CITY OF PIKEVILLE, KENTUCKY

FINANCIAL STATEMENTS
For the year ended June 30, 2012

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

CITY OF PIKEVILLE, KENTUCKY
COMBINED FINANCIAL STATEMENTS

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June 30, 2012

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CITY OF PIKEVILLE, KENTUCKY

MUNICIPAL OFFICIALS
JUNE 30, 2012

	Office	Name	Term	
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		

Wallen, Puckett, & Anderson, PSC
CERTIFIED PUBLIC ACCOUNTANTS

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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, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of City of Pikeville, Kentucky, as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of 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, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Pikeville, Kentucky, as of June 30, 2012, 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 December 7, 2012, 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 4 through 11 and 52 through 68 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, PSC

Certified Public Accountants

Pikeville, Kentucky

December 7, 2012

Management's Discussion and Analysis Financial Report

City of Pikeville
June 30, 2012

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, 2012. 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 $22,961,565 and net assets of governmental activities were $56,519,795.

- The current year's expense total was $14,285,877 as compared to the $14,650,847 generated in fees and charges, grants, general revenues, and taxes for governmental programs (before extraordinary items). In the previous year, expenses were $13,633,584 as compared to the $15,824,652 generated in tax and other revenues for governmental programs (before extraordinary items).

- For business-type activities, city revenues were $8,131,413. Expenses were $7,444,331. In the previous year, city revenues were $7,864,199. Expenses were $8,088,951.

- The annual cost of all city programs was $21,730,208. The previous year's cost was $21,722,535.

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.

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.

TABLE 1
NET ASSETS

	Governmental Activities		Business-type Activities		Total Primary Government	
	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year
Assets:	13,805,541	10,614,700	6,083,520	6,760,981	19,889,061	17,375,681
Capital Assets:	47,485,638	47,704,601	24,999,921	23,881,942	72,485,559	71,586,543
Total Assets	61,291,179	58,319,301	31,083,441	30,642,923	92,374,620	88,962,224
Long-term liabilities:	4,146,449	1,510,000	7,438,746	9,696,696	11,585,195	11,206,696
Other liabilities:	624,935	654,476	653,130	934,763	1,278,065	1,589,239
Total Liabilities	4,771,384	2,164,476	8,091,876	10,631,459	12,863,260	12,795,935
Net Assets:						
Invested in Capital Assets, net of related debt:	43,009,189	45,985,570	17,136,128	13,666,622	60,145,317	59,652,192
Restricted:	0	0	65,120	2,154,584	65,120	2,154,584
Unrestricted (deficit):	13,510,606	10,169,255	5,790,317	4,190,258	19,300,923	14,359,513
Total Net Assets	56,519,795	56,154,825	22,991,565	20,011,464	79,511,360	76,166,289

CITY AS A WHOLE

The city's combined net assets from the previous year were $76,166,289 as compared to $79,511,360 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 $56,519,795 this year as compared to $56,154,825 last year. Unrestricted net assets were $10,169,482 last year as compared to $13,510,606 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 $22,991,565 this year as compared to $20,011,464 last year.

City revenues (excluding extraordinary items) for the current year were $25,075,280 as compared to $24,935,379 in the previous year. The total yearly cost of all programs and services was $21,730,208 as compared to $21,722,535 in the previous year.

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	195,790	67,693	8,131,413	7,864,199	8,327,203	7,931,892
Restricted Operating Grants	1,437,177	1,771,530			1,437,177	1,771,530
Restricted Capital Grants	990,790	1,601,923	1,431,487	2,170,308	2,422,277	3,772,231
Restricted Other						
General Revenue						
Property Taxes	972,185	969,540			972,185	969,540
Other Taxes	10,708,934	8,471,310			10,708,934	8,471,310
Interest & Investment Income	87,992	166,942	43,314	87,288	131,306	254,230
Other General Revenues	1,073,350	1,761,431	2,848	3,215	1,076,198	1,764,646
Total Revenues	15,466,218	14,810,369	9,609,062	10,125,010	25,075,280	24,935,379
Program Expenses						
General Government	2,858,983	2,616,266			2,858,983	2,616,266
Public Safety	5,192,792	5,191,340			5,192,792	5,191,340
Public Works						
Culture & Recreation	913,023	1,379,802			913,023	1,379,802
Community Development						
Education						
Interest on Long-TermDebt	56,127	35,416			56,127	35,416
Business Activities						
Water &/or Sewer			3,847,046	4,246,804	3,847,046	4,246,804
Other Utilities			3,597,284	3,842,147	3,597,284	3,842,147
Parking Facilities	74,412	68,520			74,412	68,520
Other Expenses	5,190,541	4,342,240			5,190,541	4,342,240
Total Expenses	14,285,878	13,633,584	7,444,330	8,088,951	21,730,208	21,722,535
Excess (deficiency) Before Extraordinary Items & Transfers:	1,180,340	1,176,785	2,164,732	2,036,059	3,345,072	3,212,844
Extraordinary Items & Transfers	(815,370)	1,014,283	815,370	(1,014,283)	0	0
Increase (Decrease) in Net Assets	364,970	2,191,068	2,980,102	1,021,776	3,345,072	3,212,844

GOVERNMENTAL ACTIVITIES

This year's governmental activities revenues were $15,466,218 as compared to $14,810,369 last year. The year's governmental activities cost was $14,285,878 as compared to $13,633,584 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 of Services		Net Cost of Services	
	Current Year	Previous Year	Current Year	Previous Year
Police Department	2,025,311	1,954,197	2,025,311	1,954,197
Fire Department	2,433,732	2,270,373	2,433,732	2,270,373
Public Works				
Education				
Parks and Recreation	686,563	1,218,311	686,563	1,218,311
All others	9,140,271	8,190,703	9,140,271	8,190,703
Totals	14,285,877	13,633,584	14,285,877	13,633,584

BUSINESS-TYPE ACTIVITIES

This year's Business-type activities revenues (see Table 2) were $14,810,369 as compared to $10,125,010 last year. This year's expenses were $13,633,584 as compared to $8,088,951 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 $79,511,360 as compared to $76,166,289 in the previous year.

CAPITAL ASSETS

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

	Governmental Activities		Business-type Activities		Totals	
	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year
Land	13,503,916	12,856,110	138,000	138,000	13,641,916	12,994,110
Buildings and Improvements	15,003,670	15,570,200			15,003,670	15,570,200
Equipment	1,855,899	1,817,725	851,995	793,666	2,707,894	2,611,391
Infrastructure	16,618,127	11,261,873	23,434,927	17,316,483	40,053,054	28,578,356
Other	504,026	6,198,695	574,999	5,633,797	1,079,025	11,832,492
Totals	47,485,638	47,704,603	24,999,921	23,881,946	72,485,559	71,586,549

At the close of the year, the city had invested $72,485,559 in capital assets such as land, buildings and improvements, equipment or infrastructure (see Table 4). $71,586,549 was invested in similar assets last year.

The current year's chief capital asset additions included:

- Construction of Marion Branch water and sewer.
- Purchase of ambulances, trucks for the sanitation fund and various other vehicles.
- Infrastructure for Sandy Valley water fund and Mossy Bottom sewer fund.

Table 5
Outstanding Debt at Year-End

	Governmental Activities		Business-type Activities		Totals	
	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year
General obligation bonds (backed by the city)	4,492,529	1,710,000	2,575,000		7,067,529	1,710,000
Revenue bonds and notes (backed by specific tax and fee revenues)			5,290,590	10,215,320	5,290,590	10,215,320
Other bonds or outstanding obligations		9,031			0	9,031
Totals	4,492,529	1,719,031	7,865,590	10,215,320	12,358,119	11,934,351

DEBT MANAGEMENT

At the close of the year, the city had $12,358,119 in outstanding bonds and notes as compared to $11,934,351 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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CITY OF PIKEVILLE, KENTUCKY

STATEMENT OF NET ASSETS
June 30, 2012

	Governmental Activities	Business Type	Total	Component Unit
ASSETS				
Cash	$ 10,925,827	$ 1,924,538	$ 12,850,365	$ 138,958
Certificates of Deposit and Savings	2,314,164	2,579,911	4,894,075	0
Receivables (Net of Allowance for Uncollectibles)				
Taxes	26,786	0	26,786	0
Accounts	78,552	987,601	1,066,153	93,495
Other	0	0	0	50,571
Due From Other Funds	0	0	0	0
Inventories	0	0	0	54,542
Prepaid Expenses	386,487	78,350	464,837	17,853
Restricted Assets				
Cash	0	329,309	329,309	0
Certificates of Deposit	0	95,430	95,430	0
Other Receivables	0	0	0	0
Bond Issuance Costs	73,725	88,381	162,106	0
Capital Assets, Net				
Land	13,503,916	0	13,503,916	0
Other Capital Assets, Net	33,981,722	24,999,921	58,981,643	0
TOTAL ASSETS	$ 61,291,179	$ 31,083,441	$ 92,374,620	$ 355,419
LIABILITIES AND NET ASSETS				
LIABILITIES				
Accounts Payable	$ 271,261	$ 116,715	$ 387,976	$ 302,491
Accrued Expenses	0	55,287	55,287	107,038
Current Portion of Long-Term Debt	330,000	425,047	755,047	0
Customer's Deposit	0	56,081	56,081	0
Due To Other Funds	0	0	0	0
Deferred Revenue	23,674	0	23,674	163,821
Payable from Restricted Assets				
Matured Coupons Payable	0	0	0	0
Matured Bonds Payable	0	0	0	0
General Obligation Bonds Payable	4,146,449	0	4,146,449	0
Revenue Bonds Payable	0	6,914,898	6,914,898	0
Notes Payable	0	523,848	523,848	0
TOTAL LIABILITIES	$ 4,771,384	$ 8,091,876	$ 12,863,260	$ 573,350
NET ASSETS				
Investment in Capital Assets, Net of Related Debt	43,009,189	17,136,128	60,145,317	0
Restricted For:				
Reserve for Depreciation	0	0	0	0
Sinking Fund Reserve	0	65,120	65,120	0
Reserve For Operation and Maintenance	0	0	0	0
Reserved for Revenue Bond Retirement	0	0	0	0
Debt Service	0	0	0	0
Unrestricted	13,510,606	5,790,317	19,300,923	(217,931)
TOTAL NET ASSETS	$ 56,519,795	$ 22,991,565	$ 79,511,360	$ (217,931)

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

CITY OF PIKEVILLE, KENTUCKY

STATEMENT OF ACTIVITIES
June 30, 2012

Functions	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets: Governmental Activities	Net (Expense) Revenue and Changes in Net Assets: Business - Type Activities	Net (Expense) Revenue and Changes in Net Assets: Total	Component Unit
Primary Government								
Governmental Activities								
General Government	$ 2,858,983	$ 0	$ 0	$ 0	$ (2,858,983)		$ (2,858,983)	
Public Safety	5,192,792	0	0	0	(5,192,792)		(5,192,792)	
Streets	2,834,737	0	0	0	(2,834,737)		(2,834,737)	
Parking Garage	74,412	0	0	0	(74,412)		(74,412)	
Recreation	913,023	0	0	0	(913,023)		(913,023)	
Lake Cleanup	62,389	0	0	0	(62,389)		(62,389)	
Landscape	99,918	0	0	0	(99,918)		(99,918)	
Grants / Loan Advances	1,899,825	0	0	0	(1,899,825)		(1,899,825)	
Other	349,798	0	0	0	(349,798)		(349,798)	
Total Governmental Funds	$ 14,285,877	$ 0	$ 0	$ 0	$ (14,285,877)		$ (14,285,877)	
Business-Type Activities								
Water	$ 2,601,109	$ 2,916,260	$ 0	$ 0		$ 315,151	$ 315,151	
Sewer	1,245,937	1,188,248	0	0		(57,689)	(57,689)	
Gas	1,481,134	1,452,741	0	0		(28,393)	(28,393)	
Sanitation	1,145,288	1,292,712	0	0		147,424	147,424	
Mossy Bottom Sewer	486,671	640,725	0	0		154,054	154,054	
Other	484,192	640,727	0	0		156,535	156,535	
Total Business-type Activities	$ 7,444,331	$ 8,131,413	$ 0	$ 0		$ 687,082	$ 687,082	
Total Primary Government	$ 21,730,208	$ 8,131,413	$ 0	$ 0				
Component Unit								
SMG Food and Beverage, LLC	$ 3,247,623	$ 2,536,224	$ 0	$ 0				(711,399)
General Revenues- - Detailed:								
Ad Valorem Taxes					$ 972,185		$ 972,185	$
Franchise Taxes					550,633		550,633	
Occupational License Fees					8,134,212		8,134,212	
Other Taxes					2,024,089		2,024,089	
Permits and Fees					195,790		195,790	
Intergovernmental Revenue					1,766,665	1,431,487	3,198,152	
Other Grants					661,302		661,302	812,479
Interest Income					87,992	43,314	131,306	654
Other					1,072,889		1,072,889	
Royalties					0	2,848	2,848	
Gain on disposal of assets					461	0	461	
Transfers					(815,371)	815,371	0	
Total General Revenues, Contributions, Special Items, and Transfers					$ 14,650,847	$ 2,293,020	$ 16,943,867	$ 813,133
Change in Net Assets					$ 364,970	$ 2,980,102	$ 3,345,072	$ 101,734
Net Assets - Beginning					56,154,825	20,011,463	76,166,288	(319,665)
Net Assets - Ending					$ 56,519,795	$ 22,991,565	$ 79,511,360	$ (217,931)

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

CITY OF PIKEVILLE, KENTUCKY

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2012

	General	Coal Severance	Projects Control	Other Government Funds	Total
ASSETS					
Cash and Investments					
Cash	$ 5,802,042	$ 668,292	$ 4,205,503	$ 249,990	$ 10,925,827
Certificates of Deposit and Savings	1,377,334	936,830	0	0	2,314,164
Receivables (Net of Allowance for Uncollectibles)					
Taxes	26,786	0	0	0	26,786
Miscellaneous	78,552	0	0	0	78,552
Due From Other Funds	0	0	0	0	0
Prepaid Expenses	386,487	0	0	0	386,487
TOTAL ASSETS	$ 7,671,201	$ 1,605,122	$ 4,205,503	$ 249,990	$ 13,731,816
LIABILITIES AND FUND EQUITY					
LIABILITIES					
Accounts Payable	$ 230,689	$ 12	$ 28,408	$ 12,152	$ 271,261
Accrued Expenses	0	0	0	0	0
Customer's Deposit	0	0	0	0	0
Due From Other Funds	0	0	0	0	0
Deferred Revenue	23,674	0	0	0	23,674
Payable from Restricted Assets					
Matured Coupons Payable	0	0	0	0	0
Matured Bonds Payable	0	0	0	0	0
TOTAL LIABILITIES	$ 254,363	$ 12	$ 28,408	$ 12,152	$ 294,935
FUND BALANCES					
Nonspendable	$ 0	$ 0	$ 0	$ 0	$ 0
Restricted for:					
Debt Service	0	0	0	156,641	156,641
Committed	0	0	0	0	0
Assigned To:					
Capital Projects	0	0	4,177,095	0	4,177,095
Other Purposes	0	0	0	90,503	90,503
Unrestricted	7,416,838	1,605,110	0	(9,306)	9,012,642
TOTAL FUND BALANCES	$ 7,416,838	$ 1,605,110	$ 4,177,095	$ 237,838	$ 13,436,881
TOTAL LIABILITIES AND FUND BALANCES	$ 7,671,201	$ 1,605,122	$ 4,205,503	$ 249,990	$ 13,731,816

