

CITY OF PIKEVILLE, KENTUCKY

FINANCIAL STATEMENTS

For the year ended June 30, 2010

Wallen and Cornett, PSC

CERTIFIED PUBLIC ACCOUNTANTS

POST OFFICE BOX 1349

PIKEVILLE, KENTUCKY 41502

CITY OF PIKEVILLE, KENTUCKY
COMBINED FINANCIAL STATEMENTS

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June 30, 2010

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CITY OF PIKEVILLE, KENTUCKY

MUNICIPAL OFFICIALS

JUNE 30, 2010

	Office	Name	Term	
Elective	Mayor	Franklin D. Justice, II	01/01/2007	12/31/2010
	Commissioners	Eugene "Gene" Davis	01/01/2009	12/31/2010
		Dallas Layne	01/01/2009	12/31/2010
		Jimmy Carter	01/01/2009	12/31/2010
		Barry Chaney	01/01/2009	12/31/2010
Appointed	City Manager	Donovan Blackburn		
	Finance Director	Sue Varney		
	City Clerk	Rebecca Hamilton		
	City Attorney	Rusty R. Davis		

Management's Discussion and Analysis Financial Report

City of Pikeville

June 30, 2010

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, 2010. 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 \$18,779,214 and net assets of governmental activities were \$53,963,757.

- The current year's expense total was \$10,779,143 as compared to the \$15,873,353 generated in fees and charges, grants, general revenues, and taxes for governmental programs (before extraordinary items). In the previous year, expenses were \$10,208,290 as compared to the \$12,651,526 generated in tax and other revenues for governmental programs (before extraordinary items).
- For business-type activities, city revenues were \$8,644,232. Expenses were \$7,918,685. In the previous year, city revenues were \$8,689,769. Expenses were \$7,901,889.
- The annual cost of all city programs was \$18,697,828. The previous year's cost was \$18,110,179.

Management's Discussion and Analysis Financial Report

City of Pikeville

June 30, 2010

THE CITY AS A WHOLE ANALYSIS

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

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

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

- 1) **Governmental activities:** The city's basic services are accounted for in this section, including the police, fire, public works, parks departments and general administration. Property taxes, franchise fees, and state and federal grants finance the majority of these activities.
- 2) **Business-type activities:** These activities are reported in the fund financial statements and generally report services for which the city charges customers a fee. There are two kinds of Business-type activities. These are enterprise funds and internal service funds. Enterprise funds essentially encompass the same functions reported as Business-type activities in the government-wide statements. Services are provided to customers external to the city organization such as water utilities. Internal service funds provide services and charge fees to customers within the city organization such as fleet services (maintenance and repair of vehicles) and the print shop (mail and printing services for city departments). Because the city's internal service funds primarily serve governmental functions, they are included within the Governmental activities of the government-wide financial statements.

Management's Discussion and Analysis Financial Report

City of Pikeville

June 30, 2010

DETAILING THE MOST IMPORTANT FUNDS

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

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

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

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

CITY SERVING AS TRUSTEE

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

NOTES TO FINANCIAL STATEMENTS

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

OTHER INFORMATION

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

Management's Discussion and Analysis Financial Report

City of Pikeville

June 30, 2010

TABLE 1						
NET ASSETS						
	Governmental Activities		Business-type Activities		Total Primary Government	
	Current	Previous	Current	Previous	Current	Previous
	Year	Year	Year	Year	Year	Year
Current and other Assets:	7,915,285	7,360,386	6,410,397	6,772,755	14,325,682	14,133,141
Capital Assets:	47,026,762	43,588,525	19,793,694	19,525,371	66,820,456	63,113,896
Total Assets	54,942,047	50,948,911	26,204,091	26,298,126	81,146,138	77,247,037
Long-term liabilities:	763,303	1,076,434	6,896,448	8,052,522	7,659,751	9,128,956
Other liabilities:	214,987	367,874	528,429	930,494	743,416	1,298,368
Total Liabilities	978,290	1,444,308	7,424,877	8,983,016	8,403,167	10,427,324
Net Assets:						
Invested in Capital Assets, net of related debt:	46,159,870	42,230,646	12,455,298	10,639,383	58,615,168	52,870,029
Restricted:	1,405	1,475	1,991,321	2,389,078	1,992,726	2,390,553
Unrestricted (deficit):	7,802,482	7,272,482	4,332,595	4,286,649	12,135,077	11,559,131
Total Net Assets	53,963,757	49,504,603	18,779,214	17,315,110	72,742,971	66,819,713

CITY AS A WHOLE

The city's combined net assets from the previous year were \$66,819,713 as compared to \$72,742,971 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 \$53,963,757 this year as compared to \$49,504,603 last year. Unrestricted net assets were \$7,272,482 last year as compared to \$7,802,482 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 \$18,779,214 this year as compared to \$17,315,110 last year.

City revenues (excluding extraordinary items) for the current year were \$24,621,086 as compared to \$21,312,753 in the previous year. The total yearly cost of all programs and services was \$18,697,828 as compared to \$18,110,179 in the previous year.

Management's Discussion and Analysis Financial Report

City of Pikeville

June 30, 2010

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	44,789	53,985	8,644,232	8,690,769	8,689,021	8,744,754
Restricted Operating Grants	911,162	1,189,354			911,162	1,189,354
Restricted Capital Grants	3,855,807	1,940,594			3,855,807	1,940,594
Restricted Other						
General Revenue						
Property Taxes	950,516	941,306			950,516	941,306
Other Taxes	7,750,383	7,505,633			7,750,383	7,505,633
Interest & Investment Income	153,593	164,397	99,891	97,921	253,484	262,318
Other General Revenues	2,207,103	820,551	3,610	(127,463)	2,210,713	693,088
Total Revenues	15,873,353	12,615,820	8,747,733	8,661,227	24,621,086	21,277,047
Program Expenses						
General Government	2,909,692	2,153,866			2,909,692	2,153,866
Public Safety	4,642,939	4,424,988			4,642,939	4,424,988
Public Works						
Culture & Recreation	1,306,170	638,864			1,306,170	638,864
Community Development						
Education						
Interest on Long-Term Debt	39,847	69,949			39,847	69,949
Business Activities						
Water &/or Sewer			3,736,738	3,736,562	3,736,738	3,736,562
Other Utilities			4,191,947	4,165,327	4,191,947	4,165,327
Parking Facilities	82,795	62,759			82,795	62,759
Other Expenses	6,196,924	4,185,343			6,196,924	4,185,343
Total Expenses	15,178,367	11,535,769	7,928,685	7,901,889	23,107,052	19,437,658
Excess (deficiency) Before						
Extraordinary Items & Transfers:	694,986	1,080,051	819,048	759,338	1,514,034	1,839,389
Extraordinary Items & Transfers	(635,056)	(983,519)	635,056	983,519		
Increase (Decrease) in Net Assets	59,930	96,532	1,454,104	1,742,857	1,514,034	1,839,389

Management's Discussion and Analysis Financial Report

City of Pikeville

June 30, 2010

GOVERNMENTAL ACTIVITIES

This year's governmental activities revenues were \$15,873,353 as compared to \$12,615,820 last year. The year's governmental activities cost was \$15,178,367 as compared to \$11,535,769 in the previous year.

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

Table 3
Governmental Activities

	Total Cost		Net Cost	
	of Services		of Services	
	Current	Previous	Current	Previous
	Year	Year	Year	Year
Police Department	2,047,717	1,725,493	2,047,717	1,725,493
Fire Department	1,975,301	1,830,870	1,975,301	1,830,870
Public Works				
Education				
Parks and Recreation	1,306,170	638,864	1,306,170	638,864
All others	9,849,179	7,340,542	9,849,179	7,340,542
Totals	15,178,367	11,535,769	15,178,367	11,535,769

BUSINESS-TYPE ACTIVITIES

This year's Business-type activities revenues (see Table 2) were \$8,747,733 as compared to \$8,661,227 last year. This year's expenses were \$7,928,685 as compared to \$7,901,889 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 \$72,742,971 as compared to \$68,819,713 in the previous year.

Management's Discussion and Analysis Financial Report

City of Pikeville

June 30, 2010

CAPITAL ASSETS

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

	Governmental Activities		Business-type		Totals	
	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year
Land	11,815,816	10,704,062	138,000	138,000	11,953,816	10,842,062
Buildings and Improvements	16,091,357	15,799,909			16,091,357	15,799,909
Equipment	1,719,350	1,549,054	1,438,391	716,058	3,157,741	2,265,112
Infrastructure	12,180,417	13,043,826	17,924,837	17,927,198	30,105,254	30,971,024
Other	5,219,822	2,491,674	292,469	744,120	5,512,291	3,235,794
Totals	47,026,762	43,588,525	19,793,697	19,525,376	66,820,459	63,113,901

At the close of the year, the city had invested \$66,820,459 in capital assets such as land, buildings and improvements, equipment or infrastructure (see Table 4). \$61,113,901 was invested in similar assets last year.

The current year's chief capital asset additions included:

- Construction in progress on Thompson Road.
- Purchase of ambulances, trucks for the sanitation fund and various other vehicles.
- Infrastructure from Mountain Water District for Mossy Bottom sewer fund.

Management's Discussion and Analysis Financial Report

City of Pikeville

June 30, 2010

Table 5
Outstanding Debt at Year-End

	Governmental		Business-type		Totals	
	Activities		Activities			
	Current	Previous	Current	Previous	Current	Previous
	Year	Year	Year	Year	Year	Year
General obligation bonds (backed by the city)	850,000	940,000			850,000	940,000
Revenue bonds and notes (backed by specific tax and fee revenues)			7,338,396	8,885,989	7,338,396	8,885,989
Other bonds or outstanding obligations	16,892	417,880			16,892	417,880
Totals	866,892	1,357,880	7,338,396	8,885,989	8,205,288	10,243,869

DEBT MANAGEMENT

At the close of the year, the city had \$8,205,288 in outstanding bonds and notes as compared to \$10,243,869 in the previous year (see table 5).

ECONOMIC ISSUES / UPCOMING YEARLY BUDGETS

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

CONTACT INFORMATION

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

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INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners
City of Pikeville, Kentucky

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Pikeville, Kentucky, as of and for the year ended June 30, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of City of Pikeville, Kentucky's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Pikeville, Kentucky, as of June 30, 2010, and the respective changes in financial position, and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 26, 2011, on our consideration of the City of Pikeville, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

To the Board of Commissioners
City of Pikeville, Kentucky

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

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

WALLEN AND CORNETT, P.S.C.



Certified Public Accountants

Pikeville, Kentucky

January 26, 2011

CITY OF PIKEVILLE, KENTUCKY

STATEMENT OF NET ASSETS

June 30, 2010

	Governmental Activities	Business Type	Total
ASSETS			
Cash	\$5,708,923	\$1,931,995	\$7,640,918
Certificates of Deposit and Savings	1,997,378	1,608,819	3,606,197
Receivables (Net of Allowance for Uncollectibles)			
Taxes	46,699	0	46,699
Accounts	46,062	843,730	889,792
Prepaid Expenses	116,223	4,213	120,436
Restricted Assets			
Cash	0	742,985	742,985
Certificates of Deposit	0	1,263,255	1,263,255
Other Receivables	0	15,400	15,400
Capital Assets, Net	47,026,762	19,793,694	66,820,456
TOTAL ASSETS	\$54,942,047	\$26,204,091	\$81,146,138
LIABILITIES AND NET ASSETS			
LIABILITIES			
Accounts Payable	\$58,063	\$21,354	\$79,417
Accrued Expenses	0	12,564	12,564
Current Portion of Long-Term Debt	103,589	441,948	545,537
Customer's Deposit	0	49,458	49,458
Deferred Revenue	34,218	0	34,218
Payable from Restricted Assets			
Matured Coupons Payable	15,117	3,105	18,222
Matured Bonds Payable	4,000	0	4,000
General Obligation Bonds Payable - Note B	755,000	0	755,000
Revenue Bonds Payable - Note B	0	4,069,176	4,069,176
Notes Payable - Note B	8,303	2,827,272	2,835,575
TOTAL LIABILITIES	\$978,290	\$7,424,877	\$8,403,167
NET ASSETS			
Investment in Capital Assets, Net of Related Debt	\$46,159,870	\$12,455,298	\$58,615,168
Restricted For:			
Reserve for Depreciation	0	437,351	437,351
Sinking Fund Reserve	0	1,108,570	1,108,570
Reserve For Operation and Maintenance	0	430,000	430,000
Reserved for Revenue Bond Retirement	0	15,400	15,400
Designated for Debt Service	1,405	0	1,405
Unrestricted	7,802,482	4,332,595	12,135,077
TOTAL NET ASSETS	\$53,963,757	\$18,779,214	\$72,742,971
TOTAL LIABILITIES AND NET ASSETS	\$54,942,047	\$26,204,091	\$81,146,138

