

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

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MAR 21 2006

PUBLIC SERVICE
COMMISSION

In the Matter of:

Joint Petition of the city of Pikeville
and Mountain Water District for the transfer
of certain wastewater facilities and related
debt

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Case No. 2006-00123

JOINT PETITION FOR TRANSFER OF ASSETS AND DEBT

The city of Pikeville (Pikeville) and Mountain Water District (Mountain), by counsel, jointly petition the Commission for approval of the transfer of specified Mossy Bottom Sewer Collection System facilities and associated debt of Mountain to Pikeville.

1. Mountain is a water district formed and operating pursuant to the provisions of KRS Chapter 74, providing water and wastewater services in Pike County. Its address is Box 3157, 830 Zebulon Road, Pikeville, KY 41502. It is regulated by the Public Service Commission. It currently has approximately 1247 sewer customers, of which 251 residential and 119 commercial are within the Mossy Bottom Sewer Collection System service area.

2. Pikeville is a municipal corporation providing water and wastewater services in an around its corporate limits in Pike county. Its address is Box 351, 118 College St., Pikeville, KY 41502. It is not regulated by the Public Service Commission, except for its

wholesale water sales to regulated water districts. It currently has approximately 2,696 sewer customers, 3,191 retail water customers and three (3) wholesale water customers, specifically, Mountain Water District, Southern Water and Sewer District and Sandy Valley Water District.

3. The Joint Applicants have entered into an Asset Purchase Agreement, attached as exhibit 1, for the sale and transfer of the wastewater assets described in that Agreement. The Agreement provides for Mountain to transfer to Pikeville all collection facilities, lift stations, real estate, rights of ways and related appurtenances of the Mossy Bottom Sewer Collection System and Mountain will retain the existing Mossy Bottom treatment plant, the property where it is located and other related facilities.

a. The resolution of the Board of Commissioners of Mountain Water District approving this transaction is attached as exhibit 2.

4. Pikeville will assume ownership of the transferred facilities and will also assume the entire existing debt on the transferred facilities as well as the current customers, which number approximately 370. This debt consists of three loans totally approximately \$1,438,249. See exhibit D to the Asset Purchase Agreement.

a. The resolution of the city approving the transaction is attached as exhibit 3.

5. The transfer of these assets will allow Pikeville to expand its wastewater services to areas outside its current service area and take advantage of the available capacity in its existing wastewater treatment facilities and benefit from the economies of scale associated with the consolidated service and increased customer base.

6. The transfer of these assets and debt will allow Mountain to relocate its existing Mossy Bottom Treatment Plant to another community in its service area which does not

have access to sewer facilities. Mountain will avoid the cost of a new treatment plant and will be relieved of existing debt on the Mossy Bottom Sewer Collection System and related facilities.

7. Approval of this transaction is required by KRS 278.020(4) and (5) and by KRS 278.218.

8. The transaction is consistent with the criteria of KRS 278.020:

a. Pikeville has the financial ability to assume the existing debt and to operate the facilities after acquisition. The transferred facilities will be assimilated into the city's existing utility operations. A copy of the most recent independent financial audit and the December 31, 2005 Statement of Revenues and Expenditures are attached as exhibit 4.

b. Pikeville is negotiating the refinancing of the existing Mountain debt with Rural Development and the terms and conditions of that debt will be provided as available. The Kentucky Infrastructure Authority approved the refinancing at its meeting of March 2, 2005. Written verification of that approval will be filed as available. Both Parties have requested the financing agencies to approve the transfer of the debt. See exhibit 5.

c. Pikeville has the managerial ability to operate the facilities as evidenced by its current operations of water and wastewater facilities. It employs Veolia Water North America as a contract operator of its utility facilities. That operator has thirteen (13) employees that are trained and experienced in the operation of water and wastewater facilities.

d. Pikeville has the technical ability to operate the facilities as discussed in c.

e. The transfer is in the public interest in that Pikeville will be able to utilize the existing unused capacity in its treatment plant, serve additional areas and achieve economies of scale. Mountain will be relieved of its debt on the Mossy Bottom facilities, retain ownership of the treatment plant, and relocate its facilities to an un-served area.

f. The benefit to the public is access to wastewater treatment services in areas not currently served and areas that would not otherwise be served without this transaction. The rate for an average 4,000 gallon per month "out of city" customer is \$13.84 for Pikeville (\$3.46 per 1000 gallons) and \$24.00 for a current MWD customer (\$12.00 for the first 2000 gallons and \$6.00 for each additional 1000 gallons.) The city has agreed to leave the current MWD rates in place for at least one year from the date of Commission approval of the transfer, which will offset the additional debt being assumed by Pikeville.

9. The transaction is consistent with KRS 278.218 because it is for a proper purpose of improving the wastewater services available in Pike County and is consistent with the public interest in expanding utility service and reducing untreated discharges into the waters of the Commonwealth.

10. A map of the areas affected by this transaction is attached as exhibit 6.

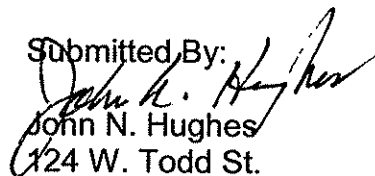
11. Mountain has no customer deposits from its Mossy Bottom customers.

12. A deviation pursuant to 807 KAR 5:001(14) is requested for any filing requirement not essential for the review and approval of the application.

For these reasons, the city of Pikeville and Mountain Water District petition the Commission for approval of the transfer of the wastewater facilities identified in the Asset

Purchase Agreement and the transfer and assumption of related debt.

Submitted By:



John N. Hughes

124 W. Todd St.

Frankfort, KY 40601

502-227-7270

Attorney for the city of Pikeville
and Mountain Water District

Commonwealth of Kentucky

County of Pike

AFFIDAVIT

The affiant, Frank Justice, Mayor, after being sworn, states that he is authorized on behalf of the city of Pikeville to file this petition and that information contained in it is true and correct to his best belief and information.



Sworn and subscribed to before me a notary public on the ^{5th} day of March, 2006.


Notary Public 

My commission expires: 

Commonwealth of Kentucky

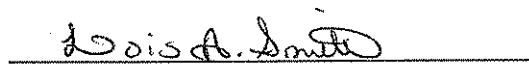
County of Pike

AFFIDAVIT

The affiant, Will Brown, after being sworn, states that he is authorized on behalf of Mountain Water District to file this petition and that information contained in it is true and correct to his best belief and information.


Will Brown

Sworn and subscribed to before me a notary public on the day of March,
2006.


Notary Public

My commission expires: September 21-2009



ASSET PURCHASE AGREEMENT

This is an Asset Purchase Agreement ("Agreement") made and entered into as of May 8th, 2005, by and between the **MOUNTAIN WATER DISTRICT** ("MWD"), P. O. Box 3157, Pikeville, Kentucky 41502, hereinafter sometimes referred to as the "SELLER"; and the **CITY OF PIKEVILLE, KENTUCKY** ("CITY") P. O. Box 351, 118 College Street, Pikeville, Kentucky 41502, hereinafter sometimes referred to as the "BUYER";

WITNESSETH

WHEREAS, the MWD is a duly organized and validly existing water district which was established by Order of the Pike County Court pursuant to the provisions of KRS Chapter 74;

WHEREAS, the MWD currently owns and operates both a water distribution system and numerous wastewater collection and treatment systems in certain portions of Pike County, Kentucky;

WHEREAS, the CITY currently owns water treatment, supply and distribution facilities, as well as wastewater collection and treatment facilities which are operated as a combined and consolidated municipal utilities system (the "CITY's System");

WHEREAS, the CITY's System is adjacent to the Mossy Bottom Wastewater System owned and operated by MWD (the "Mossy Bottom System");

WHEREAS, the CITY desires to provide wastewater service to certain areas outside its corporate limits;

WHEREAS, if the MWD retains ownership of its Mossy Bottom System, then it will be required to upgrade and expand its Mossy Bottom Wastewater Treatment Plant at a considerable expense to its customers;

WHEREAS, the CITY has sufficient reserve capacity at its wastewater treatment plant to treat the wastewater that is currently being treated by MWD at the Mossy Bottom Wastewater Treatment Plant;

WHEREAS, if the CITY acquires the Mossy Bottom System owned by MWD and treats the wastewater at the CITY's existing wastewater treatment plant, then MWD can relocate its Mossy Bottom Wastewater Treatment Plant to another area within its wastewater system and forego the expense of acquiring another wastewater treatment plant;

WHEREAS, it appears that combining and consolidating the MWD's Mossy Bottom System with the CITY's System will result in economies of scale and will allow the combined system to be managed, operated and maintained in a more cost effective manner; and

WHEREAS, the MWD desires to transfer and convey and the CITY desires to acquire, subject to the terms, conditions and provisions hereinafter set forth, certain assets of the MWD's Mossy Bottom System;

NOW, THEREFORE, FOR AND IN CONSIDERATION of the mutual promises, covenants and conditions contained herein, it is agreed by and between the Parties as follows:

1. **TRANSFER OF CERTAIN ASSETS.** Subject to the terms and conditions of this Agreement, MWD hereby agrees to transfer and convey to the CITY and the CITY hereby agrees to acquire from MWD, those assets described in paragraph two (2) of this Agreement (the "Assets") for the consideration set forth in paragraph three (3) of this Agreement.

2. **ASSETS BEING TRANSFERRED.** At the Closing, MWD shall transfer to the CITY its entire Mossy Bottom System, except for the Mossy Bottom Wastewater Treatment Plant, (the "WWTP"), the parcel of real estate on which the WWTP is located, and certain other assets listed in paragraph four (4) of this Agreement which are being excluded from this transaction and are being retained by MWD. The assets being transferred to the CITY (the "Assets") include, but are not limited to, the following:

A. The sewer lift stations and related appurtenances used to operate the Mossy Bottom System. **Exhibit A**, which is attached hereto and incorporated herein by reference, contains a complete listing of these lift stations and their rated capacities.

B. All MWD's right, title and interest in the parcels of real estate, where the lift stations are located. **Exhibit B**, which is attached hereto and incorporated herein by reference, contains a listing of these easements which document MWD's ownership interest in each parcel;

C. All other real estate easements and the improvements thereon, licenses, encroachment permits, rights-of-way or other interests in real estate owned by MWD and used in the operation of the Mossy Bottom System;

D. The entire Mossy Bottom collection system of MWD including, but not limited to, the following: all sewer gravity lines, all sewer force mains, all laterals, all grinder pumps, all other pumps and controls (except those at the WWTP), vaults, valves, and any and all other facilities and appurtenances used in the operation of the Mossy Bottom System, except for those assets which are excluded pursuant to the provisions of paragraph four (4) of this Agreement;

E. The right to provide wastewater service to the Mossy Bottom service area as described in the MWD Regional Facilities Plan and depicted on the map

which was attached as Exhibit A to that Regional Facilities Plan. A copy of the service are is attached hereto and incorporated herein by reference as **Exhibit C**.

F. All maps, drawings, engineering reports and "As Built" plans pertaining to the Mossy Bottom System;

G. All business records pertaining to the Mossy Bottom System, including, but not limited to, all customer records and customer agreements; and

H. Any and all other tangible and intangible rights, permits, licenses or authorizations owned by MWD and used in the operation of its Mossy Bottom System.

3. **LOANS ASSUMED BY CITY.** At the Closing, the City shall assume and become solely responsible for the payment of the outstanding balance owed by MWD on the three (3) loans incurred by MWD to construct the Mossy Bottom System (the "Loans"). **Exhibit D**, which is attached hereto and incorporated herein by reference, contains a description of the Loans being assumed by the CITY and the current unpaid balances. As of February 28, 2005 the total unpaid principal balance of the Loans was \$1,438,249.34. The Parties shall prorate, as of the date of the Closing, the total annual principal and interest debt service payments that have been paid or which will be paid for the 2005 calendar year.

4. **EXCLUDED ASSETS.** The Parties agree that MWD shall retain ownership of those assets listed in **Exhibit E** (the "Excluded Assets").

5. **CUSTOMER DEPOSITS.** MWD represents that it does not hold any customer deposits for its Mossy Bottom customers.

6. **LIABILITIES EXCLUDED.** The CITY is not assuming any of MWD's liabilities or debts, except for the Loans listed in **Exhibit D**.

7. **CONTINUED OPERATION OF SYSTEM.** Until the time of the Closing, MWD shall continue to operate and maintain its Mossy Bottom System in substantially the same manner as it has previously been operated and maintained. Immediately following the Closing, the CITY shall commence operating and maintaining the Mossy Bottom System. Following the Closing, the CITY agrees to cooperate and assist MWD in MWD's relocation of the WWTP.

8. **EASEMENT.** Both Parties acknowledge that it will probably be necessary for the CITY to construct a new lift station in the general vicinity of MWD's WWTP. MWD agrees to convey to the CITY an easement on which the lift station will be located.

9. **REPRESENTATIONS AND WARRANTIES OF MWD.** MWD represents and warrants to the CITY as follows:

A. MWD is a duly organized and validly existing water district which

was established by Order of the Pike County Court pursuant to the provisions of KRS Chapter 74, with the requisite right, power and authority: (1) to carry on its utility business as it is now being conducted; and (2) to own and operate its facilities which it currently owns and operates. MWD has, and at all relevant times has had, full power and authority to own its facilities, including the Assets, and to conduct its utility business.

B. MWD has full capacity, right, power and authority to enter into, deliver, and perform this Agreement. This Agreement has been approved by its Board of Commissioners. All other consents, approvals, authorizations, or other requirements prescribed by law, rule or regulation which must be obtained or satisfied by MWD and which are necessary in order for it to enter into and perform this Agreement have been satisfied, except for approval by the Kentucky Public Service Commission (the "PSC"). This Agreement has been duly executed and delivered by MWD and constitutes a legal, valid and binding obligation, enforceable against it in accordance with its terms.

C. The execution, delivery, performance and the consummation of the transactions contemplated in this Agreement do not and will not: (1) conflict with or result in a violation or breach of any of the terms, conditions, or provisions of or constitute a default of any instrument, agreement, mortgage, judgment, order,

writ, award, decree, or other restriction to which either MWD is a Party, or to which any of MWD's Assets are subject, or by which MWD is bound or any statute or regulatory provision affecting MWD; (2) require the approval, consent, or authorization of any federal, state, or local court, governmental authority, or regulatory body (except as provided in paragraph 12 of this Agreement) or of any creditor of MWD or of any other person or entity; nor (3) give any Party with rights under any instrument, agreement, mortgage, judgment, order, writ, award, decree or other restriction the right to terminate, modify, or otherwise change MWD's rights or obligations thereunder.

D. MWD has complied with all existing laws, rules, regulations, ordinances, orders, judgments and decrees now or hereafter applicable to MWD's Assets. MWD is not aware of any proposed laws, rules, regulations, ordinances, orders, judgments, decrees, governmental takings, condemnations, or other proceedings which would be applicable to MWD's Assets or which might adversely affect MWD's Assets either before or after the date of this Agreement.

E. MWD has not received any notice or notification from any court or governmental agency, authority, or body that it is in violation of, or not in compliance with, any federal, state, or local law, statute, ordinance, rule, regulation, decree, or order or permit relating to its utility business or that upon the

passage of time it will be in violation of any of the foregoing. MWD's operation of its utility business complies in all respects with all governmental requirements relating to the collection, treatment and disposal of wastewater.

F. MWD is the true and lawful owner of the Assets and has good, marketable, and insurable title to all of the Assets. None of the Assets will, after Closing, be subject to any mortgage, pledge, lien, charge, security interest, encumbrance, restriction, lease, license, easement, liability or adverse claim of any nature whatsoever, direct or indirect, whether accrued, absolute, contingent or otherwise, except for the rights of the creditors listed in **Exhibit D**. All the Assets are in good operating condition and repair and are suitable for the purposes used.

G. Upon execution and delivery of the necessary deeds, bills of sale, assignments and other instruments of transfer by the SELLER pursuant to this Agreement, the CITY shall acquire good and valid title to the Assets, free and clear of all claims, liens, security interests, agreements, restrictions, charges and encumbrances of any nature whatsoever, except for the rights of the creditors listed in **Exhibit D**.

H. No other person or entity, except for the CITY, now has, nor at any time prior to the Closing will have, the right to purchase, own, use, or sell any of the Assets.

I. MWD is not insolvent as of the date of this Agreement. MWD is able to meet all business obligations as they become due and will not be insolvent or unable to meet its business obligations as a result of completing the transactions described herein.

J. With the exception of the matters listed in **Exhibit E**, there is no claim, legal action, suit, arbitration, governmental investigation or other legal or administrative proceeding, nor any order, decree or judgment in progress, pending or in effect, or threatened, against or relating to MWD, its officers, commissioners, employees or utility business, the Assets, or the transactions contemplated by this Agreement, and MWD neither knows nor has reason to be aware of any basis for the same.

K. Between the date of this Agreement and the Closing, MWD shall conduct its utility business diligently and substantially in the same manner as heretofore conducted prior to the date of this Agreement. Prior to the Closing, MWD shall not, without the CITY'S prior written approval, petition the PSC to change its rates or charges, institute any new methods of accounting or operation or engage in any transaction or activity, enter into any agreement or make any commitment, except in the ordinary course of business and consistent with past practice.

L. Prior to the Closing, MWD shall not permit any of the Assets to be subjected to a mortgage, pledge, lien or encumbrance, without notice to, and approval of, the BUYER, and further shall not dispose of any of the Assets.

M. MWD shall maintain until the Closing the insurance policies presently in effect on the Assets.

N. MWD shall not perform any act or omit to perform any act or permit any act or omission that will cause a breach or default in this Agreement.

O. No representation or warranty by MWD in this Agreement, nor any statement or certificate furnished or to be furnished by it to the CITY or its representatives in connection herewith or pursuant hereto, contains or will contain any untrue statement of material fact or will omit a statement of any material fact required to make the statements herein or therein contained not misleading. MWD has disclosed to the CITY in writing all material adverse facts known to it relating to MWD, its utility business or the Assets. MWD is not aware of any circumstances or facts which could be detrimental to its utility business other than those disclosed to the BUYER in writing.

P. All minute books, books and records and other documents maintained by MWD with respect to the Mossy Bottom System and the Assets are true, complete and accurate.

Q. All representations and warranties of MWD contained in this Agreement or in any certificate or other writing delivered pursuant hereto or in connection herewith shall be true as of the Closing as well as of the date of this Agreement.

10. **CITY'S REPRESENTATIONS AND WARRANTIES.** The CITY represents and warrants to MWD as follows:

A. That it is a duly organized and existing municipal corporation and city of the third class of the Commonwealth of Kentucky.

B. That the execution and delivery of this Agreement and the consummation of the transactions herein contemplated have been duly authorized by its Commission.

C. That it has the financial resources to assume and pay the Loans being assumed by the CITY pursuant to paragraph three (3) and **Exhibit D** of this Agreement.

D. That it has the financial, technical and managerial abilities to provide reasonable wastewater collection and treatment services to the existing Mossy Bottom customers of MWD.

E. No representation or warranty by CITY in this Agreement, nor any statement or certificate furnished or to be furnished by it to MWD or its

representatives in connection herewith or pursuant hereto, contains or will contain any untrue statement of material fact or will omit a statement of any material fact required to make the statements herein or therein contained not misleading.

F. All resolutions, records and other documents maintained by CITY with respect to the acquisition of the Mossy Bottom System are true, complete and accurate, and have been duly authorized by the CITY.

G. All representations and warranties of CITY contained in this Agreement or in any certificate or other writing delivered pursuant hereto or in connection herewith shall be true as of the Closing as well as of the date of this Agreement.

11. **SEWER RATES.** Attached as **Exhibit F** is a copy of MWD's current sewer rate schedule. Following the Closing, the CITY shall charge the Mossy Bottom customers the sewer rates set forth in **Exhibit F**. The CITY has no immediate plans to increase these sewer rates.

12. **PSC APPROVAL.** Because MWD is subject to the jurisdiction of the PSC, this Agreement shall not become effective and the transfer of the Assets shall not take place until, and unless, the PSC grants approval of the proposed transfer in accordance with the provisions of KRS 278.020(4). Should the PSC disapprove this proposed transfer of Assets, then this Agreement shall be null and

void and of no further force and effect.

To expedite PSC approval, MWD and the CITY shall file, and pursue with diligence, a joint application with the PSC seeking complete approval of this Agreement and all its terms.

13. **WHOLESALE WATER RATE.** As part of the consideration for this Agreement, the CITY agrees and covenants with MWD that the CITY shall not, for a period of 24 months from the date of the closing implement a wholesale water rate increase to the MWD.

14. **CLOSING.** The closing of this transaction (the "Closing") shall take place at a mutually convenient date, time and place as soon as reasonably possible after the latest of (a) receipt of an acceptable final order from the PSC approving this Agreement, and no appeal having been taken from the issuance of such order, or (b) receipt of any other required waivers or consents to the transfer of the Assets and assumption of the Loans.

15. **ACCESS TO BOOKS.** Between the date of this Agreement and the Closing, the CITY and its authorized representatives shall have the right to examine and to obtain copies of any and all pertinent books, plats, maps, plans and records of MWD upon reasonable notice and at mutually convenient times.

16. **FINAL BILLING.** No later than two (2) weeks prior to the Closing,

MWD shall provide the CITY with a current list of all names, addresses and account numbers of the MWD's customers in the Mossy Bottom service area. MWD shall bill all its Mossy Bottom customers for wastewater services rendered prior to the Closing. MWD shall be entitled to all revenue derived from the final bill it sends its customers. The CITY shall be entitled to all revenue derived from wastewater services rendered on and after the date of the Closing.

17. **CLOSING REQUIREMENTS.** The obligations of the Parties are expressly conditioned on the following, each of which is a condition precedent to the validity and enforcement of this Agreement:

A. The representations and warranties of each of the Parties shall be true and correct as of the Closing, as though such representations and warranties were made at, and as of, the Closing.

B. Each of the Parties to this Agreement shall have performed and complied in all material respects with all of its respective obligations under this Agreement which are due to be performed or complied with by such Party prior to or at the Closing.

C. At and as of the Closing, no litigation, proceedings, investigations or inquiries shall be pending or threatened by any person, firm, corporation, governmental agency, or governmental official to enjoin or prevent the

consummation of this transaction.

D. The PSC shall have entered a final order (from which no appeal is taken) which approves this Agreement and all of its terms and conditions.

E. The PSC shall not have attached to its order, any terms, conditions or limitations which, in the sole opinion of the CITY, shall adversely affect the economic feasibility of the proposed transfer of Assets and the consummation of this Agreement, or requires either the CITY or MWD to take any action or refrain from taking any action which might require either of them to breach any of their obligations under any mortgage, indenture, ordinance or any other agreement to which either of them might be a Party.

F. Both the United States Department of Agriculture, Rural Development and the Kentucky Infrastructure Authority must have granted consent for the CITY to assume the Loans.

18. **CONVEYANCE AND TRANSFERS.** MWD shall not convey, lease, or in any other way dispose of the Assets until the Closing. At the Closing, MWD shall execute and deliver to the CITY such deeds, assignments, bills of sale, and other instruments of transfer as are necessary or requested by the CITY to vest the CITY with good and marketable, unencumbered title to the Assets, except for the rights of the creditors listed in **Exhibit C**, without the need for further approval

or consent by any other person or entity.

19. **DUE AT CLOSING.**

A. **DUE FROM MWD TO CITY:** Unless the CITY provides a written waiver of any item listed herein, MWD shall deliver to the CITY at Closing the following:

- (1) General warranty deeds and an Assignment of Easements conveying MWD's ownership interests in the real property described in **Exhibit B**.
- (2) Such bills of sale, assignments and other instruments of transfer, all dated the Closing Date, as shall be necessary or requested by the CITY to vest the CITY with good and marketable, unencumbered title to the Assets;
- (3) A lease granting the CITY the right to operate and maintain the Mossy Bottom WWTP;
- (4) A schedule which contains a current listing of the names, addresses, and account numbers for each Mossy Bottom customer;
- (5) Duly certified copies of the resolution of the Board of Commissioners of MWD authorizing the execution, delivery and performance of this Agreement by MWD, which resolution shall be in full force and effect at, and as of, the Closing;
- (6) An opinion from MWD's counsel, dated the Closing Date and in a form satisfactory to the CITY, as to the representations, warranties and other matters set forth in paragraph nine (9) of this

Agreement;

- (7) A certificate, signed by the Chairperson of MWD and dated as of the Closing Date, representing and warranting to the CITY (i) that the representations, warranties and other matters set forth in paragraph nine (9) of this Agreement are true and correct as of the Closing, as though such representations and warranties were made at, and as of, the Closing, and (ii) that the Closing Requirements set forth in paragraph 17 of this Agreement have been fully satisfied;
- (8) All records for the Mossy Bottom customers;
- (9) Possession of the Assets;
- (10) A certified or cashier's check for the portion of the annual debt service owed by MWD; and
- (11) Such other documents as may be necessary to effectuate the transactions contemplated by this Agreement.

B. DUE FROM CITY TO MWD: Unless MWD provides a written waiver of any item listed herein, the CITY shall deliver to MWD at Closing the following:

- (1) Proof that the CITY has assumed the Loans set forth in **Exhibit D** to this Agreement;
- (2) A certified copy of the CITY Commission's resolution approving this Agreement, authorizing the Mayor to execute and deliver this Agreement, and further authorizing the appropriate CITY officials to take all actions necessary to consummate the transactions contemplated by this Agreement.

- (3) An opinion from Damon R. Talley, P.S.C., special counsel to the CITY, dated the Closing Date and in a form satisfactory to MWD, as to the representations, warranties and other matters set forth in paragraph ten (10) of this Agreement; and
- (4) Such receipts as may be reasonably requested by MWD and such other documents as may be necessary to effectuate the transactions contemplated by this Agreement.

20. SURVIVAL OF REPRESENTATIONS AND WARRANTIES.

The representations, warranties, and agreements of the Parties contained in this Agreement, or in any certificate or other writing delivered pursuant hereto, shall survive the making of this Agreement and the Closing.

21. INDEMNIFICATION. MWD shall indemnify and hold harmless the CITY against any loss, claim, action, suit, proceeding, deficiency or expense, including reasonable attorneys' fees, relating to or arising from or in connection with (a) any misrepresentation, breach of representation, warranty or obligation, covenant or agreement or default by MWD under this Agreement, including the exhibits, or any documents delivered to the CITY in connection with this Agreement; (b) claims of negligence or strict liability in connection with the utility business conducted prior to the Closing; or (c) all contingent liabilities relating to MWD, the utility business or the Assets which the CITY becomes obligated to pay

with respect to any state of facts or occurrences existing at or prior to the Closing.

The CITY shall indemnify and hold harmless MWD against any loss, claim, action, suit, proceeding, deficiency or expense, including reasonable attorneys' fees, relating to or arising from or in connection with any misrepresentation, breach of representation, warranty or obligation, covenant or agreement or default by MWD under this Agreement, including the exhibits, or any documents delivered in connection with this Agreement.

22. **ENTIRE AGREEMENT.** This Agreement, including all of its exhibits, which are hereby incorporated by reference, constitutes the entire agreement of the Parties with respect to the subject matter hereof and may not be modified or amended or terminated except by written agreement specifically referring to this Agreement, and signed by all of the Parties hereto.

IN TESTIMONY WHEREOF, this Agreement has been executed in multiple counterparts, each of which is deemed to be an original, by the duly authorized officers or officials of the Parties, as of the effective date of this Agreement.

SELLER:

MOUNTAIN WATER DISTRICT

BY: *Toni Akers*
TONI AKERS, CHAIRPERSON

ATTEST: *J. J. [Signature]*
SECRETARY

DATE: 4-11-05

BUYER:

CITY OF PIKEVILLE, KENTUCKY

BY: *Frank Justice II*
FRANK JUSTICE, II, MAYOR

ATTEST: *Karen Harris*
CITY CLERK

DATE: 4/8/05

EXHIBIT 'A'
MOUNTAIN WATER DISTRICT
MOSSY BOTTOM LIFT STATION LISTING

MOSSY BOTTOM	CAPACITY/ RATING
1. MOSSY BOTTOM SUBD	85gpm @ 40ft. Head
2. CHEVRON (AUTOBAHN)	350gpm @ 40ft. Head
3. RATLIFF BRANCH	50gpm @ 44ft. Head
4. CHILDERS LANE	20gpm @ 45ft. Head
5. LARRY WEBSTER	180gpm @ 50ft. Head
6. SCOTT ADDITION	40gpm @ 50ft. Head
7. AEP	40gpm @ 55ft. head
8. SAV-A-LOT	65gpm @ 70ft. Head
9. K-MART	38gpm @ 62ft. Head
10. CENTENNIAL	375gpm @ 80ft. Head
11. SUNSHINE LANE	41gpm@101ft. Head
12. RAMSEY MHP	90gpm @63ft. Head

EXHIBIT 'B'
MOSSY BOTTOM SEWER PROJECT
EASEMENTS LOG

NAME	LOCATION	PROJECT	EASEMENT NUMBER	DATE SIGNED	DEED INFO. BOOK	DEED INFO. PAGE	FILE NUMBER
WEBSTER, LARRY & CHERYL	69 WEBSTER WAY PIKEVILLE	Mossy Bottom Sewer Project	WW PUMP	3/9/2004	676	465	846-762
PIKEVILLE N.B.-COMMUNITY TRUST	CENTENNIAL WWTP	Mossy Bottom Sewer Project	WWTP	9/20/2000	591	902	
PIKEVILLE N.B.-COMMUNITY TRUST	CENTENNIAL WWTP	Mossy Bottom Sewer Project	WWTP	9/22/2000	793	169	
FIRST VICTORY BAPTIST CHURCH	CHILDERS ROAD	Mossy Bottom Sewer Project	SEWER	7/11/2002	629	692	
RAMSEY FAMILY	COAL RUN	Mossy Bottom Sewer Project		12/4/1995	720	128	
COAL RUN CITY	COAL RUN TO MOSSY BOTTOM	Mossy Bottom Sewer Project		12/19/1995	720	138	
KMART LIFT STATION & FORCE MAIN	KMART - WEDDINGTON PLAZA	Mossy Bottom Sewer Project	LS/FM	7/31/2000			
CHILDERS, ELIZABETH	MOSSY BOTTOM	Mossy Bottom Sewer Project		9/11/1997	766	285	
MOSSY BOTTOM-DEED/PIKE CO.	MOSSY BOTTOM	Mossy Bottom Sewer Project		6/29/1994	651	346	
PIKE COUNTY I.D.E.A.	MOSSY BOTTOM	Mossy Bottom Sewer Project		5/21/1997	737	570	
PIKE COUNTY I.D.E.A.	MOSSY BOTTOM	Mossy Bottom Sewer Project		5/21/1997	737	568	
BARTLEY, SHEILA	MOSSY BOTTOM III-104 ELDER LANE	Mossy Bottom Sewer Project	SEWER	6/6/2001	769	642	
JUSTICE, JANIE C.	MOSSY BOTTOM III-55 SUNSET LANE	Mossy Bottom Sewer Project	SEWER	8/21/2001	716	248	
BARTLEY, BRYON	MOSSY BOTTOM III-60 SUNSET DR.	Mossy Bottom Sewer Project	SEWER	6/6/2001	754	590	
PCFC - CHILDERS LANE	MOSSY BOTTOM SEWER	Mossy Bottom Sewer Project	SEWER	7/17/2000	797	388	
PCFC - DUDLEY STREET	MOSSY BOTTOM SEWER	Mossy Bottom Sewer Project	SEWER	7/17/2000	797	394	
PCFC - ELDER LANE	MOSSY BOTTOM SEWER	Mossy Bottom Sewer Project	SEWER	3/27/2001	800	287	
PCFC - ELDER LANE	MOSSY BOTTOM SEWER	Mossy Bottom Sewer Project	SEWER	2/19/2001	800	287	
PCFC - MOSSY BOTTOM BRIDGE	MOSSY BOTTOM SEWER	Mossy Bottom Sewer Project	SEWER	7/17/2000	797	391	
PCFC - RATLIFF'S BRANCH	MOSSY BOTTOM SEWER	Mossy Bottom Sewer Project	SEWER	7/17/2000	797	397	
PCFC - SCOTT ADDITION	MOSSY BOTTOM SEWER	Mossy Bottom Sewer Project	SEWER	7/17/2000	797	400	
PCFC - SUNNY LANE	MOSSY BOTTOM SEWER	Mossy Bottom Sewer Project	SEWER	3/27/2001			
PCFC - SUNNY LANE	MOSSY BOTTOM SEWER	Mossy Bottom Sewer Project	SEWER	2/19/2001	800	293	
PCFC - SUNSET DRIVE	MOSSY BOTTOM SEWER	Mossy Bottom Sewer Project	SEWER	3/27/2001			
PCFC - SUNSET DRIVE	MOSSY BOTTOM SEWER	Mossy Bottom Sewer Project	SEWER	2/19/2001	800	290	
PCFC - SUNSHINE LANE	MOSSY BOTTOM SEWER	Mossy Bottom Sewer Project	SEWER	7/17/2000	797	385	
PCFC - WINWARD LANE	MOSSY BOTTOM SEWER	Mossy Bottom Sewer Project	SEWER	7/17/2000	797	382	
PCFC - ZIEGLER STREET	MOSSY BOTTOM SEWER	Mossy Bottom Sewer Project	SEWER	7/17/2000	797	379	
CSX PIPELINE CROSSING APPLICATION	MOSSY BOTTOM SEWER PHASE IV	Mossy Bottom Sewer Project	SEWER	5/1/2001			
HATCHER, H. FRANK	MOSSY BOTTOM SEWER PHASE IV	Mossy Bottom Sewer Project	SEWER	2/12/2003			
WEBSTER, LARRY & CHERYL	MOSSY BOTTOM SEWER PHASE IV	Mossy Bottom Sewer Project	SEWER	6/4/2002	705/661	668/516	
MOSSY BOT.-see Pike Nat'l Bank	MOSSY BOTTOM-CENTENNIAL	Mossy Bottom Sewer Project	WWTP	9/20/2000	591	902	
MULLINS, SARAH	US HIGHWAY 23 SOUTH	Mossy Bottom Sewer Project	SEWER	4/4/2003	334	139	
ROBERTS, JUSTICE	US HIGHWAY 23 SOUTH	Mossy Bottom Sewer Project	SEWER	12/30/2002	413	51	

FACILITIES PLAN
MOUNTAIN WATER DISTRICT
MOSSY BOTTOM AREA

Exhibit C



Vaughn & Melton
Engineers-Architects

FACILITIES PLAN
MOUNTAIN WATER DISTRICT
MOSSY BOTTOM AREA

-Prepared by-

VAUGHN & MELTON CONSULTING ENGINEERS (KENTUCKY), INC.

