

City of Jenkins, Kentucky
Audited Financial Statements
June 30, 2009

Welch & Company, CPAs, PSC
Nicholasville and Georgetown, Kentucky
www.welchcpas.com

CITY OF JENKINS

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Year Ended June 30, 2009

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INDEPENDENT AUDITOR'S REPORT

To the City Council
City of Jenkins
Jenkins, Kentucky


We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Jenkins as of and for the year ended June 30, 2009, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of City of Jenkins'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, each major fund, and the aggregate remaining fund information of the City of Jenkins, as of June 30, 2008, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 8, 2010 on our consideration of the City of Jenkins's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The budgetary comparison information on page 21 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it. In addition, management has elected to not provide the management discussion and analysis supplementary information. While it is encouraged to present this information, it is not required.


Welch & Company, CPAs, PSC
Nicholasville, Kentucky
January 8, 2010

City of Jenkins
Statement of Net Assets
June 30 2009

	Governmental Activities	Business-type Activities	Total
ASSETS			
Current Assets:			
Cash, including time deposits	\$ 519,109	\$ 67,574	\$ 586,683
Investments	36,426	103,445	139,871
Restricted cash	0	472,734	472,734
Accounts receivable, net	15,360	90,474	105,834
Prepaid insurance	55,013	45,929	100,942
Inventory	0	0	0
Total current assets	<u>625,908</u>	<u>780,156</u>	<u>1,406,064</u>
Noncurrent Assets:			
Capital assets (net)	<u>1,816,669</u>	<u>4,001,730</u>	<u>5,818,399</u>
Total Assets	<u>2,442,577</u>	<u>4,781,886</u>	<u>7,224,463</u>
LIABILITIES			
Current Liabilities:			
Accounts payable	8,283	16,101	24,384
Payroll withholdings	260	0	260
Notes payable	33,028	152,148	185,176
Total current liabilities	<u>41,571</u>	<u>168,249</u>	<u>209,820</u>
Noncurrent Liabilities:			
Notes payable	<u>77,651</u>	<u>455,392</u>	<u>533,043</u>
Total noncurrent liabilities	<u>77,651</u>	<u>455,392</u>	<u>533,043</u>
Total Liabilities	<u>119,222</u>	<u>623,641</u>	<u>742,863</u>
NET ASSETS			
Invested in capital assets, net of related debt	1,707,298	3,393,890	5,101,188
Restricted	0	472,734	472,734
Unrestricted	<u>616,057</u>	<u>291,621</u>	<u>907,678</u>
Total Net Assets	<u>\$ 2,323,355</u>	<u>\$ 4,158,245</u>	<u>\$ 6,481,600</u>

See accompanying notes to the basic financial statements.

City of Jenkins
Statement of Activities
Year Ended June 30, 2009

Functions/Programs	Expenses	Program Revenues			Net (Expense)/ Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants & Contributions	
Governmental Activities:					
General government	125,489	0	0	0	(125,489)
Depreciation	33,779				(33,779)
Interest	3,966				(3,966)
Public safety	214,803	0	0	0	(214,803)
Depreciation	40,761				(40,761)
Transportation					
Streets	206,446	0	0	0	(206,446)
Cultural and recreation	24,971	0	0	0	(24,971)
Community development	549,865	0	0	0	(549,865)
Total governmental activities	1,200,080	0	0	0	(1,200,080)
Business-type activities:					
Water	409,134	325,511	0	146,377	62,754
Sewer	433,387	387,074	0	0	(46,313)
Solid waste	241,817	210,759	0	0	(31,058)
Total business-type activities	1,084,338	923,344	0	0	(14,617)
Total	2,284,418	923,344	0	0	(1,214,697)
Changes In Net Assets:					
		Governmental	Business-type		
		Activities	Activities	Total	
Net (expense)/revenue		\$ (1,200,080)	\$ (14,617)	\$ (1,214,697)	
General revenues:					
Taxes:					
Property		260,602		260,602	
Franchise and public service		44,679		44,679	
Insurance		101,470		101,470	
License and permits		20,971		20,971	
Intergovernmental		329,702		329,702	
Investment income		14,707	11,819	26,526	
Miscellaneous		100,803		100,803	
Transfers		0		0	
Total general revenues and transfers		872,934	11,819	884,753	
Change in net assets		(327,146)	(2,798)	(329,944)	
Net assets-beginning		2,650,501	4,161,043	6,811,544	
Net assets-ending		\$ 2,323,355	\$ 4,158,245	\$ 6,481,600	

See accompanying notes to the basic financial statements.

