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JUN 14 2011

BEFORE THE
PUBLIC SERVICE COMMISSION OF KENTUCKY

PUBLIC SERVICE
COMMISSION

In the Matter of:

Application of Oakwood Sewage Company
for an Order Approving a
Transfer of Ownership and Control

No. 2011-_____

APPLICATION

Applicant Robert E. Offutt d/b/a Oakwood Sewage Company (“Oakwood”) hereby applies to the Kentucky Public Service Commission (“Commission”) for (a) approval pursuant to KRS 278.020(4) of a transfer of ownership and control of a jurisdictional utility, and (b) any other approval necessary relating to a proposed transaction with the City of Madisonville (“Madisonville”). In support of its request, Oakwood states as follows:

The Applicant

1. Oakwood is a privately owned business, wholly owned by Robert E. Offutt with a mailing address of Post Office Box 737, Madisonville, KY 42431.

2. Oakwood is authorized by the Commission to provide treatment of sewage for the public for compensation within the Commonwealth. Its facilities constitute a subdivision treatment facility plant and appurtenant collection system located in Madisonville, Hopkins County, Kentucky, a city of the fourth class, and is not subject to regulation by a metropolitan sewer district. Specifically, Oakwood collects and treats wastewater at its plant facilities located on Edwards Street, Madisonville, in Hopkins County, Kentucky.

3. Copies of all orders, pleadings, and other communications regarding this Application should be directed to:

Robert E. Offutt
Post Office Box 737
Madisonville, KY, 42431

Mayor David W. Jackson
City of Madisonville
Post Office Box 705
Madisonville, KY, 42431

The Proposed Transaction

4. Oakwood proposes to transfer to Madisonville, and Madisonville proposes to acquire, all the utility assets of Oakwood pursuant to an agreement between Oakwood and Madisonville (hereinafter, “the Proposed Transaction”). The Proposed Transaction is a transfer within the meaning of KRS 278.020(4).

5. Madisonville was chartered in May 1807 as a public subdivision of the Commonwealth of Kentucky. It has complete control, possession, and supervision of the sewer and drainage system within the City of Madisonville and within bordering portions of urbanized Hopkins County that it has annexed into its service area. KRS Chapters 82 and 96 authorizes Madisonville to construct facilities within its service area and to recover the cost of its services in accordance with rate schedules adopted by the Madisonville City Council.

6. The terms and conditions of the Proposed Transaction are set out in the Agreement dated October 4, 2010, attached as Exhibit A.

7. By unanimous vote, the Madisonville City Council has authorized the Mayor to execute the Agreement, subject to approval by this Commission. See Minutes of the September 7, 2010 City Council Meeting, attached as Exhibit B.

8. Under the proposed Agreement, Oakwood will transfer to Madisonville after approval by the Commission, all properties owned and operated by Oakwood that are used in the operation of its wastewater collection system. The properties to be transferred include the wastewater treatment plant and all sewer pipes, lines, manholes, treatment plant, easements, rights-of-ways, licenses, privileges, improvement and appurtenances necessary to the operation of the wastewater treatment collection system and the attendant system.

KRS 278.020(4) Transfer Requirements

9. The Commission should approve the transfer by Oakwood pursuant to KRS 278.020(4). Madisonville has the financial, technical, and managerial abilities to continue to provide reasonable service following the Proposed Transaction.

10. Madisonville is in the process of bringing its facilities and services to the area currently served by Oakwood, and contemplates eventually discontinuing use of the Oakwood treatment plant and serving the Oakwood area through the Madisonville comprehensive wastewater collection and treatment system. The Proposed Transaction thus will serve the public interest by enabling the continued expansion and integration of the Madisonville system and ensuring continued provision of quality sewer treatment

services to existing Oakwood customers and to future customers in the existing Oakwood service area.

11. Prior to the proposed transfer until approval by the Commission, Oakwood will continue to operate the utility and otherwise bear all responsibility for the operation and maintenance of the facilities. At no time prior approval by the Commission, will Madisonville have or take over operational control of the utility or its facilities.

12. After transfer approval by the Commission, Madisonville will operate the Oakwood utility facilities, receive all income, and pay all expenses relating to that operation, and otherwise bear all responsibility for the operation and maintenance of the facilities from and after the date of approval.

13. Before transfer approval by the Commission, the Oakwood customers will be charged in accordance with the rates, classifications, and administrative regulations in the tariff currently on file with the Commission. A rate change is not part of the Proposed Transaction, and Oakwood does not propose any change in its tariff due to the Agreement or the Proposed Transaction. For service after transfer approval by the Commission, Oakwood customers will be subject to all applicable Madisonville rules and regulations, including its regular schedule of rates, rentals, and charges.

14. Oakwood does not hold any security deposits from any of its existing customers. Madisonville does not require security deposits for residential customers to secure payment for sanitary sewer services.

15. Oakwood acknowledges that, until the Proposed Transfer takes place, the Commission retains jurisdiction over Oakwood and the Oakwood facilities, and agrees to continue to comply with all Commission regulations, including those which require the timely filing of any information, notice, or reports.

16. As demonstrated by its Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2010, attached herewith, and its control and operation of the sewer and drainage system within the City of Madisonville and portions of Hopkins County for more than 55 years, Madisonville has the financial, managerial, and technical abilities to provide reasonable service to the persons currently served by Oakwood.

Other Requirements

17. The Proposed Transaction does not include an acquisition within the meaning of KRS 278.020(4) or an acquisition of control as defined by KRS 278.020(5), because Madisonville is not subject to the jurisdiction of the Commission.

18. If the Commission nonetheless applies KRS 278.020(5) to the Proposed Transaction, the Commission should approve the acquisition by Madisonville of the utility assets of Oakwood. As demonstrated by this Application, the Proposed Transaction is in accordance with law, for a proper purpose, and is consistent with the public interest. Therefore, the Commission should approve the acquisition by Madisonville of the utility assets of Oakwood.

19. Oakwood proposes to transfer all of its utility assets in the Proposed Transaction and to cease providing utility service after Commission approval. However,

it is not abandoning the utility or its assets within the meaning of KRS 278.020(4), because the transfer is to Madisonville, an entity with the capability to provide reasonable service and which is agreeing to take on the responsibility of providing service to customers in the Oakwood service area. If the Commission nonetheless applies the KRS 278.020(4) provisions relating to abandonment of ownership or control to the Proposed Transaction, the Commission should approve Oakwood's transfer of all of its utility assets and cessation of providing utility service.

CONCLUSION

WHEREFORE, Applicant Oakwood requests an Order of the Commission within 60 days of the filing of the Application which:

- a) Grants approval pursuant to KRS 278.020(4) for the transfer to Madisonville by Oakwood of ownership and control of the Oakwood utility assets in the Proposed Transaction; and
- b) Declares that KRS 278.020(5) is inapplicable or, in the alternative, grants approval pursuant to KRS 278.020(5) for the acquisition by Madisonville of control of the Oakwood utility assets in the Proposed Transaction; and
- c) Declares that no other Commission approvals are necessary for the Proposed Transaction or, in the alternative, grants any other approvals necessary.

Respectfully submitted,

Robert E. Offutt
D/b/a Oakwood Sewage Company
Post Office Box 737
Madisonville, KY, 42431

Joe A. Evans, III
FRYMIRE, EVANS, PEYTON,
TEAGUE & CARTWRIGHT
1 South Main Street, Post Office Box 695
Madisonville, KY 42431-0695
Tel (270) 821-6165
Fax (270) 825-2853

By:



Robert E. Offutt

By:



Joe A. Evans III
Attorney for City of Madisonville

VERIFICATION

I, Robert E. Offutt, sole owner/operator of Oakwood Sewage Company, do hereby swear or affirm that the contents of the foregoing Application are true and accurate to the best of my knowledge.



Robert E. Offutt

COMMONWEALTH OF KENTUCKY
COUNTY OF HOPKINS

Signed and sworn to before me on this 8 of June, 2011, by Robert E. Offutt, Owner, of Oakwood Sewage Company.



Notary Public
My commission expires: 8/15/2014
(SEAL) ID 425750

COMMONWEALTH OF KENTUCKY
COUNTY OF HOPKINS

Signed and sworn to before me on this 7th of June, 2011, by Joe A. Evans III, Attorney for City of Madisonville, Kentucky.



Notary Public
My commission expires: 4-15-12
(SEAL)

CERTIFICATE OF FILING AND MAILING

I hereby certify that on this 14TH day of JUNE, 2011, the original and ten (10) copies of this Application were hand delivered to JEFF DEROUEN, Executive Director, Public Service Commission, 211 Sower Blvd., Frankfort, KY 40602 and that a copy was sent, via U.S. Mail, to:

Assistant Attorney General
Office of Rate Intervention
1024 Capital Center Drive, Suite 200
Frankfort, KY 40601



Attorney for Applicant

TABLE OF EXHIBITS
TO APPLICATION

EXHIBIT A – OCTOBER 4, 2010 AGREEMENT BETWEEN OAKWOOD SEWAGE
COMPANY AND THE CITY OF MADISONVILLE – 3 PAGES

EXHIBIT B – CITY COUNCIL MINUTES – SEPTEMBER 7, 2010

EXHIBIT C – ANNUAL REPORT – FISCAL YEAR ENDED JUNE 30, 2010

EXHIBIT D – DEFINED SERVICE AREA

EXHIBIT E – LIST OF CUSTOMERS

AGREEMENT

THIS AGREEMENT is made and entered into by and between ROBERT E. OFFUTT d/b/a OAKWOOD SEWAGE COMPANY and the CITY OF MADISONVILLE on this 4 day of ^{Oct} ~~June~~, 2010:

WITNESSETH: Robert E. Offutt is the sole owner and operator of Oakwood Sewage Company which operates a sanitary sewage treatment plant pursuant to KPDES Permit No. KY 0034053 providing sanitary sewer service to certain residents of Hopkins County; and

WHEREAS, the City of Madisonville is in the process of constructing and installing new sanitary sewer lines and facilities and is expanding its service area to areas currently serviced by Oakwood Sewage Company; and

WHEREAS, the City of Madisonville has agreed to purchase the facilities and operations of Oakwood Sewage Company upon the terms and conditions set forth herein;

NOW, THEREFORE, for and in consideration of the mutual promises and considerations set forth herein, the receipt and sufficiency of said consideration being hereby acknowledged, the parties with the intent to be legally bound do hereby contract and agree as follows:

1. Robert E. Offutt d/b/a Oakwood Sewage Company does hereby grant, bargain, sell, transfer and convey unto the City of Madisonville all sewer mains, sewer lines, manholes, sewer treatment plant, all easements and right-of-ways relating thereto, and all other licenses, permits, rights and privileges owned by Robert E. Offutt d/b/a Oakwood Sewage Company associated therewith, the approximate location of which is shown on Exhibit A attached hereto and incorporated herein by reference.

2. Robert E. Offutt d/b/a Oakwood Sewage Company represents and warrants unto the City of Madisonville that he is the sole owner of the property, easements, rights and privileges herein sold and conveyed to the City of Madisonville; that same are conveyed to the City of Madisonville free and clear of all liens and encumbrances; and that he has the legal right to sell, transfer and convey same to the City of Madisonville without the consent of any third party.

3. The purchase price for the property, easements, rights and privileges herein conveyed is \$30,000 with \$5,000 paid upon execution of this contract, the receipt of which is hereby acknowledged, with the balance of the purchase price without interest thereon being due and payable when the City of Madisonville takes possession of the facilities which will occur when the South Main Sewer Project 1B has been installed and is available for connections. Robert E. Offutt shall remain solely responsible for all operations, maintenance and environmental compliance of the system until the City of Madisonville takes possession; and Robert E. Offutt shall be entitled to receive all charges for sewer service until the City of Madisonville takes possession. Thereafter, the City of Madisonville shall be entitled to collect and receive all fees and charges associated with providing sanitary sewers to said customers. The City of Madisonville shall be responsible for connecting the existing system to the new facilities.

4. Upon execution hereof, Robert E. Offutt shall furnish to the City of Madisonville all records concerning sewer mains, sewer lines, manholes, easements, customer names, addresses, billing addresses and rate and fee schedules.

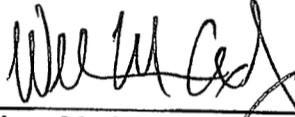
5. Robert E. Offutt shall disclose to the City of Madisonville all known problems and deficiencies in the existing system, and he will cooperate with the City of Madisonville on any and all matters required by the Kentucky Division of Water for a transfer of said facility and/or the permit relating thereto to the City of Madisonville. Once operation of the system has been transferred to the City of Madisonville, the City shall be responsible for removing the existing sewage treatment facility and reclaiming the property as required by law. Robert E. Offutt grants unto the City of Madisonville an easement to enter upon his property to remove said sewage treatment facility, to install a new sanitary sewer line and appurtenances, and to fully exercise the rights and privileges herein granted.

6. The City of Madisonville shall not be responsible for the payment of any debts or operating expenses of Robert E. Offutt d/b/a Oakwood Sewage Company.



Robert E. Offutt
d/b/a Oakwood Sewage Company

CITY OF MADISONVILLE



By: _____
William M. Cox, Jr., Mayor

JAE.srp.City.2010.Agreements.0609Offutt.agreement

Oakwood Sewage Company KY0034053 Sewer Map

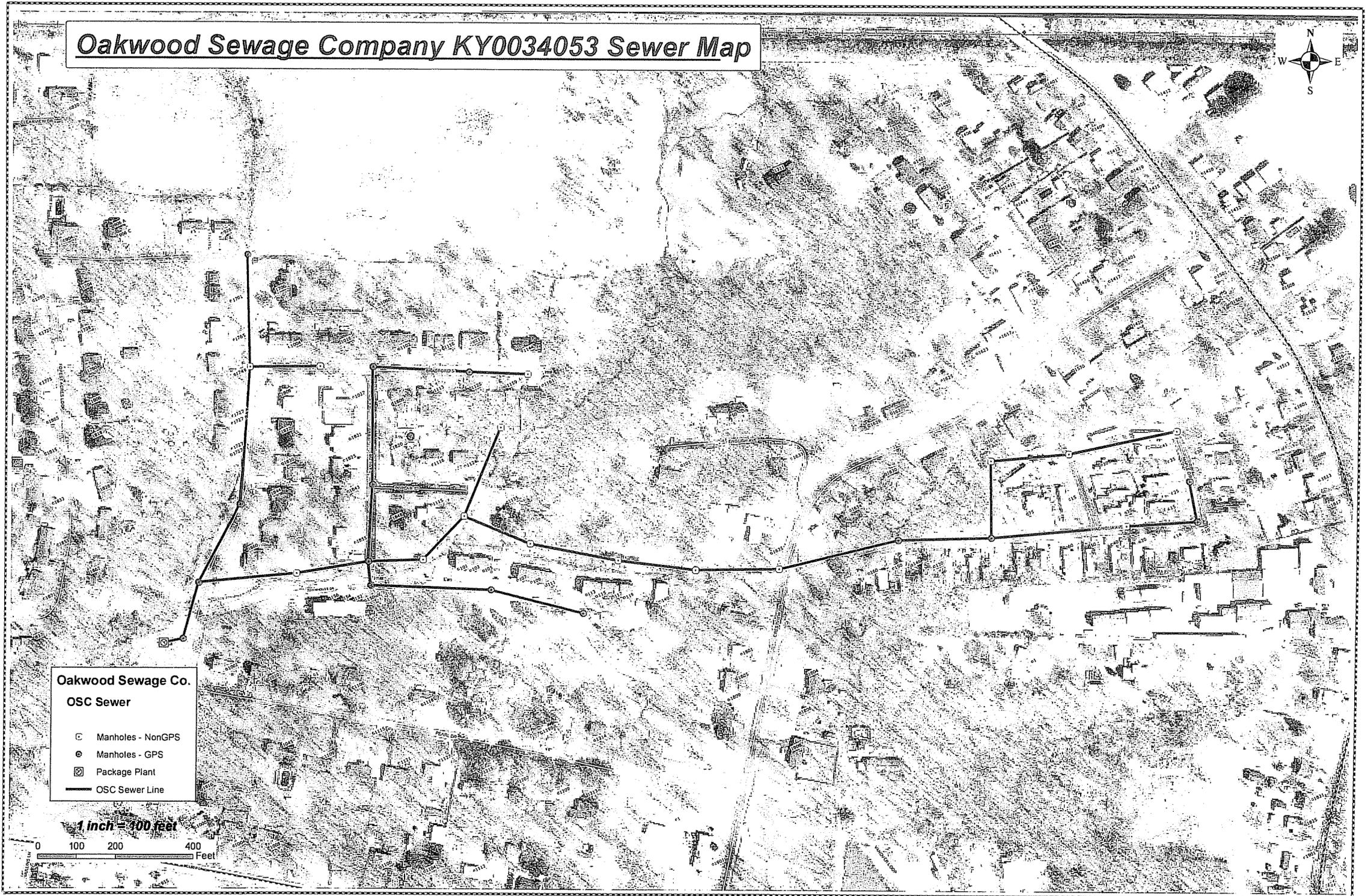


Oakwood Sewage Co. OSC Sewer

- Manholes - NonGPS
- ⊙ Manholes - GPS
- ⊠ Package Plant
- OSC Sewer Line

1 inch = 100 feet

0 100 200 400 Feet



September 7, 2010

The Madisonville City Council met in regular session Tuesday, September 7, 2010 at 5:30 PM in the Council Chambers with Mayor William M. Cox, Jr. presiding.

Mayor William M. Cox, Jr. called the meeting to order and led the pledge of allegiance to the flag. Pastor Gary Bennett, from Grace Warehouse, gave the invocation.

The following council members were present and answered to roll call: Bob Simmons; Bill Smith; Rudy Stone; Nora Stewart and Hannah Myers. Dallas Cunningham was absent due to illness.

Minutes of the previous meeting were read at length and after being duly considered a motion was made by Council Member Smith, seconded by Council Member Stone to accept the minutes as read. Upon roll call all Council Members voted "Aye".

IN THE MATTER OF BILLS AND ESTIMATED PAYROLL

BILLS: General Fund \$59,984.78; Sanitation \$134,999.24; Electric/Utility Office \$78,790.01; Water & Filter \$279,551.47; Wastewater Collection & Treatment \$94,650.73.

ESTIMATED PAYROLL: Governmental \$43,985; Police \$102,126; Fire \$109,841; Transportation \$23,953; Cemetery \$6,365; Park \$11,280; Sanitation \$24,023; Light Fund \$53,210; Water and Filter \$40,281; Wastewater Treatment \$18,873; Wastewater Collection \$22,784.

A motion was made by Council Member Simmons, seconded by Council Member Stewart to allow payment of the foregoing bills and estimated payroll. Upon roll call, all Council Members voted "Aye".

- Zoning August 2010 Monthly Report

IN THE MATTER OF A WATER CONNECTION FOR JEREMY AND SUMMER WHITAKER AT 38 ENGLISH AVE

A motion was made by Council Member Stone, seconded by Council Member Stewart to allow a water connection for Jeremy and Summer Whitaker at 38 English Ave. Upon roll call all members voted "Aye."

Minutes continued (Zoning Report Attached)

ZONING ACTIVITY REPORT
AUGUST 2010

BUILDING PERMITS

<u>Type of Construction</u>	<u># of Permits Issued</u>	<u>Fees Collected</u>	<u>Construction Cost</u>
Single Family	0	\$ 0	\$ 0
Duplex	0	\$ 0	\$ 0
Multi-Family	0	\$ 0	\$ 0
Residential Addition	2	\$ 200	\$ 81,000
Residential Accessory	3	\$ 100	\$ 5,047
Residential Alteration	2	\$ 100	\$ 5,000
New Commercial	0	\$ 0	\$ 0
Commercial Addition	1	\$ 486	\$ 150,000
Commercial Accessory	1	\$ 0*	\$ 10,000
Commercial Alteration	4	\$ 1,000	\$ 331,000
Industrial	0	\$ 0	\$ 0
Industrial Addition	0	\$ 0	\$ 0
Industrial Accessory	0	\$ 0	\$ 0
Industrial Alteration	0	\$ 0	\$ 0
Other	0	\$ 0	\$ 0
<u>TOTAL BUILDING PERMITS:</u>	13	\$ 1,886	\$ 582,047

OTHER PERMITS AND / OR APPLICATIONS

Conditional Use Permits	1	\$ 100
Utility Requests (outside)	0	\$ 0
Dimensional Variance	1	\$ 100
Zoning Amendment	0	\$ 0
Sign Permits	4	\$ 725
Change of Use Permits	0	\$ 0
Demolition Permits	4	\$ 40
Grading & Paving Permits	0	\$ 0
Additional/Miscellaneous Fees	0	\$ 0
<u>TOTAL:</u>	10	\$ 965
<u>GRAND TOTAL:</u>	23	\$ 2,851

* Fee Waived for Permit # 4929 (Hopkins County Fiscal Court)

ADISONVILLE ZONING ACTIVITY REPORT
JULY - AUGUST
FY - 2010 - 2011

<u>Type of Construction</u>	<u># of Permits Issued</u>	<u>Fees Collected</u>	<u>Construction Cost</u>
Single Family	0	\$ 0	\$ 0
Duplex	0	\$ 0	\$ 0
Multi-Family	0	\$ 0	\$ 0
Residential Addition	5	\$ 343	\$ 92,200
Residential Accessory	11	\$ 422	\$ 30,687
Residential Alteration	3	\$ 150	\$ 23,000
New Commercial	0	\$ 0	\$ 0
Commercial Addition	1	\$ 486	\$ 150,000
Commercial Accessory	1	\$ 0	\$ 10,000
Commercial Alteration	5	\$ 1,148	\$ 351,000
Industrial	0	\$ 0	\$ 0
Industrial Addition	0	\$ 0	\$ 0
Industrial Accessory	0	\$ 0	\$ 0
Industrial Alteration	0	\$ 0	\$ 0
Other	1	\$ 25	\$ 1,900
<u>TOTAL BUILDING PERMITS</u>	27	\$ 2,574	\$ 658,787

OTHER PERMITS AND / OR APPLICATIONS

Conditional Use Permits	1	\$ 100
Utility Requests (outside)	0	\$ 0
Dimensional Variance	1	\$ 100
Zoning Amendment	0	\$ 0
Sign Permits	9	\$ 1,350
Change of Use Permits	0	\$ 0
Demolition Permits	8	\$ 70
Grading & Paving Permits	3	\$ 75
Additional/Miscellaneous Fees	0	\$ 0
<u>TOTAL:</u>	22	\$ 1,695
<u>GRAND TOTAL:</u>	49	\$ 4,269

CITY OF MADISONVILLE BUILDING PERMIT MONTHLY REPORT

August

Permit #	Date Permit Issued	Construction Address	Owner	Contractor	Construction Type	Proposed Use	Permit Fee	Construction Cost	Square Feet
4910	8/3/10	305 South Main Street (AT&T)	AT&T/Doug Gregg	JR Bowman	Commercial Alteration	HVAC Permit	\$250	\$306,000	0
4919	8/3/10	2035 South Main Street	Jamie Kinkade	ECO Services	Commercial Alteration	Barber Shop	\$250	\$10,000	0
4920	8/4/10	2515 South Main (Coalfield Carpet)	Tony Faulk	Coalfield Carpet Tony Faulk	Commercial Addition	Carpport Store	\$486	\$150,000	4816
4921	8/10/10	1111 Hayes Avenue	Darin & Karen McIntvre	Darin McIntyre	Residential Accessory	Storage Building	\$25	\$1,000	96
4922	8/10/10	803 Pride Avenue	Andrew W Wilson	Andrew W Wilson	Residential Alteration	Single Family Dwelling	\$50	\$2,500	0
4923	8/12/10	822 South Franklin	Chad Spence	Chad Spence	Residential Accessory	Storage Building	\$50	\$2,000	120
4924	8/16/10	1221 Lafayette Close	Will Coursey	Cavanaugh Home Bldrs Durwood	Residential Addition	Porch	\$76	\$21,000	320
4925	8/17/10	647 Sugg Street	Earl Nicholson	Nick's Home Repair, LLC/Jefferv A.	Residential Alteration	Attached Garage	\$50	\$2,500	0
4926	8/17/10	867 Chickasaw Drive	Willetta Yeisley	Nick Console (Lowe's) Lake City Fence Co.	Residential Accessory	Fence	\$25	\$2,047	0
4927	8/17/10	515 Nebo Road (Calhoun Feed Service)	Mike Calhoun	Calhoun Feed Service	Commercial Alteration	Feed Mix Area	\$250	\$5,000	1200
4928	8/18/10	505 Hospital Drive (Lion's Club)	Lions Club	Downey Professional Construction Co., Inc.	Commercial Alteration	Type I Exhaust Hood System	\$250	\$10,000	0
4929	8/19/10	2000 College Drive	Hopkins County Fiscal Court	Hopkins County Fiscal Court	Commercial Accessory	KIBS Unit	\$0	\$10,000	144
4931	8/30/10	1961 Brett Drive	Iris Ewell	Parson Design & Build / Kim & Todd Parson	Residential Addition	Detached Garage	\$124	\$60,000	920
					Totals		13	\$1,886	\$582,047

**IN THE MATTER OF AWARDING THE BID FOR THE
COUNTRY CLUB AREA STREET LIGHT CONDUIT SYSTEM
TO LARKINS TRENCHING IN THE AMOUNT OF \$63,750.00**

A motion was made by Council Member Simmons, seconded by Council Member Myers to award the bid for the Country Club area street light conduit system to Larkins Trenching in the amount of \$63,750.00.

Upon roll call all members voted "Aye."

Several members of the public spoke to the issue:

- Ruffin Chandler, 2620 Club Court would prefer not to have one in front of his house.
- Crystal Carlton, 2588 Country Club, was in favor of the lights.
- Bill Davis 2555 Country Club, in favor of the lights and does not feel like it would be a good idea to leave certain properties unlit, it would take away from the attractiveness of the lights. He has driven through Ridgewood and it is very unattractive when there are lights and then you go several feet with no lights, feels like they should be placed uniformly.
- Bill Corum 2528 Club Court, thought street lights were a good idea and was in favor of the lights if the money was available.

**IN THE MATTER OF AN OF AN ORDINANCE AUTHORIZING
THE ACCEPTANCE OF A PUBLIC STREET, ALLEY OR WAY
AND AUTHORIZING THE CLOSING OF SAME**

Minutes continued (Ordinance Attached)

ORDINANCE 10- 05

**AN ORDINANCE AUTHORIZING THE ACCEPTANCE OF A PUBLIC STREET,
ALLEY OR WAY AND AUTHORIZING THE CLOSING OF SAME**

BE IT ORDAINED BY THE CITY OF MADISONVILLE, KENTUCKY
AS FOLLOWS:

WHEREAS, the following described street, alley or way has been dedicated as a public street, alley or way by reference to same in various deeds filed of record in the Hopkins County Court Clerk's Office; and

WHEREAS, the City of Madisonville desires to accept the dedication of said street, alley or way so that same may be legally closed as herein provided; and

WHEREAS, all property owners who abut the public street, alley or way have consented in writing to the proposed closing of the street, alley or way; and

NOW, THEREFORE, be it ordained by the City of Madisonville, Kentucky, that dedication of the following described street, alley or way is hereby accepted by the City of Madisonville, and the following findings of fact are made with reference thereto:

1. The particular street, alley or way to be closed is shown on the plats attached herewith and described as follows:

A street, alley or way 12 feet in width known as "Stum Alley" running in a north-south direction from East North Street to Givens Street as shown on the Trover Health Systems plat prepared by Associated Engineers, Inc. attached herewith and incorporated herein by reference.

2. Trover Clinic Foundation, Inc. is the sole property owner of all property in or abutting the street, alley or way to be closed by virtue of a deed of conveyance from County of Hopkins, Kentucky dated October 15, 1991 and of record in Deed Book 503, page 505, and by deed from Donnis Hightower, et ux., dated November 30, 2000 and of record in Deed Book 594, page 745, Hopkins County Court Clerk's Office.

3. Written notice of the proposed closing was given to the property owner in or abutting the public street, alley or way being closed; and

4. The property owner in or abutting the public street, alley or way being closed has given its written notarized consent to the closing and a copy of the written consent is attached hereto.

Accordingly, based upon the findings of fact herein, it is hereby ORDERED and ORDAINED that the public street, alley or way described herein is hereby CLOSED effective upon publication of this Ordinance. A copy of this Ordinance shall be filed of record in the Hopkins County Court Clerk's Office as required by KRS 82.405(2).

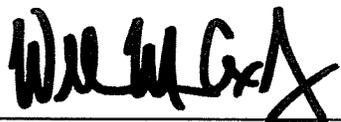
The foregoing Ordinance was read to and presented to a regular meeting of the City Council of Madisonville, Kentucky, for the first reading on the 16th day of August, 2010, and a second meeting on the 7th day of September, 2010. Motion was made by Councilperson Stone, seconded by Councilperson Myers, that the Ordinance be adopted as the law of the City of Madisonville, Kentucky, to be effective immediately upon publication thereof as required by law.

Upon vote being taken thereof, the votes were cast as follows:

COUNCILPERSONS	YEA	NAY	
Dallas Cunningham	___	___	Absent
Rudy Stone	<u>X</u>	___	
Nora Stewart	<u>X</u>	___	
Hannah Myers	<u>X</u>	___	
Bob Simmons	<u>X</u>	___	
Bill Smith	<u>X</u>	___	

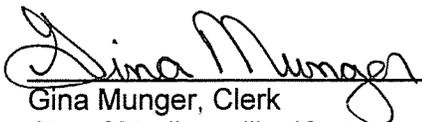
It appearing that all Councilpersons voted for the Motion and no Councilpersons voted against it, the Mayor announced that the Motion was carried and that the above Ordinance would be published as required by law and would be effective as a New Ordinance of the City of Madisonville, Kentucky, immediately upon publication thereof.

Dated this 7th day of September, 2010.

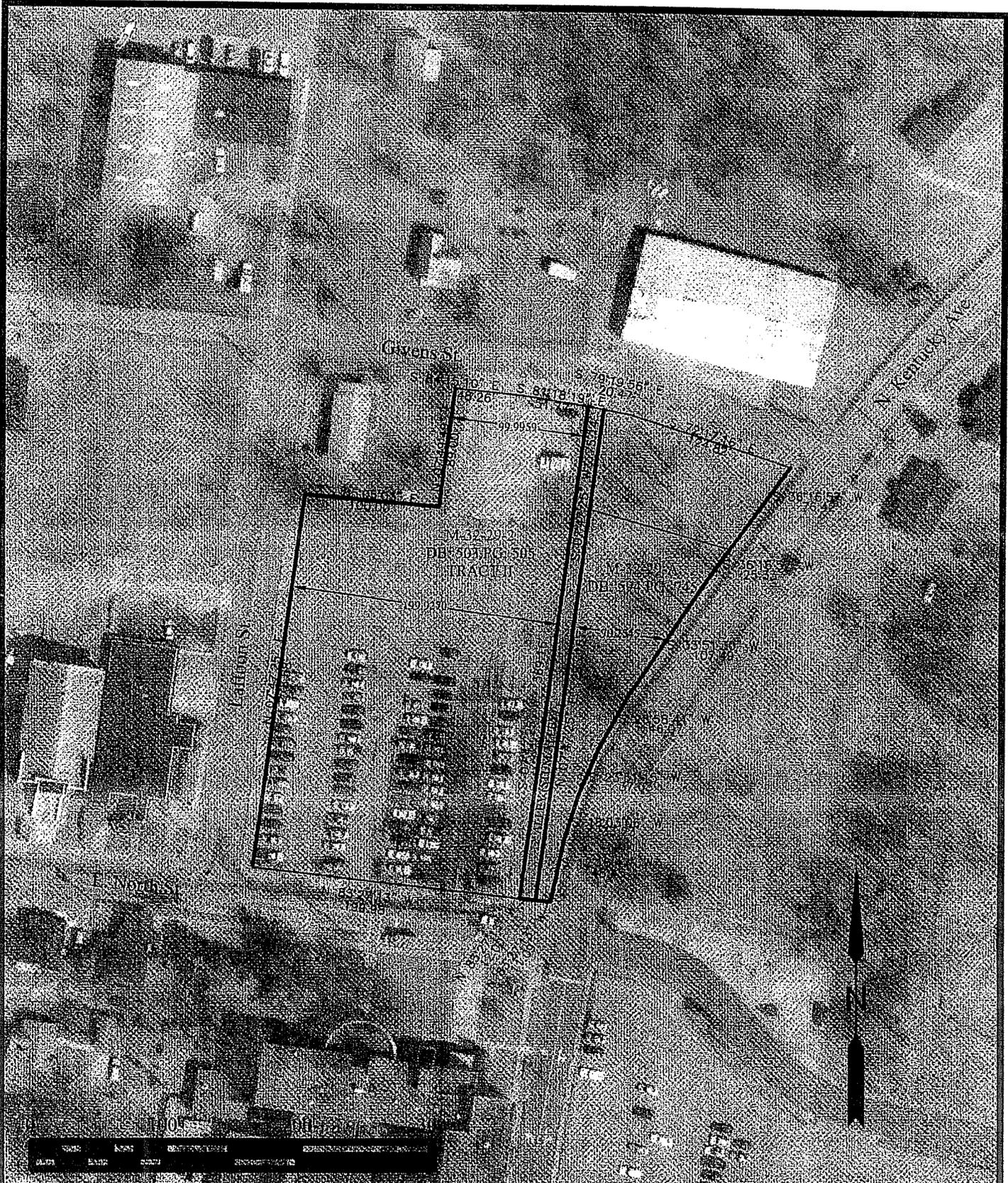


William M. Cox, Jr., Mayor
City of Madisonville, Kentucky

Attest:



Gina Munger, Clerk
City of Madisonville, Kentucky



ASSOCIATED ENGINEERS, INC.

ENGINEERS • GEOLOGISTS • SURVEYORS

Trover Health System

Property Exhibit for Alley Closing

Job Number:	10-0233	Revisions:	
Date:	7/30/2010		
Scale:	AS SHOWN		
Drawn By:	AFI		

2740 North Main St. • Madisonville, KY 42431
 Phone: (270) 821-7732 • Fax: (270) 821-7789

1001 Frederica St. • Owensboro, KY 42301
 Phone: (270) 684-8450 • Fax: (270) 684-8449

www.associatedengineers.com

RECEIPT AND CONSENT TO CLOSURE OF
PUBLIC STREET, ALLEY OR WAY

233

Trover Clinic Foundation, Inc., 900 Hospital Drive, Madisonville, Kentucky 42431, is the owner of certain parcels of real estate described in Deed Book 503, page 505 and Deed Book 594, page 745, Hopkins County Court Clerk's Office, which abut upon the following public street, alley or way described as follows:

A street, alley or way 12 feet in width known as "Stum Alley" running in a north-south direction from East North Street to Givens Street as shown on the Trover Health Systems plat prepared by Associated Engineers, Inc. attached herewith and incorporated herein by reference.

Upon the closing of the alley, the 12 foot strip shall revert to the property owner whose properties physically abut the alley, each receiving six (6) feet to the midpoint or center thereof.

Trover Clinic Foundation, Inc. hereby gives its written Consent to the closing of said public street, alley or way.

This 2ND day of August, 2010.

TROVER CLINIC FOUNDATION, INC.

By: [Signature] CHAEM, CHE, CHPA
Name: JACK A. MERRILL CHFM, CHE, CHPA
Title: DIRECTOR OF PLANT OPERATIONS

STATE OF KENTUCKY)
) SCT.
COUNTY OF HOPKINS)

The foregoing Receipt and Consent to Closing of Public Street, Alley or Way was executed, acknowledged and sworn to before me by Jack A. Merrill, a duly authorized representative of Trover Clinic Foundation, Inc., a person known to me or presenting sufficient evidence of his/her identification, on this the 2 day of August, 2010.

[Signature]
Notary Public, State at Large, KY
My Commission Expires: 9-4-2013

JAE.srp.City.2010.Ordinances.0802Trover.street.consent

#404144



2010010903
HOPKINS CO, KY FEE \$20.00
PRESENTED / LODGED: 09-13-2010 02:39 PM

RECORDED: 09-13-2010
DEVRA STECKLER
CLERK
BY: DONALD ETHRIDGE
DEEDS INDEXING

BK: DEED 694
PG: 230-233

CITY OF MADISONVILLE
ORDINANCE 2010- 05

AN ORDINANCE AUTHORIZING THE ACCEPTANCE OF A PUBLIC STREET,
ALLEY OR WAY AND AUTHORIZING THE CLOSING OF SAME

ORDINANCE SUMMARY

On September 7, 2010, the City of Madisonville adopted an Ordinance closing a 12 foot street, alley or way known as "Stum Alley" running in a north-south direction from East North Street to Givens Street, adjoining property owned by Trover Clinic Foundation. A copy of the entire Ordinance may be obtained from the Madisonville City Clerk.

CITY OF MADISONVILLE



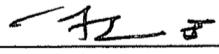
William M. Cox, Jr., Mayor

Attest:



Gina Munger, City Clerk

The foregoing Ordinance Summary
was prepared by:



Joe A. Evans III
Madisonville City Attorney

**IN THE MATTER OF AWARDING THE BID FOR A NEW
HYDRO-EXCAVATOR FOR THE WATER DEPARTMENT TO
DITCH WITCH TRENCHING CO. OF KY, INC. IN THE
AMOUNT OF \$60,400.00**

A motion was made by Council Member Smith, seconded by Council Member Stewart to award the bid for a new hydro-excavator for the Water Department to Ditch Witch Trenching Co. of KY, Inc. in the amount of \$60,400.00. Upon roll call all members voted "Aye."

No other bids received.

- 1st reading of an ordinance amending Chapter 96 of the Code of Ordinances of the City of Madisonville (relating to property tax)

**IN THE MATTER OF A RESOLUTION ADOPTING THE FEMA
APPROVED HOPKINS COUNTY FLOOD HAZARD
MITIGATION PLAN**

A motion was made by Council Member Simmons, seconded by Council Member Stone to adopt a resolution adopting the FEMA Approved Hopkins County Flood Hazard Mitigation Plan. Upon roll call all members voted "Aye."

**IN THE MATTER OF AUTHORIZING THE MAYOR TO ENTER
INTO AN AGREEMENT TO PURCHASE THE OAKWOOD
SEWAGE COMPANY SUBJECT TO NO CONSTRAINTS FROM
THE PUBLIC SERVICE COMMISSION**

A motion was made by Council Member Stewart, seconded by Council Member Smith to authorize the Mayor to enter into an Agreement to purchase the Oakwood Sewage Company subject to no constraints from the Public Service Commission. Upon roll call all members voted "Aye."

Minutes continued (Resolution and Agreement attached)

City of Madisonville, Kentucky

Resolution Number 2010- 09
Adoption of the FEMA Approved
Hopkins County Flood Hazard Mitigation Plan

WHEREAS, certain areas of the City of Madisonville, Kentucky, are subject to periodic flooding and other flooding hazards that have potential to cause damages to people and properties within the area; and

WHEREAS, the City of Madisonville desires to prepare and mitigate for such flooding hazards; and

WHEREAS, under the Disaster Mitigation Act of 2000, the United States Federal Emergency Management Agency (FEMA) requires that local jurisdictions have in place a FEMA-approved Hazard Mitigation Plan as a condition of receipt of certain future Federal mitigation funding after November 1, 2004; and

WHEREAS, the Hopkins County Flood Hazard Mitigation Plan was developed in addition to the existing Multi-Hazard Mitigation Plan prepared by the Pennyriple Area Development District, in accordance with the regulations of the Disaster Mitigation Act of 2000, and with the guidance provided by the Kentucky Division of Emergency Management and the Federal Emergency Management Agency; and

WHEREAS, to assist the county and cities in meeting this requirement, the Hopkins County Joint Planning Commission has facilitated the development of a multi-jurisdictional Flood Hazard Mitigation Plan covering member and non-member jurisdictions of the Hopkins County Joint Planning Commission including the City of Madisonville;

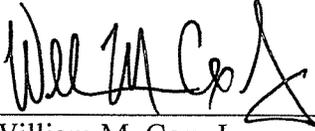
NOW, therefore, be it resolved, that the City of Madisonville hereby:

1. Adopts those portions of the Hopkins County Flood Hazard Mitigation Plan that pertain to the City of Madisonville, Kentucky; and
2. Vests the Hopkins County Joint Planning Commission with the responsibility and authority to:
 - a. Inform all concerned parties of this action;
 - b. Develop an addendum to the Flood Hazard Mitigation Plan if the situation warrants such an addendum after consultation with the City of Madisonville on that portion of the Plan that pertains to the City of Madisonville, Kentucky;
 - c. Oversee the development and incorporation of the Flood Hazard Mitigation Plan information into existing policies, procedures and community plans, including but not limited to the local comprehensive plan, after consultation with the City of Madisonville, Kentucky, on those portions of the plan that pertain to the City of Madisonville, Kentucky.
3. Appoints the Hopkins County Joint Planning Commission to assure that the Flood Hazard Mitigation Plan be reviewed according to the Plan Maintenance Procedures

in section 3.0 of the plan and that any needed adjustment to the plan be developed and presented to the City of Madisonville for consideration.

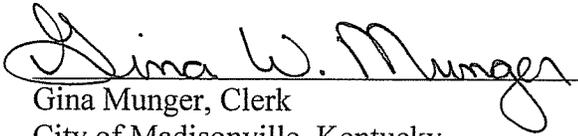
4. Agrees to consider any other official actions as may be reasonably necessary to carry out the objectives of the Hopkins County Flood Hazard Mitigation Plan for the City of Madisonville, Kentucky.

Adopted on September 7, 2010



William M. Cox, Jr.
Mayor, City of Madisonville, Kentucky

Attested by:



Gina Munger, Clerk
City of Madisonville, Kentucky

Date: September 7, 2010

AGREEMENT

THIS AGREEMENT is made and entered into by and between ROBERT E. OFFUTT d/b/a OAKWOOD SEWAGE COMPANY and the CITY OF MADISONVILLE on this 4 day of ^{Oct}~~June~~, 2010:

WITNESSETH: Robert E. Offutt is the sole owner and operator of Oakwood Sewage Company which operates a sanitary sewage treatment plant pursuant to KPDES Permit No. KY 0034053 providing sanitary sewer service to certain residents of Hopkins County; and

WHEREAS, the City of Madisonville is in the process of constructing and installing new sanitary sewer lines and facilities and is expanding its service area to areas currently serviced by Oakwood Sewage Company; and

WHEREAS, the City of Madisonville has agreed to purchase the facilities and operations of Oakwood Sewage Company upon the terms and conditions set forth herein;

NOW, THEREFORE, for and in consideration of the mutual promises and considerations set forth herein, the receipt and sufficiency of said consideration being hereby acknowledged, the parties with the intent to be legally bound do hereby contract and agree as follows:

1. Robert E. Offutt d/b/a Oakwood Sewage Company does hereby grant, bargain, sell, transfer and convey unto the City of Madisonville all sewer mains, sewer lines, manholes, sewer treatment plant, all easements and right-of-ways relating thereto, and all other licenses, permits, rights and privileges owned by Robert E. Offutt d/b/a Oakwood Sewage Company associated therewith, the approximate location of which is shown on Exhibit A attached hereto and incorporated herein by reference.

2. Robert E. Offutt d/b/a Oakwood Sewage Company represents and warrants unto the City of Madisonville that he is the sole owner of the property, easements, rights and privileges herein sold and conveyed to the City of Madisonville; that same are conveyed to the City of Madisonville free and clear of all liens and encumbrances; and that he has the legal right to sell, transfer and convey same to the City of Madisonville without the consent of any third party.

3. The purchase price for the property, easements, rights and privileges herein conveyed is \$30,000 with \$5,000 paid upon execution of this contract, the receipt of which is hereby acknowledged, with the balance of the purchase price without interest thereon being due and payable when the City of Madisonville takes possession of the facilities which will occur when the South Main Sewer Project 1B has been installed and is available for connections. Robert E. Offutt shall remain solely responsible for all operations, maintenance and environmental compliance of the system until the City of Madisonville takes possession; and Robert E. Offutt shall be entitled to receive all charges for sewer service until the City of Madisonville takes possession. Thereafter, the City of Madisonville shall be entitled to collect and receive all fees and charges associated with providing sanitary sewers to said customers. The City of Madisonville shall be responsible for connecting the existing system to the new facilities.

4. Upon execution hereof, Robert E. Offutt shall furnish to the City of Madisonville all records concerning sewer mains, sewer lines, manholes, easements, customer names, addresses, billing addresses and rate and fee schedules.

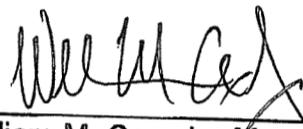
5. Robert E. Offutt shall disclose to the City of Madisonville all known problems and deficiencies in the existing system, and he will cooperate with the City of Madisonville on any and all matters required by the Kentucky Division of Water for a transfer of said facility and/or the permit relating thereto to the City of Madisonville. Once operation of the system has been transferred to the City of Madisonville, the City shall be responsible for removing the existing sewage treatment facility and reclaiming the property as required by law. Robert E. Offutt grants unto the City of Madisonville an easement to enter upon his property to remove said sewage treatment facility, to install a new sanitary sewer line and appurtenances, and to fully exercise the rights and privileges herein granted.

6. The City of Madisonville shall not be responsible for the payment of any debts or operating expenses of Robert E. Offutt d/b/a Oakwood Sewage Company.