109 S. 24th Street
P.O. Box 1425
Middlesboro, KY 40965
Telephone: 606/248-6600
Fax: 606/248-0372

April 11, 1995

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19. Selected Plan Description
20. Project Implementation

Exhibits

Appendices

1. Summary, Conclusions, and Recommendations

This report defines the Mossy Bottom Planning Area and provides justification for the area to be served by a subregional treatment plant located at the Mossy Bottom industrial park which would be owned and operated by the Mountain Water District.

2. Background

The following documents provide background data for this report:

- a. 201 Facilities Plan for Wastewater Treatment Works, Pikeville, KY; January, 1978; Howard K. Bell, Consulting Engineers, Inc. (Reference A)
- b. 201 Facilities Plan Update for Wastewater Treatment Works, Pikeville, KY; February, 1989; Summit Engineering, Inc. and Mayes, Sudderth & Etheredge, Inc. (Reference B)

3. Purpose and Need

The proposed project will reduce pollution and result in public health improvement by allowing for elimination of as many as 20 privately operated package wastewater treatment plants which are often a cause of water quality problems. There are also instances of individuals discharging straight into the river which could be removed.

In addition to the health benefits, the project will permit additional development at the industrial park and along the US 23 corridor. Pike County has relied heavily on the coal industry as an economic base and there is a need to replace jobs which have been lost in the coal industry.

4. Public Involvement

A public meeting was held on September 7, 1994 at the Matewan Bank to give information to the public about the proposed plan and to gauge their interest.

A public hearing is scheduled for April 19, 1995 to present the proposed plan and anticipated sewer rates. Minutes will be included in the Appendix.

5. Effluent Limitations

Preliminary design effluent limitations have been established and are included in the Appendix.

6. Maps and Schematics

The following maps are included as exhibits:

- a. Planning area
- b. USGS topographic map showing STP site
- c. Proposed plant schematics
- d. Existing WWTP locations
- e. Land use in the planning area is generally a mixture of residential and commercial. There are pockets of residences with a heavy concentration of service-type businesses located along the US 23 corridor. The land use can be seen on the quad map illustrating the planning area; therefore, an additional map is not included.
- f. Sludge and effluent disposal areas and wetlands are not applicable.
- g. Floodplain and floodway in relation to proposed project
- h. There are no industrial discharges at this time.

7. Existing Environment

- a. Surface and groundwater hydrology are discussed in References A and B.
- b. Physiography, topography, geology and soils are discussed in References A and B.
- c. Precipitation, air quality, and noise levels are discussed in References A and B. There should be no adverse effects from this project.
- d. Historically, Pike County has depended on the production of coal as its economic base. However, market downturns have forced the closing of mines: of the 467 deep or surface mines operating in the county in 1986, only 229 remain.
- e. Socio-economic conditions have been influenced by the decline of the coal industry. Overall unemployment in Pike County has averaged 10.6% over the past year. Section 11 of this report addresses population.
- f. There are no related projects in the planning area at this time.
- g. The unsuitability of the soil for septic systems is common in the area.

- h. There are no wetlands, wild and scenic rivers, protected farm lands, historic and archaeological sites, national and natural landmarks, or plant and animal communities or habitats which might be affected by this project. No construction will take place in the floodway and proper permits will be obtained and procedures will be followed for construction in the floodplain.

8. Existing Wastewater Treatment Systems

- a. The condition of each privately owned package wastewater treatment plant varies with each plant.
- b. A list of treatment plants in the area and their design capacity is also included in the Appendix. The plant previously owned by the East Kentucky Beverage Company is now owned by Coal Run Village.
- c. There are presently no industrial discharges.
- d. Significantly developed areas served by onsite systems include the Scott Addition, Coal Run Village, and Mossy Bottom.
- e. Since the existing plants are privately owned and not equipped with flowmeters, there is no record of average, peak, or wet weather flows.
- f. There are no bypasses or overflows located in the project area.
- g. There are no combined sewers located in the project area.
- h. Treatment plant performance for the existing package plants is not available.
- i. The O & M program varies with each package plant.

9. Optimum Performance of Existing Facilities

The (a) optimum performance level; (b) age and reliability of existing equipment and its remaining useful life; (c) qualifications, number, and training of operating personnel; and (d) additional operating controls and laboratory facilities needed to monitor and improve operations vary with each package plant.

The availability of the proposed publicly owned treatment plant will be the best process modification for the package treatment plants. A pretreatment program for industrial dischargers will be implemented for the new plant to alleviate any potential problems.

10. Infiltration and Inflow (I/I)

Any existing collection system which will hook onto the new system will be analyzed for excessive I/I using criteria of 120 gpcd for domestic base flow and 275 gpcd for wet weather flow plus infiltration.

11. Population

Present and design population of the Mossy Bottom Planning Area is as follows:

1990	3,510
1995	3,465
2000	3,400
2005	3,330
2010	3,260
2015	3,170

Data supporting the population projections is included in the Appendix.

12. Zoning

The treatment plant will be located in the industrial park and is therefore compatible with land use plans and zoning ordinances.

13. Future Environment and Conditions

- a. Groundwater is not extensively used in the planning area due to the availability of public water supplies. The City of Pikeville withdraws its water from the Levisa Fork upstream from the proposed discharge near the confluence of the Levisa Fork with Island Creek. The city of Allen's water intake is located approximately 15 miles downstream from the discharge location.
- b. A 20 year planning period has been used for this report. Clearinghouse comments which address future environment issues are included in the Appendix.

14. Environmental Concerns

- a. No major parts of the proposed project are located on productive wetlands. The project does not significantly affect wetlands nor is any secondary development likely to encroach on a wetlands.
- b. The river crossing should be covered under a nationwide Corps permit.

- d. There are no threatened or endangered aquatic species which would be affected by the project.
- e. Mitigation measures will be required of the Contractor to minimize any temporary impacts caused by construction.
- f. The project will not result in the control or structural modification of any natural stream or body of water.
- g. There are no wild or scenic rivers which would be affected by the project.
- h. The project will not encourage the development of environmentally sensitive areas.
- i. There are no environmentally sensitive areas which would be impacted by the project.
- j. The project complies with the Kentucky State Implementation Plan.
- k. The project will not adversely affect land potentially eligible for inclusion or land currently included in the National Registry of National landmarks. (See Clearinghouse comments in the Appendix.)
- l. The project will not adversely affect significant amounts of prime or unique agricultural land or agricultural operations on this land.
- m. The project will not adversely affect noise level of the area.

15. Floodplain and Floodway

- a. The project is operational at the 25 year flood level.
- b. All equipment is protected up to the 100 year flood level.
- c. All costs associated with flood protection are included in the cost used in the cost effective analysis.
- d. The appropriate permit application will be submitted to the DOW Floodplain Management Section and will the construction of the project will be in accordance with the permit requirements.
- e. No pump station or WWTP is located in the floodway.

16. Forecast of Flow

- a. Residential and commercial future flows are based on existing water use data.
- b. Residential wastewater strength approximates 200 mg/l, BOD₅.
- c. The only industry presently in the area has only domestic waste, no process wastewater.
- d. Land use projections have been used to estimate future development and wastewater flows.

17. Development of Alternatives

There are three (3) alternatives to be considered in northern Pike County (1) no action; (2) transporting to Pikeville; and (3) construction of a "subregional" treatment plant to serve the area.

The need for treatment is evidenced by the large number of package treatment plants in the area. Centralized treatment is more efficient and desirable than operation of roughly 20 package treatment plants. Leaving the situation as it is indefinitely will only lead to further degradation of water quality. Therefore, the no action alternative is not an option.

The City of Pikeville has targeted the areas shown in Exhibit 6-2 of Reference B for extension of sewer services through the year 2008. None of the area beginning at Coal Run northward is included in any designated expansion plans. The city's wastewater treatment plant provides only for the needs of the planning area shown in Exhibit 6-2 of Reference B. Since it would be at least thirteen (13) years before service would be considered in this area, transporting the sewage to Pikeville is not a viable alternative for an area in immediate need of sewer service. Therefore, this alternative is not implementable.

Construction of a "subregional" plant would provide centralized treatment with its resulting improvement in water quality to the Mossy Bottom area and would also allow for further development. The availability of an Economic Development Administration (EDA) grant to provide a treatment plant at the industrial park is further justification for the subregional concept. Logical sub-areas can be isolated within the project area where collection facilities can be constructed as funding becomes available. The treatment plant will initially be designed for 200,000 gpd with the provision for expanding the plant capacity as the sub-areas are brought on line.

The project is proposed to be constructed in phases, with the first two (2) phases being already defined and economic assistance requested. Phase 1 is the treatment plant itself and a major force main to transport sewage from sub-areas to the plant. Phase 2 is

collection in four (4) sub-areas, with the force main constructed in Phase 1 linking each area to the plant.

18. Evaluation of Principal Alternatives

Two (2) different treatment processes were evaluated: (1) extended aeration and (2) activated sludge/bio-tower. Both are capable of meeting the effluent limitations of the receiving stream. A summary of the comparison follows:

COMPONENT	CONST. COST	
	EXT AER	ACT/BIO
Influent Meter, Screen & Sampler	\$ 55,000	\$ 35,000
Primary Clarifier	-0-	110,000
Aeration Basins	200,000	110,000
Bio-Tower	N/A	150,000
Secondary Clarifier	140,000	140,000
Blowers	65,000	50,000
Chlorination/Dechlorination	40,000	40,000
Pump Station	40,000	50,000
Effluent Sampling, etc.	20,000	20,000
Sludge Handling	125,000	125,000
Fencing	10,000	10,000
Site Work	25,000	25,000
Generator	20,000	20,000
	=====	=====
Total Estimated Const. Cost	\$740,000	\$885,000

PRESENT WORTH COST ANALYSIS:

	Extended Aeration	Act. Sludge/Bio-Tower
Construction Cost	\$ 740,000	\$ 885,000
O&M Cost (per year)	{50,000}	{40,000}
Equivalent Present Worth - O&M Cost (9.8181)	491,000	393,000
	=====	=====
Total Present Worth	\$ 1,231,000	\$ 1,278,000

Therefore, the extended aeration process will be utilized in the Mossy Bottom wastewater treatment plant.

19. Selected Plan Description

The selected plan includes a 200,000 gpd extended aeration plant, a lift station and approximately 8,500 linear feet of 8" force main (Phase I), and a combination of gravity and lift station/force main collection for four (4) distinct areas (Phase II). The construction cost is estimated to be \$1,525,000.

20. Project Implementation

The owner/operator of the treatment plant will be the Mountain Water District (MWD). The application for federal assistance from EDA included the Pikeville-Pike County Industrial Development and Economic Authority (IDEA) as joint applicant.

This project area was included in the original Pikeville 201 Facilities Plan (Reference A), but was deleted in the 1989 Update (Reference B). A letter from the City of Pikeville is included in the Appendix stating that the City of Pikeville is not planning to provide sewer service to the area covered by the proposed Mossy Bottom Industrial Park Wastewater Treatment Plant and has no objection to the Mossy Bottom Industrial Park and the northern part of the original Pikeville WWTFP area being served by a plant to be located in the industrial park.

The City of Coal Run Village supports the proposed project. A resolution from the city council will be included in the Appendix.

Any industry which will have any discharge other than domestic waste will be required to pretreat, under a proposed agreement which is currently being prepared.

The plant site has already been transferred from the IDEA to the MWD. It is anticipated that all force main in Phase I will be in highway right-of-way. The application for the highway encroachment permit will be submitted in April 1995, with approval expected within 30 days. Acquisition for any private easements required in Phase II will begin in April 1995.

EXHIBITS

Exhibit A - Planning Area

Exhibit B - Wastewater Treatment Plant Site

Exhibit C - Plant Schematics

Exhibit D - Existing Permitted Treatment Plants

Exhibit E - Floodway and Floodplain

EXHIBIT A - PLANNING AREA

MOUNTAIN WATER DISTRICT

Mossy Bottom Planning Area

Approx. Scale: 1" = 2 miles

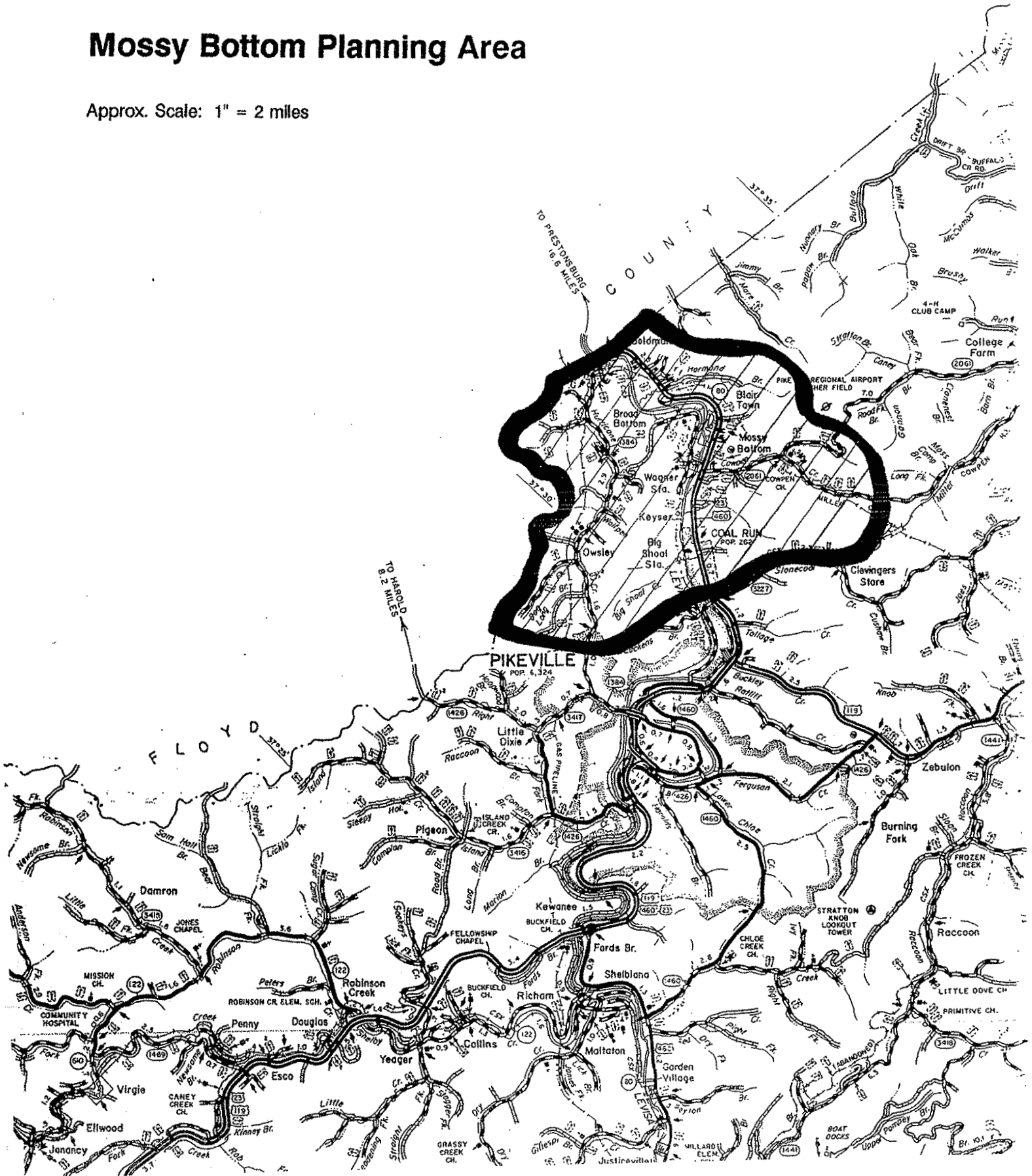
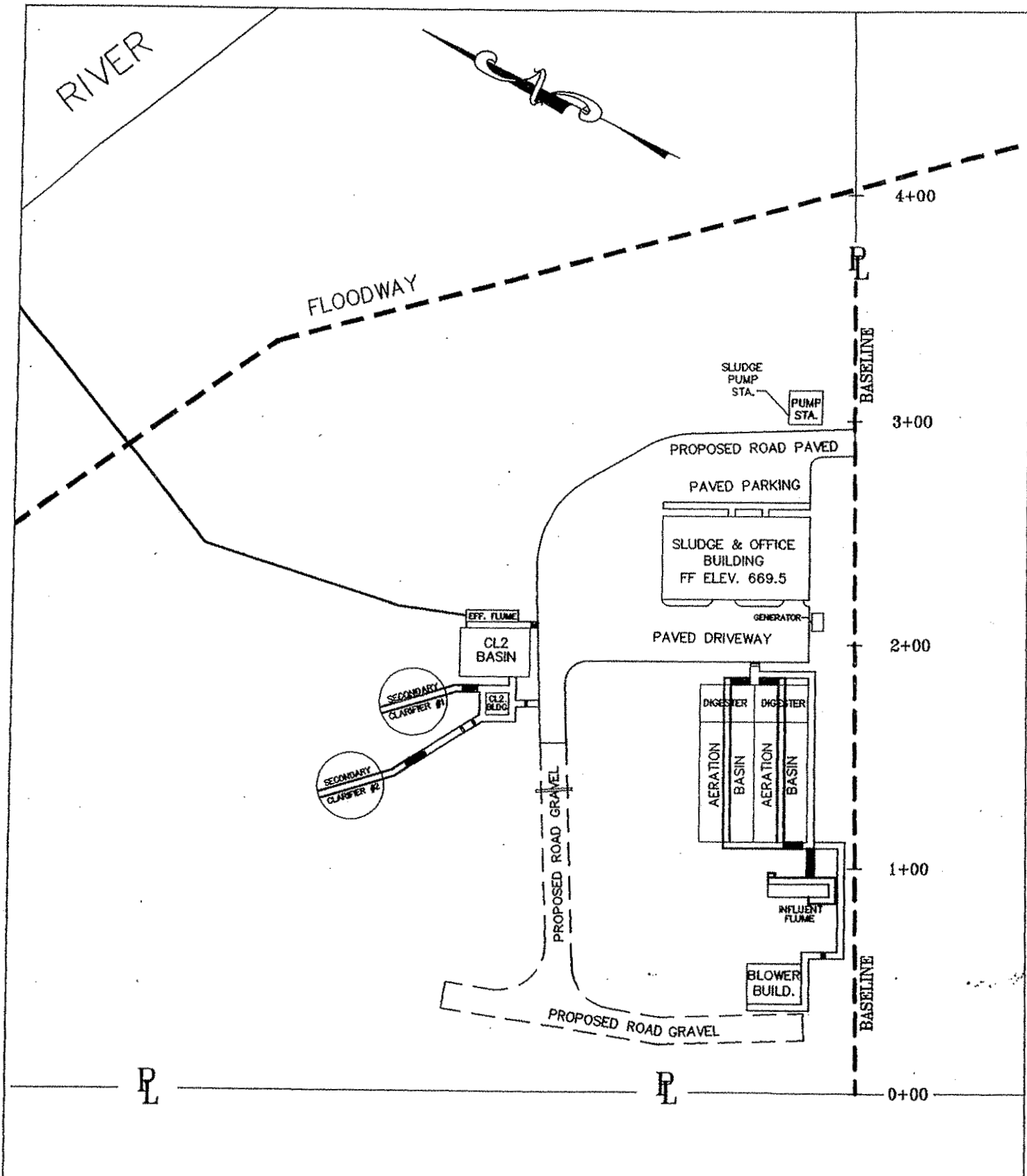


EXHIBIT B - WASTEWATER TREATMENT PLANT SITE

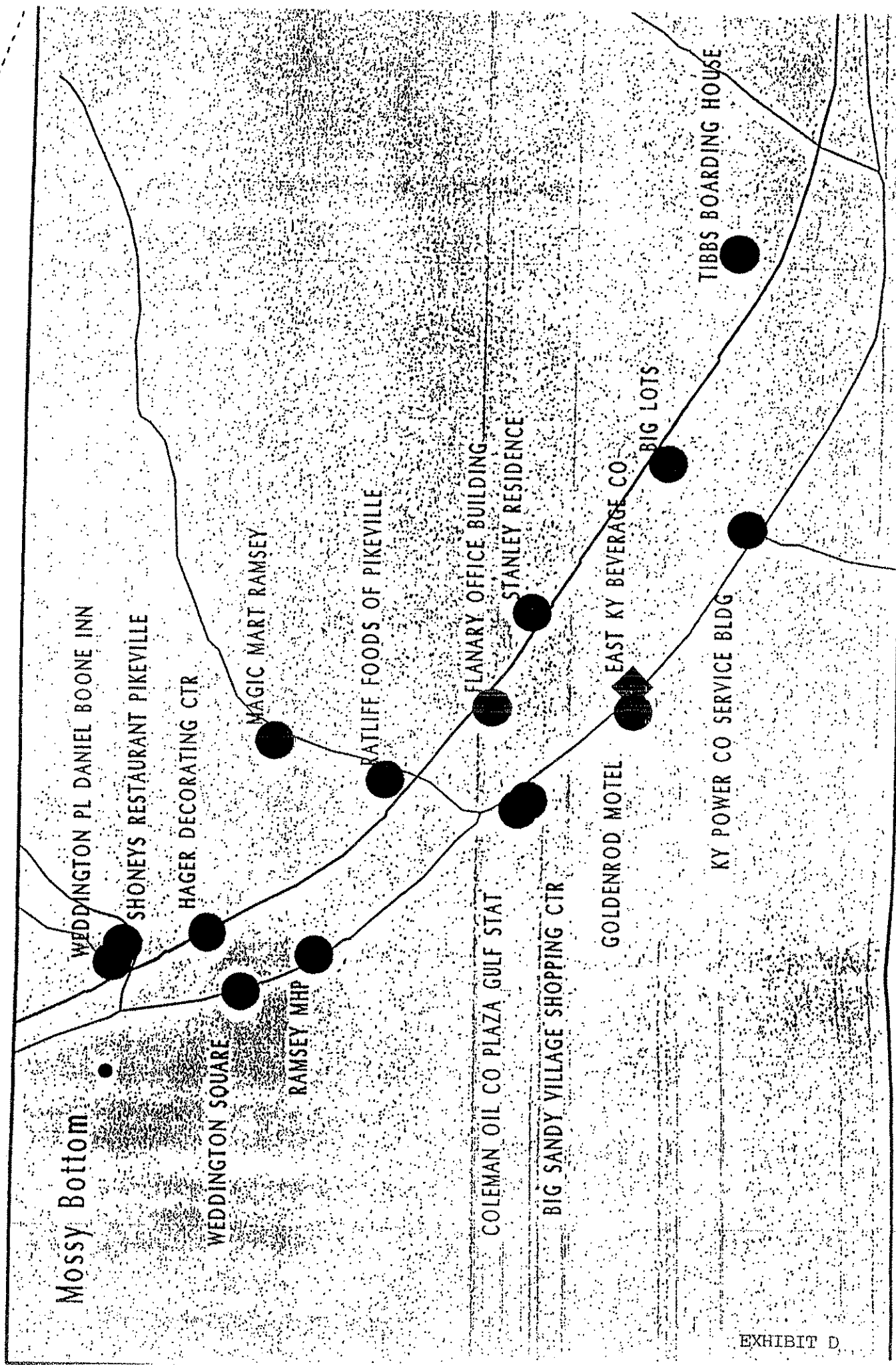
EXHIBIT C - PLANT SCHEMATICS



PROPOSED LAYOUT OF 0.2 MGD WWTTP

SCALE 1" = 60'

EXHIBIT D - EXISTING PERMITTED TREATMENT PLANTS



Mossy Bottom

WEDDINGTON PL DANIEL BOONE INN

SHONEYS RESTAURANT PIKEVILLE

HAGER DECORATING CTR

MAGIC MART RAMSEY

PATLIFF FOODS OF PIKEVILLE

FLANARY OFFICE BUILDING

STANLEY RESIDENCE

EAST KY BEVERAGE CO

BIG LOTS

TIBBS BOARDING HOUSE

WEDDINGTON SQUARE

RAMSEY MHP

COLEMAN OIL CO PLAZA GULF STAT

BIG SANDY VILLAGE SHOPPING CTR

GOLDENROD MOTEL

KY POWER CO SERVICE BLDG

EXHIBIT E - FLOODWAY AND FLOODPLAIN

APPENDICES

Appendix A - Design Effluent Limits

Appendix B - Minutes of Public Hearing

Appendix C - List of Existing Permitted Treatment Plants

Appendix D - Population Data

Appendix E - Existing Water Use Data

Appendix F - Clearinghouse Comments

Appendix G - Letter from City of Pikeville

Appendix H - Resolution from City of Coal Run Village

APPENDIX A - DESIGN EFFLUENT LIMITS



COMMONWEALTH OF KENTUCKY
NATURAL RESOURCES AND ENVIRONMENTAL PROTECTION CABINET
DEPARTMENT FOR ENVIRONMENTAL PROTECTION
FRANKFORT OFFICE PARK
14 REILLY ROAD
FRANKFORT, KENTUCKY 40601

November 28, 1994

Ms. Pamela Price Adams, P.E.
Vaughn & Melton
P.O. Box 1425
Middlesboro, Kentucky 40965

Re: Preliminary File
Mossy Bottom Sewer
Pike County, Kentucky

Dear Ms. Adams:

A site survey has been completed for the above referenced proposed wastewater treatment plant. The plant will have a design capacity from .2 to 1.5 mgd and will discharge to Levisa Fork, segment number 01020 mile point 106.8.

We concur in this proposal with the following provisions:

The wastewater treatment facilities must be designed to produce the following effluent concentrations.

BOD ₅	30 mg/l
Suspended Solids	30 mg/l
Ammonia Nitrogen	20 mg/l
Dissolved Oxygen	2 mg/l

In addition to the above, the monthly average and weekly maximum values of fecal coliform shall be at or below 200 or 400, respectively, the year around. If a form of chlorine is proposed for use to disinfect the wastewater treatment plant (WWTP) effluent and the capacity of the proposed WWTP is 100,000 GPD or greater, or the proposed WWTP is owned by a municipality then dechlorination will be required by your KPDES permit. Additional effluent limitations and water quality standards are contained in the Division of Water Regulations.

APPENDIX A



Ms. Pamela Price Adams
Page Two
November 28, 1994

These preliminary design effluent limits are valid for one year from this date and are subject to change as a result of additional information which may be presented during the public notice phase of the Kentucky Pollutant Discharge Elimination System (KPDES) permitting procedure and do not guarantee issuance of a permit. These preliminary effluent limits are contingent upon the validity, accuracy and completeness of the data and information which you have submitted.

This letter does not approve the design details of the treatment system and does not authorize construction of these facilities. Floodplain approval should be obtained from this Division. Some suitable form of effluent post aeration may also be necessary in order to produce the required dissolved oxygen concentration. This design should be included in the plans and specifications for the treatment system.

Approval of this project will be subject to the rules and regulations set forth by the Cabinet for submission of plans and specifications as well as the necessary legal documents.

This letter is a reissuance of the preliminary approval letter initially issued for this project on February 13, 1992.

If you have any questions concerning this correspondence, do not hesitate to call Mike Tipton at (502) 564-2225, extension 519.

Sincerely,



William B. Gatewood, P.E., Manager
Facilities Construction Branch
Division of Water

WBG/MDT/sjm

cc: Mountain Water District
Hazard Regional Office
Pike County Health Department

APPENDIX B - MINUTES OF PUBLIC HEARING

APPENDIX C - LIST OF EXISTING PERMITTED TREATMENT PLANTS

APPENDIX C

Permitted Facility	Design Capacity (mgd)
Weddington Square	0.0200
Ramsey Mobile Home Park	0.0200
Weddington Plaza	
Big Sandy Village Shopping Center	0.0100
Kmart	
East KY Beverage Co.	
Big Lots	0.0007
KY Power	0.0060
Shoney's	
Matewan Bank	0.0005
Daniel Boone Motor Inn	0.0540
Trailer Park (Magic Mart)	0.0075
Cross Roads Plaza Shopping Center	
BP Station	
Pikeville Cardiology Clinic	0.0025
Flanary Office Building	0.0002
Private Res. (Stanley)	
Private Res. (Tibbs Boarding)	0.0015
Mullins High School	0.0150
Coal Run Village	
	=====
	0.1379
	137,000 gpd

APPENDIX D - POPULATION DATA

APPENDIX D

The present population of the "Mossy Bottom Planning Area" was obtained from the Big Sandy Area Development District. It was derived from 1990 census data. The design population was calculated as follows:

Year	Pike Co. ¹	Mossy Bottom Area ³
1990	72,583	3,510
1995	71,598	3,465
2000	70,252	3,400
2005	68,808 ²	3,330
2010	67,365	3,260
2015	65,512 ²	3,170
2020	63,660	

1. Figures were taken from the 1994 Kentucky Deskbook of Economic Statistics. The reference lists the University of Louisville, Urban Research Institute, Kentucky State Data Center, How Many Kentuckians: Population Forecasts, 1990 - 2020, 1992 edition, as the source of the projections.
2. The year 2005 and 2015 populations were straight line interpolated.
3. The ratio of the Mossy Bottom area to the total area was used to calculate the Mossy Bottom area figures ($3,510/72,583 = 4.84\%$).