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, 2012

TOTAL FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	$	13,436,881
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.		47,485,638
Long-Term Liabilities, including bonds payable, are not due and payable in the the current period and therefore are not reported in the funds.		(4,402,724)
Total Net Assets - Governmental Activities	$	56,519,795

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, 2012

	General	Coal Severance	Projects Control	Other Funds	Totals
REVENUES					
Ad Valorem Taxes	$ 972,185	$ 0	$ 0	$ 0	972,185
Franchise Taxes	550,633	0	0	0	550,633
Occupational License Fees	8,134,212	0	0	0	8,134,212
Other Taxes	2,024,089	0	0	0	2,024,089
Permits and Fees	195,790	0	0	0	195,790
Intergovernmental Revenue	905,791	668,597	84,999	107,278	1,766,665
Other Grants	43,648	0	617,654	0	661,302
Interest Income	58,152	11,612	16,916	1,312	87,992
Other Revenue	993,914	0	59,676	19,299	1,072,889
Total Revenues	$ 13,878,414	$ 680,209	$ 779,245	$ 127,889	$ 15,465,757
EXPENDITURES					
CURRENT					
General Government	$ 2,877,429	$ 292	$ 291	$ 3,689	2,881,701
Public Safety	5,275,191	0	0	5,009	5,280,200
Streets	1,840,681	0	0	0	1,840,681
Parking Garage	74,412	0	0	0	74,412
Recreation	759,187	0	0	0	759,187
Lake Cleanup	62,389	0	0	0	62,389
Landscape	99,918	0	0	0	99,918
Eastern Kentucky Exposition Center	0	0	0	0	0
Other	329,148	0	0	21,280	350,428
Capital Outlay	0	281,080	506,004	49,512	836,596
Debt Service					
Principal Retirement	8,291	0	0	200,000	208,291
Interest	261	0	0	55,866	56,127
Grants / Loan Advances	943,484	43,500	0	912,843	1,899,827
Total Expenditures	$ 12,270,391	$ 324,872	$ 506,295	$ 1,248,199	$ 14,349,757
Excess of Revenues Over (Under) Expenditures	$ 1,608,023	$ 355,337	$ 272,950	$ (1,120,310)	$ 1,116,000
OTHER FINANCING SOURCES (USES)					
Proceeds from Long-Term Debt	$ 0	$ 0	$ 3,025,000	$ 0	3,025,000
Bond Issuance, Discount	0	0	(58,552)	0	(58,552)
Proceeds from Sale of Fixed Assets	461	0	0	0	461
Operating Transfers In	657,713	0	1,431,562	1,320,795	3,410,070
Operating Transfers Out	(1,299,795)	(29,550)	(2,896,095)	0	(4,225,440)
Total Other Financing Sources (Uses)	$ (641,621)	$ (29,550)	$ 1,501,915	$ 1,320,795	$ 2,151,539
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER (USES)	$ 966,402	$ 325,787	$ 1,774,865	$ 200,485	$ 3,267,539
FUND BALANCES - BEGINNING OF YEAR	6,450,436	1,279,323	2,402,230	37,353	10,169,342
FUND BALANCES-END OF YEAR	$ 7,416,838	$ 1,605,110	$ 4,177,095	$ 237,838	$ 13,436,881

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, 2012

Net change in fund balances - total governmental funds.	$ 3,267,539
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 depreciation expense.	1,927,447
The cost of capital assets is allocated over their useful lives and reported as depreciation expense.	(2,146,215)
Proceeds from Long-Term Debt	(3,025,000)
Bond Issuance, Discount	58,552
Bond Issuance Costs	73,725
The repayment of debt principal is an expenditure of government funds, but the repayment reduces long-term debt in the statement of net assets.	208,291
Other reconciling items	631
Change in net assets of governmental activities	$ 364,970

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

CITY OF PIKEVILLE, KENTUCKY

FUND BALANCE SHEET
PROPRIETARY FUNDS
June 30, 2012

	Water Fund	Sewer Fund	Gas Fund	Sanitation Fund	Mossy Bottom	Other Funds	Total
ASSETS							
Cash	$ 578,565	$ 112,331	$ 517,677	$ 189,491	$ 205,951	$ 320,523	$ 1,924,538
Certificates Of Deposit	649,051	0	1,258,370	326,131	63,682	282,677	2,579,911
Customer's Accounts Receivable	307,487	134,858	272,297	127,472	78,766	66,721	987,601
Prepaid Expenses	22,222	16,350	7,248	19,136	6,252	7,142	78,350
Due From Other Funds	0	0	0	0	0	0	0
Bond Issuance Cost	49,951	0	0	0	24,884	13,546	88,381
Property, Plant and Equipment	7,256,460	7,105,333	548,100	601,857	7,440,169	2,048,002	24,999,921
Restricted Assets:							
Cash	21,645	71,815	0	0	94,792	141,057	329,309
Certificates of Deposit	0	0	0	0	91,386	4,044	95,430
Other Receivables	0	0	0	0	0	0	0
TOTAL ASSETS	$ 8,885,381	$ 7,440,687	$ 2,603,692	$ 1,264,087	$ 8,005,882	$ 2,883,712	$ 31,083,441
LIABILITIES AND NET ASSETS							
LIABILITIES							
Accounts Payable	$ 36,617	$ 29,624	$ 7,340	$ 29,785	$ 11,254	$ 2,095	$ 116,715
Accrued Interest	14,578	0	0	0	29,227	11,482	55,287
Due To Other Funds	0	0	0	0	0	0	0
Current Portion of Long-Term Debt	299,500	0	0	0	109,547	16,000	425,047
Customer's Deposits	0	0	0	0	0	56,081	56,081
Notes Payable	0	0	0	0	523,848	0	523,848
Bonds Payable (Net of Discount)	2,499,031	0	0	0	3,108,768	1,307,099	6,914,898
Restricted Liabilities:							
Matured Bonds Payable	0	0	0	0	0	0	0
Matured Coupons Payable	0	0	0	0	0	0	0
Total Liabilities	$ 2,849,726	$ 29,624	$ 7,340	$ 29,785	$ 3,782,644	$ 1,392,757	$ 8,091,876
NET ASSETS							
Invested in capital Assets, net of related debt	$ 4,457,929	$ 7,105,333	$ 548,100	$ 601,857	$ 3,698,006	$ 724,903	$ 17,136,128
Reserve for Depreciation	0	0	0	0	0	0	0
Sinking Fund Reserve	0	0	0	0	57,560	7,560	65,120
Reserve for Operation and Maintenance	0	0	0	0	0	0	0
Reserve for Revenue Bond Retirement, et al	0	0	0	0	0	0	0
Unreserved	1,577,726	305,730	2,048,252	632,445	467,672	758,492	5,790,317
Total Net Assets	$ 6,035,655	$ 7,411,063	$ 2,596,352	$ 1,234,302	$ 4,223,238	$ 1,490,955	$ 22,991,565
TOTAL LIABILITIES AND NET ASSETS	$ 8,885,381	$ 7,440,687	$ 2,603,692	$ 1,264,087	$ 8,005,882	$ 2,883,712	$ 31,083,441

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, 2012

	Water	Sewer	Gas	Sanitation	Mossy Bottom	Other Proprietary Funds	TOTAL
OPERATING REVENUES	$ 2,916,260	$ 1,188,248	$ 1,452,741	$ 1,292,712	$ 640,725	$ 640,727	$ 8,131,413
OPERATING EXPENSES							
Personnel Costs	$ 35,792	$ 0	$ 38,098	$ 31,267	$ 32,676	$ 29,083	$ 166,916
Gas Purchased	0	0	903,980	0	0	0	903,980
Contractual Services	1,179,654	562,599	413,154	582,048	16,790	35,989	2,790,234
Dumping Fees	0	0	0	364,727	0	0	364,727
Operational	666,329	66,901	31,803	46,421	190,511	302,167	1,304,132
Repairs and Maintenance	99,120	246,482	13,969	22,170	65,029	26,612	473,382
Bad Debts	(910)	295	0	0	248	50	(317)
Depreciation	419,452	360,204	80,130	98,655	88,021	57,910	1,104,372
Total Operating Expenses	$ 2,399,437	$ 1,236,481	$ 1,481,134	$ 1,145,288	$ 393,275	$ 451,811	$ 7,107,426
Operating Income (Loss)	$ 516,823	$ (48,233)	$ (28,393)	$ 147,424	$ 247,450	$ 188,916	$ 1,023,987
NONOPERATING INCOME (EXPENSES)							
Royalties	$ 0	$ 0	$ 2,848	$ 0	$ 0	$ 0	$ 2,848
Interest Income	10,590	4,422	12,957	4,171	4,228	6,946	43,314
Interest Expense	(201,672)	(9,456)	0	0	(93,396)	(32,381)	(336,905)
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	331,740	0	0	1,099,747	0	1,431,487
Total Nonoperating Income (Expense)	$ (191,082)	$ 326,706	$ 15,805	$ 4,171	$ 1,010,579	$ (25,435)	$ 1,140,744
NET INCOME (LOSS)(Before Transfers)	$ 325,741	$ 278,473	$ (12,588)	$ 151,595	$ 1,258,029	$ 163,481	$ 2,164,731
TRANSFERS							
Operating Transfers In	$ 367,645	$ 525,563	$ 0	$ 0	$ 1,453,648	$ 368	$ 2,347,224
Operating Transfers (Out)	(3,705)	(414,035)	(3,500)	(3,500)	(1,126,244)	19,131	(1,531,853)
Total Transfers	$ 363,940	$ 111,528	$ (3,500)	$ (3,500)	$ 327,404	$ 19,499	$ 815,371
CHANGE IN NET ASSETS	$ 689,681	$ 390,001	$ (16,088)	$ 148,095	$ 1,585,433	$ 182,980	$ 2,980,102
NET ASSETS - BEGINNING OF YEAR	$ 5,345,974	$ 7,021,062	$ 2,612,440	$ 1,086,207	$ 2,637,805	$ 1,307,975	$ 20,011,463
Prior Period Adjustment	0	0	0	0	0	0	0
NET ASSETS - END OF YEAR	$ 6,035,655	$ 7,411,063	$ 2,596,352	$ 1,234,302	$ 4,223,238	$ 1,490,955	$ 22,991,565

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

CITY OF PIKEVILLE, KENTUCKY

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
June 30, 2012

	Water Fund	Sewer Fund	Gas Fund	Sanitation Fund	Mossy Bottom	Other Funds	TOTAL
CASH FLOWS FROM OPERATING ACTIVITIES							
Cash Received from Customers	$ 2,743,700	$ 1,106,218	$ 1,406,121	$ 1,259,100	$ 612,044	$ 623,820	$ 7,751,003
Cash Received from Other Operating Revenues	112,343	44,389	18,367	5,505	7,067	5,476	193,147
Miscellaneous Revenues	0	1,940	0	0	0	(29,083)	(27,143)
Cash Payments for Personnel Costs	(35,792)	0	(38,098)	(31,267)	(32,676)	(35,989)	(173,822)
Cash Payments for Gas Purchases	0	0	(903,980)	0	0	0	(903,980)
Cash Payments for Contractual Services	(1,179,654)	(562,599)	(413,154)	(582,048)	(16,790)	(26,709)	(2,780,954)
Cash Payments for Other Operating Expenses	(814,034)	(345,796)	(48,116)	(468,480)	(250,538)	(305,026)	(2,231,990)
Net Cash Provided by Operating Activities	$ 826,563	$ 244,152	$ 21,140	$ 182,810	$ 319,107	$ 232,489	$ 1,826,261
Cash Flows from Non-Capital Financing Activities							
Proceeds from Asset Dispositions	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
Operating Transfers In	367,645	525,563	0	0	1,453,648	368	2,347,224
Operating Transfers (Out)	(3,705)	(414,035)	(3,500)	(3,500)	(1,126,244)	19,131	(1,531,853)
Increase in Restricted Other Receivables	112,407	15,400	0	0	0	0	127,807
Grants	0	331,740	0	0	1,099,747	0	1,431,487
Increase in Amounts Due Other Funds	0	(90,000)	0	0	0	0	(90,000)
Other	0	0	0	0	0	0	0
Net Cash Flows from Non-Capital Financing Activities	$ 476,347	$ 368,668	$ (3,500)	$ (3,500)	$ 1,427,151	$ 19,499	$ 2,284,665
Cash Flows from Capital Financing Activities							
Interest Expense	(216,460)	(10,294)	0	0	(109,949)	(49,846)	(386,549)
Purchase of Fixed Assets	(23,072)	(522,048)	(18,602)	(186,267)	(1,472,366)	0	(2,222,355)
Bond Issuance Costs	(49,951)	0	0	0	0	0	(49,951)
Maturing Coupons & Bonds	0	0	(3,105)	0	0	0	(3,105)
Retirement of Principal	(2,528,398)	(642,415)	0	0	(965,561)	(735,357)	(4,871,731)
Net Cash Flows from Capital Financing Activities	$ (2,817,881)	$ (1,174,757)	$ (21,707)	$ (186,267)	$ (2,547,876)	$ (785,203)	$ (7,533,691)
Cash Flows from Investing Activities							
Proceeds From Long-Term Debt	$ 1,405,000	$ 0	$ 0	$ 0	$ 690,268	$ 404,599	$ 2,499,867
Discount on Sale of Bonds	0	0	0	0	0	0	0
Bond Issuance Costs					(24,884)		
Royalties	0	0	2,848	0	0	0	2,848
Interest Income	10,590	4,422	12,957	4,171	4,228	6,946	43,314
Net Cash Flows from Investing Activities	$ 1,415,590	$ 4,422	$ 15,805	$ 4,171	$ 669,612	$ 411,545	$ 2,546,029
Net Increase (Decrease) in Cash and Cash Equivalents	$ (99,381)	$ (557,515)	$ 11,738	$ (2,786)	$ (132,006)	$ (121,670)	$ (876,736)
Cash and Cash Equivalents at Beginning of Year	1,328,305	741,656	1,764,309	518,408	587,817	883,517	5,824,012
Cash and Cash Equivalents at End of Year	$ 1,228,924	$ 184,141	$ 1,776,047	$ 515,622	$ 455,811	$ 761,847	$ 4,947,276
RECONCILIATION OF INCOME (LOSS) FROM OPERATING ACTIVITIES TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES							
Income (Loss) from Operations	$ 516,823	$ (48,233)	$ (28,393)	$ 147,424	$ 247,450	$ 188,916	$ 1,023,987
Adjustments to Reconcile Income From Operations to Net Cash Provided by Operating Activities:							
Depreciation and Amortization	419,452	360,204	80,130	98,655	88,021	57,910	1,104,372
(Increase) Decrease in Customer Accounts Receivable	(61,127)	(35,406)	(22,722)	(28,107)	(21,366)	(11,431)	(180,159)
(Increase) Decrease in Prepaid Expenses	(22,218)	(16,350)	(5,531)	(19,136)	(6,252)	(7,142)	(76,629)
(Increase) Decrease in Due From Other Funds	0	0	0	(16,026)	0	0	(16,026)
Increase (Decrease) in Accounts Payable	(26,367)	(16,063)	(2,344)	0	11,254	2,004	(31,516)
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	2,232	2,232
Net Cash Provided by Operating Activities	$ 826,563	$ 244,152	$ 21,140	$ 182,810	$ 319,107	$ 232,489	$ 1,826,261
Noncash Investing, Capital, and Financing Activities:							
Amortization of Bond Discount	$ 2,603	$ 0	$ 0	$ 0	$ 0	$ 0	$ 2,603
Total Noncash Investing, Capital, and Financing Activities	$ 2,603	$ 0	$ 0	$ 0	$ 0	$ 0	$ 2,603