Robert E. Offutt
d/b/a Oakwood Sewage Company

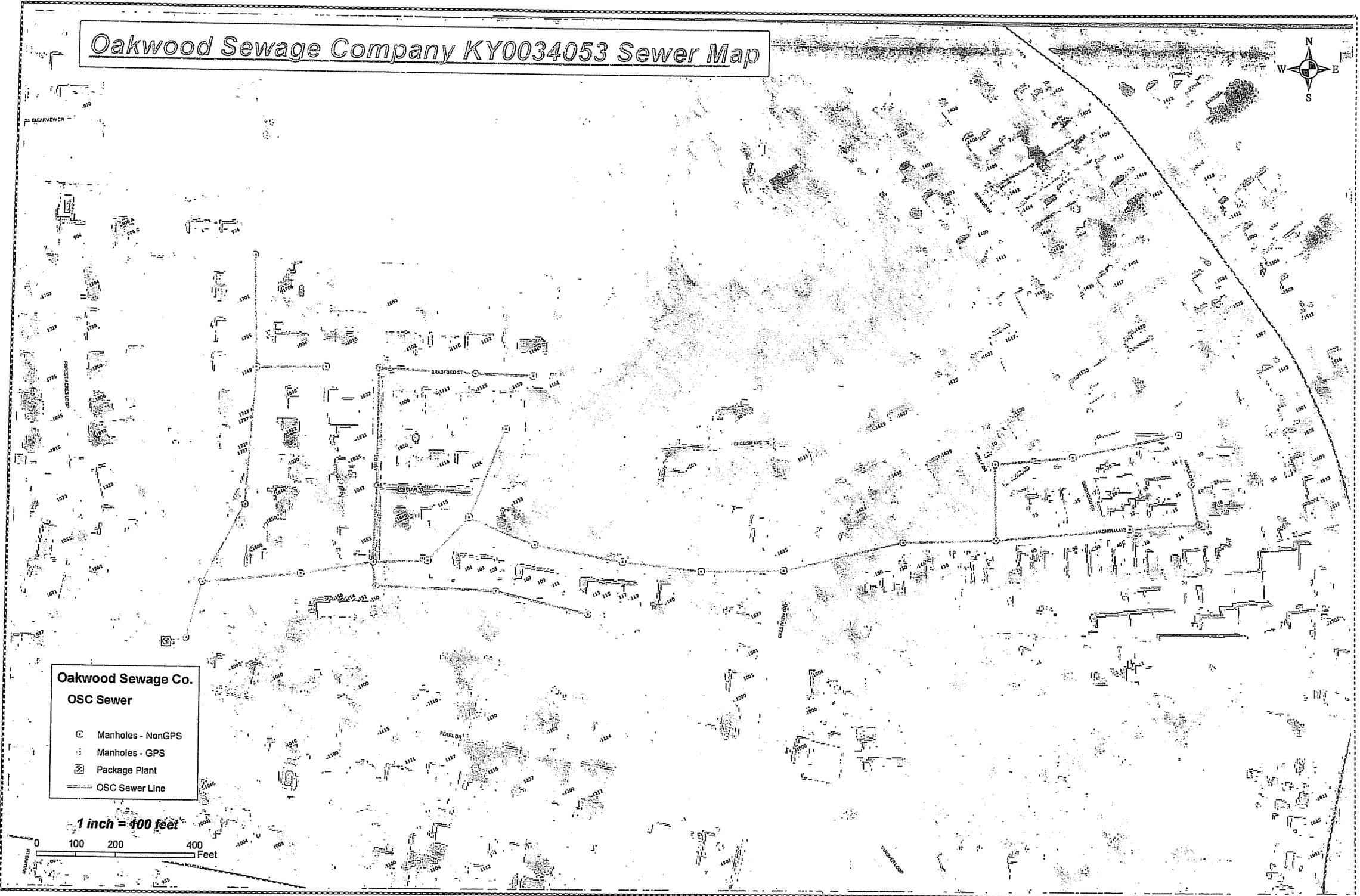
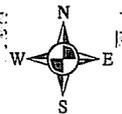
CITY OF MADISONVILLE

By: 

William M. Cox, Jr., Mayor

JAE.srp.City.2010.Agreements.0609Offutt.agreement

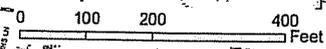
Oakwood Sewage Company KY0034053 Sewer Map



Oakwood Sewage Co.
OSC Sewer

-  Manholes - NonGPS
-  Manholes - GPS
-  Package Plant
-  OSC Sewer Line

1 inch = 400 feet



IN THE MATTER OF ALLOWING THE PURCHASE OF A NEW CASE 580SN LOADER BACKHOE FOR THE WASTE WATER COLLECTION DEPARTMENT FROM THE STATE BID CONTRACT IN THE AMOUNT OF \$73,814.35 WITH TRADE FROM DIAMOND EQUIPMENT, INC

A motion was made by Council Member Smith, seconded by Council Member Stewart to allow the purchase of a new Case 580sn Loader Backhoe for the Waste Water Collection Department from the state bid contract in the amount of \$73,814.35 with trade from Diamond Equipment, Inc. Upon roll call all members voted "Aye."

IN THE MATTER OF GRANTING PERMISSION TO MADCITY MOTORWORKS TO CLOSE SUGG STREET FROM MAIN STREET TO US BANK ENTRANCE, ON SEPTEMBER 11, 2010 FROM 3:00 PM TO 10:00 PM

A motion was made by Council Member Simmons, seconded by Council Member Stewart to grant permission to MadCity Motorworks to close Sugg Street from Main Street to US Bank entrance on September 11, 2010 from 3:00 pm to 10:00 pm. Upon roll call all members voted "Aye."

IN THE MATTER OF ESTABLISHING TRICK-OR-TREAT HOURS FOR HALLOWEEN IN THE CITY OF MADISONVILLE ON SATURDAY, OCTOBER 30, 2010 FROM 5:00 PM TO 8:00 PM

A motion was made by Council Member Stone, seconded by Council Member Stewart to establish Trick-Or-Treat hours for Halloween in the City of Madisonville on Saturday, October 30, 2010 from 5:00 p.m. to 8:00 p.m. Upon roll call all members voted "Aye."

IN THE MATTER OF DECLARING MISCELLANEOUS ITEMS AS SURPLUS FROM THE PARKS DEPARTMENT

A motion was made by Council Member Myers, seconded by Council Member Stone to declare miscellaneous items as surplus from the Parks Department. Upon roll call all members voted "Aye."

Minutes continued (surplus list attached)

Parks and Cemetery Dept. 2011 Surplus Auction

Parks Department:

Smithco Super Rake (bad engine)
3 Door Frigidaire Refrigerator (doesn't work)
36" Shop Fan (Bent blades)
Porter Cable (Compressor bad)
Energair 1 Air Compressor (Compressor weak)
Magnetek Centurion Swithless Motor 115 V 60 Cycle Pool Pump Motor
Magnum 750 Jacuzzi Pool Vacuum 115 V 60 Cycle Wagon Mounted
Squirrel Cage Blower Fan with 115 V Motor
5 6-Bladed 8" Reels for Jacobsen Fairway Mowers
5 Rt. Hand Jacobsen Fairway Mower Cases
5 Lt. Hand Jacobsen Fairway Mower Cases
2 Ton Floor Jack (doesn't work)
Delta Tool Box
Jacobsen Green Brush
2 Echo Weeders (don't run)
1 Set Textron 22" Turf Groomer
1 22" Push Mower (wheel adjustment broke)
1 Small Sandwich Cooler/refrigerator (doesn't work)
Pionex Elite Computer and Monitor
2 Lathem 8800 Time Clocks
Amano Pix-55 Time Clock

Cemetery Department:

Hamlin Hydraulic Lift 110 V 13.2 Amps, Maximum 800 lbs.
MVP Superlift 3 Ton Floor Jack
2.5 Ton Floor Jack

- Proclamation declaring September 11, 2010 as “American Diabetes Association’s Step Out: Walk to Fight Diabetes Day”
- Proclamation declaring September 25, 2010 as “Walk for Life Day”
- Scott Rogers, 522 Hodge, encouraged everyone to remember September 11 and all our hero’s.

IN THE MATTER OF ADJOURNMENT

A motion was made by Council Member Simmons, seconded by Council Member Stone, to adjourn until September 20, 2010 unless sooner called into extraordinary session. Upon roll call, all Council Members voted “Aye”.

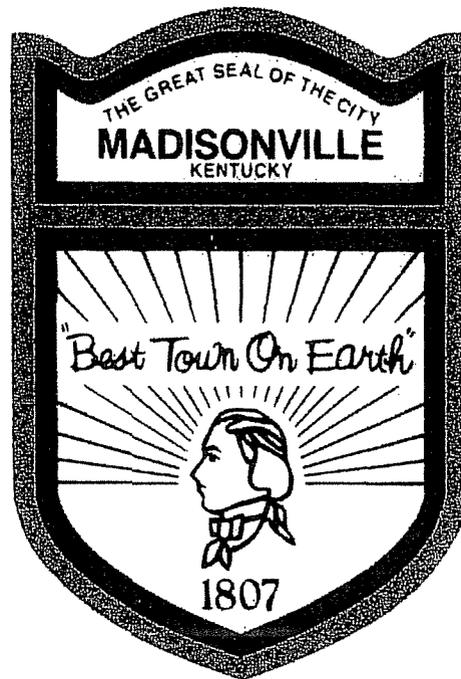
Adopted September 20, 2010

Attest: *Dina W. Munger*
City Clerk

Approved September 20, 2010

Will W. Cozart 9/21/2010
Mayor

CITY OF MADISONVILLE, KENTUCKY
MADISONVILLE, KENTUCKY
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2010



Issued by the
Finance Department
Cory C. Alexander, CPA
Finance Director

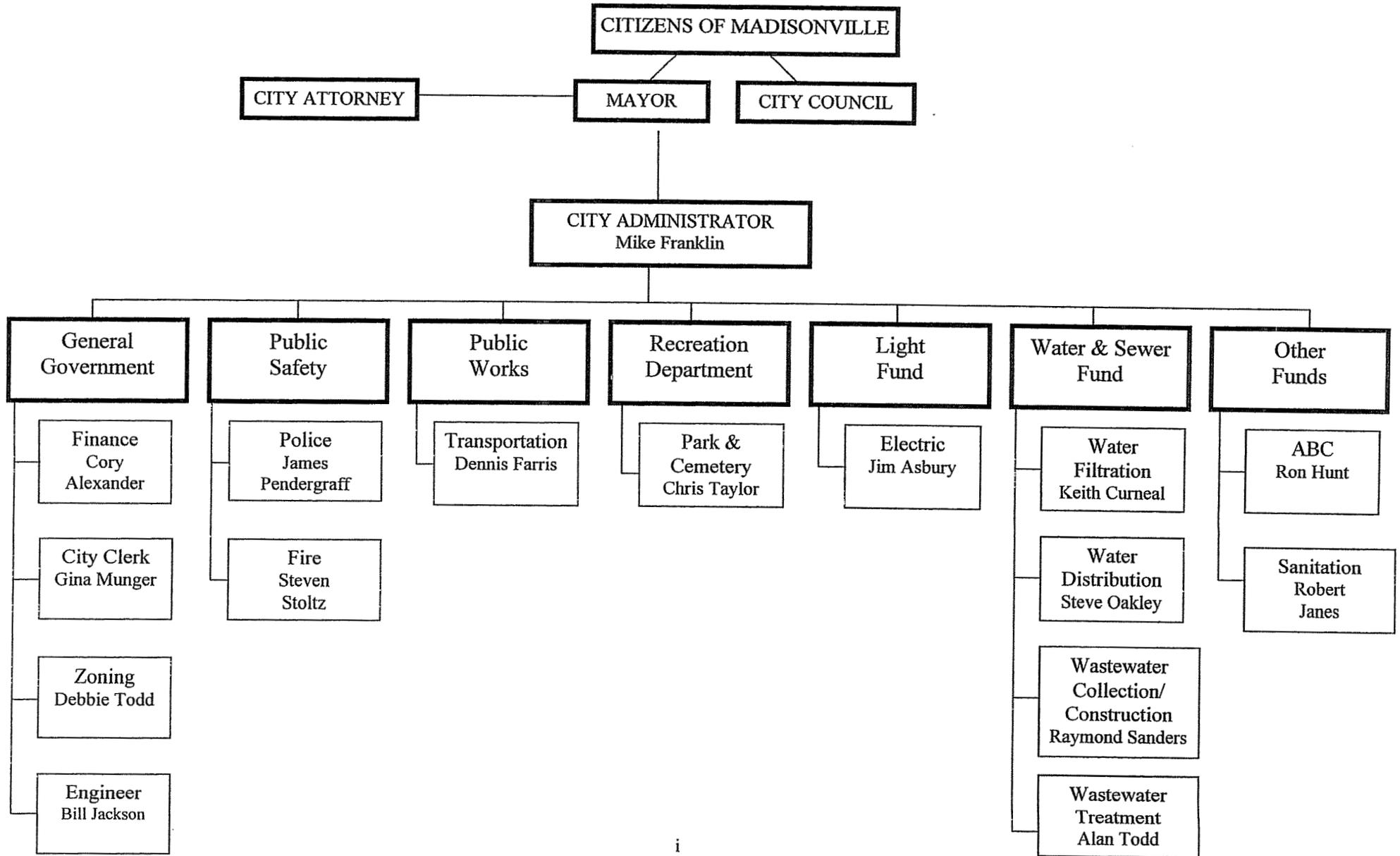
CITY OF MADISONVILLE, KENTUCKY

INTRODUCTORY SECTION



COMPREHENSIVE ANNUAL FINANCIAL REPORT

CITY OF MADISONVILLE, KENTUCKY
Organization Chart
 As of June 30, 2010



CITY OF MADISONVILLE

PRINCIPAL OFFICIALS

Elected Officials

William M. Cox, Jr.....Mayor
Dallas Cunningham.....Council Member Ward 1
Rudy Stone.....Council Member Ward 2
Nora Stewart.....Council Member Ward 3
Hanna Myers.....Council Member Ward 4
Bob Simmons (Chairman of the Council).....Council Member Ward 5
Bill Smith.....Council Member Ward 6

Department Heads

Bill Jackson.....City Engineer
Jim Asbury.....Electric Distribution
Ron Hunt.....Alcoholic Beverage Administrator
Keith Curneal.....Water Treatment
Dennis Farris.....Transportation
Chris Taylor.....Parks & Cemetery
James Pendergraft.....Police Chief
Mike Franklin.....City Administrator
Cory Alexander.....Finance Director
Gina Munger.....City Clerk/Treasurer
Steve Oakley.....Water Distribution
Raymond Sanders.....Wastewater Collection/Construction
Robert Janes.....Sanitation
Alan Todd.....Wastewater Treatment
Debbie Todd.....Planning & Zoning
Steven Stoltz.....Fire Chief

CITY OF MADISONVILLE, KENTUCKY
COMPREHENSIVE ANNUAL FINANCIAL REPORT
JUNE 30, 2010

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CITY OF MADISONVILLE

Cory C. Alexander, CPA
Finance Director

William M. Cox, Jr.
Mayor

December 6, 2010

To the Honorable Mayor William M. Cox, Jr.
and Members of the City Council
And to the Citizens of the City of Madisonville, Kentucky

We are pleased to submit the Comprehensive Annual Financial Report of the City of Madisonville for the fiscal year ended June 30, 2010. The purpose of the report is to provide the Mayor, City Council, City staff, citizens, our bondholders and other interested parties with useful information concerning the City's operations and financial position. Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rests with the City.

To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the City as measured by the financial activity of its various funds. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

Report Format

The Comprehensive Annual Financial Report is presented in four sections: introductory, financial, statistical, and compliance and internal control. The introductory section includes this transmittal letter, the City's organizational chart, a list of the principal officials and the table of contents. The financial section includes the auditor's opinion, Management's Discussion and Analysis (MD&A), the basic financial statements, notes to the financial statements, and detailed combining and individual fund financial statements and schedules. The statistical section includes selected financial and demographic information, generally presented on a multi-year basis. The compliance and internal control section contains the auditor's opinion on compliance and internal control required by *Government Auditing Standards*.

The transmittal letter is designed to complement the MD&A and should be read in conjunction with it. The MD&A is a narrative introduction, overview, and analysis to accompany the basic financial statements. The City of Madisonville's MD&A can be found immediately following the independent auditor's report.

PROFILE OF THE GOVERNMENT

Location

Madisonville is located in mid-central western Kentucky, within Hopkins County. Madisonville is a part of the Pennyryle Area Development District, which comprises a nine county area. It is situated 50 miles south of Evansville, Indiana and 100 miles north of Nashville, Tennessee. Madisonville is recognized as the retail, manufacturing, and health care center for the surrounding multi-county area in western Kentucky.

Long known as the "Heart of the Coal Fields," Madisonville is proud of its heritage, but in recent years has diversified and expanded its manufacturing and health care sectors to far exceed employment levels in coal and coal-related industries.

Form of Government and Organization

The City was incorporated in 1807 and is a municipal corporation governed by a Mayor/Council form of government. The City Council is comprised of six Council members, who enact local laws, determine policies, and adopt the annual budget. The Mayor is responsible for the daily management of the City.

The basic financial statements of the City include all governmental activities, organizations, and functions for which the City is financially accountable as defined by the GASB. The City organizes its financial activities in a variety of funds. In accordance with GASB Statement No. 14, the City's financial statements include all funds of the City ("primary government") as well as its component unit. The primary government represents all funds under the ultimate control of the Mayor and the City Council. Component units are separate legal entities. While legally separate, component units are part of the City government in substance. The City's financial statements would be misleading without incorporating component unit information. The Greater Madisonville Area Industrial Authority (GMAIA) is a discretely presented component unit in the City's financial statements.

Services Provided

The City provides a full range of services to its citizens. These services include police and fire protection, construction and maintenance of highways, streets and infrastructure, social services, cultural-recreational activities, public improvements, and general administrative services.

In addition to the general government activities, the City Municipal Utilities makes available electric, sanitation, wastewater collection and treatment, water filtration and water distribution services.

ECONOMIC CONDITION

Accounting System and Budgetary Control

The City's accounting records for general governmental operations are maintained on a modified accrual basis of accounting, in which revenues are recorded when available and measurable and expenditures are recorded when the services or goods are received and the liabilities are incurred. Accounting records for the proprietary activities are maintained on the accrual basis, in which revenues are recorded when earned and expenses are recorded when they are incurred.

The management of the City is responsible for establishing and maintaining an internal control structure designed to ensure: (1) assets of the City are protected from loss, theft or misuse; (2) adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles and for maintaining accountability for all assets; and (3) compliance with applicable Federal and State laws and regulations related to programs for which the City receives assistance. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefit likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

Compliance Audit

As a part of the City's audit described earlier, tests are made to determine the adequacy of the internal control structure, as well as to determine the City's compliance with applicable laws and regulations. The results of the City's audit for the fiscal year ended June 30, 2010, disclosed no instances of material weaknesses in the internal control structure.

Budgeting Controls

Prior to June 1 of each year, the Mayor submits a proposed budget to the City Council. This budget is reviewed by the City Council and is formally adopted by the passage of a budget ordinance prior to June 30 of each year. The City Finance Director has the authority to authorize the transfer of budgeted amounts between departments

within the same fund; however, any revisions that alter the total expenditures of any fund must be approved by the City Council. The appropriate measures were taken to adopt the budget by ordinance. Budget amendments are allowed by ordinance. Amendments require majority approval by the City Council.

The City maintains budgetary controls over revenues and expenditures. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the City Council. Activities of the General Fund, special revenue funds, and proprietary funds are included in the annual appropriated budget. The level of budgetary control at which expenditures cannot exceed the appropriated amount, is established by fund annually, by the City Council.

Budgetary control for all governmental fund types and proprietary funds are maintained at the subfunction level. Actual expenditures compared to budget are monitored monthly on a month-by-month and year-to-date basis.

As demonstrated by the statements and schedules included in the financial section of this report, the City continues to meet its responsibility for sound financial management. As with the financial section, all amounts presented in the remainder of this letter are expressed to the nearest dollar.

Economic Outlook and Financial Condition

Economic conditions are directly affected by the employment statistics. According to the Kentucky Office of Employment and Training, the unemployment rate for Hopkins County for June 2010 was 8.7%. This results from a small increase in civilian labor force as compared to a larger increase in total employment from the previous year.

The following chart depicts these statistics for comparison purposes. Please note that the civilian labor force includes non-military personnel who are employed or who are known to be looking for employment.

Total Employment and Unemployment
*Source: Office of Employment Training

Civilian Labor Force		Total Employment		Total Unemployment		Unemployment Rate	
2010	2009	2010	2009	2010	2009	2010	2009
23,628	23,333	21,565	20,910	2,063	2,423	8.7%	10.4%

The statewide rate of unemployment for June 2010 was 10.0%. The Hopkins County unemployment rate of 8.7% was slightly lower than the state average. With continued economic development efforts, we are hopeful that our employment numbers will improve.

Economic efforts continue to recruit new businesses and industry to Madisonville to create new jobs and area expansions. The revitalization of the coal industry in Hopkins County also promises to bring many new job opportunities to the area. The City of Madisonville is moving into the future.

Major Initiatives For the Year

The City is in the process of developing a twenty year master plan which includes five year incremental goals. The plan consists of projects that will require multiple and overlapping budgets to address.

The City of Madisonville continues to work with Federal and State authorities in the area of Homeland Security. City management realizes that the uncertainty that exists requires that we be diligent in our efforts to provide a safe community for our citizens.

Renovations were completed on the new City Hall building during the year. The facility is composed of two adjoining structures located at 67 and 77 N. Main Street. The 77 N. Main section was completed in July 2009

which allowed the Utility and Tax Offices to relocate there from 37 E. Center Street. The 24,000 square foot building offers many advantages that benefit the public and provides a more professional atmosphere for both taxpayers and employees.

A much needed sanitary sewer project continued during the year that will greatly impact the residents of the southern portion of the City. Once completed, the South Main Sewer Project will provide upgraded sewer services to 1,200 homes, including approximately 660 residents currently without service. Phase 1 of the project is near completion and is being funded by \$1.35 million of State funding and by \$200,000 from the Hopkins County Fiscal Court. Phase 2 of the project began during the year and is being funded by \$3,800,000 from the American Recovery and Reinvestment Act of 2009 (ARRA). The ARRA funding is being administered by the Kentucky Infrastructure Authority (KIA) and is composed of a principal forgiveness amount and a repayable loan portion. The principal amount that does not require repayment is \$1,979,800 and represents 52.1% of the project cost. The loan amount to be repaid is \$1,820,200 and represents 47.9% of project cost.

Community Development Initiatives

The Community Development Office continues its efforts of developing active and sustaining programs that help increase the quality of life for community residents. These efforts include maintaining the status of a certified Kentucky and National Main Street program, coordinating the ever popular Friday Night Live Summer Concert Series, providing support staff to the Historic District Commission, and working with other local organizations to offer special events such as "Kidapalooza". The Community Development Office also assists with public information efforts carried out by the City of Madisonville.

Additionally, department staff researches, writes, and administers grant funded projects that promote quality of service, safety, and added services for the community at-large. The Community Development Office also works as a liaison between federal or state agencies and the various city departments to ensure that all regulations are followed during grant-funded project implementation.

During the fiscal year ended June 30, 2010, the Community Development Office provided grant oversight, and assistance, to the following projects:

- Safe Routes to Schools - a 1/2 mile long sidewalk project along the Grapevine Road was completed that increases the safety for individuals in the area as they walk or bicycle to school and other recreational venues.
- South Main Sewer Project - worked continued with State officials and the Department for Local Government in the receipt of funds appropriated towards the sewer expansion project.
- KLC Safety Grant - managed grant funds in order to purchase supplies and equipment that increases the safety of city employees and the public at large.
- FEMA Related Activities - helped track expenses for federal and state reimbursement of federally declared disasters.

Economic Development Initiatives

Major recruiting efforts during this fiscal year ending June 30, 2010 have occurred. Major tools utilized by the Economic Development office included national visits, mass mailings, and mass marketing efforts, which communicate the benefits of relocating businesses and industries in Madisonville.

Recruiting efforts utilized "Madisonville expertise" from local business leaders, the Mayor, the Council, and other local influential residents and state leaders. Recruitment efforts included visits to businesses and industries across the United States where prospects might be located. These combined efforts from a variety of people have encouraged the economic outlook for the citizens of Madisonville. It is direct evidence that the community is working together.

The current administration has concentrated extensive time and efforts toward creating a line of communication between the City of Madisonville and prospective businesses and industries. In addition to the City's

participation, local business leaders maintain enthusiastic interest as well. Madisonville and Hopkins County is considered among the most recommendable areas for economic development in the Commonwealth of Kentucky. This accomplishment is due largely to the effective cooperation between the City and the community. This is a major step toward further economic growth for this area. Communication and cooperation is the key to the successful economic development of our community.

Business prospects continue to visit the thirty-two acre Island Park Industrial Complex. The park is the site of a 64,000 square foot spec building constructed by the Economic Development Corporation. This spec building has been shown to several potential industrial clients over the past year.

The Mayor, along with other community leaders, worked diligently to have the Breathitt Parkway (Pennyrile Parkway), which runs north/south along the east side of the City of Madisonville designated as the new Interstate 69 corridor. This will allow many new avenues of industry and commerce to the City.

Service Initiatives

The City of Madisonville continually strives to expand and improve existing services presently being provided to the highest quality service economically feasible to provide.

Infrastructure improvements within the Water and Sewer departments have continued during fiscal year 2010. A continual effort has been made to improve and increase the overall system capacity within the Sanitary Sewer and Water Systems in order to enhance development within the community.

The Sewer Department has continued to improve the wastewater collection system throughout the city. The Eastside Lift Station received many upgrades during the year that will improve reliability and efficiencies in the system. Work also continues on the Sewer Department's computer hydraulic model which will provide a means to better plan system maintenance and improvements.

The City's Water Distribution Department has been preparing for the future with the completion of a water distribution model. This model has allowed the City to identify locations for new elevated storage tanks and pump stations that will improve the level of service to our existing customers while allowing the City to better plan for our future customers.

The Electric Department continues to improve the reliability and capacity of the City's distribution system. The addition of supervisor controls and data acquisition (SCADA) equipment provides the department with much better system monitoring capabilities. The department has also replaced the older 4,000 volt electric system to the more modern and efficient 12,000 volt system.

During the year, both the Electric and Water Distribution Departments continued replacing their mechanical customer meters with Automated Meter Reading (AMR) meters. An AMR meter system allows the City to collect customer usage automatically with wireless electronic equipment. The AMR project greatly improves efficiencies of meter reading and customer billing.

Recent mandates from state and federal government have increased costs of the Sanitation Department. These increased costs have stimulated creative innovations in operations. The department continues to improve upon the routes for customer garbage pickup.

For the Future

The City's plan for the future entails continuing to provide consistent quality services to all citizens at the most efficient and effective level possible. Past annexations continue to have a positive impact upon the growth, while continuing to provide the City with significant funding challenges. To maintain the current level of services to existing areas and add services to the newly annexed areas, the City must explore new methods of obtaining financial resources necessary in maintaining quality services.

During the year, the City received a generous bequeath from the estate of Mrs. Glema Mahr. The gift consisted of a 265-acre farm located in the Southeast quadrant of Madisonville. As part of the gift, the City is also the beneficiary of the Mahr Park Charitable Trust. The trust will assist the City in constructing and maintaining the new park on a cost reimbursement basis. Ultimately, the Mahr property will balance out the community's park land, as it is located on the opposite side of town from the existing park. Development of the Mahr Park will take several years and will benefit the citizens for generations to come.

The new year will include the completion of several projects, improvements of sewer and water lines, improvements to the electrical service lines, continued economic development efforts, improved efficiency in solid waste collection and disposal, continued quality police and fire service, maintenance and improvements to streets and sidewalks, and maintenance and extension of all services to all citizens of Madisonville.

The major projects for the fiscal year ending June 30, 2011 are as follows:

- Continue the upgrade to Automated Meter Reading (AMR) meters
- South Main Sewer Project
- North Pressure Zone Project
- South Main Sidewalks Project

Cash Management

General Fund cash temporarily idle during the year was invested in interest bearing demand deposits. During the current fiscal year, the amount of interest received was \$1,830. This represents a decrease of \$3,151 from interest earned on temporary investments in the previous fiscal year. This decrease can be attributed to a decrease in the amount of deposits invested during fiscal year 2009-2010 and declining interest rates.

Debt Administration

On May 11, 2001, the City borrowed \$450,000 from the Kentucky Area Development Districts Financing Trust for economic development purposes. The note bears interest at 4.76% per annum. The annual payments of \$58,950 began November 20, 2001 and continue through May 20, 2011.

The City was awarded a \$15,618,294 Capitalization Grant Loan from the Kentucky Infrastructure Authority (KIA) to finance construction costs of the new Wastewater Treatment Facility. This grant bears interest of 2.6% and also has an administration fee of 0.2% on the unpaid principal. The payments began June 1, 1997 and go through December 1, 2016. The semi-annual payments include both principal and interest and the administration fee imposed by the KIA.

On January 19, 2005, the City borrowed \$2,000,000 from the Kentucky League of Cities to finance the construction of an electric substation. The note bears interest at 3.305% per annum with the Kentucky League of Cities charging an additional 2.9% servicing fee.

On August 19, 2005, the City entered into a capital lease agreement with BB&T to purchase a Mack Granite truck for the Sanitation Department. The lease requires a monthly lease payment of \$2,052 and bears interest at 3.82% per annum.

On August 20, 2005, the City entered into a capital lease agreement with BB&T to purchase a Freightliner truck for the Sanitation Department. The lease requires a monthly lease payment of \$2,438 and bears interest at

3.98% per annum.

On November 23, 2005, the City entered into a capital lease agreement with Kansas State Bank to purchase a New Holland excavator for the Wastewater Collection Department. The lease requires annual payments of \$22,739 and bears interest at 4.99% per annum.

On July 17, 2006, the City entered into a capital lease agreement with Old National Bank to purchase an Elgin street sweeper for the Transportation Department. The lease requires quarterly payments of \$15,777 and bears interest at 4.74% per annum.

On May 31, 2007, the City borrowed \$750,000 from Old National Bank for the purchase of a new City Hall building. On December 11, 2007 the City refinanced this loan into a lease for the new City Hall building and building renovations in the amount of \$1,030,000. The lease calls for monthly payments of \$6,581 and bears interest at 4.55% per annum. The monthly payments began on July 5, 2007 and continue through December 11, 2027.

On September 14, 2007, the City entered into a capital lease agreement with AgriCredit to purchase a Case backhoe for the Transportation Department. The lease requires annual payments of \$23,436 and bears interest at 5.06% per annum.

On October 15, 2007, the City entered into a capital lease agreement with Old National Bank to purchase a Hyundai excavator for the Transportation Department. The lease requires annual payments of \$52,459 and bears interest at 4.3% per annum.

On October 15, 2007, the City entered into a capital lease agreement with Old National Bank to purchase a Case backhoe for the Water Department. The lease requires annual payments of \$26,787 and bears interest at 4.3% per annum.

On April 22, 2008, the City issued \$3,210,000 of Water and Sewer Refunding Revenue Bonds Series 2008 to defease the outstanding Water and Sewer Revenue Bonds Series 1997. The bonds maintain a stated interest rate varying between 2% and 3% per annum with interest payments falling on March 1 and September 1 with September 1 being the stated principal payment date.

On June 8, 2008, the City borrowed \$360,000 from Old National Bank to refinance a previous line of credit with Old National Bank. The loan calls for monthly payments of fixed principal in the amount of \$6,000 and bears interest at 3.55% per annum.

On September 12, 2008, the City entered into a capital lease agreement with Old National Bank to purchase two Mack garbage trucks for the Sanitation Department. The lease requires annual payments of \$61,213 and bears interest at 4.05% per annum.

On November 6, 2008, the City borrowed \$1,500,000 from the Kentucky League of Cities to finance the purchase of automated meter reading water meters for the Water and Sewer system. The note bears interest at 2.43% per annum with the Kentucky League of Cities charging an additional 2.7% servicing fee.

On March 13, 2009 the City entered into a capital lease agreement with Old National Bank to purchase an International bucket truck for the Light Department. The lease requires annual payments of \$37,291 and bears interest at 4.56% per annum.

On February 3, 2010, the City entered into a capital lease agreement with Old National Bank to purchase a Grapple truck for the Sanitation Department. The lease requires monthly lease payments of \$3,085 and bears interest at 3.45% per annum.

On April 30, 2010, the City entered into a capital lease agreement with First United Bank to purchase a Ferrara fire truck for the Fire Department. The lease requires monthly lease payments of \$7,722 and bears interest at 4.20% per annum.

Pension Trust Fund

The City maintains a single employer, defined benefit pension plan (Policemen and Firefighters Pension Fund) that covers public safety employees employed prior to February 1, 1988, and who elected to continue participation in the plan. The Policemen and Firefighters Pension Fund was established March 5, 1943. The purpose of the plan is to provide benefits for retiring personnel and widows of the Police and Fire Department personnel. During the year ended June 30, 2010, the Trust Fund experienced a decrease in plan net assets of \$337,226 primarily related to retirement benefits paid in excess of contributions and earnings. Total net assets held in trust for pension benefits were \$805,239. Total actuarially determined liabilities per our actuarial valuation as of July 1, 2009 were \$5,430,751.

The City also participates in the County Employees Retirement System, a multiple-employer, cost sharing public employee pension plan that covers all of the employees hired after February 1, 1988, and those employees electing participation under the plan and who were employed prior to February 1, 1988. The City became a participant in the County Employees Retirement System (CERS) by Council ordinance on January 18, 1988. CERS is administered by the Kentucky Retirement Systems Board of Trustees pursuant to the Kentucky Revised Statutes (KRS) 78.510-78.852.

Risk Management

The City has an active safety committee that has the responsibility of reducing the risk in the work environment. The safety committee reviews all City departmental activities, analyzes the risk factors involved and makes recommendations upon necessary improvements in reducing the risk in the performance of various work related tasks. Proper utilization of risk management can reduce and control cost factors associated with risks faced by each city employee.

The City is self-insured for health insurance claims up to a maximum coverage up to \$75,000 per employee per annum. Claims in excess of the self-insured amount are covered through the reinsurance policy purchased through HCC Life Insurance Company. The aggregate annual claims exposure for the plan year ending June 30, 2010 was \$1,950,873. Meritain Health serves as the City's third party administrator for the plan. The plan is accounted for as an internal service fund.

The City is a participant in the Kentucky Municipal Risk Management Association (KMRMA). This association purchases reinsurance on a group basis for member governments relating to workmen's compensation insurance. The City is self-insured against claims up to a maximum of \$75,000 per accident or \$75,000 per employee. Claims in excess of the self-insured amounts are covered through the reinsurance policy purchased through the KMRMA. The plan is accounted for as an internal service fund.

AWARDS AND ACKNOWLEDGEMENTS

Independent Audit

State statutes require an annual audit by independent certified public accountants. The accounting firm of Berry & Kington, PSC was selected by the City Council for the year ended June 30, 2010. The auditor's report on the City's financial statements is included in the financial section of this report. The auditor's reports related specifically to the compliance and internal audit are included in the compliance and internal control section.

Certificate of Achievement

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Madisonville for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2009. The Certificate of Achievement is a

prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports. In order to be awarded a Certificate of Achievement, the City must publish an easily readable and efficiently organized Comprehensive Annual Financial Report (CAFR), whose contents conform to program standards. Such a Comprehensive Annual Financial Report must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. The City of Madisonville has received a Certificate of Achievement for the last 27 consecutive years, (fiscal years ended 1983-2009). We believe that our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to the GFOA.

Acknowledgments

The preparation of this report on a timely basis could not have been accomplished without the efficient and dedicated services of the entire staff of the Finance Department. Appreciation is expressed to City employees throughout the organization, especially those employees who were instrumental in the successful completion of this report.

We would like to thank the Mayor and the members of the City Council for their interest and support in planning and conducting the financial operation of the City in a responsible and progressive manner.

Respectfully submitted,

A handwritten signature in black ink that reads "Cory C. Alexander CPA". The signature is written in a cursive style with the letters "C", "A", and "P" being particularly prominent.

Cory C. Alexander, CPA
Finance Director

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Madisonville
Kentucky

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2009

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



A stylized, handwritten signature in black ink.

President

A handwritten signature in black ink, appearing to read "Jeffrey R. Emmer".

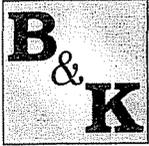
Executive Director

CITY OF MADISONVILLE, KENTUCKY

FINANCIAL SECTION



COMPREHENSIVE ANNUAL FINANCIAL REPORT



BERRY & KINGTON, PSC
CERTIFIED PUBLIC ACCOUNTANTS

2822 North Main Street
Madisonville, KY 42431
Phone: 270-821-3355
Fax: 270-821-0101
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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor William M. Cox, Jr.
and Members of the City Council
City of Madisonville, Kentucky

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

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

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

In accordance with *Government Auditing Standards*, we have also issued a report dated December 6, 2010, on our consideration of the City of Madisonville, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 12 and 53 through 54, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

Berry & Kingston PSC
Madisonville, Kentucky
December 6, 2010

**CITY OF MADISONVILLE, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2010
(UNAUDITED)**

As management of the City of Madisonville, Kentucky we offer readers of the City's financial statement this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2010. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found in the Introductory Section of this report. For the fiscal year ended June 30, 2010, the City of Madisonville has prepared the financial statements based on the guidelines provided in Governmental Accounting Standards Board (GASB) Statement No. 34.

FINANCIAL HIGHLIGHTS

- The assets of the City of Madisonville exceeded its liabilities at the close of the 2010 fiscal year by \$74,125,815 (Net assets). Of this amount, \$11,313,368 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors in accordance with the City's fund designation and fiscal policies.
- The City's total net assets increased by \$7,057,824. Governmental activities increased the City's net assets by \$1,067,846 and business-type activities increased the City's net assets by \$5,989,978.
- As of June 30, 2010, the City's governmental funds reported combined fund balances of \$3,973,868. Over 97% of this total amount or \$3,873,890 is unreserved and available for the discrete purposes for which these funds are collected.
- As of June 30, 2010, unreserved fund balance for the General Fund was \$3,343,869 or 19% of total general fund expenditures.
- The City's total long-term bond and note liability decreased by \$4,458,266 from the prior year.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements – The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to private-sector business.

The Statement of Net Assets presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities presents information showing how the City's net assets changed during the fiscal year. All changes in net assets are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in the future fiscal periods (e.g., uncollected taxes and earned but unused compensated absences).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, transportation, recreation, health and welfare, and cemetery. The business-type activities of the City include electric distribution, water and sewer services, and sanitation services. The government-wide financial statements can be found on pages 13-14 of this report.

The government-wide financial statements include not only the City of Madisonville (known as the primary government), but also a legally separate entity for which the City is accountable. For the City of Madisonville, the component unit is included in the basic financial statements of the City, and consists of a legally separate entity for which the City is financially accountable (discretely presented component unit). The Greater Madisonville Area Industrial Authority (GMAIA) is a discretely presented component unit.

Fund financial statements – A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories – governmental funds, proprietary funds, and fiduciary funds.

Governmental funds – Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current sources and uses of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City of Madisonville maintains eight individual governmental funds. Information is presented separately in the Governmental Fund Balance Sheet and in the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances for the General Fund and Airport Special Revenue Fund which are considered to be major funds. Data from the other six funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report. The basic governmental funds financial statements can be found on pages 15-18.

Proprietary Funds – The City of Madisonville maintains two types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its light, water and sewer, and sanitation operations. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses its internal service funds to account for workmen's compensation and health and life insurance. Because these services predominately benefit both governmental and business-type functions, they have been allocated to governmental and business-type activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Light Fund and Water and Sewer Fund since both are considered to be major funds of the City. Because the Sanitation Fund is the only remaining enterprise fund, it is being presented as a major fund even though it does not meet the criteria of a major

fund established in Governmental Accounting Standards Board (GASB) Statement No. 34. All internal service funds are combined into a single aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of combining statements elsewhere in this report. The basic proprietary fund financial statements can be found on pages 19-21 of this report.

Fiduciary Funds – Fiduciary funds are used to account for resources held for the benefit of parties outside of the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the programs of the City. The fiduciary fund financial statements can be found on pages 22-23 of this report.

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 24-53.

Other Information – In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information which can be found on pages 54-55. The combining statements referred to earlier in connection with non-major governmental funds are presented following the required supplementary information. Combining and individual fund statements and schedules can be found on pages 56-93 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a government’s financial position. In the case of the City, assets exceeded liabilities by \$74,125,815 as of June 30, 2010.

CITY OF MADISONVILLE’S NET ASSETS

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
Current and other assets	\$ 6,241,781	\$ 6,899,832	\$ 18,247,389	\$ 17,831,795	\$ 24,489,170	\$ 24,731,627
Capital assets	<u>28,485,519</u>	<u>26,628,333</u>	<u>55,925,625</u>	<u>54,850,459</u>	<u>84,411,144</u>	<u>81,478,792</u>
Total Assets	<u>34,727,300</u>	<u>33,528,165</u>	<u>74,173,014</u>	<u>72,682,254</u>	<u>108,900,314</u>	<u>106,210,419</u>
Current and other liabilities	1,660,336	2,117,537	8,610,244	10,283,017	10,270,580	12,400,554
Long-term liabilities	<u>2,811,321</u>	<u>2,222,831</u>	<u>21,692,598</u>	<u>24,519,043</u>	<u>24,503,919</u>	<u>26,741,874</u>
Total Liabilities	<u>4,471,657</u>	<u>4,340,368</u>	<u>30,302,842</u>	<u>34,802,060</u>	<u>34,774,499</u>	<u>39,142,428</u>
Net Assets:						
Invested in capital assets, net of related debt	26,862,566	25,402,830	32,485,434	30,319,313	59,348,000	55,722,143
Restricted	-	-	3,464,447	3,513,018	3,464,447	3,513,018
Unrestricted	<u>3,393,077</u>	<u>3,784,967</u>	<u>7,920,291</u>	<u>4,047,863</u>	<u>11,313,368</u>	<u>7,832,830</u>
Total Net Assets	<u>\$ 30,255,643</u>	<u>\$ 29,187,797</u>	<u>\$ 43,870,172</u>	<u>\$ 37,880,194</u>	<u>\$ 74,125,815</u>	<u>\$ 67,067,991</u>

The largest portion of the City’s net assets (80%) reflects its investments in capital assets (e.g., land and construction in progress, buildings, plants and facilities, machinery and equipment, system studies and mapping and infrastructure), less any debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City’s investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net assets (5%) represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets \$11,313,368 may be used to meet the government's ongoing obligation to citizens and creditors.

As of June 30, 2010, the City is able to report positive balances in all three categories of net assets for both governmental and business-type activities.

Analysis of the City's Operations – Overall the City had an increase in net assets of \$7,057,824.

Governmental Activities: Governmental activities increased the net assets by \$1,067,846. The primary reason for the increase in net assets for governmental activities is due to growth in tax revenues and the continuance of grants.

Total revenues for governmental activities decreased from the prior year by \$464,128. Charges for services increased \$570,653 primarily due to the City's self insured workers compensation and health care trust funds. The trust funds had revenues of \$2,862,851 for the current year. Operating grants and contributions decreased \$480,709 from the prior year. Capital grants and contributions decreased \$1,144,153 for the year ended June 30, 2010. However, total tax revenue increased by \$328,699 over the prior fiscal year.

Governmental activities are supported by program revenues such as charges for services, operating and capital grants and contributions. Additionally, general revenues, miscellaneous revenues, and transfers cover any net expense after program specific revenues are applied. During the fiscal year ended June 30, 2010, the City primarily relied upon tax revenues and transfers for funding governmental activities.

Business-type Activities: Net assets from business-type activities increased by \$5,989,978. The increase is attributable to charges for services in excess of operating expenses and increases in grant income in the utility funds.

Total revenues for business-type activities increased from the prior year by \$3,095,196. Service revenues had an increase of \$2,982,384 due to increases in water and sewer revenues along with increases in electric revenues. The primary reason for the increase in water and sewer revenues can be attributed to an increase in wholesale water and sewer sales. The installation of electronic meters has also contributed to more accurate billing in water and sewer consumption. Program revenues also experienced a \$97,020 increase in grant revenues over the prior year. The increase in grant income is attributable to funds received for the South Main Sewer Interceptor Project. Investment income decreased \$17,598 for the current year due to an overall decrease in investment yields and lower amount of funds invested throughout the year.

Business-type activities are supported by charges for services and capital grants and contributions. During the fiscal year ended June 30, 2010, the City relied on charges for services for funding business-type activities.

The following table provides a summary of the City's operations for the year ended June 30, 2010.

CITY OF MADISONVILLE'S CHANGES IN NET ASSETS

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Revenues						
<i>Program Revenues:</i>						
Charges for services	\$ 3,276,486	\$ 2,705,833	\$ 36,127,207	\$ 33,144,823	\$ 39,403,693	\$ 35,850,656
Operating grants and contributions	570,590	1,051,299	214,629	2,013,181	785,219	3,064,480
Capital grants and contributions	3,354,398	4,498,551	2,124,480	228,908	5,478,878	4,727,459
<i>General Revenues:</i>						
Occupational taxes	6,738,628	6,621,517	-	-	6,738,628	6,621,517
Property taxes	1,592,903	1,527,361	-	-	1,592,903	1,527,361
Insurance premium tax	2,156,802	1,985,886	-	-	2,156,802	1,985,886
Alcoholic beverage tax	273,573	281,946	-	-	273,573	281,946
Emergency telephone	254,178	230,361	-	-	254,178	230,361
Franchise and other taxes	454,664	494,978	-	-	454,664	494,978
Investment income	11,439	16,748	124,989	142,587	136,428	159,335
Miscellaneous	463,406	236,149	-	-	463,406	236,149
Gain (loss) on disposal of capital assets	4,543	(34,891)	41,390	8,000	45,933	(26,891)
Total Revenues	<u>19,151,610</u>	<u>19,615,738</u>	<u>38,632,695</u>	<u>35,537,499</u>	<u>57,784,305</u>	<u>55,153,237</u>
<i>Expenses:</i>						
General government	6,000,497	4,384,690	-	-	6,000,497	4,384,690
Public safety	10,075,146	9,840,819	-	-	10,075,146	9,840,819
Transportation	3,188,030	3,141,778	-	-	3,188,030	3,141,778
Recreation	749,624	742,007	-	-	749,624	742,007
Health and welfare	784,598	758,481	-	-	784,598	758,481
Cemetery	308,537	290,566	-	-	308,537	290,566
Interest on long-term debt	57,332	63,625	-	-	57,332	63,625
Electric distribution	-	-	19,303,762	19,459,624	19,303,762	19,459,624
Water and sewer services	-	-	8,405,804	8,372,117	8,405,804	8,372,117
Sanitation services	-	-	1,933,151	2,151,803	1,933,151	2,151,803
Total Expenses	<u>21,163,764</u>	<u>19,221,966</u>	<u>29,642,717</u>	<u>29,983,544</u>	<u>50,806,481</u>	<u>49,205,510</u>
Increase (decrease) in net assets before transfers	(2,012,154)	393,772	8,989,978	5,553,955	6,977,824	5,947,727
Transfers	<u>3,080,000</u>	<u>3,180,000</u>	<u>(3,000,000)</u>	<u>(3,000,000)</u>	<u>80,000</u>	<u>180,000</u>
Change in net assets	1,067,846	3,573,772	5,989,978	2,553,955	7,057,824	6,127,727
Net assets - July 1	<u>29,187,797</u>	<u>25,614,025</u>	<u>37,880,194</u>	<u>35,326,239</u>	<u>67,067,991</u>	<u>60,940,264</u>
Net assets - June 30	<u>\$ 30,255,643</u>	<u>\$ 29,187,797</u>	<u>\$ 43,870,172</u>	<u>\$ 37,880,194</u>	<u>\$ 74,125,815</u>	<u>\$ 67,067,991</u>

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

Governmental funds – The focus of the City of Madisonville's governmental funds is to provide information on the near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financial requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At June 30, 2010, the City's governmental funds reported combined ending fund balances of \$3,973,868. Approximately 97% of this total amount \$3,873,890 constitutes unreserved fund balance. The remainder of the fund balance is reserved to indicate that it is not available for new spending because it has already been committed to provide for materials, supplies and prepaid items.

