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# City of Jenkins, Kentucky

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## Audited Financial Statements

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June 30, 2013

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# CITY OF JENKINS

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INDEPENDENT AUDITOR'S REPORT

To the City Council  
City of 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 City of Jenkins, Kentucky, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

**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, Kentucky, as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matters**

*Required Supplementary Information*

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on pages 21-22 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.

City of Jenkins  
**Statement of Net Assets**  
June 30 2013

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Current Assets:			
Cash, including time deposits	\$ 551,237	\$ 182,613	\$ 733,850
Reserve account - Bond Issue 2013 A	5,700	0	5,700
Account held by BNYMellon - Bond Issue 2012 C	104,500	0	104,500
Investments	0	0	0
Restricted cash	0	78,768	78,768
Accounts receivable, net	15,877	97,653	113,530
Total current assets	677,314	359,034	1,036,348
Noncurrent Assets:			
Capital assets (net)	2,613,261	10,406,489	13,019,750
Total Assets	3,290,575	10,765,523	14,056,098
<b>LIABILITIES</b>			
Current Liabilities:			
Accounts payable	14,021	38,248	52,269
Payroll related liabilities	15,001	19,444	34,445
Notes payable	34,853	7,500	42,353
Total current liabilities	63,875	65,192	129,067
Noncurrent Liabilities:			
Water deposits	0	53,900	53,900
Notes payable	700,277	880,500	1,580,777
Total noncurrent liabilities	700,277	934,400	1,634,677
Total Liabilities	764,152	999,592	1,763,744
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	1,878,131	9,515,489	11,393,620
Restricted	0	78,768	78,768
Unrestricted	648,292	171,674	819,966
Total Net Assets	\$ 2,526,423	\$ 9,765,931	\$ 12,292,354

See accompanying notes to the basic financial statements.

City of Jenkins  
**Statement of Activities**  
Year Ended June 30, 2013

Functions/Programs	Expenses	Program Revenues			Net (Expense)/ Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants & Contributions	
<b>Governmental Activities:</b>					
General government	532,747	0	0	0	(532,747)
Depreciation	44,409	0	0	0	(44,409)
Interest	11,295	0	0	0	(11,295)
Public safety	294,546	0	0	0	(294,546)
Depreciation	39,071	0	0	0	(39,071)
Interest	15,127	0	0	0	(15,127)
Transportation					
Streets	138,682	0	0	0	(138,682)
Cultural and recreation	40,325	0	0	0	(40,325)
Community development	10,883	0	0	0	(10,883)
<b>Total governmental activities</b>	<b>1,127,085</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(1,127,085)</b>
<b>Business-type activities:</b>					
Water	656,532	409,361	0	2,405,919	2,158,748
Sewer	352,056	316,879	0	796,224	761,047
Solid waste	265,149	200,135	0	0	(65,014)
<b>Total business-type activities</b>	<b>1,273,737</b>	<b>926,375</b>	<b>0</b>	<b>3,202,143</b>	<b>2,854,781</b>
<b>Total</b>	<b>2,400,822</b>	<b>926,375</b>	<b>0</b>	<b>3,202,143</b>	<b>1,727,696</b>

**Changes In Net Assets:**

	Governmental Activities	Business-type Activities	Total
Net (expense)/revenue	\$ (1,127,085)	\$ 2,854,781	\$ 1,727,696
<b>General revenues:</b>			
Taxes:			
Property	192,595	0	192,595
Payroll	89,564		89,564
Franchise and public service	102,471	0	102,471
Insurance	101,781	0	101,781
License and permits	9,939	0	9,939
Intergovernmental	505,443	0	505,443
Investment income	3,182	932	4,114
Miscellaneous	122,957	0	122,957
Transfers	254,650	(254,650)	0
<b>Total general revenues and transfers</b>	<b>1,382,582</b>	<b>(253,718)</b>	<b>1,128,864</b>
Change in net assets	255,497	2,601,063	2,856,560
Net assets-beginning	2,270,926	7,164,868	9,435,794
<b>Net assets-ending</b>	<b>\$ 2,526,423</b>	<b>\$ 9,765,931</b>	<b>\$ 12,292,354</b>

See accompanying notes to the basic financial statements.