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

SMG FOOD AND BEVERAGE LLC
Agent for the City of Pikeville, Kentucky
and the Eastern Kentucky Exposition Center Corporation

Balance Sheet
June 30, 2012

ASSETS

Current Assets		
Cash on Hand and In Bank		$ 138,958
Accounts receivable - Trade		95,695
Allowance For Bad Debts		(2,200)
Accounts receivable - Other		50,571
Inventories		54,542
Prepaid Expenses		17,853
Total Current Assets		$ 355,419
Total Assets		$ 355,419

LIABILITIES AND NET ASSETS

Current Liabilities		
Accounts Payable		$ 301,031
Accounts Payable - Other		1,460
Accrued Wages		21,732
Accrued Expenses		12,311
Advance Outlet Sales		72,995
Advance Deposits		7,250
Deferred Income		156,571
Total Current Liabilities		$ 573,350
Members' Equity		
Contributed Capital - Eastern Kentucky Expos	2,470,861	
Contributed Capital - City of Pikeville, Kentuc	1,046,978	
Members' Equity	(3,735,770)	
Total Members' Equity		$ (217,931)
Total Liabilities and Members' Equity		$ 355,419

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

SMG FOOD AND BEVERAGE LLC

STATEMENT OF INCOME AND CHANGES IN MEMBERS' EQUITY
For the Year Ended June 30, 2012

REVENUES	
Rental	$ 263,020
Food and Beverage Concessions	387,254
Food and Beverage Catering	346,593
Novelty & Other Sales	389,508
Club Seating	15,146
Advertising and Sponsorship	238,715
Tickets	197,423
Miscellaneous Income	698,565
TOTAL REVENUE	$ 2,536,224
Cost of Good Sold	
Catering	$ 26,507
Production Materials	7,041
Food / Beverage / other - Concessions	102,512
Direct Labor - Concessions	43,260
Ohter Direct Costs - Concessions	64,968
Food / Beverage / other - Catering	137,296
Direct Labor - Catering	78,550
Ohter Direct Costs - Catering	7,632
Novelty and Costs of Other Sales	23,798
Direct Labor - Novelty	31,072
Promoter Share	288,156
Ticket Service Charge Expense	7,714
Other event costs	307,990
Total Cost of Goods Sold	$ 1,126,494
Gross Profit	$ 1,409,730
OPERATING EXPENSES	
Personnel Costs	$ 990,190
Contractual Service	74,328
Professional Services	9,200
Operational	232,879
Insurance	47,233
Advertising	6,181
Repairs and Maintenance	133,316
Supplies	81,744
Utilities	362,425
Management Fee	183,633
Total Operating Expenses	$ 2,121,129
Operating Income (Loss)	$ (711,399)
NONOPERATING REVENUES (EXPENSES)	
Interest Income	$ 654
Total Nonoperating Revenues (Expenses)	$ 654
NET INCOME (LOSS)	$ (710,745)
MEMBERS EQUITY	
Beginning	(319,665)
Contributions from the City of Pikeville	812,479
Ending	$ (217,931)

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

SMG FOOD AND BEVERAGE LLC

STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2012

Cash Flows from Operating Activities:		
Net Income		$ (711,399)
Adjustments to Reconcile Net Income to Net Cash Provided By Operating Activities:		
(Increase) Decrease in:		
Accounts receivable - Trade		(41,067)
Accounts receivable - Other		(39,351)
Inventory		1,521
Prepaid Expenses		(3,853)
Increase (Decrease) in:		
Accounts Payable		(24,066)
Accounts Payable - Other		(5,487)
Accrued Wages		3,030
Accrued Expenses		1,300
Advance Outlet Sales		14,455
Advance Deposits		0
Deferred Income		44,031
Net Cash Provided By Operating Activities		$ (760,886)
Cash Flows From Investing Activities		
Interest Income	$ 654	
Net Cash Flows From Investing Activities		654
Cash Flow From Financing Activities		0
Contributions from the City of Pikeville	$ 812,479	
Net Cash Used By Financing Activities		812,479
Net Increase In Cash		$ 52,247
Cash At Beginning of Year		86,711
Cash At End of Year		$ 138,958

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

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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.

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. Likewise, fund balances that are committed or assigned would be used first for their approved purposes and unassigned fund balances would be used as needed.

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

NOTE A-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)
4 - Fund Types and Major Funds
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.

5 – Component Units
In accordance with GASB Statements No. 14, *The Financial Reporting Entity* and No. 39, *Determining Whether Certain Organizations Are Component Units*, as amended, the City has included in its financial statements the departments the primary government along with its discretely presented Component Unit.

The Component Unit column in the government-wide financial statements includes the financial data of the City's discretely presented component unit. It is reported in a separate column to emphasize that they are legally separate from the City. The following Component Unit is included in the reporting entity because the primary government is financially accountable for and is able to impose its will on the organization.

The discretely presented component unit has a June 30 fiscal year end.

SMG Food and Beverage, LLC is a legally separate entity that operates the East Kentucky Exposition Center (Expo Center). It is shown as a discretely presented component unit because

a. City is under contract with the Eastern Kentucky Exposition Center Corporation Board to operate it,
b. City enacted a restaurant tax to support the Expo Center,
c. The Expo Center receives oversight from the City of Pikeville Commission.

The complete financials of the SMG Food and Beverage, LLC can be requested.

NOTE A-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

6 - 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

7 - 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.

NOTE A-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

8 - 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.

9 - Restricted Assets

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

10 - 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.

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

	2012	2011
A) Water-Sewer Fund		
Reserve for Sinking Fund 1988 Issue	$ 0	$ 836,155
Reserve for Depreciation 1988/1985 Issue	$ 0	$ 411,000
Total Reserves for Depreciation	$ 0	$ 411,000
B) Gas Fund		
Reserve for Sinking Fund 1976 Is	$ 0	$ 3,105
Total Reserves for Debt Service	$ 0	$ 3,105
C) Sewer Fund		
Reserve for Operations and Maintenance 1995 Sewer Extension	$ 0	$ 430,000
D) Sandy Valley		
Reserve for Depreciation 2007 Series	$ 0	$ 50,200
E) Mossy Bottom		
Reserve for Sinking Fund		
Taxable Series 2010S-1	$ 12,360	$ 7,560
Taxable Series 2010S-2	15,120	6,180
KIA Loan # A95-16	0	143,150
KIA Loan # A00-03	50,000	40,000
KIA Loan # 92-14	0	86,160
Total Reserve for Sinking Fund E	$ 77,480	$ 283,050

Reserve Funding:

	Required Reserves	Cash Designated For Debt Service	Over (Under) Funded
A) Water-Sewer Fund	0	63,340	63,340
B) Gas Fund	0	0	0
C) Sewer Fund	0	0	0
D) Sandy Valley	0	50,200	50,200
E) Mossy Bottom	77,480	172,900	95,420
	$ 77,480	$ 113,540	$ 113,540

NOTE A-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

11 - 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 2012 fiscal year was based, was $434,120,540 real and $79,921,245 tangible.

The tax rates assessed for the year ended June 30, 2012 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, 2012 were 99.100% 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, 2012 and 2011 are composed of the following:

Year of Levy	2012 Amount	2011 Amount
2011	$ 12,721	$ 0
2010	6,909	9,725
2009	5,717	6,799
2008	5,972	6,580
2007	5,527	5,826
2006	4,755	5,193
2005	5,763	5,998
2004	6,821	6,820
2003	5,902	6,773
2002	5,637	5,731
2001	3,375	4,137
2000	6,983	6,990
1999	5,889	5,896
1998	6,524	6,531
1997	8,762	8,769
1996	8,906	8,906
1995	0	10,496
	$ 106,163	$ 111,170
Less: Allowance for doubtful accounts	79,377	74,346
Net Property Taxes Receivable	$ 26,786	$ 36,824

NOTE A-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

12 - Receivables - Proprietary Funds

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

2012	Gas	Water	Sewer	Sanitation	Sandy Valley	Mossy Bottom	TOTAL
Total Accounts Receivable	$ 278,819	$ 263,671	$ 134,804	$ 88,612	$ 68,319	$ 80,652	$ 914,877
Less: Allowance for Doubtfull Accounts	6,522	6,167	3,153	2,073	1,598	1,886	21,399
Net Receivables	$ 272,297	$ 257,504	$ 131,651	$ 86,539	$ 66,721	$ 78,766	$ 893,478

2011	Gas	Water	Sewer	Sani-tation	Sandy Valley	Mossy Bottom	TOTAL
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	$ 249,575	$ 246,360	$ 99,454	$ 99,363	$ 55,290	$ 57,400	$ 807,442

13 - 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, 2012 and 2011, respectively was $104,485 and $127,460.

14 - 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.

15- 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.

16 – 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.

17. Long-term Debt and Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities. Bond premiums, discounts, and issuance costs are deferred and amortized over the life of the bonds using the outstanding interest method. Bonds payable are reported net of the applicable bond premium or discount. Issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums, discounts, and issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums and discounts on debt issuances are reported as other financing sources or other financing uses, respectively, and issuance costs are reported as debt service expenditures.

NOTE A-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

18 - Fund Balances

In the fund financial statements, governmental funds report the following classifications of fund balance:

- Nonspendable – includes amounts that cannot be spent because they are either not spendable in form or are legally or contractually required to be maintained intact.
- Restricted – includes amounts restricted by external sources (creditors, laws of other governments, etc.) or by constitutional provision or enabling legislation.
- Committed – includes amounts that can only be used for specific purposes. Committed fund balance is classified, rescinded or modified pursuant to ordinances passed by City Commission, City's highest level of decision making authority.
- Assigned – includes amounts that City intends to use for a specific purpose, but do not meet the definition of restricted or committed fund balance. Amounts may be assigned by the Finance Director under the authorization of the Mayor's Office.
- Unassigned – includes amounts that have not been assigned to other funds or restricted, committed or assigned to a specific purpose within the General Fund. City reports all amounts that meet the unrestricted General Fund Balance Policy described below as unassigned.

NOTE B – GENERAL OBLIGATION BONDS ISSUED (Refinancing)

1 – General Obligation Bonds, Series 2012B (Refinancing)

On May 30, 2012, the City of Pikeville, Kentucky issued general obligation bonds of $5,000 (par value) with interest rates varying from .900% to 4.00% to refinance term bonds with an interest rate of 4.75% and notes payable with interest rates of 4.50% and 4.125%. The term bonds mature on January 1, 2042. The general obligation bonds were issued at a discount and, after paying issuance costs of $49,951, the net proceeds were $1,170,000. The net proceeds from the issuance of the general obligation bonds were used to refinance Refunding Revenue Bonds, Series 1985. 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 $580,707, which resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of $440,501.

	Reduction of Debt Service Requirements	Economic Gain
1985 Series A Revenue Bonds (91-13)	$ 353,807	$ 311,976
USDA Rural Development (92-14)	180,405	99,142
Kentucky Infrastructure Authority (92-12)	46,495	29,383
	$ 580,707	$ 440,501

2 – General Obligation Bonds, Series 2012C (Refinancing)

On May 30, 2012, the City of Pikeville, Kentucky issued general obligation bonds of $5,000 (par value) with interest rates varying from 1.000% to 2.250% to refinance term bonds with an interest rate of 5.00%. The term bonds mature on January 1, 2023. The general obligation bonds were issued at a premium and, after paying issuance costs of $34,430, the net proceeds were $1,375,386. The net proceeds from the issuance of the general obligation bonds were used to refinance Refunding Revenue Bonds, Series 1985. 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 $543,510 (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 $465,778.

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE C - LONG-TERM DEBT
The following is a summary of bonds and notes payable of the City for the year ended June 30, 2012.