City of Jenkins
Balance Sheet
Governmental Funds
June 30, 2009

	General Fund	Municipal Road Aid	L.G.E.A.	Total Govern- mental Funds
Assets				
Cash and cash equivalents				
Investments	\$ 167,954	\$ 69,090	\$ 282,065	\$ 519,109
Prepaid insurance	36,426	0	0	36,426
Receivables, net	55,013			55,013
	15,360	0	0	15,360
Total assets	\$ 274,753	\$ 69,090	\$ 282,065	\$ 625,908
Liabilities and Fund Balances				
Liabilities:				
Payroll liabilities	\$ 260	\$ -	\$ -	\$ 260
Accounts payable	8,283	0	0	8,283
Total Liabilities	8,543	0	0	8,543
Fund balances:				
Reserved for:				
Unreserved	266,210	69,090	282,065	617,365
Total fund balances	266,210	69,090	282,065	617,365
Total liabilities and fund balances	\$ 274,753	\$ 69,090	\$ 282,065	

Amounts reported for governmental activities in the Statement of Net Assets are different because:

Long-term liabilities are not due and payable in the current period and therefore, are not reported in the funds. (110,679)

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds, net of accumulated depreciation of \$ 265,581 1,816,669

Net assets of governmental activities \$ 2,323,355

See accompanying notes to the basic financial statements.

City of Jenkins
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2009

	General Fund	Municipal Road Aid	L.G.E.A.	Total Govern- mental Funds
Revenues				
Property taxes	\$ 260,602	\$ -	\$ -	\$ 260,602
Franchise taxes	42,312	0	0	42,312
Insurance tax	101,470	0	0	101,470
Fees and fines	2,367	0	0	2,367
Licenses and permits	20,971	0	0	20,971
Intergovernmental	37,289	138,709	153,704	329,702
Charges for services	0	0	0	0
Investment earnings	9,348	1,419	3,940	14,707
Miscellaneous	100,803	0	0	100,803
Total revenues	575,162	140,128	157,644	872,934
Expenditures				
Current:				
General government	102,532	0	22,957	125,489
Police	203,150	0	0	203,150
Road	84,999	121,447	0	206,446
Fire	11,653	0	0	11,653
Parks and recreation	12,545	0	0	12,545
Depot	12,426	0	0	12,426
Refund-Visitor center	470,545	0	0	470,545
Community development	79,320	0	0	79,320
Debt service:				
Principal	19,772	0	0	19,772
Interest and other charges	3,966	0	0	3,966
Capital outlay	24,701	0	0	24,701
Total expenditures	1,025,609	121,447	22,957	1,170,013
Excess (deficiency) of revenues over expenditures	(450,447)	18,681	134,687	(297,079)
Other Financing Sources (Uses)				
Transfers in	0	0	0	0
Transfers out	0	0	0	0
Grants	0	0	0	0
Total other financing sources and uses	0	0	0	0
Net Change in Fund Balances	(450,447)	18,681	134,687	(297,079)
Fund Balances-beginning	2,422,647	50,409	147,378	2,620,434
Fund Balances-Ending	<u>\$ 1,972,200</u>	<u>\$ 69,090</u>	<u>\$ 282,065</u>	<u>\$ 2,323,355</u>

See accompanying notes to the basic financial statements.

City of Jenkins
Statement of Revenues, Expenditures, and Changes in Fund Balances (Continued)
Governmental Funds
Year Ended June 30, 2009

Reconciliation of the change in fund balances-total governmental funds
to the change in net assets of governmental activities:

Net change in fund balances-total governmental funds	<u>\$ (297,079)</u>
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Amounts reported for governmental activities in the Statement of Activities are
different because:

Governmental funds report capital outlay as expenditures while governmental
activities report depreciation expense to allocate those expenditures over
the life of the assets:

Payments on long term debt	19,772
Capital asset purchases capitalized	24,701
Depreciation expense	<u>(74,540)</u>
	<u>(30,067)</u>

Change in Net Assets of Governmental Activities	<u><u>\$ (327,146)</u></u>
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See accompanying notes to the basic financial statements.