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

CITY OF PIKEVILLE, KENTUCKY
STATEMENT OF ACTIVITIES
JUNE 30, 2010

Functions	Program Revenues				Net (Expense) Revenue and Changes in Net Assets	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business - Type Activities
Primary Government						
Governmental Activities						
General Government	\$2,169,547	\$0	\$0	\$0	(\$2,169,547)	(\$2,169,547)
Public Safety	4,665,489	0	0	0	(4,665,489)	(4,665,489)
Streets	2,124,270	0	0	0	(2,124,270)	(2,124,270)
Parking Garage	68,951	0	0	0	(68,951)	(68,951)
Recreation	1,210,712	0	0	0	(1,210,712)	(1,210,712)
Lake Cleanup	58,658	0	0	0	(58,658)	(58,658)
Landscape	108,425	0	0	0	(108,425)	(108,425)
Grants / Loan Advances	339,675	0	0	0	(339,675)	(339,675)
Other	33,416	0	0	0	(33,416)	(33,416)
Total Governmental Funds	\$10,779,143	\$0	\$0	\$0	(\$10,779,143)	(\$10,779,143)
Business-Type Activities						
Water	\$2,471,886	\$2,581,483	\$0	\$0	\$109,597	\$109,597
Sewer	1,254,852	1,137,138	0	0	(117,714)	(117,714)
Gas	2,352,341	2,588,398	0	0	236,057	236,057
Sanitation	1,042,291	1,153,819	0	0	111,528	111,528
Mossy Bottom Sewer	350,054	538,293	0	0	188,239	188,239
Other	447,261	645,101	0	0	197,840	197,840
Total Business-type Activities	\$7,918,685	\$8,644,232	\$0	\$0	\$725,547	\$725,547
Total Primary Government	\$18,697,828	\$8,644,232	\$0	\$0		
General Revenues - Detailed:						
Ad Valorem Taxes					\$950,516	\$950,516
Franchise Taxes					529,770	529,770
Occupational License Fees					6,859,911	6,859,911
Other Taxes					360,702	360,702
Permits and Fees					44,789	44,789
Intergovernmental Revenue					4,313,127	4,313,127
Other Grants					97,495	97,495
Interest Income					153,593	253,484
Other					2,207,103	2,207,103
Royalties					0	3,610
Gain on disposal of assets					356,347	356,347
Transfers					(635,056)	0
Total General Revenues, Contributions, Special Items, and Transfers					\$15,238,297	\$15,976,854
Change in Net Assets					\$4,459,154	\$5,923,258
Net Assets - Beginning					49,504,603	17,315,110
Net Assets - Ending					\$53,963,757	\$72,742,971

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

CITY OF PIKEVILLE, KENTUCKY

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2010

	General	Coal Severance	Projects Control	Other Government Funds	Total Governmental Funds
ASSETS					
Cash and Investments					
Cash	\$3,851,413	\$308,148	\$1,433,582	\$115,780	\$5,708,923
Certificates of Deposit and Savings	1,037,774	959,604	0	0	1,997,378
Receivables (Net of Allowance for Uncollectibles)					
Taxes	46,699	0	0	0	46,699
Accounts	46,062	0	0	0	46,062
Prepaid Expenses	116,223	0	0	0	116,223
TOTAL ASSETS	\$5,098,171	\$1,267,752	\$1,433,582	\$115,780	\$7,915,285
LIABILITIES AND FUND EQUITY					
LIABILITIES					
Accounts Payable	\$55,368	\$2,695	\$0	\$0	\$58,063
Accrued Expenses	0	0	0	0	0
Customer's Deposit	0	0	0	0	0
Deferred Revenue	34,218	0	0	0	34,218
Payable from Restricted Assets					
Matured Coupons Payable	0	0	0	15,117	15,117
Matured Bonds Payable	0	0	0	4,000	4,000
TOTAL LIABILITIES	\$89,586	\$2,695	\$0	\$19,117	\$111,398
FUND BALANCES					
Designated for Debt Service	\$0	\$0	\$0	\$1,405	\$1,405
Undesignated	5,008,585	1,265,057	1,433,582	95,258	7,802,482
TOTAL FUND BALANCES	\$5,008,585	\$1,265,057	\$1,433,582	\$96,663	\$7,803,887
TOTAL LIABILITIES AND FUND BALANCES	\$5,098,171	\$1,267,752	\$1,433,582	\$115,780	\$7,915,285

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, 2010

TOTAL FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$7,803,887
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Amounts reported for governmental activities in the statement of net assets
are different because:

Capital Assets used in governmental activities are not financial resources and therefore are not reported in the fund statements.	47,026,762
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Long-Term Liabilities, including bonds payable, are not due and payable in the the current period and therefore are not reported in the funds.	(866,892)
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Total Net Assets - Governmental Activities	<u>\$53,963,757</u>
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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, 2010

	General	Coal Severance	Projects Control	Other Funds	Totals
REVENUES					
Ad Valorem Taxes	\$950,516	\$0	\$0	\$0	\$950,516
Franchise Taxes	529,770	0	0	0	529,770
Occupational License Fees	6,859,911	0	0	0	6,859,911
Other Taxes	360,702	0	0	0	360,702
Permits and Fees	44,789	0	0	0	44,789
Intergovernmental Revenue	1,235,154	745,792	2,620,653	67,875	4,669,474
Other Grants	97,495	0	0	0	97,495
Interest Income	113,384	26,495	11,988	1,726	153,593
Other Revenue	923,569	283,687	998,409	1,438	2,207,103
Total Revenues	<u>\$11,115,290</u>	<u>\$1,055,974</u>	<u>\$3,631,050</u>	<u>\$71,039</u>	<u>\$15,873,353</u>
EXPENDITURES					
CURRENT					
General Government	\$2,909,553	\$60	\$0	\$79	\$2,909,692
Public Safety	4,638,946	0	0	3,993	4,642,939
Streets	1,158,189	0	0	0	1,158,189
Parking Garage	82,795	0	0	0	82,795
Recreation	1,306,170	0	0	0	1,306,170
Lake Cleanup	70,570	0	0	0	70,570
Landscape	108,425	0	0	0	108,425
Other	0	0	0	33,416	33,416
Capital Outlay	0	820,898	2,678,895	25,869	3,525,662
Debt Service					
Principal Retirement	870,987	0	0	90,000	960,987
Interest	10,552	0	0	29,295	39,847
Grants / Loan Advances	284,675	55,000	0	0	339,675
Total Expenditures	<u>\$11,440,862</u>	<u>\$875,958</u>	<u>\$2,678,895</u>	<u>\$182,652</u>	<u>\$15,178,367</u>
Excess of Revenues Over (Under) Expenditures	<u>(\$325,572)</u>	<u>\$180,016</u>	<u>\$952,155</u>	<u>(\$111,613)</u>	<u>\$694,986</u>
OTHER FINANCING SOURCES (USES)					
Proceeds from Long-Term Debt	\$470,000	\$0	\$0	\$0	\$470,000
Proceeds from Sale of Fixed Assets	0	0	0	0	0
Operating Transfers In	350,000	0	1,046,857	169,795	1,566,652
Operating Transfers Out	(1,166,461)	(66,789)	(968,458)	0	(2,201,708)
Total Other Financing Sources (Uses)	<u>(\$346,461)</u>	<u>(\$66,789)</u>	<u>\$78,399</u>	<u>\$169,795</u>	<u>(\$165,056)</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER (USES)					
	<u>(\$672,033)</u>	<u>\$113,227</u>	<u>\$1,030,554</u>	<u>\$58,182</u>	<u>\$529,930</u>
FUND BALANCES - BEGINNING OF YEAR	<u>5,680,618</u>	<u>1,151,830</u>	<u>403,028</u>	<u>101,992</u>	<u>7,273,917</u>
FUND BALANCES-END OF YEAR	<u><u>\$5,008,585</u></u>	<u><u>\$1,265,057</u></u>	<u><u>\$1,433,582</u></u>	<u><u>\$160,174</u></u>	<u><u>\$7,803,847</u></u>

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, 2010

Net change in fund balances - total governmental funds.	\$	529,930
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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.	5,344,380
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The cost of capital assets is allocated over their useful lives and reported as depreciation expense.	(1,906,143)
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Proceeds from Long-Term Debt	(470,000)
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The repayment of debt principal is an expenditure of governmental funds, but the repayment reduces long-term debt in the statement of net assets.	960,987
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Change in net assets of governmental activities	<u>\$</u>	<u>4,459,154</u>
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The accompanying notes are an integral part of the combined financial statements.

**FUND BALANCE SHEET
PROPRIETARY FUNDS
June 30, 2010**

LIABILITIES AND NET ASSETSNET ASSETS

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, 2010

	Water	Sewer	Gas	Sanitation	Mossy Bottom	Other Proprietary Funds	TOTAL
OPERATING REVENUES	\$2,581,483	\$1,137,138	\$2,588,398	\$1,153,819	\$538,293	\$645,101	\$8,644,232
OPERATING EXPENSES							
Personnel Costs	\$29,774	\$35,458	\$44,794	\$30,968	\$9,039	\$35,829	\$185,862
Gas Purchased	0	0	1,705,754	0	0	0	1,705,754
Contractual Services	1,495,342	682,916	475,013	521,228	5,180	3,248	3,182,927
Dumping Fees	0	0	0	275,039	0	0	275,039
Repairs and Maintenance	54,214	88,530	24,566	21,984	235,539	44,011	468,844
Operational	246,735	80,117	28,689	105,239	16,190	300,416	777,386
Bad Debts	4,876	3,345	0	560	219	1,252	10,252
Depreciation	426,451	337,504	73,525	86,148	51,921	28,867	1,004,416
Total Operating Expenses	\$2,257,392	\$1,227,870	\$2,352,341	\$1,041,166	\$318,088	\$413,623	\$7,610,480
Operating Income (Loss)	\$324,091	(\$90,732)	\$236,057	\$112,653	\$220,205	\$231,478	\$1,033,752
NONOPERATING INCOME (EXPENSES)							
Royalties	\$0	\$0	\$3,610	\$0	\$0	\$0	\$3,610
Interest Income	28,505	21,843	24,015	6,473	6,610	12,445	99,891
Interest Expense	(214,494)	(26,982)	0	(1,125)	(31,966)	(33,638)	(308,205)
Premium (Discount) on Debt Restructuring	0	0	0	0	0	0	0
Gain (Loss) on Disposition of Fixed Assets	0	0	0	0	0	0	0
Grant	0	0	0	0	0	0	0
Total Nonoperating Income (Expense)	(\$185,989)	(\$5,139)	\$27,625	\$5,348	(\$25,356)	(\$21,193)	(\$204,704)
NET INCOME (LOSS)(Before Transfers)	\$138,102	(\$95,871)	\$263,682	\$118,001	\$194,849	\$210,285	\$829,048
TRANSFERS							0
Operating Transfers In	\$1,105,303	\$499,344	\$0	\$0	176,943	(\$139,000)	\$1,642,590
Operating Transfers (Out)	(652,053)	(329,981)	(9,000)	(9,000)	(7,500)	0	(1,007,534)
Total Transfers	\$453,250	169,363	(\$9,000)	(\$9,000)	\$169,443	(\$139,000)	\$635,056
NET INCOME (LOSS)	\$591,352	\$73,492	\$254,682	\$109,001	\$364,292	\$71,285	\$1,464,104
NET ASSETS - BEGINNING OF YEAR	\$5,596,314	\$7,567,426	\$2,183,726	\$928,781	\$415,075	\$623,788	\$17,315,110
NET ASSETS - END OF YEAR	\$6,187,666	\$7,640,918	\$2,438,408	\$1,037,782	\$779,367	\$695,073	\$18,779,214

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

CITY OF PIKEVILLE, KENTUCKY
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
June 30, 2010

CASH FLOWS FROM OPERATING ACTIVITIES

	Water Fund	Sewer Fund	Gas Fund	Sanitation Fund	Mossy Bottom	Other Funds	TOTAL
Cash Received from Customers	\$2,399,165	\$1,052,329	\$2,608,734	\$1,094,283	\$527,198	\$643,458	\$9,325,167
Cash Received from Other Operating Revenues	98,070	41,876	24,500	58,334	7,604	5,735	236,119
Miscellaneous Revenues	0	0	0	0	0	(35,829)	(35,829)
Cash Payments for Personnel Costs	(29,774)	(35,458)	(44,794)	(30,968)	(9,039)	(3,248)	(153,281)
Cash Payments for Gas Purchases	0	0	(1,705,754)	0	0	0	(1,705,754)
Cash Payments for Contractual Services	(1,495,342)	(682,916)	(475,013)	(521,228)	(5,180)	(45,301)	(3,224,980)
Cash Payments for Other Operating Expenses	(289,792)	(153,105)	(53,612)	(367,270)	(242,811)	(291,816)	(1,398,406)
Net Cash Provided by Operating Activities	\$682,327	\$222,726	\$354,061	\$233,151	\$277,772	\$272,999	\$2,043,036
Cash Flows from Non-Capital Financing Activities							
Proceeds from Asset Dispositions	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Operating Transfers In	1,105,303	499,344	0	0	176,943	0	1,781,590
Operating Transfers (Out)	(652,053)	(329,961)	(9,000)	(9,000)	(7,500)	(139,000)	(1,146,534)
Increase in Restricted Other Receivables	0	0	0	0	0	0	0
Other	0	(1)	0	0	0	0	(1)
Net Cash Flows from Non-Capital Financing Activities	\$453,250	\$169,382	\$9,000	(\$9,000)	\$169,443	(\$139,000)	\$635,055

Cash Flows from Capital Financing Activities

Interest Expense	(\$217,276)	(\$26,962)	\$0	(\$1,125)	(\$47,262)	(\$36,083)	(\$328,728)
Purchase of Fixed Assets	(721,360)	(367,312)	(2)	(46,363)	(83,673)	(44,029)	(1,272,739)
Premium (Discount) on Debt Restructuring	0	0	0	0	0	0	0
Maturing Coupons & Bonds	0	0	0	0	0	0	0
Refinement of Principal	(411,446)	(904,332)	0	(130,000)	(89,673)	(12,141)	(1,547,592)
Net Cash Flows from Capital Financing Activities	(\$1,350,082)	(\$1,298,626)	(\$2)	(\$177,489)	(\$230,608)	(\$92,253)	(\$3,149,059)