Major Governmental Fund

The General Fund is the general operating fund of the City. As of June 30, 2010, the unreserved fund balance in the General Fund was \$3,343,869. The City's fund balance in the General Fund decreased by \$133,925.

The following provides an explanation of revenues by source that changed significantly from the prior year:

Revenues Classified by Source General Fund - Revenues by Source

Revenues by Source	2010		2009		Increase/(Decrease)	
	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent Change
Taxes						
Occupational	\$ 6,738,628	37.76	\$ 6,621,517	40.50	\$ 117,111	1.77
Insurance premiums	2,156,802	12.09	1,985,886	12.15	170,916	8.61
Property	1,592,903	8.93	1,527,361	9.34	65,542	4.29
Franchise	454,665	2.55	494,979	3.03	(40,314)	(8.14)
Police/Fire incentive	416,473	2.33	383,863	2.35	32,610	8.50
Grant income	315,395	1.77	579,090	3.54	(263,695)	(45.54)
Miscellaneous	159,280	0.89	152,062	0.93	7,218	4.75
Contributions	1,542,500	8.65	400,770	2.45	1,141,730	284.88
Recreational fees	189,284	1.06	190,631	1.17	(1,347)	(0.71)
Cemetery revenues	69,225	0.39	62,575	0.38	6,650	10.63
Police fines and base court	112,247	0.63	120,870	0.74	(8,623)	(7.13)
Rental income	20,147	0.11	80,844	0.49	(60,697)	(75.08)
Investment income	1,830	0.01	4,981	0.03	(3,151)	(63.26)
Total revenues	13,769,379	77.17	12,605,429	77.10	1,163,950	9.23
Transfers in - primary government	3,420,000	19.17	3,449,656	21.10	(29,656)	(0.86)
Transfers in - component unit	80,000	0.45	180,000	1.10	(100,000)	(56)
Issuance of debt	559,947	3.14	-	-	559,947	-
Sale of capital assets	12,115	0.07	115,063	0.70	(102,948)	(89.47)
Total revenues and other financing sources	<u>\$ 17,841,441</u>	<u>100.00</u>	<u>\$ 16,350,148</u>	<u>100.00</u>	<u>\$ 1,491,293</u>	<u>9.12</u>

- Insurance premiums increased by \$170,916 or 8.61% due to an increase in insurance policies in force. This is a revenue item that fluctuates from year-to-year.
- Grant income decreased by \$263,695 or 45.54% due to the assistance provided by FEMA related to the Ice Storm and other federally declared disasters in the prior year.
- Contributions increased by \$1,141,730 or 284.88% due to the donation of the Mahr Farm and the Badgett Regional Center for Educational Enhancement to the City.
- Rental income decreased by \$60,697 or 75.08% due to the City moving into the north section of City Hall that had been rented out in the prior year.
- Issuance of debt increased by \$559,947 due to the financing of a new ladder truck for the Fire Department.

The following provides an explanation of expenditures by function that changed significantly from the prior year:

**Expenditures by Function
General Fund - Expenditures by Function**

Expenditures by Function	2010		2009		Increase/(Decrease)	
	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent Change
Public safety	\$ 9,360,396	52.07	\$ 8,980,685	56.50	\$ 379,711	4.23
General government	2,176,313	12.11	2,125,794	13.37	50,519	2.38
Transportation	1,806,323	10.05	1,775,141	11.17	31,182	1.76
Health and welfare	784,598	4.36	758,481	4.77	26,117	3.44
Parks and recreation	645,383	3.59	627,309	3.95	18,074	2.88
Cemetery	299,065	1.66	272,715	1.72	26,350	9.66
Capital outlay	2,654,858	14.77	962,090	6.04	1,692,768	175.95
Debt service	219,830	1.22	276,456	1.74	(56,626)	(20.48)
Total expenditures	17,946,766	99.83	15,778,671	99.26	2,168,095	13.74
Transfers out	28,600	0.16	115,637	0.72	(87,037)	(75.27)
Total expenditures and other financing uses	<u>\$ 17,975,366</u>	<u>99.99</u>	<u>\$ 15,894,308</u>	<u>99.98</u>	<u>\$ 2,081,058</u>	<u>13.09</u>

- Public safety expenditures increased by \$379,711 or 4.23% due to an increase in payroll related expenditures .
- Cemetery expenditures increased by \$26,350 or 9.66% due to a full year of operations at the Forest Lawn Cemetery.
- Capital outlay expenditures increased by \$1,692,768 or 175.95% due to the donation of the Mahr Farm property and an increase in capital purchases in several departments.
- Debt service decreased by \$56,626 or 20.48% due to less outstanding debt during most of the year as compared to prior year.
- Transfers out were \$28,600 for the budgeted transfer and City matching funds to the Airport Special Revenue Fund.

Proprietary funds – The City’s proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

The proprietary funds had a total unrestricted net asset balance of \$7,198,730 as of June 30, 2010. An increase of total net assets for all proprietary funds during the year equaled \$5,840,853 resulting from current year operations. The following table shows actual revenues, expenses and results from operations for the fiscal year:

	2010			
	Light	Water and Sewer	Sanitation	Total
Operating revenues	\$ 23,921,425	\$ 10,266,127	\$ 2,154,284	\$ 36,341,836
Operating expenses	<u>19,286,559</u>	<u>7,477,723</u>	<u>1,948,154</u>	<u>28,712,436</u>
Operating income (loss)	4,634,866	2,788,404	206,130	7,629,400
Non-operating revenues (expenses), net	<u>(80,608)</u>	<u>(885,002)</u>	<u>52,584</u>	<u>(913,026)</u>
Income (loss) before contributions and transfers	4,554,258	1,903,402	258,714	6,716,374
Contributions and transfers	<u>(2,702,621)</u>	<u>1,827,101</u>	<u>-</u>	<u>(875,520)</u>
Change in net assets	<u>\$ 1,851,637</u>	<u>\$ 3,730,503</u>	<u>\$ 258,714</u>	<u>\$ 5,840,854</u>

	2009			
	Light	Water and Sewer	Sanitation	Total
Operating revenues	\$ 22,820,116	\$ 10,038,918	\$ 2,298,969	\$ 35,158,003
Operating expenses	<u>19,473,539</u>	<u>7,443,326</u>	<u>2,204,279</u>	<u>29,121,144</u>
Operating income (loss)	3,346,577	2,595,592	94,690	6,036,859
Non-operating revenues (expenses), net	<u>(60,905)</u>	<u>(958,393)</u>	<u>(11,050)</u>	<u>(1,030,348)</u>
Income (loss) before contributions and transfers	3,285,672	1,637,199	83,640	5,006,511
Contributions and transfers	<u>(2,953,577)</u>	<u>182,485</u>	<u>-</u>	<u>(2,771,092)</u>
Change in net assets	<u>\$ 332,095</u>	<u>\$ 1,819,684</u>	<u>\$ 83,640</u>	<u>\$ 2,235,419</u>

Major Proprietary Funds

The Light Fund accounts for the provision of electricity service to the residents of the City. The Light Fund had a change in net assets of \$1,851,637 for 2010 compared to a change of \$332,095 for 2009. The operating revenues increased by \$1,101,309 and expenses decreased by \$186,980, respectively over the prior year. The increase in operating revenues is due primarily to the increase in fuel adjustment costs that the City incurred on its electricity purchases and in turn passed through to customers. The decrease in operating expenses is due to savings related to cost of power purchased. During the year, the City received a substantial benefit from its share in the Southeastern Power Administration (SEPA) energy credits. The net assets as of June 30, 2010 for the Light Fund were \$11,819,280.

The Water and Sewer Fund accounts for the provision of water and sewer services to the residents of the City and some residents of the County. The Water and Sewer Fund had a change in net assets of \$3,730,503 for 2010 compared to \$1,819,684 for 2009. The operating revenues increased by \$227,209 over the prior year due to the increase in sewer rates and FEMA reimbursements. Operating expenses increased by \$34,397 mainly due to an increase in utility and supply costs. The net assets as of June 30, 2010 for the Water and Sewer Fund were \$30,233,571.

The Sanitation Fund accounts for the collection and disposal of the residential and commercial refuse of the City. The Sanitation Fund had a change in net assets of \$258,714 for 2010 compared to a change of \$83,640 for 2009. Operating revenues decreased by \$144,685 and operating expenses decreased by \$256,125 over the prior year. The decrease in operating revenues is due to reimbursements received from FEMA in the prior year. The decrease in operating expenses is due to reductions in payroll related expenses and hauling and landfill tipping fees. The net assets as of June 30, 2010 for the Sanitation Fund were \$1,095,760.

GENERAL FUND BUDGETARY HIGHLIGHTS

The City did not make revisions to the original appropriations approved by the City Council. During the year, actual revenues and other sources were more than final budgetary estimates by \$2,014,838 and expenditures and other uses were \$2,153,396 more than final budgetary estimates, resulting in a negative variance of expenditures over revenues of \$138,558.

General Fund revenues and other sources exceeded budgetary amounts due to the receipt of debt proceeds and contributions. General Fund expenditures and other uses were more than budgetary estimates due to increased transportation and capital outlay expenditures.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital assets

The City's investment in capital assets for governmental and business-type activities as of June 30, 2010 amounts

to \$84,411,144 (net of accumulated depreciation). This investment in capital assets includes land and construction in progress, buildings, plants and facilities, machinery and equipment, system studies and mapping and infrastructure. The total increase in the City's net investment in capital assets for the fiscal year was 3.60% (a 6.97% increase for governmental activities and a 1.96% increase for business-type activities).

**City of Madisonville
Capital Assets
(net of depreciation)**

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
Land and construction in progress	\$ 4,997,533	\$ 6,047,944	\$ 1,272,725	\$ 1,392,413	\$ 6,270,258	\$ 7,440,357
Buildings, plants and facilities	13,511,757	10,376,292	52,520,482	51,254,780	66,032,239	61,631,072
Machinery and equipment	2,838,353	2,312,083	1,789,446	1,843,651	4,627,799	4,155,734
System studies and mapping	-	-	342,972	359,615	342,972	359,615
Infrastructure	<u>7,137,876</u>	<u>7,892,014</u>	-	-	<u>7,137,876</u>	<u>7,892,014</u>
Total Net Assets	<u>\$ 28,485,519</u>	<u>\$ 26,628,333</u>	<u>\$ 55,925,625</u>	<u>\$ 54,850,459</u>	<u>\$ 84,411,144</u>	<u>\$ 81,478,792</u>

Major capital asset transactions/events during the fiscal year included:

- Airport improvements totaling \$1,140,417.
- Construction on South Main Interceptor project of \$1,966,434.
- Purchase of Sanitation equipment totaling \$125,563.
- Street paving infrastructure improvements of \$454,112.
- Purchase of Police department equipment totaling \$164,739.
- Parks and Recreation department improvements and contributions totaling \$1,424,109.
- Light department improvements totaling \$156,895.
- Purchase of Fire department equipment totaling \$762,432.

The City's infrastructure assets are recorded at historical or estimated historical costs in the government-wide financial statements as required by GASB Statement No. 34.

Additional information on the City's capital assets can be found in Note 5 on pages 34-36 of this report.

Long-term debt

At the end of the current fiscal year, the City of Madisonville had a total bonded debt and notes payable of \$26,244,562. Of this amount, \$15,865,000 comprises debt backed by revenues of the water and sewer system. The notes payable of \$6,373,301 pertain primarily to electric system and water and sewer system facilities and infrastructure. The remaining debt of \$4,006,261 represents capital lease obligations for various equipment.

**Outstanding Debt at Year End
Bonds, Notes Payable and Capital Lease Obligations**

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
Revenue Bonds Payable	\$ -	\$ -	\$ 15,865,000	\$ 18,005,000	\$ 15,865,000	\$ 18,005,000
Notes Payable	55,000	105,000	6,318,301	8,485,940	6,373,301	8,590,940
Capital Lease Obligations	<u>1,567,953</u>	<u>1,120,503</u>	<u>2,438,308</u>	<u>2,986,385</u>	<u>4,006,261</u>	<u>4,106,888</u>
Total	<u>\$ 1,622,953</u>	<u>\$ 1,225,503</u>	<u>\$ 24,621,609</u>	<u>\$ 29,477,325</u>	<u>\$ 26,244,562</u>	<u>\$ 30,702,828</u>

The City maintained a Baa1 rating from Moody's for its debt throughout the fiscal year. Several of the City's Revenue Bonds are insured thus holding an AAA credit rating from both Moody's and Standard & Poor's.

Additional information on the City's long-term debt can be found in Notes 10 and 11 on pages 42-51 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

In the fiscal year 2010-2011 budget, General Fund revenues and transfers in are budgeted to increase by 9.66% from the 2009-2010 budget year with occupational license tax revenues making up about 40.78% of the general fund budgeted revenues and transfers in. General fund expenditures are budgeted to increase by 8.78%. The Light Fund revenues are budgeted to increase by 7.68% with expenditures budgeted to increase by 8.49%. Water and Sewer Fund revenues are budgeted to increase 20.91% and expenditures are budgeted to increase by 25.64%. Sanitation Fund revenues are budgeted to increase by 8.56% and expenditures are budgeted to increase by 2.48%.

REQUEST FOR INFORMATION

The financial report is designed to provide our citizens, customers, investors and creditors with a general overview of the City's finances. If you have any questions about this report or need any additional information, contact the Department of Finance, Attn: Finance Director, at P.O. Box 705, Madisonville, Kentucky 42431, call (270) 824-2111 or email calexander@madisonvillegov.com.

CITY OF MADISONVILLE, KENTUCKY
STATEMENT OF NET ASSETS
JUNE 30, 2010

	<u>Primary Government</u>			<u>Component Unit</u>
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Totals</u>	
<u>Assets</u>				
Cash equivalents	\$ 3,093,041	\$ 4,247,327	\$ 7,340,368	\$ 199,252
Investments, at fair value	499,784	387,281	887,065	-
Accounts receivable (net)	2,032,412	5,690,436	7,722,848	-
Internal balances	515,667	(515,667)	-	-
Due from component unit	898	-	898	-
Materials and supplies	45,939	1,726,768	1,772,707	-
Interest receivable	-	908	908	-
Prepayments	54,040	59,950	113,990	178
Deferred charges	-	619,058	619,058	-
Restricted assets:				
Cash and cash equivalents	-	317,073	317,073	-
Investments	-	5,714,255	5,714,255	-
Capital assets (net of accumulated depreciation):				
Land	3,825,366	1,272,725	5,098,091	969,012
Construction in progress	1,172,167	-	1,172,167	-
Improvements other than buildings	848,133	-	848,133	-
Machinery and equipment	2,838,353	1,789,446	4,627,799	-
Infrastructure	7,137,876	-	7,137,876	-
Buildings/facilities	<u>12,663,624</u>	<u>52,863,454</u>	<u>65,527,078</u>	<u>160,474</u>
Total Assets	<u>34,727,300</u>	<u>74,173,014</u>	<u>108,900,314</u>	<u>1,328,916</u>
<u>Liabilities</u>				
Trade accounts payable	618,165	4,203,938	4,822,103	2,751
Construction accounts payable	-	411,750	411,750	-
Due to primary government	-	-	-	898
Accrued interest payable	4,917	237,069	241,986	-
Accrued payroll and payroll taxes	560,636	135,412	696,048	-
Deferred revenue	9,921	-	9,921	-
Operating line of credit	-	-	-	-
Compensated absences	231,999	137,810	369,809	-
Customer deposits and related interest	-	555,254	555,254	-
Long-term debt due in one year	234,698	2,929,011	3,163,709	-
Noncurrent liabilities:				
Net pension obligation	1,423,066	-	1,423,066	-
Long-term debt due after one year	<u>1,388,255</u>	<u>21,692,598</u>	<u>23,080,853</u>	<u>-</u>
Total Liabilities	<u>4,471,657</u>	<u>30,302,842</u>	<u>34,774,499</u>	<u>3,649</u>
<u>Net Assets</u>				
Invested in capital assets, net of related debt	26,862,566	32,485,434	59,348,000	1,129,486
Restricted for:				
Debt service	-	3,446,481	3,446,481	-
Customer deposits	-	17,966	17,966	-
Unrestricted	<u>3,393,077</u>	<u>7,920,291</u>	<u>11,313,368</u>	<u>195,781</u>
Total Net Assets	<u>\$ 30,255,643</u>	<u>\$ 43,870,172</u>	<u>\$ 74,125,815</u>	<u>\$ 1,325,267</u>

See accompanying notes to financial statements.

CITY OF MADISONVILLE, KENTUCKY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2010

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			Component Unit
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Primary Government Business-type Activities	Total	
<u>Primary Government</u>								
Governmental Activities:								
General government	\$ 6,000,497	\$ 2,905,730	\$ 234,117	\$ 1,267,275	\$ (1,593,375)	\$ -	\$ (1,593,375)	\$ -
Public safety	10,075,146	112,247	416,473	264,927	(9,281,499)	-	(9,281,499)	-
Transportation	3,188,030	-	-	414,696	(2,773,334)	-	(2,773,334)	-
Recreation	749,624	189,284	-	1,407,500	847,160	-	847,160	-
Health and welfare	784,598	-	-	-	(784,598)	-	(784,598)	-
Cemetery	308,537	69,225	-	-	(239,312)	-	(239,312)	-
Interest on long-term debt	57,332	-	-	-	(57,332)	-	(57,332)	-
Total governmental activities	<u>21,163,764</u>	<u>3,276,486</u>	<u>650,590</u>	<u>3,354,398</u>	<u>(13,882,290)</u>	<u>-</u>	<u>(13,882,290)</u>	<u>-</u>
Business-type activities:								
Electric distribution	19,303,762	23,706,796	214,629	297,379	-	4,915,042	4,915,042	-
Water and sewer services	8,405,804	10,266,127	-	1,827,101	-	3,687,424	3,687,424	-
Sanitation services	1,933,151	2,154,284	-	-	-	221,133	221,133	-
Total business-type activities	<u>29,642,717</u>	<u>36,127,207</u>	<u>214,629</u>	<u>2,124,480</u>	<u>-</u>	<u>8,823,599</u>	<u>8,823,599</u>	<u>-</u>
Total Primary Government	<u>\$ 50,806,481</u>	<u>\$ 39,403,693</u>	<u>\$ 865,219</u>	<u>\$ 5,478,878</u>	<u>(13,882,290)</u>	<u>8,823,599</u>	<u>(5,058,691)</u>	<u>-</u>
<u>Component Unit</u>								
GMAIA	\$ 125,510	\$ 101,250	\$ -	\$ -	-	-	-	(24,260)
<u>General Revenues</u>								
Taxes:								
Occupational					6,738,628	-	6,738,628	-
Property					1,592,903	-	1,592,903	-
Insurance premium					2,156,802	-	2,156,802	-
Alcoholic beverage					273,573	-	273,573	-
Emergency telephone					254,178	-	254,178	-
Franchise and other					454,664	-	454,664	-
Investment income					11,439	124,989	136,428	16
Gain (loss) on sale of capital assets					4,543	41,390	45,933	-
Miscellaneous					463,406	-	463,406	-
Transfers					3,000,000	(3,000,000)	-	-
Total General Revenues and Transfers					<u>14,950,136</u>	<u>(2,833,621)</u>	<u>12,116,515</u>	<u>16</u>
<u>Changes in Net Assets</u>					1,067,846	5,989,978	7,057,824	(24,244)
<u>Net Assets at Beginning of Year</u>					<u>29,187,797</u>	<u>37,880,194</u>	<u>67,067,991</u>	<u>1,349,511</u>
<u>Net Asset at End of Year</u>					<u>\$ 30,255,643</u>	<u>\$ 43,870,172</u>	<u>\$ 74,125,815</u>	<u>\$ 1,325,267</u>

See accompanying notes to financial statements.

CITY OF MADISONVILLE, KENTUCKY
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2010

	<u>General</u>	<u>Airport Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>Assets</u>				
Cash equivalents	\$ 1,591,313	\$ 54,620	\$ 914,912	\$ 2,560,845
Investments, at fair value	15,648	-	-	15,648
Receivables (Net where applicable of allowances for uncollectibles):				
Taxpayer assessed revenues	1,599,435	-	29,058	1,628,493
Property taxes	16,031	-	-	16,031
Grants receivable	7,091	9,547	-	16,638
Other accounts	213,483	-	-	213,483
Materials and supplies	20,284	25,654	-	45,938
Prepayments	37,794	4,581	11,665	54,040
Due from component unit	898	-	-	898
Due from other funds	<u>882,019</u>	<u>-</u>	<u>-</u>	<u>882,019</u>
<u>Total Assets</u>	<u>\$ 4,383,996</u>	<u>\$ 94,402</u>	<u>\$ 955,635</u>	<u>\$ 5,434,033</u>
<u>Liabilities and Fund Balances</u>				
<u>Liabilities</u>				
Trade accounts payable	\$ 352,236	\$ 10,241	\$ 157,420	\$ 519,897
Due to other funds	59,256	241,832	68,623	369,711
Deferred revenues	9,921	-	-	9,921
Accruals	<u>560,636</u>	<u>-</u>	<u>-</u>	<u>560,636</u>
Total Liabilities	<u>982,049</u>	<u>252,073</u>	<u>226,043</u>	<u>1,460,165</u>
<u>Fund Balances</u>				
Reserved:				
Materials and supplies	20,284	25,654	-	45,938
Prepaid items	37,794	4,581	11,665	54,040
Unreserved	<u>3,343,869</u>	<u>(187,906)</u>	<u>717,927</u>	<u>3,873,890</u>
Total Fund Balances	<u>3,401,947</u>	<u>(157,671)</u>	<u>729,592</u>	<u>3,973,868</u>
<u>Total Liabilities and Fund Balances</u>	<u>\$ 4,383,996</u>	<u>\$ 94,402</u>	<u>\$ 955,635</u>	<u>\$ 5,434,033</u>

See accompanying notes to financial statements.

CITY OF MADISONVILLE, KENTUCKY
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO STATEMENT OF NET ASSETS
JUNE 30, 2010

<u>Fund Balances - Total Governmental Funds</u>		\$ 3,973,868
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds balance sheet.		
Governmental capital assets	\$ 62,933,724	
Less accumulated depreciation	<u>(34,448,205)</u>	28,485,519
Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds balance sheet.		
Notes payable	(55,000)	
Accrued interest payable	(4,917)	
Capital lease obligation	(1,567,953)	
Net pension obligation	(1,423,066)	
Compensated absences	<u>(231,999)</u>	(3,282,935)
Internal service funds are used by management to charge the cost of certain insurance activities to individual funds. The assets and liabilities of the Internal Service Funds (net of amount allocated to business types activities) not included in other reconciling items are:		
Current assets	1,971,055	
Current liabilities	(170,303)	
Net amount allocated to business-type activities	<u>(721,561)</u>	<u>1,079,191</u>
<u>Net Assets of Governmental Activities</u>		<u>\$ 30,255,643</u>

CITY OF MADISONVILLE, KENTUCKY
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2010

	<u>General</u>	<u>Airport Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>Revenues</u>				
Taxes:				
Occupational	\$ 6,738,628	\$ -	\$ -	\$ 6,738,628
Insurance premiums	2,156,802	-	-	2,156,802
Property	1,592,903	-	-	1,592,903
Franchise	454,665	-	-	454,665
Alcoholic beverage control	-	-	273,573	273,573
Emergency telephone	-	-	254,178	254,178
Intergovernmental:				
Grant income	395,395	1,132,274	-	1,527,669
Police/Fire incentive	416,473	-	-	416,473
Kentucky gas tax	-	-	369,390	369,390
Kentucky severance tax	-	-	148,956	148,956
Miscellaneous	159,280	284,781	19,344	463,405
Contributions	1,542,500	-	-	1,542,500
Recreation	189,284	-	-	189,284
Fees	-	-	22,732	22,732
Police fines and base court	112,247	-	-	112,247
Cemetery	69,225	-	-	69,225
Rental income	20,147	-	-	20,147
Investment income	1,830	9	483	2,322
Total Revenues	<u>13,849,379</u>	<u>1,417,064</u>	<u>1,088,656</u>	<u>16,355,099</u>
<u>Expenditures</u>				
Current:				
Public safety	9,360,396	-	-	9,360,396
General government/other	2,176,313	325,692	264,251	2,766,256
Transportation	1,806,323	-	-	1,806,323
Health and welfare	784,598	-	-	784,598
Recreation	645,383	-	-	645,383
Cemetery	299,065	-	-	299,065
Capital outlay	2,654,858	1,140,417	578,622	4,373,897
Debt service	219,830	-	-	219,830
Total Expenditures	<u>17,946,766</u>	<u>1,466,109</u>	<u>842,873</u>	<u>20,255,748</u>
<u>Excess (Deficiency) of Revenues</u>				
<u>Over Expenditures</u>	<u>(4,097,387)</u>	<u>(49,045)</u>	<u>245,783</u>	<u>(3,900,649)</u>
<u>Other Financing Sources (Uses)</u>				
Proceeds from sale of capital assets	12,115	-	-	12,115
Issuance of debt	559,947	-	-	559,947
Transfers in	3,420,000	28,600	44,687	3,493,287
Transfers out	(28,600)	-	(464,687)	(493,287)
Total Other Financing Sources (Uses)	<u>3,963,462</u>	<u>28,600</u>	<u>(420,000)</u>	<u>3,572,062</u>
<u>Net Change in Fund Balances</u>	<u>(133,925)</u>	<u>(20,445)</u>	<u>(174,217)</u>	<u>(328,587)</u>
<u>Fund Balances at Beginning of Year</u>	<u>3,535,872</u>	<u>(137,226)</u>	<u>903,809</u>	<u>4,302,455</u>
<u>Fund Balances at End of Year</u>	<u>\$ 3,401,947</u>	<u>\$ (157,671)</u>	<u>\$ 729,592</u>	<u>\$ 3,973,868</u>

See accompanying notes to financial statements.

CITY OF MADISONVILLE, KENTUCKY
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2010

Net Change in Fund Balance - Total Governmental Funds \$ (328,587)

Amounts reported for governmental activities in the statement of activities are different because:

Compensated absences not payable from current year resources are not reported as expenditures of the current year. In the Statement of Activities, these costs represent expenses of the current year. (5,932)

The Net Pension Obligation of the Policemen and Firefighters Pension Trust is an obligation of the City of Madisonville not payable from current year resources and not reported as an expenditure of the current year. In the Statement of Activities, these costs represent expenses of the current year. (274,719)

Governmental funds report capital outlay as expenditures. However, in the Statement of Activities, the cost of those assets is depreciated over their estimated useful lives:

Expenditures for capital assets	\$ 4,373,897	
Less current year depreciation	<u>(2,509,139)</u>	1,864,758

The net effect of various miscellaneous transactions involving capital assets (i.e. sales, trade-ins, and donations) is to increase net assets. (7,570)

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes current financial resources of governmental funds. Neither transaction, however, has any effect on the net assets in the Statement of Activities. (397,450)

Accrued interest expense on long-term debt is reported on the government-wide Statement of Activities and Changes in Net Assets, but does not require the use of current financial resources; therefore, accrued interest expense is not reported as expenditures in the governmental funds. In the Statement of Activities, these costs represent expenses of the current year. 760

Internal service funds are used by management to charge the cost of certain insurance activities to individual funds. The net revenue is reported with governmental activities net of the amount allocated to business-type activities. These amounts are:

Change in net assets	365,711	
Net amount allocated to business-type activities	<u>(149,125)</u>	<u>216,586</u>

Change in Net Assets of Governmental Activities \$ 1,067,846

CITY OF MADISONVILLE, KENTUCKY
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2010

	Business-type Activities			Totals	Governmental Activities - Internal Service Funds
	Light	Water and Sewer	Sanitation		
ASSETS					
Current Assets					
Cash equivalents	\$ 1,892,862	\$ 1,628,939	\$ 369,693	\$ 3,891,494	\$ 888,029
Investments, at fair value	61,110	2,471	-	63,581	807,836
Accounts receivable:					
Customers (less allowance for uncollectible accounts of \$520,000)	3,331,427	1,376,769	226,712	4,934,908	-
Others	92,956	3,593	15,334	111,883	263,253
Grants receivable	325,770	212,389	-	538,159	-
Due from other funds	70,734	56,756	20,518	148,008	11,937
Materials and supplies inventory	764,917	954,701	7,150	1,726,768	-
Interest receivable	-	908	-	908	-
Prepayments	34,843	18,646	6,461	59,950	-
Restricted assets:					
Cash equivalents	17,966	299,107	-	317,073	-
Investments, at fair value	-	5,714,255	-	5,714,255	-
Total Current Assets	<u>6,592,585</u>	<u>10,268,534</u>	<u>645,868</u>	<u>17,506,987</u>	<u>1,971,055</u>
Noncurrent Assets					
Capital Assets	18,585,933	71,854,444	2,441,167	92,881,544	-
Accumulated depreciation	<u>(7,824,168)</u>	<u>(27,701,415)</u>	<u>(1,430,335)</u>	<u>(36,955,918)</u>	<u>-</u>
Net capital assets	10,761,765	44,153,029	1,010,832	55,925,626	-
Deferred charges	-	619,058	-	619,058	-
Total Noncurrent Assets	<u>10,761,765</u>	<u>44,772,087</u>	<u>1,010,832</u>	<u>56,544,684</u>	<u>-</u>
Total Assets	<u>17,354,350</u>	<u>55,040,621</u>	<u>1,656,700</u>	<u>74,051,671</u>	<u>1,971,055</u>
LIABILITIES					
Current Liabilities					
Trade accounts payable	3,456,782	639,462	41,991	4,138,235	163,971
Construction accounts payable	-	411,750	-	411,750	-
Due to other funds	556,484	76,629	32,808	665,921	6,332
Line of credit	-	-	-	-	-
Accrued interest payable	3,651	222,771	10,647	237,069	-
Accrued payroll and payroll taxes	43,860	70,038	21,514	135,412	-
Compensated absences	44,863	70,836	22,111	137,810	-
Customer deposits payable	501,287	-	-	501,287	-
Customer deposit interest payable	53,967	-	-	53,967	-
Current portion of debt	<u>415,822</u>	<u>2,424,882</u>	<u>88,307</u>	<u>2,929,011</u>	<u>-</u>
Total Current Liabilities	5,076,716	3,916,368	217,378	9,210,462	170,303
Long-Term Debt Due After One Year					
	<u>458,354</u>	<u>20,890,682</u>	<u>343,562</u>	<u>21,692,598</u>	<u>-</u>
Total Liabilities	<u>5,535,070</u>	<u>24,807,050</u>	<u>560,940</u>	<u>30,903,060</u>	<u>170,303</u>
NET ASSETS					
Invested in capital assets, net of related debt	9,887,589	22,018,882	578,963	32,485,434	-
Restricted for revenue bond retirement	-	3,446,481	-	3,446,481	-
Restricted for customer deposits	17,966	-	-	17,966	-
Unrestricted	<u>1,913,725</u>	<u>4,768,208</u>	<u>516,797</u>	<u>7,198,730</u>	<u>1,800,752</u>
Total Net Assets	<u>\$ 11,819,280</u>	<u>\$ 30,233,571</u>	<u>\$ 1,095,760</u>	43,148,611	<u>\$ 1,800,752</u>
Reconciliation to government-wide statement of net assets:					
Adjustment to reflect the consolidation of Internal Service Funds' activities related to Enterprise Funds				<u>721,561</u>	
Net assets of business-type activities				<u>\$ 43,870,172</u>	

See accompanying notes to financial statements.

CITY OF MADISONVILLE, KENTUCKY
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2010

	Business-type Activities- Enterprise Funds			Totals	Governmental Activities - Internal Service Funds
	Light	Water and Sewer	Sanitation		
<u>Operating Revenues</u>					
Sale of electricity	\$ 23,412,890	\$ -	\$ -	\$ 23,412,890	\$ -
Sewer revenues	-	5,347,980	-	5,347,980	-
Water revenues	-	4,918,147	-	4,918,147	-
Sanitation fees	-	-	2,106,495	2,106,495	-
Disaster assistance grants	214,629	-	-	214,629	-
Service and miscellaneous	293,906	-	47,789	341,695	2,862,851
Total Operating Revenues	<u>23,921,425</u>	<u>10,266,127</u>	<u>2,154,284</u>	<u>36,341,836</u>	<u>2,862,851</u>
<u>Operating Expenses</u>					
Electricity purchased	15,832,850	-	-	15,832,850	-
Depreciation	738,338	2,269,573	171,261	3,179,172	-
Maintenance	1,560,794	613,430	110,966	2,285,190	-
Disaster recovery	485,840	-	-	485,840	-
Sanitation collection and disposal	-	-	1,610,736	1,610,736	-
Wastewater collection	-	1,333,043	-	1,333,043	-
Purification	-	1,486,362	-	1,486,362	-
Wastewater treatment	-	1,204,676	-	1,204,676	-
Other	283,629	341,868	55,191	680,688	2,506,257
Commercial office operations	385,108	-	-	385,108	-
Power purchased	-	228,771	-	228,771	-
Total Operating Expenses	<u>19,286,559</u>	<u>7,477,723</u>	<u>1,948,154</u>	<u>28,712,436</u>	<u>2,506,257</u>
<u>Income (Loss) from Operations</u>	<u>4,634,866</u>	<u>2,788,404</u>	<u>206,130</u>	<u>7,629,400</u>	<u>356,594</u>
<u>Nonoperating Revenues (Expenses)</u>					
Investment income	1,315	123,654	20	124,989	9,117
Gain (loss) on disposal of assets	(26,334)	(2,276)	70,000	41,390	-
Interest expense and fees	(55,589)	(1,006,380)	(17,436)	(1,079,406)	-
Total Non Operating Revenues (Expenses)	<u>(80,608)</u>	<u>(885,002)</u>	<u>52,584</u>	<u>(913,027)</u>	<u>9,117</u>
<u>Income (Loss) Before Contributions and Transfers</u>	<u>4,554,258</u>	<u>1,903,402</u>	<u>258,714</u>	<u>6,716,373</u>	<u>365,711</u>
Capital contributions	297,379	1,827,101	-	2,124,480	-
Transfers out	(3,000,000)	-	-	(3,000,000)	-
<u>Change in Net Assets</u>	<u>1,851,637</u>	<u>3,730,503</u>	<u>258,714</u>	<u>5,840,853</u>	<u>365,711</u>
<u>Net Assets at Beginning of Year</u>	<u>9,967,643</u>	<u>26,503,068</u>	<u>837,046</u>	<u>37,307,757</u>	<u>1,435,041</u>
<u>Net Assets at End of Year</u>	<u>\$ 11,819,280</u>	<u>\$ 30,233,571</u>	<u>\$ 1,095,760</u>	<u>\$ 44,141,370</u>	<u>\$ 1,800,752</u>
Reconciliation to government-wide statement of activities:					
Adjustment to reflect the consolidation of Internal Service Funds' activities related to Enterprise Funds				<u>149,125</u>	
Change in net assets of business-type activities				<u>\$ 5,989,978</u>	

See accompanying notes to financial statements.

CITY OF MADISONVILLE, KENTUCKY
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2010

	Business-type Activities Enterprise Funds			Total	Governmental Activities - Internal Service Funds
	Light	Water and Sewer	Sanitation		
<u>Cash Flows From Operating Activities</u>					
Cash received from customers	\$ 22,845,155	\$ 9,849,126	\$ 2,122,927	\$ 34,817,208	\$ 2,682,222
Cash payments to suppliers for goods and services	(15,071,695)	(2,281,722)	(905,767)	(18,259,184)	(2,427,149)
Cash payments to employees for services	(1,394,368)	(2,230,159)	(875,524)	(4,500,051)	-
Net Cash Provided By Operating Activities	<u>6,379,092</u>	<u>5,337,245</u>	<u>341,636</u>	<u>12,057,973</u>	<u>255,073</u>
<u>Cash Flows From Noncapital Financing Activities</u>					
Transfers out	(3,000,000)	-	-	(3,000,000)	-
Net decrease (increase) in amounts due from other funds	(61,045)	(5,295)	(2,891)	(69,231)	(10,445)
Net increase (decrease) in amounts due to other funds	(158,575)	72,552	8,193	(77,830)	(3,509)
Net Cash Used By Noncapital Financing Activities	<u>(3,219,620)</u>	<u>67,257</u>	<u>5,302</u>	<u>(3,147,061)</u>	<u>(13,954)</u>
<u>Cash Flows from Capital and Related Financing Activities</u>					
Proceeds from issuance of debt	-	-	104,184	104,184	-
Principal paid on debt	(396,388)	(3,027,124)	(147,928)	(3,571,440)	-
Net increase (decrease) in line of credit obligation	(1,250,000)	-	-	(1,250,000)	-
Contributed capital	297,379	1,827,101	-	2,124,480	-
Proceeds from the sale of capital assets	-	-	70,000	70,000	-
Acquisition of property, plant and equipment	(763,148)	(3,627,754)	(125,563)	(4,516,465)	-
Interest paid on debt	(51,575)	(1,031,006)	(18,974)	(1,101,555)	-
Net Cash Used By Capital and Related Financing Activities	<u>(2,163,732)</u>	<u>(5,858,783)</u>	<u>(118,281)</u>	<u>(8,140,796)</u>	<u>-</u>
<u>Cash Flows from Investing Activities</u>					
Purchase on investments	(134)	(9,260,586)	-	(9,260,720)	(807,836)
Sale of restricted investments	-	10,636,952	-	10,636,952	-
Income received on investments	1,315	124,050	20	125,385	9,117
Net Cash Provided (Used) By Investing Activities	<u>1,181</u>	<u>1,500,416</u>	<u>20</u>	<u>1,501,617</u>	<u>(798,719)</u>
<u>Net Increase (Decrease) in Cash and Cash Equivalents</u>	<u>996,921</u>	<u>1,046,135</u>	<u>228,677</u>	<u>2,271,733</u>	<u>(557,600)</u>
<u>Cash and Cash Equivalents at Beginning of Year</u>	<u>913,907</u>	<u>593,183</u>	<u>141,016</u>	<u>1,648,106</u>	<u>1,445,629</u>
<u>Cash and Cash Equivalents at End of Year</u>	<u>\$ 1,910,828</u>	<u>\$ 1,639,318</u>	<u>\$ 369,693</u>	<u>\$ 3,919,839</u>	<u>\$ 888,029</u>
<u>Reconciliation of Operating Income to Net Cash Provided by Operating Activities</u>					
Operating income (loss)	\$ 4,634,866	\$ 2,788,404	\$ 206,130	\$ 7,629,400	\$ 356,594
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:					
Depreciation	738,338	2,269,573	171,261	3,179,172	-
Customer deposit interest accrued	7,414	-	-	7,414	-
Change in assets and liabilities:					
Decrease (increase) in accounts receivable	(1,076,270)	(417,001)	(31,357)	(1,524,628)	(180,629)
Decrease (increase) in grants receivable	1,576,397	(60,313)	-	1,516,084	-
Decrease(increase) in materials and supplies	26,400	583,298	(7,150)	602,548	-
Decrease (increase) in prepayments	16,387	24,531	29,298	70,216	-
Increase (decrease) in accounts payable	479,962	143,745	(24,258)	599,449	79,108
Increase (decrease) in customer deposits	(29,023)	-	-	(29,023)	-
Increase (decrease) in accrued expenses	4,621	5,008	(2,288)	7,341	-
Net Cash Provided by Operating Activities	<u>\$ 6,379,092</u>	<u>\$ 5,337,245</u>	<u>\$ 341,636</u>	<u>\$ 12,057,973</u>	<u>\$ 255,073</u>
<u>Reconciliation of Total Cash</u>					
Currents Assets - Cash	\$ 1,892,862	\$ 1,628,939	\$ 369,693	\$ 3,891,494	\$ 888,029
Restricted Assets - Cash	17,966	299,107	-	317,073	-
Total Cash	<u>\$ 1,910,828</u>	<u>\$ 1,928,046</u>	<u>\$ 369,693</u>	<u>\$ 4,208,567</u>	<u>\$ 888,029</u>
<u>Noncash Investing, Capital and Related Financing Activities</u>					
Increase in capital lease obligations	\$ -	\$ -	\$ 104,184	\$ 104,184	\$ -
Increase in fair value of investments	-	33,634	-	33,634	-
Net Noncash Investing, Capital and Related Financing Activities	<u>\$ -</u>	<u>\$ 33,634</u>	<u>\$ 104,184</u>	<u>\$ 137,818</u>	<u>\$ -</u>

See accompanying notes to financial statements.

CITY OF MADISONVILLE, KENTUCKY
POLICEMEN AND FIREFIGHTERS PENSION FUND
COMPARATIVE STATEMENTS OF FIDUCIARY NET ASSETS
JUNE 30, 2010 AND 2009

	<u>2010</u>	<u>2009</u>
<u>Assets</u>		
Cash equivalents	\$ 47,477	\$ 47,823
Interest and dividends receivable	3,700	5,312
Investments, at fair value:		
Mutual funds	507,320	850,398
Bonds	112,046	244,587
Unit investment trust	<u>140,351</u>	<u>-</u>
Total investments	<u>759,717</u>	<u>1,094,985</u>
<u>Total Assets</u>	810,894	1,148,120
<u>Liabilities</u>		
Due to other funds	<u>5,655</u>	<u>5,655</u>
<u>Net Assets</u>		
Held in trust for pension benefits	<u>\$ 805,239</u>	<u>\$ 1,142,465</u>

CITY OF MADISONVILLE, KENTUCKY
POLICEMEN AND FIREFIGHTERS PENSION FUND
COMPARATIVE STATEMENTS OF CHANGES IN FIDUCIARY NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2010 AND 2009

	<u>2010</u>	<u>2009</u>
<u>Additions</u>		
Contributions:		
Employer	\$ 75,000	\$ 75,000
Investment earnings:		
Net increase (decrease) in fair value of financial instruments	113,970	(451,094)
Dividends	24,718	52,206
Interest	11,722	15,081
Other	<u>4,115</u>	<u>5,810</u>
Net investment earnings	154,525	(377,997)
Total Additions	<u>229,525</u>	<u>(302,997)</u>
<u>Deductions</u>		
Benefits paid	563,141	563,141
Administrative expenses	<u>3,610</u>	<u>3,428</u>
Total Deductions	<u>566,751</u>	<u>566,569</u>
<u>Change in Net Assets</u>	(337,226)	(869,566)
<u>Net Assets at Beginning of Year</u>	<u>1,142,465</u>	<u>2,012,031</u>
<u>Net Assets at End of Year</u>	<u>\$ 805,239</u>	<u>\$ 1,142,465</u>

See accompanying notes to financial statements.

CITY OF MADISONVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Madisonville, Kentucky was chartered in May, 1807. The City operates under a Mayor/Council form of government and provides the following services as authorized: public safety (police and fire), highways and streets, sanitation, electrical distribution, water treatment and distribution, wastewater collection and treatment, health and social services, cultural and recreation, public improvements, planning and zoning, and general administrative services.

The accounting and reporting policies of the City relating to the funds included in the accompanying basic financial statements conform to accounting principles generally accepted in the United States of America applicable to state and local governments. Generally accepted accounting principles for local governments include those principles prescribed by the Governmental Accounting Standards Board (GASB), the American Institute of Certified Public Accountants in the publication entitled Audits of State and Local Governmental Units and by the Financial Accounting Standards Board (when applicable). As allowed in Section P80 of GASB's Codification of Governmental Accounting and Financial Reporting Standards, the City has elected not to apply Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee of Accounting Procedure issued after November 30, 1989. The more significant accounting policies of the City are described below:

A. The Financial Reporting Entity

The City of Madisonville, Kentucky is a municipal corporation governed by an elected six member council. The City has adhered to the standards set forth in Statement No. 14 of the Governmental Accounting Standards Board in reporting the primary government (including blended component units), discretely presented component units, the reporting entity and related relationships with the City.

B. Related Organizations

Elected City officials are also responsible for appointing the members of the boards of other organizations, but the City's accountability for these organizations does not extend beyond making the appointments. The City Council appoints a minority of voluntary board members of the Madisonville-Hopkins County Public Library, Hopkins County Planning Commission, the Housing Authority of Madisonville, and the Madisonville/Hopkins County Economic Development Corporation. The City appropriated operating grants of \$228,268 to the Madisonville-Hopkins County Public Library, \$45,000 to the Hopkins County Planning Commission, and \$85,000 to the Madisonville/Hopkins County Economic Development Corporation during the fiscal year ended June 30, 2010.

C. Discretely Presented Component Unit:

Greater Madisonville Area Industrial Development Authority

The Greater Madisonville Area Industrial Authority (GMAIA) was created by the City under Kentucky Revised Statutes to hold title to and administer a city owned industrial park with improvements partially financed with federal grants. The Mayor and the Council select the Authority's Board of Directors. City management controls the financial resources of the GMAIA and prepares the annual budget (which requires City Council approval) and all financial reports. Therefore, based upon GASB 14 criteria, this organization is presented as a discretely presented component unit in the Comprehensive Annual Financial Report. Since separate financial statements

CITY OF MADISONVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS - Continued

for the GMAIA are not available, the GMAIA financial statements have been incorporated into the combined and individual fund sections of the City's Comprehensive Annual Financial Report.