City of Jenkins
Statement of Net Assets
Proprietary Funds
June 30, 2009

	Enterprise Funds			
	Water	Sewer	Solid Waste	Totals
Assets				
Current assets:				
Cash and cash equivalents	\$ 41,563	\$ 39,847	\$ (13,836)	\$ 67,574
Investments	0	103,445	0	103,445
Restricted cash	0	472,734	0	472,734
Receivables, net	44,154	29,657	16,663	90,474
Other current assets	22,964	22,965	0	45,929
Total current assets	108,681	668,648	2,827	780,156
Noncurrent assets:				
Capital assets:				
Land and improvements	1,480,108	2,456,691	0	3,936,799
Distribution and collection systems	2,840,309	2,803,703	0	5,644,012
Buildings and equipment	0	148,543	147,508	296,051
Less accumulated depreciation	(2,406,664)	(3,365,583)	(102,885)	(5,875,132)
Total noncurrent assets	1,913,753	2,043,354	44,623	4,001,730
Total assets	2,022,434	2,712,002	47,450	4,781,886
Liabilities				
Current liabilities				
Accounts payable	7,016	1,861	7,224	16,101
Bonds, notes, and loans payable	15,000	137,148	0	152,148
Total current liabilities	22,016	139,009	7,224	168,249
Noncurrent liabilities:				
Bonds, notes, and loans payable	0	455,392	0	455,392
Total noncurrent liabilities	0	455,392	0	455,392
Total liabilities	22,016	594,401	7,224	623,641
Net Assets				
Invested in capital assets, net of related debt	1,898,753	1,450,514	44,623	3,393,890
Restricted for debt service	0	472,734	0	472,734
Unrestricted	101,665	194,353	(4,397)	291,621
Total net assets	\$2,000,418	\$2,117,601	\$ 40,226	\$4,158,245

See accompanying notes to the basic financial statements.

City of Jenkins
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
Year Ended June 30, 2009

	Enterprise Funds			
	Water	Sewer	Solid Waste	Totals
Operating revenues:				
Charges for services	\$ 306,824	\$ 374,476	\$ 210,759	\$ 892,059
Miscellaneous	18,687	12,598	0	31,285
Total operating revenues	<u>325,511</u>	<u>387,074</u>	<u>210,759</u>	<u>923,344</u>
Operating expenses:				
Cost of goods sold	77,186	24,813	75,328	177,327
Personal services	128,388	91,429	131,221	351,038
Materials and supplies	3,285	2,075	2,490	7,850
Other services and charges	94,404	84,892	24,665	203,961
Depreciation	105,131	213,275	8,113	326,519
Total operating expenses	<u>408,394</u>	<u>416,484</u>	<u>241,817</u>	<u>1,066,695</u>
Net operating income	<u>(82,883)</u>	<u>(29,410)</u>	<u>(31,058)</u>	<u>(143,351)</u>
Nonoperating revenue (expense):				
Investment income	2,035	7,773	2,011	11,819
Interest expense	(740)	(16,903)	0	(17,643)
Grant and Intergovernmental	146,377	0	0	146,377
Total nonoperating revenue (expense)	<u>147,672</u>	<u>(9,130)</u>	<u>2,011</u>	<u>140,553</u>
Net Income before contributions and transfers	64,789	(38,540)	(29,047)	(2,798)
Capital contributions		0	0	0
Operating transfers in (out)	0	0	0	0
Net income	64,789	(38,540)	(29,047)	(2,798)
Net assets-beginning of year	<u>1,935,629</u>	<u>2,156,141</u>	<u>69,273</u>	<u>4,161,043</u>
Net assets-end of year	<u>\$2,000,418</u>	<u>\$2,117,601</u>	<u>\$ 40,226</u>	<u>\$4,158,245</u>

See accompanying notes to the basic financial statements.