APPENDIX E - EXISTING WATER USE DATA

FLOW DATA: PIKE CO. - MOSSY BOTTOM

Customer	Avg. MONTHLY Water Use
Shoney's	190,000
Matewan Bank	6,000
Taco Bell (estimated)	40,000
Daniel Boone Motor Inn	268,000
Windmill Rest.	101,000
Walmart	148,000

Flow between Main Pump
Sta. & WWTP 753,000 gal/month = 25,100 gpd

Weddington Square Shopping Center:

Food City	44,800
Peking Restaurant	57,200
Cameo Cleaners	31,000
East Kentucky Eye Care	400
Colorama	2,200
The Package Patch	1,100
Piece Goods Shop	
Subway	
Huffman's	
Smart Petites	
Smart Shop	
The Elephant's Trunk	
Junior Hut	
Johnny LeMaster Sport Center	
Castle's Jewelry and Gifts	
TCBY Yogurt	
Espresso Cafe	

Subtotal 136,700

Ramsey Inc. Mobile Home Park
42 M.H.'s, 1 Office 166,600

Lee's Famous Recipe Chicken	43,300
Dairy Cheer	49,500
Burger King	59,500

Subtotal 318,900

Flow into Pump Sta. A 455,600 gal/month = 15,187 gpd

Jeddington Plaza:

Dawahares	6,800
J.C. Penney	
Sherwin - Williams	
Rite Aid Pharmacy	
Kroger	30,300
Record Rack	

Shirt Shack	
Merle Norman	
Cinema	
C. & H. Rauch	6,300
Fashion Bug	4,100
Kid's Stuff	
Pic-n-Pay Shoes	
Watson's	25,900
Walters Insurance	
Maurices	
K.C. Music	
Dollar General Store	3,000
Pikeville National Bank	3,300
Rich Gas Station	2,600
Fazoli's	13,500
Pizza Hut	37,800

=====

Flow into Pump Sta. B 133,600 gal/month = 4,453 gpd

Coal Run Villages:

Fast Lane Market	3,300
Fred Lawson Animal Clinic	2,400
Coal Run Complex	9,800
Rax	48,900
Advance Auto Parts	2,300
Lewis Noel & Jones Insura	5,400
Kentucky Crystal Water	1,900
McDonalds	68,100
First National Bank	2,900
Pepsi Plant	17,400
Coal Run Church of Christ	16,900
Long John Silvers	52,600
KSP Post #9	5,400
ABC Daycare	4,700
City Hall	900
Beltone Hearing Aid Cente	1,900
Ralph's Village Auto Body	17,500
Noah Adkins Discount Furn	4,700
Layne Brothers Ford	2,900
Casebolt Monument Company	3,400
Big Lots	47,400
Baptist Association	9,300
Eastern Telephone	5,700
Connecting Point Company	
Ratliff Farm Supply	1,200
C A Inc.	4,600
Everything \$1	
Gas n Go	107,200
Med Tech Ambulance	12,500
Church of Christ	16,900
Fire Department	400
Red Hed Oil Co.	3,000
05-0390 J. Smith	4,000
05-0411 Mike Glavaris	4,000
05-0420 Kenneth Taylor	5,400
05-0430-01 John Gartin	3,600

05-0440-01	Timothy Lewis	2,900
05-0441	Rodney Smith	4,000
05-0455	David Bowyer	4,800
05-0460	James Harmon	6,500
05-0470	Everett Brown	2,300
05-0490	David Spradlin	3,900
05-0500	Edgar Hobson	2,500
05-0529	James Trimble	12,200
05-0530	Glema Layne	1,000
05-0531	O W Thompson	4,000
05-0550	Mrs. William Hamt	2,900
05-0551	Richard Goodman	3,100
05-0570	Richard Goodman	1,400
05-0580	B J Dugley	3,900
05-0585-01	John Greer	11,000
05-0590	John Langley	4,000
05-0600	Keith Stratton	7,800
05-0610	Beulah Harmon	2,100
05-0620	Robyn Lee	900
05-0630	Don Lee	3,800
05-0640	Shane Osborne	6,000
05-0650	Richard Dotson	4,000
05-0660	Dr. Steven Harris	4,000
05-0670	Paul Dameron	5,100
05-0680	Dr. William Sarge	100
05-0700-02	Richardson Ass	1,000
05-0705	Leslie Childers	4,800
05-0710	Dan Tax	600
05-0730-01	PAGE	500
05-0770	Phyllis Muncy	2,000
05-0790	Cleo Burgess	300
05-0800	Barry Maynard	5,700
05-0810	Ovillie Hunt	5,500
05-0830	Mrs. Paul Compton	7,600
05-0840	Norma Maynard	6,600
05-0850	Howard Hall	6,000
05-0860	Howard Hall Jr.	7,000
05-0880	Terry Cantrell	5,200
05-0890-03	Don Kidd	1,800
05-0900	John Compton	2,400
05-0910	Ikey Kitchie	3,700
05-0920	Dottie Wilson	2,800
05-0930-01	Dan Bradley	7,100
05-0940-01	Jennifer Burke	4,700
05-0950	Edward Coleman	2,200
05-0960-01	Robin Brarham	7,400
05-0975	Eddie Keane	9,900
05-0990	Mrs. Lola Sturgil	700
05-1000	Homer Edmonds	5,800
05-1010	Lucille Rattiff	1,000
05-1050	Danny Hurt	2,800
05-1060	Lola Stanley	3,500
05-1070	Isaac Lester	2,700
05-1200	Beverly Parrish	2,600
05-1770-01	John Hurley	2,000
06-0780-01	Fon Michael Jo	6,000

Flow into Pump Sta. C

724,600 gal/month = 24,153 gpd

Mobile Home Parks:	2,700
Arlene Isbell	2,300
Harvey May	2,900
Grover Childers	1,400
Ted Daniels	1,000
Marion Williams	3,300
Larry Brewer	5,800
Annetta Smith	2,700
Amy Blackburn	2,000
Neal Thacker	900
Janice Moore	2,100
Helen Adkins	1,300
Harold Stambaugh	4,100
Gilberta Fairchild	1,000
Kimberly Dunn	5,400
James Adkins	2,500
Ann Newsome	2,000
Jimpy Thacker	4,000
Glema Potter	2,000
Burns Hall	1,700
Gene Bertrand	2,900
Annie Nelson	2,200
Paul Fleming	4,000
Eugene Bowyer	3,000
Nina Kim	2,700
Sheena Sword	2,200
Linda Mathis	900
Kevin Meyers	3,900
William Hamilton	1,200
Martha Justice	2,900
Johnny Shumate	2,300
Johnny Sexton	4,100
Subtotal	83,400

Magic Mart 44,200

Cross Roads Plaza:	
Pikeville Photo	900
Lexington Finance	800
Cellular One	3,000
Big Sandy Supplies	400
Appalachian Rentals	700
Liberty Insurance	2,100
Kentucky Finance	900
Appalachian Regional Heal	800
Century 21	1,200
Movie Warehouse	3,400
American General Finance	1,100
Security Pacific	5,800
Mountain Printing	3,600
Readmore Bookstore	700
Chris - Ton Beauty Salon	10,600
Discount Baker Products	3,100

Subtotal	39,100	
Chevron Gas Station (Autobahn)	32,900	
	199,600 gal/month =	6,653 gpd
100 additional mobile homes (proposed)		40,000 gpd
Ultimate Gravity Flow into Main Lift Station		46,653 gpd
Kmart	139,800 gal/month =	4,660 gpd
BP Service Station (?)	29,200 gal/month =	973 gpd
10 res (400 gpd per res)		4,000 gpd
8 res		3,200 gpd
State Farm		
Citgo		
Cardiology Clinic		
9 res		3,600 gpd
3 res		1,200 gpd
14 res		5,600
Satelite Video		
Quick Signs		
Photo Pro	19,700 gal/month	657
Subtotal		6,257 gpd
6 res		2,400 gpd
Kentucky Power	28,000 gal/month =	933 gpd
25 res		10,000
Sunshine Grow Shop	5,600 gal/month	187
13 res		5,200
Subtotal		15,387 gpd
3 res		800 gpd
TOTAL EXISTING FLOW		118,957 gpd

APPENDIX F - CLEARINGHOUSE COMMENTS



OFFICE OF THE GOVERNOR
DEPARTMENT OF LOCAL GOVERNMENT
FRANKFORT, KENTUCKY 40601-8204

BREURETON C. JONES
GOVERNOR

BRUCE FERGUSON
COMMISSIONER

August 5, 1994

Ms. Anne Chaney
Big Sandy Area Development District
100 Resource Road
Prestonsburg, Kentucky 41653

RE: Mossy Bottom Industrial Park Wastewater Collection & Treatment
CFDA# 11.307
SAI# KY940615-0767

Dear Ms. Chaney:

The Kentucky State Clearinghouse, which has been officially designated as the Commonwealth's Single Point of Contact (SPOC) pursuant to Presidential Executive Order 12372, has completed its evaluation of the above referenced proposal. The clearinghouse review of this proposal indicates there are no identifiable conflicts with any state or local plan, goal, or objective. Therefore, the State Clearinghouse recommends this project be approved for assistance by the cognizant federal agency.

Although the primary function of the State Single Point of Contact is to coordinate the state and local evaluation of your proposal, the Kentucky State Clearinghouse also utilizes this process to apprise the applicant of statutory and regulatory requirements or other types of information which could prove to be useful in the event the project is approved for assistance. Information of this nature, if any, concerning this particular proposal will be attached to this correspondence.

You should now continue with the application process prescribed by the appropriate funding agency. This process may include a detailed review by state agencies that have authority over specific types of projects.

This letter signifies only that the project has been processed through the State Single Point of Contact. It is neither a commitment of funds from this agency or any other state or federal agency.

August 5, 1994
Page Two

The results of this review are valid for one year from the date of this letter. Continuation or renewal applications must be submitted to the State Clearinghouse annually. An application not submitted to the funding agency, or not approved within one year after completion of this review, must be re-submitted to receive a valid intergovernmental review.

If you have any questions regarding this letter, please feel free to contact my office at 502-573-2382.

Sincerely,



Ronald W. Cook, Manager
Kentucky State Clearinghouse

Attachments

cc: Big Sandy ADD
Bob Hunter
Jim Westlake

The Kentucky Natural Resources and Environmental Protection Cabinet, Division of Water made the following advisory comments pertaining to State Application Identifier Number (SAI#) KY940615-0767.

PRIOR APPROVALS

The proposed project is subject to Division of Water jurisdiction because the following are involved:

- Wastewater collection lines and appurtenances.
- Wastewater treatment plant and appurtenances.
- Floodplain construction including stream obstructions and crossings.
- Stormwater discharge.

Prior approval must be obtained from the Division of Water before construction can begin on any of the above matters.

WASTEWATER TREATMENT In General

A wastewater treatment plant is part of the proposed project. From the application data, the Division of Water understands the proposed plant is to treat the domestic and process wastewater generated by the Mossy Bottom industrial park occupants including the beneficiary metal stamper.

As the Division of water understands the application narrative, the Mountain Water District (MWD) not the Pikeville-Pike County Industrial Development and Economic Authority (P-PCIDEA, as was the case with SAI KY9004030329, a previous submission of the proposed project) is the owner. Thus, the plant is a publicly-owned treatment work (POTW).

With respect to the wastewater treatment plant:

- Once constructed, a Kentucky pollutant discharge elimination system (KPDES) permit and operator certification are required from the Division of Water.
- The Division of Water must receive the required engineering certification that the plant and outfall work is completed.

Wastewater Treatment Facility Plan Requirements

The Division of Water notes that 401 KAR 5:005, Section 5(1) imposes a significant requirement. Where a wastewater treatment facility plan (WWTFP) has been prepared, an applicant for a wastewater treatment plant construction permit must provide the Natural Resources and Environmental Protection Cabinet with a statement, from the agency developing such plan, that the proposed plant is compatible with the plan. Thus, the plan preparer (City of Pikeville) must provide to the Cabinet (Division of Water) a statement that the proposed MWD Mossey Bottom industrial park plant is compatible with the Pikeville WWTFP.

The proposed Mossy Bottom plant is in the area covered by the Pikeville WWTFP (or "201" plan, CWA Section 201, 33 USC § 1281) funded (SAI KY75-4171) and approved by the U.S. Environmental Protection Agency and the Division of Water. The Pikeville WWTFP, as updated, is limited to one municipal facility (POTW), the wastewater treatment plant of the City of Pikeville.

The City of Pikeville received a U.S. EPA State Revolving Fund (SRF, Kentucky Infrastructure Authority Fund A, KIA-A) loan (SAI KY8903310337) to expand its wastewater treatment from 800,000 to 2,000,000 gallons per day. This plant has the capacity to handle the metal stamper's water demand of 4,500 gallons per day (Environmental Information Form Item 3).

However, the Pikeville wastewater treatment plant expansion addresses just the core area of the Pikeville WWTFP and provides for this area's needs to 2008. The plant site does not allow for future expansion.

Consequently, there is a need for another wastewater treatment plant to serve the northern part of the Pikeville WWTFP, especially along Levisa Fork, River Miles (RMs) 110 to 104, or Lake Jo Ann to Boldman. The Mossy Bottom industrial park site (RM 107) is centrally located. A 200,000 gallons per day plant is proposed. Thus, this plant, a POTW, can be the basis for areal treatment. The applicant recognizes this and states that 15 industrially owned wastewater treatment facilities will be eliminated if the proposed project is funded and implemented. The Division of Water notes there are 25 facilities treating domestic wastewater that can be eliminated.

Consequently, the Division of water endorses the proposed project as a basis for providing regional service in the northern part of the Pikeville WWTFP. The application narrative states that WWTFP will be updated to provide for the Mossy Bottom facility. The Division will approve the WWTFP changes. The Division notes its must follow the WWTFP in issuing permits.

Process Wastewater

From a review of the Environmental Information Form provided with the application, the Division of Water finds no process wastewater is created by the metal stamper. If, as a result of the metal stamper's future activities, process wastewater is generated, then the process wastewater must be treated:

The metal stamper must notify the MWD of the intention to discharge process wastewater. Such notification will be a requirement of the MWD sewer use ordinance and of its KPDES permit. The process wastewater must be compatible (pretreated as required) with the treatment capability of the proposed Mossy Bottom wastewater treatment plant and be in conformance with applicable pretreatment standards.

The Division of Water notes the MWD does not now have a process wastewater pretreatment program. If the metal stamper will discharge process wastewater to the MWD wastewater treatment plant, a publicly owned treatment work, the MWD must contact the Division's pretreatment coordinator.

Upon review, if the Division of Water decides pretreatment for the discharge is necessary, a pretreatment program must be developed. The pretreatment program must be submitted to and be approved by the Division before process wastewater from the metal stamper (or other source) is discharged to the Mossy Bottom plant.

Spill Control

Petroleum products, or hazardous or toxic materials may be handled or stored by the beneficiary industry. When petroleum products, or hazardous or toxic materials are stored or used, the opportunity exists for a spill that could reach the waters of the Commonwealth. If those items are stored or used, the Division of Water requires handling and storage areas to be so designed that a petroleum, or toxic or hazardous material cannot:

- Reach any wastewater treatment plant.
- Reach drains and stormwater lines.
- Seep through the ground.

The Division of Water requests, if required by the U.S. Environmental Protection Agency, a spill prevention control and countermeasure plan be developed.

Stormwater Discharge

The metal stamper may need to apply for a KPDES stormwater discharge permit regarding the proposed project's construction and operation.

FLOODPLAIN CONSTRUCTION

From the application data, the Division of Water ascertains that the proposed project sites are located in floodplain areas. Therefore, application must be made to the Division for a floodplain construction permit. Permission, or exemption, depends upon design and exact site. In this regard, as the Division understands the application narrative and topographical maps, *extensive floodway* encroachment is involved. Little to no floodway construction can be allowed. Upon plans and specifications review, the Division might require considerable modification in order to issue a floodplain construction permit, if the Division can approve the activity. A copy of Permit 4157, issued July 17, 1990, for the proposed project activity (90-329) was included. That permit is good for 5 years. The permit holder (P-PCIDEA) needs to inform the Division of construction status.

Construction must conform to the flood damage prevention order of the Pike Fiscal Court. The Division of Water notes in this regard that the provisions of U.S. Executive Order 11988 apply to the federal agency receiving this application.

STORMWATER MANAGEMENT Construction Practices

The Division of Water recommends that in the construction of the project Best Management Practices (BMPs) be utilized to prevent nonpoint-sources of water pollution and, thereby, control stormwater runoff and sediment damage to water quality and aquatic habitat. For technical assistance on the kinds of BMPs most appropriate for this type of construction, please contact the Pike County Soil and Water Conservation District or the Division of Conservation of the Natural Resources and Environmental Protection Cabinet. The Division of Water, also, has available BMP construction manuals.

The Kentucky Natural Resources and Environmental Protection Cabinet, Division
of Waste Management has made the following comment pertaining to State
Application Identifier Number (SAI#) KY940615-0767

Construction debris must be disposed in accordance with Pike County's Solid
Waste Management Plan. Sludge disposal must comply with Division of Waste
Management Regulations.

The Transportation Cabinet, the Division of Design has made the following advisory comments pertaining to State Application Identifier Number (SAI#)
KY940615-0767

The Kentucky Department of Highways is responsible for controlling both public and private usage of right-of-way of the State road system. Any firm, individual, or governmental agency desiring access to a State road or desiring to perform any type of work on State right-of-way must obtain a permit from the Department. A contractor performing the work must have in his possession at all times a copy of the permit, authorization letter, and detailed drawings of work to be done.

The Department encourages the use of private property for placement of utility facilities where possible and practical; but we realize that in some instances highway rights-of-way are the only reasonable places to locate the proposed utilities. In these cases, we expect the conscientious efforts of both the applicant and the contractor to minimize adverse effects on the roadway and on the traveling public due to construction of the applicant's project.

This proposal may affect State maintained road US 23. Any proposed access or encroachment should be coordinated at the earliest possible stage with:

William D. Biliter, Chief District Engineer
Kentucky Department of Highways
PO Box 2468, North Mayo Trail
Pikeville, Kentucky 41501
Telephone: 606-437-9691

The Kentucky Heritage Council/State Historic Preservation Officer has made the following comments pertaining to State Application Identifier Number (SAI#)
KY940615-0767

The project will have no effect on any property listed in or eligible for listing in the National Register of Historic Places. Further, an archaeological survey will not be necessary. Therefore, we have no objection to the project.



OFFICE OF THE GOVERNOR
DEPARTMENT OF LOCAL GOVERNMENT

FRANKFORT, KENTUCKY 40601-8204

BRERETON C. JONES
GOVERNOR

BRUCE FERGUSON
COMMISSIONER

December 20, 1994

Ms. Anne Chaney
100 Resource Dr.
Prestonsburg, Kentucky 41653

RE: Mountain Water District US 23 Corridor/Coal Run Sewer Project
CFDA# 23.002, 10.418
SAI# KY941005-1253

Dear Ms. Chaney:

The Kentucky State Clearinghouse, which has been officially designated as the Commonwealth's Single Point of Contact (SPOC) pursuant to Presidential Executive Order 12372, has completed its evaluation of the above referenced proposal. The clearinghouse review of this proposal indicates there are no identifiable conflicts with any state or local plan, goal, or objective. Therefore, the State Clearinghouse recommends this project be approved for assistance by the cognizant federal agency.

Although the primary function of the State Single Point of Contact is to coordinate the state and local evaluation of your proposal, the Kentucky State Clearinghouse also utilizes this process to apprise the applicant of statutory and regulatory requirements or other types of information which could prove to be useful in the event the project is approved for assistance. Information of this nature, if any, concerning this particular proposal will be attached to this correspondence.

You should now continue with the application process prescribed by the appropriate funding agency. This process may include a detailed review by state agencies that have authority over specific types of projects.

This letter signifies only that the project has been processed through the State Single Point of Contact. It is neither a commitment of funds from this agency or any other state or federal agency.

The results of this review are valid for one year from the date of this letter. Continuation or renewal applications must be submitted to the State

December 20, 1994
Page Two

Clearinghouse annually. An application not submitted to the funding agency, or not approved within one year after completion of this review, must be re-submitted to receive a valid intergovernmental review.

If you have any questions regarding this letter, please feel free to contact my office at 502-573-2382.

Sincerely,



Ronald W. Cook, Manager
Kentucky State Clearinghouse

Attachments

cc: Area Development Districts
Tom Craighead
Vernon Brown

The Kentucky Natural Resources and Environmental Protection Cabinet, Division of Water made the following advisory comments pertaining to State Application Identifier Number KY941005-1253.

PRIOR APPROVALS

The proposed project is subject to Division of Water jurisdiction because the following are involved:

- Wastewater collection lines and appurtenances.
- Floodplain construction including stream obstructions and crossings.

Prior approval must be obtained from the Division of Water before construction can begin on any of the above matters.

WASTEWATER TREATMENT In General

The proposed project if funded and implemented, would connect to the wastewater treatment plant proposed in SAI KY9406150767 for Mossey Bottom. The Economic Development Administration awarded 94-767 on September 12, 1994 to the Mountain Water District (MWD). The MWD is also the applicant of the proposed project, SAI KY9410051253. According to the application narrative, 7 package sewage treatment plants would be eliminated. The Division of Water strongly supports the elimination of small plants and treatment by a regional facility.

Wastewater Treatment Facility Plan Requirements

The site of the proposed project is within the area covered by the Pikeville wastewater treatment facility plan (WWTFP, or "201" plan, CWA Section 201, 33 USC § 1281) funded (SAI KY75-4171) and approved by the U.S. Environmental Protection Agency (EPA) and the Division of Water. The current WWTFP calls for one publicly owned treatment work (POTW), the present Pikeville wastewater treatment plant. The WWTFP must be revised in order for Mossy Bottom (94-767 and the proposed project (94-1253), if funded and implemented, to proceed. The provisions of 401 KAR 5:005, Section 5(1) must be followed in issuing permits. This was noted in the Division of Water August 4, 1994 response to 94-767.

The Division of Water met on October 19, 1994 with the MWD. The discussion included WWTFP requirements.

State Revolving Fund

The Division of Water notes the Pike County is eligible for a U.S. Environmental Protection Agency State Revolving Fund (SRF, Kentucky Infrastructure Authority Fund A, KIA-A) loan. The current interest rate is 1.2 percent per annum.

FLOODPLAIN CONSTRUCTION

From the application data, the Division of Water ascertains that the site of the proposed project is located in a floodplain area. Therefore, application must be made to the Division for a floodplain construction permit. Permission, or exemption, depends upon design and exact site.

The proposed project may be in a designated flood hazard area. If a site is in a designated flood hazard area, construction must conform to the flood damage prevention order of the Pike Fiscal Court (or of the flood damage prevention ordinance of the City of Coal Run for the portion in that city). The Division of Water notes in this regard that the provisions of U.S. Executive Order 11988 apply to the federal agency receiving this application.

STORMWATER MANAGEMENT Construction Practices

The Division of Water recommends that in the construction of the project Best Management Practices (BMPs) be utilized to prevent nonpoint-sources of water pollution and, thereby, control stormwater runoff and sediment damage to water quality and aquatic habitat. For technical assistance on the kinds of BMPs most appropriate for this type of construction, please contact the Pike County Soil and Water Conservation District or the Division of Conservation of the Natural Resources and Environmental Protection Cabinet. The Division of Water, also, has available BMP construction manuals.

The Kentucky Natural Resources & Environmental Protection Cabinet, Division of Waste Management, has made the following advisory comments pertaining to State Application Identifier # . 941005- 1253 .

Sludge disposal must comply with DWM regulations.

The Transportation Cabinet, Division of Design has made the following advisory comments pertaining to State Application Identifier Number **KY941005-1253**.

The Kentucky Department of Highways is responsible for controlling both public and private usage of right-of-way of the State road system. Any firm, individual, or governmental agency desiring access to a State road or desiring to perform any type of work on State right-of-way must obtain a permit from the Department. A contractor performing the work must have in his possession at all times a copy of the permit, authorization letter, and detailed drawings of work to be done.

The Department encourages the use of private property for placement of utility facilities where possible and practical; but we realize that in some instances highway rights-of-way are the only reasonable places to locate the proposed utilities. In these cases, we expect the conscientious efforts of both the applicant and the contractor to minimize adverse effects on the roadway and on the traveling public due to construction of the applicant's project.

This proposal may affect State maintained road US 23. Any proposed access or encroachment should be coordinated at the earliest possible stage with:

William D. Billiter, Chief District Engineer
Kentucky Department of Highways
PO Box 2468
North Mayo Trail
Pikeville, Kentucky 41501
Telephone: 606-437-9691

The Kentucky Heritage Council and State Historic Preservation Officer has made the following comments pertaining to State Application Identifier Number **KY941005-1253**.

The project will have no effect on any property listed in or eligible for listing in the National Register of Historic Places. Further, an archaeological survey will not be necessary. Therefore, we have no objection to the project.

APPENDIX G - LETTER FROM CITY OF PIKEVILLE



CITY OF PIKEVILLE

P. O. Box 1228
260 Hambley Boulevard
Pikeville, Kentucky 41502-1228
(606) 437-5100
Fax Number (606) 437-5106

Steven D. Combs
Mayor

John B. Johnson
City Manager

March 1, 1995

Facilities Construction Branch
Division of Water
Natural Resources and Environmental
Protection Cabinet
Frankfort Office Park
14 Reilly Road
Frankfort KY 40601

Gentlemen:

Please be advised that the City of Pikeville is not planning to provide sewer service to the area covered by the proposed Mossy Bottom Industrial Park Wastewater Treatment Plant. The City's wastewater treatment plant, as expanded to 2,000,000 gpd, provides only for the needs of the core area of Pikeville to the year 2008. Therefore, the City of Pikeville has no objection to the Mossy Bottom Industrial Park and the northern part of the Pikeville WWTFP area being served by a plant to be located at the industrial park.

Sincerely,

Steven D. Combs
Mayor

APPENDIX H - RESOLUTION FROM CITY OF COAL RUN VILLAGE

AMENDMENT NO. 1 TO FACILITIES PLAN

MOUNTAIN WATER DISTRICT - MOSSY BOTTOM AREA

This Amendment No. 1 supplements or amends the original Facilities Plan dated April 11, 1995.

Existing Wastewater Facilities

Attached is a list of permitted package treatment plants in the Mossy Bottom Planning Area. The list was compiled from information received from the Division of Water and from site reconnaissance with an environmental inspector from the Hazard Regional Office. Each is projected to be taken out of service and connected to the Mossy Bottom interceptor line according to the proposed schedule shown:

0-2 years

Ramsey Mobile Home Park, Restaurants
Weddington Square
Weddington Plaza
Magic Mart
Ramsey M.H. Park #2
Coal Run
Big Lots
Kentucky Power Co.

2-5 years

Mullins School
Shoney's
Coleman Oil - BP Plaza Happy Mart
Kmart
Flannery Office Building
Pikeville Office Building
Pikeville Cardiology Clinic
Coal Run Condo
Green Meadows Country Club Pro Shop

5-10 years

Mullins Hillside Subd.
Ben Cornette (res.)
Jack Trimble (res.)

5-10 years (cont.)

Tibbs Boarding House
Pam Osborne (res.)
Green Meadows Subd.
Larry Francis (res.)
Transcontinental Coal Processing
Coleman Oil - Green Meadows Happy Mart
Classic Lanes, Inc.
New Residence by Tibbs Boarding House

10-20 years

Centennial Subdivision
John Thacker (res.)
Bruce Crickmer (res.)
William J. Schloemer (res.)
Timothy McCoy (res.)
Edgil Reynolds (res.)
Rick Yates (res.)
Mike Lusk (res.)
James W. Adkins (res.)
Ginger Thacker (res.)
Adkins Trailer Park

Proposed Facilities

An interceptor consisting of approximately 11,500 linear feet of 8" force main and one lift station to provide service to the US 23 Corridor immediately west of the treatment plant is also to be included in Phase I (0-2 years).

PACKAGE WASTEWATER TREATMENT
PLANTS IN MOSSY BOTTOM PLANNING AREA

06/09/95

FACILITY NUMBER	FACILITY NAME	NPDES NUMBER	DESIGN FLOW (MGD)
1)	01020059 MULLINS SCHOOL	0044636	0.015
2)	01020053 MULLINS HILLSIDE SUBD.	0098205	?
3)	01020083 BEN CORNETTE (RESIDENCE)	0400260	0.0004
4)	01020065 RAMSEY M.H. PARK, RESTAURANTS	0086151	0.02
5)	01020081 WEDDINGTON SQUARE	0087483	0.02
6)	01020017 WEDDINGTON PLAZA/D. BOONE MOTOR INN	0042269	001 - 0.02 002 - 0.02
7)	SHONEY'S	0093173	?
8)	01020086 MAGIC MART (COAL RUN PLAZA)	0090247	0.0075
9)	01020110 RAMSEY M.H. PARK #2	0096512	0.02
10)	01020062 COLEMAN OIL CO. - BP-PLAZA HAPPY MART	0091669	0.001
11)	01020037 BIG SANDY SHOPPING CENTER (K-MART)	0088781	0.01
12)	01020084 FLANNERY OFFICE BUILDING (COAL RUN COMPLEX)	0087718	0.0002
13)	01020019 PIKEVILLE CARDIOLOGY CLINIC	0086959	0.0025
14)	01020088 COAL RUN CONDO (BEHIND CARDIOLOGY BLDG.)	0079031	0.001
15)	01020020 COAL RUN	0041068	0.05
16)	01020021 BIG LOTS	0084441	0.0007
17)	01020039 KENTUCKY POWER CO.	0046973	0.006
18)	01020022 JACK TRIMBLE (RESIDENCE)	0400089	0.0005
19)	01020023 TIBBS BOARDING HOUSE FOR SENIOR CITIZENS	0086088	0.0015
20)	01020117 PAM OSBORNE (RESIDENCE)	0400300	0.0005
21)	01020043 GREEN MEADOWS SUBDIVISION	0050261	0.01
22)	01020118 LARRY FRANCIS (RESIDENCE)	0400317	0.0005
23)	01020075 TRANSCONTINENTAL COAL PROCESSING	0083798	?
24)	01020069 COLEMAN OIL - GREEN MEADOWS HAPPY MART	0091677	0.001
25)	01020077 CLASSIC LANES, INC.	0086096	0.0035
26)	01020085 GREEN MEADOWS COUNTRY CLUB PRO SHOP	0088722	0.0004

27)	01020116	CENTENNIAL SUBDIVISION	0098124	0.02
28)	01020114	JOHN THACKER (RESIDENCE)	0400279	?
29)	01020087	BRUCE CRICKMER (RESIDENCE)	0400009	?
30)	01020090	WILLIAM J. SCHLOEMER (RESIDENCE)	0400054	0.0005
31)	01020108	TIMOTHY McCOY (RESIDENCE)	0400236	0.0005
32)	01020102	EDGIL REYNOLDS (RESIDENCE)	0400119	0.0005
33)	01020113	RICK YATES (RESIDENCE)	0400278	0.0012
34)	01020080	MIKE LUSK (RESIDENCE)	0400277	0.0005
35)	01020106	JAMES W. ADKINS (RESIDENCE)	0400176	0.0005
36)	01020093	GINGER THACKER (RESIDENCE)	0400060	0.0005
37)	01020018	ADKINS TRAILER PARK	0083500	0.0015
38)		NEW RESIDENCE BY TIBBS BOARDING HOUSE	?	?

