossy Bottom Sewer	Sandy Valley Water	Operating	20,000
			<u>\$ 11,977,631</u>

NOTE U – MOSSY BOTTOM SEWER

The City acquired the assets that make up the Mossy Bottom Sewer System and began operating the Mossy Bottom Sewer System in the fiscal year ended June 30, 2007 and assumed debt in the amount of \$1,438,249.

NOTE V – SANDY VALLEY WATER

The City acquired the assets and related debt of the Sandy Valley Water District (SVWD) which are located in Pike County. The City assumed operations of that portion of the SVWD in the fiscal year ended June 30, 2007 upon approval of the Public Service Commission. The City assumed debt totaling \$781,527.

NOTE W – PRIOR PERIOD ADJUSTMENT

In a prior year the 1985 Series A Bonds were refinanced. Interest rates were reduced but changes were not made to payment schedules. This resulted in debt being overstated by \$210,478 as of June 30, 2010 and an adjustment to fund balance of the same amount during the current fiscal year.

CITY OF PIKEVILLE, KENTUCKY

REPORTS REQUIRED BY GOVERNMENT AUDITING STANDARDS

For the year ended June 30, 2011

Wallen, Cornett, & Puckett, PSC

CERTIFIED PUBLIC ACCOUNTANTS

POST OFFICE BOX 1349

PIKEVILLE, KENTUCKY 41502



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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Commissioners
City of Pikeville, Kentucky

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Pikeville, Kentucky, as of and for the year ended June 30, 2011, which collectively comprise the City of Pikeville, Kentucky's basic financial statements and have issued our report thereon dated January 20, 2012. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered City of Pikeville, Kentucky's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Pikeville, Kentucky's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Pikeville, Kentucky's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

To the Board of Commissioners of
City of Pikeville, Kentucky

Page 2

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Pikeville, Kentucky's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, City Commission, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

WALLEN, PUCKETT, AND ANDERSON, P. S. C.

Wallen, Puckett and Anderson, PSC

Certified Public Accountants

Pikeville, Kentucky

January 23, 2012



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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH
REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133

To the Board of Commissioners
City of Pikeville, Kentucky

Compliance

We have audited the compliance of City of Pikeville, Kentucky, with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2011. City of Pikeville, Kentucky's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of City of Pikeville, Kentucky's management. Our responsibility is to express an opinion on City of Pikeville, Kentucky's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about City of Pikeville, Kentucky's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of City of Pikeville, Kentucky's compliance with those requirements.

In our opinion, City of Pikeville, Kentucky, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2011.

To the Board of Commissioners
City of Pikeville, Kentucky

Page 2

Internal Control Over Compliance

Management of City of Pikeville, Kentucky, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered City of Pikeville, Kentucky's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of City of Pikeville, Kentucky's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

City of Pikeville, Kentucky's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit City of Pikeville, Kentucky's responses and, accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of management, Board of Commissioners, others within the entity, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

WALLEN, PUCKETT, AND ANDERSON, P. S. C.

Wallen, Puckett and Anderson, P.S.C.

Certified Public Accountants
Pikeville, Kentucky

January 23, 2012

CITY OF PIKEVILLE, KENTUCKY

SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE
FOR THE YEAR ENDED JUNE 30, 2011

<u>FEDERAL GRANTOR / PASS-THROUGH GRANTOR / PROGRAM TITLE</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Disbursements/ Expenditures</u>
<u>U.S. DEPARTMENT OF HOMELAND SECURITY</u>			
FEMA	97.036	N/A	\$ 42,001
Total U. S. Department of Housing and Urban Development			<u>\$ 42,001</u>
<u>U. S. DEPARTMENT OF AGRICULTURE</u>			
<u>Passed Through Rural Development</u>			
Kentucky Rural Water Finance Corporation			
Loan # 91-13	10.760	N/A	\$ 735,357
Loan # 91-06	10.760	KY-13493-99	593,000
Loan # 92-12	10.760	N/A	147,700
Loan # 91-14	10.760	N/A	627,500
Loan # 92-14	10.760	N/A	1,500,000
Loan # 93-18	10.760	N/A	1,837,000
Rural Development Grant	10.760	N/A	326,791
Total U. S. Department of Agriculture			<u>\$ 5,767,348</u>
<u>U. S. TRANSPORTATION CABINET</u>			
<u>Passed Through Commonwealth of Kentucky, Department of Transportation</u>			
Thompson Road Section 117	20.000	N/A	\$ 68,452
NCRS	20.000	N/A	8,402
Total U. S. Transportation Cabinet			<u>\$ 76,854</u>
<u>U. S. DEPARTMENT OF JUSTICE</u>			
HIDTA Taskforce	95.001	N/A	\$ 53,829
Total U. S. Department of Justice			<u>\$ 53,829</u>
<u>U. S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT (HUD)</u>			
Community Development Block Grant (CBDG)	14.228	08-021	\$ 992,500
Total U. S. Department of Justice			<u>\$ 992,500</u>
TOTAL FEDERAL FINANCIAL ASSISTANCE			<u>\$ 6,932,532</u>

CITY OF PIKEVILLE, KENTUCKY

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2011

Note 1: Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of City of Pikeville, Kentucky and is presented on the accrual basis. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the general purpose financial statements.

CITY OF PIKEVILLE, KENTUCKY
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 Year Ended June 30, 2011

SECTION I – SUMMARY OF AUDITORS’ RESULTS

1. The auditor’s report expresses an unqualified opinion on the financial statements of City of Pikeville, Kentucky.
2. No significant deficiencies were disclosed during the audit of the financial statements.
3. No instances of noncompliance material to the financial statements of City of Pikeville, Kentucky were disclosed during the audit.
4. No significant deficiency in internal control over major federal award programs disclosed during the audit.
5. The auditor’s report on compliance for the major federal award programs for City of Pikeville, Kentucky expresses an unqualified opinion on all major federal award programs.
6. No Audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 are reported in this schedule.
7. The programs tested as major programs included:

Name	CFDA #
US Department of Agriculture (Rural Development Grant)	10.760
US Department of Housing and Urban Development (HUD) Community Development Block Grant (CDBG)	14.228

8. The threshold for distinguishing Types A and B programs was \$300,000.
9. City of Pikeville, Kentucky was determined to be a low risk auditee.

SECTION II – FINANCIAL STATEMENT AND FEDERAL AWARD FINDINGS
 AND QUESTIONED COSTS

There were no findings or questioned costs.

CITY OF PIKEVILLE, KENTUCKY

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2011

There were no Findings on the City's prior audit report.

CITY OF PIKEVILLE, KENTUCKY

INDIVIDUAL MAJOR FUND FINANCIAL STATEMENTS

For the year ended June 30, 2011

Wallen, Cornett, & Puckett, PSC

CERTIFIED PUBLIC ACCOUNTANTS

POST OFFICE BOX 1349

PIKEVILLE, KENTUCKY 41502



Wallen, Cornett, & Puckett, psc
CERTIFIED PUBLIC ACCOUNTANTS

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J. Don Wallen, CPA
Johnny C. Cornett, CPA
L. Kevin Puckett, CPA
Johnny K. White, CPA

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**INDEPENDENT AUDITOR'S REPORT
ON SUPPLEMENTAL INFORMATION**

To the Mayor and Members of
The Board of Commissioners
City of Pikeville, Kentucky

Our report on the financial statements for the year ended June 30, 2011 appears on pages 10 and 11. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Pikeville, Kentucky basic financial statements. The individual major fund financial statements and combining statements 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.

WALLEN, PUCKETT, AND ANDERSON, P. S. C.