City of Jenkins
Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2009

	Enterprise Funds			
	Water	Sewer	Solid Waste	Totals
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	\$ 281,357	\$ 357,417	\$ 194,096	\$ 832,870
Payments to suppliers	(244,658)	(109,919)	(100,168)	(454,745)
Payments to employees	(128,388)	(91,429)	(131,221)	(351,038)
Other	0	0	0	0
Net cash provided (used) by operating activities	(91,689)	156,069	(37,293)	27,087
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers to other funds	0	0	0	0
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Grant receipts	146,377	0	0	146,377
Capital Assets (net)	0	(35,915)	0	(35,915)
Loan proceeds	0	0	0	0
Principal paid on capital debt	(38,500)	(134,034)	0	(172,534)
Interest paid on capital debt	(740)	(16,903)	0	(17,643)
Net cash provided (used) by capital and related financing activities	107,137	(186,852)	0	(79,715)
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest	2,035	7,773	2,011	11,819
Net increase (decrease) in cash and cash equivalents	17,483	(23,010)	(35,282)	(40,809)
Balances-beginning of year	24,080	639,036	21,446	684,562
Balances-end of year	\$ 41,563	\$ 616,026	\$ (13,836)	\$ 643,753
Cash, including time deposits	41,563	143,292	(13,836)	171,019
Restricted cash, including time deposits	0	472,734	0	472,734
Total cash and cash equivalents, end of year	\$ 41,563	\$ 616,026	\$ (13,836)	\$ 643,753
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES				
Operating income (loss)	\$ (82,883)	\$ (29,410)	\$ (31,058)	\$ (143,351)
Adjustments:				
Depreciation expense	105,131	213,275	8,113	326,519
Change in assets and liabilities:				
Other	(113,937)	(27,796)	(14,348)	(156,081)
Net cash provided (used) by operating activities	\$ (91,689)	\$ 156,069	\$ (37,293)	\$ 27,087

See accompanying notes to the basic financial statements.

City of Jenkins, Kentucky
Notes To Financial Statements
 June 30, 2009

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City complies with generally accepted accounting principles (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. In the government-wide financial statements and the fund financial statements for the proprietary funds, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. For enterprise funds, GASB Statement Nos. 20 and 34 provide the City the option of electing to apply FASB pronouncements issued after November 30, 1989. The City has elected not to apply those pronouncements. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this Note.

1.A. FINANCIAL REPORTING ENTITY

The City's financial reporting entity comprises the following:

Primary Government:	City of Jenkins, Kentucky
Blended Component Units:	Jenkins Water Fund Jenkins Sewer Fund Jenkins Solid Waste

In determining the financial reporting entity, the City complies with the provisions of GASB Statement No. 14, "The Financial Reporting Entity," and includes all component units of which the City appointed a voting majority of the units' board; the City is either able to impose its will on the unit or a financial benefit or burden relationship exists.

Blended Component Units

Blended component units are separate legal entities that meet the component unit criteria described above and whose governing body is the same or substantially the same as the City Council or the component unit provides services entirely to the City. These component units' funds are blended into those of the City's by appropriate activity type to compose the primary government presentation.

Blended Component Units

Component units that are blended into the reporting activity types of the City's report are presented below:

Component Unit	Brief Description/Inclusion Criteria	Reporting
Jenkins Water	Created to finance, develop, and operate the water activities. The current City Council serves as entire governing body. Any issuances of debt would require the approval of the City Council.	Enterprise Fund
Jenkins Sewer	Created to finance develop, and operate the sewer activities. The current City Council serves as entire governing body. Any issuances of debt would require the approval of the City Council.	Enterprise Fund

City of Jenkins, Kentucky
Notes To Financial Statements
June 30, 2009

Jenkins Solid Waste	Created to finance develop, and operate the Collection of solid waste activities. The current City Council serves as entire governing body. Any issuances of debt would require the approval of the City Council.	Enterprise Fund
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1.B. BASIS OF PRESENTATION

Government-wide Financial Statements:

The Statement of Net Assets and Statement of Activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

Fund Financial Statements:

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditure/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the City or meets the following criteria:

- a. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are a least 10 percent of the corresponding total for all funds of that category or type; and
- b. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

The funds of the financial reporting entity are described below:

Government Funds

General Fund

The General Fund is the primary operating fund of the City and always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounted for in other funds.

Municipal Road Aid

The Municipal Road Aid Fund is used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for certain purposes.

L.G.E.A. Fund

The L.G.E.A. Fund is used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for certain purposes.