CHANGES IN LONG-TERM DEBT: DESCRIPTION	Beginning Balance	Additions	Reductions	Ending Balance
General Obligation Bonds	$ 1,710,000	$ 5,600,000	$ 200,000	$ 7,110,000
Less: Discount	0	(42,470)	(0)	(42,470)
Revenue Bonds	7,395,357	0	2,673,357	4,722,000
Less: Discount	(14,409)	0	(2,603)	(11,806)
N/P - KIA - C 92-04	60,000	0	60,000	0
N/P - KIA - A 94-20	582,415	0	582,415	0
N/P - USDA - Rural Development - 91-06	593,000	0	593,000	0
N/P - KIA Fund A95-16	187,819	0	187,819	0
N/P - KIA Fund A00-03	635,938	0	55,542	580,396
N/P - KIA Fund 92-12	147,700	0	147,700	0
N/P - USDA - Rural Development - 92-14	627,500	0	627,500	0
N/P - Citizens National Bank	9,031	0	9,031	0
Total	$ 11,934,351	$ 5,557,530	$ 5,133,761	$ 12,358,120

N/P = Note Payable CL = Capitalized Lease

NOTE C - LONG-TERM DEBT (Continued)

Bonds and Notes Payable as June 30, 2012 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 and is secured by system revenues. Payments in the amount of $10,230.00(2013), $110,230.00 (2013)and $8,680.00 (2014) and $113,860.00 (2014).	$	660,000
Community Trust Bank, Inc. $465,000 Series 2010N-2 - Taxable (Texasroad House) maturing though December 2015, with interest at 5.495%, with the balance of principal due December 1, 2015. This loan is unsecured. Payments due are $42,666.25 (2013); $41,730.00 (2013); $40,793.75 (2014) and $39,857.50 (2014).		454,750
Community Trust Bank, Inc. $535,000 Series 2010N-1 - Non Taxable (Texasroad House) maturing though December 2015, with interest at 7%, with the balance of principal due December 1, 2015. This loan is unsecured. Payments due are $34,109.49 (2013); $33,470.70 (2013); $32,831.91 (2014) and $31,554.32 (2014).		395,250
Bank of New York $3,025,000 Series 2012A (Jenny Wiley) maturing though April 1, 2032, with varing interest of 0.60% to 3.125% which is an effective rate of 2.9%, with the balance of principal due April 1, 2032. This loan is unsecured. Payments due are $35,140.10 (2013); $162,290.63 (2013); $32,900.63 (2014) and $162,900.63 (2014).		3,025,000
Bank of New York $1,170,000 Series 2012B (Refinancing) maturing though January 1, 2042, with varing interest of 0.90% to 4.00% with the balance of principal due January 1, 2042. This loan is unsecured. Payments due are $65,801.09 (2013); $17,542.50 (2013); $47,542.50 (2014) and $17,407.50 (2014).		1,170,000
Bank of New York $1,405,000 Series 2012C (Refinancing) maturing though January 1, 2023, with varing interest of 1.00% to 2.250% with the balance of principal due January 1, 2023. This loan is unsecured. Payments due are $149,718.72 (2013); $11,881.25 (2013); $136,881.25 (2014) and $11,256.25 (2014).		1,405,000
Total General Obligation Bonds	$	7,110,000
Less: Discounts		(42,470)
Net General Obligatin Bonds Payable	$	7,067,530

NOTE C - LONG-TERM DEBT (Continued)

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. This bond was paid off during the current fiscal year.	$	0
$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. This bond was paid off during 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 $17,688 and $152,687 due in 2013 and payments of $16,675 and $151,675 in 2014 respectively.		1,385,000
$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. This bond was paid off during the current fiscal year.		0
USDA Rural Development $1,500,000 Build America Bonds, Taxable Series 2010S-1 maturing through January 1, 2050, with interest at 2.25%. Payments of $16,875 and $40,875 in 2013 and payments of $16,875 and $41,105 in 2014.		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 $54,463. due in 2013 and payments of $22,593 and $53,094 in 2014.		1,837,000
Total Revenue Bonds	$	4,722,000
Less: Discounts		(11,806)
Net Revenue Bonds Payable	$	4,710,194
Total Bonds Payable	$	11,777,724

NOTE C - LONG-TERM DEBT (Continued)

KENTUCKY INFRASTRURE AUTHORITY 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% and is secured by system revenues. Monthly payments are in the amount of $2,764.79 with last payment due June 2, 2013. This debt was paid off during the current fiscal year.	0
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 and is secured by system revenues. Semi annual payments of $60,763.11 and $60,706.43 are due in 2012 and $60,649.39 and $60,592.02 are due in 2013. This debt was paid off during the current fiscal year.	0
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 and is secured by system revenues. Semi Annual Payments due are $13,342.50 (2012); $23,842.50 (2012); $13,106.25 (2013) and $23,606.25 (2013). This debt was paid off during the current fiscal year.	0
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 and is secured by system revenues. Payments due for 2012 and 2013 are $33,884.38 and $34,054.38, respectively. This debt was paid off during the current fiscal year.	0
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 and is secured by system revenues. This debt was paid off during the current fiscal year.	0
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, at an interest rate of 1.80%, with the last installment due in December 2021 and is secured by system revenues. Semi Annual Payments due are $33,950.62 (2013); $33,922.48 (2013); $33,894.07 (2014) and $33,865.41 (2014).	580,395
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 and is secured by system revenues. Payments due are $3,323.25 (2012); $6,423.25 (2012); $3,253.50 (2013) and $6,453.25 (2013). This debt was paid off during the	0
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. This debt was paid off during the current fiscal year.	0
Total	$ 12,358,119

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

The maturities of the Bonds Payable are as follows:

Principal Portion

	General Obligation	Revenue Bonds				TOTAL
		Water	Mossy Bottom	Gas	Sandy Valley	
2013	$ 330,000	$ 299,500	$ 53,000	$ 0	$ 16,000	$ 698,500
2014	335,000	290,500	43,700	0	10,800	680,000
2015	340,000	301,000	44,000	0	11,500	696,500
2016	790,000	307,000	45,100	0	10,900	1,153,000
2017	250,000	312,500	44,900	0	11,600	619,000
2018-2022	815,000	1,556,000	243,100	0	60,400	2,674,500
2023-2027	775,000	255,000	283,700	0	68,300	1,382,000
2028-2032	900,000	225,500	313,000	0	80,500	1,519,000
2033-2037	0	254,500	364,900	0	97,600	717,000
2038-2042	0	288,000	380,200	0	44,800	713,000
2043-2047	0	326,000	266,000	0	0	592,000
2048-2052	0	211,500	176,000	0	0	387,500
Total	$ 4,535,000	$ 4,627,000	$ 2,257,600	$ 0	$ 412,400	$ 11,832,000

Interest Portion

	General Obligation Bonds	Revenue Bonds				Total
		Water	Mossy Bottom Sewer	Gas	Sandy Valley	
2013	$ 139,867	$ 96,019	$ 54,551	$ 0	$ 7,200	$ 297,637
2014	128,838	102,300	68,295	0	12,140	311,573
2015	118,308	97,588	67,474	0	12,043	295,413
2016	91,547	92,663	66,630	0	11,939	262,779
2017	69,511	86,000	65,535	0	11,754	232,800
2018-2022	278,496	308,113	310,173	0	55,596	952,378
2023-2027	194,719	179,675	271,464	0	47,612	693,470
2028-2032	84,188	152,188	221,334	0	36,193	493,903
2033-2037	0	122,587	159,109	0	20,718	302,414
2038-2042	0	89,138	86,258	0	2,700	178,096
2043-2047	0	51,300	38,059	0	0	89,359
2048-2052	0	10,563	7,999	0	0	18,562
Total	$ 1,105,474	$ 1,388,134	$ 1,416,881	$ 0	$ 217,895	$ 4,128,384

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
2013	$ 0	$ 56,547	$ 56,547	$ 10,194	$ 66,741
2014	0	57,569	57,569	9,171	66,740
2015	0	58,610	58,610	8,130	66,740
2016	0	59,670	59,670	7,071	66,741
2017	0	60,749	60,749	5,992	66,741
2018-2022	0	287,251	287,251	13,081	300,332
2023-2027	0	0	0	0	0
Total	$ 0	$ 580,396	$ 580,396	$ 53,639	$ 634,035

NOTE D - LEASE COMMITMENTS

Eastern Kentucky Exposition Center Corporation - A 99 year lease of the Eastern Kentucky Exposition Center for $1 per year with the right to terminate the lease upon the City giving the EKECC a one year notice.

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.

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.

JUBILEE CHRISTIAN ASSEMBLY OF GOD, INC. - A twenty year lease of land to be used as a boat ramp and parking. Payments are in the amount of $1 and the agreement to seal the church's parking lot every two years for ten years.

The related future minimum lease payments are as follows:

2013	$ 5,629
2014	3,367
2015	737
2016	553
2017	415
	$ 10,701

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE E – CHANGES IN CAPITAL ASSETS
The following is a summary of changes in the Capital Assets as of June 30, 2012.

CHANGES IN FIXED ASSETS – GOVERNMENTAL ACTIVITIES

ASSETS

Description	Beginning Cost	Additions	Deletions	Ending Cost
Property, Plant, and Equipment	$ 22,929,512	$ 14,205	$ 0	$ 22,943,717
Land	12,856,110	647,806	0	13,503,916
Vehicles	4,110,142	445,112	22,064	4,533,190
Equipment	3,634,655	107,108	1,973	3,739,790
Infrastructure	36,376,345	6,407,885	0	42,784,230
Construction In Progress	6,198,695	0	5,694,669	504,026
TOTALS	$ 86,105,459	$ 7,622,116	$ 5,718,706	$ 88,008,869

ACCUMULATED DEPRECIATION

Description	Beginning Balance	Current Provisions	Deletions	Ending Balance
Property, Plant, and Equipment	$ 7,359,312	$ 580,735	$ 0	$ 7,940,047
Vehicles	3,190,631	294,447	22,064	3,463,014
Equipment	2,736,441	219,402	1,776	2,954,067
Infrastructure	25,114,472	1,051,631	0	26,166,103
TOTALS	$ 38,400,856	$ 2,146,215	$ 23,840	$ 40,523,231
NET ASSETS	$ 47,704,603			$ 47,485,638

Depreciation expense was charged to Governmental Activities

General Government	$ 538,013
Public Safety	274,266
Streets	1,180,101
Recreation and Parks	153,836
Total Depreciation Expense Governmental Activities	$ 2,146,216

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012

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, 2012.

CHANGES IN FIXED ASSETS - GAS FUND

ASSETS

Description	Beginning Cost	Additions	Deletions	Ending Cost
Plant and Distribution System	$ 2,319,612	$ 18,600	$ 0	$ 2,338,212
Equipment	240,958	0	0	240,958
Vehicles	82,804	0	0	82,804
TOTALS	$ 2,643,374	$ 18,600	$ 0	$ 2,661,974

ACCUMULATED DEPRECIATION

Description	Beginning Balance	Current Provisions	Deletions	Ending Balance
Plant and Distribution System	$ 1,766,450	$ 58,108	$ 0	$ 1,824,558
Equipment	187,518	18,994	0	206,512
Vehicles	79,776	3,028	0	82,804
TOTALS	$ 2,033,744	$ 80,130	$ 0	$ 2,113,874
NET ASSETS	$ 609,630			$ 548,100

CHANGES IN FIXED ASSETS - WATER

ASSETS

Description	Beginning Cost	Additions	Deletions	Ending Cost
Plant and Distribution System	$ 16,320,477	$ 18,459	$ 0	$ 16,338,936
Equipment	580,470	4,612	0	585,082
Vehicles	153,680	0	0	153,680
Construction in Process	0	0	0	0
TOTALS	$ 17,054,627	$ 23,071	$ 0	$ 17,077,698

ACCUMULATED DEPRECIATION

Description	Beginning Balance	Current Provisions	Deletions	Ending Balance
Plant and Distribution System	$ 8,748,369	$ 391,494	$ 0	$ 9,139,863
Equipment	518,516	19,095	0	537,611
Vehicles	134,901	8,863	0	143,764
TOTALS	$ 9,401,786	$ 419,452	$ 0	$ 9,821,238
NET ASSETS	$ 7,652,841			$ 7,256,460

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	$ 14,783,798	$ 25,500	$ 2,773	$ 14,806,525
Equipment	281,059	18,480	0	299,539
Vehicles	143,567	0	0	143,567
Construction In Progress	66,751	478,431	0	545,182
TOTALS	$ 15,275,175	$ 522,411	$ 2,773	$ 15,794,813

ACCUMULATED DEPRECIATION

Description	Beginning Balance	Current Provisions	Deletions	Ending Balance
Plant and Distribution System	$ 8,053,505	$ 313,712	$ 2,403	$ 8,364,814
Equipment	191,629	31,986	0	223,615
Vehicles	86,546	14,505	0	101,051
TOTALS	$ 8,331,680	$ 360,203	$ 2,403	$ 8,689,480
NET ASSETS	$ 6,943,495			$ 7,105,333

CHANGES IN FIXED ASSETS - SANITATION

ASSETS

Description	Beginning Cost	Additions	Deletions	Ending Cost
Property and Plant	$ 173,429	$ 0	$ 0	$ 173,429
Equipment	283,879	60,066	0	343,945
Vehicles	902,750	126,200	0	1,028,950
TOTALS	$ 1,360,058	$ 186,266	$ 0	$ 1,546,324

ACCUMULATED DEPRECIATION

Description	Beginning Balance	Current Provisions	Deletions	Ending Balance
Property and Plant	$ 51,058	$ 10,013	$ 0	$ 61,071
Equipment	195,930	27,692	0	223,622
Vehicles	598,824	60,950	0	659,774
TOTALS	$ 845,812	$ 98,655	$ 0	$ 944,467
NET ASSETS	$ 514,246			$ 601,857

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

CHANGES IN FIXED ASSETS – SANDY VALLEY

ASSETS

Description	Beginning	Additions	Deletions	Ending Cost
Distribution System	$ 760,027	$ 1,371,739	$ 0	$ 2,131,766
Equipment	60,745	0	0	60,745
Vehicles	36,825	0	0	36,825
Construction in progress	1,371,737	0	1,371,737	0
TOTALS	$ 2,229,334	$ 1,371,739	$ 1,371,737	$ 2,229,336

ACCUMULATED DEPRECIATION

Description	Beginning	Additions	Deletions	Ending
Distribution System	$ 76,430	$ 39,006	$ 0	$ 115,436
Equipment	38,402	11,539	0	49,941
Vehicles	8,592	7,365		15,957
TOTALS	$ 123,424	$ 57,910	$ 0	$ 181,334
NET ASSETS	$ 2,105,910			$ 2,048,002

CHANGES IN FIXED ASSETS – MOSSY BOTTOM

ASSETS

Description	Beginning	Additions	Deletions	Ending Cost
Distribution System	$ 1,959,087	$ 5,564,021	$ 0	$ 7,523,108
Equipment	51,017	73,837	0	124,854
Vehicles	36,825	0	0	36,825
Constructruction in progress	4,195,309	0	4,165,492	29,817
TOTALS	$ 6,242,238	$ 5,637,858	$ 4,165,492	$ 7,714,604

ACCUMULATED DEPRECIATION

Description	Beginning	Current	Deletions	Ending
Distribution System	$ 166,135	$ 67,172	$ 0	$ 233,307
Equipment	11,687	13,484	0	25,171
Vehicles	8,592	7,365	0	15,957
TOTALS	$ 186,414	$ 88,021	$ 0	$ 274,435
NET ASSETS	$ 6,055,824			$ 7,440,169

NET ASSETS PROPRIETARY FUNDS

FUND	Beginning Net Assets	Ending Net Assets
GAS	$ 609,630	$ 548,100
WATER	7,652,841	7,256,460
SEWER	6,943,495	7,105,333
SANITATION	514,246	601,857
SANDY VALLEY WATER	2,105,910	2,048,002
MOSSY BOTTOM	6,055,824	7,440,169
	$ 23,881,946	$ 24,999,921

NOTE G - COMMITMENTS AND CONTINGENCIES

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.