Cash Flows from Investing Activities

Proceeds from Investing Activities	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Proceeds from Long-Term Debt	0	0	0	0	0	0	0
Discount on Sale of Bonds	0	0	3,610	0	0	0	3,610
Royalties	0	0	0	0	0	0	0
Interest Income	28,505	21,843	24,015	6,473	6,610	12,445	99,891
Net Cash Flows from Investing Activities	\$28,505	\$21,843	\$24,015	\$6,473	\$6,610	\$12,445	\$103,501
Net Increase (Decrease) in Cash and Cash Equivalents	(\$186,000)	(\$884,695)	\$372,664	\$53,136	\$223,217	\$54,191	(\$367,467)
Cash and Cash Equivalents at Beginning of Year	1,592,361	1,735,602	1,294,891	382,591	270,021	638,115	5,914,521
Cash and Cash Equivalents at End of Year	\$1,406,361	\$851,907	\$1,667,515	\$435,727	\$493,238	\$692,306	\$5,547,054

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

Income (Loss) from Operations	\$324,091	(\$90,732)	\$236,057	\$112,653	\$220,205	\$231,478	\$1,033,752
Adjustments to Reconcile Income From Operations to Net Cash Provided by Operating Activities:							
Depreciation and Amortization	426,451	337,504	73,525	86,148	51,921	28,867	1,004,416
(Increase) Decrease in Customer Accounts Receivable	(79,372)	(39,588)	32,969	(642)	(3,272)	4,092	(85,813)
(Increase) Decrease in Prepaid Expenses	8,465	15,542	11,867	34,617	5,547	4,666	80,704
(Increase) Decrease in Due From Other Funds	0	0	0	375	0	0	375
(Increase) Decrease in Accounts Payable	2,692	0	(357)	0	3,371	1,211	6,917
(Increase) Decrease in Due To Other Funds	0	0	0	0	0	0	0
Increase (Decrease) in Customer Deposits	0	0	0	0	0	0	0
Net Cash Provided by Operating Activities	\$682,327	\$222,726	\$354,061	\$233,151	\$277,772	\$272,999	\$2,043,036

Noncash Investing, Capital, and Financing Activities:

Amortization of Bond Discount	\$2,170	\$0	\$0	\$0	\$0	\$0	\$2,170
Interest - Additional Deduction (Reduced Deduction)	(2,783)	0	0	0	(15,236)	(2,445)	(20,524)
Total Noncash Investing, Capital, and Financing Activities:	(\$613)	\$0	\$0	\$0	(\$15,236)	(\$2,445)	(\$18,354)

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

CITY OF PIKEVILLE, KENTUCKY

FIDUCIARY FUND - AGENCY
STATEMENT OF FIDUCIARY NET ASSETS
June 30, 2010

ASSETS

Cash	\$49,702
Certificates of Deposits \ Savings	0
TOTAL ASSETS	<u>\$49,702</u>

LIABILITIES AND FUND BALANCE

Accrued Liabilities	\$49,702
TOTAL LIABILITIES	<u>\$49,702</u>

NET ASSETS UNRESERVED - UNDESIGNATED 0

TOTAL LIABILITIES AND FUND BALANCE \$49,702

The accompanying notes are an integral part of the financial statements

CITY OF PIKEVILLE, KENTUCKY

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

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

1 - Related Organizations

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

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

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE A-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

b) Fund Financial Statements

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

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

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

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

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

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

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

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as needed.

CITY OF PIKEVILLE, KENTUCKY

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2010

NOTE A-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4 - Fund Types and Major Funds

The City reports the following major funds:

a) Governmental Funds

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

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

Main Street - is used to account for the expenses of the Main Street Program. Principal sources of revenue are grants, City funding, and interest income.

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

b) Proprietary Funds

The City reports the following major enterprise funds:

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

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

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

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

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

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

c) Other Fund Types

The City also reports the following fund type:

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

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE A-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

5 - Fixed Assets

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

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

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

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

Utility plant	40 years
Machinery and Equipment	5-10 years

CITY OF PIKEVILLE, KENTUCKY

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2010

NOTE A-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

6 - Budgets and Budgetary Accounting

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

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

7 - Investments Policy

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

Without prior approval of the Mayor and City Commission the Finance Director may invest in certificates of deposit issued by or other-interest bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation or similar entity or which are collateralized, to the extent uninsured, by any obligations permitted by section 41.240(4) of the Kentucky Revised Statutes.

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

8 - Restricted Assets

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

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2010

NOTE A-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

9 - Reserves

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

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

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

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

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

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

CITY OF PIKEVILLE, KENTUCKY

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2010

NOTE A-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

9 – Reserves (Concluded)

	2010	2009	
<u>A) Water-Sewer Fund</u>			
Reserve for Sinking Fund			
1988 Issue	\$ 836,155	\$ 799,640	
Reserve for Depreciation			
1988/1985 Issue	\$ 411,000	\$ 411,000	
1993 KIA	44,893	44,893	
Total Reserves for Depreciation	\$ 455,893	\$ 455,893	
<u>B) Gas Fund</u>			
Reserve for Sinking Fund 1976 Issue	\$ 3,105	\$ 3,105	
Total Reserves for Debt Service	\$ 3,105	\$ 3,105	
<u>C) Sewer Fund</u>			
Reserve for Operations and Maintenance			
1995 Sewer Extension	\$ 430,000	\$ 430,000	
Reserve for Sinking Fund			
1992 KIA	\$ 0	\$ 314,000	
Reserve for Depreciation			
Thompson Road Sewer	\$ 0	\$ 30,570	
1992 Issue	0	159,961	
Total Depreciation Reserves	\$ 0	\$ 190,531	
<u>D) Sandy Valley</u>			
Reserve for Depreciation			
2007 Series	\$ 26,351	\$ 21,359	
<u>E) Mossy Bottom</u>			
Reserve for Sinking Fund			
KIA Loan # A95-16	\$ 143,150	\$ 129,150	
KIA Loan # A00-03	40,000	30,000	
KIA Loan # 92-14	86,160	0	
Total Reserve for Sinking Fund B23	\$ 269,310	\$ 159,150	
<u>Reserve Funding:</u>			
	Required	Cash	Over (Under)
	Reserves	Designated For	Funded
		Debt Service	
A) Water-Sewer Fund	\$ 1,292,048	\$ 632,253	\$ (659,795)
B) Gas Fund	3,105	14,533	11,428
C) Sewer Fund	430,000	519,552	89,552
D) Sandy Valley	26,351	257,403	231,052
E) Mossy Bottom	269,310	331,011	61,701
	\$ 1,751,504	\$ 1,423,742	\$ (327,762)

CITY OF PIKEVILLE, KENTUCKY

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE A-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

10 - Revenue Recognition - Property Taxes

The City's ad valorem property tax is levied each October 1 on the assessed value listed as of the prior January 1 for both real and personal property located in the City. The City adopts the county assessment of property situated within the city limits, for both real and personal property. The assessed value of the roll, upon which the levy for 2010 fiscal year was based, was \$419,225,438 real and \$79,549,756 tangible.

The tax rates assessed for the year ended June 30, 2010 were \$.150 per \$100 valuation for real estate and \$.025 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, 2010 were 97.735% 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, 2010 and 2009 are composed of the following:

<u>Year of Levy</u>	<u>2010 Amount</u>	<u>2009 Amount</u>
2009	\$ 16,449	\$ 0
2008	9,274	20,506
2007	8,180	10,699
2006	6,802	9,206
2005	7,545	9,436
2004	7,942	9,106
2003	7,284	8,278
2002	6,090	6,518
2001	4,186	4,580
2000	7,380	7,774
1999	6,088	6,589
1998	6,531	7,032
1997	8,769	9,270
1996	9,027	9,510
1995	10,496	10,787
1994	14,145	14,460
1993	0	9,483
1992	0	0
	<u>\$ 136,188</u>	<u>\$ 153,234</u>
Less: Allowance for doubtful accounts	89,489	102,049
Net Property Taxes Receivable	<u>\$ 46,699</u>	<u>\$ 51,185</u>

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE A-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)11 - Receivables - Proprietary Funds

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

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

2009	Gas	Water	Sewer	Sani- tation	Sandy Valley	Mossy Bottom	TOTAL
Total Accounts Receivable	\$ 260,430	\$ 204,092	\$ 109,001	\$ 95,609	\$ 59,598	\$ 54,295	\$ 783,025
Less: Allowance for							
Doubtfull Accounts	8,684	6,805	3,635	3,187	1,987	1,810	26,108
Net Receivables	<u>\$ 251,746</u>	<u>\$ 197,287</u>	<u>\$ 105,366</u>	<u>\$ 92,422</u>	<u>\$ 57,611</u>	<u>\$ 52,485</u>	<u>\$ 756,917</u>

12 - Compensated Absences

City employees are granted vacation and sick leave in varying amounts. In the event of termination, an employee is entitled to receive accrued vacation but not accrued sick leave. Accumulated vacation pay at June 30, 2010 and 2009, respectively was \$113,176 and \$74,435.

13 - Statement of Cash Flows

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

14- Utility Deposits

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

15 - Prepaid Expenses

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

CITY OF PIKEVILLE, KENTUCKY

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2010

NOTE B - LONG-TERM DEBT

The following is a summary of bonds and notes payable of the City for the year ended June 30, 2010.

CHANGES IN LONG-TERM DEBT:

DESCRIPTION	Beginning Balance	Additions	Reductions	Ending Balance
General Obligation Bonds	\$ 940,000	\$ 0	\$ 90,000	\$ 850,000
Revenue Bonds	4,477,639	0	193,141	4,284,498
Less: Discount	(14,351)	0	(2,170)	(12,181)
N/P - KIA A 90-06	579,056	0	579,056	0
N/P - KIA - B 291-08	223,116	0	223,116	0
N/P - KIA - C 92-04	110,000	0	25,000	85,000
N/P - KIA - B 93-05	189,253	0	189,253	0
N/P - KIA - A 94-20	805,799	0	111,024	694,775
N/P - USDA - Rural Development - 91-06	612,500	0	9,500	603,000
N/P - KIA Fund A95-16	234,897	0	23,387	211,510
N/P - KIA Fund A00-03	744,081	0	53,587	690,494
N/P - KIA Fund 92-12	151,000	0	5,200	145,800
N/P - USDA - Rural Development - 92-14	643,000	0	7,500	635,500
N/P - Citizens National Bank	24,981	0	8,089	16,892
N/P - Community Trust Bank	150,000	0	150,000	0
N/P - Community Trust Bank	242,898	0	242,898	0
N/P - US Bank	0	230,000	230,000	0
N/P - Community Trust Bank	0	240,000	240,000	0
C/L - Kentucky Area Development Districts Fi	130,000	0	130,000	0
Total	\$ 10,243,869	\$ 470,000	\$ 2,508,581	\$ 8,205,288

N/P = Note Payable CL = Capitalized Lease

CITY OF PIKEVILLE, KENTUCKY

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE B - LONG-TERM DEBT (Continued)

Bonds and notes payable as of June 30, 2010 are comprised of the following:

General Obligation Bonds

\$1,440,000 Series 2003 maturing through 2018, with interest at 3.100% Maturing in June 2018. Payments in the amount of \$90,000 and \$95,000 due in 2010 and 2011 respectively.	\$ 850,000
Total General Obligation Bonds	<u>\$ 850,000</u>

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.	\$ 2,062,000
\$2,285,000 Series 1998 Refunding Revenue Bonds maturing through 2021, with interest at 4.705% (Estimated average rate over maturity of bonds). Payments in the amount of \$90,000 and \$95,000 due in 2010 and 2011 respectively.	1,475,000
\$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.	747,498
Total Revenue Bonds	<u>\$ 4,284,498</u>
Less: Discounts	12,181
Net Revenue Bonds Payable	<u>\$ 4,272,317</u>
Total Bonds Payable	\$ 5,122,317

Notes Payable and Capital Leases

KENTUCKY INFRASTRUCTURE AUTHORITY - This note in the amount of \$3,061,787.00 was for the construction of additions to the City's wastewater treatment plant. The note will be repaid at an interest rate of 2.3% in semi-annual installments of \$100,430.86 starting December 1, 1992, and the last payment being on June 1, 2012. 0

KENTUCKY INFRASTRUCTURE AUTHORITY - This note in the amount of \$225,000 was for the construction of additions to the City's water distribution system, these include the Yorktown extension, Cedar Gap water tank and Island Creek tie. The note will be repaid at an average interest rate of 4.643% in semi-annual installments starting April 1, 1993, and the last payment being on June 1, 2013.