City of Jenkins, Kentucky
Notes To Financial Statements
June 30, 2009

Proprietary Fund

Enterprise Fund

Enterprise funds are used to account for business-like activities provided to the general public. These activities are financed primarily by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector. The reporting entity includes the Jenkins Water and Sewer Enterprise Funds and the Jenkins Solid Waste Enterprise Fund.

Major and Nonmajor Funds

The funds are further classified as major or nonmajor as follows:

Fund	Brief Description
Major: General	See above for description
Special Revenue	Accounts for revenues and expenditures of funds allocated for street improvements.

1.C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

Measurement Focus

On the government-wide Statement of Net Assets and the Statement of Activities, both governmental and business-like activities are presented using the economic resources measurement focus as defined in item b. below.

In the fund financial statements, the "current financial resources" measurement focus or the "economic resources" measurement focus is used as appropriate:

- a. All governmental funds utilize a "current financial resources" measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.
- b. The proprietary fund utilizes an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net assets.
- c. Agency funds are not involved in the measurement of results of operations; therefore, measurement focus is not applicable to them.

Basis of Accounting

In the government-wide Statement of Net Assets and Statement of Activities, both governmental and business-like activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is

City of Jenkins, Kentucky
Notes To Financial Statements
June 30, 2009

incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, governmental funds and agency funds are presented on the modified accrual basis of accounting. Under this modified accrual basis of accounting, revenues are recognized when "measurable and available." Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within sixty days after year end. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported when due.

All proprietary funds utilize the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used.

1.D. ASSETS, LIABILITIES, AND EQUITY

Cash and Investments

For the purpose of the Statement of Net Assets, "cash, including time deposits" includes all demand, savings accounts, and certificates of deposits of the City. For the purpose of the proprietary fund Statement of Cash Flows, "cash and cash equivalents" include all demand and savings accounts, and certificates of deposit or short-term investments with an original maturity of three months or less.

Investments are carried at fair value except for short-term U.S. Treasury obligations with a remaining maturity at the time of purchase of one year or less. Those investments are reported at amortized cost. Fair value is based on quoted market price.

Interfund Receivables and Payables

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Those related to goods and services type transactions are classified as "due to and from other funds." Short-term interfund loans are reported as "interfund receivables and payables." Long-term interfund loans (noncurrent portion) are reported as "advances from and to other funds." Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Assets.

Receivables

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable. Major receivable balances for the governmental activities include property taxes, franchise taxes, and grants. Business-type activities report utilities and interest earnings as their major receivables.

In the fund financial statements, material receivables in governmental funds include revenue accruals such as property tax, franchise tax, and grants and other similar intergovernmental revenues since they are usually both measurable and available. Nonexchange transactions collectible but not available are deferred in the fund financial statements in accordance with modified accrual, but not deferred in the government-wide financial statements in accordance with the accrual basis. Interest and investment earnings are recorded when earned only if paid within 60 days since they would be considered both measurable and available. Proprietary fund material receivables consist of all revenues earned at year-end and not yet received. Utility accounts receivable and interest earnings compose the majority of proprietary fund receivables. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable.

City of Jenkins, Kentucky
Notes To Financial Statements
June 30, 2009

Inventories

The Jenkins Water and Sewer Funds maintain on hand quantities of supplies and materials. These supplies and materials are valued based on the first-in-first-out method, thus the values are at current costs.

Fixed Assets

The accounting treatment over property, plant, and equipment (fixed assets) depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

Government-wide Statements

In the government-wide financial statements, fixed assets are accounted for as capital assets. All fixed assets are valued at historical cost, or estimated historical cost if actual is unavailable, except for donated fixed assets which are recorded at their estimated fair value at the date of donation. Estimated historical cost was used to value the majority of the assets acquired prior to December 31, 2005.

The City has chosen not to value infrastructure assets acquired prior to June 30, 2004 in accordance with provisions for small cities.

Depreciation of all exhaustible fixed assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Buildings	25-50 years
Improvements	10-50 years
Machinery and equipment	3-20 years
Utility system	25-50 years
Infrastructure	25-50 years

Fund Financial Statements

In the fund financial statements, fixed assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Fixed assets used in proprietary fund operations are accounted for the same as in the government-wide statements.