FEDERAL GRANT PROGRAMS - In the course of operations, the City receives grant funds from various federal and state government agencies to be used for designated purpose only. The grant programs are subject to audit by agents of the granting authorities, the purpose of which is to insure compliance with conditions surrounding the granting of funds. If a grantor's review indicates that the funds have not been used for the intended purpose, the grantor may request a refund of monies advanced or refuse to reimburse the City for its expenditures. In management's opinion, any liability for any refunds or reimbursements which may arise as a result of audits of grant funds would not have a material impact on the financial position of the City. Continuation of the City's grant programs is predicated upon the grantor's satisfaction that the funds provided are being spent as intended and the grantor's intent to continue their programs.

Construction Commitments - The City has active construction projects as of June 30, 2012 and have committed to other projects that will begin in fiscal year end June 30, 2013. The projects include improvements to government buildings, facilities, construction of theater, and other various ongoing projects.

NOTE H - REPORT RECLASSIFICATIONS

Certain previously reported amounts have been reclassified to conform to 2012 report classifications.

NOTE I - 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 J - 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 K - 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.

NOTE L - 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:

	Rate – Non-hazardous		Amount	
Year	Employee	Employer	Employee	Employer
2012	5.00%	16.93%	$79,976	$295,039
2011	5.00%	16.93%	$71,244	$236,313
2010	5.00%	16.16%	$56,512	$173,430

	Rate – Hazardous		Amount	
Year	Employee	Employer	Employee	Employer
2012	8.00%	33.25%	$139,945	$625,556
2011	8.00%	33.25%	$137,385	$570,565
2010	8.00%	32.97%	$138,394	$570,357

	Total Amount	
Year	Employee	Employer
2012	$219,921	$920,595
2011	$208,629	$806,878
2010	$194,906	$743,787

The City's payroll subject to retirement withholding for 2012, 2011 and 2010 was $3,507,985, $3,273,434 and $3,042,330 respectively.

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.

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 of 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.

NOTE L - 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 M – 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:

Year	457	401 (k)
2012	$19,377	$5,470
2011	$17,127	$4,865
2010	$16,197	$5,630

NOTE N - 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 O - DEPOSITS WITH FINANCIAL INSTITUTIONS

At June 30, 2012, the carrying amount of the City's deposits with financial institutions was $18,157,292 and the bank balance, per statements, was $18,981,585. The bank balance is categorized as follows:

Amount insured by the FDIC	$	512,047
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	$	15,714,046

Note P – CERTIFICATES OF DEPOSITS/SAVINGS ACCOUNTS

The City maintains various interest bearing accounts as listed below.

	Maturity	Interest Rate		Balance
Certificate of Deposits				
General	1 year	0.75%	$	7,168,441
General	1 year	0.40%		395,946
Coal Severance	1 year	0.75%		1,605,122
Water	1 year	0.75%		1,344,298
Sewer	1 year	0.75%		184,146
Gas	1 year	0.75%		1,776,048
Sanitation	1 year	0.75%		515,622
Sandy Valley	1 year	0.75%		603,199
Mossy Bottom	1 year	0.75%		269,633
Restricted				
General	1 year	0.75%		2,921,609
Projects Control	1 year	0.75%		1,342,313
Water	1 year	0.75%		48,749
Mossy Bottom	1 year	0.75%		124,151
			$	18,299,277

NOTE Q - 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, 2012 through September 30, 2012 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.

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).

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

Raul Urias, II – for playground area of the Pikeville Pond for the purpose of paddle boat rental and general store. A one year lease automatically renewed for two years unless canceled by either party upon giving thirty (30) day notice. Rent is $1 per year.

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE R – INTER FUND RECEIVABLES AND PAYABLES
There were no inter-fund balances at June 30, 2012,

NOTE S – INTER FUND TRANSFERS

From Fund	To Fund	Purpose	Amount
General	Football Field Debt Service	Debt Service	$ 123,610
General	Texas Road House	Debt Service	164,000
General	Texas Road House	Debt Service	95,000
Coal Severance	Water	Fixed Assets	11,070
Coal Severance	Sewer	Fixed Assets	18,480
Projects Control	General	Fixed Assets	657,713
Projects Control	Mossy Bottom Sewer	Fixed Assets	57,620
Projects Control	Mossy Bottom Sewer	Fixed Assets	1,169,540
Projects Control	Sewer	Fixed Assets	108,904
Projects Control	Sewer	Fixed Assets	386,975
Projects Control	Sewer	Fixed Assets	11,000
Projects Control	Water	Fixed Assets	306,306
Projects Control	Mossy Bottom Sewer	Fixed Assets	8,500
Projects Control	Mossy Bottom Sewer	Fixed Assets	188,171
Projects Control	Mossy Bottom Sewer	Fixed Assets	1,366
Gas	Cash Flow	Operating	3,500
Water	Cash Flow	Operating	3,500
Water	sewer	Operating	205
sanitation	Cash Flow	Operating	3,500
Sewer	Water	Operating	50,269
Sewer	Cash Flow	Operating	3,500
Sewer	Projects Control	Fixed Assets	59,395
Sewer	Projects Control	Fixed Assets	272,420
Sewer	Mossy Bottom Sewer	Operating	28,451
Sandy Valley Water	Cash Flow	Operating	3,500
Mossy Bottom Sewer	Projects Control	Fixed Assets	813,538
Mossy Bottom Sewer	Projects Control	Fixed Assets	286,209
Mossy Bottom Sewer	Cash Flow	Operating	3,500
			$ 4,839,742

NOTE T – 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 U – 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 – PLEDGED REVENUE COVERAGE

Fiscal Year	Gross Revenue	Revenue Bonds and Notes Payable: Debt Service Principal	Revenue Bonds and Notes Payable: Debt Service Interest	Coverage
2002	$ 4,620,257	$ 567,537	$ 407,874	4.74
2003	5,040,960	576,461	387,744	5.23
2004	5,391,881	616,787	381,534	5.40
2005	4,769,404	871,390	437,375	3.64
2006	5,612,167	584,498	331,730	6.13
2007	5,126,124	770,672	292,404	4.82
2008	6,063,199	553,948	314,241	6.98
2009	7,554,997	570,439	327,950	8.41
2010	7,446,899	1,394,763	301,648	4.39
2011	6,693,360	432,848	349,203	8.56
2012	7,115,680	2,291,527	361,955	2.68

CITY OF PIKEVILLE, KENTUCKY

INDIVIDUAL MAJOR FUND FINANCIAL STATEMENTS

For the year ended June 30, 2012

Wallen, Puckett, & Anderson, PSC
CERTIFIED PUBLIC ACCOUNTANTS

106 Fourth Street • Post Office Box 1349 • Pikeville, Kentucky 41502

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606-432-8833
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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, 2012 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

December 7, 2012

CITY OF PIKEVILLE, KENTUCKY

GENERAL FUND
STATEMENT OF REVENUES AND EXPENDITURES -
BUDGET (GAAP BASIS) AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2012

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	Variance Favorable (Unfavorable)
REVENUES				
Ad Valorem Taxes				
Property Taxes	$ 752,000	$ 765,525	$ 827,217	$ 61,692
Housing Authority Property Tax	23,000	23,000	0	(23,000)
Franchise Bank Deposit Tax	145,000	145,000	144,968	(32)
Franchise				
Franchise Tax	11,000	11,000	23,301	12,301
Franchise Fees	375,000	483,000	483,166	166
Franchise Cable	41,000	41,000	44,166	3,166
Occupational License Taxes & Fees				
Payroll Taxes - Individuals	6,200,000	7,067,000	7,132,044	65,044
Business Licenses	600,000	600,000	882,279	282,279
Penalties and Interest	55,000	55,000	119,889	64,889
Other Taxes				
ABC Licenses	165,000	177,700	177,707	7
Off Track Betting	0	0	0	0
Hotel/Motel Tax	183,000	183,000	183,562	562
Restaurant Tax	704,000	1,600,800	1,662,820	62,020
Permits and Fees				
Building Permits	15,000	15,000	36,562	21,562
Other Permits	5,000	5,000	12,966	7,966
Electrical Inspection Fees	90,000	90,000	146,262	56,262
Grants-Federal				
FEMA	0	211,413	127,434	(83,979)
Homeland Security	0	0	0	0
HIDTA	50,000	50,000	57,466	7,466
Grants - State				
EMS Grant	0	0	2,034	2,034
KLEFPF Police Incentive	86,000	86,000	87,497	1,497
Fire Incentive	106,000	106,000	109,750	3,750
Municipal Road Aid	80,000	137,025	148,690	11,665
Court Citations	7,000	7,000	7,924	924
Base Court Revenue	4,500	4,500	23,851	19,351
Mineral Tax	500	500	376	(124)
HB410	208,262	208,262	210,894	2,632
HB361	0	0	15,772	15,772
Pride Cleanup Grant	0	0	500	500
Other State Grants	0	0	113,603	113,603
Grants - Local				
Pike County Bd of Educ. / Locker Room	9,600	9,600	8,000	(1,600)
Pike County Bd of Educ. / Athletic Complex	56,940	56,940	53,740	(3,200)
Other Local	0	(19,500)	(18,092)	1,408
Interest Income				
Penalties & Interest - Property Taxes	10,000	10,000	11,347	1,347
Interest Income	36,000	36,000	46,805	10,805

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

CITY OF PIKEVILLE, KENTUCKY

GENERAL FUND
STATEMENT OF REVENUES AND EXPENDITURES -
BUDGET (GAAP BASIS) AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2012

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	Variance Favorable (Unfavorable)
Other Revenue				
911 Fees	43,000	43,000	48,747	5,747
Fire Employee Fund	2,500	2,500	1,800	(700)
Ambulance Fund	380,000	380,000	379,300	(700)
Parking Violations	34,000	34,000	57,755	23,755
Concession and Vending	10,000	26,767	29,132	2,365
Swim Team	0	0	3,250	3,250
PIKE COUNTY AIRPORT BOARD	0	25,000	25,000	0
Rent	75,353	75,353	106,437	31,084
Litter Abatement	6,500	0	5,102	5,102
Parking Garage	0	0	111,006	111,006
East Kentucky Exposition Center	0	0	0	0
Other Miscellaneous	85,410	130,102	226,385	96,283
TOTAL REVENUES	$ 10,655,565	$ 12,882,487	$ 13,878,414	$ 995,927
EXPENDITURES				
General Government				
Personnel Cost				
Salaries and Wages	$ 622,000	$ 778,500	$ 769,370	$ 9,130
Payroll Taxes	45,785	54,085	53,412	673
Insurance	100,000	106,000	103,402	2,598
Pensions	115,656	133,656	132,847	809
Insurance - Workers Comp	9,500	7,810	7,810	0
Rent	4,500	5,050	5,046	4
Supplies	41,000	50,600	45,073	5,527
Telephone	40,050	42,370	42,337	33
Power, Lights and Heat	33,000	46,500	33,903	12,597
Automotive - Fuel	7,000	8,500	7,206	1,294
Automotive - Repairs & Maintenance	3,500	9,500	9,305	195
Insurance	31,700	83,039	83,008	31
Advertising	95,000	198,414	178,156	20,258
Professional Services - Accounting	73,120	59,620	57,452	2,168
Professional Services - Legal	13,280	13,280	12,565	715
Professional Services - Engineering	70,000	70,659	64,794	5,865
Professional Services - Training	7,000	7,000	7,944	(944)
Professional Services - Other	35,000	18,000	18,159	(159)
Tax Commissioners Statutory Fee	27,000	28,021	28,020	1
Repairs and Maintenance	22,200	44,950	35,503	9,447
Travel	12,000	20,600	19,682	918
Postage and Freight	17,000	24,000	23,709	291
Dues and Subscriptions	12,800	12,800	12,711	89
Bank Service Charges	2,000	5,800	5,396	404
Refunds	76,100	42,250	41,653	597
Fixed Asset Purchased / Construction	119,500	727,783	725,751	2,032
Miscellaneous	93,850	398,241	341,023	57,218
Provision for Bad Debts	13,500	15,500	12,193	3,307
Total General Government	$ 1,743,041	$ 3,012,528	$ 2,877,430	$ 135,098

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

CITY OF PIKEVILLE, KENTUCKY

GENERAL FUND
STATEMENT OF REVENUES AND EXPENDITURES -
BUDGET (GAAP BASIS) AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2012

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	Variance Favorable (Unfavorable)
Public Safety				
Police Department				
Personnel Costs				
Salaries and Wages	$ 1,104,000	$ 1,074,000	$ 1,067,457	$ 6,543
Payroll Taxes	77,730	77,730	74,405	3,325
Insurance	240,000	215,000	206,772	8,228
Pensions	368,260	343,260	331,493	11,767
Insurance - Workers Comp	58,000	71,257	70,945	312
Rent	4,580	4,580	3,262	1,318
Supplies	15,500	18,300	16,196	2,104
Telephone	19,000	19,000	18,070	930
Power, Lights and Heat	16,000	16,000	11,641	4,359
Automotive - Fuel	75,000	80,000	78,534	1,466
Automotive - Repairs & Maintenance	40,000	40,000	37,727	2,273
Insurance	35,500	34,218	34,218	0
Advertising	500	500	108	392
Professional Services	12,000	15,100	15,030	70
Professional Services - Training	4,000	4,000	450	3,550
Uniforms	30,000	30,000	24,909	5,091
Repairs and Maintenance	22,450	20,229	5,843	14,386
Travel	10,000	10,000	3,784	6,216
Postage and Freight	1,100	1,670	1,662	8
Dues and Subscriptions	1,200	1,200	949	251
D. A. R. E. PROGRAM	4,000	4,000	3,767	233
Miscellaneous	3,600	7,600	7,016	584
Equipment	16,140	15,140	10,469	4,671
HIDTA Expense	500	700	604	96
Total Police Department	$ 2,159,060	$ 2,103,484	$ 2,025,311	$ 78,173
Community Oriented Policing Grant (COPS)				
Advertising	$ 0	$ 0	$ 0	$ 0
Insurance	0	0	0	0
Total Community Oriented Policing Grant (COPS)	$ 0	$ 0	$ 0	$ 0