Wallen, Puckett and Anderson, PSC

Certified Public Accountants
Pikeville, Kentucky

January 23, 2011

CITY OF PIKEVILLE, KENTUCKY

GENERAL FUND
 STATEMENT OF REVENUES AND EXPENDITURES -
 BUDGET (GAAP BASIS) AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2011

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	Variance Favorable (Unfavorable)
REVENUES				
Ad Valorem Taxes				
Property Taxes	\$ 752,000	\$ 752,000	\$ 772,443	\$ 20,443
Housing Authority Property Tax	23,000	23,000	47,269	24,269
Franchise Bank Deposit Tax	145,000	145,000	149,828	4,828
Franchise				
Franchise Tax	11,000	11,000	32,998	21,998
Franchise Fees	350,000	481,000	481,682	682
Franchise Cable	41,000	41,000	41,000	0
Occupational License Taxes & Fees				
Payroll Taxes - Individuals	5,675,000	6,175,000	6,451,215	276,215
Business Licenses	400,000	726,100	987,473	261,373
Penalties and Interest	55,000	55,000	121,521	66,521
Other Taxes				
ABC Licenses	165,000	165,000	179,294	14,294
Off Track Betting	35,000	846	846	0
Hotel/Motel Tax	185,000	185,000	175,281	(9,719)
Permits and Fees				
Building Permits	15,000	15,000	26,769	11,769
Other Permits	5,000	5,000	11,641	6,641
Electrical Inspection Fees	25,000	25,000	29,283	4,283
Grants-Federal				
FEMA	0	0	26,509	26,509
Homeland Security	0	0	15,492	15,492
HIDTA	53,000	53,000	53,829	829
Grants - State				
EMS Grant	0	0	2,202	2,202
KLEFPF Police Incentive	86,000	86,000	88,815	2,815
Fire Incentive	106,000	106,000	113,866	7,866
Municipal Road Aid	80,000	80,000	134,080	54,080
Court Citations	9,000	9,000	7,850	(1,150)
Base Court Revenue	48,000	48,000	16,902	(31,098)
Mineral Tax	1,000	1,000	2,114	1,114
HB410	0	551,970	563,850	11,880
Pride Cleanup Grant	0	0	3,909	3,909
Other State Grants	0	84,140	211,782	127,642
Grants - Local				
Pike County Bd of Educ. / Locker Room	9,600	9,600	9,600	0
Pike County Bd of Educ. / Athletic Complex	56,940	56,940	59,895	2,955
Other Local	0	16,980	18,388	1,408
Interest Income				
Penalties & Interest - Property Taxes	10,000	10,000	16,060	6,060
Interest Income	30,000	30,000	91,388	61,388

CITY OF PIKEVILLE, KENTUCKY

GENERAL FUND
STATEMENT OF REVENUES AND EXPENDITURES -
BUDGET (GAAP BASIS) AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2011

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	Variance Favorable (Unfavorable)
Other Revenue				
911 Fees	43,000	43,000	39,662	(3,338)
Fire Employee Fund	2,500	2,500	1,500	(1,000)
Ambulance Fund	380,000	380,000	406,562	26,562
Parking Violations	50,000	50,000	44,730	(5,270)
Concession and Vending	5,500	5,500	19,998	14,498
Swim Team	0	0	3,627	3,627
Rent	22,020	22,020	40,662	18,642
Litter Abatement	6,500	6,500	4,930	(1,570)
Parking Garage	96,700	96,700	99,963	3,263
Other Miscellaneous	95,610	380,170	578,878	198,708
TOTAL REVENUES	<u>\$ 9,073,370</u>	<u>\$ 10,933,966</u>	<u>\$ 12,185,586</u>	<u>\$ 1,251,620</u>
EXPENDITURES				
General Government				
Personnel Cost				
Salaries and Wages	\$ 602,000	\$ 643,000	\$ 632,538	\$ 10,462
Payroll Taxes	45,000	45,000	42,936	2,064
Insurance	132,000	58,000	45,573	12,427
Pensions	69,000	99,600	99,481	119
Insurance - Workers Comp	9,500	8,300	8,055	245
Rent	4,500	4,500	4,211	289
Supplies	51,000	69,284	52,692	16,592
Telephone	45,420	38,420	38,155	265
Power, Lights and Heat	33,000	33,000	29,818	3,182
Automotive - Fuel	4,500	7,000	6,804	196
Automotive - Repairs & Maintenance	2,500	3,750	4,708	(958)
Insurance	41,000	22,700	81,472	(58,772)
Advertising	95,000	103,509	95,906	7,603
Professional Services - Accounting	68,000	101,020	105,331	(4,311)
Professional Services - Legal	0	13,280	9,495	3,785
Professional Services - Engineering	40,000	97,000	98,416	(1,416)
Professional Services - Training	7,000	7,000	1,385	5,615
Professional Services - Other	35,000	39,500	37,325	2,175
Tax Commissioners Statutory Fee	26,500	27,000	26,944	56
Repairs and Maintenance	39,100	29,911	18,920	10,991
Travel	9,400	9,900	10,321	(421)
Postage and Freight	17,000	17,000	9,272	7,728
Dues and Subscriptions	12,000	12,000	17,028	(5,028)
Bank Service Charges	1,000	1,734	1,917	(183)
Refunds	76,800	79,800	78,244	1,556
Fixed Asset Purchased / Construction	112,000	1,199,953	1,155,289	44,664
Miscellaneous	56,700	203,099	192,362	10,737
Provision for Bad Debts	0	700	7,668	(6,968)
Total General Government	<u>\$ 1,634,920</u>	<u>\$ 2,974,960</u>	<u>\$ 2,912,266</u>	<u>\$ 62,694</u>

CITY OF PIKEVILLE, KENTUCKY

GENERAL FUND
 STATEMENT OF REVENUES AND EXPENDITURES -
 BUDGET (GAAP BASIS) AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2011

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	Variance Favorable (Unfavorable)
Public Safety				
Police Department				
Personnel Costs				
Salaries and Wages	\$ 1,055,000	\$ 1,055,000	\$ 1,019,691	\$ 35,309
Payroll Taxes	69,000	69,000	68,639	361
Insurance	336,000	237,500	190,009	47,491
Pensions	396,000	396,000	300,808	95,192
Insurance - Workers Comp	0	57,425	57,422	3
Rent	2,338	4,488	4,258	230
Supplies	18,750	18,750	14,959	3,791
Telephone	17,200	17,200	17,426	(226)
Power, Lights and Heat	12,400	13,100	12,805	295
Automotive - Fuel	75,000	75,000	66,801	8,199
Automotive - Repairs & Maintenance	40,000	40,000	33,762	6,238
Insurance	46,000	32,967	60,810	(27,843)
Advertising	1,000	1,000	270	730
Professional Services	0	14,460	14,189	271
Professional Services - Training	4,000	2,200	0	2,200
Uniforms	34,000	34,000	28,097	5,903
Repairs and Maintenance	26,210	31,810	16,423	15,387
Travel	17,500	17,500	4,142	13,358
Postage and Freight	1,500	1,500	972	528
Dues and Subscriptions	700	1,200	1,346	(146)
D. A. R. E. PROGRAM	4,000	5,800	6,095	(295)
Miscellaneous	7,640	7,640	2,907	4,733
Equipment	5,000	41,641	31,877	9,764
HIDTA Expense	0	1,500	489	1,011
Total Police Department	<u>\$ 2,169,238</u>	<u>\$ 2,176,681</u>	<u>\$ 1,954,197</u>	<u>\$ 222,484</u>
Community Oriented Policing Grant (COPS)				
Advertising	\$ 0	\$ 0	\$ 0	\$ 0
Insurance	0	0	0	0
Total Community Oriented Policing Grant (COPS)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

CITY OF PIKEVILLE, KENTUCKY

GENERAL FUND
STATEMENT OF REVENUES AND EXPENDITURES -
BUDGET (GAAP BASIS) AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2011