D. Basis of Presentation

The government-wide financial statements include the statement of net assets and the statement of activities for the City as a whole excluding fiduciary activities such as employee pension plans. The effect of interfund activity, within the governmental and business-type activities columns, has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific program. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given program and 2) operating or capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements

The City segregates transactions related to certain functions or activities into separate funds in order to aid financial management and to demonstrate legal compliance. Separate statements are presented for governmental and proprietary activities. These statements present each major fund as a separate column on the fund financial statements; all non-major funds are aggregated and presented in a single column.

GOVERNMENTAL FUNDS

Governmental funds are those funds through which most governmental functions typically are financed. The measurement focus of governmental funds is on sources, uses and balances of current financial resources. The City has presented the following major governmental funds:

General Fund

The General Fund is the main operating fund of the City. This fund is used to account for all financial resources not accounted for in other funds. All general tax revenues and other receipts that are not restricted by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures, fixed charges and capital improvement costs that are not paid through other funds are paid from the General Fund.

Airport Special Revenue Fund

The Airport Special Revenue Fund accounts for revenues and expenditures of the municipal airport and related infrastructure and expansion projects.

PROPRIETARY FUNDS

Proprietary funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. The accounting objectives are determinations of net income, financial position and cash flow. All assets and liabilities are included on the Statement of Net Assets. The City has presented the following major proprietary funds:

Light Fund

The Light Fund is used to account for the provision of electrical service to the residents of the City. Activities of the fund include wholesale purchase of electricity, administration, distribution infrastructure additions and maintenance and billing and collection activities. All fund costs are

CITY OF MADISONVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS - Continued

financed through charges to utility customers with rates reviewed regularly and adjusted if necessary to ensure the financial integrity of the fund.

Water and Sewer Fund

The Water and Sewer Fund is used to account for the provision of water and sewer services to the residents of the City and some residents of Hopkins County. Activities of the fund include administration, water treatment, distribution infrastructure additions and maintenance, wastewater collection infrastructure additions and maintenance, and wastewater treatment activities. The fund accounts for the accumulation of resources for, and payment of, long-term debt principal and interest for water and sewer system debt. All fund costs are financed through charges to utility customers with rates reviewed regularly and adjusted if necessary to ensure the financial integrity of the fund.

Sanitation Fund

The Sanitation Fund is used to account for the collection and disposal of solid waste services to the residents of the City. Activities of the fund include administration, commercial and residential garbage collection, sorting recyclable items, transportation of solid waste, and landfill tipping fees. All fund costs are financed through charges to utility customers with rates reviewed regularly and adjusted if necessary to ensure the financial integrity of the fund. The fund does not meet the criteria of a major fund established in GASB Statement No. 34. However, because the fund is the only remaining non-major fund, it is presented as a major fund.

Internal Services Funds

Additionally, the City reports two internal service funds. The Workers Compensation Insurance Fund is used to account for partially self funded workers compensation insurance. The Self Insured Health Care Trust Fund provides City employees health and life insurance benefits to those who elect coverage.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating expenses for the proprietary funds include the costs of personnel and contractual services, supplies and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

FIDUCIARY FUNDS

The Policemen and Firefighters Pension Trust Fund reports fiduciary resources held in trust and the receipt, investment, and distribution of retirement benefits.

E. Measurement Focus/Basis of Accounting

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

Governmental fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual; i.e. when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The City considers property taxes as available if they are collected within 60 days after year end. Franchise taxes are considered available and are, therefore, recognized as revenues even though a portion of taxes may be collected in the subsequent

CITY OF MADISONVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS - Continued

year. Intergovernmental revenues received as reimbursements for specific purposes or projects are recognized based upon expenditures recorded. Occupational taxes, business taxes, licenses, fines, penalties, and miscellaneous are recognized as revenues in the current period in which they can be used to pay liabilities of the current period (usually 45 days). Expenditures are recorded when the related fund liability is incurred. However, debt service expenditures, as well as expenditures related to compensated absences are recorded only when payment is due.

The government-wide statements and fund financial statements for proprietary funds are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and all liabilities (whether current or non-current) are included on the statement of net assets. Under the accrual basis of accounting, revenues are recognized when earned, including unbilled electric, water, sewer and sanitation services which are accrued. Expenses are recognized at the time the liability is incurred.

F. Budgets

Budgets are adopted on a basis consistent with generally accepted accounting principles. Annual appropriated budgets are adopted for the general, special revenue, and proprietary funds.

Prior to June 1 of each year, the City Finance Director submits a proposed budget to the City Council for the year commencing the following July 1. The budget is prepared by fund, function and activity, and includes information on the past year, current year estimates and requested appropriations for the next fiscal year. The City Council holds public hearings to obtain taxpayer comments. Prior to June 30 of each year, the City Council approves the budget by majority vote.

The City Finance Director is authorized to transfer budgeted amounts between departments within any fund. However, any revisions that alter the total expenditures of any fund must be approved by a majority vote of the City Council.

As required by Kentucky Revised Statutes (K.R.S.) 91A.030 (1), formal budgetary integration is employed as a management control device during the year for the General Fund, Special Revenue Funds, and Enterprise Funds. Budgets for Internal Service, and Fiduciary Type Funds are not legally required, therefore, none are presented. Total expenditures for a fund legally may not exceed the total appropriations as required by K.R.S. 91A.030 (13). All appropriations lapse at year-end.

Budget amendments, as allowed by ordinance, require majority approval by the City Council. There were no amendments to the originally adopted budget.

G. Cash and Investments

Money market instruments and certificates of deposits are stated at cost or amortized cost, which approximates fair value. All other investment securities are stated at fair value.

City ordinances authorize the City to invest in obligations of the U.S. Government and its instrumentalities, mutual funds, and demand deposits. All investments must be purchased through local brokers/dealers or deposited with local financial institutions. Also by ordinance, the Policemen and Firefighters Pension Fund may invest in deposits with out-of-state financial institutions, corporate stocks and bonds, and limited partnership interests. In accordance with GASB Statement 31, quoted market price was used to determine the fair value of investments. The City values its investments in restricted asset accounts at quoted market values, which approximates fair value. The City's investment in an external investment pool is not regulated by oversight agency and the value of the City's investment is the same as the value of the pool shares.

CITY OF MADISONVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS - Continued

For the purpose of the statement of cash flows, the City considers all cash in banks with stated maturities of three months or less or available for withdrawal by City management to be cash and cash equivalents.

H. Short-Term Interfund Receivables/Payables

During the course of operations numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the balance sheet.

I. Allowance for Uncollectible Accounts

An allowance for uncollectible accounts has been provided based on prior years' loss experiences as a percentage of revenues billed. Based on past experience, management considers the allowance adequate to provide for any losses on collection of the June 30, 2010 accounts receivable.

J. Inventories

Inventories are valued at the lower of average cost or market. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

K. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2010 are recorded as prepaid items. Prepaid items recorded in the governmental funds are offset by a reservation of fund balance.

L. Restricted Assets

The restricted funds have been handled in accordance with the provisions of the various enterprise fund revenue bond resolutions, loan agreements, or by state or federal laws and regulations. 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. See Notes 4 and 10 for information describing restricted assets.

M. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (excluding those acquired prior to June 30, 1980), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the fund financial statements for proprietary funds. All capital assets are valued at historical or estimated historical cost if actual historical cost is not available. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as expenses. Renewals and betterments are capitalized. Interest has been capitalized during the construction period on property, plant and equipment.

Assets capitalized, not including infrastructure assets, have an original cost of \$2,000 or more and over three years of useful life. Infrastructure assets capitalized have an original cost of \$5,000 or more. Depreciation has been calculated on each class of depreciable property using the straight-line method. The estimated useful lives are as follows:

Buildings and Infrastructure	20-50 years
Utility Plant	30-33 years
Studies, Surveys, and Maps	10-20 years
Machinery and Equipment	3-10 years

CITY OF MADISONVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS - Continued

N. Compensated Absences

The City recognizes a liability for unpaid compensated absences arising from unpaid vacation time in accordance with Governmental Accounting Standards Board (GASB) Statement 16. GASB Statement 16 requires employers to accrue a liability for future vacation, sick and other leave benefits that meet the following conditions:

- a) The employer's obligation relating to employees' rights to receive compensation for future absences is attributable to employees' services already rendered.
- b) The obligation relates to rights that vest or accumulate.
- c) Payment of the compensation is probable.
- d) The amount can be reasonably estimated.

Employees earn vacation leave on January 1 of each year if they have worked as a full time employee for one continuous year. Employees who work 35 hours per week earn 70 hours per year during the first ten years of employment, 105 hours per year during and after the eleventh year of continuous employment, and 140 hours per year after 25 years. Employees who work 40 hours per week earn 80 hours per year during the first ten years of employment, 120 hours per year during and after the eleventh year of continuous employment, and 160 hours per year after 25 years. Employees who work an average of 56 hours per week earn 120 hours per year during the first ten years, 168 hours per year during and after the eleventh year of continuous employment and 224 hours after 25 years. An employee may carry over vacation days at the end of the calendar year upon written permission from the Human Resources Manager for a period not to exceed 12 months. Therefore, compensated absences are reflected as current liabilities in the Statement of Net Assets. All outstanding vacation leave is payable upon resignation, retirement, or death.

Employees accumulate sick leave at a rate of one day per month up to a total of 120 days. No payment is made for any unused sick leave; upon resignation, retirement or death, sick leave benefit obligations do not vest with employees.

O. Postemployment Benefits

Postemployment benefits are those received by employees after termination of employment. The City provides no such benefits.

P. Nature and Purpose of Reservations of Fund Equity

Reservations represent those portions of fund equity not appropriate for expenditure or legally segregated for a specific future use. Designated fund balances represent tentative plans for future use of financial resources.

Q. Bond Discounts/Issuance Costs

Bond discounts and issuance costs on long-term debt are deferred and charged to interest expense over the terms of the related issues in the proprietary type funds.

R. Interfund Transactions

Interfund services provided and used are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. All other interfund transactions, except interfund services provided and used, are reported as interfund transfers and are included in the results of operations of both governmental and proprietary funds. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

CITY OF MADISONVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS - Continued

S. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent debt proceeds. Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

T. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

U. Subsequent Events

The City has evaluated subsequent events through December 6, 2010, the date which the financial statements were available to be issued.

2. LEGAL COMPLIANCE - BUDGETS

Excess of Expenditures Over Appropriations in Individual Funds

The following funds had an excess of actual expenditures and other financing uses over budget for the year ended June 30, 2010:

General Fund	\$ 2,153,396	Due to under budgeted capital outlay expenditures
Emergency Telephone System Fund	45,708	Due to under budgeted capital outlay expenditures
Municipal Aid Fund	199,037	Due to under budgeted capital outlay expenditures for infrastructure
GMAIA Component Unit	25,410	Due to under budgeted depreciation and maintenance expenses

The expenditures were due mainly to budgeting practices. Fund equity and other financial sources were sufficient to offset the over expenditures in the above funds. Annual budgets were adopted for the general fund, all special revenue funds and all enterprise funds.

CITY OF MADISONVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS - Continued

3. DEPOSITS AND INVESTMENTS

A. Net Assets

The captions on the statement of net assets for cash, investments, and restricted assets enumerated as to deposits and investments and the amounts in total along with the component unit column are as follows:

	<u>Deposits</u>	<u>Investments</u>	<u>Primary Government Total</u>	<u>Pension Trust</u>	<u>Component Unit</u>
Cash equivalents	\$ 7,340,368	\$ -	\$ 7,340,368	\$ 47,477	\$ 199,252
Investments	823,412	63,653	887,065	759,717	-
Restricted assets:					
Cash equivalents	-	317,073	317,073	-	-
Investments	914,621	4,799,634	5,714,255	-	-
Total	<u>\$ 9,078,401</u>	<u>\$ 5,180,360</u>	<u>\$ 14,258,761</u>	<u>\$ 807,194</u>	<u>\$ 199,252</u>

B. Deposits

At year-end, the carrying amount of the City's deposits was \$9,078,401 and the bank balance was \$9,394,072. Of the bank balance, \$921,539 was covered by federal depository insurance and \$8,472,533 was covered by collateral held by the pledging financial institution's agent or trust department in the City's name.

C. Investments

Interest Rate Risk

The City has adopted a formal investment policy. However, that policy does not limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The Trustees of the Policemen and Firefighters Pension Fund have not adopted a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The City and the Trustees of the Policemen and Firefighters Pension Fund have elected the specific identification method to disclose interest rate risk.

Credit Risk

Investments in corporate bonds have been limited to US Government Agency obligations that carry a superior credit rating. The value of the City's investment in an external investment pool is not regulated by oversight agency, however, the external pool consists of investments rated AA or higher by Standard & Poor's. The other investments of the primary government are collateralized certificates of deposit (Section B above) or direct obligations of the US Government and its instrumentalities or with mutual funds. The City's Policemen and Firefighters Pension Fund Board of Trustees has primary responsibility for credit risk related to Fiduciary Fund investments and has engaged a professional financial advisor to consult on investment activity.

Concentration of Credit Risk

The City's adopted investment policy limits the amount that may be invested with one issuer to no more than 30% of the City's investment portfolio. At June 30, 2010 the City had 38% of its primary government investments in corporate bonds, 31% was invested in mutual funds holding US Government securities, and 30% in fully collateralized certificates of deposit and repurchase agreements.

CITY OF MADISONVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS - Continued

Identification

At June 30, 2010 the City had the following investments:

<u>Investment</u>	<u>Maturities</u>	<u>Fair Value</u>
Corporate Bonds:		
Federal National Mortgage Assn Discount Notes	8/09/2010	\$ 115,988
	9/01/2010	<u>1,881,103</u>
Subtotal		<u>1,997,091</u>
Federal Home Loan Mortgage Discount Notes	7/30/2010	117,000
	8/11/2010	113,988
	9/01/2010	<u>166,967</u>
Subtotal		<u>397,955</u>
Federal Home Loan Bank Discount Notes	9/01/2010	<u>114,977</u>
Total Corporate Bonds		<u>2,510,023</u>
External Pooled Investments:		
(Credit Rating - Unrated)		
KADD Pooled Investment Fund	6-9 Months Average	72
Ky League of Cities Pooled Investment Fund	4-8 Months Average	<u>63,581</u>
Total External Pooled Investments		<u>63,653</u>
Mutual Funds:		
Fifth Third US Government Securities Fund	N/A	<u>2,048,044</u>
Certificate of Deposit:		
Old National Bank	1/16/2012	15,576
Hancock Bank	12/18/10	302,251
Hancock Bank	5/18/2011	505,585
Hancock Bank	12/30/2010	825,289
First United Bank & Trust	8/16/2010	<u>89,332</u>
Total Certificates of Deposit		<u>1,738,033</u>
Repurchase Agreement		
DEPFA Williamstown KLC 08	7/11/2011	<u>241,567</u>
Total Primary Government		<u>\$ 6,601,320</u>
Fiduciary Fund:		
Mutual Funds	N/A	\$ 507,320
Corporate Bonds		
Nationsbank 7.75%	8/15/2015	112,046
First Trust Unit Investment Trust	N/A	<u>140,351</u>
Total Fiduciary Fund		<u>\$ 759,717</u>

4. **RESTRICTED NET ASSETS**

Customer Deposits

Customer deposits for utility services are segregated and invested on a short-term basis. At June 30, 2010, customer deposits of \$17,966 were deposited in a noninterest bearing checking account in Old National Bank for the purpose of refunding customer deposits.

CITY OF MADISONVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS - Continued

Bond Issue Construction

At June 30, 2010, the City maintained \$725,139 restricted for water treatment improvement construction and system infrastructure improvements as allowed by Water & Sewer System Series 2003A Bond Ordinance. The funds were invested in Fifth Third US Government Securities Fund through an account administered by the Bank of New York.

Capital Lease Acquisition Account

At June 30, 2010, the City maintained \$248,970 restricted for the acquisition of automated meter reading water meters and related costs as allowed by Kentucky League of Cities funding trust program. The funds were invested in a repurchase agreement in the amount of \$241,567 and cash of \$7,403.

Debt Covenant Requirements

	Loan Reserve Fund	Payment and Interest Fund	Bond Reserve Fund	Depreciation Fund
Cash deposits	\$ 914,621	\$ 2,976	\$ 288,727	\$ -
Corporate Bonds	-	1,366,203	1,143,820	-
Mutual Funds	-	516,190	-	806,715
Totals	<u>\$ 914,621</u>	<u>\$ 1,885,369</u>	<u>\$ 1,432,547</u>	<u>\$ 806,715</u>

Net Assets Restricted for Debt Retirement

A portion of the Retained Earnings of the Water & Sewer Enterprise Fund is reserved for debt retirement. The reserved portion is calculated as follows:

<u>Debt Requirement Restricted Assets</u>		
Revenue bond and interest fund	\$ 1,885,369	
Bond reserve fund	1,432,547	
Depreciation fund	806,715	
Loan reserve fund	<u>914,621</u>	
Total		\$ 5,039,252
<u>Current Portion of Debt Requirements</u>		
Revenue bonds and debt payable	1,370,000	
Accrued interest payable	<u>222,771</u>	
Total		<u>1,592,771</u>
<u>Net Assets Restricted for Debt Retirement</u>		<u>\$ 3,446,481</u>

CITY OF MADISONVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS - Continued

5. CAPITAL ASSETS

Governmental Activities

A summary of capital assets at June 30, 2010 for governmental activities follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental actives:				
Capital assets, not being depreciated:				
Land	\$ 2,428,703	\$ 1,396,663	\$ -	\$ 3,825,366
Construction in progress	<u>3,619,241</u>	<u>1,140,417</u>	<u>(3,587,491)</u>	<u>1,172,167</u>
Total Capital assets, not being depreciated	6,047,944	2,537,080	(3,587,491)	4,997,533
Capital assets, being depreciated:				
Buildings	16,492,093	3,860,928	-	20,353,021
Improvements other than buildings	1,293,565	22,352	(1,955)	1,313,962
Machinery and equipment	6,230,424	1,086,916	(186,358)	7,130,982
Infrastructure	<u>28,684,114</u>	<u>454,112</u>	<u>-</u>	<u>29,138,226</u>
Total capital assets, being depreciated	52,700,196	5,424,308	(188,313)	57,936,191
Less accumulated depreciation for:				
Buildings	(6,998,409)	(690,988)	-	(7,689,397)
Improvements other than buildings	(410,957)	(56,827)	1,955	(465,829)
Machinery and equipment	(3,918,341)	(553,074)	178,786	(4,292,629)
Infrastructure	<u>(20,792,100)</u>	<u>(1,208,250)</u>	<u>-</u>	<u>(22,000,350)</u>
Total accumulated depreciation	<u>(32,119,807)</u>	<u>(2,509,139)</u>	<u>180,741</u>	<u>(34,448,205)</u>
Total capital assets, being depreciated, net	<u>20,580,389</u>	<u>2,915,169</u>	<u>(7,572)</u>	<u>23,487,986</u>
Governmental activities capital assets, net	<u>\$ 26,628,333</u>	<u>\$ 5,452,249</u>	<u>\$ (3,595,063)</u>	<u>\$ 28,485,519</u>

CITY OF MADISONVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS - Continued

Business-type Activities

A summary of proprietary fund property, plant and equipment at June 30, 2010 for business-type activities follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type actives:				
Capital assets, not being depreciated:				
Land	\$ 1,272,725	\$ -	\$ -	\$ 1,272,725
Construction in progress	<u>119,688</u>	<u>-</u>	<u>(119,688)</u>	<u>-</u>
Total capital assets, not being depreciated	<u>1,392,413</u>	<u>-</u>	<u>(119,688)</u>	<u>1,272,725</u>
Capital assets, being depreciated:				
Plants and facilities	82,023,205	4,254,164	(735,423)	85,541,946
Systems studies and mapping	535,450	7,032	(46,414)	496,068
Machinery and equipment	<u>5,432,427</u>	<u>374,956</u>	<u>(236,578)</u>	<u>5,570,805</u>
Total capital assets, being depreciated	<u>87,991,082</u>	<u>4,636,152</u>	<u>(1,018,415)</u>	<u>91,608,819</u>
Less accumulated depreciation for:				
Plants and facilities	(30,768,425)	(2,726,336)	473,297	(33,021,464)
Systems studies and mapping	(175,835)	(23,675)	46,414	(153,096)
Machinery and equipment	<u>(3,588,776)</u>	<u>(429,161)</u>	<u>236,578</u>	<u>(3,781,359)</u>
Total accumulated depreciation	<u>(34,533,036)</u>	<u>(3,179,172)</u>	<u>756,289</u>	<u>(36,955,919)</u>
Total capital assets, being depreciated, net	<u>53,458,046</u>	<u>1,456,980</u>	<u>(262,126)</u>	<u>54,652,900</u>
Business-type activities capital assets, net	<u>\$ 54,850,459</u>	<u>\$ 1,456,980</u>	<u>\$ (381,814)</u>	<u>\$ 55,925,625</u>

Component Unit – GMAIA

A summary of component unit property, plant and equipment at June 30, 2010 follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Component Unit actives:				
Capital assets, not being depreciated:				
Land	\$ <u>969,012</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>969,012</u>
Capital assets, being depreciated:				
Buildings	213,275	-	-	213,275
Equipment	<u>154,180</u>	<u>-</u>	<u>-</u>	<u>154,180</u>
Total capital assets, being depreciated	<u>367,455</u>	<u>-</u>	<u>-</u>	<u>367,455</u>
Less accumulated depreciation for:				
Buildings	(118,245)	(7,109)	-	(125,354)
Equipment	<u>(58,305)</u>	<u>(23,322)</u>	<u>-</u>	<u>(81,627)</u>
Total accumulated depreciation	<u>(176,550)</u>	<u>(30,431)</u>	<u>-</u>	<u>(206,981)</u>
Total capital assets, being depreciated, net	<u>190,905</u>	<u>(30,431)</u>	<u>-</u>	<u>160,474</u>
Component unit capital assets, net	<u>\$ 1,159,917</u>	<u>\$ (30,431)</u>	<u>\$ -</u>	<u>\$ 1,129,486</u>

CITY OF MADISONVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS - Continued

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
Highways and streets, including depreciation of general infrastructure assets	\$ 1,208,250
General government	896,115
Public safety	308,785
Culture and recreation	90,779
Cemetery	<u>5,210</u>
Total depreciation expense - governmental activities	<u>\$ 2,509,139</u>
Business-type activities:	
Light	\$ 738,338
Water and sewer	2,269,573
Sanitation	<u>171,261</u>
Total Depreciation expense - business-type activities	<u>\$ 3,179,172</u>
Component unit activities:	
GMAIA	<u>\$ 30,431</u>

6. PROPERTY TAX

The City bills and collects its own property taxes. The City elects to use the annual property assessment prepared by Hopkins County as its base to apply the property tax rate. According to Kentucky Revised Statutes, the assessment date for the City must conform to the assessment date of Hopkins County, and the annual increase in the property tax levy cannot exceed 4%. For the year ending June 30, 2010, taxes were levied on October 1, 2009 and payable on November 30, 2009. The tax rate was 12.4 cents per \$100 of assessed valuation of real property; 15.0 cents per \$100 for motor vehicles and watercraft, 21.3 cents per \$100 for all other tangible personal property. Enforceable liens on delinquent property tax bills in excess of \$10 attach to the property when filed by the City by August 31 of each year. City property tax revenues are recognized when levied to the extent that they result in current receivables in accordance with GASB Statement 1, "Revenue Recognition - Property Taxes".

7. EMPLOYEE RETIREMENT SYSTEMS

The City maintains a single-employer, defined benefit pension plan (Policemen and Firefighters Pension Fund) which covers public safety employees employed prior to February 1, 1988, who elect to participate in the plan. The City also participates in the County Employees Retirement System, a multiple-employer, cost-sharing public employee pension plan which covers all of the City's employees hired after February 1, 1988 and those employees electing coverage under the plan who were employed on February 1, 1988.

Policemen and Firefighters Pension Plan

A. Plan Description

The Policemen and Firefighters Pension Fund is a single-employer, defined benefit pension plan that was established March 5, 1943. The fund provides benefits for widows and retiring personnel of the police and fire departments whose date of employment was prior to February 1, 1988, who elect to continue participation in the plan. A Board of Trustees consisting of the Mayor, City Clerk, a Council Member, and two retired beneficiaries administer the fund. The payroll for employees covered by the Policemen and Firefighters Pension Plan for the year ended June 30, 2010 was \$0; the City's total payroll was \$12,014,741. There is not a separate, audited GAAP basis, postemployment benefit plan

CITY OF MADISONVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS - Continued

report available for this plan. As of June 30, 2010, all plan participants had retired. Membership at June 30, 2010 is as follows:

Retirees and beneficiaries currently receiving benefits	29
Vested terminated employees	0
Active employees:	
Fully vested-participating	0
Nonvested	0

Employees attaining the age of 51 years who have completed 20 or more years of service are entitled to an annual benefit of 50% of final salary at the time of retirement. Rights in a service retirement annuity vest upon completion of 20 years of service.

The Plan provides for occupational death benefits, which entitle the spouse to receive immediate income equal to 50% of the member's last rate of pay regardless of the employee's length of service. The income ceases at the spouse's death or remarriage. In addition, \$6 per month is payable to the spouse for each minor child until each child attains age 14. Each surviving dependent parent (if both are alive) is entitled to a benefit of \$15 per month. If only one dependent parent is living, then that parent is entitled to a benefit of \$30 per month. If a member dies from non-occupational causes after completing at least 12 years of service, his/her spouse, dependent children, and dependent parent(s) are entitled to the same benefits as payable under the occupational death benefit.

The Plan provides for disability benefits based on years of service. If a member becomes disabled and has completed at least 12 years of service, the member receives 50% of his final salary. If the member has less than 12 years of service, the member receives a fixed benefit determined by the Board of Trustees, on the ratio of years of service to 12, not to exceed 50% of final salary.

Upon termination, a member may receive a refund of his accumulated contributions to the fund without interest. However, no post-retirement cost of living increases are provided for in the plan. A \$100 funeral benefit is payable to a deceased member's family for funeral expenses.

Active members are required under Kentucky Revised Statutes to contribute 3.5% of their annual salary to the Fund. The City is required to contribute the remaining amounts necessary to fund the plan, using the entry age-normal actuarial method as specified by ordinance. Effective in 1990, legislation was passed which provides that the Board of Trustees may grant an annual cost-of-living adjustment if actuarially supportable up to a maximum of 5%. During March 2006, the Board of Trustees granted those receiving benefits a one time cost-of-living adjustment increase of \$45 per month.

B. Summary of Significant Accounting Policies

The Policemen & Firefighters Pension Trust Fund's financial statements are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions to the Fund are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms as stated in Kentucky Revised Statutes. Investment income is recognized as earned by the pension plan. The net appreciation (depreciation) in the fair value of investments held by the pension plan is recorded as an increase (decrease) to investment income based on valuation of investments as of the date of the balance sheet.

Investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Investments that do not have an established market are

CITY OF MADISONVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS - Continued

reported at estimated fair value.

C. Contributions and Funding Status

The City and participants are obligated by Kentucky Revised Statutes to make a required contribution of 3.5% of covered payroll to the plan. The City's funding policy is to provide for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are designed to accumulate sufficient assets to pay benefits when due. The annual required contribution for the current year was determined as part of the July 1, 2009 actuarial valuation developed by Mercer (US), Inc. and updated as of July 1, 2010 by SG Actuarial Services LLC. The valuation used an entry age actuarial funding method. The actuarial assumptions included (a) 8.0% investment rate of return; (b) no cost-of-living adjustment; and (c) no inflation rate adjustment. Unfunded actuarial accrued liabilities are being amortized as a level percent of payroll over an open period of 30 years. The General Fund of the City of Madisonville, Kentucky provides administrative costs such as professional fees and beneficiary services. Other miscellaneous investment fees and miscellaneous costs are paid from available net assets in the Fund.

The Fund's annual pension cost and net pension obligation for the fiscal year ended June 30, 2010 were as follows:

Annual required contribution	\$	359,856	
Interest on net pension obligation		91,868	
Annual required contribution adjustment		<u>(102,005)</u>	
Annual pension cost	\$		349,719
Contributions made			<u>(75,000)</u>
Increase(decrease) in net pension obligation			274,719
Net pension obligation beginning of year			<u>1,148,347</u>
Net pension obligation end of year	\$		<u><u>1,423,066</u></u>

Three-Year Trend Information

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/2008	\$ 182,361	55.48%	\$ 935,275
6/30/2009	288,072	26.04%	1,148,347
6/30/2010	349,719	21.45%	1,423,066

D. Pension Plan Required Supplemental Information

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
7/1/2010	805,239	5,430,751	4,625,512	14.8 %	-	N/A
7/1/2009	1,142,465	5,528,473	4,386,008	20.7 %	-	N/A
7/1/2008	2,012,031	5,614,896	3,602,865	35.8 %	-	N/A
7/1/2007	2,675,953	5,506,055	2,830,102	48.6 %	48,161	5876.3 %
7/1/2006	2,749,209	5,022,436	2,273,227	54.7 %	96,084	2365.9 %
7/1/2005	3,049,912	5,308,197	2,258,285	57.5 %	153,827	1468.1 %
7/1/2004	3,232,895	5,605,368	2,372,473	57.7 %	149,332	1588.7 %
7/1/2003	3,383,369	5,422,232	2,038,863	62.4 %	183,631	1110.3 %
7/1/2002	3,702,868	5,442,610	1,739,742	68.0 %	220,373	789.5 %
7/1/2001	4,557,596	5,563,815	1,006,219	81.9 %	215,678	466.5 %

CITY OF MADISONVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS - Continued

Notes: This schedule has been developed by extracting information from past valuation reports. These valuation reports were completed by Mercer (US), Inc. Actuarial value of assets is equal to cost value for all valuations prior to July 1, 1998. Beginning July 1, 1998, assets were valued at market value. Actuarial accrued liability has been based on the entry age normal cost funding method. Valuation results reflect no future cost-of-living adjustments to benefit recipients under the plan. Effective in 1990, legislation was passed which provides that the Board of Trustees may grant an annual cost-of-living adjustment if actuarially supportable up to a maximum of 5%.

County Employees Retirement System

1. Plan Description and Provisions

The City of Madisonville, Kentucky is a participant in the County Employees Retirement System (CERS), a multiple-employer, cost-sharing pension plan. On January 18, 1988, the City Council adopted an ordinance which allowed all employees of the City hired before February 1, 1988, at their option, to participate in the CERS. Under the same ordinance, all employees hired after February 1, 1988 are mandated participants in the CERS. The payroll for employees covered by CERS for the year ended June 30, 2010 was \$11,469,251; the City's total payroll was \$12,014,741.

CERS is administered by Kentucky Retirement Systems Board of Trustees pursuant to KRS 78.510-78.852. All City employees participating in the CERS are classified as having either a hazardous or nonhazardous position for the purpose of KRS 61.592.

Hazardous position members who have attained age 55 and have acquired at least 5 years of service, of which 1 year must be current service, are eligible for an annual retirement benefit, payable monthly for life. The benefit is computed by the number of years of service multiplied by 2.45% then multiplied by the average annual salary during the member's five highest paid fiscal years. Benefits fully vest upon reaching 5 years of credited service, one of which must be current service. Vested members may retire at or after age 50 with 15 years of credited service, of which 1 year must be current service, and receive reduced retirement benefits. CERS also provides death and disability benefits. Benefits are established by the Kentucky Statutes.

Nonhazardous position employees who have attained age 65 and have acquired at least 4 years of credited service of which 1 year must be current service are eligible for an annual retirement benefit, payable monthly for life. The benefit is computed by the number of years of service multiplied by 1.85% then multiplied by the average annual salary during the member's five highest paid fiscal years. Benefits fully vest upon reaching 5 years of credited service, one of which must be current service. Vested members may retire at or after age 55 with 5 years of credited service, of which 1 year must be current service, and receive reduced retirement benefits. CERS also provides death and disability benefits. Benefits are established by the Kentucky Statutes.

If a member's employment is terminated before the member is eligible for any other benefits under CERS, the member shall receive a refund of his/her member contributions with credited interest at 3 percent compounded annually through June 30, 1981, 6 percent thereafter through June 30, 1986, and 4 percent thereafter.

2. Contributions

Covered employees are required by state statute to contribute 5 percent of their salary to CERS. Members occupying hazardous positions, as defined by state statute, contribute 8 percent of their salary to CERS. Employers are required by state statute (KRS 61.565) to contribute the remaining amounts necessary to pay benefits when due. These contribution rates are determined by the Board

CITY OF MADISONVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS - Continued

of Trustees of Kentucky Retirement Systems each biennium. For the year ended June 30, 2010, the employer contribution rate was 16.16% and 32.97%, respectively, of members' nonhazardous and hazardous salaries. The contribution requirement for the year ended June 30, 2010 was \$3,484,660 which was 100% funded. The requirement consisted of \$2,741,795 (16.16% of covered payroll for nonhazardous and 32.97% for hazardous positions) from the City and \$742,865 (5.00% of covered payroll for nonhazardous positions and 8.00% percent for hazardous positions) from employees. Total contributions for the years ended June 30, 2008 and 2007 were \$3,171,055 and \$3,467,884, respectively, which was 100% of the required contributions for each year.

An Annual Financial Report is prepared by the Kentucky Retirement Systems and contains financial statements and required supplementary information for the County Employees Retirement System. The financial report may be obtained by writing to Kentucky Retirement Systems, Perimeter Park West, 1260 Louisville Road, Frankfort, Kentucky 40601 or visiting their website at www.kyret.com.

3. Postretirement Healthcare Benefits

In addition to the pension benefits described above, the Kentucky Retirement Systems (KRS) provides postretirement healthcare benefits, in accordance with Kentucky Revised Statutes. The Kentucky Retirement Systems Insurance Fund (Fund) was established to provide hospital and medical insurance for members receiving benefits from the Kentucky Employees Retirement System (KERS), the County Employees Retirement System (CERS), and the State Police Retirement System (SPRS). The Fund and members receiving benefits pay prescribed portions of the aggregate premiums paid by the Fund. For the year ended June 30, 2009 (the date of the latest available information), insurance premiums withheld from benefit payments to members of the CERS approximated \$29,228,349. As of June 30, 2009, the Fund had 87,279 retirees and beneficiaries for whom benefits were available. The allocation of insurance premiums paid by the Fund and amounts withheld from member benefits is based on years of service with the Systems. For members participating prior to July 1, 2003, years of service and respective percentage of the maximum contribution are as follows:

Service Period	% paid by Insurance Fund
20 or more years	100%
15-19 years	75%
10-14 years	50%
4-9 years	25%
Less than 4 years	0%

As a result of House Bill 290 (2004 Kentucky General Assembly), medical insurance benefits are calculated differently for members who began participating on or after July 1, 2003. Once members reach a minimum vesting period of ten years, nonhazardous employees whose participation began on or after July 1, 2003 earn ten dollars (\$10) per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. Hazardous employees whose participation began on or after July 1, 2003 earn fifteen dollars (\$15) per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. This dollar amount is subject to adjustment annually based on the retiree cost of living adjustment (COLA), which is updated annually due to changes in the Consumer Price Index (CPI) for all urban consumers. This benefit is not protected under the inviolable contract provision of Kentucky Revised Statutes 16.652, 61.692 and 78.852. The Kentucky General Assembly reserves the right to suspend or reduce this benefit if, in its judgment, the

CITY OF MADISONVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS - Continued

welfare of the Commonwealth so demands.

In prior years, the employers' required medical insurance contribution rate was being increased annually by a percentage that would result in advance-funding the medical liability on an actuarially determined basis using the entry age normal cost method within a 20 year period measured from 1987. In November, 1992, the Board of Trustees adopted a fixed percentage contribution rate and suspended future increases under the current medical premium funding policy until the next experience study could be performed. In May 1996, the Board of Trustees adopted a policy to increase the insurance contribution rate by the amount needed to achieve the target rate for full entry age normal funding within twenty years. The increases commenced with the 1997 valuation and adjustments will be made every other valuation year to coincide with the valuation used by the Kentucky General Assembly to establish employer contribution rates for the biennium.

8. COMMITMENTS

Kentucky Law Enforcement Foundation Program Funds

KLEFP funds are provided by the Commonwealth of Kentucky for police training incentives. The funds are made available to supplement police salaries under certain defined requirements for qualification.

Professional Firefighters Foundation Incentive Program Funds

PFFIP funds are provided by the Commonwealth of Kentucky for fire training incentives. The funds are made available to supplement firefighters' salaries under certain defined requirements for qualification.

South Main Phase 1B Project

The City had an active construction project at June 30, 2010 for a wastewater collection construction project referred to as South Main Phase 1B. The project will provide updated sewer services to 1,200 homes. The project is being funded by \$3,800,000 from the American Recovery and Reinvestment Act of 2009 (ARRA) which is composed of principal forgiveness in the amount of \$1,979,800 and a loan with the Kentucky Infrastructure Authority (KIA) in the amount of \$1,820,200. The City had a construction commitment with Ernie Davis & Sons Mechanical, Inc. for \$2,470,978.

9. RISK MANAGEMENT

The City is a participant in the Kentucky Municipal Risk Management Association (KMRMA) effective July 1, 1996. The purpose of the association is to purchase reinsurance on a group basis for member governments as it relates to workers' compensation insurance coverage. The City retains the risk of loss associated with workers' compensation claims up to a maximum of \$75,000 per accident or \$75,000 per employee at which time the reinsurance policy purchased through the KMRMA will pay losses in excess of those stated limits. This self-insurance feature exposes the City to a significant possible insurance risk. The plan is accounted for as an internal service fund.

Effective July 1, 2005, the City implemented a self insured health care trust fund. The purpose of this fund is to accumulate resources to be used in providing health and life insurance benefits to all City employees electing coverage. The City retains the risk of loss for employee health claims up to a maximum of \$75,000 per employee per annum. The aggregate annual claims exposure associated with employee health claims was \$1,950,873 for the plan as a whole whereupon excess risk insurance proceeds from HCC Life Insurance Company were scheduled to pay 100% of the claims then outstanding for the year ending June 30, 2010. This self-insurance feature exposes the City to a significant possible insurance risk. The plan is accounted for as an internal service fund.

CITY OF MADISONVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS - Continued

The following is a reconciliation of changes in the aggregate liabilities for the current and the preceding fiscal years:

	<u>Workmen's Compensation Insurance Fund</u>	<u>Self Insured Health Care Trust Fund</u>	<u>Totals</u>
Claims payable at June 29, 2008 (Due in one year)	\$ 121,318	\$ 110,938	\$ 232,256
Current Year Claims Expense	22,305	1,073,197	1,095,502
Current Year Payments on Claims	<u>(125,793)</u>	<u>(1,117,102)</u>	<u>(1,242,895)</u>
Claims payable at June 30, 2009 (Due in one year)	17,830	67,033	84,863
Current Year Claims Expense	122,775	2,012,980	2,135,755
Current Year Payments on Claims	<u>(105,774)</u>	<u>(1,950,873)</u>	<u>(2,056,647)</u>
Claims Payable at June 30, 2010 (Due in one year)	<u>\$ 34,831</u>	<u>\$ 129,140</u>	<u>\$ 163,971</u>

There were no claims in excess of the reinsurance coverage levels during the fiscal years for the above described plan. The City also has not had any claims in excess of insurance coverage levels for the prior two fiscal years. All other risks of loss are covered by commercial insurance purchased through private carriers. With regard to the insurance coverage provided by private carriers, there were no significant changes in insurance coverage.

10. WATER AND SEWER ENTERPRISE FUND REVENUE BONDS PAYABLE

<u>Description</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance 6/30/2010</u>	<u>Due in One Year</u>
Water & Sewer Revenue Bonds (Series 2003A)	4.0% - 4.25%	2034	\$ 12,560,000	\$ 555,000
Water & Sewer Refunding Bond (Series 2004A)	2.125% - 3.0%	2010	500,000	500,000
Water & Sewer Refunding Bond (Series 2008)	2.0% - 3.0%	2017	<u>2,805,000</u>	<u>315,000</u>
Total			15,865,000	<u>\$ 1,370,000</u>
Less current portion			<u>(1,370,000)</u>	
Long-term portion			<u>\$ 14,495,000</u>	

CITY OF MADISONVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS - Continued

Principal and interest requirements of the revenue bonds payable as of June 30, 2010 are:

Fiscal Year	Principal	Interest	Total
2010-11	\$ 1,370,000	\$ 601,195	\$ 1,971,195
2011-12	900,000	563,730	1,463,730
2012-13	935,000	531,057	1,466,057
2013-14	970,000	495,847	1,465,847
2014-15	1,010,000	458,842	1,468,842
2015-16	1,050,000	419,744	1,469,744
2016-17	1,090,000	378,894	1,468,894
2017-18	1,135,000	336,394	1,471,394
2018-19	775,000	298,244	1,073,244
2019-24	4,415,000	955,721	5,370,721
2024-29	990,000	369,113	1,359,113
2029-34	<u>1,225,000</u>	<u>134,405</u>	<u>1,359,405</u>
Total	<u>\$ 15,865,000</u>	<u>\$ 5,543,186</u>	<u>\$ 21,408,186</u>

Under resolution of the Revenue Bonds Series 2003A, Refunding Series 2004A, Refunding Series 2008 and covenants of the Kentucky Infrastructure Authority Loan, the Water and Sewer Enterprise Fund is required to deposit all receipts in a revenue account and transfer funds to the following segregated accounts:

- A) Bond Principal and Interest Redemption Fund - Pro rata monthly transfers of an amount equal to the next principal and /or interest payment.
- B) Bond Reserve Fund - Monthly deposits are required until a balance of \$1,072,095 is accumulated. The balance as of June 30, 2010 was \$1,419,962.
- C) Depreciation Fund - Monthly deposits are required until a balance of \$777,760 is accumulated. The balance as of June 30, 2010 was \$806,715. Withdrawals may be made from the depreciation fund for renewals, replacements, new construction, and contingencies in the operation of the combined municipal water works and sewer system and to meet the payment of bond principal or interest, if necessary.
- D) Loan Reserve Funds – Annual deposits of \$90,000 are required until a balance of \$900,000 is accumulated. The balance of the reserve account at June 30, 2010 was \$914,621.

In various bond ordinances, the City also has committed that -

- A) No transfers will be made from the Water and Sewer Enterprise Fund to any other fund until funds are in excess of the amounts to be transferred during the ensuing year to the Bond Principal and Interest Redemption Fund, Reserve Fund, or Depreciation Fund.
- B) In order to issue additional parity bonds, the adjusted net revenues of the combined and consolidated Water and Sewer System for 12 consecutive months of the preceding 18 months are to equal at least one and thirty hundredths (1.30) times (coverage) the maximum amount that will become due in any fiscal year for both principal and interest on the Prior Bonds and the Current Bonds then outstanding and any parity bonds including the bonds then proposed to be issued.

CITY OF MADISONVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS - Continued

- C) Not to reduce Water and Sewer rates without establishing that the proposed reduction will not reduce the required coverage below the amount of coverage (revenues, as adjusted, equal to at least 1.30 times maximum annual debt service requirements) which would be required in order to enable the City to issue additional parity bonds.
- D) To cause a report to be filed with the City Council within four months after the end of each fiscal year by Certified Public Accountants and/or Independent Consulting Engineers, setting forth what was the precise percentage ("coverage") of the maximum debt service requirements falling due in any fiscal year thereafter for principal of and interest on all of the then outstanding bonds payable from the revenues of the system, produced or provided by the net revenues of the system in that fiscal year; and the City covenanted that if and whenever such report so filed should establish that such coverage of net revenues for such year was less than 125% of the maximum debt service requirements, the City would increase the rates by an amount sufficient, in the opinion of such Engineers and/or Accountants, to establish the existence of or immediate projection of, such minimum 125% coverage. In a report submitted to the City Council subsequent to June 30, 2009 the "coverage" was sufficient to produce the required 125% of the maximum debt service requirements.

11. NOTES PAYABLE AND CAPITAL LEASE OBLIGATIONS

Light Enterprise Fund Notes Payable

The City established an operating line of credit agreement in the amount of \$1,500,000 with Old National Bank on May 2, 2009 and matures April 2, 2010. The line of credit is unsecured and accrues interest at 3.00%. The City made drawings on the line of credit during the year ended June 30, 2010 in the amount of \$100,000. There was no outstanding balance at June 30, 2010. Interest of \$7,008 was incurred during the year ended June 30, 2010.