QUESTIONABLE PLANT LOCATIONS

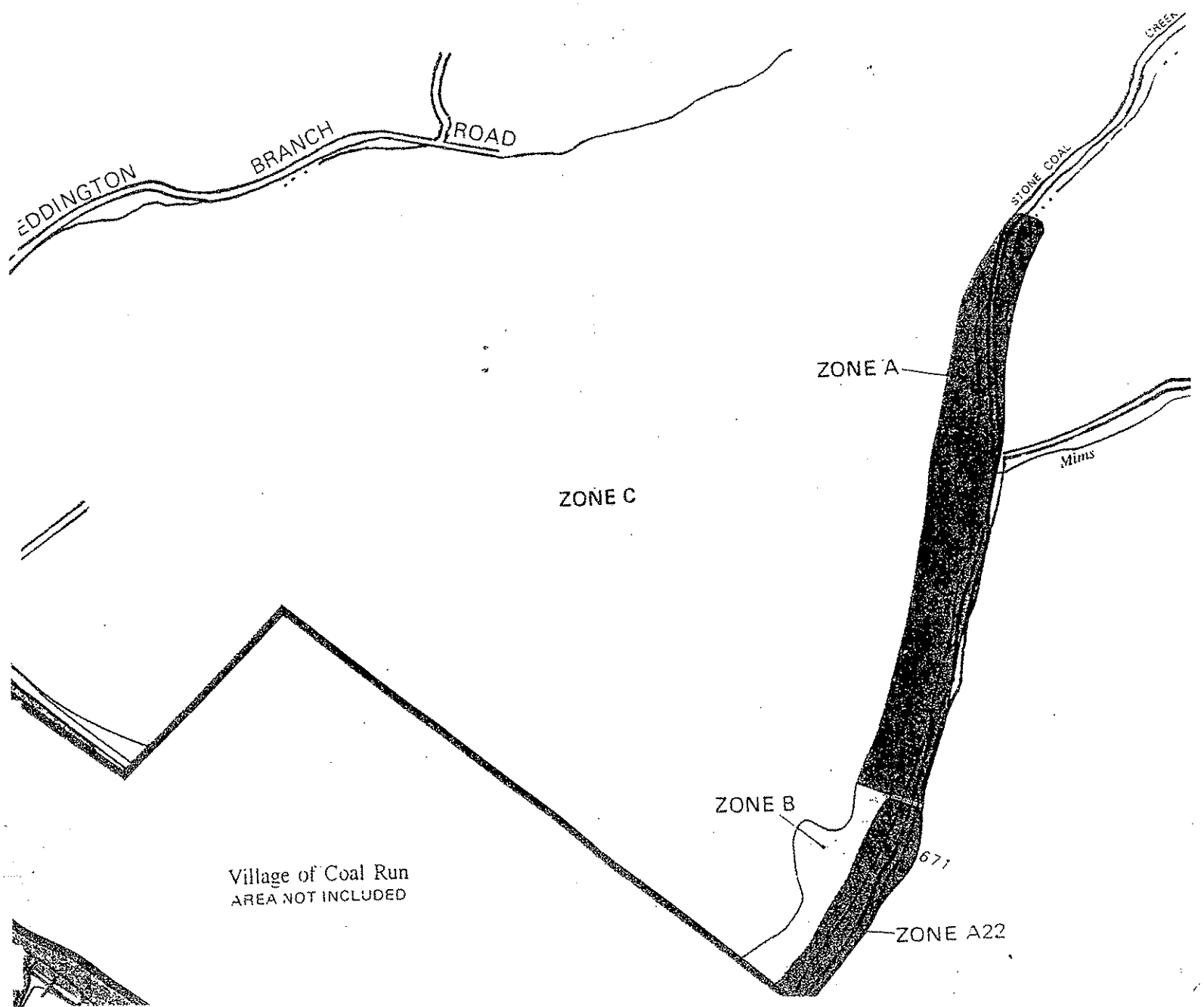
	01020124	SONS & DAUGHTERS, INC.	?	?
	01020091	ALEX POULIS (RESIDENCE)	0400050	0.0005
	01020079	HASSELL TACKET (RESIDENCE)	0400234	0.0005
	01020078	HOLLAR RESIDENCE	?	0.0005
	0102006?	?	?	?

Low Fork

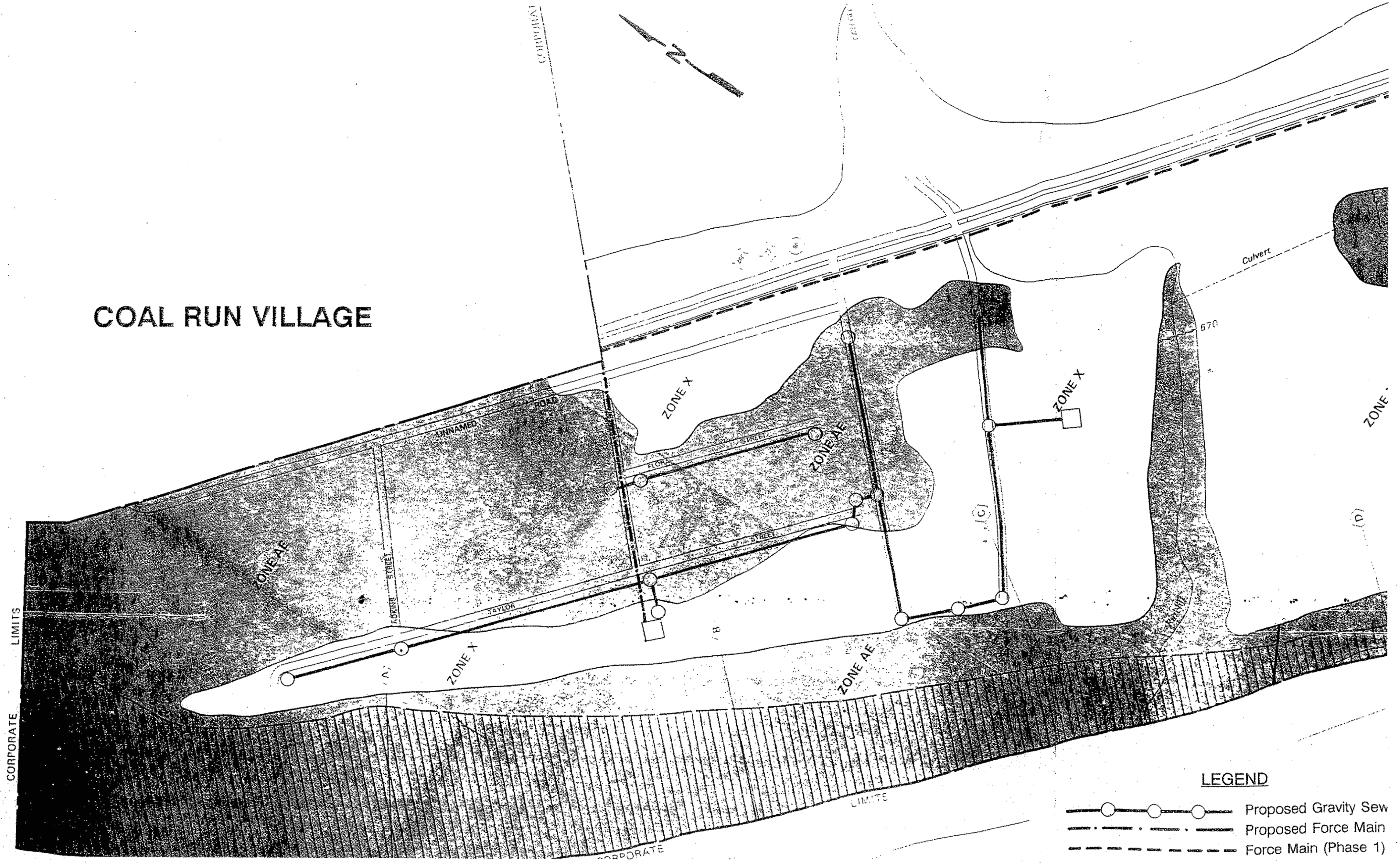


Wall Hol. Rd.

ZONE C



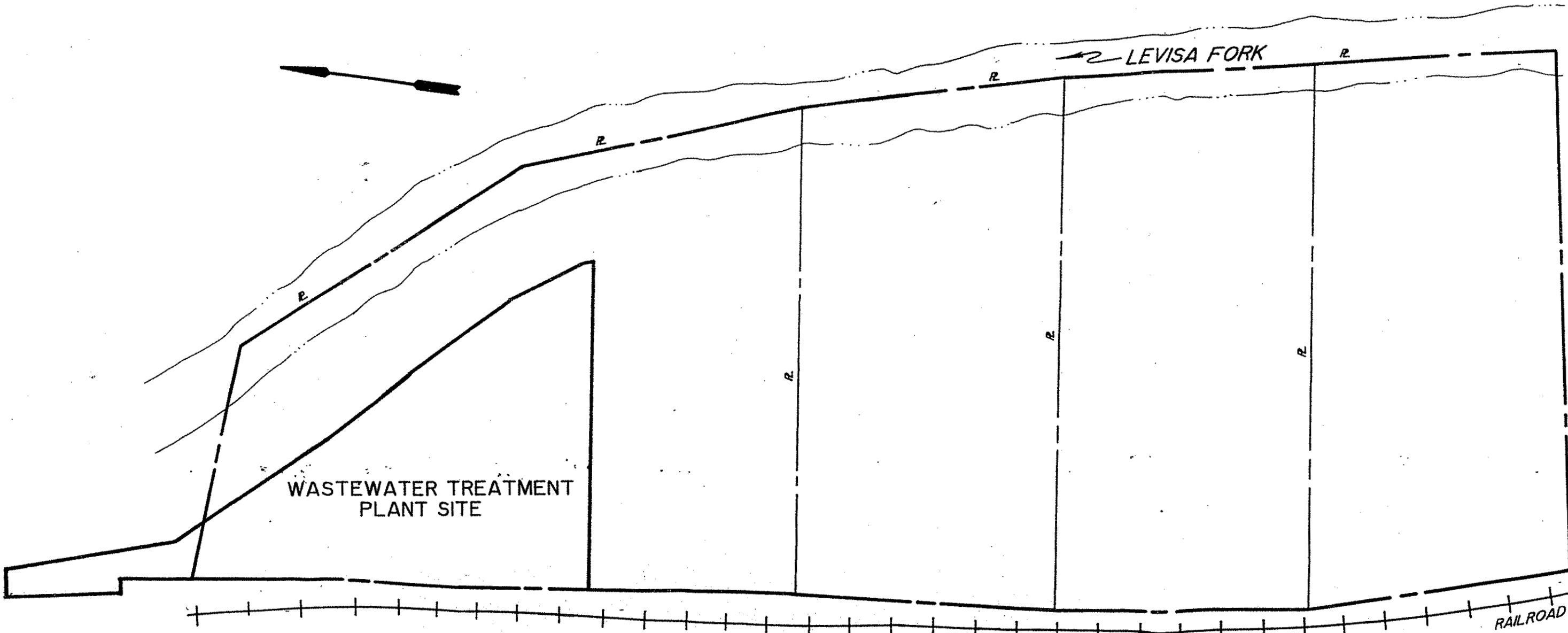
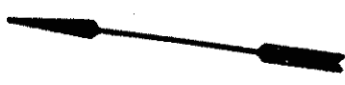
COAL RUN VILLAGE



LEGEND

- Proposed Gravity Sew
- - - - - Proposed Force Main
- - - - - Force Main (Phase 1)

TO PRESTONSBURG U.S. 23 TO PIKEVILLE



WASTEWATER TREATMENT PLANT SITE

LEVISA FORK

RAILROAD

RAILROAD

SCALE : 1" = 200'

Form for filing Rate Schedules

For: Entire Service Area
Community, Town or City

P.S.C. KY NO. 1

Sixth Revised Sheet No. 2

Cancelling P.S.C. KY No. 1

First Revised Sheet No. 2

Mountain Water District
Name of Issuing Corporation

CLASSIFICATION OF SERVICE

Sewer Rates

Monthly Rates

First 2,000 Gallons	\$12.00 Minimum Bill
Over 2,000 Gallons	6.00 Per 1,000 Gallons

Connection Fee

5/8 x 3/4 Inch \$700.00

All additional size connections - Actual Cost

PUBLIC SERVICE COMMISSION
OF KENTUCKY
EFFECTIVE

MAR 11 1997

PURSUANT TO 807 KAR 5.011,
SECTION 9 (1)

BY: Jordan C. Neel
FOR THE PUBLIC SERVICE COMMISSION

DATE OF ISSUE: March 11, 1997

DATE EFFECTIVE: March 11, 1997

ISSUED BY: Will Brown
Name of Officer

TITLE: Manager

Issued by authority of an Order of the Public Service Commission of Kentucky in Case
No. 97-112 dated March 11, 1997.

Exhibit F

Exhibit D

**Mountain Water District
Mossy Bottom Sewer
Summary of Debt
2005**

Type of Debt	Loan/Bond No.	Current Principal Balance	Annual Debt Service 2005	Due Date
Rural Development Bond	92-19	\$ 163,700.00	\$ 9,718.25	07/01/05
KIA Loan	A95-16	\$ 325,470.08	\$ 27,026.32	06/01/05
KIA Loan	A00-03	\$ 949,079.26	\$ 68,663.21	06/01/05

Total Debt Service

\$ 1,438,249.34 \$ 105,407.77

RESOLUTION 05-03-005

RESOLUTION OF THE MOUNTAIN WATER DISTRICT AUTHORIZING THE TRANSFER OF THE MOSSY BOTTOM WASTEWATER SYSTEM TO THE CITY OF PIKEVILLE; APPROVING THE ASSET PURCHASE AGREEMENT BETWEEN THE MOUNTAIN WATER DISTRICT, AS SELLER, AND THE CITY OF PIKEVILLE, AS BUYER; AND AUTHORIZING THE CHAIRPERSON TO EXECUTE SAID AGREEMENT AND OTHER DOCUMENTS NECESSARY TO CONSUMMATE THE TRANSFER.

WHEREAS, the Mountain Water District (the "MWD") currently owns and operates both a water distribution system and numerous wastewater collection and treatment systems in certain portions of Pike County, Kentucky;

WHEREAS, the City of Pikeville (the "City") currently owns water treatment, supply and distribution facilities, and wastewater collection and treatment facilities which are operated as a combined and consolidated municipal utilities system (the "City's System");

WHEREAS, the City's System is adjacent to the Mossy Bottom wastewater collection system owned and operated by MWD (the "Mossy Bottom System");

WHEREAS, the City desires to provide wastewater service to certain areas outside its corporate limits;

WHEREAS, the City has sufficient reserve capacity at its wastewater treatment plant to treat the wastewater that is currently being treated by MWD at the Mossy Bottom Wastewater Treatment Plant;

WHEREAS, it appears that combining and consolidating the Mossy Bottom System with the City's System will result in economies of scale.

WHEREAS, the City has indicated a willingness to accept ownership of, and assume the debts associated with, the Mossy Bottom System, subject to the terms, conditions and provisions contained in the attached Asset Purchase Agreement (the "Agreement");

WHEREAS, it appears that the City has the financial, technical, and managerial abilities to provide reasonable wastewater service to the existing customers in the Mossy Bottom service area without adversely affecting the quality of service presently afforded those customers;

WHEREAS, certain representatives of MWD and certain representatives of the City have negotiated the terms of the Agreement whereby the City will acquire the MWD's Mossy Bottom System, subject to the approval and execution of the Agreement by MWD and the approval and execution of the Agreement by the City;

**NOW THEREFORE, BE IT RESOLVED BY THE MOUNTAIN WATER DISTRICT,
ACTING BY AND THROUGH ITS BOARD OF COMMISSIONERS, AS FOLLOWS:**

Section 1. The facts, recitals and statements contained in the foregoing preamble of this Resolution are true and correct and are hereby affirmed and incorporated as a part of this Resolution.

Section 2. It is hereby determined and declared to be necessary and in the public interest for MWD to transfer the Mossy Bottom System pursuant to the terms, conditions, and provisions contained in the Agreement. The Agreement, in substantially the form submitted to the Board of Commissioners, with such modifications as the Chairperson, upon advice of counsel, may subsequently approve, as evidenced by his signature thereon, is hereby approved, and the Chairperson is authorized and directed to execute and deliver the Agreement for and on behalf of MWD.

Section 3. The Chairperson and all other appropriate officials, employees, or representatives of the MWD are hereby authorized and directed to cooperate with the City in seeking approval of the Agreement by the Kentucky Public Service Commission (the "PSC").

Section 4. The Chairperson and all other appropriate officials, employees or representatives of MWD are further authorized to take any and all other actions and to execute and deliver all other documents as may be reasonably necessary to effectuate the transfer of the Mossy Bottom System and consummation of the transactions contemplated by the Agreement.

Section 5. This Resolution shall take effect upon its adoption.

Adopted on March 30, 2005.

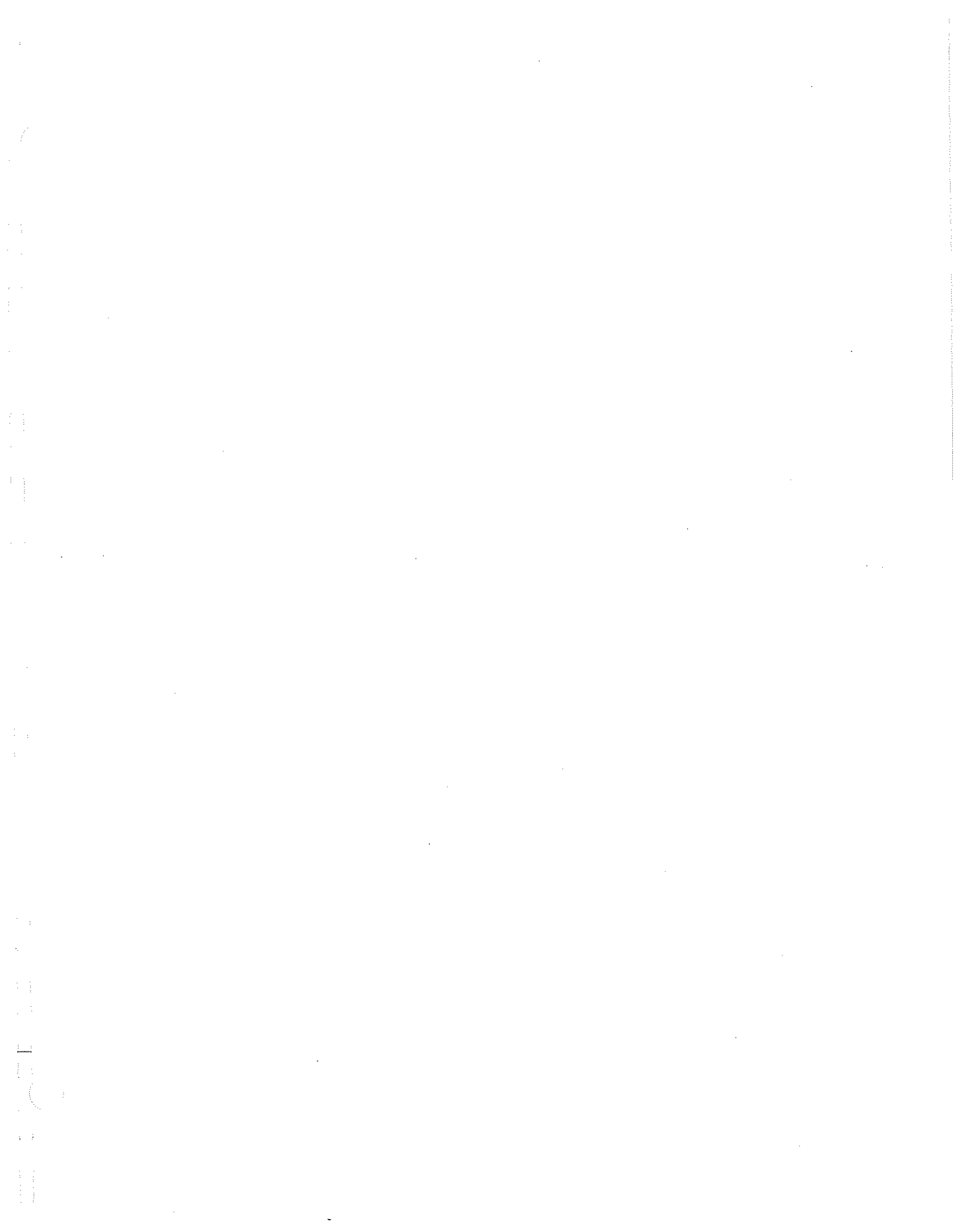
The Chairperson declared the foregoing Resolution adopted.

MOUNTAIN WATER DISTRICT

BY: 
TONI AKERS, CHAIRPERSON

ATTEST:


SECRETARY



RESOLUTION

RESOLUTION OF THE CITY OF PIKEVILLE AUTHORIZING THE ACQUISITION OF THE MOSSY BOTTOM WASTEWATER SYTEM OWNED BY THE MOUNTAIN WATER DISTRICT; APPROVING THE ASSET PURCHASE AGREEMENT BETWEEN THE MOUNTAIN WATER DISTRICT, AS SELLER, AND THE CITY OF PIKEVILLE, AS BUYER; AND AUTHORIZING THE MAYOR TO EXECUTE SAID AGREEMENT AND OTHER DOCUMENTS NECESSARY TO CONSUMMATE THE ACQUISITION.

WHEREAS, the City of Pikeville (the "City") currently owns water treatment, supply and distribution facilities, and wastewater collection and treatment facilities which are operated as a combined and consolidated municipal utilities system (the "City's System");

WHEREAS, the Mountain Water District (the "MWD") currently owns and operates both a water distribution system and numerous wastewater collection and treatment systems in certain portions of Pike County, Kentucky;

WHEREAS, the City's System is adjacent to the Mossy Bottom wastewater collection system owned and operated by MWD (the "Mossy Bottom System");

WHEREAS, the City desires to provide wastewater service to certain areas outside its corporate limits;

WHEREAS, the City has sufficient reserve capacity at its wastewater treatment plant to treat the wastewater that is currently being treated by MWD at the Mossy Bottom Wastewater Treatment Plant;

WHEREAS, it appears that combining and consolidating the Mossy Bottom System with the City's System will result in economies of scale and will allow the combined system to be managed, operated and maintained in a more cost effective manner;

WHEREAS, MWD has indicated a willingness to transfer and convey its Mossy Bottom System to the City, subject to the terms, conditions and provisions contained in the attached Asset Purchase Agreement (the "Agreement");

WHEREAS, the City has determined that it is necessary and desirable in the public interest that the City acquire the Mossy Bottom System, incorporate the system into the City's System, and operate such combined facilities as a combined and consolidated municipal utilities system for the benefit of the residents of the City and its environs;

WHEREAS, it appears that the City has the financial, technical, and managerial abilities to provide reasonable wastewater service to the existing customers in the Mossy Bottom service area without causing a financial burden on the City's existing customers or adversely affecting the quality of service presently afforded the City's existing customers;

WHEREAS, the City has the authority, pursuant to KRS Chapters 58, 96 and 106, and other applicable laws, to acquire the Mossy Bottom System; and

WHEREAS, certain representatives of MWD and certain representatives of the City have negotiated the terms of the Agreement whereby the City will acquire the MWD's Mossy Bottom System, subject to the approval and execution of the Agreement by MWD and the approval and execution of the Agreement by the City;

NOW THEREFORE, BE IT RESOLVED BY THE CITY OF PIKEVILLE, KENTUCY, ACTING BY AND THROUGH ITS COMMISSION, AS FOLLOWS:

Section 1. The facts, recitals and statements contained in the foregoing preamble of this Resolution are true and correct and are hereby affirmed and incorporated as a part of this Resolution.

Section 2. It is hereby determined and declared to be necessary in the public interest that the City undertake at this time the purchase and acquisition of the Mossy Bottom System pursuant to the terms, conditions, and provisions contained in the Agreement. The Agreement, in substantially the form submitted to the Commission, with such modifications as the Mayor, upon advice of counsel, may subsequently approve, as evidenced by his signature thereon, is hereby approved, and the Mayor is authorized and directed to execute and deliver the Agreement for and on behalf of the City.

Section 3. The Mayor, City Manager and all other appropriate officials, employees, or representatives of the City are hereby authorized and directed to cooperate with MWD in seeking approval of the Agreement by the Kentucky Public Service Commission (the "PSC").

Section 4. The Mayor, City Manager and all other appropriate officials, employees or representatives of the City are further authorized to take any and all other actions and to execute and deliver all other documents as may be reasonably necessary to effectuate the acquisition of the Mossy Bottom System and consummation of the transactions contemplated by the Agreement.

Section 5. Following the closing of the MWD acquisition, the City shall incorporate the Mossy Bottom System acquired from MWD into the City's System and shall own, operate and maintain the expanded system as a combined and consolidated municipal utilities system.

Section 6. This Resolution shall take effect upon its adoption.

Adopted on March 28, 2005.

Commissioner Hall moved for the adoption of the foregoing Resolution.

Commissioner Davis seconded the motion.

Upon roll call, the votes were as follows:

	<u>YES</u>	<u>NO</u>
DALLAS LAYNE, COMMISSIONER	<u>✓</u>	<u> </u>
GENE DAVIS, COMMISSIONER	<u>✓</u>	<u> </u>
SHANE HALL, COMMISSIOENR	<u>✓</u>	<u> </u>
JIMMY CARTER, COMMISSIONER	<u>✓</u>	<u> </u>

The Mayor declared the foregoing Resolution adopted.

CITY OF PIKEVILLE, KENTUCKY

BY:


FRANK JUSTICE, II, MAYOR

ATTEST:


KAREN HARRIS, CITY CLERK

CERTIFICATION

I, the undersigned, do hereby certify that I am the duly qualified and acting City Clerk of the City of Pikeville, Kentucky, and as such Clerk I further certify that the foregoing is a true, correct and complete copy of a Resolution duly adopted by the Commission of said City at a duly convened meeting held on March 28, 2005, signed by the Mayor, attested under seal by me as City Clerk, and now in full force and effect, all as appears from the official records of said City in my possession and under my control.

IN WITNESS WHEREOF, I have hereunto set my hand this 28th day of March, 2005.

Karen Harris

KAREN HARRIS, CITY CLERK

**CITY OF PIKEVILLE
BOARD OF COMMISSIONERS
REGULAR MEETING MINUTES
MARCH 28, 2005**

The Board of Commissioners for the City of Pikeville met in a regular meeting on Monday, March 28, 2005. The meeting was held in the City Hall Public Meeting Room located at 118 College Street.

There being a quorum present, Mayor Franklin D. Justice, II called the meeting to order at 6:00 p.m. Commission Members present at call of the roll were as follows:

MAYOR:	FRANKLIN D. JUSTICE, II
COMMISSIONER:	DALLAS LAYNE
	EUGENE W. DAVIS
	M. SHANE HALL

Commissioner James A. Carter was absent.

AGENDA ITEM II. MINUTES

The minutes for the previous regular meeting held on March 14, 2005 were included in each Commission Member's agenda package. There being no additions or corrections, Commissioner Davis made the motion, seconded by Commissioner Layne to approve the minutes as prepared. The motion carried 4 – 0.

AGENDA ITEM III. BUSINESS FROM THE FLOOR

There were no items presented during the call for business from the floor.

AGENDA ITEM IV. PAYMENT OF BILLS

A. CITY BILLS: A list of City Bills totaling \$448,248.90 was presented to the Commission for approval of payment. Mayor Justice made the motion, seconded by Commissioner Hall to approve payment of the bills as requested. The motion carried 4 – 0.

AGENDA ITEM V. OLD BUSINESS

A. BIG SANDY AREA DEVELOPMENT DISTRICT: Sandy Runyon, executive director for the Big Sandy Area Development District, presented the following items for approval regarding Phase VI of the Pikeville Redevelopment Project.

1. **Asbestos Abatement:** Four bids were received for asbestos abatement in the first 7 properties acquired in Phase VI. The low bid was presented by Alpha Environmental Contracting, Inc. in the amount of \$3,461.00. Ms. Runyon

recommended the contract be awarded to the low bidder. Commissioner Davis made the motion to award the bid for asbestos abatement to Alpha Environmental Contracting, Inc. in the amount of \$3,461.00. Commissioner Layne seconded the motion. The motion carried 4 – 0.

2. Appraisals: Ms. Runyon recommended the Commission award a contract to D Research for conducting appraisals of the next 5 tracts proposed for acquisition in Phase VI. The cost of appraisals is \$750.00 per parcel. Mayor Justice made the motion, seconded by Commissioner Hall to award a contract to D Research for an amount not to exceed \$3,750.00. The motion carried 4 – 0.

3. Demolition Services: Commissioner Davis made the motion, seconded by Commissioner Hall to authorize the advertisement for bids for the demolition of the first 7 properties acquired in Phase VI. The motion carried 4 – 0.

B. RENAISSANCE ON MAIN: Executive Director, Melissa Staggs, presented the following items for the Commission's consideration:

1. Pauley Bridge Rehabilitation Project: As reported during work session, Ms. Staggs advised the Request for Proposals for engineering services for the Pauley Bridge Rehabilitation Project were reviewed by the selection committee. The committee recommended award of the contract to Summit Engineering, Inc. Mayor Justice made the motion to award the contract for engineering services for the Pauley Bridge Rehabilitation Project to Summit Engineering, Inc. as recommended by the selection committee. Commissioner Hall seconded the motion. The motion carried 4 – 0.

2. Payment of Invoices: As recommended for approval by the Renaissance on Main Board, Ms. Staggs requested authorization to pay the following invoices associated with Phases III and IV of the Utility Relocation Project:

a. Utility Relocation Project Phase III

1. Pikeville Overhead Door Company (decorative fencing):

Change Order #1 totaling \$3,850.00 and Invoice totaling \$12,838.00.

b. Utility Relocation Project Phase IV

1. AEP Contract #1: Pay request #6 and #7 in the amounts of \$258,301.36 and \$108,252.17, respectively.

2. AEP Contract #2: Pay request #3 in the amount of \$76,681.71

3. AEP Contract #3: Pay request #2 in the amount of \$85,410.68

4. AEP Contract #4: Pay request #2 totaling \$80,969.69

Commissioner Davis made the motion to approve and authorize payment of the change order and invoices as presented and recommended for payment by the Renaissance on Main Board and the city engineers. Commissioner Layne seconded the motion. The motion carried 4 – 0.

C. CITY ENGINEER'S REPORTS: Charles Byers, representing Summit Engineering, Inc., city engineers, presented a verbal status report for the following projects:

1. **Utility Relocation Project:** Mr. Byers advised that Renaissance on Main is in the process of closing out the Utility Relocation Project. He reported that the drop box has been installed at Community Trust Bank and the Main Street drainage project is complete. Paving is the largest item remaining to be completed. Commissioner Davis questioned the location of the planters and receptacles that were placed on Division Street and Grace Avenue, stating there is not sufficient space remaining on the sidewalk for pedestrian traffic. Mr. Byers assured the Commission the planters and waste receptacles would be appropriately placed as soon as the wooden utility poles are removed. The Commission agreed to meet in work session on April 11th to conduct a walk-through of the project.

2. **Indian Hills Sewer Extension Project:** Mr. Byers advised that the Indian Hills project is proceeding with approximately 30% of the work completed. He told the Commission there is one easement issue the engineers are addressing.

3. **Tracks End Gas Line Replacement:** Due to construction of a new bridge near the railroad station's Shelby Yard, the State of Kentucky deems it necessary to relocate the city's gas service line. The relocation/replacement will be funded by the State of Kentucky. Bids are due on April 6th.