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	Variance Favorable (Unfavorable)
Fire Department				
Personnel Costs				
Salaries and Wages	\$ 1,150,000	\$ 1,206,000	\$ 1,209,865	\$ (3,865)
Payroll Taxes	100,000	85,000	82,132	2,868
Insurance	254,000	225,820	203,341	22,479
Pensions	334,000	342,000	342,804	(804)
Insurance - Workers Comp	61,000	78,225	78,208	17
Supplies	29,500	32,130	27,781	4,349
Telephone	7,200	10,300	10,105	195
Power, Lights and Heat	19,000	21,500	22,120	(620)
Automotive - Fuel	14,000	15,000	15,800	(800)
Automotive - Repairs & Maintenance	30,000	25,000	19,324	5,676
Insurance	35,000	22,999	37,599	(14,600)
Advertising	0	600	533	67
Professional Services	13,000	9,030	5,848	3,182
Professional Services - Training	3,000	252,500	43,525	208,975
Uniforms	33,000	32,000	29,054	2,946
Repairs and Maintenance	41,200	37,100	27,300	9,800
Travel	3,000	2,000	79	1,921
Postage and Freight	700	700	37	663
Dues and Subscriptions	250	250	0	250
VFD Allotment	6,500	6,500	2,223	4,277
Fire Prevention	2,500	2,500	2,467	33
Miscellaneous	1,000	6,100	5,530	570
Equipment	311,500	108,515	104,698	3,817
Total Fire Department	\$ 2,449,350	\$ 2,521,769	\$ 2,270,373	\$ 251,396
Ambulance Service				
Personnel Costs	\$ 0	\$ 0	\$ 0	\$ 0
Rent	0	0	0	0
Supplies	16,000	16,000	15,253	747
Telephone	1,500	1,820	1,965	(145)
Power, Lights and Heat	0	0	0	0
Automotive - Fuel	13,000	13,000	12,375	625
Automotive - Repairs & Maintenance	20,000	20,000	11,135	8,865
Insurance	12,000	7,488	7,488	0
Advertising	0	0	0	0
Professional Services	0	0	0	0
Professional Services - Training	45,000	44,030	41,788	2,242
Uniforms	3,000	2,399	6	2,393
Repairs and Maintenance	1,000	0	0	0
Travel	0	0	0	0
Postage and Freight	0	0	0	0
Dues and Subscriptions	600	150	150	0
Miscellaneous	0	0	0	0
Refunds	3,000	5,700	5,663	37
Equipment	16,000	16,000	11,625	4,375
Total Ambulance Service	\$ 131,100	\$ 126,587	\$ 107,448	\$ 19,139

CITY OF PIKEVILLE, KENTUCKY

GENERAL FUND
 STATEMENT OF REVENUES AND EXPENDITURES -
 BUDGET (GAAP BASIS) AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2011

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	Variance Favorable (Unfavorable)
Emergency Shelter				
Professional Services	\$ 0	\$ 0	\$ 0	\$ 0
Miscellaneous	0	0	0	0
Total Emergency Shelter	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Codes				
Personnel Costs				
Salaries and Wages	\$ 43,800	\$ 46,360	\$ 44,097	\$ 2,263
Payroll Taxes	2,700	2,700	2,639	61
Insurance	16,000	16,500	15,552	948
Pensions	8,100	7,850	7,441	409
Insurance - Workers Comp	800	800	707	93
Supplies	500	350	92	258
Telephone	550	1,230	912	318
Automotive - Fuel	2,000	7,500	7,668	(168)
Automotive - Repairs & Maintenance	1,100	2,600	1,235	1,365
Insurance	1,700	1,143	1,134	9
Advertising	500	250	100	150
Professional Services - Electrical Ins.	35,000	32,692	25,777	6,915
Professional Services	700	700	248	452
Uniforms	350	350	0	350
Repairs and Maintenance	0	0	0	0
Travel	2,400	1,400	518	882
Dues and Subscriptions	800	858	858	0
Refund of Inspection Fees	0	1,220	1,217	3
Miscellaneous	1,000	500	0	500
Equipment	1,500	3,474	2,974	500
Total Codes	<u>\$ 119,500</u>	<u>\$ 128,477</u>	<u>\$ 113,169</u>	<u>\$ 15,308</u>
##				
Personnel Costs	\$ 0	\$ 0	\$ 0	\$ 0
Rent	0	0	0	0
Telephone	15,000	15,000	15,084	(84)
Insurance	2,700	600	600	0
Advertising	1,000	1,000	0	1,000
Professional Services	11,000	17,300	16,349	951
Repairs and Maintenance	10,000	10,000	3,100	6,900
Travel	0	0	0	0
Miscellaneous	0	0	0	0
Equipment	10,000	19,400	11,029	8,371
Total 911	<u>\$ 49,700</u>	<u>\$ 63,300</u>	<u>\$ 46,162</u>	<u>\$ 17,138</u>

CITY OF PIKEVILLE, KENTUCKY

GENERAL FUND
 STATEMENT OF REVENUES AND EXPENDITURES -
 BUDGET (GAAP BASIS) AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2011

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	Variance Favorable (Unfavorable)
Dispatch Service				
Personnel Costs				
Salaries and Wages	\$ 225,000	\$ 225,000	\$ 216,784	\$ 8,216
Payroll Taxes	16,000	16,000	15,285	715
Insurance	49,000	50,550	49,230	1,320
Pensions	33,000	40,750	40,110	640
Insurance - Workers Comp	2,500	2,000	739	1,261
Rent	0	0	0	0
Supplies	2,000	1,500	753	747
Telephone	3,600	3,600	3,785	(185)
Automotive - Fuel	2,000	3,000	3,184	(184)
Insurance	2,000	1,170	1,170	0
Advertising	600	600	83	517
Professional Services	1,600	7,900	5,351	2,549
Uniforms	1,000	4,900	4,572	328
Repairs and Maintenance	8,100	2,600	380	2,220
Travel	2,000	3,000	2,164	836
Dues and Subscriptions	185	2,986	2,986	0
Miscellaneous	0	100	26	74
Equipment	7,000	52,875	51,644	1,231
Total Dispatch Service	<u>\$ 355,585</u>	<u>\$ 418,531</u>	<u>\$ 398,246</u>	<u>\$ 20,285</u>
Total Public Safety	<u>\$ 5,274,473</u>	<u>\$ 5,435,345</u>	<u>\$ 4,889,595</u>	<u>\$ 545,750</u>
Streets Department				
Power, Lights and Heat	\$ 195,000	\$ 304,600	\$ 329,074	\$ (24,474)
Automotive - Repairs & Maintenance	0	0	(55)	55
Insurance	25,800	11,984	23,337	(11,353)
Management Fees - PSG	748,772	649,772	646,809	2,963
Professional Services	0	80	120	(40)
Repairs and Maintenance	200,000	181,000	173,491	7,509
Miscellaneous	2,500	400,512	419,339	(18,827)
Street Construction	20,000	12,404	12,403	1
Equipment	30,000	31,167	26,153	5,014
Total Streets	<u>\$ 1,222,072</u>	<u>\$ 1,591,519</u>	<u>\$ 1,630,671</u>	<u>\$ (39,152)</u>
Parking Garage				
Supplies	\$ 500	\$ 500	\$ 0	\$ 500
Telephone	2,500	2,500	2,307	193
Power, Lights and Heat	40,600	48,800	48,506	294
Insurance	8,500	6,387	6,387	0
Professional Services	0	0	0	0
Repairs and Maintenance	22,000	13,800	11,320	2,480
Equipment	0	0	0	0
Total Parking Garage	<u>\$ 74,100</u>	<u>\$ 71,987</u>	<u>\$ 68,520</u>	<u>\$ 3,467</u>

CITY OF PIKEVILLE, KENTUCKY

GENERAL FUND
 STATEMENT OF REVENUES AND EXPENDITURES -
 BUDGET (GAAP BASIS) AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2011