On June 8, 2008, the City borrowed \$360,000 from Old National Bank to permanently finance a line of credit. The note bears interest at 3.55% and calls for monthly payments of fixed principal in the amount of \$6,000 plus interest beginning July 8, 2008 and concluding June 8, 2013. Maturities of the note payable are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
For the year ending,			
June 30, 2011	\$ 72,000	\$ 6,375	\$ 78,375
June 30, 2012	72,000	3,819	75,819
June 30, 2013	<u>68,565</u>	<u>1,263</u>	<u>69,828</u>
Total	<u>\$ 212,565</u>	<u>\$ 11,457</u>	<u>\$ 224,022</u>

Light Enterprise Fund Capital Lease Obligations

On March 18, 2009, the City entered into a lease agreement with Old National Bank to finance the purchase of a bucket truck. The lease agreement calls for annual lease payments of \$37,291 beginning March 13, 2010 and concluding March 13, 2014. At the conclusion of the lease, legal ownership of the bucket truck vests in the City. The lease qualifies as a capital financing lease with the cost of the asset and the net present value of the capital lease obligation reflected in these financial statements. The historical cost and accumulated depreciation of the bucket truck acquired was \$163,433 and \$20,429, respectively as of June 30, 2010. Maturities of the lease obligation are as follows:

CITY OF MADISONVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS - Continued

	<u>Amount Representing Principal</u>	<u>Amount Representing Interest</u>	<u>Total Lease Commitment</u>
For the year ending,			
June 30, 2011	\$ 31,199	\$ 6,092	\$ 37,291
June 30, 2012	32,622	4,669	37,291
June 30, 2013	34,109	3,182	37,291
June 30, 2014	<u>35,665</u>	<u>1,626</u>	<u>37,291</u>
Total	<u>\$ 133,595</u>	<u>\$ 15,569</u>	<u>\$ 149,164</u>

On January 19, 2005, the City entered into a lease agreement with the Kentucky League of Cities to help finance improvements of the electric substations. The lease agreement calls for monthly lease payments and fees varying from \$27,398 to \$27,648 beginning March 1, 2005 and ending January 19, 2012. The lease qualifies as a capital financing lease with the cost of the assets and the net present value of the capital lease obligation reflected in these financial statements. The proceeds of the lease were \$2,000,000. Maturities of the lease obligation are as follows:

	<u>Amount Representing Principal</u>	<u>Amount Representing Interest</u>	<u>Total Lease Commitment</u>
For the year ending,			
June 30, 2011	\$ 312,623	\$ 16,525	\$ 329,148
June 30, 2012	<u>215,393</u>	<u>3,863</u>	<u>219,256</u>
Total	<u>\$ 528,016</u>	<u>\$ 20,388</u>	<u>\$ 548,404</u>

Water & Sewer Enterprise Fund Note Payable

The City of Madisonville was awarded a Capitalization Grant Loan from the Kentucky Infrastructure Authority. The committed loan funds totaled \$15,618,294 and had been drawn by the City of Madisonville to finance the construction of a wastewater treatment facility and collection system improvements. Repayment terms require semi-annual payments of principal and interest at 2.6% per annum with an additional loan servicing fee of 0.2% per annum for a total effective interest rate of 2.8%. Scheduled semi-annual payments vary throughout the loan term. Principal requirements are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
For the year ending,			
June 30, 2011	\$ 873,926	\$ 164,882	\$ 1,038,808
June 30, 2012	896,796	140,254	1,037,050
June 30, 2013	920,264	114,981	1,035,245
June 30, 2014	944,347	89,044	1,033,391
June 30, 2015	969,059	62,432	1,031,491
June 30, 2016	994,418	35,122	1,029,540
June 30, 2017	<u>506,926</u>	<u>7,097</u>	<u>514,023</u>
Total	<u>\$ 6,105,736</u>	<u>\$ 613,812</u>	<u>\$ 6,719,548</u>

CITY OF MADISONVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS - Continued

Water & Sewer Enterprise Fund Capital Lease Obligations

On November 23, 2005, the City entered into a lease agreement with Kansas State Bank of Manhattan to finance the purchase of an excavator. The lease agreement calls for annual lease payments of \$22,739 beginning November 29, 2006 and concluding November 29, 2010. At the conclusion of the lease, legal ownership of the excavator vests in the City. The lease qualifies as a capital financing lease with the cost of the asset and the net present value of the capital lease obligation reflected in these financial statements. The historical cost and accumulated depreciation of the excavator acquired was \$98,450 and \$71,533, respectively as of June 30, 2010. Maturities of the lease obligation are as follows:

	Amount Representing Principal	Amount Representing Interest	Total Lease Commitment
For the year ending, June 30, 2011	\$ 21,657	\$ 1,082	\$ 22,739
Total	\$ 21,657	\$ 1,082	\$ 22,739

On October 15, 2007, the City entered into a lease agreement with Old National Bank to finance the purchase of a backhoe. The lease agreement calls for annual lease payments of \$26,787 beginning October 15, 2008 and concluding October 15, 2010. At the conclusion of the lease, legal ownership of the backhoe vests in the City. The lease qualifies as a capital financing lease with the cost of the asset and the net present value of the capital lease obligation reflected in these financial statements. The historical cost and accumulated depreciation of the backhoe acquired was \$73,915 and \$29,038, respectively as of June 30, 2010. Maturities of the lease obligation are as follows:

	Amount Representing Principal	Amount Representing Interest	Total Lease Commitment
For the year ending, June 30, 2011	\$ 25,682	\$ 1,105	\$ 26,787
Total	\$ 25,682	\$ 1,105	\$ 26,787

On November 6, 2008, the City entered into a lease agreement with the Kentucky League of Cities Funding Trust Program to finance the purchase of automated meter reading water meters and related costs. The lease agreement calls for monthly lease payments and fees varying from \$12,032 to \$15,104 beginning December 1, 2008 and ending November 1, 2018. The lease qualifies as a capital financing lease with the cost of the assets and the net present value of the capital lease obligation reflected in these financial statements. The proceeds of the lease were \$1,500,000. At June 30, 2010, the City had unexpended funds of \$248,970. Maturities of the lease obligation are as follows:

CITY OF MADISONVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS - Continued

	<u>Amount Representing Principal</u>	<u>Amount Representing Interest</u>	<u>Total Lease Commitment</u>
For the year ending,			
June 30, 2011	\$ 133,617	\$ 40,670	\$ 174,287
June 30, 2012	138,648	36,403	175,051
June 30, 2013	144,063	31,814	175,877
June 30, 2014	149,508	27,193	176,701
June 30, 2015	155,221	22,347	177,568
June 30, 2016	161,116	17,348	178,464
June 30, 2017	167,318	12,089	179,407
June 30, 2018	173,686	6,687	180,373
June 30, 2019	74,312	1,139	75,451
Total	<u>\$ 1,297,489</u>	<u>\$ 195,690</u>	<u>\$ 1,493,179</u>

Sanitation Enterprise Fund Capital Lease Obligations

On March 15, 2005, the City entered into a lease agreement with Public-Finance.com, Inc. to finance the purchase of a wheel loader. The lease agreement calls for monthly lease payments of \$1,631 beginning April 24, 2005 and concluding March 24, 2010. At the conclusion of the lease, legal ownership of the wheel loader vests in the City. The lease qualifies as a capital financing lease with the cost of the asset and the net present value of the capital lease obligation reflected in these financial statements. The historical cost and accumulated depreciation of the wheel loader acquired was \$87,500 and \$44,479, respectively as of June 30, 2010. The lease obligation was fully paid at June 30, 2010.

On April 14, 2005, the City entered into a lease agreement with Oshkosh Capital to finance the purchase of a refuse truck. The lease agreement calls for quarterly lease payments of \$8,917 beginning August 15, 2005 and concluding May 15, 2010. At the conclusion of the lease, legal ownership of the refuse truck vests in the City. The lease qualifies as a capital financing lease with the cost of the asset and the net present value of the capital lease obligation reflected in these financial statements. The historical cost and accumulated depreciation of the refuse truck acquired was \$159,028 and \$159,028, respectively as of June 30, 2010. The lease obligation was fully paid at June 30, 2010.

On August 20, 2005, the City entered into a lease agreement with BB&T Governmental Finance to finance the purchase of a Freightliner. The lease agreement calls for monthly lease payments of \$2,438 beginning September 22, 2005 and concluding August 22, 2010. At the conclusion of the lease, legal ownership of the Freightliner vests in the City. The lease qualifies as a capital financing lease with the cost of the asset and the net present value of the capital lease obligation reflected in these financial statements. The historical cost and accumulated depreciation of the Freightliner acquired was \$132,467 and \$42,684, respectively as of June 30, 2010. Maturities of the lease obligation are as follows:

	<u>Amount Representing Principal</u>	<u>Amount Representing Interest</u>	<u>Total Lease Commitment</u>
For the year ending,			
June 30, 2011	\$ 4,852	\$ 24	\$ 4,876
Total	<u>\$ 4,852</u>	<u>\$ 24</u>	<u>\$ 4,876</u>

CITY OF MADISONVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS - Continued

On August 19, 2005, the City entered into a lease agreement with BB&T Governmental Finance to finance the purchase of a Mack truck. The lease agreement calls for monthly lease payments of \$2,052 beginning September 25, 2005 and concluding August 25, 2010. At the conclusion of the lease, legal ownership of the Mack truck vests in the City. The lease qualifies as a capital financing lease with the cost of the asset and the net present value of the capital lease obligation reflected in these financial statements. The historical cost and accumulated depreciation of the Mack truck acquired was \$111,934 and \$36,068, respectively as of June 30, 2010. Maturities of the lease obligation are as follows:

	<u>Amount Representing Principal</u>	<u>Amount Representing Interest</u>	<u>Total Lease Commitment</u>
For the year ending, June 30, 2011	\$ 4,085	\$ 20	\$ 4,105
Total	<u>\$ 4,085</u>	<u>\$ 20</u>	<u>\$ 4,105</u>

On October 7, 2008, the City entered into a lease agreement with Old National Bank to finance the purchase of two Mack trucks. The lease agreement calls for annual lease payments of \$61,213 beginning September 12, 2009 and concluding September 12, 2015. At the conclusion of the lease, legal ownership of the Mack trucks vests in the City. The lease qualifies as a capital financing lease with the cost of the asset and the net present value of the capital lease obligation reflected in these financial statements. The historical cost and accumulated depreciation of the Mack trucks acquired was \$366,727 and \$44,822, respectively as of June 30, 2010. Maturities of the lease obligation are as follows:

	<u>Amount Representing Principal</u>	<u>Amount Representing Interest</u>	<u>Total Lease Commitment</u>
For the year ending, June 30, 2011	\$ 48,238	\$ 12,975	\$ 61,213
June 30, 2012	50,192	11,021	61,213
June 30, 2013	52,225	8,988	61,213
June 30, 2014	54,340	6,873	61,213
June 30, 2015	56,540	4,673	61,213
June 30, 2016	<u>58,831</u>	<u>2,382</u>	<u>61,213</u>
Total	<u>\$ 320,366</u>	<u>\$ 46,912</u>	<u>\$ 367,278</u>

On February 3, 2010, the City entered into a lease agreement with Old National Bank to finance the purchase of a Freightliner truck. The lease agreement calls for monthly lease payments of \$3,085 beginning July 1, 2010 and concluding June 1, 2013. At the conclusion of the lease, legal ownership of the Freightliner truck vests in the City. The lease qualifies as a capital financing lease with the cost of the asset and the net present value of the capital lease obligation reflected in these financial statements. The historical cost and accumulated depreciation of the Freightliner truck acquired was \$104,184 and \$3,473, respectively as of June 30, 2010. Maturities of the lease obligation are as follows:

CITY OF MADISONVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS - Continued

	<u>Amount Representing Principal</u>	<u>Amount Representing Interest</u>	<u>Total Lease Commitment</u>
For the year ending,			
June 30, 2011	\$ 31,131	\$ 2,799	\$ 33,930
June 30, 2012	35,102	1,913	37,015
June 30, 2013	<u>36,332</u>	<u>682</u>	<u>37,014</u>
Total	<u>\$ 102,565</u>	<u>\$ 5,394</u>	<u>\$ 107,959</u>

General Fund Notes Payable

The City established an operating line of credit agreement in the amount of \$750,000 with Old National Bank on February 6, 2009 and matures February 6, 2010. The line of credit is unsecured and accrues interest at 3.00%. The City did not draw on or make payments to this line of credit during the year ended June 30, 2010.

On May 11, 2001, the City borrowed \$450,000 from the Kentucky Area Development Districts Funding Trust (KADD) to finance its matching share on an Economic Development Administration (EDA) grant award. The note bears interest at 4.76% and calls for semi-annual payments of interest beginning May 20, 2002 and concluding May 20, 2011. Maturities of the note payable are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
For the year ending,			
June 30, 2011	\$ 55,000	\$ 3,718	\$ 58,718
Total	<u>\$ 55,000</u>	<u>\$ 3,718</u>	<u>\$ 58,718</u>

General Fund Capital Lease Obligations

On July 17, 2006, the City entered into a lease agreement with Old National Bank to finance the purchase of a Street Sweeper. The lease agreement calls for quarterly lease payments of \$15,777 beginning October 17, 2006 and concluding July 17, 2009. At the conclusion of the lease, legal ownership of the Street Sweeper vests in the City. The lease qualifies as a capital financing lease with the cost of the asset and the net present value of the capital lease obligation reflected in these financial statements. The historical cost and accumulated depreciation of the street sweeper acquired was \$175,515 and \$98,205, respectively as of June 30, 2010. The lease obligation was fully paid at June 30, 2010.

On December 11, 2007, the City entered into a lease agreement with Old National Bank to permanently finance the purchase and renovation of a building to be used as City Hall. The lease agreement calls for monthly lease payments of \$6,581 beginning January 11, 2008 and concluding December 11, 2027. At the conclusion of the lease, legal ownership of the City Hall building vests in the City. The lease qualifies as a capital financing lease with the cost of the asset and the net present value of the capital lease obligation reflected in these financial statements. The historical cost and accumulated depreciation of the building acquired was \$1,340,694 and \$128,533, respectively as of June 30, 2010. Maturities of the lease obligation are as follows:

CITY OF MADISONVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS - Continued

	<u>Amount Representing Principal</u>	<u>Amount Representing Interest</u>	<u>Total Lease Commitment</u>
For the year ending,			
June 30, 2011	\$ 36,048	\$ 42,928	\$ 78,976
June 30, 2012	37,633	41,343	78,976
June 30, 2013	39,520	39,456	78,976
June 30, 2014	41,382	37,594	78,976
June 30, 2015	43,331	35,645	78,976
June 30, 2016	45,282	33,694	78,976
June 30, 2017	47,507	31,469	78,976
June 30, 2018	49,746	29,230	78,976
June 30, 2019 through 2023	286,101	108,782	394,883
June 30, 2024 through 2028	<u>320,331</u>	<u>35,063</u>	<u>355,394</u>
Total	<u>\$ 946,881</u>	<u>\$ 435,204</u>	<u>\$ 1,382,085</u>

On September 14, 2007, the City entered into a lease agreement with Agricredit Acceptance LLC to finance the purchase of a backhoe. The lease agreement calls for annual lease payments of \$23,436 beginning September 14, 2008 and concluding September 14, 2010. At the conclusion of the lease, legal ownership of the backhoe vests in the City. The lease qualifies as a capital financing lease with the cost of the asset and the net present value of the capital lease obligation reflected in these financial statements. The historical cost and accumulated depreciation of the backhoe acquired was \$63,750 and \$25,804, respectively as of June 30, 2010. Maturities of the lease obligation are as follows:

	<u>Amount Representing Principal</u>	<u>Amount Representing Interest</u>	<u>Total Lease Commitment</u>
For the year ending,			
June 30, 2011	\$ 22,307	\$ 1,129	\$ 23,436
Total	<u>\$ 22,307</u>	<u>\$ 1,129</u>	<u>\$ 23,436</u>

On October 15, 2007, the City entered into a lease agreement with Old National Bank to finance the purchase of an excavator. The lease agreement calls for annual lease payments of \$52,457 beginning October 15, 2008 and concluding October 15, 2010. At the conclusion of the lease, legal ownership of the excavator vests in the City. The lease qualifies as a capital financing lease with the cost of the asset and the net present value of the capital lease obligation reflected in these financial statements. The historical cost and accumulated depreciation of the excavator acquired was \$144,750 and \$56,866, respectively as of June 30, 2010. Maturities of the lease obligation are as follows:

	<u>Amount Representing Principal</u>	<u>Amount Representing Interest</u>	<u>Total Lease Commitment</u>
For the year ending,			
June 30, 2011	\$ 50,295	\$ 2,163	\$ 52,458
Total	<u>\$ 50,295</u>	<u>\$ 2,163</u>	<u>\$ 52,458</u>

CITY OF MADISONVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS - Continued

On April 30, 2010, the City entered into a lease agreement with First United Bank to finance the purchase of a fire truck. The lease agreement calls for monthly lease payments of \$7,722 beginning May 30, 2010 and concluding April 30, 2017. At the conclusion of the lease, legal ownership of the fire truck vests in the City. The lease qualifies as a capital financing lease with the cost of the asset and the net present value of the capital lease obligation reflected in these financial statements. The historical cost and accumulated depreciation of the fire truck acquired was \$599,725 and \$3,110, respectively as of June 30, 2010. Maturities of the lease obligation are as follows:

	<u>Amount Representing Principal</u>	<u>Amount Representing Interest</u>	<u>Total Lease Commitment</u>
For the year ending,			
June 30, 2011	\$ 71,048	\$ 21,611	\$ 92,659
June 30, 2012	74,022	18,637	92,659
June 30, 2013	77,192	15,467	92,659
June 30, 2014	80,496	12,163	92,659
June 30, 2015	83,943	8,716	92,659
June 30, 2016	87,538	5,121	92,659
June 30, 2017	74,230	1,412	75,642
Total	<u>\$ 548,469</u>	<u>\$ 83,127</u>	<u>\$ 631,596</u>

12. CHANGES IN GOVERNMENT-WIDE ACTIVITIES DEBT

A summary of changes in government-wide activities debt for the year ended June 30, 2010 follows:

	<u>Balance June 30, 2009</u>	<u>Issuance/ Additions</u>	<u>Retirement/ Reductions</u>	<u>Balance June 30, 2010</u>	<u>Due Within One Year</u>
<u>Governmental Activities:</u>					
Pension Obligation	\$ 1,148,347	\$ 274,719	\$ -	\$ 1,423,066	\$ -
Notes Payable	105,000	-	(50,000)	55,000	55,000
Capital Lease Obligation	1,120,503	559,947	(112,497)	1,567,953	179,698
Compensated Absences	<u>226,067</u>	<u>293,912</u>	<u>(287,980)</u>	<u>231,999</u>	<u>231,999</u>
Total Governmental Activities	<u>2,599,917</u>	<u>1,128,578</u>	<u>(450,477)</u>	<u>3,278,018</u>	<u>466,697</u>
<u>Business-Type Activities</u>					
Revenue Bonds Payable	18,005,000	-	(2,140,000)	15,865,000	1,370,000
Notes Payable	8,485,940	100,000	(2,267,639)	6,318,301	945,926
Capital Lease Obligations	2,986,385	104,184	(652,261)	2,438,308	613,084
Compensated Absences	<u>144,601</u>	<u>207,763</u>	<u>(213,856)</u>	<u>138,508</u>	<u>138,508</u>
Total Business-Type Activities	<u>29,621,926</u>	<u>411,947</u>	<u>(5,273,756)</u>	<u>24,760,117</u>	<u>3,067,518</u>
Total Primary Government	<u>\$ 32,221,843</u>	<u>\$ 1,540,525</u>	<u>\$ (5,724,233)</u>	<u>\$ 28,038,135</u>	<u>\$ 3,534,215</u>

Compensated absences represented the estimated liability for employees' accrued vacation for which employees are entitled to be paid upon termination. The retirement of this liability is paid from the General Fund, Special Revenue Fund or Enterprise Fund based on the assignment of an employee at termination. The City estimates its liability for compensated absences will be due within one year because vacation leave is calculated on a calendar year basis and must be taken during that year.

CITY OF MADISONVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS - Continued

13. LITIGATION

There are several minor lawsuits in which the City is involved. The City Attorney estimates that the potential claims against the City not covered by insurance resulting from litigation would not materially affect the financial statements of the City.

14. CONTINGENT LIABILITIES

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. The audits of these programs for or including the year ended June 30, 2010, have not yet been conducted. Accordingly, the City's compliance with applicable grant requirements will be established at some future date. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time. The City anticipates that any disallowed expenditures would be immaterial.

15. CUSTOMER DEPOSITS INTEREST PAYABLE

During 1979, the city obtained an Attorney General's opinion regarding the payment of interest on customer deposits for utility services. The opinion stated that the Municipal Utilities were liable for payment of interest on customer deposits. The interest expense for the year ended June 30, 2010 was \$29,516. Interest incurred but unpaid on customer deposits at June 30, 2010 was \$53,967.

16. TRANSFERS AND INTERFUND RECEIVABLE/PAYABLE BALANCES

Transfers and payments within the reporting entity are substantially for the purposes of subsidizing operating functions, funding capital projects and asset acquisitions, or maintaining debt service on a routine basis. Resources are accumulated in a fund or component unit to support and simplify the administration of various projects or programs.

Operating subsidies provided to the General Fund during the year ended June 30, 2010 were \$100,000 from the Municipal Aid Fund, \$125,000 from the Coal Severance Fund, \$195,000 from the Alcohol Beverage Control Fund, and \$3,000,000 from the Light Enterprise Fund. The General Fund transferred \$28,600 to the Airport Fund. The Coal Severance Fund transferred \$44,687 to the Municipal Aid Fund which represented funds earmarked by state statute for transportation expenditures.

Primary government operating transfers at June 30, 2010 were:

	<u>Transfers In</u>	<u>Transfers Out</u>	<u>Transfers Net</u>
<u>Governmental Funds</u>			
General Fund	\$ 3,420,000	\$ 28,600	\$ 3,391,400
Airport Fund	28,600	-	28,600
<u>Proprietary Funds</u>			
Light Enterprise Fund	-	3,000,000	(3,000,000)
<u>Special Revenue Funds</u>			
Municipal Aid Fund	44,687	100,000	(55,313)
Alcohol Beverage Control Fund	-	195,000	(195,000)
Coal Severance Fund	-	169,687	(169,687)
Total	<u>\$ 3,493,287</u>	<u>\$ 3,493,287</u>	<u>\$ -</u>

CITY OF MADISONVILLE, KENTUCKY
NOTES TO FINANCIAL STATEMENTS - Continued

Outstanding balances between funds reported as “due to/from other funds” include outstanding charges by one fund to another for services or goods and other miscellaneous receivables/payables between funds. Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are described as “due to/from other funds” (i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e., the non-current portion of interfund loans).

The purpose of Special Revenue Fund interfund payables were personnel related costs owed to the General and Internal Service Funds. The purpose of the Airport Fund interfund payable represents expenses for personnel and other operating costs provided by the General Fund. The purpose of Proprietary Fund interfund payables are for personnel and grant related expenditures provided by the General Fund. Proprietary Fund interfund receivables represent utility services provided to other funds. Internal Service Fund interfund receivables and payables represent outstanding charges and overpayments for employee benefits provided to other funds.

Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.” Similar activities in which a component unit is a party are captioned as “receivables/payables” for both the current and non-current portions between a component unit and the primary government. Balances to which a fiduciary fund is a party are treated as “external” receivables and payables.

Primary government interfund receivable/payable balances at June 30, 2010 were:

	Interfund Receivables	Interfund Payables
<u>General Fund</u>	\$ 882,019	\$ 59,256
<u>Airport Fund</u>	-	241,832
<u>Proprietary Funds</u>		
Light Enterprise Fund	70,734	556,484
Water & Sewer Enterprise Fund	56,756	76,629
Sanitation Enterprise Fund	20,518	32,808
<u>Internal Service Funds</u>		
Workmen's Compensation Fund	11,937	5,967
Self Insured Health Care Fund	-	365
<u>Special Revenue Funds</u>		
Alcohol Beverage Control Fund	-	23,646
Emergency Telephone System	-	44,794
Municipal Aid Fund	-	183
Total	\$ 1,041,964	\$ 1,041,964

REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULE

MAJOR GOVERNMENTAL FUNDS

CITY OF MADISONVILLE, KENTUCKY
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL (GAAP BASIS)
FOR THE YEAR ENDED JUNE 30, 2010

	<u>Budgeted Amounts</u>		<u>Actual GAAP Basis</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<u>Revenues</u>				
Taxes:				
Occupational	\$ 6,823,000	\$ 6,823,000	\$ 6,738,628	\$ (84,372)
Insurance premiums	2,120,000	2,120,000	2,156,802	36,802
Property	1,535,000	1,535,000	1,592,903	57,903
Franchise	500,000	500,000	454,665	(45,335)
Intergovernmental:				
Grant income	371,415	371,415	315,395	(56,020)
Police/Fire incentive	447,188	447,188	416,473	(30,715)
Contributions	-	-	1,542,500	1,542,500
Recreational fees	202,500	202,500	189,284	(13,216)
Miscellaneous	153,500	153,500	159,280	5,780
Police fines and base court	110,000	110,000	112,247	2,247
Cemetery revenues	65,000	65,000	69,225	4,225
Rental income	-	-	20,147	20,147
Investment income	6,000	6,000	1,830	(4,170)
Total Revenues	<u>12,333,603</u>	<u>12,333,603</u>	<u>13,769,379</u>	<u>1,435,776</u>
<u>Expenditures</u>				
Current:				
Public safety:				
Police	4,494,840	4,494,840	4,548,974	(54,134)
Fire	4,840,255	4,840,255	4,811,422	28,833
Total Public safety	<u>9,335,095</u>	<u>9,335,095</u>	<u>9,360,396</u>	<u>(25,301)</u>
General government:				
City engineer	411,982	411,982	371,754	40,228
Finance office	429,409	429,409	460,486	(31,077)
Elected officials	319,306	319,306	321,602	(2,296)
Administration	473,447	473,447	518,197	(44,750)
City clerk/treasurer	282,232	282,232	311,658	(29,426)
Planning and zoning	201,644	201,644	192,616	9,028
Total General government	<u>2,118,020</u>	<u>2,118,020</u>	<u>2,176,313</u>	<u>(58,293)</u>
Transportation	1,622,848	1,622,848	1,806,323	(183,475)
Health and public welfare	685,091	685,091	784,598	(99,507)
Parks and recreation	625,110	625,110	645,383	(20,273)
Cemetery	286,028	286,028	299,065	(13,037)
Capital outlay	898,700	898,700	2,654,858	(1,756,158)
Debt service	222,478	222,478	219,830	2,648
Total Expenditures	<u>15,793,370</u>	<u>15,793,370</u>	<u>17,946,766</u>	<u>(2,153,396)</u>
Deficiency of Revenues Over Expenditures	<u>(3,459,767)</u>	<u>(3,459,767)</u>	<u>(4,177,387)</u>	<u>(717,620)</u>
<u>Other Financing Sources (Uses)</u>				
Proceeds from sale of capital assets	-	-	12,115	12,115
Issuance of debt	-	-	559,947	559,947
Transfers in - primary government	3,413,000	3,413,000	3,420,000	7,000
Transfers in - component unit	80,000	80,000	80,000	-
Transfers out	(28,600)	(28,600)	(28,600)	-
Total Other Financing Sources (Uses)	<u>3,464,400</u>	<u>3,464,400</u>	<u>4,043,462</u>	<u>579,062</u>
Net Change in Fund Balances	4,633	4,633	(133,925)	(138,558)
Fund Balance at Beginning of Year	3,535,872	3,535,872	3,535,872	-
Fund Balance at End of Year	<u>\$ 3,540,505</u>	<u>\$ 3,540,505</u>	<u>\$ 3,401,947</u>	<u>\$ (138,558)</u>

CITY OF MADISONVILLE, KENTUCKY
AIRPORT SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE-
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2010

	<u>Budgeted Amounts</u>		<u>Actual GAAP Basis</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<u>Revenues</u>				
Grant income	\$ 2,497,500	\$ 2,497,500	\$ 1,132,274	\$ (1,365,226)
Other income	241,400	241,400	284,781	43,381
Investment income	<u>150</u>	<u>150</u>	<u>9</u>	<u>(141)</u>
Total Revenues	<u>2,739,050</u>	<u>2,739,050</u>	<u>1,417,064</u>	<u>(1,321,986)</u>
<u>Expenditures</u>				
Current:				
General government/other	265,828	265,828	325,692	(59,864)
Capital outlay	<u>2,500,000</u>	<u>2,500,000</u>	<u>1,140,417</u>	<u>1,359,583</u>
Total Expenditures	<u>2,765,828</u>	<u>2,765,828</u>	<u>1,466,109</u>	<u>1,299,719</u>
<u>Excess (Deficiency) of Revenues Over Expenditures</u>				
	<u>(26,778)</u>	<u>(26,778)</u>	<u>(49,045)</u>	<u>(22,267)</u>
<u>Other Financing Sources (Uses)</u>				
Operating transfers:				
General Fund	<u>28,600</u>	<u>28,600</u>	<u>28,600</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>28,600</u>	<u>28,600</u>	<u>28,600</u>	<u>-</u>
<u>Net Change in Fund Balance</u>	1,822	1,822	(20,445)	(22,267)
<u>Fund Balance at Beginning of Year</u>	<u>(137,226)</u>	<u>(137,226)</u>	<u>(137,226)</u>	<u>-</u>
<u>Fund Balance at End of Year</u>	<u>\$ (135,404)</u>	<u>\$ (135,404)</u>	<u>\$ (157,671)</u>	<u>\$ (22,267)</u>

COMBINING FINANCIAL STATEMENTS

NON-MAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

Alcoholic Beverage Control Fund

This fund accounts for revenues and expenditures of the alcoholic beverages tax and related license fees on retailers of alcoholic beverages.

Emergency Telephone System Fund

This fund accounts for revenues accumulated for the development, implementation, and operation of a 911 emergency telephone system.

Municipal Aid Fund

This fund accounts for revenues and expenditures of Commonwealth of Kentucky gasoline tax refunds.

Coal Severance Tax Fund

This fund accounts for revenues and expenditures of Commonwealth of Kentucky coal and mineral severance tax refunds.

CITY OF MADISONVILLE, KENTUCKY
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2010

	<u>Special Revenue Funds</u>				<u>Total Other Governmental Funds</u>
	<u>Alcoholic Beverage Control Fund</u>	<u>Emergency Telephone System Fund</u>	<u>Municipal Aid Fund</u>	<u>Coal Severance Tax Fund</u>	
<u>Assets</u>					
Cash	\$ 133,686	\$ 377,411	\$ 372,830	\$ 30,985	\$ 914,912
Prepaid insurance	154	11,511	-	-	11,665
Taxes receivable	<u>22,762</u>	<u>6,296</u>	<u>-</u>	<u>-</u>	<u>29,058</u>
<u>Total Assets</u>	<u>\$ 156,602</u>	<u>\$ 395,218</u>	<u>\$ 372,830</u>	<u>\$ 30,985</u>	<u>\$ 955,635</u>
<u>Liabilities and Fund Balances</u>					
Liabilities					
Trade accounts payable	\$ 75	\$ 9,518	\$ 147,827	\$ -	\$ 157,420
Due to other funds	<u>23,646</u>	<u>44,794</u>	<u>183</u>	<u>-</u>	<u>68,623</u>
Total Liabilities	<u>23,721</u>	<u>54,312</u>	<u>148,010</u>	<u>-</u>	<u>226,043</u>
Fund balances					
Reserved for other purposes	154	11,511	-	-	11,665
Unreserved	<u>132,727</u>	<u>329,395</u>	<u>224,820</u>	<u>30,985</u>	<u>717,927</u>
Total Fund Balances	<u>132,881</u>	<u>340,906</u>	<u>224,820</u>	<u>30,985</u>	<u>729,592</u>
<u>Total Liabilities and Fund Balances</u>	<u>\$ 156,602</u>	<u>\$ 395,218</u>	<u>\$ 372,830</u>	<u>\$ 30,985</u>	<u>\$ 955,635</u>

CITY OF MADISONVILLE, KENTUCKY
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2010

	Special Revenue Funds				Total Other Governmental Funds
	Alcoholic Beverage Control Fund	Emergency Telephone System Fund	Municipal Aid Fund	Coal Severance Tax Fund	
Revenues					
Intergovernmental revenue	\$ -	\$ -	\$ 369,390	\$ 148,956	\$ 518,346
Tax revenues	273,573	254,178	-	-	527,751
Other income	-	19,344	-	-	19,344
Fees	22,732	-	-	-	22,732
Investment income	8	40	32	403	483
Total Revenues	<u>296,313</u>	<u>273,562</u>	<u>369,422</u>	<u>149,359</u>	<u>1,088,656</u>
Expenditures					
Current:					
General government/other	27,587	236,639	25	-	264,251
Capital outlay	59,041	65,469	454,112	-	578,622
Total Expenditures	<u>86,628</u>	<u>302,108</u>	<u>454,137</u>	<u>-</u>	<u>842,873</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>209,685</u>	<u>(28,546)</u>	<u>(84,715)</u>	<u>149,359</u>	<u>245,783</u>
Other Financing Sources (Uses)					
Operating transfers in	-	-	44,687	-	44,687
Operating transfers out	(195,000)	-	(100,000)	(169,687)	(464,687)
Total Other Financing Sources (Uses)	<u>(195,000)</u>	<u>-</u>	<u>(55,313)</u>	<u>(169,687)</u>	<u>(420,000)</u>
Net Change In Fund Balances	14,685	(28,546)	(140,028)	(20,328)	(174,217)
Fund Balances at Beginning of Year	<u>118,196</u>	<u>369,452</u>	<u>364,848</u>	<u>51,313</u>	<u>903,809</u>
Fund Balances at End of Year	<u>\$ 132,881</u>	<u>\$ 340,906</u>	<u>\$ 224,820</u>	<u>\$ 30,985</u>	<u>\$ 729,592</u>

SUPPLEMENTARY INDIVIDUAL FUND FINANCIAL STATEMENTS AND SCHEDULES

The supplementary statements and schedules are included to provide management additional information for financial analysis.

GOVERNMENTAL FUNDS

General Fund

This fund accounts for resources traditionally associated with governments which are not required to be accounted for in another fund.

Airport Special Revenue Fund

This fund accounts for revenues and expenditures of the municipal airport and airport expansion projects.

CITY OF MADISONVILLE, KENTUCKY
GENERAL FUND
COMPARATIVE BALANCE SHEETS
JUNE 30, 2010 AND 2009

<u>ASSETS</u>	2010	2009
<u>Assets</u>		
Cash equivalents	\$ 1,591,313	\$ 1,205,824
Investments, at fair value	15,648	15,340
Accounts receivable:		
Taxpayer assessed revenues	1,599,435	1,616,296
Property taxes (less allowance for uncollectible accounts of \$50,519 and \$54,004)	16,031	13,638
Grants receivable	7,091	348,398
Other	213,483	268,998
Materials and supplies	20,284	6,373
Prepayments	37,794	125,823
Due from other funds - component unit	898	156
Due from other funds - primary government	882,019	888,140
<u>Total Assets</u>	\$ 4,383,996	\$ 4,488,986
 <u>LIABILITIES AND FUND BALANCE</u> 		
<u>Current Liabilities</u>		
Liabilities		
Trade accounts payable	\$ 352,236	\$ 421,537
Deferred revenue	9,921	-
Due to other funds - primary government	59,256	51,601
Accrued payroll and taxes	560,636	479,976
Total Liabilities	982,049	953,114
Fund Balance		
Unreserved	3,343,869	3,403,676
Reserved for materials and supplies	20,284	6,373
Reserved for prepayments	37,794	125,823
Total Fund Balance	3,401,947	3,535,872
<u>Total Liabilities and Fund Balance</u>	\$ 4,383,996	\$ 4,488,986

CITY OF MADISONVILLE, KENTUCKY
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2010
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2009

	2010			Variance with Final Budget Positive (Negative)	2009
	Budgeted Amounts		Actual GAAP Basis		Actual GAAP Basis
	Original	Final			
<u>Revenues</u>					
Taxes:					
Occupational	\$ 6,823,000	\$ 6,823,000	\$ 6,738,628	\$ (84,372)	\$ 6,621,517
Insurance premiums	2,120,000	2,120,000	2,156,802	36,802	1,985,886
Property	1,535,000	1,535,000	1,592,903	57,903	1,527,361
Franchise	500,000	500,000	454,665	(45,335)	494,979
Intergovernmental:					
Grant income	371,415	371,415	315,395	(56,020)	579,090
Police/Fire incentive	447,188	447,188	416,473	(30,715)	383,863
Contributions	-	-	1,542,500	1,542,500	400,770
Recreational fees	202,500	202,500	189,284	(13,216)	190,631
Miscellaneous	153,500	153,500	159,280	5,780	152,062
Police fines and base court	110,000	110,000	112,247	2,247	120,870
Cemetery revenues	65,000	65,000	69,225	4,225	62,575
Rental income	-	-	20,147	20,147	80,844
Investment income	6,000	6,000	1,830	(4,170)	4,981
Total Revenues	<u>12,333,603</u>	<u>12,333,603</u>	<u>13,769,379</u>	<u>1,435,776</u>	<u>12,605,429</u>
<u>Expenditures</u>					
Current:					
Public safety	9,335,095	9,335,095	9,360,396	(25,301)	8,980,685
General government	2,118,020	2,118,020	2,176,313	(58,293)	2,125,794
Transportation	1,622,848	1,622,848	1,806,323	(183,475)	1,775,141
Health and public welfare	685,091	685,091	784,598	(99,507)	758,481
Parks and recreation	625,110	625,110	645,383	(20,273)	627,309
Cemetery	286,028	286,028	299,065	(13,037)	272,715
Capital outlay	898,700	898,700	2,654,858	(1,756,158)	962,090
Debt service	222,478	222,478	219,830	2,648	276,456
Total Expenditures	<u>15,793,370</u>	<u>15,793,370</u>	<u>17,946,766</u>	<u>(2,153,396)</u>	<u>15,778,671</u>
<u>Excess (Deficiency) of Revenues</u>					
Over Expenditures	(3,459,767)	(3,459,767)	(4,177,387)	(717,620)	(3,173,242)
<u>Other Financing Sources (Uses)</u>					
Sale of capital assets	-	-	12,115	12,115	115,063
Issuance of debt	-	-	559,947	559,947	-
Transfers in - primary government	3,413,000	3,413,000	3,420,000	7,000	3,449,656
Transfers in - component unit	80,000	80,000	80,000	-	180,000
Transfers out	(28,600)	(28,600)	(28,600)	-	(115,637)
Net Change in Fund Balance	<u>\$ 4,633</u>	<u>\$ 4,633</u>	(133,925)	<u>\$ (138,558)</u>	455,840
<u>Fund Balance at Beginning of Year</u>			<u>3,535,872</u>	<u>3,080,032</u>	
<u>Fund Balance at End of Year</u>			<u>\$ 3,401,947</u>	<u>\$ 3,535,872</u>	

CITY OF MADISONVILLE, KENTUCKY
GENERAL FUND
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2010
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2009

	2010			Variance with Final Budget Positive (Negative)	2009
	Budgeted Amounts		Actual		Actual
	Original	Final	GAAP Basis		GAAP Basis
<u>GENERAL GOVERNMENT</u>					
<u>Elected Officials</u>					
Current:					
Salaries and wages	\$ 108,171	\$ 108,171	\$ 108,596	\$ (425)	\$ 108,539
Contingencies	45,000	45,000	39,449	5,551	61,702
Employee benefits	31,795	31,795	37,976	(6,181)	37,661
Nuisance abatement	62,000	62,000	61,153	847	38,664
Supplies and other	24,350	24,350	23,926	424	33,539
Communications and postage	10,000	10,000	16,330	(6,330)	18,313
Pension expense	10,575	10,575	10,652	(77)	16,270
Payroll taxes	8,275	8,275	7,924	351	8,021
Insurance and bonds	11,640	11,640	12,574	(934)	16,533
Travel	7,500	7,500	3,022	4,478	8,489
Capital outlay	117,000	117,000	114,944	2,056	48,435
Total Elected Officials	<u>436,306</u>	<u>436,306</u>	<u>436,546</u>	<u>(240)</u>	<u>396,166</u>
<u>Administration</u>					
Current:					
Salaries and wages	281,914	281,914	302,762	(20,848)	301,452
Professional fees	27,280	27,280	41,936	(14,656)	42,172
Pension expense	45,557	45,557	45,902	(345)	40,279
Employee benefits	40,200	40,200	53,398	(13,198)	75,172
Payroll taxes	20,488	20,488	21,796	(1,308)	21,651
Supplies and miscellaneous	46,010	46,010	43,274	2,736	37,845
Communications and postage	3,900	3,900	3,594	306	5,330
Travel	4,650	4,650	3,459	1,191	3,884
Dues and subscriptions	1,455	1,455	838	617	849
Printing and duplicating	1,443	1,443	877	566	359
Insurance and bonds	550	550	361	189	463
Total Administration	<u>473,447</u>	<u>473,447</u>	<u>518,197</u>	<u>(44,750)</u>	<u>529,456</u>
<u>Finance Office</u>					
Current:					
Salaries and wages	189,373	189,373	197,184	(7,811)	188,116
Professional fees	138,100	138,100	147,820	(9,720)	156,860
Employee benefits	31,500	31,500	37,377	(5,877)	37,330
Pension expense	30,603	30,603	31,651	(1,048)	25,443
Supplies and miscellaneous	6,770	6,770	9,318	(2,548)	4,440
Payroll taxes	13,963	13,963	14,575	(612)	13,682
Communications and postage	10,750	10,750	10,417	333	11,176
Printing and duplicating	6,200	6,200	9,879	(3,679)	6,004
Travel	1,500	1,500	1,513	(13)	521
Dues and subscriptions	650	650	752	(102)	810
Capital outlay	-	-	2,032	(2,032)	-
Total Finance Office	<u>429,409</u>	<u>429,409</u>	<u>462,518</u>	<u>(33,109)</u>	<u>444,382</u>

CITY OF MADISONVILLE, KENTUCKY
GENERAL FUND
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2010
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2009

	<u>2010</u>			Variance with Final Budget Positive (Negative)	<u>2009</u>
	<u>Budgeted Amounts</u>		Actual		Actual
	<u>Original</u>	<u>Final</u>	GAAP Basis		GAAP Basis
<u>City Clerk/Treasurer</u>					
Current:					
Salaries and wages	\$ 115,854	\$ 115,854	\$ 115,374	\$ 480	\$ 132,209
Insurance and bonds	12,000	12,000	11,416	584	17,090
Communications and postage	9,000	9,000	6,376	2,624	2,491
Maintenance and repairs	60,000	60,000	68,908	(8,908)	53,444
Pension expense	18,722	18,722	18,376	346	17,637
Employee benefits	14,000	14,000	13,886	114	18,860
Utilities	29,126	29,126	34,797	(5,671)	13,252
Payroll taxes	8,329	8,329	7,999	330	9,079
Printing and duplicating	4,550	4,550	10,411	(5,861)	7,412
Professional fees	4,550	4,550	105	4,445	1,192
Supplies and miscellaneous	5,873	5,873	23,288	(17,415)	19,252
Travel	228	228	722	(494)	777
Capital outlay	20,000	20,000	18,943	1,057	169,649
Debt service	<u>73,000</u>	<u>73,000</u>	<u>72,395</u>	<u>605</u>	<u>78,976</u>
Total City Clerk/Treasurer	<u>375,232</u>	<u>375,232</u>	<u>402,996</u>	<u>(27,764)</u>	<u>541,320</u>
<u>Planning and Zoning</u>					
Current:					
Salaries and wages	123,410	123,410	120,640	2,770	123,902
Supplies and miscellaneous	18,519	18,519	16,057	2,462	13,822
Employee benefits	18,718	18,718	18,718	-	18,703
Pension expense	19,943	19,943	19,474	469	16,610
Payroll taxes	9,129	9,129	9,009	120	8,964
Professional fees	8,690	8,690	7,193	1,497	4,977
Travel	2,800	2,800	1,090	1,710	1,415
Insurance and bonds	<u>435</u>	<u>435</u>	<u>435</u>	<u>-</u>	<u>462</u>
Total Planning and Zoning	<u>201,644</u>	<u>201,644</u>	<u>192,616</u>	<u>9,028</u>	<u>188,855</u>

CITY OF MADISONVILLE, KENTUCKY
GENERAL FUND
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2010
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2009

	2010		Actual GAAP Basis	Variance with Final Budget Positive (Negative)	2009	
	Budgeted Amounts				Actual GAAP Basis	Actual GAAP Basis
	Original	Final				
<u>City Engineer</u>						
Current:						
Salaries and wages	\$ 244,202	\$ 244,202	\$ 203,701	\$ 40,501	\$ 215,972	
Professional fees	45,000	45,000	54,445	(9,445)	2,339	
Employee benefits	37,436	37,436	37,352	84	37,348	
Pension expense	39,301	39,301	32,438	6,863	29,002	
Supplies and miscellaneous	21,718	21,718	19,204	2,514	16,163	
Payroll taxes	17,825	17,825	15,086	2,739	15,523	
Maintenance and repairs	2,850	2,850	7,640	(4,790)	4,756	
Travel	3,650	3,650	1,888	1,762	1,572	
Capital outlay	<u>8,500</u>	<u>8,500</u>	<u>21,422</u>	<u>(12,922)</u>	<u>54,399</u>	
Total City Engineer	<u>420,482</u>	<u>420,482</u>	<u>393,176</u>	<u>27,306</u>	<u>377,074</u>	
<u>TOTAL GENERAL GOVERNMENT</u>	<u>\$ 2,336,520</u>	<u>\$ 2,336,520</u>	<u>\$ 2,406,049</u>	<u>\$ (69,529)</u>	<u>\$ 2,477,253</u>	
<u>HEALTH AND PUBLIC WELFARE</u>						
Current:						
Library maintenance	\$ 225,000	\$ 225,000	\$ 228,268	\$ (3,268)	\$ 228,167	
Grants and subsidies:						
Economic Development	85,000	85,000	85,000	-	85,000	
Humane Society	56,000	56,000	56,000	-	56,000	
Planning Commission	45,000	45,000	45,000	-	45,000	
PACS	27,441	27,441	27,502	(61)	30,646	
Community Clinic	20,000	20,000	20,000	-	20,000	
Youth Athletic Association	13,000	13,000	10,175	2,825	12,700	
Kentucky Renaissance	-	-	20,125	(20,125)	12,568	
PADD	5,000	5,000	4,885	115	4,885	
Historical Society	6,000	6,000	8,435	(2,435)	6,240	
Utilities and other expenses	192,500	192,500	266,956	(74,456)	246,706	
Other employee benefits	10,150	10,150	12,252	(2,102)	10,569	
Capital outlay	-	-	146,237	(146,237)	-	
Debt service	<u>58,478</u>	<u>58,478</u>	<u>56,098</u>	<u>2,380</u>	<u>58,478</u>	
<u>TOTAL HEALTH AND PUBLIC WELFARE</u>	<u>\$ 743,569</u>	<u>\$ 743,569</u>	<u>\$ 986,933</u>	<u>\$ (243,364)</u>	<u>\$ 816,959</u>	