D. CITY ATTORNEY'S REPORTS: In the absence of City Attorney Davis, the city manager presented the following items for the Commission's consideration:

1. **Building Permit Fee Ordinance:** Second reading was given to an Ordinance entitled as follows:

AN ORDINANCE RELATED TO THE AMENDMENT OF Section 150.15(B) OF THE SCHEDULE OF BUILDING PERMIT FEES TO PROVIDE FOR AN INCREASED FEE IN THE SUM OF ONE HUNDRED DOLLARS (\$100.00) OR DOUBLE THE FEE PROVIDED FOR IN SECTION 150.15(A), WHICHEVER FEE IS GREATER WHEN CONSTRUCTION IS STARTED WITHOUT A BUILDING PERMIT; PROVIDING FOR A HABITUAL VIOLATOR FEE OF FIVE HUNDRED DOLLARS (\$500.00) AND PROVIDING FOR A LIEN UPON THE REAL ESTATE UPON WHICH THE CONSTRUCTION OCCURS FOR UNPAID BUILDING PERMIT FEES (O-2005-004)

Commissioner Layne made the motion to adopt the Ordinance as presented and given second reading. Commissioner Hall seconded the motion. The motion carried by the following votes:

MAYOR:	FRANKLIN D. JUSTICE, II	YES
COMMISSIONER	DALLAS LAYNE	YES

**EUGENE W. DAVIS
JAMES A. CARTER
M. SHANE HALL**

**YES
ABSENT
YES**

2. PIKEVILLE HIGH SCHOOL ACADEMIC TEAM: Presented was the following resolution:

RESOLUTION RECOGNIZING AND HONORING THE PIKEVILLE HIGH SCHOOL ACADEMIC TEAM AND THEIR COACHING STAFF FOR WINNING THE STATE GOVERNOR'S CUP QUICK RECALL COMPETITION AND THE ALL "A" STATE ACADEMIC CHAMPIONSHIP

Whereas, the Pikeville High School Academic Team continued its dominance of the Class A Academic Competition held in Eastern Kentucky University by claiming the All "A" State Academic Championship for the fourth year in a row. This championship follows their Region All "A" Tournament Championship in November of 2004, and 59th District Championship.

WHEREAS, Pikeville High School's First Varsity Team is undefeated in the East Kentucky Academic Conference. The Pikeville High School Second Varsity Team has also had a great deal of success in competition. The Pikeville High School Junior Varsity Team did win the Junior Varsity Challenge held at Pike Central in November 2004. Other team accomplishments include the varsity team competition at the Brookwood Invitational Tournament in Snellville, Georgia placing in the top 8 out of 120 teams competing.

WHEREAS, on March 14, 2005, the Pikeville High School Academic Team completed an outstanding season by winning the State Governor's Cup Quick Recall Competition held in Louisville, Kentucky following their 59th District and 15th Regional Title. As a result, the Pikeville High School Academic Team will now advance to the National Competition at the Panasonic Academy Challenge at Disney World in Orlando, Florida. The Pikeville High School Quick Recall Team is composed of members, Faraz Jeelani, Ryan Altman, Benjamin Stewart, Austin Coleman, Chase Childers, Sam Keathley, Jahnavi Chandrashekar, and Pranav Chandrashekar.

WHEREAS, the Pikeville High School Academic Team Varsity members are Faraz Jeelani, Ryan Altman, Benjamin Stewart, Austin Coleman, Sam Keathley, Chase Childers, Pranav Chandrashekar, Shilpa Sachdeva, Jahnavi Chandrashekar, Frishna Vyas, and Travis Maynard. Junior varsity team members are Abbas Hussain, Dylan Murphy, Cory Cox, Umair Zia and Zach Robertson.

WHEREAS, the Pikeville High School Academic Team Coach is Karen Murphy along with assistant coaches, Laura Cooley, Billy Newsome, Johnny Belcher and Jeff Little.

NOW, THEREFORE, BE IT RESOLVED BY THE CITY OF PIKEVILLE AS FOLLOWS:

1. That the Pikeville High School Academic Team members, Faraz Jeelani, Ryan Altman, Benjamin Stewart, Austin Coleman, Sam Keathleyk, Chase Childers, Pranav Chandrashekar, Shilpa Sachdeva, Jahnavi Chandrashekar, Krishna Vyas, Travis Maynard, Abbas Hussain, Dylan Murphy, Cory Cox, Umair Zia and Zach Robertson, and their coach, Karen Murphy, and assistant coaches, Laura Cooley, Billy Newsome, Johnny Belcher and Jeff Little are by these presents duly honored and recognized by the City of Pikeville for their 59th District Championship, their 15th Region Championship, and All "A" State Academic Championship and State Governor's Cup Quick Recall Championship.

2. Because of each of these persons outstanding representation of excellence in academic achievements and as a citizen of the City of Pikeville, they are hereby appointed and designated as "Special Ambassador" of good will for the City of Pikeville.

3. That these outstanding accomplishments as set forth above on behalf of the Pikeville High Academic Team and coaches shall be caused by the Clerk of the City of Pikeville to be recorded among the records of the City of Pikeville so that others that come hereafter will know of their excellence in academic team competitions.

Commissioner Hall made the motion, seconded by Commission Davis to adopt the resolution and presented and read. The motion carried 4 – 0.

E. CITY MANAGER'S REPORTS: Donovan Blackburn, City Manager, presented the following matters for the Commission's consideration:

1. Property acquisition: City Manager Blackburn reported that he had successfully negotiated an agreement with Alex Blankenship, owner of 4 tracts of property located at 385 Peach Orchard Drive, to purchase all 4 tracts for \$30,000.00. Mayor Justice made the motion to authorize the acquisition of said property for an amount not to exceed \$30,000.00. Commissioner Layne seconded the motion. The motion carried 4 – 0. The purchase will be funded through the city's UDAG account.

2. Auxier Avenue: Mr. Blackburn advised the city has \$177,000.00 remaining in the UDAG account. He proposed the purchase of two structures on Auxier Avenue owned by the Walters and the Corbins. In addition, the city manager requested the property facing Auxier Avenue be deleted from the Redevelopment Area and the building moratorium released. Commissioner Layne made the motion, seconded by Commissioner Davis to approve the city manager's request. The motion carried 4 – 0.

3. Mossy Bottom Wastewater System: The city manager requested adoption of a resolution authorizing the acquisition of the Mossy Bottom wastewater system owned by Mountain Water District and authorizing the Mayor to execute the agreement. Mr. Blackburn advised the agreement will be prepared, pending completion of the due diligence report. Veolia Water Project Manager, Greg May, advised the wastewater system can be a profitable venture for the city. His company will work diligently with Sandy Valley Water to identify their metering problems and determine where the loss of revenue originates. Commissioner Hall made the motion to authorize the Mayor to execute the agreement, pending the agreement meets his satisfaction. Commissioner Davis seconded the motion. The motion carried 4 – 0. Commissioners requested a copy of the agreement for review.

4. Emergency Shelter: Mayor Justice made the motion, seconded by Commissioner Layne to authorize the submittal of an Emergency Shelter Grant to Kentucky Housing Corporation in the amount of \$45,000.00. Commissioner Layne seconded the motion. The motion carried 4 – 0.

5. Downtown hotel: City Manager Blackburn announced the developer signed a franchise agreement with Hampton Suites on March 25th. Core drilling will begin on site this week. Mr. Blackburn took the opportunity to express gratitude to IDEA, Pikeville Medical Center, Pikeville College, Big Sandy Area Development District, Chamber of Commerce and the East KY. Exposition Center for their efforts and cooperation in marketing Pikeville to the hotel group.

6. Closed Session: City Manager Blackburn requested a closed session for the purpose of discussing several personnel issues. Commissioner Hall made the motion, seconded by Commissioner Davis to adjourn to closed session for the purpose of discussing personnel matters. The motion carried 4 – 0.

Commissioner Hall made the motion to reconvene to regular session. Commissioner Davis seconded the motion. The motion carried 4 – 0.

City Manager Blackburn advised that a police officer resigned. He requested permission to post the position and employ a replacement. Commissioner Layne made the motion, seconded by Commissioner Hall to authorize the city manager to post and hire for the position of police officer. The motion carried 4 – 0.

The City Manager recommended the employment of Glenda Hall and Rita Coleman for the positions of relief managers at the emergency shelter at the wage rate of \$6.50 per hour and to advertise for the temporary position of an individual to work at the pond. Commissioner Hall made the motion, seconded by Commissioner Layne to approve the city manager's recommendations. The motion carried 4 – 0.

There being no further business to come before the Commission, Commissioner Davis made the motion, seconded by Commissioner Hall to adjourn the meeting. The motion carried 4 – 0. (Adjournment Time: 8:05 p.m.)

The next scheduled meeting of the Pikeville City Commission is April 11, 2005 at 6:00 p.m.

**APPROVED: _____
FRANKLIN D. JUSTICE, II, MAYOR**

ATTEST:

**_____
KAREN W. HARRIS, CITY CLERK**

June 30, 2005 AUDIT

To the Board of Commissioners of
City of Pikeville, Kentucky

Page 2

In accordance with *Government Auditing Standards*, we have also issued our report dated December 1, 2005, on our consideration of the City of Pikeville, Kentucky internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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 State, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements of the City of Pikeville, Kentucky. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

WALLEN AND CORNETT, P. S. C.

Wallen and Cornett, PSC

Certified Public Accountants
Pikeville, Kentucky

December 1, 2005

CITY OF PIKEVILLE, KENTUCKY

STATEMENT OF NET ASSETS

June 30, 2005

	Governmental Activities	Business Type	Total
ASSETS			
Cash	\$3,705,637	\$1,307,996	\$5,013,633
Certificates of Deposit and Savings	1,216,175	0	1,216,175
Receivables (Net of Allowance for Uncollectibles)			
Taxes	54,808	0	54,808
Accounts	378,247	373,776	752,023
Prepaid Expenses	469	3,494	3,963
Restricted Assets			
Cash	0	294,898	294,898
Certificates of Deposit	0	2,263,048	2,263,048
Other Receivables	0	27,564	27,564
Capital Assets, Net	42,496,011	18,594,688	61,090,699
TOTAL ASSETS	\$47,851,347	\$22,865,464	\$70,716,811
LIABILITIES AND NET ASSETS			
LIABILITIES			
Accounts Payable	\$64,284	\$12,769	\$77,053
Accrued Expenses	0	0	0
Current Portion of Long-Term Debt	94,338	584,498	678,836
Customer's Deposit	0	52,016	52,016
Deferred Revenue	53,679	0	53,679
Payable from Restricted Assets			
Matured Coupons Payable	15,117	3,105	18,222
Matured Bonds Payable	4,000	0	4,000
General Obligation Bonds Payable - Note B	1,205,000	0	1,205,000
Revenue Bonds Payable - Note B	0	4,187,713	4,187,713
Notes Payable - Note B	52,420	3,843,897	3,896,317
TOTAL LIABILITIES	\$1,488,838	\$8,683,998	\$10,172,836
NET ASSETS			
Investment in Capital Assets, Net of Related Debt	\$41,144,253	\$9,978,580	\$51,122,833
Restricted For:			
Reserve for Depreciation	0	646,424	646,424
Sinking Fund Reserve	0	971,370	971,370
Reserve For Operation and Maintenance	0	387,000	387,000
Reserved for Revenue Bond Retirement	0	27,564	27,564
Designated for Debt Service	(17,642)	0	(17,642)
Unrestricted	5,235,898	2,170,528	7,406,426
TOTAL NET ASSETS	\$46,362,509	\$14,181,466	\$60,543,975
TOTAL LIABILITIES AND NET ASSETS	\$47,851,347	\$22,865,464	\$70,716,811

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

CITY OF PIKEVILLE, KENTUCKY

STATEMENT OF ACTIVITIES
JUNE 30, 2005

Functions	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business - Type Activities	Total
Primary Government							
Governmental Activities							
General Government	\$1,934,866	\$0	\$0	\$0	(\$1,934,866)		(\$1,934,866)
Public Safety	3,846,327	0	0	0	(3,846,327)		(3,846,327)
Streets	1,908,490	0	0	0	(1,908,490)		(1,908,490)
Parking Garage	27,701	0	0	0	(27,701)		(27,701)
Recreation	462,451	0	0	0	(462,451)		(462,451)
Lake Cleanup	14,054	0	0	0	(14,054)		(14,054)
Landscape	93,318	0	0	0	(93,318)		(93,318)
Pikeville Redevelopment Project	428,047	0	0	0	(428,047)		(428,047)
Other	7,627	0	0	0	(7,627)		(7,627)
Total Governmental Funds	<u>\$8,722,881</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>(\$8,722,881)</u>		<u>(\$8,722,881)</u>
Business-Type Activities							
Water	\$2,381,172	\$1,819,950	\$0	\$29,037		(\$532,185)	(\$532,185)
Sewer	1,054,387	930,042	0	0		(124,345)	(124,345)
Gas	2,155,809	2,035,248	0	0		(120,561)	(120,561)
Other	934,615	1,058,550	0	0		123,935	123,935
Total Business-type Activities	<u>\$6,525,983</u>	<u>\$5,843,790</u>	<u>\$0</u>	<u>\$29,037</u>		<u>(\$653,156)</u>	<u>(\$653,156)</u>
Total Primary Government	<u>\$15,248,864</u>	<u>\$5,843,790</u>	<u>\$0</u>	<u>\$29,037</u>		<u>(\$652,594)</u>	<u>(\$652,594)</u>
General Revenues - - Detailed:							
Ad Valorem Taxes					\$862,189		\$862,189
Franchise Taxes					301,722		301,722
Occupational License Fees					5,218,753		5,218,753
ABC Licenses					150,040		150,040
Intergovernmental Revenue					3,716,759		3,716,759
Other Grants					207,062		207,062
Interest Income					113,998	78,705	192,703
Other					888,441		888,441
Royalties					0	5,856	5,856
Gain on disposal of assets					6,860	1,223	8,083
Transfers					(979,496)	979,496	0
Total General Revenues, Contributions, Special Items, and Transfers					<u>\$10,486,328</u>	<u>\$1,065,280</u>	<u>\$11,551,608</u>
Change in Net Assets					<u>\$1,763,447</u>	<u>\$412,124</u>	<u>\$2,175,571</u>
Net Assets - Beginning					44,599,062	13,769,342	58,368,404
Net Assets - Ending					<u>\$46,362,509</u>	<u>\$14,181,466</u>	<u>\$60,543,975</u>

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

CITY OF PIKEVILLE, KENTUCKY

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2005

	General	Projects Control	Downtown Utility Relocation	Parking Garage Construction	Other Government Funds	Total Governmental Funds
ASSETS						
Cash and Investments						
Cash	\$2,299,602	\$484,716	\$155,640	\$38,437	\$727,242	\$3,705,637
Certificates of Deposit and Savings	982,428	0	0	0	233,747	1,216,175
Receivables (Net of Allowance for Uncollectibles)						
Taxes	54,808	0	0	0	0	54,808
Accounts	10,296	0	0	367,951	0	378,247
Prepaid Expenses	469	0	0	0	0	469
TOTAL ASSETS	\$3,347,603	\$484,716	\$155,640	\$406,388	\$960,989	\$5,355,336
LIABILITIES AND FUND EQUITY						
LIABILITIES						
Accounts Payable	\$64,284	\$0	\$0	\$0	\$0	\$64,284
Accrued Expenses	0	0	0	0	0	0
Customer's Deposit	0	0	0	0	0	0
Deferred Revenue	53,679	0	0	0	0	53,679
Payable from Restricted Assets						
Matured Coupons Payable	0	0	0	0	15,117	15,117
Matured Bonds Payable	0	0	0	0	4,000	4,000
TOTAL LIABILITIES	\$117,963	\$0	\$0	\$0	\$19,117	\$137,080
FUND BALANCES						
Designated for Debt Service	\$0	\$0	\$0	\$0	(\$17,642)	(\$17,642)
Undesignated	3,229,640	484,716	155,640	406,388	959,514	5,235,898
TOTAL FUND BALANCES	\$3,229,640	\$484,716	\$155,640	\$406,388	\$941,872	\$5,218,256
TOTAL LIABILITIES AND FUND BALANCES	\$3,347,603	\$484,716	\$155,640	\$406,388	\$960,989	\$5,355,336

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, 2005

TOTAL FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$5,218,256
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.	42,496,011
Long-Term Liabilities, including bonds payable, are not due and payable in the the current period and therefore are not reported in the funds.	(1,351,758)
	<u>\$46,362,509</u>

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, 2005

	General	Projects Control	Downtown Utility Relocation	Parking Garage Construction	Other Funds	Totals
REVENUES						
Ad Valorem Taxes	\$862,189	\$0	\$0	\$0	\$0	\$862,189
Franchise Taxes	301,722	0	0	0	0	301,722
Occupational License Fees	5,218,753	0	0	0	0	5,218,753
Permits and Fees	213,164	0	0	0	0	213,164
Intergovernmental Revenue	365,832	735,772	1,094,936	790,726	729,493	3,716,759
Other Grants	0	4,562	0	0	202,500	207,062
Interest Income	86,562	7,758	4,208	93	15,377	113,998
Other Revenue	814,354	0	0	8,319	2,644	825,317
Total Revenues	<u>\$7,862,576</u>	<u>\$748,092</u>	<u>\$1,099,144</u>	<u>\$799,138</u>	<u>\$950,014</u>	<u>\$11,458,964</u>
EXPENDITURES						
CURRENT						
General Government	\$1,405,295	\$0	\$0	\$0	\$0	\$1,405,295
Public Safety	3,680,508	0	0	0	0	3,680,508
Streets	968,412	0	0	0	0	968,412
Parking Garage	28,184	0	0	0	0	28,184
Recreation	461,418	0	0	0	0	461,418
Lake Cleanup	18,259	0	0	0	0	18,259
Landscape	93,318	0	0	0	0	93,318
Other	0	2	0	0	7,625	7,627
Capital Outlay	0	435,966	1,485,870	854,138	432,565	3,208,539
Debt Service						
Principal Retirement	33,468	2,632	0	0	80,000	116,100
Interest	4,732	137	0	0	42,315	47,184
Grants / Loan Advances	0	0	0	0	0	0
Total Expenditures	<u>\$6,693,594</u>	<u>\$438,737</u>	<u>\$1,485,870</u>	<u>\$854,138</u>	<u>\$562,505</u>	<u>\$10,034,844</u>
Excess of Revenues Over (Under) Expenditures	<u>\$1,168,982</u>	<u>\$309,355</u>	<u>(\$386,726)</u>	<u>(\$55,000)</u>	<u>\$387,509</u>	<u>\$1,424,120</u>
OTHER FINANCING SOURCES (USES)						
Proceeds from Long-Term Debt	\$0	\$0	\$0	\$0	\$0	\$0
Proceeds from Sale of Fixed Assets	0	0	0	0	15,550	15,550
Operating Transfers In	9	265,122	51,823	55,000	0	371,954
Operating Transfers Out	(873,500)	(549,186)	0	0	71,236	(1,351,450)
Total Other Financing Sources (Uses)	<u>(\$873,491)</u>	<u>(\$284,064)</u>	<u>\$51,823</u>	<u>\$55,000</u>	<u>\$86,786</u>	<u>(\$963,946)</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER (USES)	\$295,491	\$25,291	(\$334,903)	\$0	\$474,295	\$460,174
FUND BALANCES - BEGINNING OF YEAR	2,934,149	459,425	490,543	406,388	467,577	4,758,082
FUND BALANCES-END OF YEAR	<u>\$3,229,640</u>	<u>\$484,716</u>	<u>\$155,640</u>	<u>\$406,388</u>	<u>\$941,872</u>	<u>\$5,218,256</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, 2005

Net change in fund balances - total governmental funds.	\$	460,174
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.		2,594,518
The cost of capital assets is allocated over their useful lives and reported as depreciation expense.		(1,423,442)
The repayment of debt principal is an expenditure of governmental funds, but the repayment reduces long-term debt in the statement of net assets.		116,100
Proceeds from debt issuances provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets.		0
Other		16,097
Change in net assets of governmental activities	\$	<u>1,763,447</u>

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

CITY OF PIKEVILLE, KENTUCKY

FUND BALANCE SHEET
 PROPRIETARY FUNDS
 June 30, 2005

	Water Fund	Sewer Fund	Gas Fund	Other Funds	Total
ASSETS					
Cash	\$150,540	\$40,145	\$791,842	\$325,469	\$1,307,996
Customer's Accounts Receivable	127,846	75,303	94,889	75,738	373,776
Inventory	0	0	0	0	0
Prepaid Expenses	0	0	3,494	0	3,494
Due From Other Funds	0	0	0	0	0
Property, Plant and Equipment	9,874,415	7,624,426	827,450	268,397	18,594,688
Restricted Assets:					
Cash	151,973	42,773	13,683	86,469	294,898
Certificates of Deposit	984,868	1,278,180	0	0	2,263,048
Other Receivables	6,654	20,910	0	0	27,564
TOTAL ASSETS	\$11,296,296	\$9,081,737	\$1,731,358	\$756,073	\$22,865,464
LIABILITIES AND NET ASSETS					
LIABILITIES					
Accounts Payable	\$9,832	\$0	\$2,937	\$0	\$12,769
Accrued Expenses	0	0	0	0	0
Current Portion of Long-Term Debt	356,421	228,077	0	0	584,498
Customer's Deposits	0	0	0	52,016	52,016
Notes Payable	997,041	2,846,856	0	0	3,843,897
Bonds Payable (Note B)	4,187,713	0	0	0	4,187,713
Restricted Liabilities:					
Matured Bonds Payable	0	0	0	0	0
Matured Coupons Payable	0	0	3,105	0	3,105
Total Liabilities	\$5,551,007	\$3,074,933	\$6,042	\$52,016	\$8,683,998
NET ASSETS					
Invested in capital Assets, net of related debt	\$4,333,240	\$4,549,493	\$827,450	\$268,397	\$9,978,580
Reserve for Depreciation	441,214	205,210	0	0	646,424
Sinking Fund Reserve	654,265	314,000	3,105	0	971,370
Reserve for Operation and Maintenance	0	387,000	0	0	387,000
Reserve for Revenue Bond Retirement, et al	6,654	20,910	0	0	27,564
Unreserved	309,916	530,191	894,761	435,660	2,170,528
Total Net Assets	\$5,745,289	\$6,006,804	\$1,725,316	\$704,057	\$14,181,466
TOTAL LIABILITIES AND NET ASSETS	\$11,296,296	\$9,081,737	\$1,731,358	\$756,073	\$22,865,464

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

CITY OF PIKEVILLE, KENTUCKY
 STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 June 30, 2005

	Water Fund	Sewer Fund	Gas Fund	Other Funds	TOTALS
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash Received from Customers	\$1,811,285	\$899,554	\$2,003,733	\$1,047,053	5,761,625
Cash Received from Other Operating Revenues	77,760	12,128	20,888	4,276	115,052
Miscellaneous Revenues	0	15,836	0	0	15,836
Cash Payments for Personnel Costs	(18,000)	0	(5,467)	0	(23,467)
Cash Payments for Gas Purchases	0	0	(1,543,585)	0	(1,543,585)
Cash Payments for Contractual Services	(1,428,808)	(612,232)	(463,561)	(493,556)	(2,997,957)
Cash Payments for Other Operating Expenses	(258,630)	(54,472)	(47,215)	(336,973)	(697,290)
Net Cash Provided by Operating Activities	\$183,807	\$260,814	(\$35,207)	\$220,800	\$630,214
Cash Flows from Non-Capital Financing Activities					
Proceeds from Asset Dispositions	\$0	\$0	\$0	\$1,223	\$1,223
Operating Transfers in	307,000	738,904	2,441	0	1,048,345
Operating Transfers (Out)	(48,849)	0	0	(20,000)	(68,849)
Increase in Restricted Other Receivables	279,993	49,551	0	0	329,544
Other	29,037	0	0	0	29,037
Net Cash Flows from Non-Capital Financing Activities	\$567,181	\$788,455	\$2,441	(\$18,777)	\$1,339,300
Cash Flows from Capital Financing Activities					
Interest Expense	(\$368,810)	(\$68,565)	\$0	(\$464)	(\$437,839)
Premium (Discount) on Debt Restructuring	(38,483)	\$5,666	\$0	0	(32,817)
Maturing Coupons & Bonds	0	0	0	0	0
Retirement of Principal	(439,885)	(428,731)	0	(30,858)	(899,474)
Net Cash Flows from Capital Financing Activities	(\$847,178)	(\$491,630)	\$0	(\$31,322)	(\$1,370,130)
Cash Flows from Investing Activities					
Proceeds from Long-Term Debt	\$0	\$0	\$0	\$0	\$0
Purchase of Fixed Assets	(59,419)	(514,307)	(10,332)	(112,354)	(696,412)
Royalties	0	0	5,856	0	5,856
Interest Income	28,693	32,521	12,741	4,750	78,705
Net Cash Flows from Investing Activities	(\$30,726)	(\$481,786)	\$8,265	(\$107,604)	(\$81,851)
Net Increase (Decrease) in Cash and Cash Equivalents	(\$126,916)	\$75,853	(\$24,501)	\$63,097	(\$12,467)
Cash and Cash Equivalents at Beginning of Year	1,414,297	1,285,245	830,026	348,841	3,878,409
Cash and Cash Equivalents at End of Year	\$1,287,381	\$1,361,098	\$805,525	\$411,938	\$3,865,942
RECONCILIATION OF INCOME (LOSS) FORM OPERATING ACTIVITIES TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES					
Income (Loss) from Operations	(\$153,929)	(\$61,446)	(\$120,561)	\$124,399	(\$211,537)
Adjustments to Reconcile Income From Operations to Net Cash Provided by Operating Activities:					
Depreciation and Amortization	415,731	321,967	89,404	77,404	904,506
(Increase) Decrease in Customer Accounts Receivable	62,095	293	(5,295)	(4,537)	52,555
(Increase) Decrease in Prepaid Expenses	0	0	(140)	0	(140)
(Increase) Decrease in Due From Other Funds	0	0	0	0	0
Increase (Decrease) in Accounts Payable	(140,090)	0	1,385	0	(138,705)
Increase (Decrease) in Accrued Expenses	0	0	0	0	0
Increase (Decrease) in Due To Other Funds	0	0	0	0	0
Increase (Decrease) in Customer Deposits	0	0	0	0	0
Net Cash Provided by Operating Activities	\$183,807	\$260,814	(\$35,207)	\$220,800	\$630,214

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, 2005

	Water	Sewer	Gas	Other Funds	TOTALS
OPERATING REVENUES	\$1,819,950	\$930,042	\$2,035,248	\$1,058,550	\$5,843,790
OPERATING EXPENSES					
Personnel Costs	\$18,000	\$0	\$5,467	\$0	\$23,467
Gas Purchased	0	0	1,543,585	0	1,543,585
Contractual Services	1,428,608	612,232	463,561	506,300	3,010,701
Dumping Fees	0	0	0	291,784	291,784
Repairs and Maintenance	76,182	46,329	11,627	4,296	138,434
Operational	42,358	8,143	36,973	51,683	139,157
Bad Debts	(7,000)	2,817	5,192	2,684	3,693
Depreciation	415,731	321,967	89,404	77,404	904,506
Total Operating Expenses	\$1,973,879	\$991,488	\$2,155,809	\$934,151	\$6,055,327
Operating Income (Loss)	(\$153,929)	(\$61,446)	(\$120,561)	\$124,399	(\$211,537)
NONOPERATING INCOME (EXPENSES)					
Royalties	\$0	\$0	\$5,856	\$0	\$5,856
Interest Income	28,693	32,521	12,741	4,750	78,705
Interest Expense	(368,810)	(68,565)	0	(464)	(437,839)
Premium (Discount) on Debt Restructuring	(38,483)	5,666	0	0	(32,817)
Gain (Loss) on Disposition of Fixed Assets	0	0	0	1,223	1,223
Grant	29,037	0	0	0	29,037
Total Nonoperating Income (Expense)	(\$349,563)	(\$30,378)	\$18,597	\$5,509	(\$355,835)
NET INCOME (LOSS)(Before Transfers)	(\$503,492)	(\$91,824)	(\$101,964)	\$129,908	(\$567,372)
					0
TRANSFERS					
Operating Transfers In	\$307,000	\$738,904	\$2,441	\$0	\$1,048,345
Operating Transfers (Out)	(48,849)	\$0	0	(20,000)	(68,849)
Total Transfers	\$258,151	738,904	\$2,441	(\$20,000)	\$979,496
NET INCOME (LOSS)	(\$245,341)	\$647,080	(\$99,523)	\$109,908	\$412,124
NET ASSETS - BEGINNING OF YEAR	\$5,990,630	\$5,359,724	\$1,824,839	\$594,149	\$13,769,342
NET ASSETS - END OF YEAR	\$5,745,289	\$6,006,804	\$1,725,316	\$704,057	\$14,181,466

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

CITY OF PIKEVILLE, KENTUCKY

FIDUCIARY FUND - AGENCY
BALANCE SHEET
June 30, 2005

ASSETS

Cash	\$32,287
Certificates of Deposits \ Savings	244,441
TOTAL ASSETS	<u>\$276,728</u>

LIABILITIES AND FUND BALANCE

Accrued Liabilities	276,728
TOTAL LIABILITIES	<u>\$276,728</u>

FUND BALANCE UNRESERVED - UNDESIGNATED 0

TOTAL LIABILITIES AND FUND BALANCE \$276,728

The accompanying notes are an integral part of the financial statements

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2005

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Pikeville, Kentucky (City) operates under a Council-Manager form of government and 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.

- a) Pikeville Independent School Board,
- b) Pikeville Housing Authority,
- c) Pikeville/Pike County Public Library,
- d) Industrial Development and Economic Authority (IDEA)
- e) The Main Street Program
- f) Historic Preservation Board
- g) Tourism Commission
- h) Swim Team Board
- i) Park Board
- j) Pikeville/Pike County/Elkhorn City Joint Planning Commission

2 - Government-Wide and Fund Financial Statements

a) Government-wide Financial Statements

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

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

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.

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2005

NOTE A-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

Downtown Utility Relocation - is used to account for the relocation of electric, telephone, and television cabling to under ground conduits. Principal sources of revenue are grants, City funding, and interest income.

Parking Garage - is being used to account for the construction of a parking garage. Principal sources of revenue are grants, City funding, and interest income.

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2005

NOTE A-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4 - Fund Types and Major Funds (concluded)

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.

c) Other Fund Types

The city also reports the following fund type:

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

5 - 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

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2005

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 fiscal year ended June 30, 2005 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, 2005

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.

	2005	2004
<u>A) Water-Sewer Fund</u>		
Reserve for Revenue Bond Retirement:		
1988 Issue	\$ 6,654	\$ 246,377
1988 Issue	5,510	46,101
1993 KIA	15,400	64,343
Total Reserves for Debt Service	<u>\$ 27,564</u>	<u>\$ 356,821</u>
Reserve for Operations and Maintenance		
1995 Sewer Extension	\$ 387,000	\$ 344,000
Total Reserves for Operations and Maintenance	<u>\$ 387,000</u>	<u>\$ 344,000</u>
Reserve for Sinking Fund		
1988 Issue	\$ 654,265	\$ 617,944
1992 KIA	314,000	314,000
Total Reserve for Sinking Fund	<u>\$ 968,265</u>	<u>\$ 931,944</u>
Reserve for Depreciation		
1988/1985 Issue	\$ 411,000	\$ 411,000
1992 Issue	159,961	159,961
1993 KIA	44,893	44,893
Thompson Road Sewer	30,570	30,570
Total Reserves for Depreciation	<u>\$ 646,424</u>	<u>\$ 646,424</u>
<u>B) Gas Fund</u>		
Reserve for Sinking Fund 1976 Issue	\$ 3,105	\$ 3,105
Total Reserves for Debt Service	<u>\$ 3,105</u>	<u>\$ 3,105</u>

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2005

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 2005 fiscal year was based, was \$335,994,392 real and \$56,913,556 tangible.