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	Variance Favorable (Unfavorable)
Recreation				
Parks Department				
Personnel Costs				
Salaries and Wages	\$ 0	\$ 0	\$ 0	\$ 0
Payroll Taxes	0	0	0	0
Insurance	0	0	0	0
Pensions	0	0	0	0
Insurance - Workers Comp	0	0	0	0
Rent	0	0	0	0
Supplies	2,500	14,500	15,090	(590)
Telephone	2,000	6,580	6,211	369
Power, Lights and Heat	0	89,500	91,016	(1,516)
Automotive - Fuel	0	0	0	0
Automotive - Repairs & Maintenance	0	0	0	0
Insurance	17,800	1,674	3,279	(1,605)
Advertising	0	0	0	0
Professional Services	339,527	292,827	291,919	908
Uniforms	0	0	0	0
Repairs and Maintenance	41,385	134,721	145,104	(10,383)
Travel	0	0	0	0
Animal Control	0	0	0	0
Miscellaneous	0	0	0	0
Equipment	30,000	635,159	635,752	(593)
Total Parks Department	\$ 433,212	\$ 1,174,961	\$ 1,188,371	\$ (13,410)
Pool Department				
Personnel Costs				
Salaries and Wages	\$ 3,500	\$ 4,750	\$ 8,250	\$ (3,500)
Payroll Taxes	0	0	0	0
Insurance - Workers Comp	0	0	0	0
Supplies	8,000	8,000	0	8,000
Telephone	420	420	0	420
Power, Lights and Heat	6,000	10,000	8,357	1,643
Insurance	3,300	600	600	0
Advertising	0	0	0	0
Professional Services	640	840	167	673
Uniforms	0	0	0	0
Repairs and Maintenance	35,000	34,300	400	33,900
Refunds	0	0	0	0
Miscellaneous	0	0	0	0
Equipment	2,500	2,500	0	2,500
Total Pool Department	\$ 59,360	\$ 61,410	\$ 17,774	\$ 43,636

CITY OF PIKEVILLE, KENTUCKY

GENERAL FUND
 STATEMENT OF REVENUES AND EXPENDITURES -
 BUDGET (GAAP BASIS) AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2011

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	Variance Favorable (Unfavorable)
RV Park				
Personnel Costs				
Salaries and Wages	\$ 0	\$ 0	\$ 0	\$ 0
Payroll Taxes	0	0	0	0
Insurance - Workers Comp	0	0	0	0
Supplies	0	0	0	0
Telephone	0	0	0	0
Power, Lights and Heat	14,000	8,435	6,845	1,590
Insurance	0	0	0	0
Advertising	0	100	0	100
Professional Services	2,500	2,500	150	2,350
Uniforms	0	0	0	0
Repairs and Maintenance	5,000	5,000	2,918	2,082
Refunds	500	500	125	375
Miscellaneous	0	0	0	0
Equipment	0	2,128	2,128	0
Total RV Park	<u>\$ 22,000</u>	<u>\$ 18,663</u>	<u>\$ 12,166</u>	<u>\$ 6,497</u>
Total Recreation	<u>\$ 514,572</u>	<u>\$ 1,255,034</u>	<u>\$ 1,218,311</u>	<u>\$ 36,723</u>
Lake Cleanup				
Personnel Costs				
Salaries and Wages	\$ 20,000	\$ 20,000	\$ 14,529	\$ 5,471
Payroll Taxes	1,800	1,800	1,056	744
Insurance	0	0	0	0
Pensions	3,250	3,250	2,448	802
Insurance - Workers Comp	1,000	1,000	0	1,000
Supplies	1,000	1,000	471	529
Insurance	3,900	780	780	0
Power, Lights and Heat	31,000	31,000	32,421	(1,421)
Advertising	0	0	0	0
Professional Services	0	0	0	0
Repairs and Maintenance	13,000	13,000	3,916	9,084
Refunds	0	0	0	0
Miscellaneous	400	0	0	0
Equipment	45,000	22,870	10,958	11,912
Total Lake Cleanup	<u>\$ 120,350</u>	<u>\$ 94,700</u>	<u>\$ 66,579</u>	<u>\$ 28,121</u>

CITY OF PIKEVILLE, KENTUCKY

GENERAL FUND
STATEMENT OF REVENUES AND EXPENDITURES -
BUDGET (GAAP BASIS) AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2011

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	Variance Favorable (Unfavorable)
Landscape				
Personnel Costs				
Salaries and Wages	\$ 0	\$ 0	\$ 0	\$ 0
Payroll Taxes	0	0	0	0
Insurance	0	0	0	0
Pensions	0	0	0	0
Insurance - Workers Comp	0	0	0	0
Rent	0	0	0	0
Insurance	1,900	500	500	0
Advertising	0	0	0	0
Professional Services	80,262	86,272	77,080	9,192
Automotive - Maintenance	0	0	0	0
Repairs and Maintenance	10,000	2,500	0	2,500
Supplies	0	0	0	0
Telephone	0	0	0	0
Power, Lights and Heat	3,500	8,500	8,636	(136)
Uniforms	0	0	0	0
Travel	0	0	0	0
Miscellaneous	0	0	0	0
Equipment	2,500	1,500	0	1,500
Total Landscape	<u>\$ 98,162</u>	<u>\$ 99,272</u>	<u>\$ 86,216</u>	<u>\$ 13,056</u>
East Kentucky Exposition Center				
FOOD AND BEVERAGE EXPO	\$ 0	\$ 39,221	\$ 33,809	\$ 5,412
OPERATIONAL	0	7,670	12,217	(4,547)
DUES SUBSCRIPTION	0	0	1,777	(1,777)
INSURANCE	0	0	4,302	(4,302)
OFFICE - SUPPLIES	0	743	2,697	(1,954)
PROFESSIONAL SERVICES	0	88,518	105,870	(17,352)
REPAIRS/MAINTENANCE	0	2,195	2,295	(100)
UTILITIES	0	53,735	23,129	30,606
MISCELLANEOUS	0	985	300	685
OTHER OPERATING CAPITAL	0	0	18,601	(18,601)
Total East Kentucky Exposition Center	<u>\$ 0</u>	<u>\$ 193,067</u>	<u>\$ 204,997</u>	<u>\$ (11,930)</u>

CITY OF PIKEVILLE, KENTUCKY

GENERAL FUND
 STATEMENT OF REVENUES AND EXPENDITURES -
 BUDGET (GAAP BASIS) AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2011

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	Variance Favorable (Unfavorable)
Grants / Loan Advances				
Tourism Commission	\$ 170,000	\$ 170,000	\$ 168,058	\$ 1,942
Pike County Airport Board	0	10,000	1,311	8,689
Pikeville Main Street Program	0	34,300	53,583	(19,283)
Sandy Valley Transportation	0	0	100	(100)
Artisan Center	0	0	24	(24)
Eastern Kentucky Exposition Center	100,000	300,000	300,000	0
Unite Pike	30,000	30,000	30,000	0
Pike TV	40,000	50,000	46,188	3,812
Total Debt Service	<u>\$ 340,000</u>	<u>\$ 594,300</u>	<u>\$ 599,264</u>	<u>\$ (4,964)</u>
Texas Roadhouse				
Capital Expenditures	\$ 0	\$ 899,295	\$ 657,716	\$ 241,579
Interest Paid	0	0	0	0
Total Debt Service	<u>\$ 0</u>	<u>\$ 899,295</u>	<u>\$ 657,716</u>	<u>\$ 241,579</u>
Debt Service				
Principal Paid	\$ 7,740	\$ 7,740	\$ 8,597	\$ (857)
Interest Paid	2,100	2,100	773	1,327
Total Debt Service	<u>\$ 9,840</u>	<u>\$ 9,840</u>	<u>\$ 9,370</u>	<u>\$ 470</u>
Total Expenditures	<u>\$ 9,288,489</u>	<u>\$ 13,219,319</u>	<u>\$ 12,343,505</u>	<u>\$ 875,814</u>
EXCESS REVENUES OVER (UNDER) EXPENDITURES	<u>\$ (215,119)</u>	<u>\$ (2,285,353)</u>	<u>\$ (157,919)</u>	<u>\$ 375,806</u>
OTHER FINANCING SOURCES (USES)				
Operating Transfer In	\$ 0	\$ 390,401	\$ 290,401	\$ 100,000
Operating Transfer Out	(121,505)	(407,848)	(203,148)	204,700
Loan Proceeds	0	899,295	1,000,000	(100,705)
Proceeds from Sale of Fixed Assets	0	512,517	512,517	0
Total Other Financing Sources (Uses)	<u>\$ (121,505)</u>	<u>\$ 1,394,365</u>	<u>\$ 1,599,770</u>	<u>\$ 203,995</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER (USES)	<u>\$ (336,624)</u>	<u>\$ (890,988)</u>	<u>\$ 1,441,851</u>	<u>\$ (2,332,839)</u>
FUND BALANCE-BEGINNING OF YEAR			5,008,585	
FUND BALANCE-END OF YEAR			<u>\$ 6,450,436</u>	