Restricted Assets

Restricted assets include cash and investments of the proprietary fund that are legally restricted as to their use. The primary restricted assets are related to bond covenants and utility meter deposits.

Long-term Debt

The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term debt to be repaid from governmental and business-type resources is reported as liabilities in the government-wide statements. The long-term debt consists of bonds payable.

City of Jenkins, Kentucky
Notes To Financial Statements
June 30, 2009

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principle and interest reported as expenditures. The accounting for proprietary fund is the same in the fund statements as it is in the government-wide statements.

Compensated Leave

The City grants all full time employees vacation based on years of service. After one year the employee earns two weeks vacation, after ten years three weeks, after fifteen years eighteen days. Each full time employee on January 1st earns 48 hours of sick leave.

Equity Classifications

Government-wide Statements

Equity is classified as net assets and displayed in three components:

- a. Invested in capital assets, net of related debt-Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net assets-Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net assets-All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

Fund Statements

Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved, with unreserved further split between designated and undesignated. Proprietary fund equity is classified the same as in the government-wide statements. See Note 3.G. for additional disclosures.

1.E. REVENUES, EXPENDITURES, AND EXPENSES

Property Tax

Under State law, municipalities are limited in their ability to levy a property tax. Property taxes are levied on October 1, based on assessments as of January 1 of the current year, and are due and payable on or before December 31, of the current year. All unpaid taxes become delinquent on January 1, of the following year. In the fund financial statements, property taxes are recorded as revenue in the period levied to the extent they are collected within 60 days of year-end.

Insurance Premium Tax

The City levies a tax on insurance premiums for property damage insurance written within the City limits. The City uses the tax to supplement the fire department.

Operating Revenues and Expenses

Operating revenues and expenses for proprietary funds are those that result from providing services and producing and delivering goods and/or services. It also includes all revenue and expenses not related to capital and related financing, noncapital financing, or investing activities.

City of Jenkins, Kentucky
Notes To Financial Statements
June 30, 2009

Expenditures/Expenses

In the government-wide financial statements, expenses are classified by function for both governmental and business-type activities.

In the fund financial statements, expenditures are classified as follows:

Governmental Funds-By Character:	Current (further classified by function)
	Debt Service
	Capital Outlay
Proprietary Fund-By Operating and Nonoperating	

In the fund financial statements, governmental funds report expenditures of financial resources. Proprietary funds report expenses relating to use of economic resources.

STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

The City Treasurer and Mayor prepare the budget for the current fiscal year. The budget is presented to the Council in the form of an ordinance and must comply with all requirements of an ordinance. The budget contains a detail of the expected revenue from all money for specific programs, functions, activities or objectives of the City.

Interfund Transfers

Permanent reallocation of resources between funds of the reporting entity is classified as interfund transfers. For the purposes of the Statement of Activities, all interfund transfers between individual governmental funds have been eliminated.

1.F. USE OF ESTIMATES

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

NOTE 2. DEPOSITS

It is the City's objective for deposits to be 100 percent secured by collateral valued at market or par, whichever is lower, less the amount of the Federal Deposit Insurance Corporation insurance. The City's policy is to confine all investments to certificates of deposit. The table presented below is designed to disclose the level of custody credit risk assumed by the City based upon how its deposits were insured or secured with collateral at June 30, 2009. The categories of credit risk are defined as follows:

Category 1-Insured by FDIC or collateralized with securities held by the City or by its agent in its name.

Category 2-Uninsured by collateralized with securities held by the pledging financial institution's trust department or agent in the City's name.

Category 3-Uninsured and uncollateralized; or collateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the City's name; or collateralized with not written or approved collateral agreement.

City of Jenkins, Kentucky
Notes To Financial Statements
 June 30, 2009

As of June 30, 2009 the City's deposits (\$1,199,288) were insured by the FDIC-Category 1 and Category 2.

Note 3. ACCOUNTS RECEIVABLE

Accounts receivable of the business-type activities consists of utilities receivable. Accounts receivable of the governmental activities consists of property tax.