CITY OF MADISONVILLE, KENTUCKY

GENERAL FUND

SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2010

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2009

	2010		Actual GAAP Basis	Variance with Final Budget Positive (Negative)	2009
	Budgeted Amounts				Actual GAAP Basis
	Original	Final			
<u>PUBLIC SAFETY</u>					
<u>Police Department</u>					
Current:					
Salaries and wages	\$ 2,528,218	\$ 2,528,218	\$ 2,524,993	\$ 3,225	\$ 2,460,032
Pension expense	816,021	816,021	811,589	4,432	700,573
Employee benefits	354,206	354,206	354,903	(697)	350,703
Police incentive	142,600	142,600	135,309	7,291	125,135
Fuel and oil	120,000	120,000	113,717	6,283	102,104
Insurance and bonds	103,250	103,250	142,464	(39,214)	112,535
Professional fees	32,500	32,500	13,582	18,918	20,749
Workmen's compensation	30,853	30,853	52,502	(21,649)	39,659
Payroll taxes	57,667	57,667	61,056	(3,389)	57,184
Supplies and miscellaneous	139,465	139,465	143,039	(3,574)	125,016
Uniforms and clothing	43,860	43,860	37,501	6,359	30,891
Maintenance and repairs	28,000	28,000	46,001	(18,001)	35,684
Travel and training	56,875	56,875	51,987	4,888	72,257
Communications and postage	8,450	8,450	9,573	(1,123)	9,237
Utilities	15,000	15,000	15,955	(955)	14,337
Equipment parts	13,000	13,000	24,667	(11,667)	25,958
Printing and duplicating	4,875	4,875	10,136	(5,261)	10,731
Capital outlay	180,700	180,700	164,739	15,961	211,937
Total Police Department	<u>4,675,540</u>	<u>4,675,540</u>	<u>4,713,713</u>	<u>(38,173)</u>	<u>4,504,722</u>
<u>Fire Department</u>					
Current:					
Salaries and wages	2,877,666	2,877,666	2,841,318	36,348	2,851,580
Pension expense	1,001,140	1,001,140	984,256	16,884	874,614
Employee benefits	378,420	378,420	381,827	(3,407)	379,941
Fire incentive	186,000	186,000	178,360	7,640	170,466
Pension plan contribution	75,000	75,000	75,000	-	75,000
Workmen's compensation	40,557	40,557	40,535	22	39,114
Maintenance and repairs	38,000	38,000	62,591	(24,591)	60,816
Utilities	33,000	33,000	27,940	5,060	31,929
Payroll taxes	46,538	46,538	45,559	979	39,140
Insurance and bonds	27,500	27,500	34,306	(6,806)	44,081
Training	16,532	16,532	20,567	(4,035)	8,168
Supplies, grant and miscellaneous	63,922	63,922	62,877	1,045	56,375
Uniforms and clothing	21,535	21,535	23,340	(1,805)	23,319
Fuel and oil	26,000	26,000	21,066	4,934	21,912
Communications and postage	3,445	3,445	6,615	(3,170)	5,777
Equipment parts	5,000	5,000	5,265	(265)	5,668
Capital outlay	558,000	558,000	762,432	(204,432)	4,952
Debt service	15,000	15,000	15,443	(443)	-
Total Fire Department	<u>5,413,255</u>	<u>5,413,255</u>	<u>5,589,297</u>	<u>(176,042)</u>	<u>4,692,852</u>
<u>TOTAL PUBLIC SAFETY</u>	<u>\$ 10,088,795</u>	<u>\$ 10,088,795</u>	<u>\$ 10,303,010</u>	<u>\$ (214,215)</u>	<u>\$ 9,197,574</u>

CITY OF MADISONVILLE, KENTUCKY
GENERAL FUND
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2010
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2009

	2010		Actual GAAP Basis	Variance with Final Budget Positive (Negative)	2009	
	Budgeted Amounts				Actual GAAP Basis	Actual GAAP Basis
	Original	Final				
<u>TRANSPORTATION</u>						
Current:						
Salaries and wages	\$ 645,000	\$ 645,000	\$ 725,837	\$ (80,837)	\$ 692,229	
Construction materials	175,187	175,187	202,317	(27,130)	191,484	
Other contractual services	204,000	204,000	223,627	(19,627)	200,774	
Employee benefits	174,703	174,703	174,174	529	174,054	
Pension expense	102,616	102,616	90,210	12,406	79,927	
Payroll taxes	46,619	46,619	46,385	234	47,748	
Workmen's compensation	26,048	26,048	30,229	(4,181)	45,464	
Technical supplies	72,270	72,270	124,751	(52,481)	98,034	
Fuel and oil	43,500	43,500	35,296	8,204	39,183	
Insurance and bonds	37,000	37,000	33,506	3,494	36,053	
Equipment parts	37,700	37,700	50,998	(13,298)	69,602	
Maintenance and repairs	25,000	25,000	24,654	346	42,074	
Uniforms and clothing	7,800	7,800	12,715	(4,915)	19,117	
Supplies and miscellaneous	10,405	10,405	17,935	(7,530)	26,365	
Utilities	7,800	7,800	10,060	(2,260)	7,667	
Communications and postage	1,100	1,100	1,766	(666)	1,838	
Professional fees	1,100	1,100	1,251	(151)	1,979	
Rent and storage	5,000	5,000	612	4,388	1,549	
Capital outlay	-	-	-	-	261,618	
Debt service	76,000	76,000	75,894	106	139,002	
<u>TOTAL TRANSPORTATION</u>	<u>\$ 1,698,848</u>	<u>\$ 1,698,848</u>	<u>\$ 1,882,217</u>	<u>\$ (183,369)</u>	<u>\$ 2,175,761</u>	
<u>CEMETERY</u>						
Current:						
Salaries and wages	\$ 189,274	\$ 189,274	\$ 185,467	\$ 3,807	\$ 179,783	
Employee benefits	31,197	31,197	31,197	-	31,184	
Pension expense	29,003	29,003	16,620	12,383	17,311	
Payroll taxes	13,840	13,840	11,964	1,876	12,837	
Workmen's compensation	2,084	2,084	2,090	(6)	2,883	
Supplies and miscellaneous	11,130	11,130	39,209	(28,079)	17,512	
Fuel and oil	4,000	4,000	4,723	(723)	4,692	
Maintenance and repairs	1,700	1,700	4,427	(2,727)	1,606	
Uniforms and clothing	1,800	1,800	2,064	(264)	2,371	
Equipment parts	2,000	2,000	1,304	696	2,536	
Capital outlay	-	-	-	-	211,100	
<u>TOTAL CEMETERY</u>	<u>\$ 286,028</u>	<u>\$ 286,028</u>	<u>\$ 299,065</u>	<u>\$ (13,037)</u>	<u>\$ 483,815</u>	

CITY OF MADISONVILLE, KENTUCKY
GENERAL FUND
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2010
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2009

	2010			Variance with Final Budget Positive (Negative)	2009
	Budgeted Amounts		Actual GAAP Basis		Actual GAAP Basis
	Original	Final			
<u>PARKS AND RECREATION</u>					
Current:					
Salaries and wages	\$ 345,029	\$ 345,029	\$ 338,118	\$ 6,911	\$ 333,322
Employee benefits	69,113	69,113	68,975	138	68,534
Pension expense	47,957	47,957	42,301	5,656	33,517
Payroll taxes	24,312	24,312	23,694	618	22,367
Supplies and miscellaneous	33,950	33,950	30,837	3,113	33,877
Utilities	22,500	22,500	27,846	(5,346)	23,390
Workmen's compensation	2,941	2,941	4,839	(1,898)	3,382
Concessions	15,500	15,500	17,432	(1,932)	17,047
Insurance and bonds	9,708	9,708	9,803	(95)	13,502
Fuel and oil	14,000	14,000	12,608	1,392	14,530
Equipment parts	8,500	8,500	21,197	(12,697)	13,082
Maintenance and repairs	10,000	10,000	17,685	(7,685)	21,410
Professional fees	4,200	4,200	5,770	(1,570)	5,872
Pool operations	4,700	4,700	6,320	(1,620)	5,476
Uniforms and clothing	3,000	3,000	2,834	166	2,580
Construction materials	2,500	2,500	3,777	(1,277)	1,186
Resale merchandise	2,000	2,000	6,411	(4,411)	7,529
Advertising and printing	1,200	1,200	1,667	(467)	2,607
Communications and postage	2,500	2,500	1,378	1,122	1,647
Travel	1,500	1,500	1,891	(391)	2,452
Capital outlay	14,500	14,500	1,424,109	(1,409,609)	-
<u>TOTAL PARKS AND RECREATION</u>	<u>\$ 639,610</u>	<u>\$ 639,610</u>	<u>\$ 2,069,492</u>	<u>\$ (1,429,882)</u>	<u>\$ 627,309</u>

CITY OF MADISONVILLE, KENTUCKY
AIRPORT SPECIAL REVENUE FUND
COMPARATIVE BALANCE SHEETS
JUNE 30, 2010 AND 2009

	<u>2010</u>	<u>2009</u>
<u>ASSETS</u>		
<u>Assets</u>		
Cash equivalents	\$ 54,620	\$ 7,816
Accounts receivable	-	2,456
Grants receivable	9,547	745,777
Materials and supplies	25,654	40,009
Prepaid insurance	<u>4,581</u>	<u>4,455</u>
<u>Total Assets</u>	<u>\$ 94,402</u>	<u>\$ 800,513</u>
<u>LIABILITIES AND FUND BALANCE</u>		
<u>Current Liabilities</u>		
Liabilities		
Trade accounts payable	\$ 10,241	\$ 776,270
Due to other funds	<u>241,832</u>	<u>161,469</u>
Total Liabilities	<u>252,073</u>	<u>937,739</u>
Fund Balance		
Unreserved	(187,906)	(181,690)
Reserved for materials and supplies	25,654	40,009
Reserved for prepayments	<u>4,581</u>	<u>4,455</u>
Total Fund Balance	<u>(157,671)</u>	<u>(137,226)</u>
<u>Total Liabilities and Fund Balance</u>	<u>\$ 94,402</u>	<u>\$ 800,513</u>

CITY OF MADISONVILLE, KENTUCKY
AIRPORT SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2010
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2009

	<u>2010</u>			Variance with Final Budget Positive (Negative)	<u>2009</u>
	<u>Budgeted Amounts</u>		<u>Actual</u>		<u>Actual</u>
	<u>Original</u>	<u>Final</u>	<u>GAAP</u> <u>Basis</u>		<u>GAAP</u> <u>Basis</u>
<u>Revenues</u>					
Grant income	\$ 2,497,500	\$ 2,497,500	\$ 1,132,274	\$ (1,365,226)	\$ 3,692,791
Miscellaneous income	241,400	241,400	284,781	43,381	78,386
Investment income	150	150	9	(141)	121
Total Revenues	<u>2,739,050</u>	<u>2,739,050</u>	<u>1,417,064</u>	<u>(1,321,986)</u>	<u>3,771,298</u>
<u>Expenditures</u>					
Current:					
General government/other	265,828	265,828	325,692	(59,864)	113,508
Capital outlay	<u>2,500,000</u>	<u>2,500,000</u>	<u>1,140,417</u>	<u>1,359,583</u>	<u>3,771,245</u>
Total Expenditures	<u>2,765,828</u>	<u>2,765,828</u>	<u>1,466,109</u>	<u>1,299,719</u>	<u>3,884,753</u>
<u>Excess (Deficiency) of Revenues Over Expenditures</u>	(26,778)	(26,778)	(49,045)	(22,267)	(113,455)
<u>Other Financing Sources (Uses)</u>					
Operating transfers:					
General Fund	<u>28,600</u>	<u>28,600</u>	<u>28,600</u>	<u>-</u>	<u>115,637</u>
<u>Net Change in Fund Balance</u>	1,822	1,822	(20,445)	(22,267)	2,182
<u>Fund Balance at Beginning of Year</u>	<u>(137,226)</u>	<u>(137,226)</u>	<u>(137,226)</u>	<u>-</u>	<u>(139,408)</u>
<u>Change in Net Assets</u>	<u>\$ (135,404)</u>	<u>\$ (135,404)</u>	<u>\$ (157,671)</u>	<u>\$ (22,267)</u>	<u>\$ (137,226)</u>

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL**

NON-MAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

These supplementary statements and schedules are included to provide management additional information for financial analysis.

CITY OF MADISONVILLE, KENTUCKY
ALCOHOLIC BEVERAGE CONTROL SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2010
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2009

	2010		Actual GAAP Basis	Variance with Final Budget Positive (Negative)	2009	
	Budgeted Amounts				Actual GAAP Basis	Actual GAAP Basis
	Original	Final				
<u>Revenues</u>						
Tax revenues	\$ 285,500	\$ 285,500	\$ 273,573	\$ (11,927)	\$ 281,945	
Fees	26,000	26,000	22,732	(3,268)	20,500	
Investment income	100	100	8	(92)	59	
Total Revenues	<u>311,600</u>	<u>311,600</u>	<u>296,313</u>	<u>(15,287)</u>	<u>302,504</u>	
<u>Expenditures</u>						
Current:						
General government/other	40,067	40,067	27,587	12,480	27,541	
Capital outlay	64,500	64,500	59,041	5,459	42,616	
Total Expenditures	<u>104,567</u>	<u>104,567</u>	<u>86,628</u>	<u>17,939</u>	<u>70,157</u>	
<u>Excess (Deficiency) of Revenues Over Expenditures</u>	207,033	207,033	209,685	2,652	232,347	
<u>Other Financing Sources (Uses)</u>						
Operating transfers:						
General Fund	(188,000)	(188,000)	(195,000)	(7,000)	(161,994)	
<u>Net Change in Fund Balance</u>	<u>\$ 19,033</u>	<u>\$ 19,033</u>	14,685	<u>\$ (4,348)</u>	70,353	
<u>Fund Balance at Beginning of Year</u>			118,196		47,843	
<u>Fund Balance at End of Year</u>			<u>\$ 132,881</u>		<u>\$ 118,196</u>	

CITY OF MADISONVILLE, KENTUCKY
EMERGENCY TELEPHONE SYSTEM SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2010
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2009

	2010			Variance with Final Budget Positive (Negative)	2009
	Budgeted Amounts		Actual GAAP Basis		Actual GAAP Basis
	Original	Final			
<u>Revenues</u>					
Tax revenues	\$ 240,000	\$ 240,000	\$ 254,178	\$ 14,178	\$ 230,361
Other income	-	-	19,344	19,344	-
Investment income	<u>17,500</u>	<u>17,500</u>	<u>40</u>	<u>(17,460)</u>	<u>2,851</u>
Total Revenues	<u>257,500</u>	<u>257,500</u>	<u>273,562</u>	<u>16,062</u>	<u>233,212</u>
<u>Expenditures</u>					
Current:					
Monthly operating updates	91,348	91,348	90,628	720	61,861
General government/other	145,052	145,052	146,011	(959)	142,530
Capital outlay	<u>20,000</u>	<u>20,000</u>	<u>65,469</u>	<u>(45,469)</u>	<u>16,062</u>
Total Expenditures	<u>256,400</u>	<u>256,400</u>	<u>302,108</u>	<u>(45,708)</u>	<u>220,453</u>
<u>Net Change in Fund Balance</u>	<u>\$ 1,100</u>	<u>\$ 1,100</u>	(28,546)	<u>\$ (29,646)</u>	12,759
<u>Fund Balance at Beginning of Year</u>			<u>369,452</u>		<u>356,693</u>
<u>Fund Balance at End of Year</u>			<u>\$ 340,906</u>		<u>\$ 369,452</u>

CITY OF MADISONVILLE, KENTUCKY
MUNICIPAL AID SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2010

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2009

	2010			Variance with Final Budget Positive (Negative)	2009
	Budgeted Amounts		Actual GAAP Basis		Actual GAAP Basis
	Original	Final			
<u>Revenues</u>					
Intergovernmental revenue	\$ 340,000	\$ 340,000	\$ 369,390	\$ 29,390	\$ 345,872
Investment income	<u>500</u>	<u>500</u>	<u>32</u>	<u>(468)</u>	<u>1,479</u>
Total Revenues	<u>340,500</u>	<u>340,500</u>	<u>369,422</u>	<u>28,922</u>	<u>347,351</u>
<u>Expenditures</u>					
Current:					
General government/other	100	100	25	75	183
Capital outlay	<u>255,000</u>	<u>255,000</u>	<u>454,112</u>	<u>(199,112)</u>	<u>289,960</u>
Total Expenditures	<u>255,100</u>	<u>255,100</u>	<u>454,137</u>	<u>(199,037)</u>	<u>290,143</u>
<u>Excess (Deficiency) of Revenues Over Expenditures</u>					
	<u>85,400</u>	<u>85,400</u>	<u>(84,715)</u>	<u>(170,115)</u>	<u>57,208</u>
<u>Other Financing Sources (Uses)</u>					
Operating transfers:					
Coal Severance Fund	27,000	27,000	44,687	17,687	44,239
General Fund	<u>(100,000)</u>	<u>(100,000)</u>	<u>(100,000)</u>	<u>-</u>	<u>(75,000)</u>
Total Other Financing Sources (Uses)	<u>(73,000)</u>	<u>(73,000)</u>	<u>(55,313)</u>	<u>17,687</u>	<u>(30,761)</u>
<u>Net Change in Fund Balance</u>	<u>\$ 12,400</u>	<u>\$ 12,400</u>	<u>(140,028)</u>	<u>\$ (152,428)</u>	<u>26,447</u>
<u>Fund Balance at Beginning of Year</u>			<u>364,848</u>		<u>338,401</u>
<u>Fund Balance at End of Year</u>			<u>\$ 224,820</u>		<u>\$ 364,848</u>

CITY OF MADISONVILLE, KENTUCKY
COAL SEVERANCE TAX SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2010

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2009

	2010			Variance with Final Budget Positive (Negative)	2009
	Budgeted Amounts		Actual GAAP Basis		Actual GAAP Basis
	Original	Final			
<u>Revenues</u>					
Intergovernmental revenue	\$ 151,250	\$ 151,250	\$ 148,956	\$ (2,294)	\$ 147,463
Investment income	1,250	1,250	403	(847)	969
Total Revenues	<u>152,500</u>	<u>152,500</u>	<u>149,359</u>	<u>(3,141)</u>	<u>148,432</u>
<u>Expenditures</u>					
Current:					
General government/other	-	-	-	-	-
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>Excess (Deficiency) of Revenues Over Expenditures</u>					
	<u>152,500</u>	<u>152,500</u>	<u>149,359</u>	<u>(3,141)</u>	<u>148,432</u>
<u>Other Financing Sources (Uses)</u>					
Operating transfers:					
General Fund	(125,000)	(125,000)	(125,000)	-	(121,250)
Municipal Aid Fund	(27,000)	(27,000)	(44,687)	(17,687)	(44,239)
Total Other Financing Sources (Uses)	<u>(152,000)</u>	<u>(152,000)</u>	<u>(169,687)</u>	<u>(17,687)</u>	<u>(165,489)</u>
<u>Net Change in Fund Balance</u>	<u>\$ 500</u>	<u>\$ 500</u>	(20,328)	<u>\$ (20,828)</u>	(17,057)
<u>Fund Balance at Beginning of Year</u>			51,313		68,370
<u>Fund Balance at End of Year</u>			<u>\$ 30,985</u>		<u>\$ 51,313</u>

SUPPLEMENTARY INDIVIDUAL FUND FINANCIAL STATEMENTS AND SCHEDULES

Proprietary Funds

These supplementary statements and schedules are included to provide management additional information for financial analysis.

Light Fund

This fund accounts for the provision of electricity service to the residents of the City. All activities necessary to provide such services are accounted for in this fund, including, but not limited to, administration, operations, maintenance, financing and related debt service, and billing and collection.

Water and Sewer Fund

This fund accounts for the provisions of water and sewer services to the residents of the City and some residents of the County. All activities necessary to provide such services are accounted for in this fund, including, but not limited to, operations, maintenance, financing and related debt service.

Sanitation Fund

This fund accounts for the provision of sanitary waste collection and disposal services to the residents of the City. All activities necessary to provide such services are accounted for in this fund, including, but not limited to, operations, maintenance, financing and related debt service.

CITY OF MADISONVILLE, KENTUCKY
LIGHT FUND
COMPARATIVE STATEMENTS OF NET ASSETS
JUNE 30, 2010 AND 2009

	2010	2009
<u>ASSETS</u>		
<u>Current Assets</u>		
Cash equivalents	\$ 1,892,862	\$ 910,214
Investments, at fair value	61,110	60,976
Accounts receivable:		
Customer (less allowance for uncollectible accounts of \$280,000 and \$210,000)	3,331,427	2,244,221
Others	92,956	103,892
Disaster assistance grant receivable	325,770	1,902,167
Due from other funds	70,734	9,689
Materials and supplies inventory	764,917	791,317
Prepayments	34,843	56,097
Restricted assets:		
Cash equivalents	17,966	3,693
Total Current Assets	6,592,585	6,082,266
<u>Capital Assets</u>		
Capital assets	18,585,933	18,189,108
Accumulated depreciation	(7,824,168)	(7,425,819)
Net Capital Assets	10,761,765	10,763,289
Total Assets	17,354,350	16,845,555
<u>LIABILITIES</u>		
<u>Current Liabilities</u>		
Trade accounts payable	3,456,782	2,976,820
Due to other funds	556,484	715,059
Line of credit	-	1,250,000
Accrued interest payable	3,651	4,504
Accrued payroll and payroll taxes	43,860	38,328
Compensated absences	44,863	45,774
Customer deposits payable	501,287	530,310
Customer deposit interest payable	53,967	46,553
Current portion of debt	415,822	396,388
Total Current Liabilities	5,076,716	6,003,736
<u>Long-Term Debt Due After One Year</u>	458,354	874,176
Total Liabilities	5,535,070	6,877,912
<u>NET ASSETS</u>		
Invested in capital assets, net of related debt	9,887,589	9,492,725
Restricted for customer deposits	17,966	3,693
Unrestricted	1,913,725	471,225
Total Net Assets	\$ 11,819,280	\$ 9,967,643

CITY OF MADISONVILLE, KENTUCKY
LIGHT FUND
COMPARATIVE STATEMENTS OF REVENUES, EXPENSES
AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2010 AND 2009

	2010	2009
<u>Operating Revenues</u>		
Sale of electricity	\$ 23,412,890	\$ 20,766,067
Disaster assistance grants	214,629	1,821,719
Service and miscellaneous	<u>293,906</u>	<u>232,330</u>
Total Operating Revenues	<u>23,921,425</u>	<u>22,820,116</u>
<u>Operating Expenses</u>		
Electricity purchased	15,832,850	14,733,760
Disaster recovery	485,840	1,600,471
Maintenance	1,560,794	1,500,625
Depreciation and amortization	738,338	746,183
Commercial operations	385,108	458,641
Other	<u>283,629</u>	<u>433,859</u>
Total Operating Expenses	<u>19,286,559</u>	<u>19,473,539</u>
<u>Income From Operations</u>	4,634,866	3,346,577
<u>Nonoperating Revenues (Expenses)</u>		
Investment income	1,315	6,601
Loss on disposal of assets	(26,334)	-
Interest expense	<u>(55,589)</u>	<u>(67,506)</u>
Total Nonoperating Revenues (Expenses)	<u>(80,608)</u>	<u>(60,905)</u>
<u>Income Before Contributions and Transfers</u>	4,554,258	3,285,672
Capital contributions	297,379	46,423
Transfers out	<u>(3,000,000)</u>	<u>(3,000,000)</u>
<u>Change in Net Assets</u>	1,851,637	332,095
<u>Net Assets at Beginning of Year</u>	<u>9,967,643</u>	<u>9,635,548</u>
<u>Net Assets at End of Year</u>	<u>\$ 11,819,280</u>	<u>\$ 9,967,643</u>

CITY OF MADISONVILLE, KENTUCKY
LIGHT FUND
COMPARATIVE SCHEDULES OF OPERATING EXPENSES
FOR THE YEARS ENDED JUNE 30, 2010 AND 2009

	<u>2010</u>	<u>2009</u>
<u>Electricity Purchased</u>	\$ <u>15,832,850</u>	\$ <u>14,733,760</u>
<u>Disaster Recovery</u>	<u>485,840</u>	<u>1,600,471</u>
<u>Maintenance</u>		
Overhead conductors	938,162	969,853
Tree trimming	295,477	218,621
Other	58,925	82,584
Poles, towers, and fixtures	164,683	162,744
Street lights	<u>103,547</u>	<u>66,823</u>
Total	<u>1,560,794</u>	<u>1,500,625</u>
<u>Depreciation and Amortization</u>	<u>738,338</u>	<u>746,183</u>
<u>Commercial Office Operations</u>		
Billing and commercial office salaries and wages	255,873	354,268
Computer services and supplies	17,705	14,321
Postage	51,973	38,581
Office supplies and other expenses	<u>59,557</u>	<u>51,471</u>
Total	<u>385,108</u>	<u>458,641</u>
<u>Other</u>		
Employee benefits	54,485	75,923
Professional fees	39,314	91,788
Pension expense	40,724	48,090
Uncollectible accounts	74,025	130,228
Engineering	26,649	33,938
Customer deposit interest	29,516	28,113
Payroll taxes	<u>18,916</u>	<u>25,779</u>
Total	<u>283,629</u>	<u>433,859</u>
<u>Total Operating Expenses</u>	<u>\$ 19,286,559</u>	<u>\$ 19,473,539</u>

CITY OF MADISONVILLE, KENTUCKY
LIGHT FUND
COMPARATIVE STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2010 AND 2009
INCREASES (DECREASES) IN CASH AND CASH EQUIVALENTS

	<u>2010</u>	<u>2009</u>
<u>Cash Flows From Operating Activities</u>		
Cash received from customers	\$ 22,845,155	\$ 22,721,635
Cash payments to suppliers for goods and services	(15,071,695)	(19,000,735)
Cash payments to employees for services	(1,394,368)	(1,603,196)
Net Cash Provided By Operating Activities	<u>6,379,092</u>	<u>2,117,704</u>
<u>Cash Flows From Noncapital Financing Activities</u>		
Transfers out	(3,000,000)	(3,000,000)
Net decrease (increase) in amounts due from other funds	(61,045)	8,404
Net increase (decrease) in amounts due to other funds	(158,575)	713,621
Net Cash Used By Noncapital Financing Activities	<u>(3,219,620)</u>	<u>(2,277,975)</u>
<u>Cash Flows From Capital and Related Financing Activities</u>		
Proceeds from issuance of debt	-	163,433
Principal paid on debt	(396,388)	(361,000)
Net increase (decrease) in line of credit obligation	(1,250,000)	1,250,000
Contributed capital	297,379	46,423
Acquisition of property, plant and equipment	(763,148)	(769,664)
Interest paid on debt	(51,575)	(60,092)
Net Cash Used By Capital and Related Financing Activities	<u>(2,163,732)</u>	<u>269,100</u>
<u>Cash Flows From Investing Activities</u>		
Purchase of investments	(134)	(1,207)
Income received on investments	1,315	6,601
Net Cash Provided By Investing Activities	<u>1,181</u>	<u>5,394</u>
<u>Net Increase (Decrease) in Cash and Cash Equivalents</u>	996,921	114,223
<u>Cash and Cash Equivalents at Beginning of Year</u>	913,907	799,684
<u>Cash and Cash Equivalents at End of Year</u>	<u>\$ 1,910,828</u>	<u>\$ 913,907</u>
<u>Reconciliation of Operating Income to Net Cash Provided By Operating Activities</u>		
Operating income	\$ 4,634,866	\$ 3,346,577
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	738,338	746,183
Customer deposit interest accrued	7,414	5,898
Change in assets and liabilities:		
Decrease (increase) in accounts receivable	(1,076,270)	(98,481)
Decrease (increase) in grant receivable	1,576,397	(1,902,167)
Decrease (increase) in materials and supplies	26,400	(62,513)
Decrease (increase) in prepayments	16,387	3,319
Increase (decrease) in trade accounts payable	479,962	(6,265)
Increase (decrease) in customer deposits	(29,023)	89,430
Increase (decrease) in accrued expenses	4,621	(4,277)
Net Cash Provided By Operating Activities	<u>\$ 6,379,092</u>	<u>\$ 2,117,704</u>
<u>Reconciliation of Total Cash</u>		
Currents Assets - Cash	\$ 1,892,862	\$ 910,214
Restricted Assets - Cash	17,966	3,693
Total Cash	<u>\$ 1,910,828</u>	<u>\$ 913,907</u>
<u>Noncash Investing, Capital and Related Financing Activities</u>		
Increase in capital lease obligations	<u>\$ -</u>	<u>\$ 163,433</u>

CITY OF MADISONVILLE, KENTUCKY

LIGHT FUND

SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS - BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2010

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2009

	2010			Variance with Final Budget Positive (Negative)	2009
	Budgeted Amounts		Actual GAAP Basis		Actual GAAP Basis
	Original	Final			
<u>Operating Revenues</u>					
Sale of electricity	\$ 22,653,000	\$ 22,653,000	\$ 23,412,890	\$ 759,890	\$ 20,766,067
Disaster assistance grants	-	-	214,629	214,629	1,821,719
Service and miscellaneous	<u>287,000</u>	<u>287,000</u>	<u>293,906</u>	<u>6,906</u>	<u>232,330</u>
Total Operating Revenues	<u>22,940,000</u>	<u>22,940,000</u>	<u>23,921,425</u>	<u>981,425</u>	<u>22,820,116</u>
<u>Operating Expenses</u>					
Electricity purchased	15,950,000	15,950,000	15,832,850	117,150	14,733,760
Disaster recovery	500,000	500,000	485,840	14,160	1,600,471
Maintenance	1,644,982	1,644,982	1,560,794	84,188	1,500,625
Depreciation and amortization	740,000	740,000	738,338	1,662	746,183
Commercial operations	436,250	436,250	385,108	51,142	458,641
Other	<u>365,290</u>	<u>365,290</u>	<u>283,629</u>	<u>81,661</u>	<u>433,859</u>
Total Operating Expenses	<u>19,636,522</u>	<u>19,636,522</u>	<u>19,286,559</u>	<u>349,963</u>	<u>19,473,539</u>
<u>Income from Operations</u>	<u>3,303,478</u>	<u>3,303,478</u>	<u>4,634,866</u>	<u>1,331,388</u>	<u>3,346,577</u>
<u>Nonoperating Revenues (Expenses)</u>					
Investment income	8,000	8,000	1,315	(6,685)	6,601
Loss on disposal of assets	-	-	(26,334)	(26,334)	-
Interest expense	<u>(90,500)</u>	<u>(90,500)</u>	<u>(55,589)</u>	<u>34,911</u>	<u>(67,506)</u>
Total Nonoperating Revenues (Expenses)	<u>(82,500)</u>	<u>(82,500)</u>	<u>(80,608)</u>	<u>1,892</u>	<u>(60,905)</u>
<u>Income Before Contributions and Transfers</u>	<u>3,220,978</u>	<u>3,220,978</u>	<u>4,554,258</u>	<u>1,333,280</u>	<u>3,285,672</u>
Capital contributions	85,000	85,000	297,379	212,379	46,423
Transfers out	<u>(3,000,000)</u>	<u>(3,000,000)</u>	<u>(3,000,000)</u>	<u>-</u>	<u>(3,000,000)</u>
<u>Change in Net Assets</u>	<u>\$ 305,978</u>	<u>\$ 305,978</u>	<u>\$ 1,851,637</u>	<u>\$ 1,545,659</u>	<u>\$ 332,095</u>

CITY OF MADISONVILLE, KENTUCKY
WATER AND SEWER FUND
COMPARATIVE STATEMENTS OF NET ASSETS
JUNE 30, 2010 AND 2009

	<u>2010</u>	<u>2009</u>
<u>ASSETS</u>		
<u>Current Assets</u>		
Cash equivalents	\$ 1,628,939	\$ 584,545
Investments, at fair value	2,471	2,465
Accounts receivable:		
Customer (less allowance for uncollectible accounts of \$180,000 and \$130,000)	1,376,769	947,016
Others	3,593	16,345
Grant receivable	212,389	152,076
Due from other funds	56,756	51,461
Materials and supplies	954,701	1,537,999
Interest receivable	908	1,304
Prepayments	18,646	43,177
Restricted assets:		
Cash equivalents	299,107	8,638
Investments, at fair value	<u>5,714,255</u>	<u>7,379,355</u>
Total Current Assets	<u>10,268,534</u>	<u>10,724,381</u>
<u>Noncurrent Assets</u>		
Capital assets	71,854,444	68,719,755
Accumulated depreciation	<u>(27,701,415)</u>	<u>(25,689,115)</u>
Net Capital Assets	44,153,029	43,030,640
Deferred charges	<u>619,058</u>	<u>757,519</u>
Total Noncurrent Assets	<u>44,772,087</u>	<u>43,788,159</u>
Total Assets	<u>55,040,621</u>	<u>54,512,540</u>
<u>LIABILITIES</u>		
<u>Current Liabilities</u>		
Trade accounts payable	639,462	432,277
Construction accounts payable	411,750	708,707
Due to other funds	76,629	4,077
Accrued interest payable	222,771	247,397
Accrued payroll and payroll taxes	70,038	63,146
Compensated absences	70,836	72,720
Current portion of debt	<u>2,424,882</u>	<u>3,165,585</u>
Total Current Liabilities	3,916,368	4,693,909
<u>Long-Term Debt Due After One Year</u>		
	<u>20,890,682</u>	<u>23,315,563</u>
Total Liabilities	<u>24,807,050</u>	<u>28,009,472</u>
<u>NET ASSETS</u>		
Invested in capital assets, net of related debt	22,018,882	20,245,671
Restricted for revenue bond retirement	3,446,481	3,509,325
Unrestricted	<u>4,768,208</u>	<u>2,748,072</u>
Total Net Assets	<u>\$ 30,233,571</u>	<u>\$ 26,503,068</u>

CITY OF MADISONVILLE, KENTUCKY
WATER AND SEWER FUND
COMPARATIVE STATEMENTS OF REVENUES, EXPENSES
AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2010 AND 2009

	2010	2009
<u>Operating Revenues</u>		
Sewer revenues	\$ 5,347,980	\$ 5,022,907
Water revenues	4,918,147	4,952,605
Disaster assistance grants	-	63,406
Total Operating Revenues	10,266,127	10,038,918
<u>Operating Expenses</u>		
Depreciation	2,269,573	2,226,320
Disaster recovery	-	231,646
Wastewater collection	1,333,043	1,051,234
Wastewater treatment	1,204,676	1,175,236
Purification	1,486,362	1,306,446
Distribution maintenance	613,430	950,275
Other	341,868	274,761
Power purchased	228,771	227,408
Total Operating Expenses	7,477,723	7,443,326
<u>Income From Operations</u>	2,788,404	2,595,592
<u>Nonoperating Revenues (Expenses)</u>		
Investment income	123,654	135,867
Loss on disposal of assets	(2,276)	-
Interest expense and amortization	(1,006,380)	(1,094,260)
Total Nonoperating Revenues (Expenses)	(885,002)	(958,393)
<u>Income Before Contributions and Transfers</u>	1,903,402	1,637,199
Capital contributions	1,827,101	182,485
<u>Change in Net Assets</u>	3,730,503	1,819,684
<u>Net Assets at Beginning of Year</u>	26,503,068	24,683,384
<u>Net Assets at End of Year</u>	\$ 30,233,571	\$ 26,503,068

CITY OF MADISONVILLE, KENTUCKY
WATER AND SEWER FUND
COMPARATIVE SCHEDULES OF OPERATING EXPENSES
FOR THE YEARS ENDED JUNE 30, 2010 AND 2009

	<u>2010</u>	<u>2009</u>
<u>Depreciation</u>	\$ <u>2,269,573</u>	\$ <u>2,226,320</u>
<u>Disaster Recovery</u>	<u>-</u>	<u>231,646</u>
<u>Wastewater Collection</u>		
Maintenance	1,146,222	895,173
Materials and supplies	70,496	77,086
Fuel and power	86,579	66,400
Engineering/billing fees	<u>29,746</u>	<u>12,575</u>
Total	<u>1,333,043</u>	<u>1,051,234</u>
<u>Wastewater Treatment</u>		
Salaries and wages	500,103	532,327
Fuel and power	186,689	156,918
Sludge hauling	129,487	117,780
Employee benefits	101,746	99,714
Materials and supplies	91,684	72,763
Pension expense	73,910	65,582
Maintenance	60,094	72,397
Payroll taxes	36,837	37,628
Professional fees	<u>24,126</u>	<u>20,127</u>
Total	<u>1,204,676</u>	<u>1,175,236</u>
<u>Purification</u>		
Salaries	483,205	499,615
Material and supplies	412,590	466,012
Maintenance	305,110	84,197
Employee benefits	125,642	111,156
Pension expense	77,728	67,254
Filter water analysis	29,012	32,675
Payroll taxes	35,334	35,084
Small tools and work equipment	9,013	10,453
Engineering	<u>8,728</u>	<u>-</u>
Total	<u>1,486,362</u>	<u>1,306,446</u>
<u>Distribution Maintenance</u>		
Other	167,170	186,229
Hydrants	137,915	149,792
Water mains	<u>308,345</u>	<u>614,254</u>
Total	<u>613,430</u>	<u>950,275</u>
<u>Other</u>		
Billing and collection	180,000	120,000
Miscellaneous	50,001	53,283
Insurance	56,276	52,831
Uncollectible accounts	<u>55,591</u>	<u>48,647</u>
Total	<u>341,868</u>	<u>274,761</u>
<u>Power Purchased</u>	<u>228,771</u>	<u>227,408</u>
<u>Total Operating Expenses</u>	\$ <u><u>7,477,723</u></u>	\$ <u><u>7,443,326</u></u>

CITY OF MADISONVILLE, KENTUCKY
WATER AND SEWER FUND
COMPARATIVE STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2010 AND 2009
INCREASES (DECREASES) IN CASH AND CASH EQUIVALENTS

	<u>2010</u>	<u>2009</u>
<u>Cash Flows From Operating Activities</u>		
Cash received from customers	\$ 9,849,126	\$ 10,042,247
Cash payments to suppliers for goods and services	(2,281,722)	(4,208,118)
Cash payments to employees for services	(2,230,159)	(2,349,573)
Net Cash Provided By Operating Activities	<u>5,337,245</u>	<u>3,484,556</u>
<u>Cash Flows From Noncapital Financing Activities</u>		
Net decrease (increase) in amounts due from other funds	(5,295)	(12,046)
Net increase (decrease) in amounts due to other funds	72,552	(44,439)
Net Cash Used By Noncapital Financing Activities	<u>67,257</u>	<u>(56,485)</u>
<u>Cash Flows From Capital and Related Financing Activities</u>		
Proceeds from issuance of debt	-	1,500,000
Principal paid on debt	(3,027,124)	(2,675,791)
Contributed capital	1,827,101	182,485
Acquisition of property, plant and equipment	(3,627,754)	(1,067,183)
Interest paid on debt	(1,031,006)	(1,100,092)
Net Cash Used By Capital and Related Financing Activities	<u>(5,858,783)</u>	<u>(3,160,581)</u>
<u>Cash Flows From Investing Activities</u>		
Purchase of investments	(9,260,586)	(4,320,633)
Proceeds from sales and maturities of investments	10,636,952	3,723,293
Income received on investments	124,050	156,432
Net Cash Provided By Investing Activities	<u>1,500,416</u>	<u>(440,908)</u>
<u>Net Increase (Decrease) in Cash and Cash Equivalents</u>	1,046,135	(173,418)
<u>Cash and Cash Equivalents at Beginning of Year</u>	<u>593,183</u>	<u>766,601</u>
<u>Cash and Cash Equivalents at End of Year</u>	<u>\$ 1,639,318</u>	<u>\$ 593,183</u>
<u>Reconciliation of Operating Income to Net Cash Provided By Operating Activities</u>		
Operating income	\$ 2,788,404	\$ 2,595,592
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	2,269,573	2,226,320
Change in assets and liabilities:		
Decrease (increase) in accounts receivable	(417,001)	3,329
Decrease (increase) in grant receivable	(60,313)	(152,076)
Decrease (increase) in materials and supplies	583,298	(1,025,940)
Decrease (increase) in prepayments	24,531	6,481
Increase (decrease) in trade accounts payable	143,745	(175,114)
Increase (decrease) in accrued expenses	5,008	5,964
Net Cash Provided By Operating Activities	<u>\$ 5,337,245</u>	<u>\$ 3,484,556</u>
<u>Reconciliation of Total Cash</u>		
Currents Assets - Cash	\$ 1,628,939	\$ 584,545
Restricted Assets - Cash	299,107	8,638
Total Cash	<u>\$ 1,928,046</u>	<u>\$ 593,183</u>
<u>Noncash Investing, Capital and Related Financing Activities</u>		
Increase in capital lease obligations	\$ -	\$ 1,500,000
Net increase (decrease) in fair value of investments	33,634	18,871
Net Noncash Investing, Capital and Related Financing Activities	<u>\$ 33,634</u>	<u>\$ 1,518,871</u>

CITY OF MADISONVILLE, KENTUCKY
WATER AND SEWER FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN NET ASSETS - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2010
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2009

	2010		Actual GAAP Basis	Variance with Final Budget Positive (Negative)	2009
	Budgeted Amounts				Actual
	Original	Final			GAAP Basis
<u>Operating Revenues</u>					
Sewer revenues	\$ 5,447,400	\$ 5,447,400	\$ 5,347,980	\$ (99,420)	\$ 5,022,907
Water revenues	4,881,000	4,881,000	4,918,147	37,147	4,952,605
Disaster assistance grants	-	-	-	-	63,406
Total Operating Revenues	<u>10,328,400</u>	<u>10,328,400</u>	<u>10,266,127</u>	<u>(62,273)</u>	<u>10,038,918</u>
<u>Operating Expenses</u>					
Purification	2,301,250	2,301,250	1,486,362	814,888	1,306,446
Wastewater collection	1,965,300	1,965,300	1,333,043	632,257	1,051,234
Depreciation	2,365,405	2,365,405	2,269,573	95,832	2,226,320
Wastewater treatment	1,787,813	1,787,813	1,204,676	583,137	1,175,236
Distribution maintenance	896,000	896,000	613,430	282,570	950,275
Other	725,000	725,000	341,868	383,132	274,761
Disaster recovery	-	-	-	-	231,646
Power purchased	251,000	251,000	228,771	22,229	227,408
Total Operating Expenses	<u>10,291,768</u>	<u>10,291,768</u>	<u>7,477,723</u>	<u>2,814,045</u>	<u>7,443,326</u>
<u>Income from Operations</u>	<u>36,632</u>	<u>36,632</u>	<u>2,788,404</u>	<u>2,751,772</u>	<u>2,595,592</u>
<u>Nonoperating Revenues (Expenses)</u>					
Investment income	150,000	150,000	123,654	(26,346)	135,867
Loss on disposal of assets	-	-	(2,276)	(2,276)	-
Interest expense and fees	(1,034,630)	(1,034,630)	(1,006,380)	28,250	(1,094,260)
Total Nonoperating Revenues (Expenses)	<u>(884,630)</u>	<u>(884,630)</u>	<u>(885,002)</u>	<u>(372)</u>	<u>(958,393)</u>
<u>Income Before Contributions and Transfers</u>	<u>(847,998)</u>	<u>(847,998)</u>	<u>1,903,402</u>	<u>2,751,400</u>	<u>1,637,199</u>
Capital contributions	<u>1,373,754</u>	<u>1,373,754</u>	<u>1,827,101</u>	<u>453,347</u>	<u>182,485</u>
<u>Change in Net Assets</u>	<u>\$ 525,756</u>	<u>\$ 525,756</u>	<u>\$ 3,730,503</u>	<u>\$ 3,204,747</u>	<u>\$ 1,819,684</u>

CITY OF MADISONVILLE, KENTUCKY
SANITATION FUND
COMPARATIVE STATEMENTS OF NET ASSETS
JUNE 30, 2010 AND 2009

	<u>2010</u>	<u>2009</u>
<u>ASSETS</u>		
<u>Current Assets</u>		
Cash equivalents	\$ 369,693	\$ 141,016
Accounts receivable:		
Customer (less allowance for uncollectible accounts of \$60,000 and \$45,000)	226,712	201,137
Others	15,334	9,552
Due from other funds	20,518	17,627
Materials and supplies inventory	7,150	-
Prepayments	<u>6,461</u>	<u>35,759</u>
Total Current Assets	<u>645,868</u>	<u>405,091</u>
<u>Capital Assets</u>		
Capital assets	2,441,167	2,474,632
Accumulated depreciation	<u>(1,430,335)</u>	<u>(1,418,102)</u>
Net Capital Assets	<u>1,010,832</u>	<u>1,056,530</u>
Total Assets	<u>1,656,700</u>	<u>1,461,621</u>
<u>LIABILITIES</u>		
<u>Current Liabilities</u>		
Trade accounts payable	41,991	66,249
Due to other funds	32,808	24,615
Accrued interest payable	10,647	12,185
Accrued payroll and payroll taxes	21,514	19,806
Compensated absences	22,111	26,107
Current portion of debt	<u>88,307</u>	<u>146,309</u>
Total Current Liabilities	217,378	295,271
<u>Long-Term Debt Due After One Year</u>	<u>343,562</u>	<u>329,304</u>
Total Liabilities	<u>560,940</u>	<u>624,575</u>
<u>NET ASSETS</u>		
Invested in capital assets, net of related debt	578,963	580,917
Unrestricted	<u>516,797</u>	<u>256,129</u>
Total Net Assets	<u>\$ 1,095,760</u>	<u>\$ 837,046</u>

CITY OF MADISONVILLE, KENTUCKY
SANITATION FUND
COMPARATIVE STATEMENTS OF REVENUES, EXPENSES
AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2010 AND 2009

	<u>2010</u>	<u>2009</u>
<u>Operating Revenues</u>		
Sanitation fees	\$ 2,106,495	\$ 2,139,458
Disaster assistance grant	-	128,056
Service and miscellaneous	47,789	31,455
Total Operating Revenues	<u>2,154,284</u>	<u>2,298,969</u>
<u>Operating Expenses</u>		
Sanitation collection and disposal	1,610,736	1,826,276
Depreciation	171,261	174,265
Maintenance	110,966	152,978
Other	55,191	50,760
Total Operating Expenses	<u>1,948,154</u>	<u>2,204,279</u>
<u>Income (Loss) From Operations</u>	206,130	94,690
<u>Nonoperating Revenues (Expenses)</u>		
Investment income	20	119
Gain (loss) on disposal of assets	70,000	8,000
Interest expense and fees	<u>(17,436)</u>	<u>(19,169)</u>
Total Nonoperating Revenues (Expenses)	<u>52,584</u>	<u>(11,050)</u>
<u>Change in Net Assets</u>	258,714	83,640
<u>Net Assets at Beginning of Year</u>	<u>837,046</u>	<u>753,406</u>
<u>Net Assets at End of Year</u>	<u>\$ 1,095,760</u>	<u>\$ 837,046</u>

CITY OF MADISONVILLE, KENTUCKY
SANITATION FUND
COMPARATIVE SCHEDULES OF OPERATING EXPENSES
FOR THE YEARS ENDED JUNE 30, 2010 AND 2009

	<u>2010</u>	<u>2009</u>
<u>Sanitation Collection and Disposal</u>		
Salaries and wages	\$ 821,530	\$ 951,981
Hauling and landfill tipping fees	158,839	266,349
Employee benefits	190,374	205,695
Fuel and oil	108,680	124,017
Pension expense	92,452	83,863
Materials and miscellaneous	131,431	80,052
Workers compensation	34,781	37,126
Payroll taxes	51,706	56,741
Uniforms and clothing	20,943	20,452
Total	<u>1,610,736</u>	<u>1,826,276</u>
<u>Depreciation</u>	<u>171,261</u>	<u>174,265</u>
<u>Maintenance</u>		
Equipment	96,036	141,139
Facilities	14,930	11,839
Total	<u>110,966</u>	<u>152,978</u>
<u>Other</u>		
Insurance	39,374	39,193
Uncollectible accounts	15,817	11,567
Total	<u>55,191</u>	<u>50,760</u>
<u>Total Operating Expenses</u>	<u>\$ 1,948,154</u>	<u>\$ 2,204,279</u>

CITY OF MADISONVILLE, KENTUCKY
SANITATION FUND
COMPARATIVE STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2010 AND 2009
INCREASES (DECREASES) IN CASH AND CASH EQUIVALENTS

	<u>2010</u>	<u>2009</u>
<u>Cash Flows From Operating Activities</u>		
Cash received from customers	\$ 2,122,927	\$ 2,280,798
Cash payments to suppliers for goods and services	(905,767)	(1,004,143)
Cash payments to employees for services	<u>(875,524)</u>	<u>(1,009,413)</u>
Net Cash Provided By Operating Activities	<u>341,636</u>	<u>267,242</u>
<u>Cash Flows From Noncapital Financing Activities</u>		
Net decrease (increase) in amounts due from other funds	(2,891)	(17,627)
Net increase (decrease) in amounts due to other funds	<u>8,193</u>	<u>(72,528)</u>
Net Cash Used By Noncapital Financing Activities	<u>5,302</u>	<u>(90,155)</u>
<u>Cash Flows From Capital and Related Financing Activities</u>		
Proceeds from issuance of debt	104,184	366,727
Principal paid on debt	(147,928)	(102,144)
Acquisition of property, plant and equipment	(125,563)	(366,727)
Proceeds from sale of property, plant and equipment	70,000	8,000
Interest paid on debt	<u>(18,974)</u>	<u>(6,984)</u>
Net Cash Used By Capital and Related Financing Activities	<u>(118,281)</u>	<u>(101,128)</u>
<u>Cash Flows From Investing Activities</u>		
Income received on investments	<u>20</u>	<u>119</u>
Net Cash Provided By Investing Activities	<u>20</u>	<u>119</u>
<u>Net Increase (Decrease) in Cash and Cash Equivalents</u>	228,677	76,078
<u>Cash and Cash Equivalents at Beginning of Year</u>	<u>141,016</u>	<u>64,938</u>
<u>Cash and Cash Equivalents at End of Year</u>	<u>\$ 369,693</u>	<u>\$ 141,016</u>
<u>Reconciliation of Operating Income (Loss) to Net Cash Provided By Operating Activities</u>		
Operating income	\$ 206,130	\$ 94,690
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation	171,261	174,265
Change in assets and liabilities:		
Decrease (increase) in accounts receivable	(31,357)	(18,171)
Decrease (increase) in materials and supplies	(7,150)	5,870
Decrease (increase) in prepayments	29,298	4,544
Increase (decrease) in trade accounts payable	(24,258)	6,735
Increase (decrease) in accrued expenses	<u>(2,288)</u>	<u>(691)</u>
Net Cash Provided By Operating Activities	<u>\$ 341,636</u>	<u>\$ 267,242</u>
<u>Reconciliation of Total Cash</u>		
Currents Assets - Cash	\$ 369,693	\$ 141,016
Restricted Assets - Cash	<u>-</u>	<u>-</u>
Total Cash	<u>\$ 369,693</u>	<u>\$ 141,016</u>
<u>Noncash Investing, Capital and Related Financing Activities</u>		
Increase in capital lease obligations	<u>\$ 104,184</u>	<u>\$ 366,727</u>

CITY OF MADISONVILLE, KENTUCKY
SANITATION FUND

SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2010
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2009

	2010			Variance with Final Budget Positive (Negative)	2009
	Budgeted Amounts		Actual GAAP Basis		Actual GAAP Basis
	Original	Final			
Operating Revenues					
Sanitation fees	\$ 2,156,800	\$ 2,156,800	\$ 2,106,495	\$ (50,305)	\$ 2,139,458
Disaster assistance grant	-	-	-	-	128,056
Service and miscellaneous	129,500	129,500	47,789	(81,711)	31,455
Total Operating Revenues	<u>2,286,300</u>	<u>2,286,300</u>	<u>2,154,284</u>	<u>(132,016)</u>	<u>2,298,969</u>
Operating Expenses					
Salaries and wages	845,000	845,000	821,530	23,470	951,981
Hauling and landfill tipping fees	257,590	257,590	158,839	98,751	266,349
Employee benefits	180,943	180,943	190,374	(9,431)	205,695
Fuel and oil	158,608	158,608	108,680	49,928	124,017
Pension expense	129,280	129,280	92,452	36,828	83,863
Maintenance	150,445	150,445	110,966	39,479	152,978
Materials and supplies	230,819	230,819	131,431	99,388	80,052
Payroll taxes	58,640	58,640	51,706	6,934	56,741
Workers compensation	34,617	34,617	34,781	(164)	37,126
Insurance	40,879	40,879	39,374	1,505	39,193
Uniforms and clothing	18,657	18,657	20,943	(2,286)	20,452
Depreciation	146,312	146,312	171,261	(24,949)	174,265
Uncollectible accounts	15,000	15,000	15,817	(817)	11,567
Total Operating Expenses	<u>2,266,790</u>	<u>2,266,790</u>	<u>1,948,154</u>	<u>318,636</u>	<u>2,204,279</u>
Income (Loss) from Operations	19,510	19,510	206,130	186,620	94,690
Nonoperating Revenues (Expenses)					
Investment income	150	150	20	(130)	119
Gain (loss) on disposal of assets	-	-	70,000	70,000	8,000
Interest expense and fees	(17,500)	(17,500)	(17,436)	64	(19,169)
Total Nonoperating Revenues (Expenses)	<u>(17,350)</u>	<u>(17,350)</u>	<u>52,584</u>	<u>69,934</u>	<u>(11,050)</u>
Change in Net Assets	<u>\$ 2,160</u>	<u>\$ 2,160</u>	<u>\$ 258,714</u>	<u>\$ 256,554</u>	<u>\$ 83,640</u>

COMBINING FINANCIAL STATEMENTS

Internal Service Funds

Workmen's Compensation Insurance Internal Service Fund

This fund accounts for the accumulation of resources to be used in providing Commonwealth of Kentucky mandated workmen's compensation insurance benefits for all City employees.