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

CITY OF PIKEVILLE, KENTUCKY

Coal Severance

STATEMENT OF REVENUES AND EXPENDITURES,
AND CHANGES IN FUND BALANCES - BUDGET (GAAP BASIS) AND ACTUAL
For The Year Ended June 30, 2011

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Intergovernmental Revenue	\$ 650,000	\$ 655,500	\$ 711,163	\$ 55,663
Other Grants	0	0	0	0
Interest Income	5,000	19,050	20,928	1,878
Other Revenue	0	0	0	0
TOTAL REVENUES	<u>\$ 655,000</u>	<u>\$ 674,550</u>	<u>\$ 732,091</u>	<u>\$ 57,541</u>
EXPENDITURES				
Current				
General Government	\$ 0	\$ 95	\$ 94	\$ 1
Grants / Loan Advances				
Animal Shelter	0	0	0	0
Big Sandy Heritage Center	25,000	25,000	25,000	0
Senior Citizens Center	15,000	18,500	18,500	0
Capital Outlay	614,950	687,495	341,239	346,256
Debt Service				
Principal	0	0	0	0
Interest	0	0	0	0
TOTAL EXPENDITURES	<u>\$ 654,950</u>	<u>\$ 731,090</u>	<u>\$ 384,833</u>	<u>\$ 346,257</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>\$ 50</u>	<u>\$ (56,540)</u>	<u>\$ 347,258</u>	<u>\$ (288,716)</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from Long-Term Debt	\$ 0	\$ 0	\$ 0	\$ 0
Operating Transfers In	0	0	0	0
Operating Transfers Out	0	(290,401)	(332,992)	(42,591)
TOTAL OTHER FINANCING SOURCES (USES)	<u>\$ 0</u>	<u>\$ (290,401)</u>	<u>\$ (332,992)</u>	<u>\$ (42,591)</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER (USES)	<u>\$ 50</u>	<u>\$ (346,941)</u>	<u>\$ 14,266</u>	<u>\$ 361,207</u>
FUND BALANCE - BEGINNING OF YEAR			1,265,057	
FUND BALANCE - END OF YEAR			<u>\$ 1,279,323</u>	

The accompanying notes are an integral part of the combined financial statements.

CITY OF PIKEVILLE, KENTUCKY

CAPITAL PROJECTS - PROJECTS CONTROL
 STATEMENT OF REVENUES AND EXPENDITURES,
 AND CHANGES IN FUND BALANCES - BUDGET (GAAP BASIS) AND ACTUAL
 For The Year Ended June 30, 2011

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Federal Grants	\$ 3,425,000	\$ 3,425,000	\$ 3,029	\$ (3,421,971)
State Grants	3,018,085	1,801,827	357,694	(1,444,133)
Other Grants	1,101,625	328,000	933,614	605,614
Interest	0	2,510	36,971	34,461
Miscellaneous	1,012,630	1,361,032	8,402	(1,352,630)
Total Revenues	<u>\$ 8,557,340</u>	<u>\$ 6,918,369</u>	<u>\$ 1,339,710</u>	<u>\$ (5,578,659)</u>
EXPENDITURES				
Miscellaneous	\$ 0	\$ 10	\$ 10	\$ 0
Capital Outlay	9,461,884	11,042,254	1,835,406	9,206,848
Debt Service				
Principal	0	0	0	0
Interest	0	7,397	0	7,397
Total Expenditures	<u>\$ 9,461,884</u>	<u>\$ 11,049,661</u>	<u>\$ 1,835,416</u>	<u>\$ 9,214,245</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>\$ (904,544)</u>	<u>\$ (4,131,292)</u>	<u>\$ (495,706)</u>	<u>\$ (14,792,904)</u>
OTHER FINANCING SOURCES (USES)				
Proceeds From Long-Term Debt	\$ 904,544	\$ 4,140,744	\$ 407,480	\$ (3,733,264)
Operating Transfers In	0	1,412,515	5,778,625	4,366,110
Operating Transfers Out	0	(1,412,515)	(4,721,751)	(3,309,236)
Total Other Financing Sources (Uses)	<u>\$ 904,544</u>	<u>\$ 4,140,744</u>	<u>\$ 1,464,354</u>	<u>\$ (2,676,390)</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER (USES)	<u>\$ 0</u>	<u>\$ 9,452</u>	<u>\$ 968,648</u>	<u>\$ 959,196</u>
FUND BALANCE - BEGINNING OF YEAR			1,433,582	
FUND BALANCE - END OF YEAR			<u>\$ 2,402,230</u>	

The accompanying notes are an integral part of the combined financial statements.

CITY OF PIKEVILLE, KENTUCKY

WATER FUND
 STATEMENT OF REVENUES, EXPENSES AND CHANGES
 IN NET ASSETS - BUDGET (GAAP BASIS) AND ACTUAL
 For The Fiscal Year Ended June 30, 2011

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Water Sales	\$2,547,000	2,377,700	\$2,493,766	116,066
Service Charges	20,000	20,000	10,250	(9,750)
Penalties and Services	12,000	26,000	27,980	1,980
Water Tap Fees	13,000	13,000	32,030	19,030
Miscellaneous	0	7,336	7,579	243
TOTAL REVENUE	\$2,592,000	\$2,444,036	\$2,571,605	\$127,569
OPERATING EXPENSES				
Personnel Costs	\$29,800	\$30,600	\$28,888	\$1,712
Contractual Service	1,564,829	1,255,229	1,256,534	(1,305)
Operational	145,730	745,208	764,911	(19,703)
Repairs and Maintenance	484,000	207,562	99,517	108,045
Provision For Bad Debts	0	0	1,343	(1,343)
Depreciation	0	0	425,219	(425,219)
Total Operating Expenses	\$2,224,359	\$2,238,599	\$2,576,412	(\$337,813)
Operating Income (Loss)	\$367,641	\$205,437	(\$4,807)	(\$210,244)
NONOPERATING REVENUES (EXPENSES)				
Interest Income	\$20,050	\$14,030	\$20,945	\$6,915
Interest Expense	(225,010)	(175,173)	(165,513)	9,660
Premium (Discount) on Debt Restructuring	0	0	0	0
Grant	0	0	0	0
Total Nonoperating Revenues (Expenses)	(\$204,960)	(\$161,143)	(\$144,568)	\$16,575
NET INCOME (LOSS)(Before Transfers)	\$162,681	\$44,294	(\$149,375)	(\$193,669)
TRANSFERS				3,051,614
Operating Transfers In	\$102,170	\$0	\$0	\$0
Operating Transfers (Out)	0	(39,337)	(902,794)	(863,457)
Total Transfers	\$102,170	(\$39,337)	(\$902,794)	\$2,188,157
NET INCOME (LOSS)	\$264,851	\$4,957	(\$1,052,169)	\$1,994,488
NET ASSETS - BEGINNING OF YEAR			6,187,665	
Prior Period Adjustment			210,478	
NET ASSETS - END OF YEAR			\$5,345,974	

The accompanying notes are an integral part of the combined financial statements.