City of Jenkins  
**Balance Sheet**  
**Governmental Funds**  
June 30, 2013

	General Fund	Municipal Road Aid	L.G.E.A.	Total Govern- mental Funds
<b>Assets</b>				
Cash and cash equivalents	\$ 351,813	\$ 41,557	\$ 157,867	\$ 551,237
Reserve account - Bond Issue 2013 A	5,700	0	0	5,700
Account held by BNYMellon - Bond Issue 2012 C	104,500	0	0	104,500
Investments	0	0	0	0
Receivables, net	15,877	0	0	15,877
<b>Total assets</b>	<b>\$ 477,890</b>	<b>\$ 41,557</b>	<b>\$ 157,867</b>	<b>\$ 677,314</b>
<b>Liabilities and Fund Balances</b>				
Liabilities:				
Payroll liabilities	\$ 2,706	\$ -	\$ -	\$ 2,706
Accounts payable	14,021	0	0	14,021
<b>Total Liabilities</b>	<b>16,727</b>	<b>0</b>	<b>0</b>	<b>16,727</b>
Fund balances:				
Reserved for:				
Assigned	320,457	41,557	157,867	519,881
Unassigned	140,706	0	0	140,706
<b>Total fund balances</b>	<b>461,163</b>	<b>41,557</b>	<b>157,867</b>	<b>660,587</b>
<b>Total liabilities and fund balances</b>	<b>\$ 477,890</b>	<b>\$ 41,557</b>	<b>\$ 157,867</b>	

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

Payroll related liabilities-Compensated absences	(12,295)
Long-term liabilities are not due and payable in the current period and therefore, are not reported in the funds.	(735,130)
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds, net of accumulated depreciation of \$ 548,802	<u>2,613,261</u>
<b>Net assets of governmental activities</b>	<b><u>\$ 2,526,423</u></b>

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, 2013

	General Fund	Municipal Road Aid	L.G.E.A.	Total Govern- mental Funds
<b>Revenues</b>				
Property taxes	\$ 192,595	\$ -	\$ -	\$ 192,595
Payroll taxes	89,564	0	0	89,564
Franchise taxes	102,471	0	0	102,471
Insurance tax	101,781	0	0	101,781
Fees and fines	1,053	0	0	1,053
Licenses and permits	9,939	0	0	9,939
Intergovernmental	373,108	67,601	64,734	505,443
Charges for services	0	0	0	0
Sale of assets	0	0	0	0
Proceeds from financing	770,908	0	0	770,908
Investment earnings	2,646	124	412	3,182
Miscellaneous	121,904	0	0	121,904
<b>Total revenues</b>	<b>1,765,969</b>	<b>67,725</b>	<b>65,146</b>	<b>1,898,840</b>
<b>Expenditures</b>				
Current:				
General government	341,123	0	191,624	532,747
Police	227,126	0	0	227,126
Road	50,807	87,875	0	138,682
Fire	69,693	0	0	69,693
Parks and recreation	23,299	0	0	23,299
Depot	17,026	0	0	17,026
Community development	10,883	0	0	10,883
Debt service:				
Principal	369,205	0	0	369,205
Interest and other charges	26,422	0	0	26,422
Capital outlay	694,487	0	0	694,487
<b>Total expenditures</b>	<b>1,830,071</b>	<b>87,875</b>	<b>191,624</b>	<b>2,109,570</b>
Excess (deficiency) of revenues over expenditures	(64,102)	(20,150)	(126,478)	(210,730)
<b>Other Financing Sources (Uses)</b>				
Transfers in	254,650	0	0	254,650
Transfers out	0	0	0	0
Grants	0	0	0	0
<b>Total other financing sources and uses</b>	<b>254,650</b>	<b>0</b>	<b>0</b>	<b>254,650</b>
<b>Net Change in Fund Balances</b>	<b>190,548</b>	<b>(20,150)</b>	<b>(126,478)</b>	<b>43,920</b>
Fund Balances-beginning	270,615	61,707	284,345	616,667
Fund Balances-Ending	<b>\$ 461,163</b>	<b>\$ 41,557</b>	<b>\$ 157,867</b>	<b>\$ 660,587</b>

See accompanying notes to the basic financial statements.