The loan was restructured in the fiscal year ended June 30, 2005. Debt service reserve was applied to principal balance. Interest after restructure are 2.250% to 5.190%. Monthly payments are in the amount of \$2,764.79 with last payment due June 2, 2013. 85,000

KENTUCKY INFRASTRUCTURE AUTHORITY - This note in the amount of \$897,868.00 was for the construction of additions to the City's water distribution system, these include the Yorktown extension, Cedar Gap water tank and Island Creek tie. The note will be repaid at an interest rate of 2.9% in semi-annual installments starting December 1, 1993, and the last payment being on June 1, 2013. Semiannual payments vary with amounts due of \$29,963.02 and \$29,936.51 due in 2010; and \$29,909.63 and \$29,882.35 due in 2011. 0

CITY OF PIKEVILLE, KENTUCKY

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2010

NOTE B - LONG-TERM DEBT (Continued)

KENTUCKY INFRASTRUCTURE AUTHORITY - This note is for the construction of additions to the City's sewer system. Total loan amount is \$2,114,295. The note will be repaid at an interest rate of 1.2% in semi annual installments starting December 1, 1996, and the last payment being on June 1, 2016. Semi annual payments of \$60,986.50 and \$60,931.15 are due in 2010 and 60,875.47 and \$60,819.46 are due in 2011.	694,775
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.	603,000
USDA - RURAL DEVELOPMENT - Loan in the amount of \$650,000 was assumed from Mountain Water District in June 2009 in exchange for assets of the Mossy Bottom Sewer system. The loan is for a term of 38 years, with varying annual installments at an interest rate of 4.125%, with the last installment due January 1, 2046. Payments due for 2010 and 2011 are \$34,023.75 and \$34,214.38, respectively.	635,500
KENTUCKY INFRASTRUCTURE AUTHORITY - This loan in the amount of \$280,770.14 was assumed from the Mountain Water District when the City assumed operation of the Mossy Bottom Sewage System. The loan is for a term of 11.5 years, with Semi annual installments of \$13,182.19, at an interest rate of 1.30%, with the last installment due in December 2018.	211,510
KENTUCKY INFRASTRUCTURE AUTHORITY - This loan in the amount of \$848,416.47 was assumed from the Mountain Water District when the City assumed operation of the Mossy Bottom Sewage System. The loan is for a term of 14.5 years, with Semi annual installments of \$33,370.22, at an interest rate of 1.80%, with the last installment due in December 2021.	690,494
USDA - RURAL DEVELOPMENT - This loan in the amount of \$161,300.00 was assumed from the Mountain Water District when the City assumed operation of the Mossy Bottom Sewage System. The loan is for a term of 31.5 years, with semi annual principal payments of \$2,600, plus interest, at an interest rate of 4.50%, with the last installment due in January 2038. Payments due for 2010 and 2011 are \$6,056.00 and \$5,997.50; and \$5,939.00 and \$5,880.50, respectively.	145,800
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.	16,892
COMMUNITY TRUST BANK - This loan in the amount of \$300,000 was for the improvements of Bob Amos Park. The Loan is for a term of two years, with two balloon installments of \$150,000.00, and monthly interest payments at an interest rate of 5.00%, with the last payment being due on June 9, 2010.	0
Kentucky Area Development Districts Financing Trust - This loan in the amount of \$130,000 was for the purchase of a garbage truck. The capital lease is for term of one year at a rate of 5% and payment is due May 1, 2010.	0

Total \$	<u>8,205,288</u>
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CITY OF PIKEVILLE, KENTUCKY

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010NOTE B - LONG-TERM DEBT (Continued)
CURRENT MATURITIES

The maturities of the Bonds Payable are as follows:

Principal Portion

	General Obligation Bonds	Revenue Bonds				TOTAL
		Water	Sewer	Gas	Sandy Valley	
2011	\$ 95,000	\$ 191,000	\$ 0	\$ 0	\$ 12,141	\$ 298,141
2012	100,000	206,000	0	0	12,768	318,768
2013	100,000	216,000	0	0	13,395	329,395
2014	105,000	226,000	0	0	13,965	344,965
2015	450,000	1,343,000	0	0	15,219	1,808,219
2016-2020	0	1,168,000	0	0	85,215	1,253,215
2021-2025	0	187,000	0	0	107,844	294,844
2026-2030	0	0	0	0	136,629	136,629
2030-2034	0	0	0	0	172,311	172,311
2035-2040	0	0	0	0	178,011	178,011
Total	<u>\$ 850,000</u>	<u>\$ 3,537,000</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 747,498</u>	<u>\$ 5,134,498</u>

Interest Portion

	General Obligation Bonds	Revenue Bonds				Total
		Water	Sewer	Gas	Sandy Valley	
2011	\$ 26,505	\$ 174,147	\$ 0	\$ 0	\$ 35,506	\$ 236,158
2012	23,560	164,930	0	0	34,929	223,419
2013	20,460	154,998	0	0	34,323	209,781
2014	17,360	144,528	0	0	33,687	195,575
2015	35,805	542,755	0	0	157,688	736,248
2016-2020	0	201,620	0	0	136,401	338,021
2021-2025	0	9,350	0	0	109,483	118,833
2026-2030	0	0	0	0	75,431	75,431
2031-2035	0	0	0	0	32,227	32,227
2036-2040	0	0	0	0	263	263
Total	<u>\$ 123,690</u>	<u>\$ 1,392,328</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 649,938</u>	<u>\$ 2,165,956</u>

CITY OF PIKEVILLE, KENTUCKY

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010NOTE B - 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
2011	\$ 8,589	\$ 238,808	\$ 247,397	\$ 82,766	\$ 330,163
2012	8,303	246,955	255,258	77,207	332,465
2013	0	250,141	250,141	71,486	321,627
2014	0	224,366	224,366	67,532	291,898
2015	0	227,130	227,130	65,048	292,178
2016-2020	0	664,543	664,543	286,315	950,858
2021-2025	0	273,836	273,836	227,055	500,891
2026-2030	0	210,000	210,000	181,184	391,184
2031-2035	0	254,500	254,500	134,678	389,178
2036-2040	0	296,800	296,800	75,495	372,295
2041-2045	0	148,000	148,000	13,654	161,654
2046-2050	0	31,000	31,000	0	31,000
Total	<u>\$ 16,892</u>	<u>\$ 3,066,079</u>	<u>\$ 3,082,971</u>	<u>\$ 1,282,420</u>	<u>\$ 4,365,391</u>

NOTE C - LEASE COMMITMENTS

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

The related future minimum lease payments are as follows:

2010	\$ 6180
2011	3090
2012	0
2013	0
2014	0
	<u>\$ 9270</u>

CITY OF PIKEVILLE, KENTUCKY

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2010

NOTE D – CHANGES IN CAPITAL ASSETS

The following is a summary of changes in the Capital Assets as of June 30, 2010.

CHANGES IN FIXED ASSETS – GOVERNMENTAL ACTIVITIESASSETS

Description	Beginning Cost	Additions	Deletions	Ending Cost
Property, Plant, and Equipment	\$ 22,016,876	\$ 840,142	\$ 0	\$ 22,857,018
Land	10,704,062	1,111,754	0	11,815,816
Vehicles	3,484,174	414,981	91,136	3,808,019
Equipment	3,092,680	197,155	0	3,289,835
Infrastructure	36,324,145	52,200	0	36,376,345
Construction In Progress	2,491,674	2,728,148	0	5,219,822
TOTALS	\$ 78,113,611	\$ 5,344,380	\$ 91,136	\$ 83,366,855

ACCUMULATED DEPRECIATION

Description	Beginning Balance	Current Provisions	Deletions	Ending Balance
Property, Plant, and Equipment	\$ 6,216,967	\$ 548,694	\$ 0	\$ 6,765,661
Vehicles	2,729,101	236,184	91,136	2,874,149
Equipment	2,298,699	205,656		2,504,355
Infrastructure	23,280,319	915,609	0	24,195,928
TOTALS	\$ 34,525,086	\$ 1,906,143	\$ 91,136	\$ 36,340,093
NET ASSETS	\$ 43,588,525			\$ 47,026,762

Depreciation expense was charged to Governmental Activities

General Government	\$ 545,911
Public Safety	261,695
Streets	1,004,234
Recreation and Parks	94,303
Total Depreciation Expense Governmental Activities	\$ 1,906,143

CITY OF PIKEVILLE, KENTUCKY

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2010

NOTE E - 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, 2010.

CHANGES IN FIXED ASSETS - GAS FUNDASSETS

Description	Beginning Cost	Additions	Deletions	Ending Cost
Plant and Distribution System	\$ 2,218,662	\$ 0	\$ 0	\$ 2,218,662
Equipment	201,167	0	0	201,167
Vehicles	110,050	0	0	110,050
TOTALS	\$ 2,529,879	\$ 0	\$ 0	\$ 2,529,879

ACCUMULATED DEPRECIATION

Description	Beginning Balance	Current Provisions	Deletions	Ending Balance
Plant and Distribution System	\$ 1,652,918	\$ 55,503	\$ 0	\$ 1,708,421
Equipment	154,838	12,831	0	167,669
Vehicles	96,639	5,191	0	101,830
TOTALS	\$ 1,904,395	\$ 73,525	\$ 0	\$ 1,977,920
NET ASSETS	\$ 625,484			\$ 551,959

CHANGES IN FIXED ASSETS - WATERASSETS

Description	Beginning Cost	Additions	Deletions	Ending Cost
Plant and Distribution System	\$ 16,255,030	\$ 65,447	\$ 0	\$ 16,320,477
Equipment	505,611	66,759	0	572,370
Vehicles	169,480	0	15,800	153,680
Construction in Process	0	589,152	0	589,152
TOTALS	\$ 16,930,121	\$ 721,358	\$ 15,800	\$ 17,635,679

ACCUMULATED DEPRECIATION

Description	Beginning Balance	Current Provisions	Deletions	Ending Balance
Plant and Distribution System	\$ 7,969,508	\$ 387,476	\$ 0	\$ 8,356,984
Equipment	473,269	21,033	0	494,302
Vehicles	123,139	17,942	15,800	125,281
TOTALS	\$ 8,565,916	\$ 426,451	\$ 15,800	\$ 8,976,567
NET ASSETS	\$ 8,364,205			\$ 8,659,112

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE E - PROPRIETARY FUNDS PROPERTY, PLANT AND EQUIPMENT (Continued)CHANGES IN FIXED ASSETS – SEWERASSETS

Description	Beginning Cost	Additions	Deletions	Ending Cost
Plant and Distribution System	\$ 13,978,067	\$ 719,168	\$ 0	\$ 14,697,235
Equipment	216,743	39,400	0	256,143
Vehicles	71,042	29,964	0	101,006
Construction In Progress	744,120	184,155	605,375	322,900
TOTALS	\$ 15,009,972	\$ 972,687	\$ 605,375	\$ 15,377,284

ACCUMULATED DEPRECIATION

Description	Beginning Balance	Current Provisions	Deletions	Ending Balance
Plant and Distribution System	\$ 7,442,917	\$ 297,794	\$ 0	\$ 7,740,711
Equipment	126,993	30,107	0	157,100
Vehicles	62,438	9,603	0	72,041
TOTALS	\$ 7,632,348	\$ 337,504	\$ 0	\$ 7,969,852
NET ASSETS	\$ 7,377,624			\$ 7,407,432

CHANGES IN FIXED ASSETS - SANITATIONASSETS

Description	Beginning Cost	Additions	Deletions	Ending Cost
Property and Plant	\$ 135,017	\$ 15,079	\$ 0	\$ 150,096
Equipment	193,235	31,284	0	224,519
Vehicles	882,751	0	0	882,751
TOTALS	\$ 1,211,003	\$ 46,363	\$ 0	\$ 1,257,366

ACCUMULATED DEPRECIATION

Description	Beginning Balance	Current Provisions	Deletions	Ending Balance
Property and Plant	\$ 34,379	\$ 6,665	\$ 0	\$ 41,044
Equipment	145,247	17,524	0	162,771
Vehicles	482,225	61,959	0	544,184
TOTALS	\$ 661,851	\$ 86,148	\$ 0	\$ 747,999
NET ASSETS	\$ 549,152			\$ 509,367

CITY OF PIKEVILLE, KENTUCKY

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010

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

CHANGES IN FIXED ASSETS – SANDY VALLEY

ASSETS

Description	Beginning	Additions	Deletions	Ending Cost
Distribution System	\$ 745,027	\$ 0	\$ 0	\$ 745,027
Equipment	43,268	7,205	0	50,473
Vehicles	0	36,825		36,825
TOTALS	\$ 788,295	\$ 44,030	\$ 0	\$ 832,325

ACCUMULATED DEPRECIATION

Description	Beginning	Additions	Deletions	Ending
Distribution System	\$ 38,803	\$ 18,626	\$ 0	\$ 57,429
Equipment	17,239	9,014	0	26,253
Vehicles		1,227		1,227
TOTALS	\$ 56,042	\$ 28,867	\$ 0	\$ 84,909
NET ASSETS	\$ 732,253			\$ 747,416

CHANGES IN FIXED ASSETS – MOSSY BOTTOM

ASSETS

Description	Beginning	Additions	Deletions	Ending Cost
Distribution System	\$ 1,940,487	\$ 12,600	\$ 0	\$ 1,953,087
Equipment	6,768	44,249	0	51,017
Vehicles	0	36,825		36,825
TOTALS	\$ 1,947,255	\$ 93,674	\$ 0	\$ 2,040,929

ACCUMULATED DEPRECIATION

Description	Beginning	Current	Deletions	Ending
Distribution System	\$ 68,567	\$ 48,591	\$ 0	\$ 117,158
Equipment	2,030	2,103	0	4,133
Vehicles	0	1,227		1,227
TOTALS	\$ 70,597	\$ 51,921	\$ 0	\$ 122,518
NET ASSETS	\$ 1,876,658			\$ 1,918,411

NET ASSETS PROPRIETARY FUNDS

FUND	Beginning Net Assets	Ending Net Assets
GAS	\$ 692,538	\$ 625,484
WATER	8,765,842	8,364,205
SEWER	6,914,698	7,377,624
SANITATION	246,949	549,152
SANDY VALLEY WATER	757,259	732,253
MOSSY BOTTOM	1,255,536	1,876,658
	\$ 18,632,822	\$ 19,525,376

CITY OF PIKEVILLE, KENTUCKY

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2010

NOTE F - LITIGATION

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

NOTE G - COMMITMENTS AND CONTINGENT LIABILITIES

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

PROPERTY SALE - PIKEVILLE METHODIST HOSPITAL (Hospital) - The City sold river fill property to the Pikeville Methodist Hospital for \$91,000 during the fiscal year ended June 30, 1998. There is a lawsuit pending against this property and if the courts rule against the City, the City will be required to repay the purchase price to the Hospital.