CITY OF PIKEVILLE, KENTUCKY

SEWER FUND
 STATEMENT OF REVENUES, EXPENSES AND CHANGES
 IN NET ASSETS - BUDGET (GAAP BASIS) AND ACTUAL
 For The Fiscal Year Ended June 30, 2011

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Sewer Service Charges	\$1,211,700	\$1,007,300	\$995,722	(\$11,578)
Penalties and Services	7,300	7,300	5,669	(1,631)
Water and Sewer Tap Fees	7,500	23,500	32,364	8,864
Miscellaneous Revenues	0	0	0	0
TOTAL REVENUE	\$1,226,500	\$1,038,100	\$1,033,755	(\$4,345)
OPERATING EXPENSES				
Personnel Costs	\$38,400	\$39,898	\$39,519	\$379
Contractual Service	697,150	678,200	675,915	2,285
Operational	44,600	223,063	213,469	9,594
Repairs and Maintenance	369,500	270,950	147,573	123,377
Provision For Bad Debts	0	0	3	(3)
Depreciation	0	0	361,829	(361,829)
Total Operating Expenses	\$1,149,650	\$1,212,111	\$1,438,308	(\$226,197)
Operating Income (Loss)	\$76,850	(\$174,011)	(\$404,553)	(\$230,542)
NONOPERATING REVENUES (EXPENSES)				
Interest Income	\$9,300	\$9,390	\$13,086	\$3,696
Interest Expense	(9,375)	(8,050)	(13,104)	(5,054)
Premium (Discount) on Debt Restructuring	0	0	0	0
Grants	0	0	0	0
Total Nonoperating Revenues (Expenses)	(\$75)	\$1,340	(\$18)	(\$1,358)
NET INCOME (LOSS) Before Transfers	\$76,775	(\$172,671)	(\$404,571)	(\$231,900)
TRANSFERS				
Operating Transfers In	\$132,000	\$336,600	109,343	(\$227,257)
Operating Transfers (Out)	(169,565)	(125,729)	(324,627)	(198,898)
Total Transfers	(\$37,565)	\$210,871	(\$215,284)	(\$426,155)
NET INCOME (LOSS)	\$39,210	\$38,200	(\$619,855)	(\$658,055)
NET ASSETS - BEGINNING OF YEAR			7,640,917	
NET ASSETS - END OF YEAR			<u><u>\$7,021,062</u></u>	

The accompanying notes are an integral part of the combined financial statements.

CITY OF PIKEVILLE, KENTUCKY

GAS FUND
 STATEMENT OF REVENUES, EXPENSES AND CHANGES
 IN NET ASSETS - BUDGET (GAAP BASIS) AND ACTUAL
 For The Fiscal Year Ended June 30, 2011

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Gas Sales	\$2,482,000	\$1,912,000	\$1,891,517	(\$20,483)
Penalties & Service Charges	10,000	10,000	7,010	(2,990)
Tap Fees	2,500	2,500	7,052	4,552
Miscellaneous	0	0	75	75
TOTAL REVENUES	<u>\$2,494,500</u>	<u>\$1,924,500</u>	<u>\$1,905,654</u>	<u>(\$18,846)</u>
OPERATING EXPENSES				
Personnel Costs	\$48,600	\$51,805	\$46,143	\$5,662
Gas Purchased	1,765,000	1,232,351	1,158,935	73,416
Contractual Services	456,093	414,793	410,077	4,716
Repairs and Maintenance	199,500	197,742	20,757	176,985
Operational	35,300	38,794	40,013	(1,219)
Bad Debts	0	0	2,198	(2,198)
Depreciation	0	0	83,070	(83,070)
Total Operating Expenses	<u>\$2,504,493</u>	<u>\$1,935,485</u>	<u>\$1,761,193</u>	<u>\$174,292</u>
Operating Income	<u>(\$9,993)</u>	<u>(\$10,985)</u>	<u>\$144,461</u>	<u>\$155,446</u>
NONOPERATING REVENUES (EXPENSES)				
Royalties	\$4,000	\$4,000	\$3,215	(\$785)
Interest Revenue	7,000	7,000	26,358	19,358
Interest Expense	(0)	(0)	0	0
Gain (Loss) on Disposition of Assets	0	0	0	0
Total Nonoperating Revenue (Expense)	<u>\$11,000</u>	<u>\$11,000</u>	<u>\$29,573</u>	<u>\$18,573</u>
NET INCOME (LOSS) Before Transfers	<u>\$1,007</u>	<u>\$15</u>	<u>\$174,034</u>	<u>\$174,019</u>
TRANSFERS				
Operating Transfers In	\$0	\$0	\$0	\$0
Operating Transfers (Out)	(0)	(0)	0	0
Total Transfers	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
NET INCOME (LOSS)	<u>\$1,007</u>	<u>\$15</u>	<u>\$174,034</u>	<u>\$174,019</u>
NET ASSETS - BEGINNING OF YEAR			<u>\$2,438,406</u>	
NET ASSETS - END OF YEAR			<u>\$2,612,440</u>	

The accompanying notes are an integral part of the combined financial statements.

CITY OF PIKEVILLE, KENTUCKY

SANITATION FUND

COMPARATIVE STATEMENT OF REVENUE, EXPENSES AND CHANGES IN
 RETAINED EARNINGS - BUDGET (GAAP BASIS) AND ACTUAL - Note A
 For The Fiscal Year Ended June 30, 2011

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Garbage Fees	\$1,156,000	\$1,096,300	\$1,143,534	\$47,234
Penalties	6,000	6,000	5,812	(188)
Miscellaneous	0	0	0	0
Total Revenues	<u>\$1,162,000</u>	<u>\$1,102,300</u>	<u>\$1,149,346</u>	<u>\$47,046</u>
EXPENSES				
Personnel Costs	\$28,100	\$36,800	\$34,691	2,109
Contractual Services	572,294	607,244	601,029	6,215
Repairs and Maintenance	100,000	23,250	0	23,250
Dumping Fees	309,000	285,710	313,696	(27,986)
Operational	148,000	189,846	93,609	96,237
Bad Debts	0	0	1,336	(1,336)
Depreciation	0	0	97,813	(97,813)
Total Expenses	<u>\$1,157,394</u>	<u>\$1,142,850</u>	<u>\$1,142,174</u>	<u>\$676</u>
Operating Income	<u>\$4,606</u>	<u>(\$40,550)</u>	<u>\$7,172</u>	<u>\$47,722</u>
NONOPERATING REVENUES (EXPENSES)				
Interest Income	\$750	\$5,621	\$6,264	\$643
Interest Expense	(5,000)	0	0	0
Grant	0	34,989	34,989	0
Total Nonoperating Revenues	<u>(\$4,250)</u>	<u>\$40,610</u>	<u>\$41,253</u>	<u>\$643</u>
NET INCOME (LOSS) Before Transfers	<u>\$356</u>	<u>\$60</u>	<u>\$48,425</u>	<u>\$48,365</u>
TRANSFERS				
Operating Transfers In	0	0	0	0
Operating Transfers (Out)	0	0	0	0
Total Transfers	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
NET INCOME (LOSS)	<u>\$356</u>	<u>\$60</u>	<u>\$48,425</u>	<u>\$48,365</u>
NET ASSETS - BEGINNING OF YEAR			\$1,037,782	
NET ASSETS - END OF YEAR			<u>\$1,086,207</u>	

The accompanying notes are an integral part of the combined financial statements.