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Accounts receivable	\$15,360	\$180,474	\$195,834
Allowance for doubtful accounts	0	90,000	90,000
Net accounts receivable	\$15,360	\$ 90,474	\$ 105,834

NOTE 4. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2009, was as follows:

	<u>Balance at July 1, 2008</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance at June 30, 2009</u>
Governmental activities:				
General	\$2,057,549	\$24,701	\$0	\$2,082,250
Totals	\$2,057,549	\$24,701	0	\$2,082,250
Less accumulated depreciation	191,040	74,540	0	265,580
Net	\$1,8,66,509	\$(49,839)		\$1,816,670

	<u>Balance at July 1, 2008</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance at June 30, 2009</u>
Business-type activities				
Land and improvements	\$3,936,799			\$3,936,799
Distribution and collection system	5,608,097	35,915		5,644,012
Buildings and equipment	296,051			296,051
Less accumulated depreciation	(5,548,613)	326,519		(5,875,132)
Net	\$4,292,334	(290,604)	-0-	\$4,001,730

NOTE 5. COMMITMENTS

The City maintains contractual relationships relating to services provided for the benefit of the City. These commitments include annual contractual obligations for maintenance services. All contracts are current.

NOTE 6. RELATED PARTY TRANSACTIONS

There were no related party transactions.

City of Jenkins, Kentucky
Notes To Financial Statements
 June 30, 2009

NOTE 7. DEFICIT OPERATING BALANCES

There are no funds of the City that currently have a deficit fund balance. However, the following funds have operations that resulted in a current year deficit of revenues over expenditures and a corresponding reduction of fund equity:

General Fund	\$450,447
Sewer	38,540
Solid Waste Fund	29,047

NOTE 8. LONG-TERM DEBT

	Year End Balance		Balance Due Each Year As Of June 30,					
	2008	2009	2010	2011	2012	2013	2014	2015-2018
Proprietary Funds								
Kentucky Infrastructure Authority								
Loan A95-02-Principal	\$ 352,403	\$ 337,716	\$ 37,114	\$ 37,785	\$ 38,468	\$ 39,164	\$ 39,872	\$ 145,313
Interest rate: 1.80%		28,010	5,913	5,242	4,558	3,863	3,155	5,279
Sewer assets and revenue are pledged as collateral								
Kentucky Infrastructure Authority								
Loan A89-02-Principal	\$ 374,171	\$ 254,823	\$ 100,034	\$ 102,551	\$ 52,238			
Interest rate: 2.50%		9,635	5,749	3,233	653			
Water assets and revenue are pledged as collateral								
U.S. Department of Commerce								
Economic Development								
Administration								
Project 040100515-01	\$ 30,000	\$ 15,000	\$ 15,000					
Interest rate: 4.75%		713	713					
Water assets and revenue are pledged as collateral								
Bank loan	\$ 45,000	\$ 45,000	\$ 45,000					
Total Principal	<u>\$ 801,574</u>	\$ 652,539	\$ 197,148	\$ 140,336	\$ 90,706	\$ 39,164	\$ 39,872	\$ 145,313
Total Interest		<u>38,358</u>	<u>12,375</u>	<u>8,475</u>	<u>5,211</u>	<u>3,863</u>	<u>3,155</u>	<u>5,279</u>
Total Payment		<u>\$ 690,897</u>	<u>\$ 209,523</u>	<u>\$ 148,811</u>	<u>\$ 95,917</u>	<u>\$ 43,027</u>	<u>\$ 43,027</u>	<u>\$ 150,592</u>

City of Jenkins, Kentucky
Notes To Financial Statements
 June 30, 2009

Principal due within 12 months	\$ 197,148
Principal due after 12 months	<u>\$ 455,391</u>

Total Principal	<u><u>\$ 652,539</u></u>
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Principal due for the years	
2015-2018	<u><u>\$ 145,313</u></u>

Governmental Funds	2008	2009	2010	2011	2012	2013	2014
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PNC Leasing, LLC (Capital Lease)

Fire trucks lease	\$ 85,218	\$ 65,445	\$ 20,760	\$ 21,798	\$ 22,887		
Interest rate: 4.936%		5,789	2,998	1,940	851		
Fire trucks are collateral							

Kentucky League of Cities

Funding Trusts (Capital Lease)	\$ 55,017	\$ 43,926	\$ 12,268	\$ 10,243	\$ 10,266	\$ 10,290	\$ 859
Interest rate: Composite rate of 2.23%		217	101	62	38	15	1
Fire Station is the collateral							