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

CITY OF PIKEVILLE, KENTUCKY

GENERAL FUND
STATEMENT OF REVENUES AND EXPENDITURES -
BUDGET (GAAP BASIS) AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2012

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	Variance Favorable (Unfavorable)
Fire Department				
Personnel Costs				
Salaries and Wages	$ 1,340,000	$ 1,265,000	$ 1,247,735	$ 17,265
Payroll Taxes	95,420	94,920	88,040	6,880
Insurance	232,500	240,000	231,718	8,282
Pensions	479,184	389,184	378,308	10,876
Insurance - Workers Comp	80,000	69,225	69,225	0
Supplies	26,500	26,840	26,412	428
Telephone	11,000	12,950	12,890	60
Power, Lights and Heat	24,000	24,000	19,832	4,168
Automotive - Fuel	17,000	20,900	19,799	1,101
Automotive - Repairs & Maintenance	20,000	20,000	18,455	1,545
Insurance	23,400	21,400	17,010	4,390
Advertising	600	600	0	600
Professional Services	8,500	5,950	4,861	1,089
Professional Services - Training	211,262	221,815	221,656	159
Uniforms	33,000	33,000	28,190	4,810
Repairs and Maintenance	36,500	32,050	13,153	18,897
Travel	3,000	3,000	2,366	634
Postage and Freight	500	500	54	446
Dues and Subscriptions	250	250	195	55
VFD Allotment	5,500	5,500	4,671	829
Fire Prevention	2,500	2,510	2,508	2
Combat Challenge	0	16,000	14,233	1,767
Miscellaneous	5,500	7,000	2,195	4,805
Equipment	11,500	12,155	10,226	1,929
Total Fire Department	$ 2,667,616	$ 2,524,749	$ 2,433,732	$ 91,017
Ambulance Service				
Personnel Costs	$ 0	$ 0	$ 0	$ 0
Supplies	17,500	19,900	19,737	163
Telephone	2,000	2,000	1,953	47
Automotive - Fuel	15,000	15,000	14,031	969
Automotive - Repairs & Maintenance	15,000	7,100	6,584	516
Insurance	7,500	7,450	6,121	1,329
Professional Services	0	50	44	6
Professional Services - Training	43,000	45,828	44,284	1,544
Uniforms	2,500	2,500	1,188	1,312
Repairs and Maintenance	0	0	0	0
Travel	0	0	0	0
Postage and Freight	0	0	0	0
Dues and Subscriptions	300	300	150	150
Miscellaneous	0	0	0	0
Refunds	3,000	3,000	1,393	1,607
Equipment	144,000	154,650	154,536	114
Total Ambulance Service	$ 249,800	$ 257,778	$ 250,021	$ 7,757

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

CITY OF PIKEVILLE, KENTUCKY

GENERAL FUND
STATEMENT OF REVENUES AND EXPENDITURES -
BUDGET (GAAP BASIS) AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2012

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	Variance Favorable (Unfavorable)
Emergency Shelter				
Professional Services	$ 5,000	$ 5,000	$ 5,000	$ 0
Miscellaneous	0	0	0	0
Total Emergency Shelter	$ 5,000	$ 5,000	$ 5,000	$ 0
Codes				
Personnel Costs				
Salaries and Wages	$ 47,000	$ 48,100	$ 47,842	$ 258
Payroll Taxes	3,138	3,138	2,945	193
Insurance	18,000	16,000	12,893	3,107
Pensions	8,911	9,411	8,869	542
Insurance - Workers Comp	880	880	191	689
Supplies	600	745	677	68
Telephone	1,500	1,500	1,121	379
Automotive - Fuel	7,000	5,000	3,332	1,668
Automotive - Repairs & Maintenance	3,600	3,600	2,105	1,495
Insurance	1,885	685	0	685
Advertising	500	1,500	1,458	42
Professional Services - Electrical Ins.	90,000	90,000	86,882	3,118
Professional Services	700	700	383	317
Uniforms	350	350	208	142
Repairs and Maintenance	0	0	0	0
Travel	1,000	1,000	539	461
Dues and Subscriptions	800	800	733	67
Refund of Inspection Fees	1,220	1,220	0	1,220
Miscellaneous	500	500	0	500
Equipment	6,500	5,611	3,651	1,960
Total Codes	$ 194,084	$ 190,740	$ 173,829	$ 16,911
911				
Personnel Costs	$ 0	$ 0	$ 0	$ 0
Rent	0	0	0	0
Telephone	15,100	15,100	13,879	1,221
Insurance	660	1,472	1,472	0
Advertising	500	500	0	500
Professional Services	10,700	10,700	2,005	8,695
Repairs and Maintenance	1,000	6,000	3,249	2,751
Travel	0	0	0	0
Miscellaneous	0	0	0	0
Equipment	0	862	583	279
Total 911	$ 27,960	$ 34,634	$ 21,188	$ 13,446

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

CITY OF PIKEVILLE, KENTUCKY

GENERAL FUND
STATEMENT OF REVENUES AND EXPENDITURES -
BUDGET (GAAP BASIS) AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2012

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	Variance Favorable (Unfavorable)
Dispatch Service				
Personnel Costs				
Salaries and Wages	$ 237,500	$ 217,500	$ 215,246	$ 2,254
Payroll Taxes	17,695	19,695	15,794	3,901
Insurance	55,500	40,500	35,753	4,747
Pensions	45,030	45,030	40,086	4,944
Insurance - Workers Comp	2,750	659	659	0
Rent	0	0	0	0
Supplies	750	3,875	3,508	367
Telephone	3,800	4,000	3,963	37
Automotive - Fuel	4,000	4,000	1,948	2,052
Insurance	1,170	311	311	0
Advertising	350	350	0	350
Professional Services	5,900	6,050	4,433	1,617
Uniforms	4,700	5,200	4,161	1,039
Repairs and Maintenance	4,835	7,535	5,475	2,060
Travel	2,500	2,500	942	1,558
Dues and Subscriptions	3,000	3,000	2,758	242
Miscellaneous	100	100	12	88
Equipment	27,125	33,550	31,061	2,489
Total Dispatch Service	$ 416,705	$ 393,855	$ 366,110	$ 27,745
Total Public Safety	$ 5,720,225	$ 5,510,240	$ 5,275,191	$ 235,049
Streets Department				
Power, Lights and Heat	$ 399,000	$ 476,950	$ 419,677	$ 57,273
Automotive - Repairs & Maintenance	0	0	0	0
Insurance	13,100	29,377	29,377	0
Management Fees - PSG	658,506	658,506	658,506	0
Professional Services	0	90	80	10
Repairs and Maintenance	205,000	389,250	131,751	257,499
Miscellaneous	252,500	401,012	402,621	(1,609)
Street Construction	500	5,057	5,057	0
Equipment	78,000	193,720	193,612	108
Total Streets	$ 1,606,606	$ 2,153,962	$ 1,840,681	$ 313,281
Parking Garage				
Supplies	$ 500	$ 0	$ 0	$ 0
Telephone	2,500	2,500	2,341	159
Power, Lights and Heat	50,700	50,700	48,082	2,618
Insurance	6,400	6,400	6,387	13
Professional Services	0	0	0	0
Repairs and Maintenance	16,100	17,602	17,602	0
Equipment	0	0	0	0
Total Parking Garage	$ 76,200	$ 77,202	$ 74,412	$ 2,790

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

CITY OF PIKEVILLE, KENTUCKY

GENERAL FUND
STATEMENT OF REVENUES AND EXPENDITURES -
BUDGET (GAAP BASIS) AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2012

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	Variance Favorable (Unfavorable)
Recreation				
Parks Department				
Personnel Costs				
Salaries and Wages	$ 0	$ 36,500	$ 36,475	$ 25
Payroll Taxes	0	2,780	2,737	43
Insurance	0	100	66	34
Pensions	0	6,200	6,124	76
Insurance - Workers Comp	0	0	0	0
Rent	0	0	0	0
Supplies	2,500	151	150	1
Telephone	5,250	5,488	4,936	552
Power, Lights and Heat	98,000	90,500	88,184	2,316
Automotive - Fuel	0	950	876	74
Automotive - Repairs & Maintenance	0	650	643	7
Insurance	1,675	14,391	14,391	0
Advertising	0	2,000	1,870	130
Professional Services	297,970	297,970	297,439	531
Uniforms	0	150	150	0
Repairs and Maintenance	104,900	137,463	145,870	(8,407)
Travel	0	100	78	22
Animal Control	0	0	0	0
Miscellaneous	14,000	24,800	25,630	(830)
Equipment	30,095	59,119	60,944	(1,825)
Total Parks Department	$ 554,390	$ 679,312	$ 686,563	$ (7,251)
Pool Department				
Personnel Costs				
Salaries and Wages	$ 4,750	$ 4,750	$ 3,000	$ 1,750
Payroll Taxes	14	14	0	14
Insurance - Workers Comp	0	0	0	0
Supplies	8,000	8,000	0	8,000
Telephone	500	500	0	500
Power, Lights and Heat	15,000	6,000	1,286	4,714
Insurance	600	600	0	600
Advertising	0	0	0	0
Professional Services	0	0	167	(167)
Uniforms	0	0	0	0
Repairs and Maintenance	30,000	51,500	50,668	832
Refunds	0	0	0	0
Miscellaneous	0	167	0	167
Equipment	0	3,500	3,500	0
Total Pool Department	$ 58,864	$ 75,031	$ 58,621	$ 16,410

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

CITY OF PIKEVILLE, KENTUCKY

GENERAL FUND
STATEMENT OF REVENUES AND EXPENDITURES -
BUDGET (GAAP BASIS) AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2012

	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	9,500	17,250	11,386	5,864
Insurance	0	0	0	0
Advertising	100	50	0	50
Professional Services	6,400	150	150	0
Uniforms	0	0	0	0
Repairs and Maintenance	5,000	5,000	2,317	2,683
Refunds	100	150	150	0
Miscellaneous	0	0	0	0
Equipment	500	500	0	500
Total RV Park	$ 21,600	$ 23,100	$ 14,003	$ 9,097
Total Recreation	$ 634,854	$ 777,443	$ 759,187	$ 18,256
Lake Cleanup				
Personnel Costs				
Salaries and Wages	$ 15,000	$ 16,400	$ 15,867	$ 533
Payroll Taxes	1,090	1,190	1,152	38
Insurance	44	244	127	117
Pensions	2,400	3,100	3,008	92
Insurance - Workers Comp	0	999	999	0
Supplies	1,000	1,000	495	505
Insurance	780	0	0	0
Power, Lights and Heat	34,000	30,000	28,118	1,882
Advertising	0	0	0	0
Professional Services	0	0	0	0
Repairs and Maintenance	6,000	11,506	11,491	15
Refunds	0	0	0	0
Miscellaneous	250	250	0	250
Equipment	15,000	12,400	1,132	11,268
Total Lake Cleanup	$ 75,564	$ 77,089	$ 62,389	$ 14,700

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

CITY OF PIKEVILLE, KENTUCKY

GENERAL FUND
STATEMENT OF REVENUES AND EXPENDITURES -
BUDGET (GAAP BASIS) AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2012

	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	500	0	0	0
Advertising	0	0	0	0
Professional Services	69,497	88,747	90,583	(1,836)
Automotive - Maintenance	0	0	0	0
Repairs and Maintenance	10,000	1,750	1,750	0
Supplies	0	0	0	0
Telephone	0	0	0	0
Power, Lights and Heat	7,500	8,500	7,585	915
Uniforms	0	0	0	0
Travel	0	0	0	0
Miscellaneous	0	0	0	0
Equipment	0	0	0	0
Total Landscape	$ 87,497	$ 98,997	$ 99,918	$ (921)
East Kentucky Exposition Center				
FOOD AND BEVERAGE EXPO	$ 0	$ 0	$ 0	$ 0
Operational	0	0	0	0
Dues and Subscription	0	0	0	0
Insurance	0	0	0	0
Office - Supplies	0	0	0	0
Professional Services	0	0	0	0
Rent	0	0	0	0
Repairs/Maintenance	0	0	0	0
Utilities	0	0	0	0
Miscellaneous'	0	0	0	0
Other Operating Capital	0	0	0	0
Total East Kentucky Expositon Center	$ 0	$ 0	$ 0	$ 0

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

CITY OF PIKEVILLE, KENTUCKY

GENERAL FUND
STATEMENT OF REVENUES AND EXPENDITURES -
BUDGET (GAAP BASIS) AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2012

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	Variance Favorable (Unfavorable)
Grants / Loan Advances				
Tourism Commission	$ 170,000	$ 995,000	$ 984,128	$ 10,872
Pike County Airport Board	10,000	21,150	21,128	22
Pikeville Main Street Program	30,000	49,815	51,764	(1,949)
Sandy Valley Transportation	0	0	0	0
Artisan Center	0	15,120	15,100	20
Eastern Kentucky Expositon Center	2,423,369	2,423,369	718,159	1,705,210
Unite Pike	5,000	5,000	5,000	0
Pike TV	35,000	67,578	65,388	2,190
Total Debt Service	$ 2,673,369	$ 3,577,032	$ 1,860,667	$ 1,716,365
Texas Roadhouse				
Capital Expenditures	$ 324,160	$ 329,150	$ 329,148	$ 2
Interest Paid	0	0	0	0
Total Debt Service	$ 324,160	$ 329,150	$ 329,148	$ 2
Debt Service				
Principal Paid	$ 9,067	$ 9,067	$ 8,291	$ 776
Interest Paid	500	500	261	239
Total Debt Service	$ 9,567	$ 9,567	$ 8,552	$ 1,015
Total Expenditures	$ 12,951,083	$ 15,623,210	$ 13,187,575	$ 2,435,635
EXCESS REVENUES OVER (UNDER) EXPENDITURES	$ (2,295,518)	$ (2,740,723)	$ 690,839	$ (1,439,708)
OTHER FINANCING SOURCES (USES)				
Operating Transfer In	$ 0	$ 701,024	$ 657,713	$ 43,311
Operating Transfer Out	(402,610)	(547,610)	(382,610)	165,000
Loan Proceeds	0	0	0	0
Proceeds from Sale of Fixed Assets	0	0	461	(461)
Total Other Financing Sources (Uses)	$ (402,610)	$ 153,414	$ 275,564	$ 207,850
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER (USES)	$ (2,698,128)	$ (2,587,309)	$ 966,403	$ (3,553,712)
FUND BALANCE-BEGINNING OF YEAR			6,450,435	
FUND BALANCE-END OF YEAR			$ 7,416,838	