CITY OF PIKEVILLE, KENTUCKY

MOSSY BOTTOM

COMPARATIVE STATEMENT OF REVENUE, EXPENSES AND CHANGES IN
 RETAINED EARNINGS - BUDGET (GAAP BASIS) AND ACTUAL - Note A
 For The Fiscal Year Ended June 30, 2011

	Original Budget	Final Budget	Actual	VARIANCE- FAVORABLE (UNFAVORABLE)
REVENUES				
Sewer Service Charges	\$531,000	\$526,810	\$534,931	\$8,121
Penalties & Service Charges	2,700	6,000	3,827	(2,173)
Water and Sewer Tap Fees	3,000	3,000	2,600	(400)
Miscellaneous Revenues	0	0	9,910	9,910
Total Revenues	<u>\$536,700</u>	<u>\$535,810</u>	<u>\$551,268</u>	<u>\$15,458</u>
EXPENSES				
Personnel Costs	\$35,400	\$37,200	\$35,758	(\$1,442)
Contractual Services	6,100	29,500	17,341	12,159
Repairs and Maintenance	185,500	134,448	63,561	70,887
Operational	164,482	185,952	177,683	8,269
Bad Debts	2,000	0	1,798	(1,798)
Depreciation	0	0	63,896	(63,896)
Total Expenses	<u>\$393,482</u>	<u>\$387,100</u>	<u>\$360,037</u>	<u>\$24,179</u>
Operating Income	<u>\$143,218</u>	<u>\$148,710</u>	<u>\$191,231</u>	<u>\$42,521</u>
NONOPERATING REVENUES (EXPENSES)				
Interest Income	\$1,200	\$2,075	\$8,093	\$6,018
Grants	0	0	1,808,528	1,808,528
Interest Expense	(98,415)	(55,316)	(103,860)	(48,544)
Gain (Loss) on Disposition of Fixed Assets	0	0	0	0
Total Nonoperating Revenues	<u>(\$97,215)</u>	<u>(\$53,241)</u>	<u>\$1,712,761</u>	<u>\$1,766,002</u>
NET INCOME (LOSS) Before Transfers	<u>\$46,003</u>	<u>\$95,469</u>	<u>\$1,903,992</u>	<u>\$1,808,523</u>
TRANSFERS				
Operating Transfers In	\$0	\$24,877	\$4,201,474	4,176,597
Operating Transfers (Out)	0	(100,182)	(4,247,028)	(4,146,846)
Total Transfers	<u>\$0</u>	<u>(\$75,305)</u>	<u>(\$45,554)</u>	<u>\$29,751</u>
NET INCOME (LOSS)	<u>\$46,003</u>	<u>\$20,164</u>	<u>\$1,858,438</u>	<u>\$1,838,274</u>
NET ASSETS - BEGINNING OF YEAR			779,367	
NET ASSETS - END OF YEAR			<u>\$2,637,805</u>	

The accompanying notes are an integral part of the combined financial statements.

CITY OF PIKEVILLE, KENTUCKY
COMBINING FINANCIAL STATEMENTS
For the year ended June 30, 2011

Wallen, Cornett, & Puckett, PSC
CERTIFIED PUBLIC ACCOUNTANTS
POST OFFICE BOX 1349
PIKEVILLE, KENTUCKY 41502

CITY OF PIKEVILLE, KENTUCKY

BALANCE SHEET - COMBINING
OTHER GOVERNMENTAL FUNDS

June 30, 2011

ASSETS

	Debt Service	Debt Service - Football	Debt Service - Texas Road	Detective Arrest - State	Detective Arrest - Federal	State Police Case	Cash Flow	Total Other Governmental Funds
Cash and Investments	\$ 0	\$ 1,395	\$ 28,363	\$ 8,319	\$ 14,827	\$ 13,991	\$ 0	\$ 66,895
Cash	0	0	0	0	0	0	0	0
Certificates of Deposit and Savings	0	0	0	0	0	0	0	0
Receivables (Net of Allowance for Uncollectibles)	0	0	0	0	0	0	0	0
Taxes	0	0	0	0	0	0	0	0
Accounts	0	0	0	0	0	0	0	0
Due From Other Funds	0	0	0	0	0	0	0	0
Prepaid Expenses	0	0	0	0	0	0	0	0
TOTAL ASSETS	\$ 0	\$ 1,395	\$ 28,363	\$ 8,319	\$ 14,827	\$ 13,991	\$ 0	\$ 66,895

LIABILITIES AND FUND EQUITY

LIABILITIES

Accounts Payable	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 9,943	\$ 9,943
Accrued Expenses	0	0	0	0	0	0	0	0
Customer's Deposit	0	0	0	0	0	0	0	0
Due From Other Funds	0	0	0	0	0	0	569	569
Deferred Revenue	0	0	0	0	0	0	0	0
Payable from Restricted Assets	15,117	0	0	0	0	0	0	15,117
Matured Coupons Payable	4,000	0	0	0	0	0	0	4,000
Matured Bonds Payable	0	0	0	0	0	0	0	0
TOTAL LIABILITIES	\$ 19,117	\$ 0	\$ 10,512	\$ 29,629				

FUND BALANCES

Designated for Debt Service	\$ 0	\$ 1,395	\$ 28,363	\$ 8,319	\$ 14,827	\$ 13,991	\$ 0	\$ 29,758
Undesignated	(19,117)	0	0	0	0	0	(10,512)	7,508
TOTAL FUND BALANCES	\$ (19,117)	\$ 1,395	\$ 28,363	\$ 8,319	\$ 14,827	\$ 13,991	\$ (10,512)	\$ 37,266
TOTAL LIABILITIES AND FUND BALANCE	\$ 0	\$ 1,395	\$ 28,363	\$ 8,319	\$ 14,827	\$ 13,991	\$ 0	\$ 66,895

The accompanying notes are an integral part of the combined financial statements.

CITY OF PIKEVILLE, KENTUCKY

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - COMBINING
OTHER GOVERNMENTAL FUNDS

Year Ended June 30, 2011

REVENUES	Debt Service	Football debt Service	Debt Service Texas Roadhouse	Detective Arrest	Detective Arrest - Federal	State Police Case	Cash Flow	Totals
Ad Valorem Taxes	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Franchise Taxes	0	0	0	0	0	0	0	0
Occupational License Fees	0	0	0	0	0	0	0	0
Other Taxes	0	0	0	0	0	0	0	0
Permits and Fees	0	0	0	0	0	0	0	0
Intergovernmental Revenue	0	0	0	0	31,062	7,808	0	38,870
Other Grants	0	0	0	0	0	0	0	0
Interest Income	0	0	0	2	814	158	621	1,595
Other Revenue	0	0	0	0	0	0	0	0
Total Revenues	\$ 0	\$ 0	\$ 0	\$ 2	\$ 31,876	\$ 7,966	\$ 621	\$ 40,465

EXPENDITURES

CURRENT

General Government	\$ 0	\$ 10	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 10
Public Safety	0	0	0	0	4,513	2,854	0	7,367
Streets	0	0	0	0	0	0	0	0
Parking Garage	0	0	0	0	0	0	0	0
Recreation	0	0	0	0	0	0	0	0
Lake Cleanup	0	0	0	0	0	0	0	0
Landscape	0	0	0	0	0	0	0	0
Eastern Kentucky Expos.	0	0	0	0	0	0	0	0
Other	0	0	0	0	0	0	33,576	33,576
Capital Outlay	0	0	0	0	87,413	0	0	87,413
Debt Service								
Principal Retirement	0	90,000	50,000	0	0	0	0	140,000
Interest	0	31,505	3,138	0	0	0	0	34,643
Grants / Loan Advances	0	0	0	0	0	0	0	0
Total Expenditures	\$ 0	\$ 121,515	\$ 53,138	\$ 0	\$ 91,926	\$ 2,854	\$ 33,576	\$ 303,009
Excess of Revenues Over	\$ 0	\$ (121,515)	\$ (53,138)	\$ 2	\$ (60,050)	\$ 5,112	\$ (32,955)	\$ (262,544)

OTHER FINANCING SOURCES (USES)

Proceeds from Long-Term Debt	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Proceeds from Sale of Fixed Assets	0	0	0	0	0	0	0	0
Operating Transfers In	0	121,505	81,501	0	142	0	0	203,148
Operating Transfers Out	0	0	0	0	0	0	0	0
Total Other Financing	\$ 0	\$ 121,505	\$ 81,501	\$ 0	\$ 142	\$ 0	\$ 0	\$ 203,148

EXCESS OF REVENUES AND OTHER SOURCES OVER

(UNDER) EXPENDITURE \$ 0 \$ (10) \$ 28,363 \$ 2 \$ (59,908) \$ 5,112 \$ (32,955) \$ (59,396)

FUND BALANCES - BEGINNING OF YEAR (19,117) 1,405 0 8,317 74,755 8,879 22,443 96,662

FUND BALANCES-END OF YEAR \$ (19,117) \$ 1,395 \$ 28,363 \$ 8,319 \$ 14,827 \$ 13,991 \$ (10,512) \$ 37,266

The accompanying notes are an integral part of the combined financial statements.