Self Insured Health Care Trust Fund

This fund accounts for the accumulation of resources to be used in providing health and life insurance benefits to all employees electing coverage as determined by the City Council.

CITY OF MADISONVILLE, KENTUCKY
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF NET ASSETS
JUNE 30, 2010

	<u>Workmen's Compensation Insurance Fund</u>	<u>Self Insured Health Care Trust Fund</u>	<u>Total</u>
<u>ASSETS</u>			
<u>Current Assets</u>			
Cash	\$ 30,984	\$ 857,045	\$ 888,029
Investments, at fair value	-	807,836	807,836
Accounts receivable	-	263,253	263,253
Due from other funds	<u>11,937</u>	<u>-</u>	<u>11,937</u>
Total Current Assets	<u>42,921</u>	<u>1,928,134</u>	<u>1,971,055</u>
<u>LIABILITIES</u>			
<u>Current Liabilities</u>			
Claims payable	34,831	129,140	163,971
Due to other funds	<u>5,967</u>	<u>365</u>	<u>6,332</u>
Total Current Liabilities	<u>40,798</u>	<u>129,505</u>	<u>170,303</u>
<u>NET ASSETS</u>			
Unrestricted	<u>\$ 2,123</u>	<u>\$ 1,798,629</u>	<u>\$ 1,800,752</u>

CITY OF MADISONVILLE, KENTUCKY
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2010

	<u>Workmen's Compensation Insurance Fund</u>	<u>Self Insured Health Care Trust Fund</u>	<u>Total</u>
<u>Revenues</u>			
Charges for premiums and services	\$ 122,776	\$ 2,740,075	\$ 2,862,851
<u>Expenses</u>			
Claims expense	122,775	2,012,980	2,135,755
Insurance premiums	-	300,927	300,927
Administration	-	69,575	69,575
Total Expenses	<u>122,775</u>	<u>2,383,482</u>	<u>2,506,257</u>
<u>Income (Loss) From Operations</u>	1	356,593	356,594
<u>Nonoperating Revenues (Expenses)</u>			
Investment income	<u>107</u>	<u>9,010</u>	<u>9,117</u>
<u>Change in Net Assets</u>	108	365,603	365,711
<u>Net Assets at Beginning of Year</u>	<u>2,015</u>	<u>1,433,026</u>	<u>1,435,041</u>
<u>Net Assets at End of Year</u>	<u>\$ 2,123</u>	<u>\$ 1,798,629</u>	<u>\$ 1,800,752</u>

CITY OF MADISONVILLE, KENTUCKY
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2010
INCREASES (DECREASES) IN CASH AND CASH EQUIVALENTS

	<u>Workmen's Compensation Insurance Fund</u>	<u>Self Insured Health Care Trust Fund</u>	<u>Total</u>
<u>Cash Flows From Operating Activities</u>			
Cash received for premiums and services	\$ 122,776	\$ 2,559,446	\$ 2,682,222
Cash payments for premiums, claims and other	<u>(105,774)</u>	<u>(2,321,375)</u>	<u>(2,427,149)</u>
Net Cash Provided (Used) By Operating Activities	<u>17,002</u>	<u>238,071</u>	<u>255,073</u>
<u>Cash Flows From Noncapital Financing Activities</u>			
Net decrease (increase) in amounts due from other funds	(10,445)	-	(10,445)
Net increase (decrease) in amounts due to other funds	<u>(3,874)</u>	<u>365</u>	<u>(3,509)</u>
Net Cash Provided (Used) By Noncapital Financing Activities	<u>(14,319)</u>	<u>365</u>	<u>(13,954)</u>
<u>Cash Flows From Capital and Related Financing Activities</u>			
	<u>-</u>	<u>-</u>	<u>-</u>
<u>Cash Flows From Investing Activities</u>			
Purchase of investments	-	(807,836)	(807,836)
Income received on investments	<u>107</u>	<u>9,010</u>	<u>9,117</u>
Net Cash Provided By Investing Activities	<u>107</u>	<u>(798,826)</u>	<u>(798,719)</u>
<u>Net Increase (Decrease) in Cash and Cash Equivalents</u>	2,790	(560,390)	(557,600)
<u>Cash and Cash Equivalents at Beginning of Year</u>	<u>28,194</u>	<u>1,417,435</u>	<u>1,445,629</u>
<u>Cash and Cash Equivalents at End of Year</u>	<u>\$ 30,984</u>	<u>\$ 857,045</u>	<u>\$ 888,029</u>
<u>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) By Operating Activities</u>			
Operating income (loss)	\$ 1	\$ 356,593	\$ 356,594
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
(Increase) decrease in receivables	-	(180,629)	(180,629)
Increase (decrease) in payables	<u>17,001</u>	<u>62,107</u>	<u>79,108</u>
Net Cash Provided (Used) By Operating Activities	<u>\$ 17,002</u>	<u>\$ 238,071</u>	<u>\$ 255,073</u>

**SUPPLEMENTARY COMPONENT UNIT FINANCIAL
STATEMENTS AND SCHEDULES**

Greater Madisonville Area Industrial Authority

These supplementary statements and schedules are included to provide management additional information for financial analysis.

The Greater Madisonville Area Industrial Authority (GMAIA) is created by City Ordinance but legally separate from the City of Madisonville, and governed by a separate board. The GMAIA is, accordingly, reported as a discretely presented component unit in the combined financial statements. The following financial statements are included in the City's financial statements since separate financial statements are not available for the GMAIA. The GMAIA holds legal title to properties for the purpose of development, sale and management of those properties as they relate to industrial expansion purposes.

CITY OF MADISONVILLE, KENTUCKY
COMPONENT UNIT
GREATER MADISONVILLE AREA INDUSTRIAL AUTHORITY
COMPARATIVE STATEMENTS OF NET ASSETS
JUNE 30, 2010 AND 2009

	<u>2010</u>	<u>2009</u>
<u>ASSETS</u>		
<u>Current Assets</u>		
Cash equivalents	\$ 199,252	\$ 190,397
Prepaid insurance	<u>178</u>	<u>178</u>
Total Current Assets	<u>199,430</u>	<u>190,575</u>
<u>Capital Assets</u>		
Capital assets	1,336,467	1,336,467
Accumulated depreciation	<u>(206,981)</u>	<u>(176,550)</u>
Net Capital Assets	<u>1,129,486</u>	<u>1,159,917</u>
Total Assets	<u>1,328,916</u>	<u>1,350,492</u>
<u>LIABILITIES</u>		
<u>Current Liabilities</u>		
Trade accounts payable	2,751	825
Due to other funds - primary government	<u>898</u>	<u>156</u>
Total Current Liabilities	<u>3,649</u>	<u>981</u>
<u>NET ASSETS</u>		
Invested in capital assets, net of related debt	1,129,486	1,159,917
Unrestricted	<u>195,781</u>	<u>189,594</u>
Total Net Assets	<u>\$ 1,325,267</u>	<u>\$ 1,349,511</u>

CITY OF MADISONVILLE, KENTUCKY
COMPONENT UNIT
GREATER MADISONVILLE AREA INDUSTRIAL AUTHORITY
COMPARATIVE STATEMENTS OF REVENUES, EXPENSES
AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2010 AND 2009

	2010	2009
<u>Operating Revenues</u>		
Rental income	\$ 101,250	\$ 101,250
Total Operating Revenues	101,250	101,250
<u>Operating Expenses</u>		
Repairs and maintenance	13,918	21,800
Depreciation	30,431	30,431
Insurance	743	715
Professional fees	418	357
Total Operating Expenses	45,510	53,303
<u>Income (Loss) From Operations</u>	55,740	47,947
<u>Nonoperating Revenues (Expenses)</u>		
Investment income	16	356
Total Nonoperating Revenues (Expenses)	16	356
<u>Income (Loss) Before Transfers</u>	55,756	48,303
Transfers out - primary government	(80,000)	(180,000)
<u>Change in Net Assets</u>	(24,244)	(131,697)
<u>Net Assets at Beginning of Year</u>	1,349,511	1,481,208
<u>Net Assets at End of Year</u>	\$ 1,325,267	\$ 1,349,511

CITY OF MADISONVILLE, KENTUCKY
COMPONENT UNIT
GREATER MADISONVILLE AREA INDUSTRIAL AUTHORITY
COMPARATIVE STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2010 AND 2009
INCREASES (DECREASES) IN CASH AND CASH EQUIVALENTS

	<u>2010</u>	<u>2009</u>
<u>Cash Flows From Operating Activities</u>		
Cash received from customers	\$ 101,250	\$ 101,250
Cash payments to suppliers for goods and services	(13,153)	(23,930)
Net Cash Provided (Used) By Operating Activities	<u>88,097</u>	<u>77,320</u>
<u>Cash Flows From Noncapital Financing Activities</u>		
Transfers out	(80,000)	(180,000)
Net increase (decrease) in amounts due to other funds	742	(405)
Net Cash Provided (Used) By Noncapital Financing Activities	<u>(79,258)</u>	<u>(180,405)</u>
<u>Cash Flows From Capital and Related Financing Activities</u>		
Issuance of notes receivable	-	97,471
Net Cash Provided (Used) By Capital and Related Financing Activities	<u>-</u>	<u>97,471</u>
<u>Cash Flows From Investing Activities</u>		
Income received on investments	16	356
Net Cash Provided (Used) By Investing Activities	<u>16</u>	<u>356</u>
<u>Net Increase (Decrease) in Cash and Cash Equivalents</u>	8,855	(5,258)
<u>Cash and Cash Equivalents at Beginning of Year</u>	<u>190,397</u>	<u>195,655</u>
<u>Cash and Cash Equivalents at End of Year</u>	<u>\$ 199,252</u>	<u>\$ 190,397</u>
<u>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities</u>		
Operating income (loss)	\$ 55,740	\$ 47,947
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation	30,431	30,431
Change in assets and liabilities:		
Decrease (increase) in prepayments	-	(33)
Increase (decrease) in accounts payable	1,926	(1,025)
Net Cash Provided (Used) By Operating Activities	<u>\$ 88,097</u>	<u>\$ 77,320</u>

CITY OF MADISONVILLE, KENTUCKY
COMPONENT UNIT
GREATER MADISONVILLE AREA INDUSTRIAL AUTHORITY
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2010
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2009

	2010			Variance with Final Budget Positive (Negative)	2009
	Budgeted Amounts		Actual GAAP Basis		Actual GAAP Basis
	Original	Final			
<u>Operating Revenues</u>					
Rental income	\$ 101,250	\$ 101,250	\$ 101,250	\$ -	\$ 101,250
Total Operating Revenues	<u>101,250</u>	<u>101,250</u>	<u>101,250</u>	<u>-</u>	<u>101,250</u>
<u>Operating Expenses</u>					
Repairs and maintenance	12,000	12,000	13,918	(1,918)	21,800
Professional fees	500	500	418	82	357
Depreciation	7,000	7,000	30,431	(23,431)	30,431
Insurance	600	600	743	(143)	715
Total Operating Expenses	<u>20,100</u>	<u>20,100</u>	<u>45,510</u>	<u>(25,410)</u>	<u>53,303</u>
<u>Income (Loss) from Operations</u>	81,150	81,150	55,740	(25,410)	47,947
<u>Nonoperating Revenues (Expenses)</u>					
Investment income	1,000	1,000	16	(984)	356
Loss on disposal of assets	-	-	-	-	-
Total Nonoperating Revenues (Expenses)	<u>1,000</u>	<u>1,000</u>	<u>16</u>	<u>(984)</u>	<u>356</u>
<u>Income (Loss) Before Transfers</u>	82,150	82,150	55,756	(26,394)	48,303
Transfers out - primary government	<u>(80,000)</u>	<u>(80,000)</u>	<u>(80,000)</u>	<u>-</u>	<u>(180,000)</u>
<u>Change in Net Assets</u>	<u>\$ 2,150</u>	<u>\$ 2,150</u>	<u>\$ (24,244)</u>	<u>\$ (26,394)</u>	<u>\$ (131,697)</u>

CITY OF MADISONVILLE, KENTUCKY

SUPPLEMENTAL SCHEDULES

JUNE 30, 2010

CITY OF MADISONVILLE, KENTUCKY
WATER AND SEWER ENTERPRISE FUND
DEBT SERVICE REQUIREMENTS
2010-2011 THROUGH 2029-2034

Schedule 6

TOTAL PRINCIPAL AND INTEREST REQUIREMENTS

<u>Fiscal Year</u>	<u>Series 2003A</u>	<u>Series 2004A</u>	<u>Series 2008</u>	<u>Kentucky Infrastructure Authority</u>	<u>Total Requirement</u>
2010 - 2011	\$ 1,074,875	\$ 507,500	\$ 388,820	\$ 1,038,808	\$ 3,010,003
2011 - 2012	1,072,275	-	391,455	1,037,050	2,500,780
2012 - 2013	1,073,025	-	393,032	1,035,245	2,501,302
2013 - 2014	1,071,994	-	393,853	1,033,391	2,499,238
2014 - 2015	1,074,794	-	394,048	1,031,491	2,500,333
2015 - 2016	1,076,319	-	393,425	1,029,540	2,499,284
2016 - 2017	1,076,569	-	392,325	514,023	1,982,917
2017 - 2018	1,075,544	-	395,850	-	1,471,394
2018 - 2019	1,073,244	-	-	-	1,073,244
2024 - 2024	5,370,721	-	-	-	5,370,721
2024 - 2029	1,359,113	-	-	-	1,359,113
2029 - 2034	<u>1,359,405</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,359,405</u>
	<u>\$ 17,757,878</u>	<u>\$ 507,500</u>	<u>\$ 3,142,808</u>	<u>\$ 6,719,548</u>	<u>\$ 28,127,734</u>

CITY OF MADISONVILLE, KENTUCKY
WATER AND SEWER ENTERPRISE FUND
SCHEDULE OF BONDED INDEBTEDNESS
WATER AND SEWER REVENUE BONDS (SERIES OF 2003A)
JUNE 30, 2010

Schedule 7

DESCRIPTION

The bonds were issued November 1, 2003 in the amount of \$15,460,000 to construct water supply/treatment system improvements. The bonds maintain a stated interest rate varying between 4.0% and 4.25% per annum with interest payments falling on March 1 and September 1 with September 1 being the stated principal payment date. The bond issue is on a parity basis with other bonded indebtedness of the water and sewer system and are payable with income and revenues derived by the operation of the City's combined and consolidated water and sewer system.

The current bonds maturing on or after September 1, 2014, are subject to redemption, in whole or in part, at any time, in any order, by the City prior to their stated maturities, on any date falling on or after March 1, 2014, upon payment of 100% of the principal amount to be redeemed plus accrued interest to the date of redemption. Written notice of any such repayment shall be delivered by first class mail to the registered owners at least 30 days prior to and no more than 60 days after the date fixed for redemption.

DEBT SERVICE REQUIREMENTS

Fiscal Year	Principal	Interest		Requirement For Year	Bonds Outstanding at June 30
		September 1	March 1		
2010 - 2011	\$ 555,000	\$ 265,487	\$ 254,388	\$ 1,074,875	\$ 12,005,000
2011 - 2012	575,000	254,388	242,887	1,072,275	11,430,000
2012 - 2013	600,000	242,887	230,138	1,073,025	10,830,000
2013 - 2014	625,000	230,138	216,856	1,071,994	10,205,000
2014 - 2015	655,000	216,856	202,938	1,074,794	9,550,000
2015 - 2016	685,000	202,938	188,381	1,076,319	8,865,000
2016 - 2017	715,000	188,381	173,188	1,076,569	8,150,000
2017 - 2018	745,000	173,188	157,356	1,075,544	7,405,000
2018 - 2019	775,000	157,356	140,888	1,073,244	6,630,000
2019 - 2024	4,415,000	524,770	430,951	5,370,721	2,215,000
2024 - 2029	990,000	195,075	174,038	1,359,113	1,225,000
2029 - 2034	1,225,000	80,218	54,187	1,359,405	-
	<u>\$ 12,560,000</u>	<u>\$ 2,731,682</u>	<u>\$ 2,466,196</u>	<u>\$ 17,757,878</u>	

CITY OF MADISONVILLE, KENTUCKY
WATER AND SEWER ENTERPRISE FUND
SCHEDULE OF BONDED INDEBTEDNESS
WATER AND SEWER REVENUE BONDS (SERIES OF 2004A)
JUNE 30, 2010

Schedule 8

DESCRIPTION

The bonds were issued July 15, 2004 in the amount of \$2,850,000 to refund bonds originally issued in connection with the construction of water storage facilities and other water and sewer system construction projects performed in 1994. The bonds maintain a stated interest rate varying between 2.125% and 3.00% per annum with interest payments falling on March 1 and September 1 with September 1 being the stated principal payment date. The bond issue is on a parity basis with other bonded indebtedness of the water and sewer system and are payable with income and revenues derived by the operation of the City's combined and consolidated water and sewer system.

DEBT SERVICE REQUIREMENTS

Fiscal Year	Principal	Interest		Requirement For Year	Bonds Outstanding at June 30
		September 1	March 1		
2010 - 2011	\$ 500,000	\$ 7,500	\$ -	\$ 507,500	\$ -
	<u>\$ 500,000</u>	<u>\$ 7,500</u>	<u>\$ -</u>	<u>\$ 507,500</u>	

CITY OF MADISONVILLE, KENTUCKY
WATER AND SEWER ENTERPRISE FUND
SCHEDULE OF BONDED INDEBTEDNESS
WATER AND SEWER REVENUE BONDS (SERIES OF 2008)
JUNE 30, 2010

Schedule 9

DESCRIPTION

The bonds were issued April 22, 2008 in the amount of \$3,210,000 to refund bonds originally issued in connection with the construction of wastewater collection system improvements performed in 1997. The bonds maintain a stated interest rate varying between 2.00% and 3.00% per annum with interest payments falling on March 1 and September 1 with September 1 being the stated principal payment date. The bond issue is on a parity basis with other bonded indebtedness of the water and sewer system and are payable with income and revenues derived by the operation of the City's combined and consolidated water and sewer system.

DEBT SERVICE REQUIREMENTS

Fiscal Year	Principal	Interest		Requirement For Year	Bonds Outstanding at June 30
		September 1	March 1		
2010 - 2011	\$ 315,000	\$ 38,642	\$ 35,178	\$ 388,820	\$ 2,490,000
2011 - 2012	325,000	35,178	31,277	391,455	2,165,000
2012 - 2013	335,000	31,277	26,755	393,032	1,830,000
2013 - 2014	345,000	26,755	22,098	393,853	1,485,000
2014 - 2015	355,000	22,098	16,950	394,048	1,130,000
2015 - 2016	365,000	16,950	11,475	393,425	765,000
2016 - 2017	375,000	11,475	5,850	392,325	390,000
2017 - 2018	390,000	5,850	-	395,850	-
	<u>\$ 2,805,000</u>	<u>\$ 188,225</u>	<u>\$ 149,583</u>	<u>\$ 3,142,808</u>	

CITY OF MADISONVILLE, KENTUCKY
WATER AND SEWER ENTERPRISE FUND
SCHEDULE OF NOTE PAYABLE
KENTUCKY INFRASTRUCTURE AUTHORITY
JUNE 30, 2010

Schedule 10

DESCRIPTION

The note from the Kentucky Infrastructure Authority was finalized October 12, 1997 in the amount of \$15,618,294 to construct the new wastewater treatment facility. The note bears interest at 2.6% per annum with the Kentucky Infrastructure Authority charging an additional 0.2% servicing fee for a total effective interest rate of 2.8% per annum. Payments of principal and interest are due each June 1 and December 1. The note is subordinated to various previous bond issues which are payable with income and revenues derived by the operation of the City's combined water and sewer system.

DEBT SERVICE REQUIREMENTS

Fiscal Year	Principal & Interest		Requirement For Year	Debt Outstanding at June 30
	December 1	June 1		
2010 - 2011	\$ 519,621	\$ 519,187	\$ 1,038,808	\$ 5,231,810
2011 - 2012	518,748	518,302	1,037,050	4,335,014
2012 - 2013	517,851	517,394	1,035,245	3,414,750
2013 - 2014	516,930	516,461	1,033,391	2,470,403
2014 - 2015	515,986	515,505	1,031,491	1,501,344
2015 - 2016	515,017	514,523	1,029,540	506,926
2016 - 2017	514,023	-	514,023	-
	<u>\$ 3,618,176</u>	<u>\$ 3,101,372</u>	<u>\$ 6,719,548</u>	

CITY OF MADISONVILLE, KENTUCKY
WATER AND SEWER ENTERPRISE FUND
SCHEDULE OF CAPITAL LEASE OBLIGATION
KENTUCKY LEAGUE OF CITIES FUNDING TRUST PROGRAM
JUNE 30, 2010

Schedule 11

DESCRIPTION

The funding from the Kentucky League of Cities funding trust program was finalized November 6, 2008 in the amount of \$1,500,000 for the purchase of automated meter reading water meters. The lease agreement requires monthly lease payments and fees varying from \$12,032 to \$15,104 beginning December 1, 2008 and ending November 1, 2018.

CAPITAL LEASE REQUIREMENTS

<u>Fiscal Year</u>	<u>Amount Representing Principal</u>	<u>Amount Representing Interest</u>	<u>Total Lease Requirement</u>	<u>Amount Outstanding at June 30</u>
2010 - 2011	\$ 133,617	\$ 40,670	\$ 174,287	\$ 1,163,872
2011 - 2012	138,648	36,403	175,051	1,025,224
2012 - 2013	144,063	31,814	175,877	881,161
2013 - 2014	149,508	27,193	176,701	731,653
2014 - 2015	155,221	22,347	177,568	576,432
2015 - 2016	161,116	17,348	178,464	415,316
2016 - 2017	167,318	12,089	179,407	247,998
2017 - 2018	173,686	6,687	180,373	74,312
2018 - 2019	<u>74,312</u>	<u>1,139</u>	<u>75,451</u>	-
	<u>\$ 1,297,489</u>	<u>\$ 195,690</u>	<u>\$ 1,493,179</u>	

CITY OF MADISONVILLE, KENTUCKY
WATER AND SEWER ENTERPRISE FUND
SCHEDULE OF CAPITAL LEASE OBLIGATION
JUNE 30, 2010

Schedule 12

DESCRIPTION

The lease purchase from Kansas State Bank was finalized November 23, 2005 in the amount of \$98,450 to purchase a 2004 New Holland Excavator. The lease agreement requires annual lease payments of \$22,739 and bears interest at 4.99% per annum. Payments of principal and interest are due on November 29th of each year.

CAPITAL LEASE REQUIREMENTS

<u>Fiscal Year</u>	<u>Amount Representing Principal</u>	<u>Amount Representing Interest</u>	<u>Total Lease Requirement</u>	<u>Amount Outstanding at June 30</u>
2010 - 2011	\$ 21,657	\$ 1,082	\$ 22,739	\$ -
	<u>\$ 21,657</u>	<u>\$ 1,082</u>	<u>\$ 22,739</u>	

CITY OF MADISONVILLE, KENTUCKY
WATER AND SEWER ENTERPRISE FUND
SCHEDULE OF CAPITAL LEASE OBLIGATION
JUNE 30, 2010

Schedule 13

DESCRIPTION

The lease purchase from Old National Bank was finalized October 15, 2007 in the amount of \$73,915 to purchase a 2007 Case Loader Backhoe. The lease agreement requires annual lease payments of \$26,787 and bears interest at 4.30% per annum. Payments of principal and interest are due on October 15th of each year.

CAPITAL LEASE REQUIREMENTS

Fiscal Year	Amount Representing Principal	Amount Representing Interest	Total Lease Requirement	Amount Outstanding at June 30
2010 - 2011	\$ <u>25,682</u>	\$ <u>1,105</u>	\$ <u>26,787</u>	\$ -
	\$ <u>25,682</u>	\$ <u>1,105</u>	\$ <u>26,787</u>	

CITY OF MADISONVILLE, KENTUCKY
SANITATION FUND
SCHEDULE OF CAPITAL LEASE OBLIGATION
JUNE 30, 2010

Schedule 14

DESCRIPTION

The lease purchase from BB&T was finalized August 19, 2005 in the amount of \$111,934 to purchase a 2006 Mack Granite Truck. The lease agreement requires monthly lease payments of \$2,052 and bears interest at 3.82% per annum. Payments of principal and interest are due on the 2nd of each month.

CAPITAL LEASE REQUIREMENTS

Fiscal Year	Amount Representing Principal	Amount Representing Interest	Total Lease Requirement	Amount Outstanding at June 30
2010 - 2011	\$ <u>4,085</u>	\$ <u>20</u>	\$ <u>4,105</u>	\$ -
	\$ <u>4,085</u>	\$ <u>20</u>	\$ <u>4,105</u>	

CITY OF MADISONVILLE, KENTUCKY
SANITATION FUND
SCHEDULE OF CAPITAL LEASE OBLIGATION
JUNE 30, 2010

Schedule 15

DESCRIPTION

The lease purchase from BB&T was finalized August 20, 2005 in the amount of \$132,467 to purchase a 2006 Freightliner Truck. The lease agreement requires monthly lease payments of \$2,438 and bears interest at 3.98% per annum. Payments of principal and interest are due on the 20th of each month.

CAPITAL LEASE REQUIREMENTS

Fiscal Year	Amount Representing Principal	Amount Representing Interest	Total Lease Requirement	Amount Outstanding at June 30
2010 - 2011	\$ 4,852	\$ 24	\$ 4,876	-
	<u>\$ 4,852</u>	<u>\$ 24</u>	<u>\$ 4,876</u>	

CITY OF MADISONVILLE, KENTUCKY
SANITATION FUND
SCHEDULE OF CAPITAL LEASE OBLIGATION
JUNE 30, 2010

Schedule 16

DESCRIPTION

The lease purchase from Old National Bank was finalized October 7, 2008 in the amount of \$366,727 to purchase two 2009 Mack GU Garbage Trucks. The lease agreement requires annual lease payments of \$61,213 and bears interest at 4.05% per annum. Payments of amounts representing principal and interest are due on the 12th day of each September.

CAPITAL LEASE REQUIREMENTS

<u>Fiscal Year</u>	<u>Amount Representing Principal</u>	<u>Amount Representing Interest</u>	<u>Total Lease Requirement</u>	<u>Amount Outstanding at June 30</u>
2010 - 2011	\$ 48,238	\$ 12,975	\$ 61,213	\$ 272,128
2011 - 2012	50,192	11,021	61,213	221,936
2012 - 2013	52,225	8,988	61,213	169,711
2013 - 2014	54,340	6,873	61,213	115,371
2014 - 2015	56,540	4,673	61,213	58,831
2015 - 2016	<u>58,831</u>	<u>2,382</u>	<u>61,213</u>	-
	<u>\$ 320,366</u>	<u>\$ 46,912</u>	<u>\$ 367,278</u>	

CITY OF MADISONVILLE, KENTUCKY
SANITATION FUND
SCHEDULE OF CAPITAL LEASE OBLIGATION
JUNE 30, 2010

Schedule 17

DESCRIPTION

The lease purchase from Old National Bank was finalized February 3, 2010 in the amount of \$104,184 to purchase a 2010 Freightliner M2 Grapple Truck. The lease agreement requires monthly lease payments of \$3,085 and bears interest at 3.45% per annum. Payments of amounts representing principal and interest are due on the 1st day of each month.

CAPITAL LEASE REQUIREMENTS

Fiscal Year	Amount Representing Principal	Amount Representing Interest	Total Lease Requirement	Amount Outstanding at June 30
2010 - 2011	\$ 31,131	\$ 2,799	\$ 33,930	\$ 71,434
2011 - 2012	35,102	1,913	37,015	36,332
2012 - 2013	<u>36,332</u>	<u>682</u>	<u>37,014</u>	-
	<u>\$ 102,565</u>	<u>\$ 5,394</u>	<u>\$ 107,959</u>	

CITY OF MADISONVILLE, KENTUCKY
LIGHT FUND
SCHEDULE OF CAPITAL LEASE OBLIGATION
JUNE 30, 2010

Schedule 18

DESCRIPTION

The funding from the Kentucky League of Cities was finalized January 19, 2005 in the amount of \$2,000,000 to construct an electric substation. The lease agreement requires monthly lease payments and fees varying from \$27,398 to \$27,648 beginning March 1, 2005 and ending January 19, 2012.

CAPITAL LEASE REQUIREMENTS

<u>Fiscal Year</u>	<u>Amount Representing Principal</u>	<u>Amount Representing Interest</u>	<u>Total Lease Requirement</u>	<u>Amount Outstanding at June 30</u>
2010 - 2011	\$ 312,623	\$ 16,525	\$ 329,148	\$ 215,393
2011 - 2012	<u>215,393</u>	<u>3,863</u>	<u>219,256</u>	-
	<u>\$ 528,016</u>	<u>\$ 20,388</u>	<u>\$ 548,404</u>	

CITY OF MADISONVILLE, KENTUCKY
LIGHT FUND
SCHEDULE OF NOTE PAYABLE
JUNE 30, 2010

Schedule 19

DESCRIPTION

The note from Old National Bank was finalized June 8, 2008 in the amount of \$360,000 to refinance an existing line of credit to a term loan. The note bears interest at 3.55% per annum. Payments of principal and interest are due each month.

DEBT SERVICE REQUIREMENTS

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirement</u>	<u>Amount Outstanding at June 30</u>
2010 - 2011	\$ 72,000	\$ 6,375	\$ 78,375	\$ 140,565
2011 - 2012	72,000	3,819	75,819	68,565
2012 - 2013	<u>68,565</u>	<u>1,263</u>	<u>69,828</u>	-
	<u>\$ 212,565</u>	<u>\$ 11,457</u>	<u>\$ 224,022</u>	

CITY OF MADISONVILLE, KENTUCKY
LIGHT FUND
SCHEDULE OF CAPITAL LEASE OBLIGATION
JUNE 30, 2010

Schedule 20

DESCRIPTION

The lease purchase from Old National Bank was finalized March 18, 2009 in the amount of \$163,433 to purchase a 2009 International 4300 SBA 4x2 Bucket Truck. The lease agreement requires annual lease payments of \$37,291 and bears interest at 4.56% per annum. Payments of principal and interest are due on the 13th day of each March.

CAPITAL LEASE REQUIREMENTS

Fiscal Year	Amount Representing Principal	Amount Representing Interest	Total Lease Requirement	Amount Outstanding at June 30
2010 - 2011	\$ 31,199	\$ 6,092	\$ 37,291	\$ 102,396
2011 - 2012	32,622	4,669	37,291	69,774
2012 - 2013	34,109	3,182	37,291	35,665
2013 - 2014	<u>35,665</u>	<u>1,626</u>	<u>37,291</u>	-
	<u>\$ 133,595</u>	<u>\$ 15,569</u>	<u>\$ 149,164</u>	

CITY OF MADISONVILLE, KENTUCKY

**STATISTICAL SECTION
(Unaudited)**



COMPREHENSIVE ANNUAL FINANCIAL REPORT

CITY OF MADISONVILLE, KENTUCKY
STATISTICAL SECTION
TABLE OF CONTENTS
(Unaudited)

This part of the City of Madisonville's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health.

<u>Contents</u>	<u>Page</u>
Financial Trends	115
-These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	
Revenue Capacity	120
-These schedules contain information to help the reader assess the City's most significant local revenue source, sale of electricity.	
Debt Capacity	123
-These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	
Demographic and Economic Information	129
-These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place and to help make comparison over time and with the other governments.	
Operating Information	131
-These schedules contain information about the City's operations and resources to help the reader understand how the City's financial information relates to the services the City provides and the activities it performs.	

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year. The City implemented GASB Statement 34 in the year ended June 30, 2003; schedules presenting government-wide information include information beginning in that year.

CITY OF MADISONVILLE, KENTUCKY
NET ASSETS BY COMPONENT
LAST EIGHT FISCAL YEARS
(Unaudited)

Table 1

	Fiscal Year							
	2003	2004	2005	2006	2007	2008	2009	2010
Governmental activities								
Invested in capital assets, net of related debt	\$ 19,382,897	\$ 19,542,300	\$ 20,904,577	\$ 22,606,965	\$ 23,039,556	\$ 22,544,423	\$ 25,402,830	\$ 26,862,566
Restricted	-	69,844	75,714	71,851	77,239	83,741	-	-
Unrestricted	<u>493,817</u>	<u>(6,665)</u>	<u>1,680,215</u>	<u>3,570,980</u>	<u>2,927,716</u>	<u>2,985,861</u>	<u>3,784,967</u>	<u>3,393,077</u>
Total governmental activities net assets	<u>\$ 19,876,714</u>	<u>\$ 19,605,479</u>	<u>\$ 22,660,506</u>	<u>\$ 26,249,796</u>	<u>\$ 26,044,511</u>	<u>\$ 25,614,025</u>	<u>\$ 29,187,797</u>	<u>\$ 30,255,643</u>
Business-type activities								
Invested in capital assets, net of related debt	\$ 20,593,322	\$ 21,401,361	\$ 21,717,419	\$ 26,201,234	\$ 28,746,513	\$ 28,246,843	\$ 30,319,313	\$ 32,485,434
Restricted	1,966,728	1,824,527	2,324,548	2,453,043	2,809,094	3,344,672	3,513,018	3,464,447
Unrestricted	<u>2,516,845</u>	<u>3,149,093</u>	<u>3,640,587</u>	<u>1,853,826</u>	<u>3,213,456</u>	<u>3,734,724</u>	<u>4,047,863</u>	<u>7,920,291</u>
Total business-type activities net assets	<u>\$ 25,076,895</u>	<u>\$ 26,374,981</u>	<u>\$ 27,682,554</u>	<u>\$ 30,508,103</u>	<u>\$ 34,769,063</u>	<u>\$ 35,326,239</u>	<u>\$ 37,880,194</u>	<u>\$ 43,870,172</u>
Primary government								
Invested in capital assets, net of related debt	\$ 39,976,219	\$ 40,943,661	\$ 42,621,996	\$ 48,808,199	\$ 51,786,069	\$ 50,791,266	\$ 55,722,143	\$ 59,348,000
Restricted	1,966,728	1,894,371	2,400,262	2,524,894	2,886,333	3,428,413	3,513,018	3,464,447
Unrestricted	<u>3,010,662</u>	<u>3,142,428</u>	<u>5,320,802</u>	<u>5,424,806</u>	<u>6,141,172</u>	<u>6,720,585</u>	<u>7,832,830</u>	<u>11,313,368</u>
Total primary government net assets	<u>\$ 44,953,609</u>	<u>\$ 45,980,460</u>	<u>\$ 50,343,060</u>	<u>\$ 56,757,899</u>	<u>\$ 60,813,574</u>	<u>\$ 60,940,264</u>	<u>\$ 67,067,991</u>	<u>\$ 74,125,815</u>
GMAIA Component Unit								
Invested in capital assets, net of related debt	\$ 1,276,665	\$ 1,242,556	\$ 1,235,447	\$ 1,228,338	\$ 1,363,747	\$ 1,190,348	\$ 1,159,917	\$ 1,129,486
Unrestricted	<u>219,681</u>	<u>181,066</u>	<u>149,393</u>	<u>44,554</u>	<u>92,037</u>	<u>290,860</u>	<u>189,594</u>	<u>195,781</u>
Total component unit net assets	<u>\$ 1,496,346</u>	<u>\$ 1,423,622</u>	<u>\$ 1,384,840</u>	<u>\$ 1,272,892</u>	<u>\$ 1,455,784</u>	<u>\$ 1,481,208</u>	<u>\$ 1,349,511</u>	<u>\$ 1,325,267</u>

Note: The City implemented GASB Statement No. 34 in fiscal year 2003. Therefore, ten years of data is not available, but will be accumulated over time.