City of Jenkins  
**Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances-  
 Governmental Funds to the Statement of Activities**  
 Year Ended June 30, 2013

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>\$ 43,920</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	(369,205)
Other expenses	(30,225)
Capital asset purchases capitalized	694,487
Depreciation expense	<u>(83,480)</u>

211,577

Change in Net Assets of Governmental Activities	<u><u>\$ 255,497</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, 2013

	Enterprise Funds			
	Water	Sewer	Solid Waste	Totals
<b>Assets</b>				
Current assets:				
Cash and cash equivalents	\$ 79,613	\$ 103,000	\$ -	\$ 182,613
Investments	0	0	0	-
Restricted cash	10,501	68,267	0	78,768
Receivables, net	41,618	34,573	21,462	97,653
Other current assets	0	0	0	-
Total current assets	<u>131,732</u>	<u>205,840</u>	<u>21,462</u>	<u>359,034</u>
Noncurrent assets:				
Capital assets:				
Land and improvements	1,480,108	2,456,691	0	3,936,799
Distribution and collection systems	8,990,623	4,247,803	0	13,238,426
Buildings and equipment	0	148,543	240,870	389,413
Less accumulated depreciation	<u>(2,981,198)</u>	<u>(4,015,162)</u>	<u>(161,789)</u>	<u>(7,158,149)</u>
Total noncurrent assets	<u>7,489,533</u>	<u>2,837,875</u>	<u>79,081</u>	<u>10,406,489</u>
Total assets	<u>7,621,265</u>	<u>3,043,715</u>	<u>100,543</u>	<u>10,765,523</u>
<b>Liabilities</b>				
Current liabilities				
Accounts payable	12,027	3,020	23,201	38,248
Accrued compensated leave	8,555	7,000	3,889	19,444
Bonds, notes, and loans payable	<u>7,500</u>	<u>0</u>	<u>0</u>	<u>7,500</u>
Total current liabilities	<u>28,082</u>	<u>10,020</u>	<u>27,090</u>	<u>65,192</u>
Noncurrent liabilities:				
Water deposits	53,900	0	0	53,900
Bonds, notes, and loans payable	<u>880,500</u>	<u>0</u>	<u>0</u>	<u>880,500</u>
Total noncurrent liabilities	<u>934,400</u>	<u>0</u>	<u>0</u>	<u>934,400</u>
Total liabilities	<u>962,482</u>	<u>10,020</u>	<u>27,090</u>	<u>999,592</u>
<b>Net Assets</b>				
Invested in capital assets, net of related debt	6,601,533	2,834,875	79,081	9,515,489
Restricted for debt service(nonexpendable)	10,501	68,267	0	78,768
Unrestricted	<u>46,749</u>	<u>130,553</u>	<u>(5,628)</u>	<u>171,674</u>
<b>Total net assets</b>	<u>\$ 6,658,783</u>	<u>\$ 3,033,695</u>	<u>\$ 73,453</u>	<u>\$ 9,765,931</u>

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, 2013

	Enterprise Funds			Totals
	Water	Sewer	Solid Waste	
Operating revenues:				
Charges for services	\$ 392,339	\$ 311,806	\$ 200,135	\$ 904,280
Miscellaneous	17,022	5,073	0	22,095
Total operating revenues	<u>409,361</u>	<u>316,879</u>	<u>200,135</u>	<u>926,375</u>
Operating expenses:				
Cost of goods sold	79,304	49,059	60,699	189,062
Personal services	235,337	108,445	146,776	490,558
Materials and supplies	55,553	15,877	26,935	98,365
Other services and charges	85,399	29,497	13,290	128,186
Depreciation	193,436	149,178	17,449	360,063
Total operating expenses	<u>649,029</u>	<u>352,056</u>	<u>265,149</u>	<u>1,266,234</u>
Net operating income	<u>(239,668)</u>	<u>(35,177)</u>	<u>(65,014)</u>	<u>(339,859)</u>
Nonoperating revenue (expense):				
Investment income	895	37	0	932
Interest expense	(7,503)	0	0	(7,503)
Grant and Intergovernmental	2,405,919	796,224	0	3,202,143
Total nonoperating revenue (expense)	<u>2,399,311</u>	<u>796,261</u>	<u>0</u>	<u>3,195,572</u>
Net Income before contributions and transfers	2,159,643	761,084	(65,014)	2,855,713
Capital contributions	0	0	0	0
Operating transfers in (out)	<u>(12,003)</u>	<u>(242,647)</u>	<u>0</u>	<u>(254,650)</u>
Net income	2,147,640	518,437	(65,014)	2,601,063
Net assets-beginning of year	<u>4,511,143</u>	<u>2,515,258</u>	<u>138,467</u>	<u>7,164,868</u>
Net assets-end of year	<u>\$6,658,783</u>	<u>\$3,033,695</u>	<u>\$ 73,453</u>	<u>\$9,765,931</u>

See accompanying notes to the basic financial statements.