NOTE H - REPORT RECLASSIFICATIONS

Certain previously reported amounts have been reclassified to conform to 2010 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.

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2010

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:

	Year	Rate – Non-hazardous		Amount	
		<u>Employee</u>	<u>Employer</u>	<u>Employee</u>	<u>Employer</u>
The City's payroll subject to retirement withholding for 2010, 2009 and 2008 was	2009	5.00%	16.16%	\$56,512	\$173,430
\$3,042,330, \$2,895,721 and \$2,924,438	2008	5.00%	13.50%	\$45,851	\$123,797
respectively.	2007	5.00%	16.17%	\$43,448	\$140,511

The "pension benefit obligation" is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases and step-rate benefits, estimated to be payable in the future as a result of employee service to date.

The measure, which is the actuarial present value of credited projected benefits, is intended to help users assess the pensions' funding status on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among the plans and employers.

Year	Rate – Hazardous		Amount	
	<u>Employee</u>	<u>Employer</u>	<u>Employee</u>	<u>Employer</u>
2009	8.00%	32.97%	\$138,394	\$570,357
2008	8.00%	29.50%	\$143,066	\$527,285
2007	8.00%	33.87%	\$149,237	\$631,833

Year	Total Amount	
	<u>Employee</u>	<u>Employer</u>
2009	\$194,906	\$743,787
2008	\$188,917	\$651,082
2007	\$192,685	\$772,344

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

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

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

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

CITY OF PIKEVILLE, KENTUCKY

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2010

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:

<u>Year</u>	<u>457</u>	<u>401 (k)</u>
2010	\$16,197	\$5,630
2009	\$14,685	\$6,665
2008	\$13,590	\$5,840

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, 2010, the carrying amount of the City's deposits with financial institutions was \$13,302,544 and the bank balance, per statements, was \$13,540,828. The bank balance is categorized as follows:

Amount insured by the FDIC	\$	865,766
Amount collateralized with securities held by third party in the City's name		12,675,062
Uncollateralized (\$ 0 of this amount is collateralized with securities held by the pledging financial institution)		0
Total Bank Balance	\$	<u>13,540,828</u>

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2010

NOTE P - LONG-TERM LEASE AGREEMENTS

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

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

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

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

- a - Land located in Bob Amos Park for consideration of \$1.00 per year for a term of fifty years. This agreement is dated December 31, 1991.
- b - Teen Center Building located in the Hambley Athletic Complex for consideration of \$450.00 per month.
- c - Softball Field located in Bob Amos Park for consideration of \$1.00 per year for a period of one year and the right to renew for five additional one year terms. Either party has the right to cancel by giving thirty days written notice of the parties' intent to terminate this lease or renewal thereof.
- d - For the Operation of the Pool from May 1, 2010 through September 30, 2010 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 written notice by Model City Day Care Center, Inc. of its intent to renew 180 days prior to the end of the term of the lease or any renewal thereof. Any renewal is contingent on the Model City Day Care Center, Inc. being in substantial compliance with this agreement.

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

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

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

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

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

Pikeville College - Use of Hambley complex 2955.00 per month.

Hatfield-McCoy River Rats - Use of Picnic Shelter #2 Building, playground area, and picnic area the purpose of operation of a RV Park, Paddle Boat rental, general store, RV Office, bait shop, and food service. The lease is for one year starting December 2009, with an automatic renewal for a two year term. The lessee will pay \$1 per year.

The lessee agrees to operate and maintain the shelter and paddle boat service, kayak and canoe service located on the Pond at the bottom of the stairs off Lorraine Street.

The lessee agrees to operate and staff the City's RV Park located at Bob Amos on Earlene Lane. The Lessee will pay to the City \$10 per day for each site actually rented.

The lessee agrees to provide various other recreational rentals.

CITY OF PIKEVILLE, KENTUCKY

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE Q – INTER FUND RECEIVABLES AND PAYABLES

There were no Inter-fund balances at June 30, 2010.

NOTE R – INTER FUND TRANSFERS

<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
General	Projects Control	Fixed Assets Construction	\$ 1,046,857
General	Football Field Debt Service	Debt Service	119,295
General	Mossy Bottom Sewer	Debt Service	50
General	Mossy Bottom Sewer	Operating	259
Coal Severance	Sewer	Operating	29,964
Coal Severance	Mossy Bottom Sewer	Operating	36,825
Projects Control	Water	Operating	655,911
Projects Control	Sewer	Fixed Assets	312,547
Gas	Cash Flow	Operating	9,000
Water	General	Operating	350,000
Water	Sewer	Debt Service	30,651
Water	Sewer	Debt Service	126,182
Water	Mossy Bottom Sewer	Debt Service	137,219
Water	Cash Flow	Operating	8,000
Sewer	Cash Flow	Operating	8,000
Sewer	water	Operating	225,392
Sewer	water	Operating	94,000
Sewer	Mossy Bottom Sewer	Operating	2,590
Sanitation	Cash Flow	Operating	9,000
Sandy Valley Water	Water	Operating	130,000
Sandy Valley Water	Cash Flow	Operating	9,000
Mossy Bottom Sewer	Cash Flow	Operating	7,500
			<u>\$ 3,348,242</u>

NOTE S – 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 T – 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.

CITY OF PIKEVILLE, KENTUCKY

REPORTS REQUIRED BY GOVERNMENT AUDITING STANDARDS

For the year ended June 30, 2010

Wallen and Cornett, PSC

CERTIFIED PUBLIC ACCOUNTANTS

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PIKEVILLE, KENTUCKY 41502



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

To the Board of Commissioners
City of Pikeville, Kentucky

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Pikeville, Kentucky, as of and for the year ended June 30, 2010, which collectively comprise the City of Pikeville, Kentucky's basic financial statements and have issued our report thereon dated January 26, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

To the Board of Commissioners of
City of Pikeville, Kentucky

Page 2

Compliance and Other Matters

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

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

WALLEN AND CORNETT, P.S.C.

Wallen and Cornett, PSC

Certified Public Accountants

Pikeville, Kentucky

January 26, 2011



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REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO 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, 2010. 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, 2010.

To the Board of Commissioners
City of Pikeville, Kentucky

Page 2

Internal Control Over Compliance

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

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

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

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

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

WALLEN AND CORNETT, P.S.C.



Certified Public Accountants

Pikeville, Kentucky

January 26, 2011

CITY OF PIKEVILLE, KENTUCKY

SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE
FOR THE YEAR ENDED JUNE 30, 2010

<u>FEDERAL GRANTOR / PASS-THROUGH GRANTOR / PROGRAM TITLE</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Disbursements/ Expenditures</u>
<u>U.S. DEPARTMENT OF HOMELAND SECURITY</u>			
FEMA	97.036	N/A	\$ 75,210
Total U. S. Department of Housing and Urban Development			<u>\$ 75,210</u>
<u>U. S. DEPARTMENT OF AGRICULTURE</u>			
<u>Passed Through Rural Development</u>			
Kentucky Rural Water Finance Corporation			
Loan # 91-06	10.760	KY-13493-99	603,000
Loan # 92-12	10.760	N/A	145,800
Loan # 91-14	10.760	N/A	635,500
Total U. S. Department of Agriculture			<u>\$ 1,384,300</u>
<u>U. S. TRANSPORTATION CABINET</u>			
<u>Passed Through Commonwealth of Kentucky, Department of Transportation</u>			
Thompson Road Section 117	20.000	N/A	\$ 821,467
NCRS	20.000	N/A	64,445
Flood Gate Levee	20.000	N/A	90,000
Total U. S. Transportation Cabinet			<u>\$ 975,912</u>
<u>U. S. DEPARTMENT OF JUSTICE</u>			
HIDTA Taskforce	95.001	N/A	\$ 53,000
Total U. S. Department of Justice			<u>\$ 53,000</u>
TOTAL FEDERAL FINANCIAL ASSISTANCE			<u>\$ 2,488,422</u>

CITY OF PIKEVILLE, KENTUCKY

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2010

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, 2010

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 Transportation (Thompson Road Section 117)	20.000

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, 2010

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

CITY OF PIKEVILLE, KENTUCKY
INDIVIDUAL MAJOR FUND FINANCIAL STATEMENTS
For the year ended June 30, 2010

Wallen and Cornett, PSC

CERTIFIED PUBLIC ACCOUNTANTS
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PIKEVILLE, KENTUCKY 41502



Wallen and Cornett, PSC
CERTIFIED PUBLIC ACCOUNTANTS

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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, 2010 appears on pages 1 and 2. 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 AND CORNETT, P. S. C.

Wallen and Cornett, PSC

Certified Public Accountants
Pikeville, Kentucky

January 26, 2011

CITY OF PIKEVILLE, KENTUCKY

GENERAL FUND
STATEMENT OF REVENUES AND EXPENDITURES -
BUDGET (GAAP BASIS) AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2010

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
REVENUES				
Ad Valorem Taxes				
Property Taxes	\$631,000	\$789,000	\$806,801	17,801
Housing Authority Property Tax	23,000	23,000	0	(23,000)
Franchise Bank Deposit Tax	145,000	145,000	143,715	(1,285)
Franchise				
Franchise Tax	11,000	11,000	26,173	15,173
Franchise Fees	350,000	350,000	415,594	65,594
Franchise Cable	41,000	86,000	88,003	2,003
Occupational License Taxes & Fees				
Payroll Taxes - Individuals	5,500,000	5,695,900	6,047,692	351,792
Business Licenses	320,000	370,000	744,027	374,027
Penalties and Interest	40,000	53,000	68,192	15,192
Other Taxes				
ABC Licenses	165,000	165,000	171,754	6,754
Off Track Betting	35,000	35,000	17,136	(17,864)
Hotel/Motel Tax	145,000	185,000	171,812	(13,188)
Permits and Fees				
Building Permits	15,000	30,000	22,858	(7,142)
Other Permits	5,000	5,000	5,058	58
Electrical Inspection Fees	25,000	25,000	16,873	(8,127)
Grants-Federal				
FEMA	0	77,000	76,204	(796)
Homeland Security	0	0	0	0
HIDTA	53,000	53,000	54,075	1,075
Grants - State				
EMS Grant	12,000	0	0	0
KLEFPF Police Incentive	86,000	86,000	85,959	(41)
Fire Incentive	106,000	106,000	104,767	(1,233)
VFD Allotment	0	0	0	0
Municipal Road Aid	80,000	100,000	122,669	22,669
Court Citations	4,700	4,700	8,814	4,114
Base Court Revenue	48,000	48,000	26,697	(21,303)
Mineral Tax	2,500	2,500	513	(1,987)
HB410	0	750,000	755,256	5,256
Other State Grants	0	0	200	200
Grants - Local				
Pike County Bd of Educ. / Locker Room	9,600	9,600	37,600	28,000
Pike County Bd of Educ. / Athletic Complex	56,940	56,940	59,895	2,955
Interest Income				
Penalties & Interest - Property Taxes	10,000	10,000	16,659	6,659
Interest Income	30,000	30,000	96,725	66,725
Other Revenue				
911 Fees	43,000	43,000	45,625	2,625
Shuttle Revenue	0	0	0	0
Fire Employee Fund	2,500	2,500	2,972	472
Ambulance Fund	350,000	350,000	366,626	16,626
Parking Violations	50,000	50,000	48,880	(1,120)
Concession and Vending	5,500	5,500	4,396	(1,104)
Swim Team	0	0	4,687	4,687
Rent	22,020	22,020	27,627	5,607
Litter Abatement	6,500	6,500	0	(6,500)
Parking Garage	75,000	108,000	98,759	(7,241)
Other Miscellaneous	92,940	150,115	323,997	173,882
TOTAL REVENUES	\$8,597,200	\$10,037,275	\$11,115,290	\$1,078,015

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, 2010

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
EXPENDITURES				
General Government				
Personnel Cost				
Salaries and Wages	\$567,084	\$592,184	\$551,462	\$40,722
Payroll Taxes	35,000	42,100	38,154	3,946
Insurance	89,000	89,000	71,663	17,337
Pensions	75,000	85,000	78,065	6,935
Insurance - Workers Comp	9,500	9,500	0	9,500
Rent	7,000	4,000	3,399	601
Supplies	56,000	52,575	43,203	9,372
Telephone	45,420	46,420	40,384	6,036
Power, Lights and Heat	33,000	48,500	47,246	1,254
Automotive - Fuel	4,500	4,500	2,630	1,870
Automotive - Repairs & Maintenance	5,500	5,500	3,207	2,293
Insurance	46,300	36,300	25,589	10,711
Advertising	85,000	94,780	72,659	22,121
Professional Services - Accounting	65,000	87,000	97,029	(10,029)
Professional Services - Engineering	40,000	70,000	57,048	12,952
Professional Services - Training	7,000	7,000	4,929	2,071
Professional Services - Other	35,000	35,000	35,834	(834)
Tax Commissioners Statutory Fee	26,500	27,007	27,006	1
Repairs and Maintenance	44,100	38,420	28,909	9,511
Travel	10,400	10,101	5,908	4,193
Postage and Freight	17,000	22,000	22,609	(609)
Dues and Subscriptions	8,500	14,500	14,639	(139)
Bank Service Charges	1,000	1,000	1,465	(465)
Refunds	76,900	80,400	84,979	(4,579)
Fixed Asset Purchased / Construction	115,000	1,251,300	1,253,609	(2,309)
Miscellaneous	113,200	317,700	288,445	29,255
Provision for Bad Debts	0	0	9,483	(9,483)
Total General Government	<u>\$1,617,904</u>	<u>\$3,071,787</u>	<u>\$2,909,553</u>	<u>\$162,234</u>