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, 2012

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Intergovernmental Revenue	$ 563,500	$ 641,773	$ 668,597	$ 26,824
Other Grants	0	0	0	0
Interest Income	8,000	8,000	11,612	3,612
Other Revenue	0	0	0	0
TOTAL REVENUES	$ 571,500	$ 649,773	$ 680,209	$ 30,436
EXPENDITURES				
Current				
General Government	$ 0	$ 295	$ 292	$ (3)
Grants / Loan Advances				
Animal Shelter	0	0	0	0
Big Sandy Heritage Center	25,000	25,000	25,000	0
Senior Citizens Center	18,500	18,500	18,500	0
Capital Outlay	527,600	587,098	281,080	306,018
Debt Service				
Principal	0	0	0	0
Interest	0	0	0	0
TOTAL EXPENDITURES	$ 571,100	$ 630,893	$ 324,872	$ 306,015
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	$ 400	$ 18,880	$ 355,337	$ (275,579)
OTHER FINANCING SOURCES (USES)				
Proceeds from Long-Term Debt	$ 0	$ 0	$ 0	$ 0
Operating Transfers In	0	0	0	0
Operating Transfers Out	0	(18,480)	(29,550)	(11,070)
TOTAL OTHER FINANCING SOURCES (USES)	$ 0	$ (18,480)	$ (29,550)	$ (11,070)
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER (USES)	$ 400	$ 400	$ 325,787	$ 325,387
FUND BALANCE - BEGINNING OF YEAR			1,279,323	
FUND BALANCE - END OF YEAR			$ 1,605,110	

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, 2012

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Federal Grants	$ 962,743	$ 962,743	$ 0	$ (962,743)
State Grants	317,500	318,175	84,999	(233,176)
Other Grants	50,000	600,000	617,654	17,654
Interest	0	0	16,916	16,916
Miscellaneous	512,185	512,185	59,676	(452,509)
Total Revenues	$ 1,842,428	$ 2,393,103	$ 779,245	$ (1,613,858)
EXPENDITURES				
Miscellaneous	$ 0	$ 0	$ 292	$ (292)
Capital Outlay	1,975,489	2,057,198	506,004	1,551,194
Debt Service				
Principal	0	0	0	0
Interest	0	0	0	0
Total Expenditures	$ 1,975,489	$ 2,057,198	$ 506,296	$ 1,550,902
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	$ (133,061)	$ 335,905	$ 272,949	$ (3,164,760)
OTHER FINANCING SOURCES (USES)				
Proceeds From Long-Term Debt	$ 0	$ 0	$ 3,025,001	$ 3,025,001
Bond Inssuance, Discount	0	0	(58,552)	(58,552)
Operating Transfers In	115,000	214,826	1,431,562	1,216,736
Operating Transfers Out	0	(712,545)	(2,896,095)	(2,183,550)
Total Other Financing Sources (Uses)	$ 115,000	$ (497,719)	$ 1,501,916	$ 1,999,635
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER (USES)	$ (18,061)	$ (161,814)	$ 1,774,865	$ (1,165,125)
FUND BALANCE - BEGINNING OF YEAR			2,402,230	
FUND BALANCE - END OF YEAR			$ 4,177,095	

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, 2012

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Water Sales	$ 2,331,500	$ 2,432,470	$ 2,803,917	$ 371,447
Service Charges	10,000	10,000	7,760	(2,240)
Penalties and Services	12,000	12,000	29,077	17,077
Water Tap Fees	13,000	34,731	75,065	40,334
Miscellaneous	0	0	441	441
TOTAL REVENUE	$ 2,366,500	$ 2,489,201	$ 2,916,260	$ 427,059
OPERATING EXPENSES				
Personnel Costs	$ 39,800	$ 39,800	$ 35,792	$ 4,008
Contractual Service	1,177,761	1,179,661	1,179,654	7
Operational	698,820	692,003	666,329	25,674
Repairs and Maintenance	72,000	106,369	99,120	7,249
Provision For Bad Debts	5,000	5,000	(910)	5,910
Depreciation	400,000	421,400	419,452	1,948
Total Operating Expenses	$ 2,393,381	$ 2,444,233	$ 2,399,437	$ 44,796
Operating Income (Loss)	$ (26,881)	$ 44,968	$ 516,823	$ 471,855
NONOPERATING REVENUES (EXPENSES)				
Interest Income	$ 10,100	$ 9,405	$ 10,590	$ 1,185
Interest Expense	(29,754)	(30,831)	(201,672)	(170,841)
Premium (Discount) on Debt Restructuring	0	0	0	0
Grant	0	0	0	0
Total Nonoperating Revenues (Expenses	$ (19,654)	$ (21,426)	$ (191,082)	$ (169,656)
NET INCOME (LOSS)(Before Transfers)	$ (46,535)	$ 23,542	$ 325,741	$ 302,199
TRANSFERS				
Operating Transfers In	$ 0	$ 0	$ 367,645	$ 367,645
Operating Transfers (Out)	0	454,093	(3,705)	(457,798)
Total Transfers	$ 0	$ 454,093	$ 363,940	$ (90,153)
CHANGE IN NET ASSETS	$ (46,535)	$ 477,635	$ 689,681	$ 212,046
NET ASSETS - BEGINNING OF YEAR			5,345,974	
Prior Period Adjustment			0	
NET ASSETS - END OF YEAR			$ 6,035,655	

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, 2012

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Sewer Service Charges	$ 962,000	$ 971,830	$ 1,141,919	$ 170,089
Penalties and Services	5,000	5,000	6,069	1,069
Water and Sewer Tap Fees	14,500	16,770	38,320	21,550
Miscellaneous Revenues	0	1,940	1,940	0
TOTAL REVENUE	$ 981,500	$ 995,540	$ 1,188,248	$ 192,708
OPERATING EXPENSES				
Personnel Costs	$ 0	$ 0	$ 0	$ 0
Contractual Service	531,984	565,247	562,599	2,648
Operational	278,852	239,651	246,482	(6,831)
Repairs and Maintenance	97,300	96,932	66,901	30,031
Provision For Bad Debts	3,300	3,300	295	3,005
Depreciation	0	0	360,204	(360,204)
Total Operating Expenses	$ 911,436	$ 905,130	$ 1,236,481	$ (331,351)
Operating Income (Loss)	$ 70,064	$ 90,410	$ (48,233)	$ (138,643)
NONOPERATING REVENUES (EXPENSES)				
Interest Income	$ 4,844	$ 4,844	$ 4,422	$ (422)
Interest Expense	(9,718)	(9,718)	(9,456)	262
Premium (Discount) on Debt Restructuring	0	0	0	0
Grants	0	0	331,740	331,740
Total Nonoperating Revenues (Expenses)	$ (4,874)	$ (4,874)	$ 326,706	$ 331,580
NET INCOME (LOSS) Before Transfers	$ 65,190	$ 85,536	$ 278,473	$ 192,937
TRANSFERS				
Operating Transfers In	$ 121,726	$ 189,244	$ 525,563	$ 336,319
Operating Transfers (Out)	(121,470)	(162,488)	(414,035)	(251,547)
Total Transfers	$ 256	$ 26,756	$ 111,528	$ 84,772
CHANGE IN NET ASSETS	$ 65,446	$ 112,292	$ 390,001	$ 277,709
NET ASSETS - BEGINNING OF YEAR			7,021,062	
NET ASSETS - END OF YEAR			$ 7,411,063	

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, 2012

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Gas Sales	$ 1,727,000	$ 1,727,000	$ 1,428,843	$ (298,157)
Penalties & Service Charges	5,100	5,100	5,343	243
Tap Fees	2,500	2,500	15,450	12,950
Miscellaneous	0	0	3,105	3,105
TOTAL REVENUES	$ 1,734,600	$ 1,734,600	$ 1,452,741	$ (281,859)
OPERATING EXPENSES				
Personnel Costs	59,400	59,400	38,098	21,302
Gas Purchased	1,026,100	1,062,600	903,980	158,620
Contractual Services	419,945	419,945	413,154	6,791
Operational	40,550	34,551	31,803	2,748
Repairs and Maintenance	123,800	75,749	13,969	61,780
Bad Debts	1,000	1,000	0	1,000
Depreciation	77,000	94,000	80,130	13,870
Total Operating Expenses	$ 1,747,795	$ 1,747,245	$ 1,481,134	$ 266,111
Operating Income	$ (13,195)	$ (12,645)	$ (28,393)	$ (15,748)
NONOPERATING REVENUES (EXPENSES)				
Royalties	$ 2,500	$ 2,500	$ 2,848	$ 348
Interest Revenue	6,500	6,500	12,957	6,457
Interest Expense	4,403	4,353	0	(4,353)
Gain (Loss) on Disposition of Assets	0	0	0	0
Total Nonoperating Revenue (Expense)	$ 13,403	$ 13,353	$ 15,805	$ 2,452
NET INCOME (LOSS) Before Transfers	$ 208	$ 708	$ (12,588)	$ (13,296)
TRANSFERS				
Operating Transfers In	$ 0	$ 0	$ 0	$ 0
Operating Transfers (Out)	(0)	(3,500)	(3,500)	0
Total Transfers	$ 0	$ (3,500)	$ (3,500)	$ 0
CHANGE IN NET ASSETS	$ 208	$ (2,792)	$ (16,088)	$ (13,296)
NET ASSETS - BEGINNING OF YEAR			2,612,440	
NET ASSETS - END OF YEAR			$ 2,596,352	

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
For The Fiscal Year Ended June 30, 2012

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Garbage Fees	$ 875,000	$ 875,000	$ 1,287,207	$ 412,207
Penalties	5,000	5,000	5,505	505
Miscellaneous	0	0	0	0
Total Revenues	$ 880,000	$ 880,000	$ 1,292,712	$ 412,712
EXPENSES				
Personnel Costs	$ 41,615	$ 41,915	$ 31,267	$ 10,648
Contractual Services	559,696	594,595	582,048	12,547
Operational	132,300	120,455	46,421	74,034
Repairs and Maintenance	253,000	161,850	22,170	139,680
Dumping Fees	288,000	362,000	364,727	(2,727)
Bad Debts	0	600	0	600
Depreciation	86,000	109,000	98,655	10,345
Total Expenses	$ 1,360,611	$ 1,390,415	$ 1,145,288	$ 245,127
Operating Income	$ (480,611)	$ (510,415)	$ 147,424	$ 657,839
NONOPERATING REVENUES (EXPENSES)				
Interest Income	$ 2,500	$ 2,500	$ 4,171	$ 1,671
Interest Expense	0	0	0	0
Grant	0	33,005	0	(33,005)
Total Nonoperating Revenues	$ 2,500	$ 35,505	$ 4,171	$ (31,334)
NET INCOME (LOSS) Before Transfers	$ (478,111)	$ (474,910)	$ 151,595	$ 626,505
TRANSFERS				
Operating Transfers In	$ 0	$ 0	$ 0	$ 0
Operating Transfers (Out)	0	(3,500)	(3,500)	0
Total Transfers	$ 0	$ (3,500)	$ (3,500)	$ 0
CHANGE IN NET ASSETS	$ (478,111)	$ (478,410)	$ 148,095	$ 626,505
NET ASSETS - BEGINNING OF YEAR			1,086,207	
NET ASSETS - END OF YEAR			$ 1,234,302	

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
For The Fiscal Year Ended June 30, 2012

	Original Budget	Final Budget	Actual	VARIANCE FAVORABLE (UNFAVORABLE)
REVENUES				
Sewer Service Charges	$ 613,226	$ 613,226	$ 633,658	$ 20,432
Penalties & Service Charges	3,000	3,000	4,568	1,568
Water and Sewer Tap Fees	0	0	0	0
Miscellaneous Revenues	0	0	2,499	2,499
Total Revenues	$ 616,226	$ 616,226	$ 640,725	$ 24,499
EXPENSES				
Personnel Costs	$ 12,726	$ 14,726	$ 32,676	$ 17,950
Contractual Services	32,200	56,800	16,790	40,010
Operational	202,112	191,787	190,511	1,276
Repairs and Maintenance	106,000	97,125	65,029	32,096
Bad Debts	200	200	248	(48)
Depreciation	52,000	64,500	88,021	(23,521)
Total Expenses	$ 405,238	$ 425,138	$ 393,275	$ 67,763
Operating Income	$ 210,988	$ 191,088	$ 247,450	$ 56,362
NONOPERATING REVENUES (EXPENSES)				
Interest Income	$ 3,415	$ 3,415	$ 4,228	$ 813
Grants	0	0	1,099,747	1,099,747
Interest Expense	(102,805)	(102,805)	(93,396)	9,409
Gain (Loss) on Disposition of Fixed Assets	0	0	0	0
Total Nonoperating Revenues	$ (99,390)	$ (99,390)	$ 1,010,579	$ 1,109,969
NET INCOME (LOSS) Before Transfe	$ 111,598	$ 91,698	$ 1,258,029	$ 1,166,331
TRANSFERS				
Operating Transfers In	$ 34,000	$ 34,000	$ 1,453,648	$ 1,419,648
Operating Transfers (Out)	(103,093)	(106,593)	(1,126,244)	(1,019,651)
Total Transfers	$ (69,093)	$ (72,593)	$ 327,404	$ 399,997
CHANGE IN NET ASSETS	$ 42,505	$ 19,105	$ 1,585,433	$ 1,566,328
NET ASSETS - BEGINNING OF YEAR			2,637,805	
NET ASSETS - END OF YEAR			$ 4,223,238	

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

CITY OF PIKEVILLE, KENTUCKY

REPORTS REQUIRED BY GOVERNMENT AUDITING STANDARDS

For the year ended June 30, 2012

Wallen, Puckett, & Anderson, PSC
CERTIFIED PUBLIC ACCOUNTANTS

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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, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of City of Pikeville, Kentucky, as of and for the year ended June 30, 2012, which collectively comprise the City of Pikeville, Kentucky's basic financial statements and have issued our report thereon dated December 7, 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.

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

December 7, 2012

Wallen, Puckett, & Anderson, PSC
CERTIFIED PUBLIC ACCOUNTANTS

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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, 2012. 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, 2012.