CITY OF MADISONVILLE, KENTUCKY
CHANGES IN NET ASSETS
LAST EIGHT FISCAL YEARS
(Unaudited)

Table 2

	Fiscal Year							
	2003	2004	2005	2006	2007	2008	2009	2010
Expenses								
Governmental activities:								
General government	\$ 2,635,718	\$ 2,564,238	\$ 2,377,386	\$ 4,197,870	\$ 5,207,138	\$ 5,112,293	\$ 4,384,690	\$ 6,000,497
Public safety	7,333,640	7,178,784	7,514,731	8,101,397	8,747,851	9,776,425	9,840,819	10,075,146
Transportation	2,762,926	2,769,388	2,643,906	2,670,244	2,802,623	2,903,345	3,141,778	3,188,030
Recreation	617,443	601,759	658,513	651,970	699,457	710,429	742,007	749,624
Health and welfare	1,337,676	623,453	606,915	1,065,240	681,849	713,569	758,481	784,598
Cemetery	228,945	232,936	224,713	244,867	259,634	271,357	290,566	308,537
Interest on long-term debt	48,975	28,906	32,032	17,526	26,479	67,876	63,625	57,332
Total governmental activities expenses	<u>14,965,323</u>	<u>13,999,464</u>	<u>14,058,196</u>	<u>16,949,114</u>	<u>18,425,031</u>	<u>19,555,294</u>	<u>19,221,966</u>	<u>21,163,764</u>
Business-type activities:								
Electric distribution	13,240,148	13,570,967	14,694,642	16,931,364	17,111,931	18,523,550	19,459,624	19,303,762
Water and sewer services	6,986,113	7,565,913	7,281,355	7,306,321	7,377,333	8,377,728	8,372,117	8,405,804
Sanitation services	2,056,536	2,072,125	2,035,960	2,176,434	2,177,492	2,146,049	2,151,803	1,933,151
Total business-type activities	<u>22,282,797</u>	<u>23,209,005</u>	<u>24,011,957</u>	<u>26,414,119</u>	<u>26,666,756</u>	<u>29,047,327</u>	<u>29,983,544</u>	<u>29,642,717</u>
Total primary government expenses	<u>\$ 37,248,120</u>	<u>\$ 37,208,469</u>	<u>\$ 38,070,153</u>	<u>\$ 43,363,233</u>	<u>\$ 45,091,787</u>	<u>\$ 48,602,621</u>	<u>\$ 49,205,510</u>	<u>\$ 50,806,481</u>
Component unit activities (GMAIA):								
Expenses	<u>\$ 32,878</u>	<u>\$ 47,704</u>	<u>\$ 62,580</u>	<u>\$ 164,410</u>	<u>\$ 41,424</u>	<u>\$ 42,625</u>	<u>\$ 53,303</u>	<u>\$ 45,510</u>
Program Revenues								
Governmental activities:								
Charges for services:								
Public safety	\$ 70,955	\$ 63,868	\$ 41,167	\$ 87,098	\$ 135,905	\$ 162,176	\$ 120,870	\$ 112,247
Recreation	196,904	201,386	198,127	192,431	192,831	193,731	190,631	189,284
Cemetery	40,090	53,695	59,815	53,865	48,765	43,515	62,575	69,225
Other activities	214,909	206,524	269,348	1,905,303	2,616,872	2,562,721	2,331,757	2,905,730
Operating grants and contributions	882,326	917,994	469,187	1,034,587	557,988	709,082	1,051,299	570,590
Capital grants and contributions	<u>1,864,093</u>	<u>797,257</u>	<u>2,313,959</u>	<u>2,946,328</u>	<u>1,004,068</u>	<u>755,445</u>	<u>4,498,551</u>	<u>3,354,398</u>
Total governmental activities program revenues	<u>3,269,277</u>	<u>2,240,724</u>	<u>3,351,603</u>	<u>6,219,612</u>	<u>4,556,429</u>	<u>4,426,670</u>	<u>8,255,683</u>	<u>7,201,474</u>
Business-type activities:								
Charges for services:								
Electric distribution	15,629,617	16,527,144	16,972,525	20,012,161	20,540,732	20,712,264	20,998,398	23,706,796
Water and sewer services	7,539,770	8,343,446	8,762,590	8,907,737	9,073,173	8,995,797	9,975,512	10,266,127
Sanitation services	1,908,541	1,758,423	1,712,521	2,205,593	2,166,707	2,142,115	2,170,913	2,154,284
Operating grants and contributions	-	-	-	-	-	-	2,013,181	214,629
Capital grants and contributions	<u>994,333</u>	<u>162,945</u>	<u>360,698</u>	<u>770,676</u>	<u>634,376</u>	<u>369,882</u>	<u>228,908</u>	<u>2,124,480</u>
Total business-type activities program revenues	<u>26,072,261</u>	<u>26,791,958</u>	<u>27,808,334</u>	<u>31,896,167</u>	<u>32,414,988</u>	<u>32,220,058</u>	<u>35,386,912</u>	<u>38,466,316</u>
Total primary government program revenues	<u>\$ 29,341,538</u>	<u>\$ 29,032,682</u>	<u>\$ 31,159,937</u>	<u>\$ 38,115,779</u>	<u>\$ 36,971,417</u>	<u>\$ 36,646,728</u>	<u>\$ 43,642,595</u>	<u>\$ 45,667,790</u>
Component unit activities (GMAIA):								
Revenues	\$ -	\$ -	\$ 21,094	\$ 50,625	\$ 68,344	\$ 102,269	\$ 101,250	\$ 101,250
Capital Grants and Contributions	-	-	-	-	154,180	-	-	-
Total Component unit activities (GMAIA)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 21,094</u>	<u>\$ 50,625</u>	<u>\$ 222,524</u>	<u>\$ 102,269</u>	<u>\$ 101,250</u>	<u>\$ 101,250</u>

CITY OF MADISONVILLE, KENTUCKY
CHANGES IN NET ASSETS
LAST EIGHT FISCAL YEARS
(Unaudited)

Table 2 - Continued

	Fiscal Year							
	2003	2004	2005	2006	2007	2008	2009	2010
Net (Expense)/Revenue								
Governmental activities	\$ (11,696,046)	\$ (11,758,740)	\$ (10,706,593)	\$ (10,729,502)	\$ (13,868,602)	\$ (15,128,624)	\$ (10,966,283)	\$ (13,962,290)
Business-type activities	3,789,464	3,582,953	3,796,377	5,482,048	5,748,232	3,172,731	5,403,368	8,823,599
Total primary government net expense	<u>\$ (7,906,582)</u>	<u>\$ (8,175,787)</u>	<u>\$ (6,910,216)</u>	<u>\$ (5,247,454)</u>	<u>\$ (8,120,370)</u>	<u>\$ (11,955,893)</u>	<u>\$ (5,562,915)</u>	<u>\$ (5,138,691)</u>
Total component unit net expense	<u>\$ (32,878)</u>	<u>\$ (47,704)</u>	<u>\$ (41,486)</u>	<u>\$ (113,785)</u>	<u>\$ 181,100</u>	<u>\$ 59,644</u>	<u>\$ 47,947</u>	<u>\$ 55,740</u>
General Revenues and other Changes in Net Assets								
Governmental activities:								
Taxes:								
Occupational	\$ 5,751,629	\$ 5,700,611	\$ 6,396,631	\$ 6,539,111	\$ 6,854,907	\$ 7,316,557	\$ 6,621,517	\$ 6,738,628
Property	1,269,363	1,297,950	1,406,920	1,332,584	1,464,129	1,469,817	1,527,361	1,592,903
Insurance premium	1,210,493	1,330,593	2,135,480	2,134,543	2,298,338	2,134,220	1,985,886	2,156,802
Alcoholic beverage	237,805	227,137	227,043	244,198	253,499	268,285	281,946	273,573
Emergency telephone	-	-	-	-	-	-	230,361	254,178
Franchise and other	108,440	223,090	252,861	405,678	237,654	292,680	494,978	454,664
Investment income	21,970	12,871	13,207	66,788	112,442	56,389	16,748	11,439
Gain on sale of capital assets	-	-	158,020	71,141	13,559	-	(34,891)	4,543
Miscellaneous	261,557	221,945	232,975	178,925	228,789	160,190	236,149	463,406
Transfers	2,193,026	2,473,308	2,938,483	3,345,824	2,200,000	3,000,000	3,180,000	3,080,000
Total governmental activities	11,054,283	11,487,505	13,761,620	14,318,792	13,663,317	14,698,138	14,540,055	15,030,136
Business-type activities:								
Investment earnings	58,569	173,553	341,809	689,357	712,728	384,345	142,587	124,989
Gain on sale of capital assets	-	14,888	7,870	(32)	-	-	8,000	41,390
Miscellaneous	-	-	100,000	-	-	-	-	-
Transfers	(2,193,026)	(2,473,308)	(2,938,483)	(3,345,824)	(2,200,000)	(3,000,000)	(3,000,000)	(3,000,000)
Total business-type activities	<u>(2,134,457)</u>	<u>(2,284,867)</u>	<u>(2,488,804)</u>	<u>(2,656,499)</u>	<u>(1,487,272)</u>	<u>(2,615,655)</u>	<u>(2,849,413)</u>	<u>(2,833,621)</u>
Total primary government	<u>\$ 8,919,826</u>	<u>\$ 9,202,638</u>	<u>\$ 11,272,816</u>	<u>\$ 11,662,293</u>	<u>\$ 12,176,045</u>	<u>\$ 12,082,483</u>	<u>\$ 11,690,642</u>	<u>\$ 12,196,515</u>
Component unit activities (GMAIA):								
Investment income	\$ 2,784	\$ 1,980	\$ 1,417	\$ 837	\$ 916	\$ 1,277	\$ 356	\$ 16
Miscellaneous	-	-	1,287	1,000	876	-	-	-
Loss on sale of land	(97,323)	-	-	-	-	(35,497)	-	-
Transfers	-	-	-	-	-	-	(180,000)	(80,000)
Total component unit activities	<u>\$ (94,539)</u>	<u>\$ 1,980</u>	<u>\$ 2,704</u>	<u>\$ 1,837</u>	<u>\$ 1,792</u>	<u>\$ (34,220)</u>	<u>\$ (179,644)</u>	<u>\$ (79,984)</u>
Change in Net Assets								
Governmental activities	\$ (641,763)	\$ (271,235)	\$ 3,055,027	\$ 3,589,290	\$ (205,285)	\$ (430,486)	\$ 3,573,772	\$ 1,067,846
Business-type activities	1,655,007	1,298,086	1,307,573	2,825,549	4,260,960	557,076	2,553,955	5,989,978
Total primary government	<u>\$ 1,013,244</u>	<u>\$ 1,026,851</u>	<u>\$ 4,362,600</u>	<u>\$ 6,414,839</u>	<u>\$ 4,055,675</u>	<u>\$ 126,590</u>	<u>\$ 6,127,727</u>	<u>\$ 7,057,824</u>
Component unit	<u>\$ (127,417)</u>	<u>\$ (45,724)</u>	<u>\$ (38,782)</u>	<u>\$ (111,948)</u>	<u>\$ 182,892</u>	<u>\$ 25,424</u>	<u>\$ (131,697)</u>	<u>\$ (24,244)</u>

Note: The City implemented GASB Statement No. 34 in fiscal year 2003. Therefore, ten years of data is not available, but will be accumulated over time.

CITY OF MADISONVILLE, KENTUCKY
FUND BALANCES, GOVERNMENTAL FUNDS
LAST EIGHT FISCAL YEARS
(Unaudited)

Table 3

	Fiscal Year							
	2003	2004	2005	2006	2007	2008	2009	2010
General Fund								
Reserved	\$ -	\$ 74,847	\$ 123,984	\$ 144,828	\$ 126,510	\$ 143,727	\$ 132,196	\$ 58,078
Unreserved	<u>291,494</u>	<u>(17,786)</u>	<u>1,957,496</u>	<u>3,507,630</u>	<u>2,890,760</u>	<u>2,936,305</u>	<u>3,403,676</u>	<u>3,343,869</u>
Total general fund	<u>\$ 291,494</u>	<u>\$ 57,061</u>	<u>\$ 2,081,480</u>	<u>\$ 3,652,458</u>	<u>\$ 3,017,270</u>	<u>\$ 3,080,032</u>	<u>\$ 3,535,872</u>	<u>\$ 3,401,947</u>
Airport Fund								
Reserved	\$ -	\$ 295	\$ 318	\$ 442	\$ 255	\$ 267	\$ 44,464	\$ 30,235
Unreserved	<u>(41,278)</u>	<u>(50,242)</u>	<u>(71,163)</u>	<u>4,190</u>	<u>(57,297)</u>	<u>(139,675)</u>	<u>(181,690)</u>	<u>(187,906)</u>
Total airport fund	<u>\$ (41,278)</u>	<u>\$ (49,947)</u>	<u>\$ (70,845)</u>	<u>\$ 4,632</u>	<u>\$ (57,042)</u>	<u>\$ (139,408)</u>	<u>\$ (137,226)</u>	<u>\$ (157,671)</u>
All Other Governmental Funds								
Reserved	\$ 63,309	\$ 78,209	\$ 83,425	\$ 79,890	\$ 85,356	\$ 92,637	\$ 8,839	\$ 11,665
Unreserved, reported in special revenue funds	<u>655,449</u>	<u>629,433</u>	<u>518,608</u>	<u>537,015</u>	<u>744,442</u>	<u>802,411</u>	<u>894,970</u>	<u>717,927</u>
Total all other governmental funds	<u>\$ 718,758</u>	<u>\$ 707,642</u>	<u>\$ 602,033</u>	<u>\$ 616,905</u>	<u>\$ 829,798</u>	<u>\$ 895,048</u>	<u>\$ 903,809</u>	<u>\$ 729,592</u>

Note: Information was not available for ten years of reporting, but will be accumulated over time as it becomes available.

CITY OF MADISONVILLE, KENTUCKY
CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS
LAST EIGHT FISCAL YEARS
(Unaudited)

Table 4

	Fiscal Year							
	2003	2004	2005	2006	2007	2008	2009	2010
Revenues								
Taxes	\$ 8,717,133	\$ 8,939,167	\$ 10,582,257	\$ 10,825,384	\$ 11,307,501	\$ 11,721,839	\$ 11,142,049	\$ 11,470,749
Intergovernmental	2,640,035	1,752,930	2,630,995	3,999,159	1,564,668	1,464,527	5,149,079	2,382,488
Recreation	196,904	201,386	198,127	192,431	192,831	193,731	190,631	189,284
Police fines and base court	70,955	63,868	41,167	87,098	135,905	162,176	120,870	112,247
Fees	25,400	25,400	25,949	22,500	25,075	25,600	20,500	22,732
Miscellaneous	223,531	208,716	433,275	137,010	228,789	160,190	236,148	463,405
Contributions	-	-	-	-	-	-	400,770	1,542,500
Cemetery	40,090	53,695	59,815	53,865	48,765	43,515	62,575	69,225
Rental income	50,106	21,338	25,539	30,732	46,963	79,979	80,844	20,147
Investment income	21,893	12,811	13,112	47,198	84,149	40,389	12,431	2,322
Total Revenues	<u>11,986,047</u>	<u>11,279,311</u>	<u>14,010,236</u>	<u>15,395,377</u>	<u>13,634,646</u>	<u>13,891,946</u>	<u>17,415,897</u>	<u>16,275,099</u>
Expenditures								
Public safety	6,533,977	6,824,971	7,143,696	7,875,920	8,346,605	9,327,749	8,980,685	9,360,396
Transportation	2,076,862	2,144,364	1,554,836	1,724,174	1,752,038	1,792,275	1,775,141	1,806,323
General government/other	1,950,244	2,020,028	1,859,476	2,068,608	2,242,110	2,383,535	2,471,417	2,766,256
Recreation	514,713	510,343	554,706	573,250	595,118	614,828	627,309	645,383
Health and welfare	1,337,676	897,857	606,915	1,065,240	681,849	713,569	758,481	784,598
Cemetery	215,558	221,820	215,877	243,663	250,739	258,617	272,715	299,065
Debt service:								
Interest	48,975	28,906	32,032	17,113	23,801	64,762	65,730	57,332
Principal	79,770	87,368	635,537	323,572	264,659	134,992	210,726	162,498
Capital outlay	<u>1,557,228</u>	<u>1,271,180</u>	<u>3,519,334</u>	<u>3,387,622</u>	<u>3,195,087</u>	<u>2,052,451</u>	<u>5,081,973</u>	<u>4,373,897</u>
Total Expenditures	<u>14,315,003</u>	<u>14,006,837</u>	<u>16,122,409</u>	<u>17,279,162</u>	<u>17,352,006</u>	<u>17,342,778</u>	<u>20,244,177</u>	<u>20,255,748</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(2,328,956)</u>	<u>(2,727,526)</u>	<u>(2,112,173)</u>	<u>(1,883,785)</u>	<u>(3,717,360)</u>	<u>(3,450,832)</u>	<u>(2,828,280)</u>	<u>(3,980,649)</u>
Other Financing Sources (Uses)								
Proceeds from debt issues	-	-	699,852	81,288	1,008,116	496,478	-	559,947
Proceeds from sale of capital assets	-	-	371,750	118,000	25,275	-	115,063	12,115
Transfers in	2,638,978	3,300,466	3,600,196	3,834,649	2,554,919	3,450,586	3,789,532	3,573,287
Transfers out	<u>(445,952)</u>	<u>(827,158)</u>	<u>(661,713)</u>	<u>(488,825)</u>	<u>(354,919)</u>	<u>(450,586)</u>	<u>(609,532)</u>	<u>(493,287)</u>
Total Other Financing Sources (Uses)	<u>2,193,026</u>	<u>2,473,308</u>	<u>4,010,085</u>	<u>3,545,112</u>	<u>3,233,391</u>	<u>3,496,478</u>	<u>3,295,063</u>	<u>3,652,062</u>
Net Change in Fund Balances	<u>\$ (135,930)</u>	<u>\$ (254,218)</u>	<u>\$ 1,897,912</u>	<u>\$ 1,661,327</u>	<u>\$ (483,969)</u>	<u>\$ 45,646</u>	<u>\$ 466,783</u>	<u>\$ (328,587)</u>
Debt Service as a Percentage of Noncapital Expenditures	1.0 %	0.9 %	5.3 %	2.5 %	2.0 %	1.3 %	1.8 %	1.4 %

Note: Information was not available for ten years of reporting, but will be accumulated over time as it becomes available.

CITY OF MADISONVILLE, KENTUCKY
LIGHT FUND SALE OF ELECTRICITY
LAST EIGHT FISCAL YEARS
(Unaudited)

Table 5

<u>Fiscal Year</u>	<u>Kilowatt Hours Sold</u>	<u>Residential Charges</u>	<u>Commercial Charges</u>	<u>Commercial KW Demand Charges</u>	<u>Residential Rates</u>		<u>Commercial Rates</u>		
					<u>Customer Charge</u>	<u>Energy Rate (per KWH)</u>	<u>Customer Charge</u>	<u>Energy Rate (per KWH)</u>	<u>Demand Charge (per KWH)</u>
2003	358,755,863	\$ 4,526,681	\$ 6,447,041	\$ 4,341,445	\$ 5.12	\$ 0.0550	\$ 15.36	\$ 0.0291	\$ 9.25
2004	351,046,396	4,742,066	7,265,385	4,218,880	5.12	0.0550	15.36	0.0291	9.25
2005	342,194,742	4,729,359	7,622,896	4,221,738	5.52	0.0752	16.57	0.0314	9.98
2006	357,835,823	5,611,505	9,084,492	4,428,584	5.52	0.0752	16.57	0.0314	9.98
2007	358,322,726	5,756,750	9,687,110	4,362,787	5.52	0.0752	16.57	0.0314	9.98
2008	363,447,602	6,218,154	10,236,332	4,312,867	5.52	0.0593	16.57	0.0314	9.98
2009	329,831,529	6,040,817	10,059,672	4,273,957	6.00	0.0697	18.01	0.0369	11.74
2010	310,165,619	6,892,827	10,977,150	4,804,222	6.00	0.0698	18.01	0.0369	11.74

Note: Information was not available for ten years of reporting, but will be accumulated over time as it becomes available
Data Source: City of Madisonville Municipal Utilities Billing Office

CITY OF MADISONVILLE, KENTUCKY
NUMBER OF ELECTRIC CUSTOMERS BY TYPE
LAST EIGHT FISCAL YEARS
(Unaudited)

Table 6

Fiscal Year	Residential	Commercial	Security Lights	Total
2003	7,143	1,430	542	9,115
2004	7,141	1,466	532	9,139
2005	7,110	1,467	517	9,094
2006	7,104	1,487	533	9,124
2007	7,070	1,492	538	9,100
2008	7,068	1,520	546	9,134
2009	7,007	1,509	546	9,062
2010	6,929	1,478	560	8,967

Note: Information was not available for ten years of reporting, but will be accumulated over time as it becomes available.
Data Source: City of Madisonville Municipal Utilities Billing Office

CITY OF MADISONVILLE, KENTUCKY
TEN LARGEST ELECTRIC CUSTOMERS
LAST SIX FISCAL YEARS
(Unaudited)

Table 7

Customer	Year Ended June 30, 2005		Year Ended June 30, 2006	
	Amount	%	Amount	%
GE Aircraft Engines	\$ 1,825,326	11.32 %	\$ 2,170,278	11.33 %
Trover Foundation	1,080,665	6.70 %	1,332,985	6.96 %
Automotive Industries	868,693	5.39 %	1,264,372	6.60 %
Ahlstrom Filtration	814,305	5.05 %	905,094	4.73 %
Electrocycle	496,460	3.08 %	549,414	2.87 %
Gemtron	201,838	1.25 %	236,718	1.24 %
Madisonville Community College	197,324	1.22 %	223,214	1.17 %
UC Milk Company	184,394	1.14 %	205,200	1.07 %
Madisonville Marketplace	142,466	0.88 %	163,790	0.86 %
Millennium Plastics	-	- %	153,232	0.80 %
Sureway Foods	84,273	0.52 %	-	- %
Subtotal (10 largest)	5,895,744	36.56 %	7,204,297	37.62 %
Balance from other customers	10,231,690	63.44 %	11,946,588	62.38 %
Grand totals	\$ 16,127,434	100.00 %	\$ 19,150,885	100.00 %

Customer	Year Ended June 30, 2007		Year Ended June 30, 2008	
	Amount	%	Amount	%
GE Aircraft Engines	\$ 2,199,039	11.22 %	\$ 2,252,884	11.03 %
Trover Foundation	1,426,986	7.28 %	1,473,209	7.21 %
IAC Madisonville, LLC	1,107,128	5.65 %	1,014,402	4.96 %
Ahlstrom Filtration	1,057,141	5.39 %	1,071,297	5.24 %
Electrocycle	570,653	2.91 %	613,287	3.00 %
Madisonville Community College	242,452	1.24 %	253,042	1.24 %
Gemtron	226,825	1.16 %	249,273	1.22 %
UC Milk Company	217,432	1.11 %	269,768	1.32 %
Madisonville Marketplace	170,743	0.87 %	176,470	0.86 %
Hopkins County Board of Education	-	- %	175,199	0.86 %
Millennium Plastics	128,662	0.66 %	-	- %
Subtotal (10 largest)	7,347,061	37.48 %	7,548,831	36.95 %
Balance from other customers	12,257,986	62.52 %	12,883,253	63.05 %
Grand totals	\$ 19,605,047	100.00 %	\$ 20,432,084	100.00 %

Customer	Year Ended June 30, 2009		Year Ended June 30, 2010	
	Amount	%	Amount	%
GE Aircraft Engine	\$ 2,231,792	10.75 %	\$ 2,190,047	9.35 %
Trover Foundation	1,276,629	6.15 %	1,696,283	7.25 %
Ahlstrom Filtration	1,036,571	4.99 %	1,194,529	5.10 %
Electrocycle	664,739	3.20 %	820,266	3.50 %
IAC Madisonville, LLC	622,304	3.00 %	769,922	3.29 %
Hopkins County Board of Education	-	- %	432,035	1.85 %
Madisonville Community College	307,149	1.48 %	398,896	1.70 %
UC Milk Company	290,032	1.40 %	322,601	1.38 %
Gemtron	215,510	1.04 %	242,455	1.04 %
Madisonville Marketplace	185,950	0.90 %	208,056	0.89 %
Bell South	117,683	0.57 %	-	- %
Subtotal (10 largest)	6,948,359	33.46 %	8,275,090	35.34 %
Balance from other customers	13,817,708	66.54 %	15,137,800	64.66 %
Grand totals	\$ 20,766,067	100.00 %	\$ 23,412,890	100.00 %

Note: Information was not available for ten years of reporting, but will be accumulated over time as it becomes available
Data Source: City of Madisonville Municipal Utilities Billing Office

CITY OF MADISONVILLE
RATIOS OF OUTSTANDING DEBT BY TYPE
LAST EIGHT FISCAL YEARS
(Unaudited)

Table 8

Fiscal Year	Governmental Activities		Business Type Activities						Total Primary Government	Percentage of Personal Income	Per Capita
	Term Loan	Capital Leases	Water & Sewer Fund		Sanitation Fund		Light Fund				
			Revenue Bonds	Capital Leases	Term Loan	Capital Leases	Capital Leases	Term Loan			
2003	\$ 553,251	\$ 41,808	\$ 12,555,000	\$ -	\$ 10,943,633	\$ -	\$ -	\$ -	\$ 24,093,692	5.44 %	\$ 1,252
2004	477,439	30,564	26,875,000	-	10,174,958	-	-	-	37,557,961	8.32 %	1,944
2005	573,571	-	25,525,000	-	10,046,150	242,603	-	1,919,077	38,306,401	8.26 %	1,984
2006	250,000	81,288	24,070,000	98,450	9,378,728	402,938	-	1,662,335	35,943,739	7.25 %	1,864
2007	955,000	119,744	22,570,000	80,633	8,596,053	308,990	-	1,395,272	34,025,692	6.45 %	1,763
2008	155,000	1,281,230	19,870,000	135,840	7,787,297	211,029	-	1,468,131	30,908,527	5.74 %	1,620
2009	105,000	1,120,503	18,005,000	1,518,773	6,957,375	475,612	991,998	1,528,565	30,702,826	5.36 %	1,618
2010	55,000	1,567,953	15,865,000	1,344,828	6,105,736	431,869	661,611	212,565	26,244,562	(1)	1,383

(1) Not Available

Notes: Details regarding the City's outstanding debt can be found in the notes to the financial statements. Also, information was not available for ten years of reporting, but will be accumulated over time as it becomes available.

CITY OF MADISONVILLE, KENTUCKY
DIRECT AND OVERLAPPING
GOVERNMENTAL ACTIVITIES DEBT
JUNE 30, 2010
(Unaudited)

Table 9

<u>Jurisdiction</u>	<u>Net Debt Outstanding</u>	<u>Percentage Applicable to City of Madisonville</u>	<u>Amount Applicable to City of Madisonville</u>
Direct Debt:			
City of Madisonville	\$ <u>1,622,953</u>	100.00 %	\$ <u>1,622,953</u>
Total Direct Debt	<u>1,622,953</u>		<u>1,622,953</u>
Overlapping Debt:			
Land O' Frost	90,000,000	100.00 %	90,000,000
Trover Foundation	26,680,000	100.00 %	26,680,000
Hopkins County School Board	<u>51,645,456</u>	56.03 %	<u>28,936,949</u>
Total Overlapping Debt	<u>168,325,456</u>		<u>145,616,949</u>
Total Direct and Overlapping Debt	<u>\$ 169,948,409</u>		<u>\$ 147,239,902</u>

Source: Hopkins County Board of Education and Council minutes.

CITY OF MADISONVILLE, KENTUCKY
LEGAL DEBT MARGIN INFORMATION
LAST EIGHT FISCAL YEARS
(Unaudited)

Table 10

	Fiscal Year							
	2003	2004	2005	2006	2007	2008	2009	2010
Net Assessed Value *	\$703,905,831	\$599,484,014	\$653,152,680	\$733,079,044	\$803,728,654	\$842,280,782	\$866,680,774	\$882,348,486
Less: Exempt Property	<u>48,621,900</u>	<u>50,017,000</u>	<u>50,337,500</u>	<u>51,927,500</u>	<u>55,936,300</u>	<u>56,164,080</u>	<u>60,294,550</u>	<u>59,385,825</u>
Total Assessed Value	<u>\$655,283,931</u>	<u>\$549,467,014</u>	<u>\$602,815,180</u>	<u>\$681,151,544</u>	<u>\$747,792,354</u>	<u>\$786,116,702</u>	<u>\$806,386,224</u>	<u>\$822,962,661</u>
Debt Limit (1)	\$ 32,764,197	\$ 27,473,351	\$ 30,140,759	\$ 34,057,577	\$ 37,388,268	\$ 39,305,835	\$ 40,319,311	\$ 41,148,133
Amount of Debt Applicable	<u>595,059</u>	<u>508,003</u>	<u>573,571</u>	<u>331,288</u>	<u>1,074,744</u>	<u>1,436,230</u>	<u>1,225,503</u>	<u>1,622,953</u>
Legal Debt Margin	<u>\$ 32,169,138</u>	<u>\$ 26,965,348</u>	<u>\$ 29,567,188</u>	<u>\$ 33,726,289</u>	<u>\$ 36,313,524</u>	<u>\$ 37,869,605</u>	<u>\$ 39,093,808</u>	<u>\$ 39,525,180</u>

(1) Section 158 of the Commonwealth of Kentucky Constitution States:
 "Cities shall not be authorized or permitted to incur indebtedness to an amount, including existing indebtedness in the aggregate exceeding the following named maximum percentage on the value of the taxable property therein, to be estimated by the assessment next before Cities and towns of the fourth class 5 per centum."

* Source: PVA Certified Assessment

Note: Information was not available for ten years of reporting, but will be accumulated over time as it becomes available.

CITY OF MADISONVILLE, KENTUCKY
PLEGDED REVENUE COVERAGE
LAST TEN FISCAL YEARS
(Unaudited)

Table 11

Fiscal Year	Gross Revenue	Operating Expenses	Net Revenue Available For Debt Service	Debt Service Requirements			Coverage
				Principal	Interest	Total	
2000-2001	\$ 7,663,069	\$ 4,171,159	\$ 3,491,910	\$ 1,393,121	\$ 1,195,120	\$ 2,588,241	1.35
2001-2002	7,351,908	3,981,892	3,370,016	1,459,067	1,151,406	2,610,473	1.29
2002-2003	7,587,525	4,187,816	3,399,709	1,517,788	1,094,990	2,612,778	1.30
2003-2004	8,511,844	4,212,947	4,298,897	5,204,604	1,588,215	6,792,819	0.63
2004-2005	9,086,470	4,206,222	4,880,248	4,676,236	1,308,042	5,984,278	0.82
2005-2006	9,578,471	4,281,168	5,297,303	1,981,895	1,360,880	3,342,775	1.58
2006-2007	9,756,449	4,193,741	5,562,708	1,500,000	931,035	2,431,035	2.29
2007-2008	9,360,137	4,868,990	4,491,147	2,015,000	853,338	2,868,338	1.57
2008-2009	10,174,785	5,217,006	4,957,779	1,938,815	717,414	2,656,229	1.87
2009-2010	10,389,781	5,208,150	5,181,631	1,370,000	601,195	1,971,195	2.63

CITY OF MADISONVILLE, KENTUCKY
DEMOGRAPHIC STATISTICS
LAST TEN FISCAL YEARS
(Unaudited)

Table 12

Fiscal Year	(1) Population	(2) Per Capita Income	(2) Personal Income	(3) School Enrollment	(4) Unemployment Rate
2000 - 2001	19,307	\$ 21,092	\$ 407,223,000	6,452	6.4 %
2001 - 2002	19,307	21,446	414,057,000	6,065	4.8 %
2002 - 2003	19,240	23,039	443,270,360	6,176	7.7 %
2003 - 2004	19,321	23,368	451,493,128	7,340	6.2 %
2004 - 2005	19,303	24,038	464,005,514	7,409	6.2 %
2005 - 2006	19,273	25,706	495,431,738	7,617	6.6 %
2006 - 2007	19,303	27,323	527,415,869	8,019	6.1 %
2007 - 2008	19,076	28,220	538,324,720	8,017	6.1 %
2008 - 2009	19,076	30,170	575,522,920	8,549	10.4 %
2009 - 2010	18,971	(5)	(5)	8,965	8.7 %

Data Sources: (1) Census Data
(2) Kentucky State Data Center
(3) Kentucky Department of Education
(4) Kentucky Department For Employment Services
(5) Not Available

CITY OF MADISONVILLE, KENTUCKY
PRINCIPAL EMPLOYERS
CURRENT YEAR AND TEN YEARS AGO
(Unaudited)

Table 13

Employer	2010		
	Taxable Wages	Rank	% of Total Occupational Tax
Trover Clinic Foundation	\$ 83,965,251	1	18.69 %
General Electric Company	44,995,214	2	10.03 %
Hopkins County Board of Education	18,483,708	3	4.45 %
City of Madisonville	12,014,741	4	2.67 %
Kentucky Community and Technical College	11,118,051	5	2.47 %
Commonwealth of Kentucky	9,816,065	6	2.19 %
Ahlstrom Engine Filtration, LLC	9,465,369	7	2.11 %
Walmart Associates, Inc.	8,626,581	8	1.92 %
Rexam Closures, Inc.	5,746,280	9	1.28 %
Owensboro Medical Health System	5,358,978	10	1.19 %

Employer	2000		
	Taxable Wages	Rank	% of Total Occupational Tax
Trover Clinic Foundation	\$ 58,470,014	1	17.95 %
General Electric Company	40,490,175	2	12.42 %
Hopkins County Board of Education	12,951,715	3	3.97 %
City of Madisonville	8,580,116	4	2.63 %
Commonwealth of Kentucky	6,989,069	5	2.14 %
Kentucky Community and Technical College	6,651,158	6	2.04 %
Walmart Associates, Inc.	6,076,005	7	1.86 %
Carhartt, Inc.	4,889,803	8	1.50 %
Ahlstrom Engine Filtration, LLC	4,823,455	9	1.48 %
Multicare Specialists, PSC	3,343,662	10	1.03 %

Data Source: City of Madisonville Tax and Finance Office

CITY OF MADISONVILLE, KENTUCKY
FULL-TIME CITY GOVERNMENT EMPLOYEES BY FUNCTION
LAST EIGHT FISCAL YEARS
(Unaudited)

Table 14

**Full-Time Equivalent
Employees**

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Function/Program:								
General government	26	25	23	22	24	23	24	24
Police	51	50	50	51	45	54	51	53
Emergency telephone	-	-	-	-	-	-	2	2
Fire	57	59	59	59	55	57	59	56
Transportation	27	26	25	26	25	22	19	19
Recreation	11	11	10	9	8	8	9	9
Cemetery	10	10	10	9	9	9	8	7
Electric distribution	30	31	31	30	32	30	29	29
Water and sewer services	56	57	54	57	59	53	56	55
Sanitation services	33	29	29	24	29	27	24	21
Totals	<u>301</u>	<u>298</u>	<u>291</u>	<u>287</u>	<u>286</u>	<u>283</u>	<u>281</u>	<u>275</u>

Note: Information was not available for ten years of reporting, but will be accumulated over time as it becomes available
Data Source: City of Madisonville Human Resources Department

CITY OF MADISONVILLE, KENTUCKY
OPERATING INDICATORS BY FUNCTION/PROGRAM
LAST EIGHT FISCAL YEARS
(Unaudited)

Table 15

Function/Program	Fiscal Year							
	2003	2004	2005	2006	2007	2008	2009	2010
General government								
Building permits issued *	52	241	220	208	254	239	231	204
Police								
Physical arrests	4,133	4,342	3,571	3,036	2,570	4,039	4,056	3,994
Parking violations	351	748	409	418	546	684	605	413
Traffic violations and warnings	4,478	6,711	4,204	3,987	5,481	8,620	7,135	6,939
Fire								
Emergency responses	385	411	401	412	400	502	654	497
Fires extinguished	117	100	122	146	124	121	158	127
Water								
Number of water consumers	10,047	10,139	10,161	10,142	10,179	10,222	10,196	10,095
Annual consumption (gallons)	1,250,685,000	1,055,115,000	1,047,745,000	1,039,505,000	1,038,850,000	1,046,376,000	1,024,043,000	987,194,000
Sewer								
Number of sewer consumers	8,530	8,604	8,607	8,621	8,622	8,670	8,642	8,535
Electric								
Number of electric consumers	8,573	8,607	8,577	8,591	8,562	8,588	8,516	8,407
Annual consumption (kwh)	358,755,863	351,046,396	342,194,742	357,835,823	358,322,726	363,447,602	329,831,529	310,165,619
Sanitation								
Number of sanitation customers	8,172	8,237	8,213	8,159	8,202	8,225	8,164	8,103

* Building permits were collected by the county until 2004.

Note: Information was not available for ten years of reporting, but will be accumulated over time as it becomes available.
 Data Source: City of Madisonville Planning & Zoning, Police, Fire Departments and Municipal Utilities Billing Office

CITY OF MADISONVILLE, KENTUCKY
CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM
LAST EIGHT FISCAL YEARS
(Unaudited)

Table 16

Function/Program	Fiscal Year							
	2003	2004	2005	2006	2007	2008	2009	2010
General								
Number of municipal airports	1	1	1	1	1	1	1	1
Police								
Number of stations	1	1	1	1	1	1	1	1
Fire								
Number of stations	4	4	4	4	4	4	4	4
Parks & recreation								
Number of parks	5	5	5	5	5	5	5	6
Number of lakes	1	1	1	1	1	1	3	3
Number of golf courses	1	1	1	1	1	1	1	1
Swimming pools	1	1	1	1	1	1	1	1
Sewer								
Number of miles of lines	115	115	115	130	135	138	160	160
Number of lift stations	54	54	54	54	54	57	57	50

Note: Information was not available for ten years of reporting, but will be accumulated over time as it becomes available.

Data Source: City of Madisonville Clerk's Office, Parks & Recreation, Police, Fire and Wastewater Collection Departments.

CITY OF MADISONVILLE, KENTUCKY
COMPLIANCE AND INTERNAL CONTROL



COMPREHENSIVE ANNUAL FINANCIAL REPORT



BERRY & KINGTON, PSC
CERTIFIED PUBLIC ACCOUNTANTS

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

Honorable Mayor William M. Cox, Jr.
and Members of the City Council
City of Madisonville, Kentucky
Madisonville, Kentucky

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Madisonville, Kentucky, as of and for the year ended June 30, 2010, which collectively comprise the City of Madisonville, Kentucky's basic financial statements and have issued our report thereon dated December 6, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or

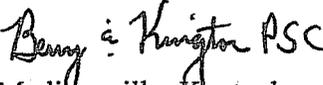
material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

We noted certain matters that we reported to management of the City of Madisonville, Kentucky, in a separate letter dated December 6, 2010.

This report is intended solely for the information and use of management, City Council, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

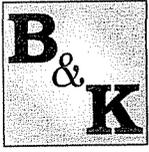

Madisonville, Kentucky
December 6, 2010

CITY OF MADISONVILLE, KENTUCKY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2010

Federal Grantor/Pass-Through Grantor/Program	Federal CFDA Number	Pass-Through Entity - Number	Federal Expenditures
U.S. Department of Transportation			
Airport Improvement Program			
Apron Modification	20.106	3-21-0033-19	\$ 1,020,457
Taxiway Modification	20.106	3-21-0033-17	68,481
Fuel Tanks Phase 2	20.106	3-21-0033-20	33,698
Fuel Farm Phase 1	20.106	3-21-0033-18	1,496
Environmental Protection Agency			
Kentucky Infrastructure Authority			
ARRA - Capitalization Grants for Clean Water	66.458	SX21107008	945,457
U.S. Department of Homeland Security			
Federal Emergency Management Administration			
Ice Storm - Electrical Distribution System	97.036	PA-04-KY-1818-PW-02106(0)	185,025
U.S. Department of Homeland Security			
Federal Emergency Management Administration			
Assistance to Firefighters	97.044	EMW-2008-FO-01428	162,844
U.S. Department of Justice			
Bureau of Justice Assistance			
FY 2009 Police Equipment Enhancement	16.580	2009-SB-B9-0408	68,013
Police Technology Procurement	16.580	2009-DJ-BX-1168	7,047
U.S. Department of Transportation			
Kentucky Transportation Cabinet			
Traffic Enforcement and Collision Reduction	20.600	PT-10-29	15,267
Traffic Enforcement and Collision Reduction	20.600	PT-09-32	<u>11,716</u>
Total Expenditures of Federal Awards			<u>\$ 2,519,501</u>

Note 1 - Basis of Presentation:

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Madisonville, Kentucky and is presented on the accrual basis of accounting. 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 financial statements.



BERRY & KINGDON, PSC
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REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE
WITH OMB CIRCULAR A-133

Honorable Mayor William M. Cox, Jr.
and Members of the City Council
City of Madisonville, Kentucky
Madisonville, Kentucky

Compliance

We have audited the compliance of the City of Madisonville, Kentucky, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2010. City of Madisonville, 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 the City of Madisonville, Kentucky's management. Our responsibility is to express an opinion on the City of Madisonville, 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 Madisonville, Kentucky's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City of Madisonville, Kentucky's compliance with those requirements.

In our opinion, the City of Madisonville, Kentucky, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2010.

Internal Control Over Compliance

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

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

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

This report is intended solely for the information and use of management, City Council, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.


Berry & Kingston PSC
Madisonville, Kentucky
December 6, 2010

CITY OF MADISONVILLE, KENTUCKY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2010

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued	Unqualified
Internal control over financial reporting:	
Material weakness(es) identified?	None
Significant deficiency(ies) identified	
Considered to be material weakness(es)	None
Noncompliance material to financial statements noted?	None

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	None
Significant deficiency(ies) identified	
Considered to be material weakness(es)	None
Type of auditor's report issued on compliance	
For major programs:	Unqualified
Any audit findings disclosed that are required	
To be reported in accordance with	
Circular A-133, Section 510(a)	No
Identification of major programs:	
U.S. Department of Transportation	20.106
Airport Improvement Program	
Environmental Protection Agency	66.458
ARRA - Capitalization Grants for Clean Water	
Dollar threshold used to distinguish	
Between Type A and Type B programs:	\$300,000
Auditee qualified a low-risk auditee?	Yes

CITY OF MADISONVILLE, KENTUCKY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2010

Section II – Financial Statement Findings and Questioned Costs

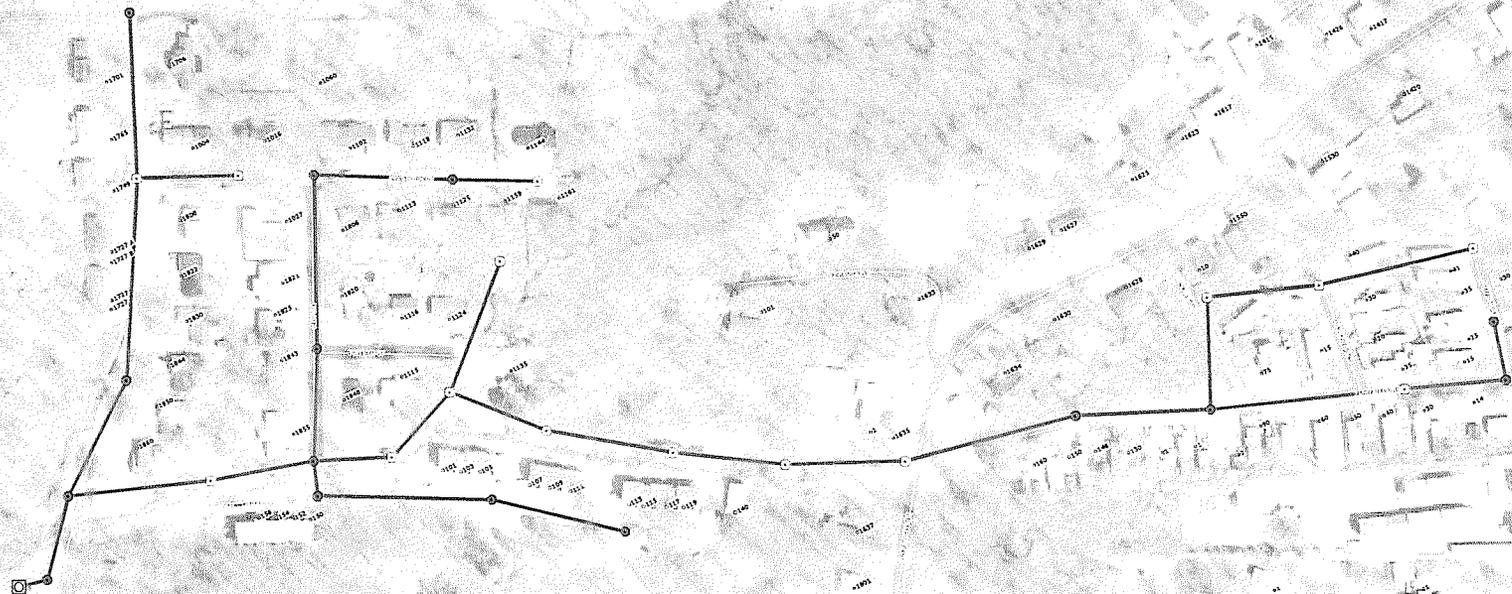
Financial statement findings identify the significant deficiencies, material weaknesses, and instances of noncompliance related to the financial statements that are required to be reported in accordance with paragraphs 5.18 through 5.20 of *Government Auditing Standards*.

We noted no matters involving the internal control structure and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants.

Section III – Federal Award Findings and Questioned Costs

Federal Award Findings and Questioned Costs identify the audit findings required to be reported by Circular A-133, Section 510(a). We noted no matters representing an instance of noncompliance required to be reported for the year ended June 30, 2010.

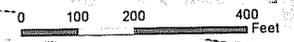
Oakwood Sewage Company KY0034053 Sewer Map



Oakwood Sewage Co.
OSC Sewer

- Manholes - NonGPS
- ⊙ Manholes - GPS
- ⊠ Package Plant
- OSC Sewer Line

1 inch = 400 feet



South Main Sewer 1.B
Oakwood Sewer Company

December 1, 2010

No.	Address	Name	
1	906 Edwards Street	Wallace	Hardy
2	924 Edwards Street	Shane	Fitzhugh
3	926 Edwards Street	Linda	Franklin
4	1701 Edwards Street	Michael	Neal
5	1706 Edwards Street	Nancy	Herron
6	1765 Edwards Street	Lorraine	Bryant
7	1749 Edwards Street	Delfone	Davis
8	1727 A Edwards Street	Talley	Kyle
9	1727 B Edwards Street	Talley	Kyle
10	1729A Edwards Street	Jerry	Clayton
11	1729B Edwards Street	Jerry	Clayton
12	1808 Edwards Street	Harry	Goldman
13	1822 Edwards Street	Keith	Hill
14	1830 Edwards Street	Tina	Lampton
15	1844 Edwards Street	Sharen	Baker
16	1850 Edwards Street	Ronnie	Bearden
17	1860 Edwards Street	Jerry	Higgins
18	1002 Pearl Drive	Terry	Thompson
19	1004 Bradford Street	Thomas	Lutz
20	1016 Bradford Street	David	Maddox
21	1027 Bradford Street	Cornelia	Hancock
22	1060 Bradford Street	Robert	Carter
23	1102 Bradford Street	Shelia	Carter
24	1113 Bradford Street	Shelia	Eliassen
25	1118 Bradford Street	Jim	Brown
26	1125 Bradford Street	Robert	Wilkerson
27	1132 Bradford Street	Billie	Johnson
28	1144 Bradford Street	Clyde	Grant
29	1159 Bradford Street	Sarah	Eison
30	1161 Bradford Street	Tom	Spears
31	1806 Ash Drive	William	Powell
32	1820 Ash Drive	George	Hardeman
33	1821 Ash Drive	Joyce	Sisk
34	1825 Ash Drive	William	Jackson
35	1843 Ash Drive	Christy	Boal

South Main Sewer 1.B
Oakwood Sewer Company

December 1, 2010

No.	Address	Name	
36	1848 Ash Drive	William	Nichols
37	1855 Ash Drive	Rita	Miller
38	1115 Poplar Street	Dallas	Clark
39	1116 Poplar Street	Linda	Murphy
40	1124 Poplar Street	Resident	Resident
41	1135 Poplar Street	Kelly	Evans
42	Townhouse Drive	Sonnie	Baird
	Townhouse Drive	Billing for 12 Apartments	
	Townhouse Drive		
43	Townhouse Drive	Roger	Peyton
	Townhouse Drive	Billing for 12 Apartments	
	Townhouse Drive		
44	1550 Crestview Drive	William	Hook
45	1637 Crestview Drive	Jerry	Lamb
46	6 Magonlia Avenue	Donald	Miller
47	10 Magnolia Avenue	Raymond	Davis
48	14 Magnolia Avenue	Gordon	Bracher
49	15 Magnolia Avenue	Ronnie	Cartwright
50	30 Magnolia Avenue	Joyce	Jennings
51	35 Magnolia Avenue	Cathaleen	Pruden
52	40 Magnolia Avenue	Darlene	Hooper
53	50 Magnolia Avenue	Darren	Sweet
54	60 Magnolia Avenue	Lynn	Tucker
55	75 Magnolia Avenue	Cathaleen	Pruden
56	80 Magnolia Avenue	Darel	Gates
57	90 Magnolia Avenue	Darriel	Ruby

South Main Sewer 1.B
Oakwood Sewer Company

December 1, 2010

No.	Address	Name	
58	96 Magnolia Avenue	Roger	Skaggs
59	110 Magnolia Avenue	Jessie	Skaggs
60	120 Magnolia Avenue	Harry	Ipock
61	130 Magnolia Avenue	Cope	Freondia
62	146 Magnolia Avenue	Cope	Freondia
63	150 Magnolia Avenue	Rickard	Violet
64	160 Magnolia Avenue	Tom	Branson
65	15 Dogwood Drive	Matthew	Nelson
66	20 Dogwood Drive	Betty	Buskuehl
67	30 Dogwood Drive	Tommy	Thompson
68	40 Dogwood Drive	Andy	Ellis
69	18 Maple Drive	Thelma	Willett
70	24 Maple Drive	Darel	Gates
71	25 Maple Drive	Eda	Adcock
72	30 Maple Drive	Charles	Messamore
73	35 Maple Drive	Pauline	Cloern
74	41 Maple Drive	William	Hook
75	101 English Ave.	Wanda	Clemons
76	1601 Grapevine Rd.	Dave	Hager
77	1613 Grapevine Rd.	James	Wyatt
78	1617 Grapevine Rd.	Terry	Miller