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, 2010

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
Public Safety				
Police Department				
Personnel Costs				
Salaries and Wages	\$970,000	\$1,043,000	\$992,308	\$50,692
Payroll Taxes	62,000	72,000	67,339	4,661
Insurance	169,000	209,000	201,448	7,552
Pensions	263,000	300,000	287,128	12,872
Insurance - Workers Comp	0	0	0	0
Rent	2,338	2,488	2,774	(286)
Supplies	14,750	19,450	14,969	4,481
Telephone	16,000	17,200	15,959	1,241
Power, Lights and Heat	9,400	13,900	10,578	3,322
Automotive - Fuel	75,000	60,000	54,756	5,244
Automotive - Repairs & Maintenance	50,000	46,000	33,819	12,181
Insurance	46,000	46,000	44,093	1,907
Advertising	1,000	1,000	324	676
Professional Services	0	9,400	9,428	(28)
Professional Services - Training	4,000	1,500	774	726
Uniforms	38,350	38,850	27,858	10,992
Repairs and Maintenance	36,210	36,210	29,813	6,397
Travel	8,500	9,300	9,578	(278)
Postage and Freight	1,500	1,500	855	645
Dues and Subscriptions	600	850	894	(44)
D. A. R. E. PROGRAM	4,000	6,500	5,490	1,010
Miscellaneous	12,640	7,740	6,156	1,584
Equipment	115,000	239,600	231,376	8,224
Total Police Department	<u>\$1,899,288</u>	<u>\$2,181,488</u>	<u>\$2,047,717</u>	<u>\$133,771</u>
Community Oriented Policing Grant (COPS)				
Advertising	\$0	\$0	\$0	\$0
Insurance	0	0	0	0
Total Community Oriented Policing	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

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, 2010

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
Fire Department				
Personnel Costs				
Salaries and Wages	\$1,075,900	\$1,140,900	\$1,130,155	\$10,745
Payroll Taxes	74,000	77,500	76,935	565
Insurance	180,000	254,000	221,799	32,201
Pensions	290,000	334,000	330,400	3,600
Insurance - Workers Comp	61,000	61,000	0	61,000
Supplies	23,000	29,500	27,276	2,224
Telephone	6,500	8,400	8,502	(102)
Power, Lights and Heat	19,000	20,600	19,705	895
Automotive - Fuel	14,000	14,000	9,407	4,593
Automotive - Repairs & Maintenance	30,000	30,000	22,183	7,817
Insurance	35,000	35,000	29,895	5,105
Advertising	0	500	588	(88)
Professional Services	13,000	14,000	9,648	4,352
Professional Services - Training	3,000	13,000	13,487	(487)
Uniforms	33,800	28,800	26,783	2,017
Repairs and Maintenance	40,900	40,900	14,116	26,784
Travel	3,000	3,000	1,344	1,656
Postage and Freight	700	700	0	700
Dues and Subscriptions	250	250	40	210
VFD Allotment	6,500	6,500	5,478	1,022
Fire Prevention	2,500	5,000	4,918	82
Miscellaneous	1,000	1,700	840	860
Equipment	25,500	19,400	21,802	(2,402)
Total Fire Department	<u>\$1,938,550</u>	<u>\$2,138,650</u>	<u>\$1,975,301</u>	<u>\$163,349</u>
Ambulance Service				
Personnel Costs	\$0	\$0	\$0	\$0
Rent	0	0	0	0
Supplies	16,200	16,200	10,021	6,179
Telephone	1,500	1,600	1,835	(235)
Power, Lights and Heat	0	0	0	0
Automotive - Fuel	13,000	13,000	11,048	1,952
Automotive - Repairs & Maintenance	20,000	16,000	6,835	9,165
Insurance	10,500	10,500	9,444	1,056
Advertising	0	0	0	0
Professional Services	40,000	41,300	37,529	3,771
Professional Services - Training	3,000	3,000	2,130	870
Uniforms	0	0	0	0
Repairs and Maintenance	1,000	1,000	0	1,000
Travel	0	6,260	0	6,260
Postage and Freight	0	0	0	0
Dues and Subscriptions	600	600	149	451
Miscellaneous	0	0	0	0
Refunds	5,000	2,500	1,970	530
Equipment	16,000	16,000	16,094	(94)
Total Ambulance Service	<u>\$126,800</u>	<u>\$127,960</u>	<u>\$97,055</u>	<u>\$30,905</u>

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, 2010

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
Emergency Shelter				
Professional Services	\$60,000	\$60,000	\$60,000	\$0
Miscellaneous	0	0	0	0
Total Emergency Shelter	<u>\$60,000</u>	<u>\$60,000</u>	<u>\$60,000</u>	<u>\$0</u>
Codes				
Personnel Costs				
Salaries and Wages	\$38,000	\$43,800	\$41,836	\$1,964
Payroll Taxes	2,200	2,625	41	2,584
Insurance	10,000	19,700	19,299	401
Pensions	5,500	7,200	6,761	439
Insurance - Workers Comp	800	800	0	800
Supplies	500	1,100	349	751
Telephone	550	550	305	245
Automotive - Fuel	2,000	4,300	4,362	(62)
Automotive - Repairs & Maintenance	1,100	1,100	442	658
Insurance	1,500	1,550	1,494	56
Advertising	500	500	397	103
Professional Services - Electrical Ins.	35,000	35,000	24,487	10,513
Professional Services	700	1,000	683	317
Uniforms	350	400	517	(117)
Repairs and Maintenance	0	0	0	0
Travel	2,400	1,400	200	1,200
Dues and Subscriptions	800	800	638	162
Refund of Inspection Fees	0	0	626	(626)
Miscellaneous	1,000	1,225	725	500
Equipment	1,500	2,820	1,865	955
Total Codes	<u>\$104,400</u>	<u>\$125,870</u>	<u>\$105,027</u>	<u>\$20,843</u>

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, 2010

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
911				
Personnel Costs	\$0	\$0	\$0	\$0
Rent	0	0	0	0
Telephone	16,000	16,000	15,139	861
Insurance	2,700	2,700	2,650	50
Advertising	1,000	1,000	977	23
Professional Services	10,750	13,250	10,111	3,139
Repairs and Maintenance	8,500	500	0	500
Travel	0	900	408	492
Miscellaneous	0	0	0	0
Equipment	26,000	2,000	786	1,214
Total 911	\$64,950	\$36,350	\$30,071	\$6,279
Dispatch Service				
Personnel Costs				
Salaries and Wages	\$210,000	\$210,000	\$203,258	\$6,742
Payroll Taxes	15,000	15,000	13,861	1,139
Insurance	45,000	62,000	47,098	14,902
Pensions	33,000	33,000	32,197	803
Insurance - Workers Comp	2,500	2,500	0	2,500
Rent	0	0	0	0
Supplies	2,200	2,200	452	1,748
Telephone	2,200	3,200	3,518	(318)
Automotive - Fuel	100	3,700	1,395	2,305
Insurance	2,000	2,000	1,925	75
Advertising	500	500	289	211
Professional Services	600	2,100	1,596	504
Uniforms	2,000	900	124	776
Repairs and Maintenance	8,075	8,075	5,037	3,038
Travel	2,000	2,000	1,142	858
Dues and Subscriptions	100	1,900	1,843	57
Miscellaneous	0	0	24	(24)
Equipment	14,000	11,100	10,016	1,084
Total Dispatch Service	\$339,275	\$360,175	\$323,775	\$36,400
Total Public Safety	\$4,533,263	\$5,030,493	\$4,638,946	\$391,547

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, 2010

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
Streets Department				
Power, Lights and Heat	\$195,000	\$195,000	\$169,132	\$25,868
Automotive - Repairs & Maintenance	0	0	0	0
Insurance	25,000	25,850	23,803	2,047
Management Fees - PSG	686,500	690,075	690,075	0
Professional Services	500	500	0	500
Repairs and Maintenance	120,000	235,000	233,506	1,494
Miscellaneous	0	2,860	3,520	(660)
Street Construction	7,000	7,000	0	7,000
Equipment	9,000	38,000	38,153	(153)
Total Streets	\$1,043,000	\$1,194,285	\$1,158,189	\$36,096
Parking Garage				
Supplies	\$500	\$500	\$0	\$500
Telephone	2,500	2,500	2,313	187
Power, Lights and Heat	40,600	41,600	40,544	1,056
Insurance	8,500	8,500	8,387	113
Professional Services	0	3,000	2,949	51
Repairs and Maintenance	22,000	22,000	14,758	7,242
Equipment	0	17,000	13,844	3,156
Total Parking Garage	\$74,100	\$95,100	\$82,795	\$12,305
Recreation				
Parks Department				
Personnel Costs				
Salaries and Wages	\$0	\$0	\$0	\$0
Payroll Taxes	0	0	0	0
Insurance	0	0	0	0
Pensions	0	0	0	0
Insurance - Workers Comp	0	0	0	0
Rent	600	5,600	4,525	1,075
Supplies	2,500	2,500	(421)	2,921
Telephone	2,000	2,820	2,858	(38)
Power, Lights and Heat	0	57,500	58,905	(1,405)
Automotive - Fuel	0	0	0	0
Automotive - Repairs & Maintenance	0	0	0	0
Insurance	17,300	17,800	11,864	5,936
Advertising	0	155	151	4
Professional Services	335,450	341,465	336,242	5,223
Uniforms	0	0	0	0
Repairs and Maintenance	41,385	611,985	624,958	(12,973)
Travel	0	0	0	0
Animal Control	0	0	0	0
Miscellaneous	0	0	0	0
Equipment	15,000	152,100	189,761	(37,661)
Total Parks Department	\$414,235	\$1,191,925	\$1,228,843	(\$36,918)

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, 2010

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
Pool Department				
Personnel Costs				
Salaries and Wages	\$3,500	\$3,500	\$0	\$3,500
Payroll Taxes	0	0	0	0
Insurance - Workers Comp	0	0	0	0
Supplies	8,000	8,000	7,349	651
Telephone	420	420	0	420
Power, Lights and Heat	6,000	6,000	3,542	2,458
Insurance	3,300	3,300	3,096	204
Advertising	0	0	0	0
Professional Services	25,600	26,155	26,173	(18)
Uniforms	0	0	0	0
Repairs and Maintenance	35,000	35,000	25,000	10,000
Refunds	0	0	0	0
Miscellaneous	0	0	0	0
Equipment	2,500	2,500	0	2,500
Total Pool Department	\$84,320	\$84,875	\$65,160	\$19,715
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	0	10,000	8,104	1,896
Insurance	0	0	0	0
Advertising	0	0	1,503	(1,503)
Professional Services	0	500	300	200
Uniforms	0	0	0	0
Repairs and Maintenance	0	0	2	(2)
Refunds	0	0	100	(100)
Miscellaneous	0	2,400	2,158	242
Equipment	0	0	0	0
Total RV Park	\$0	\$12,900	\$12,167	\$733
Total Recreation	\$498,555	\$1,289,700	\$1,306,170	(\$16,470)
Lake Cleanup				
Personnel Costs				
Salaries and Wages	\$20,000	\$20,000	\$16,226	\$3,774
Payroll Taxes	1,800	1,800	1,179	621
Insurance	0	0	0	0
Pensions	2,500	3,250	2,622	628
Insurance - Workers Comp	1,000	1,000	0	1,000
Supplies	1,000	4,500	3,518	982
Insurance	3,900	3,900	2,292	1,608
Power, Lights and Heat	31,000	31,000	28,637	2,363
Advertising	0	0	0	0
Professional Services	0	0	0	0
Repairs and Maintenance	15,000	7,000	3,924	3,076
Miscellaneous	400	400	260	140
Equipment	25,000	25,000	11,912	13,088
Total Lake Cleanup	\$101,600	\$97,850	\$70,570	\$27,280

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CITY OF PIKEVILLE, KENTUCKY

GENERAL FUND
STATEMENT OF REVENUES AND EXPENDITURES -
BUDGET (GAAP BASIS) AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2010

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
Landscape				
Personnel Costs				
Salaries and Wages	\$0	\$0	\$0	\$0
Payroll Taxes	0	0	0	0
Insurance	0	0	0	0
Pensions	0	0	0	0
Insurance - Workers Comp	0	0	0	0
Rent	0	0	0	0
Insurance	1,900	1,900	1,596	304
Advertising	0	0	0	0
Professional Services	97,675	97,675	97,662	13
Automotive - Maintenance	0	0	0	0
Repairs and Maintenance	10,000	10,000	3,511	6,489
Supplies	0	0	0	0
Telephone	0	0	0	0
Power, Lights and Heat	1,000	8,500	5,654	2,846
Uniforms	0	0	0	0
Travel	0	0	0	0
Miscellaneous	0	0	2	(2)
Equipment	2,500	2,500	0	2,500
Total Landscape	<u>\$113,075</u>	<u>\$120,575</u>	<u>\$108,425</u>	<u>\$12,150</u>
Grants / Loan Advances				
Tourism Commission	130,000	170,000	163,172	6,828
Pike County Airport Board	0	0	7,333	(7,333)
Pikeville Main Street Program	0	10,000	8,415	1,585
Sandy Valley Transportation	0	0	0	0
Artisan Center	0	5,000	5,000	0
IDEA	0	0	755	(755)
Eastern Kentucky Exposition Center	100,000	100,000	100,000	0
Total Debt Service	<u>\$230,000</u>	<u>\$285,000</u>	<u>\$284,675</u>	<u>(\$755)</u>
Debt Service				
Principal Paid	\$191,740	\$628,740	\$870,987	(\$242,247)
Interest Paid	25,100	14,970	10,552	4,418
Total Debt Service	<u>\$216,840</u>	<u>\$643,710</u>	<u>\$881,539</u>	<u>(\$237,829)</u>
Total Expenditures	<u>\$8,428,337</u>	<u>\$11,828,500</u>	<u>\$11,440,862</u>	<u>\$387,638</u>
EXCESS REVENUES OVER (UNDER) EXPENDITURES	<u>\$168,863</u>	<u>(\$1,791,225)</u>	<u>(\$325,572)</u>	<u>\$1,465,653</u>
OTHER FINANCING SOURCES (USES)				
Operating Transfer In	\$0	\$0	\$350,000	\$350,000
Operating Transfer Out	(170,000)	(120,000)	(1,166,461)	(1,046,461)
Loan Proceeds	0	240,000	470,000	230,000
Proceeds from Sale of Fixed Assets	0	0	0	0
Total Other Financing Sources (Uses)	<u>(\$170,000)</u>	<u>\$120,000</u>	<u>(\$346,461)</u>	<u>(\$466,461)</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER (USES)	<u>(\$1,137)</u>	<u>(\$1,671,225)</u>	<u>(\$672,033)</u>	<u>\$999,192</u>
FUND BALANCE-BEGINNING OF YEAR			5,680,618	
FUND BALANCE-END OF YEAR			<u>\$5,008,585</u>	