The tax rates assessed for the year ended June 30, 2005 were \$.171 per \$100 valuation for real estate and \$.175 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, 2005 were 97.39% 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, 2005 and 2004 are composed of the following:

Year of Levy	2005 Amount	2004 Amount
2004	\$ 17,432	\$ 0
2003	11,188	21,746
2002	9,068	11,649
2001	6,657	7,664
2000	9,527	9,839
1999	7,950	9,953
1998	8,587	10,287
1997	9,937	11,840
1996	9,893	11,614
1995	11,098	11,944
1994	14,834	15,239
1993	9,489	9,647
1992	9,134	9,134
1991	6,766	6,766
1990	6,112	6,112
1989	0	6,672
	\$ 147,672	\$ 160,106
Less: Allowance for doubtful accounts	92,864	102,164
Net Property Taxes Receivable	\$ 54,808	\$ 57,942

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2005

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

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

<u>2005</u>	<u>Gas</u>	<u>Water</u>	<u>Sewer</u>	<u>Sanitation</u>	<u>TOTAL</u>
Total Accounts Receivable	\$ 114,904	\$ 154,813	\$ 91,187	\$ 91,714	\$ 452,618
Less: Allowance for Doubtfull Accounts	20,015	26,967	15,976	15,884	78,842
Net Receivables	<u>\$ 94,889</u>	<u>\$ 127,846</u>	<u>\$ 75,211</u>	<u>\$ 75,830</u>	<u>\$ 373,776</u>
<u>2004</u>					
Total Accounts Receivable	\$ 106,098	\$ 224,930	\$ 89,522	\$ 84,317	\$ 504,867
Less: Allowance for Doubtfull Accounts	16,504	34,989	13,926	13,116	78,535
Net Receivables	<u>\$ 89,594</u>	<u>\$ 189,941</u>	<u>\$ 75,596</u>	<u>\$ 71,201</u>	<u>\$ 426,332</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, 2005, was \$17,151.

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.

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2005

NOTE B - LONG-TERM DEBT

The following is a summary of bonds and notes payable of the City for the year ended June 30, 2005

CHANGES IN LONG-TERM DEBT:

<u>DESCRIPTION</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
General Obligation Bonds	\$ 1,365,000	\$ 0	\$ 80,000	\$ 1,285,000
Revenue Bonds	4,499,683	0	137,683	4,362,000
Less: Discount	-27,060	0	-2,773	-24,287
N/P - KIA	1,460,092	0	168,241	1,291,851
N/P - KIA - B 291-08	468,196	0	46,235	421,961
N/P - KIA - C 92-04	283,216	0	78,216	205,000
N/P - KIA - B 93-05	346,659	0	30,425	316,234
N/P - KIA - A 94-20	1,341,424	0	104,577	1,236,847
N/P - USDA - Rural Development	654,000	0	7,500	646,500
N/P - KIA Fund C88-43	386,241	0	251,241	135,000
N/P - KIA Fund C88-44	72,273	0	47,273	25,000
N/P - KIA Fund E99-04	30,857	0	30,857	0
C/L - Pitney Bowes	17,845	0	5,857	11,988
N/P - Kentucky Housing Corporation	13,712	0	11,863	1,849
N/P - Kentucky National Bank	58,914	0	5,993	52,921
N/P - FIRSTAR Bank	21,619	0	21,619	0
Total	<u>\$ 10,992,671</u>	<u>\$ 0</u>	<u>\$ 1,024,807</u>	<u>\$ 9,967,864</u>

N/P = Note Payable · CL = Capitalized Lease

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2005

NOTE B - LONG-TERM DEBT (Continued)

Bonds and notes payable as of June 30, 2005 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 \$ 1,285,000

Total General Obligation Bonds \$ 1,285,000

Revenue Bonds

Bank of New York Trust Company, N. A. - Refunding of \$3,354,000 1985 Series A Revenue Bonds maturing through 2025, with interest at 5% \$ 2,477,000

\$2,285,000 Series 1998 Refunding Revenue Bonds maturing through 2021, with interest at 4.705% (Estimated average rate over maturity of bonds) 1,885,000

Total Revenue Bonds \$ 4,362,000

Less: Discounts 24,287

Net Revenue Bonds Payable \$ 4,337,713

Total Bonds Payable \$ **5,622,713**

Notes Payable and Capital Leases

KENTUCKY INFRASTRUCTURE AUTHORITY - \$1,251,660 1988 through 2008, with interest at 4.0% - 4.375%.

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 4.040% with the last payment due June 1, 2008. \$ 135,000

KENTUCKY INFRASTRUCTURE AUTHORITY - \$234,208 1988 through 2008, with interest at 4.0% - 4.375%.

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 4.040% with the last payment due June 1, 2008. 25,000

KENTUCKY INFRASTRUCTURE AUTHORITY (NOTE O) - This note is 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 starting December 1, 1992, and the last payment being on June 1, 2012. 1,291,851

KENTUCKY INFRASTRUCTURE AUTHORITY - This note is 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% with last payment due June 2, 2013. 205,000

KENTUCKY INFRASTRUCTURE AUTHORITY - This note is 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. 421,962

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2005

NOTE B - LONG-TERM DEBT (Continued)

<p>KENTUCKY INFRASTRUCTURE AUTHORITY - This note is for the construction of additions to the City's water distribution and sewer system, this includes the Thompson Road Sewer Extension. The note will be repaid at an interest rate of 1.7% in annual installments starting December 1, 1995 and the last payment being on December 1, 2014.</p>	316,235		
<p>KENTUCKY INFRASTRUCTURE AUTHORITY - This note is for the construction of additions to the City's sewer system. The note will be repaid at an interest rate of 1.2% in annual installments starting December 1, 1996, and the last payment being on June 1, 2016. Total loan amount is \$2,114,295 with \$557,228 being drawn down in the fiscal year ending June 30, 1997.</p>	1,236,847		
<p>KENTUCKY INFRASTRUCTURE AUTHORITY - This note is for the purchase of garbage trucks. The note will be repaid at an interest rate of 2% in annual installments starting December 1, 2000, and the last payment being on June 1, 2005. Total loan amount is \$170,500 with \$148,328 being drawn down in the fiscal year ending June 30, 2000.</p>	0		
<p>KENTUCKY HOUSING CORPORATION - AFFORDABLE HOUSING TRUST FUND LOAN - This note is for funding of administration costs of the Sycamore and Kentucky Avenue project Phase I & Phase II. The note will be repaid at an interest rate of 1% in annual installments starting February 1, 2001, with the last payment being due on February 1, 2005.</p>	1,849		
<p>KENTUCKY NATIONAL BANK - This loan 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.</p>	52,921		
<p>FIRSTAR BANK - For the drainage improvements in the Bowles Addition of Pikeville. The agreement is for a term of five years, a semi annual installment of \$21,720.38, at an interest rate of 5.02%, with the last payment due on August 2, 2004.</p>	0		
<p>USDA - RURAL DEVELOPMENT - Loan 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.</p>	646,500		
<p>Pitney Bowes - Capital lease of a folding machine. The lease is for a term of 4 years, with monthly installments of \$545.00, at an interest rate of 4.50%, with the last payment due in May 2007.</p>	11,988		
Total	<table border="1" style="margin-left: auto; margin-right: auto;"> <tr> <td style="padding: 2px;">\$</td> <td style="padding: 2px; text-align: right;">9,967,864</td> </tr> </table>	\$	9,967,864
\$	9,967,864		

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2005

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

The maturities of the Bonds Payable are as follows:

Principal Portion

	General Obligation Bonds	Revenue Bonds			TOTAL
		Water	Sewer	Gas	
2006	\$ 80,000	\$ 150,000	\$ 0	\$ 0	\$ 230,000
2007	85,000	159,000	0	0	244,000
2008	85,000	163,000	0	0	248,000
2009	90,000	172,000	0	0	262,000
2010	90,000	181,000	0	0	271,000
2011-2015	510,000	1,080,000	0	0	1,590,000
2016-2020	345,000	1,420,000	0	0	1,765,000
2021-2025	0	1,037,000	0	0	1,037,000
Total	\$ 1,285,000	\$ 4,362,000	\$ 0	\$ 0	\$ 5,647,000

Interest Portion

	General Obligation Bonds	Revenue Bonds			TOTAL
		Water	Sewer	Gas	
2006	\$ 39,835	\$ 253,040	\$ 0	\$ 0	\$ 292,875
2007	37,355	243,585	0	0	280,940
2008	34,720	233,440	0	0	268,160
2009	32,085	223,095	0	0	255,180
2010	29,295	212,088	0	0	241,383
2011-2015	101,990	874,108	0	0	976,098
2016-2020	21,700	500,590	0	0	522,290
2021-2025	0	141,319	0	0	141,319
Total	\$ 296,980	\$ 2,681,265	\$ 0	\$ 0	\$ 2,978,245

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

	General Long- Term Debt	Proprietary Funds	Total		Total
			Principal	Interest	
2006	\$ 14,338	\$ 434,499	\$ 448,837	\$ 103,701	\$ 552,538
2007	12,619	451,673	464,292	93,716	558,008
2008	7,174	460,004	467,178	82,887	550,065
2009	7,617	412,495	420,112	71,436	491,548
2010	8,087	420,651	428,738	61,578	490,316
2011-2015	16,923	1,430,785	1,447,708	176,870	1,624,578
2016-2020	0	186,787	186,787	117,675	304,462
2021-2025	0	84,500	84,500	101,070	185,570
2026-2030	0	105,000	105,000	80,325	185,325
2031-2035	0	131,000	131,000	54,428	185,428
2036-2040	0	161,000	161,000	22,410	183,410
Total	\$ 66,758	\$ 4,278,394	\$ 4,345,152	\$ 966,096	\$ 5,311,248

NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2005

NOTE C - LEASE COMMITMENTS

BELL SOUTH TELECOMMUNICATIONS - A one year lease with Bell South Telecommunications, Inc. for equipment to be used in the E-911 Service, payments are monthly in the amount of \$1,732.20. Lease is automatically renewed for one-year terms. Lease is cancelable by either party upon ninety days written notice.

The related future minimum lease payments are as follows:

2006	\$	20,786
2007		20,786
2008		20,786
2009		20,786
2010		20,786
Total	\$	<u>103,930</u>

NOTE D - CHANGES IN CAPITAL ASSETS

The following is a summary of changes in the Capital Assets as of June 30, 2005.

CHANGES IN FIXED ASSETS - GOVERNMENTAL ACTIVITIESASSETS

Description	Beginning Cost	Additions	Deletions	Ending Cost
Property, Plant, and Equipment	\$ 19,686,091	\$ 9,745,030	\$ 0	\$ 29,431,121
Vehicles	3,082,575	0	211,646	2,870,929
Equipment	2,406,546	220,779	147,091	2,480,234
Infrastructure	26,896,820	2,075,492	0	28,972,312
Construction In Progress	16,217,609	2,327,841	11,774,624	6,770,826
TOTALS	\$ 68,289,641	\$ 14,369,142	\$ 12,133,361	\$ 70,525,422

ACCUMULATED DEPRECIATION

Description	Beginning Balance	Current Provisions	Deletions	Ending Balance
Property, Plant, and Equipment	\$ 3,664,486	\$ 405,453	\$ 0	\$ 4,069,939
Vehicles	2,102,709	209,879	204,146	2,108,442
Equipment	2,105,889	118,394	145,901	2,078,382
Infrastructure	19,082,932	689,716	0	19,772,648
TOTALS	\$ 26,956,016	\$ 1,423,442	\$ 350,047	\$ 28,029,411
NET ASSETS	\$ 41,333,625			\$ 42,496,011

Depreciation expense was charged to Governmental Activities

General Government	\$	442,784
Public Safety		234,911
Streets		718,851
Recreation and Parks		26,896
Total Depreciation Expense Governmental Activities	\$	<u>1,423,442</u>

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2005

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, 2004.

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	128,511	10,331	0	138,842
Vehicles	84,093	0	0	84,093
TOTALS	\$ 2,431,266	\$ 10,331	\$ 0	\$ 2,441,597

ACCUMULATED DEPRECIATION

Description	Beginning Balance	Current Provisions	Deletions	Ending Balance
Plant and Distribution System	\$ 1,359,510	\$ 61,790	\$ 0	\$ 1,421,300
Equipment	87,685	21,067	0	108,752
Vehicles	77,546	6,547	0	84,093
TOTALS	\$ 1,524,741	\$ 89,404	\$ 0	\$ 1,614,145
NET ASSETS	\$ 906,525			\$ 827,452

CHANGES IN FIXED ASSETS - WATERASSETS

Description	Beginning Cost	Additions	Deletions	Ending Cost
Plant and Distribution System	\$ 16,126,015	\$ 43,090	\$ 0	\$ 16,169,105
Equipment	422,161	16,328	0	438,489
Vehicles	79,768	0	0	79,768
Construction In Progress	0	0	0	0
TOTALS	\$ 16,627,944	\$ 59,418	\$ 0	\$ 16,687,362

ACCUMULATED DEPRECIATION

Description	Beginning Balance	Current Provisions	Deletions	Ending Balance
Plant and Distribution System	\$ 5,996,029	\$ 374,070	\$ 0	\$ 6,370,099
Equipment	342,485	30,654	0	373,139
Vehicles	58,703	11,007	0	69,710
TOTALS	\$ 6,397,217	\$ 415,731	\$ 0	\$ 6,812,948
NET ASSETS	\$ 10,230,727			\$ 9,874,414

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2005

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

CHANGES IN FIXED ASSETS - SEWER

ASSETS

Description	Beginning Cost	Additions	Deletions	Ending Cost
Plant and Distribution System	\$ 13,345,518	\$ 0	\$ 0	\$ 13,345,518
Equipment	102,741	0	0	102,741
Vehicles	15,800	55,242	0	71,042
Construction In Progress	0	459,065	0	459,065
TOTALS	\$ 13,464,059	\$ 514,307	\$ 0	\$ 13,978,366

ACCUMULATED DEPRECIATION

Description	Beginning Balance	Current Provisions	Deletions	Ending Balance
Plant and Distribution System	\$ 5,942,820	\$ 307,371	\$ 0	\$ 6,250,191
Equipment	73,352	11,231	0	84,583
Vehicles	15,800	3,365	0	19,165
TOTALS	\$ 6,031,972	\$ 321,967	\$ 0	\$ 6,353,939
NET ASSETS	\$ 7,432,087			\$ 7,624,427

CHANGES IN FIXED ASSETS - SANITATION

ASSETS

Description	Beginning Cost	Additions	Deletions	Ending Cost
Property and Plant	\$ 127,569	\$ 0	\$ 0	\$ 127,569
Equipment	101,476	0	0	101,476
Vehicles	482,392	112,353	68,972	525,773
TOTALS	\$ 711,437	\$ 112,353	\$ 68,972	\$ 754,818

ACCUMULATED DEPRECIATION

Description	Beginning Balance	Current Provisions	Deletions	Ending Balance
Property and Plant	\$ 7,586	\$ 4,926	\$ 0	\$ 12,512
Equipment	71,268	12,179	0	83,447
Vehicles	399,135	60,299	68,972	390,462
TOTALS	\$ 477,989	\$ 77,404	\$ 68,972	\$ 486,421
NET ASSETS	\$ 233,448			\$ 268,397

NET ASSETS PROPRIETARY FUNDS

FUND	Beginning Net Assets	Ending Net Assets
GAS	\$ 906,525	\$ 827,452
WATER	10,230,727	9,874,414
SEWER	7,432,087	7,624,427
SANITATION	233,448	268,397
	\$ 18,802,787	\$ 18,594,690

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2005

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 2005 report classifications.

NOTE I - MANAGEMENT CONTRACT

The City contracted with the Veolia Water (formerly US Filter) to manage the Street, Water and Sewer, Gas, and Garbage departments of the City. The contract went into effect on July 1, 1989.

Veolia Water 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.

Veolia Water took over all inventories held by the City on July 1, 1989, as a part of the contract, and agreed to return to the City said inventories, in the same amounts, if their contract is not renewed. Thus, inventories are shown in the financial statements at their value on the date the contract took effect.

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 - URBAN DEVELOPMENT ACTION GRANTS (UDAG)

Stuart Adams (Adams) - The City received a Urban Development Action Grant from the U S Department of Housing and Urban Development in the amount of \$450,000. The City loaned the grant proceeds to Adams for construction of housing for low and moderate-income individuals/families.

Grant Administration - The City received a Urban Development Action Grant for the U S Department of Housing and Urban Development in the amount of \$50,000. These funds are to be used to administer the grants/loan for the above project.

NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2005

NOTE L - LETTER OF CREDIT - KENTUCKY INFRASTRUCTURE AUTHORITY

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

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

There currently is no balance outstanding.

NOTE M - KENTUCKY HOUSING CORPORATION

Loan was used in Phase II of the Pikeville Redevelopment Project. The loan has been assumed by the Kentucky Avenue Phase II, LLC (Partnership) (a Limited Liability Company), upon the transfer of property upon which the partnership has constructed townhouses.

NOTE N - 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		Rate – Hazardous		Amount	
	Employee	Employer	Employee	Employer	Employee	Employer
2005	5.00%	8.48%	8.00%	22.08%	\$164,808	\$462,625
2004	5.00%	7.34%	8.00%	18.51%	\$156,746	\$331,641

The City's payroll subject to retirement withholding for 2005 and 2004 the year was \$2,308,420 and \$2,220,212 respectively.

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

CERS do 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.

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2005

NOTE N - RETIREMENT PLAN (concluded)

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.

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

NOTE O - DEFERRED COMPENSATION PLAN

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

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

Year	457	401 (k)
2005	\$8,520	\$2,597
2004	\$7,025	\$4,190

NOTE P - RETIREMENT BENEFITS ORDINANCE

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

1. Who were employed by the City of Pikeville on August 25, 1975;
2. Who have completed at least 25 years of employment with the City of Pikeville; and
3. Who 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.

NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2005

NOTE Q - DEPOSITS WITH FINANCIAL INSTITUTIONS

At June 30, 2005, the carrying amount of the City's deposits with financial institutions was \$8,868,521 and the bank balance, per statements, was \$9,610,213. The bank balance is categorized as follows:

Amount insured by the FDIC	\$ 400,000
Amount collateralized with securities held by third party in the City's name	9,210,213
Uncollateralized (\$ 0 of this amount is collateralized with securities held by the pledging financial institution)	0
Total Bank Balance	<u>\$ 9,610,213</u>

NOTE R - FEDERAL GRANTS

The City participates in several federally funded programs, these are shown in the Schedule of Federal Financial Assistance.

Emergency Shelter Grant - The Kentucky Housing Corporation granted the City \$40,000 of U. S. Department of Housing and Urban Development funds for the purpose of maintaining and operating the City's Emergency Shelter.

Community Oriented Policing Services Universal Hiring Grant - The Pikeville Police Department has accepted a grant from the U S Department of Justice. The grant is to be used to fund 75% of the salary and benefits of two full time police officers.

Pikeville Redevelopment Project - The City received funding for the purchase of land and buildings and relocation of residents on Sycamore Street, Kentucky Avenue, and High Street in Pikeville. The funding is provided by the Commonwealth of Kentucky, Department for Local Government, CDBG Funds, and ARC Funds. The project is to be completed in five phases.

Pikeville Main Street Program, Downtown Utility Relocation- The City received funding for the relocation of downtown utilities.

Parking Garage - The City received funding for the construction of a parking garage at the corner of Hambley Boulevard and Huffman Avenue.

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2005

NOTE S - 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 \$2,400 for 2000, 3600 for 2001, 4800 for 2002, and shall be negotiated for 2003 to 2004, but shall not be less than \$4,800.

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 - Driving Range Equipment on June 16, 1995, for consideration of \$1.00 per year for a period of one year and automatic renewal for five successive 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.
- e - Skate Park (Land) - Located directly across from the YMCA Building in Bob Amos Park (a) (AKA the Batting Cage Property) to be used for construction of a Skating Park. Leased on a year to year lease 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.

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

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.

WZLK, Inc. - leases the real estate located on Poor Farm Hollow for consideration of \$250.00 per year, for the purpose of erecting, and maintaining a tower for the purpose of constructing, maintaining, and operating certain communication equipment. For a term of five (5) years with the right of automatic renewal for three (3) additional five (5) year terms.

Channel 51 - leases the land located on Hambley Boulevard for consideration of \$8,015.29 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.

Pikeville Community Church - Teen Center building for \$200.00 per month, on a month to month basis with either party having the right to cancel the agreement on a 30 days notice.

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

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2005

NOTE U - PIKEVILLE COLLEGE SCHOOL OF OSTEOPATHIC MEDICINE

The City Commission authorized a \$250,000 grant to Pikeville College (College) for the College's medical school. The grant is to be paid in five equal annual installments. During each fiscal year ended June 30, 2005 and 2004, the City made a payment of \$50,000.

NOTE V - INTER FUND RECEIVABLES AND PAYABLES

There were no Inter-fund balances at June 30, 2005 and 2004.

NOTE W - SUBSEQUENT EVENTS

1. After June 30, 2004 the Kentucky Infrastructure Authority restructured the Fund C program, by refunding all outstanding KIA GAP bonds, and restructured all Fund C loans. The most significant change in the program was the release of the debt service reserve fund, for which credit was given to all Fund C loans for each share in the reserve.
2. The City acquired the assets that make up the Mossy Bottom Sewer System and began operating the Mossy Bottom Sewer System and is assuming debt in the amount of \$1,438,249.

CITY OF PIKEVILLE, KENTUCKY

REPORTS REQUIRED BY GOVERNMENT AUDITING STANDARDS

For the year ended June 30, 2005

Wallen and Cornett, PSC

CERTIFIED PUBLIC ACCOUNTANTS

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

To the Board of Commissioners of
City of Pikeville, Kentucky

We have audited the general purpose financial statements of the City of Pikeville, Kentucky as of and for the year ended June 30, 2005, and have issued our report thereon dated December 1, 2005. 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.

Compliance

As part of obtaining reasonable assurance about whether The 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 grants, 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 that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered The City of Pikeville, Kentucky's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to

To the Board of Commissioners of
City of Pikeville, Kentucky

Page 2

the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information of the Board of Commissioners, management, others within the organization 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

December 1, 2005



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**REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the Board of Commissioners of
The City of Pikeville, Kentucky

Compliance

We have audited the compliance of The 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, 2005. The 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 The 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 the 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 on City of Pikeville, Kentucky's compliance with those requirements.

To the Board of Commissioners of
City of Pikeville, Kentucky

Page 2

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, 2005.

Internal Control Over Compliance

The management of the City of Pikeville, Kentucky is responsible for establishing and maintaining effective internal control over compliance with 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 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.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information of the Board of Commissioners, management, others within the organization 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

December 1, 2005

CITY OF PIKEVILLE, KENTUCKY

SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE
FOR THE YEAR ENDED JUNE 30, 2005

<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>US. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>			
<u>EDI Special Projects Grant</u>			
CDBG - Parking Garage	14.246		\$211,150
<u>Passed Through Kentucky Housing Corporation</u>			
Homeless Shelter	14.231	S97-DC21-0001	14,637
<u>Passed Through Commonwealth of Kentucky, Department of Local Government</u>			
CDBG - Pikeville Redevelopment Project - Phase I	14.228	99-016	9,000
CDBG - Pikeville Redevelopment Project -Phase VI	14.228	01-006	268,337
CDBG - Pikeville Redevelopment Project -Phase V	14.228		53,833
CDBG - Downtown Utility relocation	14.228	01-007	5,911
CDBG - Downtown Utility relocation	14.228	02-017	194,151
CDBG - Parking Garage	14.000		7,662
Total U. S. Department of Housing and Urban Development			<u>\$764,681</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	\$646,500
Department for Rural Development Sunset Lane - Pride	10.000	03-0335	7,748
Total U. S. Department of Agriculture			<u>\$654,248</u>

CITY OF PIKEVILLE, KENTUCKY

SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE
FOR THE YEAR ENDED JUNE 30, 2005

FEDERAL GRANTOR / PASS-THROUGH GRANTOR / PROGRAM TITLE	Federal CFDA Number	Pass-Through Grantor's Number	Disbursements/ Expenditures
<u>APPALACHIAN REGIONAL COMMISSION</u>			
<u>Passed Through Commonwealth of Kentucky, Department of Transportation</u>			
Transportation Enhancement Act			
Pikeville Main Street Program			
Down Town Utilities Relocation	23.000		7,000
Down Town Utilities Relocation	23.000		17,837
			<u>\$24,837</u>
<u>U. S. TRANSPORTATION CABINET</u>			
<u>Passed Through Commonwealth of Kentucky, Department of Transportation</u>			
Sandy Valley Transportation			
Transportation Enhancement Act	20.500		\$211,626
Highway Safety	20.000		11,422
Transportation Enhancement Act			
Pikeville Main Street Program			
Down Town Utilities Relocation	20.205		12,248
Renaissance	20.205		500,000
Renaissance	20.205		250,000
Total U. S. Transportation Cabinet			<u>\$985,296</u>
<u>U. S. DEPARTMENT OF JUSTICE</u>			
Community Oriented Policing Services	16.710	96UMWX0306	\$2,717
Total U. S. Department of Justice			<u>\$2,717</u>
<u>U. S. DEPARTMENT OF DEFENSE</u>			
The Department of the Army / Corps of Engineers			
Indian Hills	12.000	04-0252	\$188,702
Total U. S. Department of Justice			<u>\$188,702</u>
TOTAL FEDERAL FINANCIAL ASSISTANCE			<u><u>\$2,620,481</u></u>

CITY OF PIKEVILLE, KENTUCKY

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2005

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, 2005

Section I—Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	<u>Unqualified</u>
Internal control over financial reporting:	
Reportable condition(s) identified that are not considered to be material weakness(es)?	None
Material weakness (es) identified?	NO
Noncompliance material to financial statements noted?	NO

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	NO
Reportable condition(s) identified that are not considered to be material weakness(es)?	NONE
Type of auditor's report issued on compliance for major programs:	<u>Unqualified</u>
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	NO

CITY OF PIKEVILLE, KENTUCKY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2005

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
12.000	The Department of Defense / Corps of Engineers – Indian Hills
20.500	Transportation Enhancement Act – Parking Garage
14.246	EDI Special Projects Grant – CDBG – Parking Garage

Dollar threshold used to distinguish between type A and type B programs: \$500,000

Auditee qualified as low-risk auditee? YES

Section II—Financial Statement Findings

No matters were reported.

Section III—Federal Award Findings and Questioned Costs

No matters were reported.

CITY OF PIKEVILLE, KENTUCKY

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

JUNE 30, 2005

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

CITY OF PIKEVILLE, KENTUCKY
INDIVIDUAL FUND FINANCIAL STATEMENTS
For the year ended June 30, 2005

Wallen and Cornett, PSC

CERTIFIED PUBLIC ACCOUNTANTS

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CITY OF PIKEVILLE, KENTUCKY

INDIVIDUAL MAJOR FUND FINANCIAL STATEMENTS

For the year ended June 30, 2005

Wallen and Cornett, PSC

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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, 2005 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 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

December 1, 2005

CITY OF PIKEVILLE, KENTUCKY

GENERAL FUND
STATEMENT OF REVENUES AND EXPENDITURES -
BUDGET (GAAP BASIS) AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2005

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
REVENUES				
Ad Valorem Taxes				
Property Taxes	\$665,000	\$690,000	\$704,791	14,791
Housing Authority Property Tax	24,000	24,000	22,325	(1,675)
Franchise Bank Deposit Tax	174,000	174,000	135,073	(38,927)
Franchise				
Franchise Tax	41,000	41,000	33,823	(7,177)
Franchise Fees	227,000	227,000	255,144	28,144
Franchise Cable	17,000	17,000	12,755	(4,245)
Occupational License Taxes & Fees				
Payroll Taxes - Individuals	3,860,000	3,860,000	4,523,562	663,562
Business Licenses	259,000	584,000	653,511	69,511
Penalties and Interest	40,000	40,000	41,680	1,680
Permits and Fees				
Building Permits	19,000	19,000	25,270	6,270
Other Permits	1,500	2,075	3,873	1,798
Off Track Betting	0	25,000	12,181	(12,819)
ABC Licenses	145,000	145,000	150,040	5,040
Electrical Inspection Fees	0	12,000	21,800	9,800
Grants-Federal				
Police Grant - Traffic	0	0	0	0
Shelter Grant	40,000	40,000	14,637	(25,363)
FEMA Grant	0	0	0	0
Grants - State				
KLEFPF Police Incentive	68,000	68,000	70,595	2,595
Fire Incentive	81,000	81,000	104,548	23,548
VFD Allotment	2,500	2,500	0	(2,500)
DOT Gasoline Tax	56,704	90,804	90,845	41
Court Citations	3,000	3,000	5,375	2,375
Base Court Revenue	13,000	13,000	15,327	2,327
Department of Transportation	0	0	0	0
Highway Safety	0	6,500	11,422	4,922
HIDTA	0	48,000	53,083	5,083
Interest Income				
Penalties & Interest - Property Taxes	11,000	14,600	20,603	6,003
Interest Income	5,000	8,000	65,959	57,959
Other Revenue				
911 Fees	55,000	55,000	48,319	(6,681)
Hotel/Motel Tax	78,000	78,000	80,526	2,526
Fire Employee Fund	2,500	2,500	848	(1,652)
Ambulance Fund	220,000	220,000	247,606	27,606
Parking Violations	7,900	29,900	38,210	8,310
Pool	12,000	0	0	0
Concession and Vending	9,200	9,200	5,220	(3,980)
Swim Team	1,000	1,000	2,550	1,550
Rent	59,166	60,966	80,742	19,776
Litter Abatement	0	0	6,158	6,158
Parking Garage	0	10,000	6,966	(3,034)
Other Miscellaneous	682,350	899,600	297,209	(602,391)
TOTAL REVENUES	\$6,879,820	\$7,601,645	\$7,862,576	\$260,931

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, 2005

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
EXPENDITURES				
General Government				
Personnel Cost				
Salaries and Wages	\$320,982	\$348,982	\$344,615	\$4,367
Payroll Taxes	26,300	27,300	27,415	(115)
Insurance	37,000	77,000	74,334	2,666
Pensions	25,000	27,500	26,896	604
Insurance - Workers Comp	9,500	9,500	6,375	3,125
Rent	0	0	0	0
Supplies	24,100	49,850	55,619	(5,769)
Telephone	17,000	22,000	25,472	(3,472)
Power, Lights and Heat	11,200	16,500	14,358	2,142
Automotive - Fuel	1,500	1,500	2,260	(760)
Automotive - Repairs & Maintenance	1,500	1,500	981	519
Insurance	27,000	28,000	25,812	2,188
Advertising	13,000	21,000	21,954	(954)
Professional Services - Accounting	36,000	40,000	34,217	5,783
Professional Services - Legal	0	0	0	0
Professional Services - Engineering	35,000	38,500	42,353	(3,853)
Professional Services - Training	6,000	7,500	7,653	(153)
Professional Services - Audit Occ. License	0	0	0	0
Professional Services - Other	21,000	36,250	34,632	1,618
Tax Commissioners Statutory Fee	20,000	20,000	19,500	500
Repairs and Maintenance	16,960	16,960	11,598	5,362
Travel	9,000	20,000	17,316	2,684
Postage and Freight	14,000	16,500	10,971	5,529
Dues and Subscriptions	2,300	7,800	8,650	(850)
Bank Service Charges	500	500	37	463
Refunds	46,000	46,050	29,053	16,997
Tourism Commission	75,000	75,000	76,500	(1,500)
Big Sandy Area Development	1,500	1,500	1,500	0
Pike County Airport Board	25,000	25,000	25,000	0
Pikeville Main Street Program	20,000	40,217	36,847	3,370
East Kentucky Corporation	1,500	1,500	787	713
Pike Medical Grant	50,000	50,000	50,000	0
Sandy Valley Transportation	6,000	6,000	6,500	(500)
Domestic Violence Shelter	0	0	0	0
Hearing Officer	200	200	0	200
Development Agreement	0	143,900	143,900	0
Fixed Asset Purchased / Construction	72,500	169,865	207,723	(37,858)
Miscellaneous	10,780	12,780	19,510	(6,730)
Provision for Bad Debts	0	0	(5,043)	5,043
Total General Government	\$983,322	\$1,406,654	\$1,405,295	\$1,359