Total Principal	<u><u>\$ 140,235</u></u>	\$ 109,371	\$ 33,028	\$ 32,041	\$ 33,153	\$ 10,290	\$ 859
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Total Interest		<u>6,006</u>	<u>3,099</u>	<u>2,002</u>	<u>889</u>	<u>15</u>	<u>1</u>
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Total Payment	<u><u>\$ 115,377</u></u>	<u>\$ 36,127</u>	<u>\$ 34,043</u>	<u>\$ 34,042</u>	<u>\$ 10,305</u>	<u>\$ 860</u>	
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Principal due within 12 months	\$ 33,028
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Principal due after 12 months	<u>76,343</u>
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Total Principal	<u><u>\$ 109,371</u></u>
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Principal due for the years	
2015-2018	<u><u>\$ -</u></u>

City of Jenkins, Kentucky
Notes To Financial Statements
June 30, 2009

NOTE 9. RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omission; and natural disasters. The City contracts with the Kentucky League of Cities Insurance Services (KLCIS), a local government risk pool for insurance coverage for these risks. KLCIS was formed for the primary purpose of managing and funding third-party liability claims against its members. As a member of KLCIS, the City is required to make annual contributions sufficient to produce the funds necessary to fund the administrative expenses and the claims and claims expenses, and any deficiencies in the cumulative reserves.

NOTE 10. CONTINGENCIES

The City is a recipient of several state grants. These programs and grants are subject to a variety of financial and compliance audits by the grantors or their representatives. The City's compliance with applicable requirements for 2008 will be established at a future date.

NOTE 11. RETIREMENT BENEFITS

The City participates in a retirement plan through the Commonwealth of Kentucky. The City is not currently contributing to the employees' accounts.

City of Jenkins
Budgetary Comparison Schedule
General Fund
Year Ended June 30, 2009

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Resources (inflows)				
Property taxes	\$ 243,222	\$ 243,222	\$ 260,602	\$ 17,380
Franchise taxes	40,570	40,570	42,312	1,742
Insurance tax	100,000	100,000	101,470	1,470
Fees and fines	2,144	2,144	2,367	223
Licenses and permits	5,040	5,040	20,971	15,931
Intergovernmental	603,519	603,519	37,289	(566,230)
Charges for services	0	0	0	0
Miscellaneous	29,000	29,000	100,803	71,803
Grant revenue	0	0	0	0
KLC loan	0	0	0	0
Interest	6,000	6,000	9,348	3,348
Total Resources	\$ 1,029,495	\$ 1,029,495	\$ 575,162	\$ (454,333)
Charges (outflows)				
General government	\$ 192,781	\$ 192,781	\$ 102,532	\$ 90,249
Police	150,000	150,000	203,150	(53,150)
Road	22,500	22,500	84,999	(62,499)
Fire	16,000	16,000	11,653	4,347
Parks and recreation	5,000	5,000	12,545	(7,545)
Depot	15,000	15,000	12,426	2,574
Insurance	88,000	88,000	0	88,000
Community development	5,000	5,000	549,868	(544,868)
Debt Service	28,000	28,000	23,735	4,265
Capital outlay	507,214	507,214	24,701	482,513
Total Charges	\$ 1,029,495	\$ 1,029,495	\$ 1,025,609	\$ 3,886
Resources more (less) than charges	\$ -	\$ -	(450,447)	(450,447)

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**Independent Auditor's Report on Compliance and on Internal Control over
Financial Reporting Based on an Audit of the Financial Statements
Performed in Accordance with Government Auditing Standards**

The Mayor and City Council
City of Jenkins
Jenkins, Kentucky

We have audited the general purpose financial statements of the City of Jenkins, as of and for the year ended June 30, 2009, and have issued our report thereon dated January 8, 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.

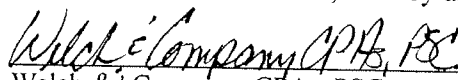
Compliance

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

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Jenkins's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. Our considerations of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of management, others within the organization and City Council and is not intended to be, and should not be, used by anyone other than these specified parties.


Welch & Company, CPAs, PSC

January 8, 2010