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, PSC

Certified Public Accountants

Pikeville, Kentucky

December 7, 2012

CITY OF PIKEVILLE, KENTUCKY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2012

FEDERAL GRANTOR / PASS-THROUGH GRANTOR / PROGRAM TITLE	Federal CFDA Number	Pass-Through Grantor's Number	Expenditures
U. S. DEPARTMENT OF HOMELAND SECURITY			
Federal Emergency Management Agency			
Kentucky Division of Emergency Management			
Winter Storm	97.000	N/A	$ 24,731
Community Outdoor Emergency Warning Sirens	97.000	N/A	102,704
Public Assistance (Pre Disaster Mitigation)	97.000	N/A	24,806
Total U.S. Department of Homeland Security			$ 152,241
U.S. DEPARTMENT OF AGRICULTURE			
PASSED THROUGH RURAL DEVELOPMENT			
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	476,143
Total U.S. Department of Agriculture			$ 5,916,700
U. S. DEPARTMENT OF JUSTICE			
HIDTA Taskforce	95.001	N/A	$ 57,466
Total U. S. Department of Justice			$ 57,466
APPALACHIAN REGIONAL COMMISSION (ARC)			
Marion Branch Sewer	23.001	N/A	$ 218,452
Total Appalachian Regional Commission			$ 218,452
			$ 6,344,859

CITY OF PIKEVILLE, KENTUCKY

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2012

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, 2012

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 Justice (HIDTA Taskforce)	95.001
Appalachian Regional Commission	23.001

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, 2012

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

CITY OF PIKEVILLE, KENTUCKY

COMBINING FINANCIAL STATEMENTS

For the year ended June 30, 2012

CITY OF PIKEVILLE, KENTUCKY

BALANCE SHEET - COMBINING
OTHER GOVERNMENTAL FUNDS
June 30, 2012

	Debt Service	Debt Service - Football	Debt Service - Texas Road	Tourism / Convention	Detective Arrest - State	Detective Arrest - Federal	State Police Case	Main Street	Cash Flow	Total Other Governmental Funds
ASSETS										
Cash and Investments										
Cash	$ 0	$ 1,385	$ 155,256	$ 952	$ 8,318	$ 68,910	$ 15,082	$ 87	$ 0	$ 249,990
Certificates of Deposit and Savings	0	0	0	0	0	0	0	0	0	0
Receivables (Net of Allowance for Uncollectibles)										
Taxes	0	0	0	0	0	0	0	0	0	0
Accounts	0	0	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	0	0
TOTAL ASSETS	$ 0	$ 1,385	$ 155,256	$ 952	$ 8,318	$ 68,910	$ 15,082	$ 87	$ 0	$ 249,990
LIABILITIES AND FUND EQUITY										
LIABILITIES										
Accounts Payable	$ 0	$ 0	$ 0	$ 0	$ 0	$ 1,807	$ 0	$ 0	$ 10,345	$ 12,152
Accrued Expenses	0	0	0	0	0	0	0	0	0	0
Customer's Deposit	0	0	0	0	0	0	0	0	0	0
Due From Other Funds	0	0	0	0	0	0	0	0	0	0
Deferred Revenue	0	0	0	0	0	0	0	0	0	0
Payable from Restricted Assets										
Matured Coupons Payable	0	0	0	0	0	0	0	0	0	0
Matured Bonds Payable	0	0	0	0	0	0	0	0	0	0
TOTAL LIABILITIES	$ 0	$ 0	$ 0	$ 0	$ 0	$ 1,807	$ 0	$ 0	$ 10,345	$ 12,152
FUND BALANCES										
Nonspendable	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
Restricted for:										
Debt Service	0	1,385	155,256	0	0	0	0	0	0	156,641
Committed	0	0	0	0	0	0	0	0	0	0
Assigned To:										
Capital Projects	0	0	0	0	0	0	0	0	0	0
Other Purposes	0	0	0	0	8,318	67,103	15,082	0	0	90,503
Unrestricted	0	0	0	952	0	0	0	87	(10,345)	(9,306)
TOTAL FUND BALANCES	$ 0	$ 1,385	$ 155,256	$ 952	$ 8,318	$ 67,103	$ 15,082	$ 87	$ (10,345)	$ 237,838
TOTAL LIABILITIES AND FUND BALAN	$ 0	$ 1,385	$ 155,256	$ 952	$ 8,318	$ 68,910	$ 15,082	$ 87	$ 0	$ 249,990

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, 2012

	Debt Service	Football debt Service	Debt Service Texas Roadhouse	Tourism / Convention	Detective Arrest	Detective Arrest - Federal	State Police Case	Main Street	Cash Flow	Totals
REVENUES										
Ad Valorem Taxes	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
Franchise Taxes	0	0	0	0	0	0	0	0	0	0
Occupational License Fees	0	0	0	0	0	0	0	0	0	0
Other Taxes	0	0	0	0	0	0	0	0	0	0
Permits and Fees	0	0	0	0	0	0	0	0	0	0
Intergovernmental Revenue	0	0	0	0	0	104,518	2,760	0	0	107,278
Other Grants	0	0	0	0	0	0	0	0	0	0
Interest Income	0	0	199	57	1	485	123	0	447	1,312
Other Revenue	19,117	0	0	182	0	0	0	0	0	19,299
Total Revenues	$ 19,117	$ 0	$ 199	$ 239	$ 1	$ 105,003	$ 2,883	$ 0	$ 447	$ 127,889
EXPENDITURES										
CURRENT										
General Government	$ 0	$ 60	$ 0	$ 3,629	$ 0	$ 0	$ 0	$ 0	$ 0	$ 3,689
Public Safety	0	0	0	0	2	3,215	1,792	0	0	5,009
Streets	0	0	0	0	0	0	0	0	0	0
Parking Garage	0	0	0	0	0	0	0	0	0	0
Recreation	0	0	0	0	0	0	0	0	0	0
Lake Cleanup	0	0	0	0	0	0	0	0	0	0
Landscape	0	0	0	0	0	0	0	0	0	0
Eastern Kentucky Exposition Center	0	0	0	0	0	0	0	0	0	0
Other	0	0	0	0	0	0	0	0	21,280	21,280
Capital Outlay	0	0	0	0	0	49,512	0	0	0	49,512
Debt Service										
Principal Retirement	0	100,000	100,000	0	0	0	0	0	0	200,000
Interest	0	23,560	32,306	0	0	0	0	0	0	55,866
Grants / Loan Advances	0	0	0	912,843	0	0	0	0	0	912,843
Total Expenditures	$ 0	$ 123,620	$ 132,306	$ 916,472	$ 2	$ 52,727	$ 1,792	$ 0	$ 21,280	$ 1,248,199
Excess of Revenues Over (Under) Expenditures	$ 19,117	$ (123,620)	$ (132,107)	$ (916,233)	$ (1)	$ 52,276	$ 1,091	$ 0	$ (20,833)	$ (1,120,310)
OTHER FINANCING SOURCES (USES)										
Proceeds from Long-Term Debt	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
Bond Issuance, Discount	0	0	0	0	0	0	0	0	0	0
Proceeds from Sale of Fixed Assets	0	0	0	0	0	0	0	0	0	0
Operating Transfers In	0	123,610	259,000	917,185	0	0	0	0	21,000	1,320,795
Operating Transfers Out	0	0	0	0	0	0	0	0	0	0
Total Other Financing Sources (Uses)	$ 0	$ 123,610	$ 259,000	$ 917,185	$ 0	$ 0	$ 0	$ 0	$ 21,000	$ 1,320,795
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER (USES)	$ 19,117	$ (10)	$ 126,893	$ 952	$ (1)	$ 52,276	$ 1,091	$ 0	$ 167	$ 200,485
FUND BALANCES - BEGINNING OF YEAR	(19,117)	1,395	28,363	0	8,319	14,827	13,991	87	(10,512)	37,353
FUND BALANCES-END OF YEAR	$ 0	$ 1,385	$ 155,256	$ 952	$ 8,318	$ 67,103	$ 15,082	$ 87	$ (10,345)	$ 237,838

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, 2012

	Sandy Valley	Utility Deposits	Total
ASSETS			
Cash	$ 320,523	$ 0	$ 320,523
Certificates Of Deposit	282,677		282,677
Customer's Accounts Receivable	66,721	0	66,721
Prepaid Expenses	7,142	0	7,142
Due From Other Funds	0	0	0
Bond Issuance Cost	13,546		13,546
Property, Plant and Equipment	2,048,002	0	2,048,002
Restricted Assets:			
Cash	24,375	116,682	141,057
Certificates of Deposit	4,044	0	4,044
Other Receivables	0	0	0
TOTAL ASSETS	$ 2,767,030	$ 116,682	$ 2,883,712
LIABILITIES AND NET ASSETS			
LIABILITIES			
Accounts Payable	$ 2,095	$ 0	$ 2,095
Accrued Expenses	11,482	0	11,482
Due To Other Funds	0	0	0
Current Portion of Long-Term Debt	16,000	0	72,547
Customer's Deposits	0	56,081	424,581
Notes Payable	0	0	(425,047)
Bonds Payable (Net of Discount)	1,307,099	0	1,307,099
Restricted Liabilities:			
Matured Bonds Payable	0	0	0
Matured Coupons Payable	0	0	0
Total Liabilities	$ 1,336,676	$ 56,081	$ 1,392,757
NET ASSETS			
Invested in capital Assets, net of related debt	$ 724,903	$ 0	$ 724,903
Reserve for Depreciation	0	0	0
Sinking Fund Reserve	7,560	0	7,560
Reserve for Operation and Maintenance	0	0	0
Reserve for Revenue Bond Retirement, et al	0	0	0
Unreserved	697,891	60,601	758,492
Total Net Assets	$ 1,430,354	$ 60,601	$ 1,490,955
TOTAL LIABILITIES AND NET ASSETS	$ 2,767,030	$ 116,682	$ 2,883,712

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, 2012

	Sandy Valley	Utility Deposits	TOTAL
OPERATING REVENUES	$ 640,727	$ 0	$ 640,727
OPERATING EXPENSES			
Personnel Costs	$ 29,083	$ 0	$ 29,083
Gas Purchased	0	0	0
Contractual Services	35,989	0	35,989
Dumping Fees	0	0	0
Operational	299,838	2,329	302,167
Repairs and Maintenance	26,612	0	26,612
Bad Debts	50	0	50
Depreciation	57,910	0	57,910
Total Operating Expenses	$ 449,482	$ 2,329	$ 451,811
Operating Income (Loss)	$ 191,245	$ (2,329)	$ 188,916
NONOPERATING INCOME (EXPENSES)			
Royalties	$ 0	$ 0	$ 0
Interest Income	6,065	881	6,946
Interest Expense	(32,381)	0	(32,381)
Premium (Discount) on Debt Restructuring	0	0	0
Gain (Loss) on Disposition of Fixed Assets	0	0	0
Grant	0	0	0
Total Nonoperating Income (Expense)	$ (26,316)	$ 881	$ (25,435)
NET INCOME (LOSS)(Before Transfer	$ 164,929	$ (1,448)	$ 163,481
			0
TRANSFERS			
Operating Transfers In	$ 368	$ 0	$ 368
Operating Transfers (Out)	19,131	0	19,131
Total Transfers	$ 19,499	$ 0	$ 19,499
Change In Net Assets	$ 184,428	$ (1,448)	$ 182,980
NET ASSETS - BEGINNING OF YEAR	$ 1,245,926	$ 62,049	$ 1,307,975
Prior Period Adjustment	0	0	0
NET ASSETS - END OF YEAR	$ 1,430,354	$ 60,601	$ 1,490,955

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, 2012

	Sandy Valley	Utility Deposits	TOTAL
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash Received from Customers	$ 623,820	$ 0	$ 623,820
Cash Received from Other Operating Revenues	5,476	0	5,476
Miscellaneous Revenues	(29,083)	0	(29,083)
Cash Payments for Personnel Costs	(35,989)	0	(35,989)
Cash Payments for Gas Purchases	0	0	0
Cash Payments for Contractual Services	(26,612)	(97)	(26,709)
Cash Payments for Other Operating Expenses	(305,026)	0	(305,026)
Net Cash Provided by Operating Activities	$ 232,586	$ (97)	$ 232,489
Cash Flows from Non-Capital Financing Activities			
Proceeds from Asset Dispositions	$ 0	$ 0	$ 0
Operating Transfers In	368	0	368
Operating Transfers (Out)	19,131	0	19,131
Increase in Restricted Other Receivables	0	0	0
Grants	0	0	0
Increase in Amounts Due Other Funds	0	0	0
Other	0	0	0
Net Cash Flows from Non-Capital Financing Activities	$ 19,499	$ 0	$ 19,499
Cash Flows from Capital Financing Activities			
Interest Expense	(49,846)	0	(49,846)
Purchase of Fixed Assets	0	0	0
Bond Issuance Costs	0	0	0
Maturing Coupons & Bonds	0	0	0
Retirement of Principal	(735,357)	0	(735,357)
Net Cash Flows from Capital Financing Activities	$ (785,203)	$ 0	$ (785,203)
Cash Flows from Investing Activities			
Proceeds From Long-Term Debt	$ 404,599	$ 0	$ 404,599
Discount on Sale of Bonds	0	0	0
Bond Issuance Costs	(13,546)		
Royalties	0	0	0
Interest Income	6,065	881	6,946
Net Cash Flows from Investing Activities	$ 397,118	$ 881	$ 411,545
Net Increase (Decrease) in Cash and Cash Equivalents	$ (136,000)	$ 784	$ (121,670)
Cash and Cash Equivalents at Beginning of Year	767,619	115,898	883,517
Cash and Cash Equivalents at End of Year	$ 631,619	$ 116,682	$ 761,847
RECONCILIATION OF INCOME (LOSS) FROM OPERATING ACTIVITIES TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES			
Income (Loss) from Operations	$ 191,245	$ (2,329)	$ 188,916
Adjustments to Reconcile Income From Operations to Net Cash Provided by Operating Activities:			
Depreciation and Amortization	57,910	0	57,910
(Increase) Decrease in Customer Accounts Receivable	(11,431)	0	(11,431)
(Increase) Decrease in Prepaid Expenses	(7,142)	0	(7,142)
(Increase) Decrease in Due From Other Funds	0	0	0
Increase (Decrease) in Accounts Payable	2,004	0	2,004
Increase (Decrease) in Accrued Expenses	0	0	0
Increase (Decrease) in Due To Other Funds	0	0	0
Increase (Decrease) in Customer Deposits	0	2,232	2,232
Net Cash Provided by Operating Activities	$ 232,586	$ (97)	$ 232,489
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.