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, 2005

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
Public Safety				
Police Department				
Personnel Costs				
Salaries and Wages	\$873,000	\$906,000	\$834,387	\$71,613
Payroll Taxes	56,000	57,500	56,108	1,392
Insurance	85,000	93,000	92,219	781
Pensions	126,000	164,700	169,410	(4,710)
Insurance - Workers Comp	39,101	67,101	62,524	4,577
Rent	0	0	326	(326)
Supplies	13,000	13,000	11,471	1,529
Telephone	16,500	16,500	16,016	484
Power, Lights and Heat	3,500	3,500	3,507	(7)
Police Case Expense	5,000	5,000	5,000	0
Automotive - Fuel	30,000	30,000	34,707	(4,707)
Automotive - Repairs & Maintenance	40,000	40,000	26,881	13,119
Insurance	42,000	44,202	44,156	46
Advertising	600	600	256	344
Professional Services	16,000	12,800	6,342	6,458
Professional Services - Training	0	0	2,357	(2,357)
Uniforms	31,500	31,500	30,951	549
Repairs and Maintenance	9,010	13,910	12,837	1,073
Travel	5,500	5,500	3,908	1,592
Postage and Freight	600	900	705	195
Dues and Subscriptions	1,000	1,000	625	375
D. A. R. E. PROGRAM	1,000	1,000	991	9
Miscellaneous	0	0	0	0
Equipment	139,500	40,500	23,671	16,829
Total Police Department	<u>\$1,533,811</u>	<u>\$1,548,213</u>	<u>\$1,439,355</u>	<u>\$108,858</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, 2005

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
Fire Department				
Personnel Costs				
Salaries and Wages	\$950,000	\$1,012,000	\$1,022,635	(\$10,635)
Payroll Taxes	70,500	73,000	70,019	2,981
Insurance	107,000	116,000	114,305	1,695
Pensions	161,000	199,100	201,687	(2,587)
Insurance - Workers Comp	41,000	76,000	71,341	4,659
Rent	600	600	0	600
Supplies	16,900	16,900	11,048	5,852
Telephone	6,000	6,000	5,879	121
Power, Lights and Heat	27,500	28,500	22,549	5,951
Automotive - Fuel	8,500	8,500	9,823	(1,323)
Automotive - Repairs & Maintenance	20,000	20,000	19,348	652
Insurance	32,500	32,500	25,260	7,240
Advertising	300	600	506	94
Professional Services	2,000	2,000	1,449	551
Professional Services - Training	2,500	7,500	5,590	1,910
Uniforms	27,600	27,600	26,556	1,044
Repairs and Maintenance	43,600	45,155	26,072	19,083
Travel	3,000	3,000	2,449	551
Postage and Freight	0	0	0	0
Dues and Subscriptions	300	300	0	300
VFD Allotment	14,500	14,500	8,661	5,839
Fire Prevention	1,500	1,500	1,495	5
Miscellaneous	0	0	0	0
Equipment	20,400	20,400	16,769	3,631
Total Fire Department	<u>\$1,557,200</u>	<u>\$1,711,655</u>	<u>\$1,663,441</u>	<u>\$48,214</u>
Ambulance Service				
Personnel Costs	\$0	\$0	\$0	\$0
Supplies	16,000	16,000	13,140	2,860
Telephone	800	800	863	(63)
Automotive - Fuel	7,000	7,000	6,494	506
Automotive - Repairs & Maintenance	12,000	12,000	9,844	2,156
Insurance	7,200	7,950	7,777	173
Advertising	200	200	0	200
Professional Services	20,000	20,000	18,624	1,376
Professional Services - Training	500	500	100	400
Professional Services - Software Dev.	0	0	0	0
Travel	0	0	0	0
Uniforms	0	0	0	0
Repairs and Maintenance	500	500	0	500
Dues and Subscriptions	200	200	150	50
Refunds	1,000	1,000	110	890
Miscellaneous	0	0	0	0
Equipment	8,000	7,250	8,606	(1,356)
Total Ambulance Service	<u>\$73,400</u>	<u>\$73,400</u>	<u>\$65,708</u>	<u>\$7,692</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, 2005

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
Emergency Shelter				
Personnel Costs				
Salaries and Wages	\$51,000	\$40,000	\$37,517	\$2,483
Payroll Taxes	8,000	3,000	2,698	302
Insurance	5,000	5,000	4,240	760
Pensions	4,500	2,200	1,988	212
Insurance - Workers Comp	1,800	2,050	1,800	250
Supplies	9,500	9,500	7,684	1,816
Telephone	1,200	1,685	1,526	159
Power, Lights and Heat	14,500	15,200	14,124	1,076
Insurance	2,500	2,500	2,496	4
Professional Services	4,000	4,000	2,247	1,753
Repairs and Maintenance	14,600	14,600	8,699	5,901
Miscellaneous	120	120	357	(237)
Equipment	2,500	5,500	4,297	1,203
Total Emergency Shelter	<u>\$119,220</u>	<u>\$105,355</u>	<u>\$89,673</u>	<u>\$15,682</u>
Codes				
Personnel Costs				
Salaries and Wages	\$36,000	\$33,200	\$31,045	\$2,155
Payroll Taxes	2,550	1,950	1,521	429
Insurance	3,500	3,500	3,270	230
Pensions	3,100	2,600	1,705	895
Insurance - Workers Comp	1,500	1,750	1,500	250
Supplies	1,000	1,800	2,520	(720)
Telephone	1,600	1,600	610	990
Automotive - Fuel	1,000	1,000	864	136
Automotive - Repairs & Maintenance	1,500	1,500	1,077	423
Insurance	1,745	1,745	1,726	19
Advertising	800	800	362	438
Professional Services - Electrical Ins.	0	6,000	10,354	(4,354)
Professional Services	1,250	16,750	16,460	290
Uniforms	500	600	272	328
Repairs and Maintenance	0	0	0	0
Travel	1,000	1,450	1,081	369
Dues and Subscriptions	300	300	100	200
Refund of Inspection Fees	0	250	100	150
Miscellaneous	500	500	0	500
Equipment	21,000	3,000	561	2,439
Total Codes	<u>\$78,845</u>	<u>\$80,295</u>	<u>\$75,128</u>	<u>\$5,167</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, 2005

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
911				
Personnel Costs	\$0	\$0	\$0	\$0
Telephone	54,620	44,620	31,671	12,949
Insurance	2,000	2,000	1,980	20
Advertising	2,500	2,500	2,444	56
Professional Services	4,500	4,500	1,896	2,604
Repairs and Maintenance	13,000	13,000	3,731	9,269
Travel	0	0	0	0
Miscellaneous	0	0	0	0
Equipment	26,000	21,000	10,990	10,010
Total 911	<u>\$102,620</u>	<u>\$87,620</u>	<u>\$52,712</u>	<u>\$34,908</u>
Dispatch Service				
Personnel Costs				
Salaries and Wages	\$200,000	\$211,000	\$206,663	\$4,337
Payroll Taxes	15,000	15,700	14,947	753
Insurance	31,000	31,000	31,068	(68)
Pensions	16,000	15,800	14,416	1,384
Insurance - Workers Comp	9,000	10,500	9,257	1,243
Supplies	500	500	0	500
Telephone	8,300	8,300	609	7,691
Automotive - Fuel	1,800	2,200	2,083	117
Insurance	1,650	1,650	1,644	6
Advertising	400	400	315	85
Professional Services	2,800	2,800	1,657	1,143
Uniforms	5,400	4,400	4,382	18
Repairs and Maintenance	2,600	2,600	1,169	1,431
Travel	2,000	3,000	1,930	1,070
Dues and Subscriptions	200	200	153	47
Miscellaneous	0	0	0	0
Equipment	11,000	11,000	4,198	6,802
Total Dispatch Service	<u>\$307,650</u>	<u>\$321,050</u>	<u>\$294,491</u>	<u>\$26,559</u>
Total Public Safety	<u>\$3,772,746</u>	<u>\$3,927,588</u>	<u>\$3,680,508</u>	<u>\$247,080</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, 2005

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
Streets Department				
Power, Lights and Heat	\$129,000	\$176,000	\$176,951	(\$951)
Automotive - Repairs & Maintenance	2,500	2,500	0	2,500
Insurance	27,500	27,500	23,472	4,028
Management Fees - PSG	651,169	658,879	658,872	7
Professional Services	1,000	1,000	600	400
Repairs and Maintenance	30,000	73,000	80,744	(7,744)
Street Construction	0	0	0	0
Equipment	14,000	23,000	27,773	(4,773)
Total Streets	\$855,169	\$961,879	\$968,412	(\$6,533)
Parking Garage				
Supplies	\$7,500	\$1,000	\$0	\$1,000
Telephone	1,100	1,100	0	1,100
Power, Lights and Heat	27,000	22,000	16,053	5,947
Insurance	13,000	6,100	5,942	158
Professional Services	2,500	2,500	0	2,500
Repairs and Maintenance	38,900	12,000	5,706	6,294
Equipment	10,000	1,000	483	517
Total Parking Garage	\$100,000	\$45,700	\$28,184	\$17,516
Recreation				
Parks Department				
Personnel Costs				
Salaries and Wages	\$6,000	\$6,000	\$6,000	\$0
Payroll Taxes	0	460	459	1
Insurance	0	0	0	0
Pensions	0	(79)	(79)	0
Insurance - Workers Comp	0	8,900	8,412	488
Rent	0	0	0	0
Supplies	2,500	0	0	0
Telephone	1,800	1,800	587	1,213
Power, Lights and Heat	40,500	22,500	18,991	3,509
Automotive - Fuel	0	0	0	0
Automotive - Repairs & Maintenance	2,500	2,500	1,063	1,437
Insurance	11,800	12,100	11,536	564
Advertising	0	0	0	0
Professional Services	295,029	300,129	300,520	(391)
Uniforms	0	0	0	0
Repairs and Maintenance	3,000	18,360	17,575	785
Travel	0	0	0	0
Animal Control	0	0	0	0
Little League	0	0	7,650	(7,650)
Miscellaneous	0	0	0	0
Equipment	27,000	28,500	25,863	2,637
Total Parks Department	\$390,129	\$401,170	\$398,577	\$2,593

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, 2005

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
Pool Department				
Personnel Costs				
Salaries and Wages	\$27,600	\$6,000	\$3,000	\$3,000
Payroll Taxes	2,100	300	184	116
Insurance - Workers Comp	0	1,000	1,000	0
Supplies	5,600	600	161	439
Telephone	450	450	423	27
Power, Lights and Heat	9,800	13,300	13,079	221
Insurance	3,000	3,000	2,100	900
Advertising	100	100	0	100
Professional Services	17,941	17,941	17,603	338
Uniforms	700	0	0	0
Repairs and Maintenance	2,500	27,500	25,291	2,209
Refunds	200	200	0	200
Miscellaneous	200	200	0	200
Equipment	0	0	0	0
Total Pool Department	<u>\$70,191</u>	<u>\$70,591</u>	<u>\$62,841</u>	<u>\$7,750</u>
Total Recreation	<u>\$460,320</u>	<u>\$471,761</u>	<u>\$461,418</u>	<u>\$10,343</u>
Lake Cleanup				
Personnel Costs				
Salaries and Wages	\$18,800	\$16,300	\$2,733	\$13,567
Payroll Taxes	2,000	2,000	206	1,794
Insurance	3,300	3,300	3,300	0
Pensions	2,000	0	0	0
Insurance - Workers Comp	2,000	2,000	2,000	0
Supplies	5,000	5,000	917	4,083
Insurance	4,000	4,000	2,100	1,900
Power, Lights and Heat	9,000	9,000	1,320	7,680
Advertising	0	0	0	0
Professional Services	2,500	2,720	152	2,568
Repairs and Maintenance	37,000	15,000	1,090	13,910
Miscellaneous	1,000	1,000	236	764
Equipment	11,000	5,000	4,205	795
Total Lake Cleanup	<u>\$97,600</u>	<u>\$65,320</u>	<u>\$18,259</u>	<u>\$47,061</u>

The accompanying notes are an integral part of the financial statements

CITY OF PIKEVILLE, KENTUCKY

CAPITAL PROJECTS - DOWNTOWN UTILITY RELOCATION
 STATEMENT OF REVENUES AND EXPENDITURES,
 AND CHANGES IN FUND BALANCES - BUDGET (GAAP BASIS) AND ACTUAL
 For The Year Ended June 30, 2005

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Federal Grants	\$650,000	\$868,987	\$987,146	\$118,159
State Grants	132,294	132,294	107,790	(24,504)
Interest	0	4,200	4,208	8
Miscellaneous	0	0	0	0
Total Revenues	<u>\$782,294</u>	<u>\$1,005,481</u>	<u>\$1,099,144</u>	<u>\$93,663</u>
EXPENDITURES				
Capital Outlay	\$1,317,416	\$1,494,946	\$1,485,870	\$9,076
Miscellaneous	0	0	0	0
Total Expenditures	<u>\$1,317,416</u>	<u>\$1,494,946</u>	<u>\$1,485,870</u>	<u>\$9,076</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(\$535,122)</u>	<u>(\$489,465)</u>	<u>(\$386,726)</u>	<u>\$102,739</u>
OTHER FINANCING SOURCES (USES)				
Operating Transfers In	\$0	\$0	51,823	(\$51,823)
Operating Transfers Out	0	(42,500)	0	(42,500)
Total Other Financing Sources (Uses)	<u>\$0</u>	<u>(\$42,500)</u>	<u>\$51,823</u>	<u>(\$94,323)</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER (USES)	<u>(\$535,122)</u>	<u>(\$531,965)</u>	<u>(\$334,903)</u>	<u>\$197,062</u>
FUND BALANCE - BEGINNING OF YEAR			490,543	
FUND BALANCE - END OF YEAR			<u>\$155,640</u>	

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

CITY OF PIKEVILLE, KENTUCKY

CAPITAL PROJECTS - PARKING GARAGE
 COMPARATIVE STATEMENT OF REVENUES AND EXPENDITURES,
 AND CHANGES IN FUND BALANCES - BUDGET (GAAP BASIS) AND ACTUAL
 For the Year Ended June 30, 2005

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Federal Grants	\$5,997,685	\$5,997,685	\$790,726	(\$5,206,959)
State Grants	0	0	0	0
Interest	0	0	93	93
Miscellaneous	0	0	8,319	8,319
Total Revenues	<u>\$5,997,685</u>	<u>\$5,997,685</u>	<u>\$799,138</u>	<u>(\$5,198,547)</u>
EXPENDITURES				
Capital Outlay	\$6,052,635	\$6,052,635	\$854,138	\$5,198,497
Miscellaneous	0	0	0	0
Total Expenditures	<u>\$6,052,635</u>	<u>\$6,052,635</u>	<u>\$854,138</u>	<u>\$5,198,497</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(\$54,950)</u>	<u>(\$54,950)</u>	<u>(\$55,000)</u>	<u>(\$50)</u>
OTHER FINANCING SOURCES (USES)				
Operating Transfers In	\$0	\$146,000	\$55,000	\$91,000
Operating Transfers Out	0	0	0	0
Total Other Financing Sources (Uses)	<u>\$0</u>	<u>\$146,000</u>	<u>\$55,000</u>	<u>\$91,000</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER (USES)	<u>(\$54,950)</u>	<u>\$91,050</u>	<u>\$0</u>	<u>(\$91,050)</u>
FUND BALANCE - BEGINNING OF YEAR			406,388	
FUND BALANCE - END OF YEAR			<u>\$406,388</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, 2005

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Water Sales	\$2,244,880	1,999,880	\$1,742,190	(257,690)
Service Charges	17,000	21,000	19,555	(1,445)
Penalties and Services	5,000	5,700	3,381	(2,319)
Water Tap Fees	18,000	18,000	35,025	17,025
Miscellaneous	89,500	225,491	19,799	(205,692)
TOTAL REVENUE	\$2,374,380	\$2,270,071	\$1,819,950	(\$450,121)
OPERATING EXPENSES				
Personnel Costs	\$18,000	\$18,000	\$18,000	\$0
Contractual Service	1,433,277	1,428,777	1,428,608	169
Operational	55,674	54,674	42,358	12,316
Repairs and Maintenance	205,400	148,500	76,182	72,318
Provision For Bad Debts	0	0	(7,000)	7,000
Depreciation	0	0	415,731	(415,731)
Total Operating Expenses	\$1,712,351	\$1,649,951	\$1,973,879	(\$323,928)
Operating Income (Loss)	\$662,029	\$620,120	(\$153,929)	(\$774,049)
NONOPERATING REVENUES (EXPENSES)				
Interest Income	\$24,075	\$24,075	\$28,693	\$4,618
Interest Expense	(283,819)	(348,819)	(368,810)	(19,991)
Premium (Discount) on Debt Restructuring	0	0	(38,483)	0
Grant	0	30,000	29,037	(963)
Total Nonoperating Revenues (Expenses)	(\$259,744)	(\$294,744)	(\$349,563)	(\$16,336)
NET INCOME (LOSS)(Before Transfers)	\$402,285	\$325,376	(\$503,492)	(\$790,385)
TRANSFERS				
Operating Transfers In	\$0	\$0	\$307,000	\$307,000
Operating Transfers (Out)	(31,389)	(31,389)	(48,849)	(17,460)
Total Transfers	(\$31,389)	(\$31,389)	\$258,151	\$289,540
NET INCOME (LOSS)	\$370,896	\$293,987	(\$245,341)	(\$500,845)
NET ASSETS - BEGINNING OF YEAR			5,990,630	
NET ASSETS - END OF YEAR			<u>\$5,745,289</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, 2005

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Sewer Service Charges	\$938,000	\$945,000	\$902,078	(\$42,922)
Penalties and Services	9,500	9,500	5,128	(4,372)
Water and Sewer Tap Fees	5,000	2,500	7,000	4,500
Miscellaneous Revenues	64,000	56,000	15,836	(40,164)
TOTAL REVENUE	\$1,016,500	\$1,013,000	\$930,042	(\$82,958)
OPERATING EXPENSES				
Personnel Costs	\$0	\$0	\$0	\$0
Contractual Service	615,440	615,440	612,232	3,208
Operational	42,776	50,776	46,329	4,447
Repairs and Maintenance	117,500	131,500	8,143	123,357
Provision For Bad Debts	0	0	2,817	(2,817)
Depreciation	0	0	321,967	(321,967)
Total Operating Expenses	\$775,716	\$797,716	\$991,488	(\$193,772)
Operating Income (Loss)	\$240,784	\$215,284	(\$61,446)	(\$276,730)
NONOPERATING REVENUES (EXPENSES)				
Interest Income	\$19,895	\$19,895	\$32,521	\$12,626
Interest Expense	(66,416)	(66,416)	(68,565)	(2,149)
Premium (Discount) on Debt Restructuring	0	0	5,666	5,666
Gain (Loss) on Disposition of Assets	0	0	0	0
Total Nonoperating Revenues (Expenses)	(\$46,521)	(\$46,521)	(\$30,378)	\$16,143
NET INCOME (LOSS) Before Transfers	\$194,263	\$168,763	(\$91,824)	(\$260,587)
TRANSFERS				
Operating Transfers In	\$244,872	\$242,389	738,904	\$496,515
Operating Transfers (Out)	0	0	0	0
Total Transfers	\$244,872	\$242,389	\$738,904	\$496,515
NET INCOME (LOSS)	\$439,135	\$411,152	\$647,080	\$235,928
NET ASSETS - BEGINNING OF YEAR			5,359,724	
NET ASSETS - END OF YEAR			<u>\$6,006,804</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, 2005

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Gas Sales	\$1,838,800	\$2,018,800	\$2,014,220	(\$4,580)
Penalties & Service Charges	8,600	8,600	10,258	1,658
Tap Fees	6,500	6,500	8,634	2,134
Miscellaneous	0	0	2,136	2,136
TOTAL REVENUES	\$1,853,900	\$2,033,900	\$2,035,248	\$1,348
OPERATING EXPENSES				
Personnel Costs	\$11,090	\$11,090	\$5,467	\$5,623
Gas Purchased	1,319,740	1,519,740	1,543,585	(23,845)
Contractual Services	462,075	467,275	463,561	3,714
Repairs and Maintenance	187,000	223,000	11,627	211,373
Operational	42,350	45,850	36,973	8,877
Bad Debts	0	0	5,192	(5,192)
Depreciation	0	0	89,404	(89,404)
Total Operating Expenses	\$2,022,255	\$2,266,955	\$2,155,809	\$111,146
Operating Income	(\$168,355)	(\$233,055)	(\$120,561)	\$112,494
NONOPERATING REVENUES (EXPENSES)				
Royalties	\$2,500	\$2,500	\$5,856	\$3,356
Interest Revenue	600	600	12,741	12,141
Interest Expense	(0)	(0)	0	0
Gain (Loss) on Disposition of Assets	0	0	0	0
Total Nonoperating Revenue (Expense)	\$3,100	\$3,100	\$18,597	\$15,497
NET INCOME (LOSS) Before Transfers	(\$165,255)	(\$229,955)	(\$101,964)	\$127,991
TRANSFERS				
Operating Transfers In	\$0	0	2,441	2,441
Operating Transfers (Out)	(0)	(0)	0	0
Total Transfers	\$0	\$0	\$2,441	\$2,441
NET INCOME (LOSS)	(\$165,255)	(\$229,955)	(\$99,523)	\$130,432
NET ASSETS - BEGINNING OF YEAR			\$1,824,839	
NET ASSETS - END OF YEAR			\$1,725,316	

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

DECEMBER 31, 2005 FINANCIAL STATEMENT

CITY OF PIKEVILLE
 SUMMARY COMBINED STATEMENT OF REVENUES, EXPENDITURES
 12/31/2005

0.5000

UNAUDITED

GENERAL REVENUES	BUDGET	BUDGET AMENDMENTS	AMENDED BUDGET	UNAUDITED YTD	OVER/UNDER BUDGET	% OF BUDGET
REC'D 911	49,000.00	-	49,000.00	24,423.19	(24,576.81)	49.84%
PROPERTY TAX	700,000.00	-	700,000.00	611,805.83	(88,194.17)	87.40%
OCCUPATIONAL TAX	4,830,000.00	-	4,830,000.00	2,230,035.84	(2,599,964.16)	46.17%
PENALTY AND INT	40,000.00	-	40,000.00	25,374.35	(14,625.65)	63.44%
BUSINESS LICENSE	380,000.00	175,000.00	555,000.00	210,206.77	(344,793.23)	37.88%
HOTEL/MOTEL	78,000.00	-	78,000.00	46,300.82	(31,699.18)	59.36%
ABC	145,000.00	-	145,000.00	79,854.00	(65,146.00)	55.07%
BUILDING PERMITS	19,000.00	-	19,000.00	18,481.70	(518.30)	97.27%
MUNICIPAL ROAD AID	58,000.00	-	58,000.00	79,464.00	21,464.00	137.01%
AMBULANCE REVENUE	222,000.00	15,000.00	237,000.00	134,966.00	(102,034.00)	56.95%
PARKING VIOLATIONS	36,000.00	-	36,000.00	17,315.00	(18,685.00)	48.10%
OFF TRACK BETTING	50,000.00	-	50,000.00	16,483.93	(33,516.07)	32.97%
SHELTER GRANT/DONATIONS	45,000.00	(15,000.00)	30,000.00	35,975.00	5,975.00	119.92%
PARKING GARGAGE/RENTAL/UTILITIES	10,000.00	-	10,000.00	3,315.00	(6,685.00)	33.15%
OTHER/CARRYOVER/	1,437,566.00	431,438.00	1,869,004.00	854,070.00	(1,014,934.00)	45.70%
TOTAL GENERAL REVENUE	8,099,566.00	606,438.00	8,706,004.00	4,388,071.43	(4,317,932.57)	
EXPENDITURES						
*GENERAL FUND	1,057,060.00	207,316.00	1,264,376.00	571,955.88	692,420.12	45.24%
TRANSFER TO PROJECTS/MATCH VI	275,000.00	-	275,000.00	275,000.00	-	100.00%
TRANSFER TO 1992 KIA LOAN	208,000.00	-	208,000.00	208,000.00	-	0.00%
TRANSFER TO PARKING GARAGE	-	-	-	-	-	#DIV/0!
PIKE MEDICAL GRANT	50,000.00	-	50,000.00	25,000.00	25,000.00	50.00%
PIKE CT AIRPORT BOARD	25,000.00	-	25,000.00	12,499.00	12,501.00	50.00%
TOURISM EXPENSE	75,000.00	-	75,000.00	43,985.00	31,015.00	58.65%
MAIN ST/OPERATIONS/MATCH/UNITE	65,000.00	-	65,000.00	25,881.72	39,118.28	39.82%
BALL FIELD/LOAN TRANSFER/TURF	120,000.00	-	120,000.00	19,917.00	100,083.00	
TRANSFER TO WATER	-	-	-	110,000.00	(110,000.00)	
TOTAL WITH TRANSFERS	1,875,060.00	207,316.00	2,082,376.00	1,292,238.60	692,420.12	62.06%
SHELTER	123,270.00	11,800.00	135,070.00	53,068.35	82,001.65	39.29%
CODES	75,705.00	2,600.00	78,305.00	30,381.06	47,923.94	38.80%
DISPATCH	328,150.00	2,200.00	330,350.00	143,136.60	187,213.40	43.33%
E911	107,700.00	-	107,700.00	43,694.94	64,005.06	40.57%
POLICE	1,760,060.00	120,700.00	1,880,760.00	801,156.02	1,079,603.98	42.60%
FIRE	1,737,400.00	176,000.00	1,913,400.00	875,875.48	1,037,524.52	45.78%
AMBULANCE	94,800.00	8,100.00	102,900.00	27,342.39	75,557.61	26.57%
STREETS	1,119,500.00	46,139.00	1,165,639.00	528,021.86	637,617.14	45.30%
PARKING GARGAGE	145,600.00	15,000.00	160,600.00	81,126.74	79,473.26	50.51%
PARKS	462,645.00	32,000.00	494,645.00	218,469.77	276,175.23	44.17%
POOL	68,105.00	-	68,105.00	18,647.67	49,457.33	27.38%
LAKE	80,800.00	-	80,800.00	10,837.62	69,962.38	13.41%
LANDSCAPING/STORM SEWER	102,603.00	-	102,603.00	44,133.05	58,469.95	43.01%
TOTAL EXPENDITURES	8,081,398.00	621,855.00	8,703,253.00	4,168,130.15	4,535,122.85	47.89%
EXCESS/(DEFICIENCY) OF REVENUES OVER EXPENDITURES	18,168.00	(15,417.00)	2,751.00			

City of Pikeville							
Monthly Cash Flow							
General Fund							
Finance Department							
As of December 31, 2005							
	July	August	Sept	Oct	Nov	Dec	June
Receipts:							
Coal Royalty	\$ 10,889.93	\$ 7,677.17	\$ 9,001.74	\$ 12,943.00	\$ 4,375.00	\$ 12,598.40	
Property tax/Bank tax	\$ 262.71	\$ 999.21	\$ 2,844.07	\$ 285,368.27	\$ 274,191.43	\$ 150,818.47	
Grants	\$ -	\$ -			\$ 12,000.00	\$ 155,700.00	
Occupational Tax	\$ 502,055.49	\$ 564,944.17	\$ 22,286.73	\$ 785,901.90	\$ 345,286.01	\$ 9,561.54	
Business Tax	\$ 14,231.37	\$ 34,849.54	\$ 87,485.97	\$ 43,075.75	\$ 16,465.80	\$ 14,098.34	
AEP Franchise fees	\$ 61,042.95	\$ -		\$ 77,006.43			
ABC License fees	\$ 27,170.61	\$ 13,627.93		\$ 30,761.85	\$ 8,293.61		
Ambulance	\$ 22,194.50	\$ 28,260.33	\$ 19,365.23	\$ 25,968.77	\$ 13,677.13	\$ 25,500.06	
Parking tickets	\$ 2,739.00	\$ 2,806.00	\$ 2,240.00	\$ 3,026.00	\$ 3,383.10	\$ 3,121.00	
OTB revenue	\$ 4,333.70	\$ 4,779.61	\$ 2,197.78	\$ 4,379.33	\$ 2,991.93	\$ 3,039.62	
Interest	\$ 5,425.78	\$ 4,019.58	\$ 4,904.00	\$ 5,482.61	\$ 7,212.56		
Other	\$ 76,195.39	\$ 124,270.14	\$ 104,992.22	\$ 97,983.46	\$ 167,852.19	\$ 53,862.18	
Total Receipts	\$ 726,541.43	\$ 778,556.51	\$ 246,316.00	\$ 1,358,954.37	\$ 851,353.76	\$ 415,701.21	
Disbursements:							
Payroll	\$ 284,773.65	\$ 282,042.87	\$ 412,876.89	\$ 270,078.03	\$ 267,291.87	\$ 310,132.30	
Payables	\$ 393,113.56	\$ 236,598.22	\$ 281,028.15	\$ 432,211.83	\$ 266,713.73	\$ 151,170.38	
Debt service	\$ 1.00	\$ 1,561.66	\$ 780.83	\$ 780.83	\$ 780.83	\$ 780.83	
Capital	\$ 1.00	\$ -	\$ 12,872.70				
Transfers out	\$ 208,000.00	\$ 385,000.00	\$ -		\$ 19,917.50	\$ 12,437.68	
Total Disbursements	\$ 885,889.21	\$ 905,202.75	\$ 707,558.57	\$ 703,070.69	\$ 554,703.93	\$ 474,521.19	
Increase/Decrease Cash	\$ (159,347.78)	\$(126,646.24)	\$ (461,242.57)	\$ 655,883.68	\$ 296,649.83	\$ (58,819.98)	
Cash balance beginning	\$ -	\$(159,347.78)	\$ (285,994.02)	\$ (747,236.59)	\$ (91,352.91)	\$ 205,296.92	
Cash balance ending	\$ (159,347.78)	\$(285,994.02)	\$ (747,236.59)	\$ (91,352.91)	\$ 205,296.92	\$ 146,476.94	

COAL SEVERANCE REVENUE		BUDGET AMENDMENTS	AMENDED BUDGET	UNAUDITED YEAR TO DATE	OVER/UNDER BUDGET	% OF BUDGET
COAL INCOME	375,000.00	-	375,000.00	226,244.00	(148,756.00)	60.33%
MINERAL INCOME	338,000.00	-	338,000.00	187,626.00	(150,374.00)	55.51%
OTHER/CARRYOVER/LOAN/STUDY	120,500.00	854,000.00	974,500.00	12,267.42	(962,232.58)	1.26%
TOTAL REVENUE	833,500.00	854,000.00	1,687,500.00	426,137.42	(1,261,362.58)	25.25%
EXPENDITURES/COAL SEVERANCE						
MUSEUM OPERATIONS	25,000.00	-	25,000.00	12,499.00	12,501.00	50.00%
OTHER/TRANSFERS/STUDY/EQUIPMEN	50.00	353,749.00	353,799.00	76,364.96	277,434.04	21.58%
DISPATCH	2,500.00	-	2,500.00	-	2,500.00	0.00%
E911	2,500.00	-	2,500.00	465.00	2,035.00	18.60%
POLICE	2,500.00	-	2,500.00	93,177.52	(90,677.52)	3727.10%
FIRE	72,500.00	-	72,500.00	42,209.35	30,290.65	58.22%
AMBULANCE	2,500.00	-	2,500.00	-	2,500.00	0.00%
STREET/PAVING/BRIDGE	394,400.00	-	394,400.00	280,563.87	113,836.13	71.14%
PARKS/	150,000.00	-	150,000.00	75,829.14	74,170.86	50.55%
WATER	181,500.00	-	181,500.00	15,165.47	166,334.53	8.36%
SEWER	-	-	-	-	-	0.00%
HEAD WORKS PROJECT		500,000.00	500,000.00	53,849.39	446,150.61	10.77%
TOTAL COAL SEVERANCE EXPENDITURES	833,450.00	853,749.00	1,687,199.00	650,123.70	1,037,075.30	38.53%
EXCESS/(DEFICIENCY) OF REVENUES OVER EXPENDITURES	50.00	251.00	301.00			