CITY OF PIKEVILLE, KENTUCKY

FUND BALANCE SHEET - COMBINING
OTHER PROPRIETARY FUNDS
June 30, 2011

	Sandy Valley	Utility Deposits	Total
ASSETS			
Cash	\$288,610	\$0	\$288,610
Certificates Of Deposit	131,668		131,668
Customer's Accounts Receivable	55,290	0	55,290
Prepaid Expenses	0	0	0
Due From Other Funds	0	0	0
Property, Plant and Equipment	2,105,910	0	2,105,910
Restricted Assets:			
Cash	295,867	115,898	411,765
Certificates of Deposit	51,474	0	51,474
Other Receivables	0	0	0
TOTAL ASSETS	<u>\$2,928,819</u>	<u>\$115,898</u>	<u>\$3,044,717</u>
 LIABILITIES AND NET ASSETS			
LIABILITIES			
Accounts Payable	\$89	\$0	\$89
Accrued Expenses	28,947	0	28,947
Due To Other Funds	0	0	0
Current Portion of Long-Term Debt	12,768	0	12,768
Customer's Deposits	0	53,849	53,849
Notes Payable	0	0	0
Bonds Payable (Net of Discount)	1,641,089	0	1,641,089
Restricted Liabilities:			
Matured Bonds Payable	0	0	0
Matured Coupons Payable	0	0	0
Total Liabilities	<u>\$1,682,893</u>	<u>\$53,849</u>	<u>\$1,736,742</u>
 NET ASSETS			
Invested in capital Assets, net of related debt	\$453,238	\$0	\$453,238
Reserve for Depreciation	50,200	0	50,200
Sinking Fund Reserve	0	0	0
Reserve for Operation and Maintenance	0	0	0
Reserve for Revenue Bond Retirement, et al	0	0	0
Unreserved	742,488	62,049	804,537
Total Net Assets	<u>\$1,245,926</u>	<u>\$62,049</u>	<u>\$1,307,975</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$2,928,819</u>	<u>\$115,898</u>	<u>\$3,044,717</u>

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

CITY OF PIKEVILLE, KENTUCKY

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS - COMBINING
OTHER PROPRIETARY FUNDS
For The Fiscal Year Ended June 30, 2011

	Sandy Valley	Utility Deposits	TOTAL
OPERATING REVENUES	\$652,571	\$0	\$652,571
OPERATING EXPENSES			
Personnel Costs	\$45,023	\$0	\$45,023
Gas Purchased	0	0	0
Contractual Services	54,534	0	54,534
Dumping Fees	0	0	0
Repairs and Maintenance	23,606	0	23,606
Operational	287,025	6,291	293,316
Bad Debts	2,109	0	2,109
Depreciation	38,515	0	38,515
Total Operating Expenses	\$450,812	\$6,291	\$457,103
Operating Income (Loss)	\$201,759	(\$6,291)	\$195,468
NONOPERATING INCOME (EXPENSES)			
Royalties	\$0	\$0	\$0
Interest Income	10,574	1,968	12,542
Interest Expense	(71,247)	0	(71,247)
Premium (Discount) on Debt Restructuring	0	0	0
Gain (Loss) on Disposition of Fixed Assets	0	0	0
Grant	326,791	0	326,791
Total Nonoperating Income (Expense)	\$266,118	\$1,968	\$268,086
NET INCOME (LOSS)(Before Transfers)	\$467,877	(\$4,323)	\$463,554
			0
TRANSFERS			
Operating Transfers In	1,394,639	\$0	\$1,394,639
Operating Transfers (Out)	(1,245,291)	0	(1,245,291)
Total Transfers	\$149,348	\$0	\$149,348
NET INCOME (LOSS)	\$617,225	(\$4,323)	\$612,902
NET ASSETS - BEGINNING OF YEAR	\$628,701	\$66,372	\$695,073
Prior Period Adjustment	0	0	0
NET ASSETS - END OF YEAR	\$1,245,926	\$62,049	\$1,307,975

The accompanying notes are an integral part of the combined financial statements.

CITY OF PIKEVILLE, KENTUCKY

STATEMENT OF CASH FLOWS - COMBINING
OTHER PROPRIETARY FUNDS
June 30, 2011

	Sandy Valley	Utility Deposits	TOTAL
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash Received from Customers	\$641,850	\$0	\$641,850
Cash Received from Other Operating Revenues	8,950	0	8,950
0	(45,023)	0	(45,023)
Cash Payments for Personnel Costs	(54,534)	0	(54,534)
Cash Payments for Gas Purchases	0	0	0
Cash Payments for Contractual Services	(23,606)	(1,900)	(25,506)
Cash Payments for Other Operating Expenses	(290,256)	0	(290,256)
Net Cash Provided by Operating Activities	\$237,381	(\$1,900)	\$235,481
Cash Flows from Non-Capital Financing Activities			
Proceeds from Asset Dispositions	\$0	\$0	\$0
Operating Transfers In	1,394,639	0	1,394,639
Operating Transfers (Out)	(1,245,291)	0	(1,245,291)
Increase in Restricted Other Receivables	0	0	0
	326,791	0	326,791
	0	0	0
Other	0	0	0
Net Cash Flows from Non-Capital Financing Activities	\$476,139	\$0	\$476,139
Cash Flows from Capital Financing Activities			
Interest Expense	(\$42,300)	\$0	(\$42,300)
Purchase of Fixed Assets	(1,397,010)	0	(1,397,010)
0	0	0	0
Maturing Coupons & Bonds	0	0	0
Retirement of Principal	906,359	0	906,359
Net Cash Flows from Capital Financing Activities	(\$532,951)	\$0	(\$532,951)
Cash Flows from Investing Activities			
Proceeds From Long-Term Debt	\$0	\$0	\$0
Discount on Sale of Bonds	0	0	0
Royalties	0	0	0
Interest Income	10,574	1,968	12,542
Net Cash Flows from Investing Activities	\$10,574	\$1,968	\$12,542
Net Increase (Decrease) in Cash and Cash Equivalents	\$191,143	\$68	\$191,211
Cash and Cash Equivalents at Beginning of Year	576,476	115,830	\$692,306
Cash and Cash Equivalents at End of Year	\$767,619	\$115,898	\$883,517
RECONCILIATION OF INCOME (LOSS) FROM OPERATING ACTIVITIES TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES			
Income (Loss) from Operations	\$201,759	(\$6,291)	\$195,468
Adjustments to Reconcile Income From Operations to Net Cash Provided by Operating Activities:			
Depreciation and Amortization	38,515	0	38,515
(Increase) Decrease in Customer Accounts Receivable	(1,771)	0	(1,771)
(Increase) Decrease in Prepaid Expenses	0	0	0
(Increase) Decrease in Due From Other Funds	0	0	0
Increase (Decrease) in Accounts Payable	(1,122)	0	(1,122)
Increase (Decrease) in Accrued Expenses	0	0	0
Increase (Decrease) in Due To Other Funds	0	0	0
Increase (Decrease) in Customer Deposits	0	4,391	4,391
Net Cash Provided by Operating Activities	\$237,381	(\$1,900)	\$235,481
Noncash Investing, Capital, and Financing Activities:			
Amortization of Bond Discount	\$0	\$0	\$0
Total Noncash Investing, Capital, and Financing Activities:	\$0	\$0	\$0

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