The accompanying notes are an integral part of the financial statements

CITY OF PIKEVILLE, KENTUCKY

Coal Severance

STATEMENT OF REVENUES AND EXPENDITURES,
AND CHANGES IN FUND BALANCES - BUDGET (GAAP BASIS) AND ACTUAL
For The Year Ended June 30, 2010

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Intergovernmental Revenue	\$919,000	\$919,000	\$645,481	(\$273,519)
Other Grants	0	100,000	100,311	311
Interest Income	5,000	5,000	26,495	21,495
Other Revenue	0	0	283,687	283,687
TOTAL REVENUES	\$924,000	\$1,024,000	\$1,055,974	\$31,974
EXPENDITURES				
Current				
General Government	\$0	\$0	\$60	(\$60)
Grants / Loan Advances				
Animal Shelter	0	10,000	10,000	0
Big Sandy Heritage Center	25,000	25,000	25,000	0
Senior Citizens Center	15,000	20,000	20,000	0
Capital Outlay	883,950	1,220,450	820,898	399,552
Debt Service				
Principal	0	0	0	0
Interest	0	0	0	0
TOTAL EXPENDITURES	\$923,950	\$1,275,450	\$875,958	\$399,492
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	\$50	(\$251,450)	\$180,016	\$431,466
OTHER FINANCING SOURCES (USES)				
Proceeds from Long-Term Debt	\$0	\$0	\$0	\$0
Operating Transfers In	0	0	0	0
Operating Transfers Out	0	0	(66,789)	(66,789)
TOTAL OTHER FINANCING SOURCES (USES)	\$0	\$0	(\$66,789)	(\$66,789)
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER (USES)	\$50	(\$251,450)	\$113,227	\$364,677
FUND BALANCE - BEGINNING OF YEAR			1,151,830	
FUND BALANCE - END OF YEAR			\$1,265,057	

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, 2010

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Federal Grants	\$0	\$3,100,000	\$0	(\$3,100,000)
State Grants	5,408,581	5,508,581	2,264,306	(3,244,275)
Other Grants	0	0	0	0
Interest	0	1,500	11,988	10,488
Miscellaneous	0	2,173,508	998,409	(1,175,099)
Total Revenues	<u>\$5,408,581</u>	<u>\$10,783,589</u>	<u>\$3,274,703</u>	<u>(\$7,508,886)</u>
EXPENDITURES				
Miscellaneous	\$0	\$0	\$0	\$0
Capital Outlay	5,408,581	10,903,494	2,678,895	8,224,599
Debt Service				
Principal	0	0	0	0
Interest	0	45,000	0	45,000
Total Expenditures	<u>\$5,408,581</u>	<u>\$10,948,494</u>	<u>\$2,678,895</u>	<u>\$8,269,599</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>\$0</u>	<u>(\$164,905)</u>	<u>\$595,808</u>	<u>\$760,713</u>
OTHER FINANCING SOURCES (USES)				
Proceeds From Long-Term Debt	\$0	\$0	\$356,347	\$356,347
Operating Transfers In	0	0	1,046,857	1,046,857
Operating Transfers Out	0	0	(968,458)	(968,458)
Total Other Financing Sources (Uses)	<u>\$0</u>	<u>\$0</u>	<u>\$434,746</u>	<u>\$434,746</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER (USES)	<u>\$0</u>	<u>(\$164,905)</u>	<u>\$1,030,554</u>	<u>\$1,195,459</u>
FUND BALANCE - BEGINNING OF YEAR			403,028	
FUND BALANCE - END OF YEAR			<u>\$1,433,582</u>	

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

CITY OF PIKEVILLE, KENTUCKY

WATER FUND
 STATEMENT OF REVENUES, EXPENSES AND CHANGES
 IN NET ASSETS - BUDGET (GAAP BASIS) AND ACTUAL
 For The Fiscal Year Ended June 30, 2010

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Water Sales	\$2,480,000	2,621,285	\$2,483,413	(137,872)
Service Charges	26,000	26,000	17,632	(8,368)
Penalties and Services	9,000	16,800	20,431	3,631
Water Tap Fees	5,000	14,500	16,475	1,975
Miscellaneous	0	0	43,532	43,532
TOTAL REVENUE	\$2,520,000	\$2,678,585	\$2,581,483	(\$97,102)
OPERATING EXPENSES				
Personnel Costs	\$29,800	\$35,560	\$29,774	\$5,786
Contractual Service	1,504,910	1,511,910	1,495,342	16,568
Operational	139,000	188,902	246,735	(57,833)
Repairs and Maintenance	377,000	431,850	54,214	377,636
Provision For Bad Debts	0	0	4,876	(4,876)
Depreciation	0	0	426,451	(426,451)
Total Operating Expenses	\$2,050,710	\$2,168,222	\$2,257,392	(\$89,170)
Operating Income (Loss)	\$469,290	\$510,363	\$324,091	(\$186,272)
NONOPERATING REVENUES (EXPENSES)				
Interest Income	\$19,300	\$19,700	\$28,505	\$8,805
Interest Expense	(229,200)	(237,200)	(214,494)	22,706
Premium (Discount) on Debt Restructuring	0	0	0	0
Grant	0	0	0	0
Total Nonoperating Revenues (Expenses)	(\$209,900)	(\$217,500)	(\$185,989)	\$31,511
NET INCOME (LOSS)(Before Transfers)	\$259,390	\$292,863	\$138,102	(\$154,761)
TRANSFERS				
Operating Transfers In	\$506,700	\$517,257	\$1,105,303	\$588,046
Operating Transfers (Out)	(505,170)	(547,170)	(652,053)	(104,883)
Total Transfers	\$1,530	(\$29,913)	\$453,250	\$483,163
NET INCOME (LOSS)	\$260,920	\$262,950	\$591,352	\$328,402
NET ASSETS - BEGINNING OF YEAR			5,596,314	
NET ASSETS - END OF YEAR			<u>\$6,187,666</u>	

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, 2010

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Sewer Service Charges	\$1,189,700	\$1,202,600	\$1,095,262	(\$107,338)
Penalties and Services	7,300	7,300	5,891	(1,409)
Water and Sewer Tap Fees	7,500	15,000	35,985	20,985
Miscellaneous Revenues	6,000	13,000	0	(13,000)
TOTAL REVENUE	\$1,210,500	\$1,237,900	\$1,137,138	(\$100,762)
OPERATING EXPENSES				
Personnel Costs	\$35,400	\$39,600	\$35,458	\$4,142
Contractual Service	679,200	689,700	682,916	6,784
Operational	51,072	58,782	88,530	(29,748)
Repairs and Maintenance	284,100	289,100	80,117	208,983
Provision For Bad Debts	0	0	3,345	(3,345)
Depreciation	0	0	337,504	(337,504)
Total Operating Expenses	\$1,049,772	\$1,077,182	\$1,227,870	(\$150,688)
Operating Income (Loss)	\$160,728	\$160,718	(\$90,732)	(\$251,450)
NONOPERATING REVENUES (EXPENSES)				
Interest Income	\$27,800	\$28,000	\$21,843	(\$6,157)
Interest Expense	(27,705)	(27,705)	(26,982)	723
Premium (Discount) on Debt Restructuring	0	0	0	0
Gain (Loss) on Disposition of Assets	0	0	0	0
Total Nonoperating Revenues (Expenses)	\$95	\$295	(\$5,139)	(\$5,434)
NET INCOME (LOSS) Before Transfers	\$160,823	\$161,013	(\$95,871)	(\$256,884)
TRANSFERS				
Operating Transfers In	\$178,991	\$255,599	499,344	\$243,745
Operating Transfers (Out)	(168,565)	(168,565)	(329,981)	(161,416)
Total Transfers	\$10,426	\$87,034	\$169,363	\$82,329
NET INCOME (LOSS)	\$171,249	\$248,047	\$73,492	(\$174,555)
NET ASSETS - BEGINNING OF YEAR			7,567,426	
NET ASSETS - END OF YEAR			<u>\$7,640,918</u>	

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

CITY OF PIKEVILLE, KENTUCKY

GAS FUND

STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN NET ASSETS - BUDGET (GAAP BASIS) AND ACTUAL
For The Fiscal Year Ended June 30, 2010

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Gas Sales	\$2,157,000	\$2,175,000	\$2,575,765	\$400,765
Penalties & Service Charges	11,000	11,000	10,405	(595)
Tap Fees	6,500	6,500	2,228	(4,272)
Miscellaneous	0	0	0	0
TOTAL REVENUES	\$2,174,500	\$2,192,500	\$2,588,398	\$395,898
OPERATING EXPENSES				
Personnel Costs	\$46,100	\$49,110	\$44,794	\$4,316
Gas Purchased	1,620,000	1,716,000	1,705,754	10,246
Contractual Services	469,310	487,310	475,013	12,297
Repairs and Maintenance	139,500	47,500	24,566	22,934
Operational	40,500	44,346	28,689	15,657
Bad Debts	0	0	0	0
Depreciation	0	0	73,525	(73,525)
Total Operating Expenses	\$2,315,410	\$2,344,266	\$2,352,341	(\$8,075)
Operating Income	(\$140,910)	(\$151,766)	\$236,057	\$387,823
NONOPERATING REVENUES (EXPENSES)				
Royalties	\$5,000	\$5,000	\$3,610	(\$1,390)
Interest Revenue	8,000	21,500	24,015	2,515
Interest Expense	(0)	(0)	0	0
Gain (Loss) on Disposition of Assets	0	0	0	0
Total Nonoperating Revenue (Expense)	\$13,000	\$26,500	\$27,625	\$1,125
NET INCOME (LOSS) Before Transfers	(\$127,910)	(\$125,266)	\$263,682	\$388,948
TRANSFERS				
Operating Transfers In	\$0	\$0	\$0	\$0
Operating Transfers (Out)	(0)	(0)	(9,000)	(9,000)
Total Transfers	\$0	\$0	(9,000)	(9,000)
NET INCOME (LOSS)	(\$127,910)	(\$125,266)	\$254,682	\$379,948
NET ASSETS - BEGINNING OF YEAR			\$2,183,726	
NET ASSETS - END OF YEAR			\$2,438,408	

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

CITY OF PIKEVILLE, KENTUCKY

SANITATION FUND

COMPARATIVE STATEMENT OF REVENUE, EXPENSES AND CHANGES IN
RETAINED EARNINGS - BUDGET (GAAP BASIS) AND ACTUAL - Note A
For The Fiscal Year Ended June 30, 2010

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	Variance Favorable (Unfavorable)
REVENUES				
Garbage Fees	\$1,101,000	\$1,128,000	\$1,095,485	(\$32,515)
Penalties	6,000	6,000	5,955	(45)
Miscellaneous	0	0	52,379	52,379
Total Revenues	<u>\$1,107,000</u>	<u>\$1,134,000</u>	<u>\$1,153,819</u>	<u>\$19,819</u>
EXPENSES				
Personnel Costs	\$28,100	\$37,575	\$30,968	6,607
Contractual Services	512,010	530,310	521,228	9,082
Repairs and Maintenance	102,500	102,500	21,984	80,516
Dumping Fees	309,000	309,000	275,039	33,961
Operational	150,700	158,300	105,239	53,061
Bad Debts	0	0	560	(560)
Depreciation	0	0	86,148	(86,148)
Total Expenses	<u>\$1,102,310</u>	<u>\$1,137,685</u>	<u>\$1,041,166</u>	<u>\$96,519</u>
Operating Income	<u>\$4,690</u>	<u>(\$3,685)</u>	<u>\$112,653</u>	<u>\$116,338</u>
NONOPERATING REVENUES (EXPENSES)				
Interest Income	\$750	\$750	\$6,473	\$5,723
Interest Expense	(5,000)	(5,000)	(1,125)	3,875
Gain (Loss) on Disposition of Fixed Assets	0	0	0	0
Total Nonoperating Revenues	<u>(\$4,250)</u>	<u>(\$4,250)</u>	<u>\$5,348</u>	<u>\$9,598</u>
NET INCOME (LOSS) Before Transfers	<u>\$440</u>	<u>(\$7,935)</u>	<u>\$118,001</u>	<u>\$125,936</u>
TRANSFERS				
Operating Transfers In	0	0	0	0
Operating Transfers (Out)	0	0	(9,000)	(9,000)
Total Transfers	<u>\$0</u>	<u>\$0</u>	<u>(\$9,000)</u>	<u>(\$9,000)</u>
NET INCOME (LOSS)	<u>\$440</u>	<u>(\$7,935)</u>	<u>\$109,001</u>	<u>\$116,936</u>
NET ASSETS - BEGINNING OF YEAR			\$928,781	
NET ASSETS - END OF YEAR			<u>\$1,037,782</u>	