PROJECTS REVENUE	BUDGET	BUDGET AMENDMENTS	AMENDED BUDGET	UNAUDITED YEAR TO DATE	OVER/UNDER BUDGET	% OF BUDGET
THOMPSON ROAD PHASE I	1,000,000.00	-	1,000,000.00	-	(1,000,000.00)	0.00%
CITY MATCH/T ROAD	275,000.00	-	275,000.00	275,000.00	-	100.00%
PHASE I/II/III/IV/V/VI/VII	44,236.00	-	44,236.00	-	(44,236.00)	0.00%
INDIAN HILLS SEWER PROJECT	-	181,383.98	181,383.98	181,383.00	(0.98)	0.00%
OTHER CARRYOVER/TRANSFERS	7,200.00	108,650.00	115,850.00	125,174.21	9,324.21	108.05%
TOTAL REVENUE	1,326,436.00	290,033.98	1,616,469.98	581,557.21	(1,034,912.77)	35.98%
EXPENDITURES						
OTHER/TRANSFERS/LOAN PAYMENT			-	278.48		
PHASE I, II, III, IV	51,336.00		51,336.00			
PHASE V		44,225.00	44,225.00			
PHASE VI		-	-	42,247.00	(42,247.00)	#DIV/0!
THOMPSON ROAD PROJECT PHASE I	1,275,000.00	-	1,275,000.00	64,487.00	1,210,513.00	5.06%
TRACKS END PROJECT	-	77,000.00	77,000.00	76,904.00	96.00	99.88%
INDIAN HILLS SEWER PROJECT	-	167,000.00	167,000.00	166,046.00	954.00	99.43%
TOTAL EXPENDITURES	1,326,336.00	288,225.00	1,614,561.00	349,962.48	1,264,598.52	21.68%
EXCESS/(DEFICIENCY) OF REVENUES OVER EXPENDITURES	100.00	1,808.98	1,908.98	231,594.73	(2,299,511.29)	0.00%

UDAG ADAMS

	BUDGET	BUDGET AMENDMENTS	AMENDED BUDGET	UNAUDITED YEAR TO DATE	OVER/UNDER BUDGET	% OF BUDGET
REVENUES						
INTEREST	-	-	-	-	-	0.00%
CARRYOVER/OTHE	-	148,460.00	148,460.00	1,793.00	(146,667.00)	
TOTAL REVENUE	-	148,460.00	148,460.00	1,793.00	(146,667.00)	0.00%
EXPENDITURES						
LAND PURCHASE	-	135,410.00	135,410.00	2,000.00	(133,410.00)	0.00%
OTHER/RELOCATION/DEMOLITION	-	13,000.00	13,000.00	3,542.00	(9,458.00)	0.00%
	-	-	-	-	-	0.00%
TOTAL EXPENDITURES	-	148,410.00	148,410.00	5,542.00	142,868.00	0.00%
EXCESS/(DEFICIENCY) OF REVENUES OVER EXPENDITURES	-	50.00	50.00	(3,749.00)	(3,799.00)	0.00%

PARKING GARAGE FUND

	BUDGET	BUDGET AMENDMENTS	AMENDED BUDGET	UNAUDITED YEAR TO DATE	OVER/UNDER BUDGET	% OF BUDGET
REVENUE						
CITY MATCHING	-	-	-	-	-	0.00%
REC'D SANDY VALLEY TRANSPORTATI	-	-	-	-	-	0.00%
REC'D FROM HUD	-	-	-	-	-	0.00%
REC'D FROM CDBG	-	-	-	-	-	0.00%
OTHER/CARRYOVER	-	38,438.00	38,438.00	38,438.00	-	
	-	-	-	-	-	
TOTAL REVENUE	-	38,438.00	38,438.00	38,438.00	-	0.00%
EXPENDITURES						
DEMOLITION	-	-	-	-	-	0.00%
CONTRACTORS	-	-	-	-	-	0.00%
PROFESSIONAL SERVICES	-	-	-	-	-	#DIV/0!
ENGINEERING	-	-	-	-	-	0.00%
MISC/CONT/EQUIPMENT	-	-	-	-	-	0.00%
TRANSFER TO GENERAL FUND	-	38,438.00	38,438.00	38,438.00	-	
TOTAL EXPENDITURES	-	38,438.00	38,438.00	38,438.00	-	100.00%
EXCESS/(DEFICIENCY) OF REVENUES OVER EXPENDITURES	-	-	-	-	-	

MAIN STREET/ REN		BUDGET	AMENDED	UNAUDITED	OVER/UNDER	% OF
REVENUE	BUDGET	AMENDMENTS	BUDGET	YEAR TO DATE	BUDGET	BUDGET
PAULEY BRIDGE/CARRYOVER	134,118.00	-	134,118.00	-	(134,118.00)	0.00%
CEMEATARY GRANT/CARRYOVER	50,000.00		50,000.00	25,000.00	(25,000.00)	50.00%
CITY MATCH C GRANT/CS	-	308,399.00	308,399.00	-	(308,399.00)	0.00%
CARRYOVER PHASE II/III/CEMETARY/BI	50.00	-	50.00	308,398.00	308,348.00	0.00%
PHASE II/III/IV	-	-	-	-	-	0.00%
OTHER/CARRYOVER	-	-	-	-	-	
TOTAL REVENUE	184,168.00	308,399.00	492,567.00	333,398.00	(159,169.00)	67.69%
EXPENDITURES						
PAULEY BRIDGE	134,118.00	-	134,118.00	10,250.00	123,868.00	7.64%
CEMETARY	50,000.00	-	50,000.00	-	50,000.00	0.00%
REMAINING FUNDS EXPENSE	-	308,400.00	308,400.00	114,990.95	193,409.05	37.29%
OTHER/MISC/PAYMENT	-	-	-	72,237.11	(72,237.11)	#DIV/0!
TOTAL EXPENDITURES	184,118.00	308,400.00	492,518.00	197,478.06	295,039.94	40.10%
EXCESS/(DEFICIENCY) OF REVENUES OVER EXPENDITURES	50.00	(1.00)	49.00	135,919.94		

GAS FUND		BUDGET	AMENDED	UNAUDITED	OVER/UNDER	% OF
REVENUE	BUDGET	AMENDMENTS	BUDGET	YEAR TO DATE	BUDGET	BUDGET
CITY SALES	1,746,500.00	-	1,746,500.00	997,087.97	(749,412.03)	57.09%
COUNTY SALES	136,000.00	-	136,000.00	45,811.00	(90,189.00)	33.68%
OTHER REVENUE/CARRYOVER	42,100.00	-	42,100.00	36,960.01	(5,139.99)	87.79%
TOTAL REVENUE	1,924,600.00	-	1,924,600.00	1,079,858.98		56.11%
EXPENDITURES						
PUBLIC WORKS /GAS	457,500.00		457,500.00	228,720.00	228,780.00	49.99%
GAS PURCHASE	1,200,000.00	-	1,200,000.00	511,902.40	688,097.60	42.66%
PROFESSIONAL SERVICES	19,500.00	-	19,500.00	3,000.00	16,500.00	15.38%
REPAIRS AND MAINTENANCE GAS	35,000.00	-	35,000.00	6,148.00	28,852.00	17.57%
EQUIPMENT PURCHASE	35,000.00	-	35,000.00	-	35,000.00	0.00%
GAS LINE REPLACEMENT	100,000.00	-	100,000.00	1,951.00	98,049.00	1.95%
OTHER	73,790.00	-	73,790.00	26,896.00	46,894.00	36.45%
TOTAL EXPENDITURES	1,920,790.00	-	1,920,790.00	778,617.40	1,142,172.60	40.54%
EXCESS/(DEFICIENCY) OF REVENUES OVER EXPENDITURES	3,810.00		3,810.00	301,241.58		

GAS STATEMENT OF REVENUES AND EXPENDITURES							
As of December 31, 2005							
REVENUE COLLECTED	DECEMBER M TO DATE	NOVEMBER M TO DATE	OCTOBER M TO DATE	SEPTEMBER M TO DATE	AUGUST M TO DATE	JULY M TO DATE	TOTAL YEAR TO DATE
TOTAL COLLECTED	281,394.93	117,130.94	94,867.30	79,231.35	88,145.58	84,261.00	745,037.10
TOTAL BILLED	418,444.98	246,989.01	146,134.80	80,347.92	85,516.17	91,963.00	1,069,401.88
PRIOR MONTH USAGE							
% OF COLLECTIONS OVER BILLINGS	0.67	0.47	0.65	0.99	1.03	0.92	0.70
EXPENDITURES							
	12/01 TO 12/31 M TO DATE	11/01 TO 11/30 M TO DATE	OCTOBER M TO DATE	SEPTEMBER M TO DATE	AUGUST M TO DATE	JULY M TO DATE	TOTAL YEAR TO DATE
AUTO MAINTENANCE							-
POSTAGE/S C	-	-	-	-	3,000.00	1,500.00	4,500.00
INSURANCE	1,898.50	1,898.50	1,898.50	3,066.81	694.10	694.00	10,150.41
OFFICE SUPPLIES	-	-	-	-	-	-	-
PUBLIC WORKS	38,120.00	38,120.00	38,120.00	38,120.00	38,120.00	38,120.00	228,720.00
PROFF SERVICE/LEGALS	-	3,000.00	-	-	-	500.00	3,500.00
ENGINEERING	-	-	-	-	-	-	-
RENT EASEMENTS			212.35				212.35
GAS PURCHASED	95,571.01	167,417.19	58,322.24	52,411.34	57,354.90	80,825.00	511,901.68
GAS S TAX	1,071.29	1,410.67	1,698.26	1,689.08	1,606.23	1,385.00	8,860.53
REPAIRS/MAINTENANCE	-	3,441.15	-	-	2,707.80	-	6,148.95
RETIREES	152.18	-	-	423.91	347.56	924.10	1,847.75
CITY UTILITIES							-
EQUIPMENT PURCHASE VEHICLES							-
EQUIPMENT PURCHASE	-	-	-	-	-	-	-
GAS LINE REPLACEMENT	-	950.00	-	-	-	1,001.00	1,951.00
OTHER	-	-	-	-	-	-	-
TOTAL EXPENDITURES	136,812.98	216,237.51	100,251.35	95,711.14	103,830.59	124,949.10	777,792.67
	144,581.95	(99,106.57)	(5,384.05)	(16,479.79)	(15,685.01)	(40,688.10)	(32,755.57)

WATER REVENUE

REVENUE	BUDGET	BUDGET AMENDMENTS	AMENDED BUDGET	UNAUDITED YEAR TO DATE	OVER/UNDER BUDGET	% OF BUDGET
CITY SALES	1,110,500.00	-	1,110,500.00	596,042.93	(514,457.07)	53.67%
COUNTY SALES	107,400.00	-	107,400.00	53,073.63	(54,326.37)	49.42%
WHOLESALE DISTRICTS REVENUE	920,000.00	-	920,000.00	463,655.65	(456,344.35)	50.40%
WATER TAP FEE	18,000.00	-	18,000.00	18,198.00	198.00	101.10%
INTEREST/OTHER/CARRYOVER	112,600.00	(25,000.00)	87,600.00	14,462.00	(73,138.00)	16.51%
TRANSFER FROM GENERAL	-	-	-	110,000.00	-	-
TOTAL REVENUE	2,268,500.00	(25,000.00)	2,243,500.00	1,255,432.21	(988,067.79)	55.96%
EXPENDITURES						
PUBLIC WORKS/WATER	1,426,700.00	-	1,426,700.00	713,304.00	713,396.00	50.00%
PROESSIONAL SERVICES	14,000.00	-	14,000.00	9,790.00	4,210.00	69.93%
REPAIRS AND MAINTENANCE WATER	100,000.00	30,000.00	130,000.00	27,990.00	102,010.00	21.53%
EQUIPMENT PURCHASE/WATER	41,000.00	66,000.00	107,000.00	76,140.00	30,860.00	71.16%
LINE REPLACEMENT	-	-	-	-	-	0.00%
TRANSFER TO 85/98 WTP	364,000.00	(29,000.00)	335,000.00	172,334.00	162,666.00	51.44%
TRANSFER TO 88 S M S	107,800.00	(52,674.00)	55,126.00	31,500.00	23,626.00	57.14%
TRANSFER TO 93 S M W	107,210.00	(71,710.00)	35,500.00	47,000.00	(11,500.00)	132.39%
TRANSFER TO 2000 RAW WATER	39,000.00	-	39,000.00	8,000.00	31,000.00	20.51%
PAULEY BRIDGE WATER LINE	-	-	-	-	-	#DIV/0!
OTHER	68,685.00	30,000.00	98,685.00	26,448.00	72,237.00	26.80%
TOTAL EXPENDITURES	2,268,395.00	(27,384.00)	2,241,011.00	1,112,506.00	1,128,505.00	49.64%
EXCESS/(DEFICIENCY) OF REVENUES OVER EXPENDITURES	105.00	2,384.00	2,489.00			

SEWER REVENUE

REVENUE	BUDGET	BUDGET AMENDMENTS	AMENDED BUDGET	UNAUDITED YEAR TO DATE	OVER/UNDER BUDGET	% OF BUDGET
SEWER REVENUE/CITY	1,034,000.00	-	1,034,000.00	414,981.54	(619,018.46)	40.13%
SEWER COUNTY				482.89		
SEWER TAP FEE	3,000.00	-	3,000.00	2,800.00	(200.00)	93.33%
SEWER SPECIAL REVENUE	60,000.00	-	60,000.00	36,207.50	(23,792.50)	60.35%
INTEREST/OTHER/CARRYOVER	12,600.00	-	12,600.00	22,427.56	9,827.56	178.00%
TOTAL REVENUE	1,109,600.00	-	1,109,600.00	476,899.49	(632,700.51)	42.98%
EXPENDITURES						
TRANSFER TO T ROAD SEWER	37,000.00	-	37,000.00	37,000.00	-	100.00%
TRANSFER TO 95 SEWER	122,825.00	-	122,825.00	77,000.00	45,825.00	62.69%
TRANSFER TO 88 S M S	20,167.00	(13,167.00)	7,000.00	7,000.00	-	100.00%
PUBLIC WORKS/SEWER	624,500.00	-	624,500.00	312,246.00	312,254.00	50.00%
PROFESSIONAL SERVICES/SEWER	27,800.00	-	27,800.00	1,000.00	26,800.00	3.60%
REPAIRS AND MAINTENANCE/SEWER	40,000.00	10,000.00	50,000.00	29,513.70	20,486.30	59.03%
EQUIPMENT PURCHASE SEWER	40,000.00	-	40,000.00	4,934.00	35,066.00	12.34%
STATIONS/PUMPS/STORM DRAINS	142,000.00	-	142,000.00	32,440.00	109,560.00	22.85%
OTHER/CARRYOVER	52,300.00	3,010.00	55,310.00	24,697.79	30,612.21	44.65%
TOTAL EXPENDITURES	1,106,592.00	(157.00)	1,106,435.00	525,831.49	580,603.51	47.52%
EXCESS/(DEFICIENCY) OF REVENUES OVER EXPENDITURES	3,008.00	157.00	3,165.00			

WATER STATEMENT OF REVENUES AND EXPENDITURES							
As of December 31, 2005							
REVENUE COLLECTED	DEC	NOV	OCT	SEPT	AUG	JULY	TOTAL
	MT D	MT D	MT D	MT D	MT D	MT D	YEAR TO DATE
TOTAL COLLECTED	129,771.07	175,885.25	199,840.03	179,909.77	194,580.48	150,930.74	1,030,919.34
CITY/COUNTY BILLED	77,197.46	62,206.61	89,974.56	89,600.01	88,995.60	90,776.74	498,767.98
DISTRICT BILLED	79,162.68	69,254.23	67,279.98	82,340.95	85,591.11	80,027.10	463,663.05
TOTAL BILLED	156,360.14	131,460.84	157,254.54	171,940.96	174,586.71	170,803.84	962,421.03
% OF COLLECTIONS							
OVER BILLINGS	0.83	1.34	1.27	1.05	1.11	0.88	1.07
EXPENDITURES	DEC	NOV	OCT	SEPT	AUG	JULY	TOTAL
	MT D	MT D	MT D	MT D	MT D	MT D	YEAR TO DATE
AUTO MAINTENANCE/FUE	8,325.18	7,939.17	13,792.14	13,203.07	11,253.37	6,723.87	61,236.80
POSTAGE/S C	-	-	-	-	-	1,500.00	1,500.00
INSURANCE	904.10	904.10	904.10	904.10	904.10	904.10	5,424.60
OFFICE SUPPLIES	103.86	-	-	-	-	-	103.86
PUBLIC WORKS	118,884.00	118,884.00	118,884.00	118,884.00	118,884.00	118,884.00	713,304.00
PROFF SERVICE/LEGALS	-	9,979.00	-	-	-	-	9,979.00
ENGINEERING	-	-	-	-	-	-	-
RENT EASEMENTS	-	-	212.35	-	-	-	212.35
REPAIRS/MAINTENANCE	-	-	-	13,591.57	14,399.36	-	27,990.93
RETIREES	1,500.00	1,500.00	1,500.00	1,500.00	1,500.00	1,500.00	9,000.00
CITY UTILITIES/TELEPHON	2,259.25	523.99	726.98	643.62	614.53	596.65	5,365.02
EQUIPMENT PURCHASE V	-	-	-	9,500.00	58,251.00	21,111.00	88,862.00
TRANS TO 85 WTP	27,916.00	27,916.00	27,916.00	27,916.00	30,335.00	30,335.00	172,334.00
TRANS TO 88 BOND /C884	6,000.00	10,000.00	5,000.00	2,500.00	4,000.00	4,000.00	31,500.00
TRANS TO 93 S M W	6,000.00	16,000.00	5,000.00	4,000.00	8,000.00	8,000.00	47,000.00
TRANS TO 2000 RAW WA	2,000.00	2,000.00	1,500.00	1,500.00	1,500.00	1,500.00	10,000.00
OTHER/MISC	-	-	-	-	-	1,821.05	1,821.05
TOTAL EXPENSE	173,892.39	195,646.26	175,435.57	194,142.36	249,641.36	196,875.67	1,185,633.61
REVENUES OVER EXPENC	(44,121.32)	(19,761.01)	24,404.46	(14,232.59)	(55,060.88)	(45,944.93)	(154,714.27)
	182,000.00		120,000.00				
**NOTE TRANSFER FROM	137,878.68		144,404.46		110,000.00		
GENERAL FUND							

SEWER STATEMENT OF REVENUES AND EXPENDITURES							
As of December 31, 2005							
UNAUDITED							
REVENUE COLLECTED	DEC	NOV	OCT	SEPT	AUG	JULY	TOTAL YEAR TO DATE
TOTAL COLLECTED	74,116.90	77,322.01	85,703.77	82,117.66	94,278.16	71,713.00	485,257.50
TOTAL BILLED	74,485.18	70,984.15	77,292.32	87,444.68	83,588.68	84,480.83	478,281.84
PRIOR USAGE							
% OF COLLECTIONS OVER BILLINGS	1.00	1.09	1.11	0.94	1.13	0.85	1.01
EXPENDITURES	DEC	NOV	OCT	SEPT	AUG	JULY	TOTAL YEAR TO DATE
POSTAGE/SC	-	20.00	-	-	-	1,500.00	1,520.00
INSURANCE	1,240.45	1,240.45	1,240.45	1,240.45	1,240.45	1,240.45	7,442.70
ENGINEERING			-				-
TRANSF TO T ROAD SEWER	10,200.00	10,200.00	4,000.00	1,500.00	8,000.00	3,100.00	37,000.00
TRANSFER TO 95 SEWER	11,000.00	22,000.00	11,000.00	11,000.00	11,000.00	11,000.00	77,000.00
TRANS/88 S M WT C8844		-	3,160.00	640.00	1,600.00	1,600.00	7,000.00
AUTOMOTIVE MAINTANCE				-			-
OFFICE SUPPLIES	-	-	-	-	-	-	-
PUBLIC WORKS	52,014.00	52,014.00	52,014.00	52,041.00	52,041.00	52,041.00	312,165.00
PROFESS SERVICES/LEGALS	-	1,000.00	-	-	-	-	1,000.00
REPAIR AND MAINTENANCE	1,594.00	4,174.50	-	18,765.31	4,979.89	-	29,513.70
CITY UTILITIES	2,301.65	1,823.33	2,152.30	1,525.50	-	1,520.00	9,322.78
EQUIPMENT PURCHASE	5,442.15	4,925.00	-	-	9.00	-	10,376.15
STATIONS/DRAINS/PUMPS	20,290.50			12,150.00			32,440.50
OTHER/MISC				-	-	-	-
				-	-	-	-
TOTAL EXPENSE	104,082.75	97,397.28	73,566.75	98,862.26	78,870.34	72,001.45	524,780.83
REVENUES OVER EXPENDITURE	(29,965.85)	(20,075.27)	12,137.02	(16,744.60)	15,407.82	(288.45)	(39,523.33)

GARBAGE STATEMENT OF REVENUES AND EXPENDITURES							
As of December 31, 2005							
REVENUE COLLECTED	DEC	NOV	OCT	SEPT	AUG	JULY	TOTAL
	MONTH	MONTH	MONTH	MONTH	MONTH	MONTH	YEAR TO DATE
	TO DATE	TO DATE	TO DATE	TO DATE	TO DATE	TO DATE	
TOTAL COLLECTED	83,791.34	107,191.90	97,002.70	94,571.68	100,267.85	79,780.22	562,611.69
TOTAL BILLED	94,380.59	88,374.91	91,814.32	93,226.14	95,481.35	96,022.41	559,305.72
PRIOR MONTH USAGE							
% OF COLLECTIONS							
OVER BILLINGS	0.8878	1.2129	1.0565	1.0144	1.0501	0.8309	1.0059
NOTES							
EXPENDITURES	DEC	NOV	OCT	SEPT	AUG	JULY	TOTAL
	MONTH	MONTH	MONTH	MONTH	MONTH	MONTH	YEAR TO DATE
	TO DATE	TO DATE	TO DATE	TO DATE	TO DATE	TO DATE	
ADVERTISING/SC	-	6.00	74.00	-	-	-	80.00
AUTO MAINTENANCE	-	-	-	-	-	-	-
POSTAGE	-	-	-	-	-	1,500.00	1,500.00
INSURANCE	1,611.00	1,611.00	1,611.00	1,611.00	1,611.00	1,611.00	9,666.00
PUBLIC WORKS	43,034.00	43,034.00	43,034.00	43,034.00	43,034.00	43,034.00	258,204.00
PROFF SERVICE/LEGALS/R	750.00	830.37	1,560.00	1,560.00	1,560.00	1,560.00	7,820.37
REPAIRS AND MAINTENANC				5,436.60			
FORD BRANCH LANDFILL	24,572.21	22,971.97	26,147.12	28,559.99	26,867.77	27,698.00	156,817.06
SUPPLIES				-			
UTILITIES		1,783.21	971.76	7.21	7.21	982.00	3,751.39
FINANCE DEPT EXPENSE	252.12	5,340.16	556.15	1,347.30	1,611.34	4,337.84	13,444.91
EQUIP/VEHICLE PURCHASE							-
DUE TO FROM /OTHER	19,268.03	-	14,430.31	750.00	10,709.41	-	45,157.75
TOTAL EXPENDITURES	89,487.36	75,576.71	88,384.34	82,306.10	85,400.73	80,722.84	501,878.08
REVENUES OVER EXPENDI	(5,696.02)	31,615.19	8,618.36	12,265.58	14,867.12	(942.62)	60,733.61
TONS							
TONS/AT 27.00	919.42	850.82	989.01	1107.68	1054.79	1,025.00	5,946.72
TONS/AT 35.00	-	-				0	-
TONS/AT 17.00							-
TONS/AT 40.00							-
AVERAGE PER MONTH							991.12
TOTAL DISPOSAL/TRANS	24,824.33	22,971.97	26,703.27	29,907.29	28,479.11	27,698.00	156,817.06

GARBAGE FUND						
REVENUES	BUDGET	BUDGET AMENDMENTS	AMENDED BUDGET	UNAUDITED YEAR TO DATE	OVER/UNDER BUDGET	% OF BUDGET
GARBAGE REVENUE	799,000.00	38,000.00	837,000.00	404,121.56	(432,878.44)	48.28%
SPECIAL REVENUE	200,000.00	51,800.00	251,800.00	150,619.12	(101,180.88)	59.82%
OTHER/CARRYOVER	38,280.00	-	38,280.00	8,233.00	(30,047.00)	21.51%
TOTAL REVENUE	1,037,280.00	89,800.00	1,127,080.00	9,670.00	(1,117,410.00)	0.86%
EXPENDITURES						
PUBLIC WORKS /TRASH	516,500.00	-	516,500.00	258,204.00	258,296.00	49.99%
TRANSPORTATION FEES/DISPOSAL	296,500.00	-	296,500.00	157,199.80	139,300.20	53.02%
EQUIPMENT PURCHASE	83,000.00	-	83,000.00	-	83,000.00	0.00%
FINANCE DEPT EXPENSE	-	78,800.00	78,800.00	13,444.91	65,355.09	17.06%
OTHER/CARRYOVER	139,700.00	12,500.00	152,200.00	28,595.88	123,604.12	18.79%
TOTAL EXPENDITURES	1,035,700.00	91,300.00	1,127,000.00	457,444.59	669,555.41	40.59%
EXCESS/(DEFICIENCY) OF REVENUES OVER EXPENDITURES	1,580.00	(1,500.00)	80.00			

MEMORANDUM

To: Kentucky Infrastructure Authority
Attn: Mr. Jody Hughes, Executive Director

From: Mountain Water District and the City of Pikeville

Date: January 26, 2006

Subject: Request for approval of debt assignment and assumption, relating to the transfer of the Mossy Bottom Sewage Collection System.

Pursuant to an Asset Purchase Agreement, entered into by the Board of Commissioners of the Mountain Water District and the City Commission of the City of Pikeville, Parties to the Agreement, duly executed by their designated representatives, as authorized, effective May 8, 2005, and incorporated herein by reference,

1. Mountain Water District hereby requests that the Kentucky Infrastructure Authority authorize and effect the assignment of its existing unpaid indebtedness associated with the sewage collection system at Mossy Bottom to the City of Pikeville, being sums in the capital amounts of \$ 314,403.50 and \$ 924,250.79 for loans A95-16 and A00-03, respectively, with the annual payments for 2006 being prorated between the Parties as of the date of Closing, as set out in the Agreement referenced above; and
2. The City of Pikeville hereby requests the Kentucky Infrastructure Authority to approve and effect the assumption of the above referenced debt by the City of Pikeville, so that it may own and operate the Mossy Bottom sewage collection system in its name and retire the indebtedness according to the existing repayment schedule, subject to prorating the 2006 payments, as set out in the Agreement referenced above.

Mountain Water District



Chair, Toni Akers

Date: 1-27-06

City of Pikeville



Mayor, Frank Justice

Date: 1-27-06

MEMORANDUM

To: USDA Rural Utilities Service, Kentucky Office
Attn. Mr. Vernon Brown

From: Mountain Water District and the City of Pikeville

Date: January 26, 2006

Subject: Request for approval of debt assignment, relating to the transfer of the Mossy Bottom Sewage Collection System.

Pursuant to an Asset Purchase Agreement, entered into by the Board of Commissioners of the Mountain Water District and the City Commission of the City of Pikeville, Parties to the Agreement, duly executed by their designated representatives, as authorized, effective May 8, 2005, and incorporated herein by reference,

1. Mountain Water District hereby requests that the USDA Rural Utilities Service authorize and effect the assignment of its existing unpaid indebtedness associated with the sewage collection system at Mossy Bottom to the City of Pikeville, being a sum in the capital amount of \$ 161,657.96, with the annual payment for 2006 being prorated between the Parties as of the date of Closing, as set out in the Agreement referenced above; and
2. The City of Pikeville hereby requests the USDA Rural Utilities Service to approve and effect the assumption of the above referenced debt by the City of Pikeville, so that it may own and operate the Mossy Bottom sewage collection system in its name and retire the indebtedness according to the existing repayment schedule, subject to prorating the 2006 loan payment, as set out in the Agreement referenced above.

Mountain Water District



Chair, Toni Akers

Date: 1-27-06

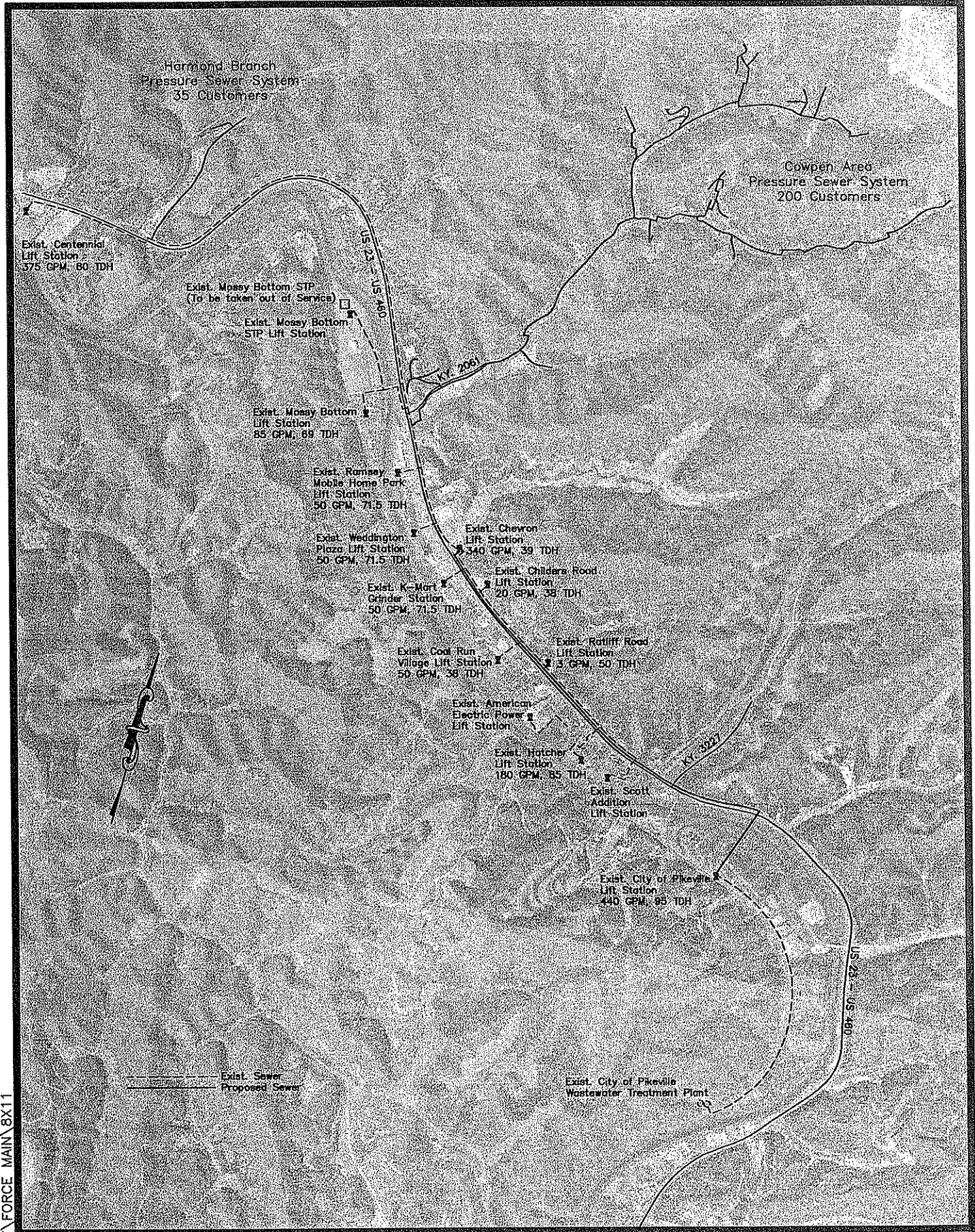
City of Pikeville



Mayor, Frank Justice

Date: 1-27-06





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KENVIRONS, INC.

452 VERSAILLES ROAD, FRANKFORT, KENTUCKY

(502) 695-4357

**MOUNTAIN WATER DISTRICT
COWPEN SEWER PROJECT
PIKE COUNTY, KENTUCKY
SCALE: 1"=3,000'**