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

CITY OF PIKEVILLE, KENTUCKY

MOSSY BOTTOM

COMPARATIVE STATEMENT OF REVENUE, EXPENSES AND CHANGES IN
RETAINED EARNINGS - BUDGET (GAAP BASIS) AND ACTUAL - Note A
For The Fiscal Year Ended June 30, 2010

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE- FAVORABLE (UNFAVORABLE)
REVENUES				
Sewer Service Charges	\$414,000	\$460,000	\$530,689	\$70,689
Penalties & Service Charges	2,400	4,400	5,004	604
Water and Sewer Tap Fees	2,000	5,000	2,600	(2,400)
Miscellaneous Revenues	0	0	0	0
Total Revenues	<u>\$418,400</u>	<u>\$469,400</u>	<u>\$538,293</u>	<u>\$68,893</u>
EXPENSES				
Personnel Costs	\$0	\$10,400	\$9,039	(\$1,361)
Contractual Services	5,600	12,100	5,180	6,920
Repairs and Maintenance	245,804	325,904	235,539	90,365
Operational	22,850	24,850	16,190	8,660
Bad Debts	2,000	2,000	219	1,781
Depreciation	0	0	51,921	(51,921)
Total Expenses	<u>\$276,254</u>	<u>\$375,254</u>	<u>\$318,088</u>	<u>\$54,444</u>
Operating Income	<u>\$142,146</u>	<u>\$94,146</u>	<u>\$220,205</u>	<u>\$126,059</u>
NONOPERATING REVENUES (EXPENSES)				
Interest Income	\$1,200	\$1,200	\$6,610	\$5,410
Interest Expense	(98,415)	(53,415)	(31,966)	21,449
Gain (Loss) on Disposition of Fixed Assets	0	0	0	0
Total Nonoperating Revenues	<u>(\$97,215)</u>	<u>(\$52,215)</u>	<u>(\$25,356)</u>	<u>\$26,859</u>
NET INCOME (LOSS) Before Transfers	<u>\$44,931</u>	<u>\$41,931</u>	<u>\$194,849</u>	<u>\$152,918</u>
TRANSFERS				
Operating Transfers In	\$0	\$0	\$176,943	176,943
Operating Transfers (Out)	0	(25,000)	(7,500)	17,500
Total Transfers	<u>\$0</u>	<u>(\$25,000)</u>	<u>\$169,443</u>	<u>\$194,443</u>
NET INCOME (LOSS)	<u>\$44,931</u>	<u>\$16,931</u>	<u>\$364,292</u>	<u>\$347,361</u>
NET ASSETS - BEGINNING OF YEAR			\$415,075	
NET ASSETS - END OF YEAR			<u>\$779,367</u>	

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

CITY OF PIKEVILLE, KENTUCKY
COMBINING FINANCIAL STATEMENTS
For the year ended June 30, 2010

Wallen and Cornett, PSC

CERTIFIED PUBLIC ACCOUNTANTS
POST OFFICE BOX 1349
PIKEVILLE, KENTUCKY 41502

CITY OF PIKEVILLE, KENTUCKY

BALANCE SHEET - COMBINING

June 30, 2010

ASSETS									
Cash and Investments									
Cash	\$0	\$0	\$1,405	\$8,317	\$74,735	\$8,879	\$22,444	\$115,780	
Certificates of Deposit and Savings	0	0		0	0	0	0	0	
Receivables (Net of Allowance for Uncollectibles)									
Taxes	0	0		0	0	0	0	0	
Accounts	0	0		0	0	0	0	0	
Prepaid Expenses	0	0		0	0	0	0	0	
TOTAL ASSETS	\$0	\$0	\$1,405	\$8,317	\$74,735	\$8,879	\$22,444	\$115,780	

LIABILITIES AND FUND EQUITY

LIABILITIES

[illegible]

FUND BALANCES

Designated for Debt Service	\$0	\$0	\$1,405	\$0	\$0	\$0	\$1,405
Undesignated	(19,117)	0	0	8,317	74,735	8,879	95,258
TOTAL FUND BALANCES	(19,117)	\$0	\$1,405	\$8,317	\$74,735	\$8,879	\$96,663
TOTAL LIABILITIES AND FUND BALANCES	\$0	\$0	\$1,405	\$8,317	\$74,735	\$8,879	\$115,780

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, 2010

REVENUES	Debt Service	Main Street	Football debt Service	Detective Arrest	Detective Arrest - Federal	State Police Case	CASH FLOW	Totals
Ad Valorem Taxes	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Franchise Taxes	0	0	0	0	0	0	0	0
Occupational License Fees	0	0	0	0	0	0	0	0
Other Taxes	0	0	0	0	0	0	0	0
Permits and Fees	0	0	0	0	0	0	0	0
Intergovernmental Revenue	0	0	0	0	65,071	2,804	0	67,875
Other Grants	0	0	0	0	0	0	0	0
Interest Income	0	0	0	0	706	170	849	1,726
Other Revenue	0	0	0	1	0	0	1,438	1,438
Total Revenues	\$0	\$0	\$0	\$1	\$65,777	\$2,974	\$2,287	\$71,039
EXPENDITURES								
CURRENT								
General Government	\$0	\$0	\$70	\$9	\$0	\$0	\$0	\$79
Public Safety	0	0	0	0	694	3,299	0	3,993
Streets	0	0	0	0	0	0	0	0
Parking Garage	0	0	0	0	0	0	0	0
Recreation	0	0	0	0	0	0	0	0
Lake Cleanup	0	0	0	0	0	0	0	0
Landscape	0	0	0	0	0	0	0	0
Other	0	87	0	0	0	0	33,329	33,416
Capital Outlay	0	0	0	0	25,869	0	0	25,869
Debt Service	0	0	0	0	0	0	0	0
Principal Retirement	0	0	90,000	0	0	0	0	90,000
Interest	0	0	29,295	0	0	0	0	29,295
Grants / Loan Advances	0	0	0	0	0	0	0	0
Total Expenditures	\$0	\$87	\$119,365	\$9	\$26,563	\$3,299	\$33,329	\$182,652
Excess of Revenues Over (Under) Expenditures	\$0	(\$87)	(\$119,365)	(\$8)	\$39,214	(\$325)	(\$31,042)	(\$111,613)
OTHER FINANCING SOURCES (USES)								
Proceeds from Long-Term Debt	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Proceeds from Sale of Fixed Assets	0	0	0	0	0	0	0	0
Operating Transfers In	0	0	119,295	0	0	0	50,500	169,795
Operating Transfers Out	0	0	0	0	0	0	0	0
Total Other Financing Sources (Uses)	\$0	\$0	\$119,295	\$0	\$0	\$0	\$50,500	\$169,795
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER (USES)	\$0	(\$87)	(\$70)	(\$8)	\$39,214	(\$325)	\$19,458	\$58,182
FUND BALANCES - BEGINNING OF YEAR	(19,117)	87	1,475	8,325	35,521	9,204	2,986	38,481
FUND BALANCES-END OF YEAR	(\$19,117)	\$0	\$1,405	\$8,317	\$74,735	\$8,879	\$22,444	\$96,663

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, 2010

	Sandy Valley	Utility Deposits	Total
ASSETS			
Cash	\$189,322	\$0	\$189,322
Certificates Of Deposit	129,751		129,751
Customer's Accounts Receivable	53,519	0	53,519
Prepaid Expenses	0	0	0
Due From Other Funds	0	0	0
Property, Plant and Equipment	747,415	0	747,415
Restricted Assets:			
Cash	206,703	115,830	322,533
Certificates of Deposit	50,700	0	50,700
Other Receivables	0	0	0
TOTAL ASSETS	\$1,377,410	\$115,830	\$1,493,240
LIABILITIES AND NET ASSETS			
LIABILITIES			
Accounts Payable	\$1,211	\$0	\$1,211
Accrued Expenses	0	0	0
Current Portion of Long-Term Debt	12,141	0	12,141
Customer's Deposits	0	49,458	49,458
Notes Payable	0	0	0
Bonds Payable (Net of Discount)	735,357	0	735,357
Restricted Liabilities:			
Matured Bonds Payable	0	0	0
Matured Coupons Payable	0	0	0
Total Liabilities	\$748,709	\$49,458	\$798,167
NET ASSETS			
Invested in capital Assets, net of related debt	(\$83)	\$0	(\$83)
Reserve for Depreciation	26,351	0	26,351
Sinking Fund Reserve	0	0	0
Reserve for Operation and Maintenance	0	0	0
Reserve for Revenue Bond Retirement, et al	0	0	0
Unreserved	602,433	66,372	668,805
Total Net Assets	\$628,701	\$66,372	\$695,073
TOTAL LIABILITIES AND NET ASSETS	\$1,377,410	\$115,830	\$1,493,240

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, 2010

	Sandy Valley	Utility Deposits	TOTAL
OPERATING REVENUES	\$645,101	\$0	\$645,101
OPERATING EXPENSES			
Personnel Costs	\$35,829	\$0	\$35,829
Gas Purchased		0	0
Contractual Services	3,248	0	3,248
Dumping Fees		0	0
Repairs and Maintenance	44,011	0	44,011
Operational	296,441	3,975	300,416
Bad Debts	1,252	0	1,252
Depreciation	28,867	0	28,867
Total Operating Expenses	\$409,648	\$3,975	\$413,623
Operating Income (Loss)	\$235,453	(\$3,975)	\$231,478
NONOPERATING INCOME (EXPENSES)			
Royalties	\$0	\$0	\$0
Interest Income	10,280	2,165	12,445
Interest Expense	(33,638)	0	(33,638)
Premium (Discount) on Debt Restructuring	0	0	0
Gain (Loss) on Disposition of Fixed Assets	0	0	0
0	0	0	0
Total Nonoperating Income (Expense)	(\$23,358)	\$2,165	(\$21,193)
NET INCOME (LOSS)(Before Transfers	\$212,095	(\$1,810)	\$210,285
			0
TRANSFERS			
Operating Transfers In	(139,000)	\$0	(\$139,000)
Operating Transfers (Out)	0	0	0
Total Transfers	(\$139,000)	\$0	(\$139,000)
NET INCOME (LOSS)	\$73,095	(\$1,810)	\$71,285
NET ASSETS - BEGINNING OF YEAR	\$555,606	\$68,182	\$623,788
NET ASSETS - END OF YEAR	\$628,701	\$66,372	\$695,073

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, 2009

	Sandy Valley	Utility Deposits	TOTAL
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash Received from Customers	\$643,458	\$0	\$643,458
Cash Received from Other Operating Revenues	5,735	0	5,735
0	(35,829)	0	(35,829)
Cash Payments for Personnel Costs	(3,248)	0	(3,248)
Cash Payments for Gas Purchases	0	0	0
Cash Payments for Contractual Services	(44,011)	(1,290)	(45,301)
Cash Payments for Other Operating Expenses	(291,816)	0	(291,816)
Net Cash Provided by Operating Activities	\$274,289	(\$1,290)	\$272,999
Cash Flows from Non-Capital Financing Activities			
Proceeds from Asset Dispositions	\$0	\$0	\$0
Operating Transfers In	0	0	0
Operating Transfers (Out)	(139,000)	0	(139,000)
Increase in Restricted Other Receivables	0	0	0
Other	0	0	0
Net Cash Flows from Non-Capital Financing Activities	(\$139,000)	\$0	(\$139,000)
Cash Flows from Capital Financing Activities			
Interest Expense	(\$36,083)	\$0	(\$36,083)
Purchase of Fixed Assets	(44,029)	0	(44,029)
0	0	0	0
Maturing Coupons & Bonds	0	0	0
Retirement of Principal	(12,141)	0	(12,141)
Net Cash Flows from Capital Financing Activities	(\$92,253)	\$0	(\$92,253)
Cash Flows from Investing Activities			
Proceeds From Long-Term Debt	\$0	\$0	\$0
Discount on Sale of Bonds	0	0	0
Royalties	0	0	0
Interest Income	10,280	2,165	12,445
Net Cash Flows from Investing Activities	\$10,280	\$2,165	\$12,445
Net Increase (Decrease) in Cash and Cash Equivalents	\$53,316	\$875	\$54,191
Cash and Cash Equivalents at Beginning of Year	523,160	114,955	\$638,115
Cash and Cash Equivalents at End of Year	\$576,476	\$115,830	\$692,306
RECONCILIATION OF INCOME (LOSS) FROM OPERATING ACTIVITIES TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES			
Income (Loss) from Operations	\$235,453	(\$3,975)	\$231,478
Adjustments to Reconcile Income From Operations to Net Cash Provided by Operating Activities:			
Depreciation and Amortization	28,867	0	28,867
(Increase) Decrease in			
Customer Accounts Receivable	4,092	0	4,092
(Increase) Decrease in Prepaid Expenses	4,666	0	4,666
(Increase) Decrease in Due From Other Funds	0	0	0
Increase (Decrease) in Accounts Payable	1,211	0	1,211
Increase (Decrease) in Accrued Expenses	0	0	0
Increase (Decrease) in Due To Other Funds	0	0	0
Increase (Decrease) in Customer Deposits	0	2,685	2,685
Net Cash Provided by Operating Activities	\$274,289	(\$1,290)	\$272,999
Noncash Investing, Capital, and Financing Activities:			
Amortization of Bond Discount	\$0	\$0	\$0
Interest	(2,445)	0	(2,445)
Total Noncash Investing, Capital, and Financing Activities:	(\$2,445)	\$0	(\$2,445)

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