City of Jenkins  
**Statement of Cash Flows**  
**Proprietary Funds**  
Year Ended June 30, 2013

	Enterprise Funds			Totals
	Water	Sewer	Solid Waste	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Receipts from customers	\$ 399,431	\$ 309,065	\$ 195,298	\$ 903,794
Payments to suppliers	(134,652)	(68,796)	(85,426)	(288,874)
Payments to employees	(235,337)	(108,445)	(146,776)	(490,558)
Other	(85,399)	(29,497)	(13,290)	(128,186)
Net cash provided (used) by operating activities	(55,957)	102,327	(50,194)	(3,824)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Transfers (to) from other funds	(12,003)	(242,647)	0	(254,650)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Grant receipts	2,405,919	796,224	0	3,202,143
Loan proceeds	445,000	0	0	445,000
Water deposits	(1,100)	0	0	(1,100)
Fixed asset additions	(2,729,577)	(885,925)	0	(3,615,502)
Principal paid on capital debt	(7,000)	0	0	(7,000)
Interest paid on capital debt	(7,503)	0	0	(7,503)
Net cash provided (used) by capital and related financing activities	105,739	(89,701)	0	16,038
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Interest	895	37		932
Net increase (decrease) in cash and cash equivalents	38,674	(229,984)	(50,194)	(241,504)
Balances-beginning of year	51,440	401,251	33,002	485,693
Balances-end of year	\$ 90,114	\$ 171,267	\$ (17,192)	\$ 244,189
Cash, including time deposits	79,613	103,000	(17,192)	165,421
Restricted cash, including time deposits	10,501	68,267	0	78,768
Total cash and cash equivalents, end of year	\$ 90,114	\$ 171,267	\$ (17,192)	\$ 244,189
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>				
Operating income (loss)	\$ (239,668)	\$ (35,177)	\$ (65,014)	\$ (339,859)
Adjustments:				
Depreciation expense	193,436	149,178	17,449	360,063
Change in assets and liabilities:				
Change in accounts receivable	(9,725)	(7,851)	(4,837)	(22,413)
Change in accounts payable	3,730	(3,823)	2,208	2,115
Change in compensated leave	0	0	0	0
Net cash provided (used) by operating activities	\$ (55,957)	\$ 102,327	\$ (50,194)	\$ (94)

See accompanying notes to the basic financial statements.

City of Jenkins, Kentucky  
**Notes To Financial Statements**  
June 30, 2013

**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
Enterprise Funds:	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.

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
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

## **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 at 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.

## 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:

<b>Fund</b>	<b>Brief Description</b>
<b>Major:</b> General	See above for description
Special Revenue	Accounts for revenues and expenditures of funds allocated for street improvements (Municipal Road Aid).

## 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.

City of Jenkins, Kentucky  
**Notes To Financial Statements**  
June 30, 2013

### **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 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 limited to Certificate of Deposits in local banks.

### **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.

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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.

**Inventories**

The Jenkins Water and Sewer Funds maintain on hand quantities of supplies and materials. These supplies and materials are not considered material and a value has not been placed on the items.

**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



City of Jenkins, Kentucky  
**Notes To Financial Statements**  
June 30, 2013

*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.

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 1<sup>st</sup> 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: external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or 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."

City of Jenkins, Kentucky  
**Notes To Financial Statements**  
June 30, 2013

*Fund Statements*

Proprietary fund equity is classified the same as in the government-wide statements, as of June 30, 2013 the proprietary funds had restricted Net Assets of \$78,768 to fund future construction costs. This amount is not available for ordinary use.

Fund Balance Classification: The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

- Nonspendable: This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact.
- Restricted: This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.
- Committed: This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the City Council. These amounts cannot be used for any other purpose unless the City Council removes or changes the specified use by taking the same type of action (ordinance or resolution) that was employed when the funds were initially committed.
- Assigned: This classification includes amounts that are constrained by the City's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the City Council or through the City Council delegating this responsibility to the Mayor through the budgetary process.
- Unassigned: This classification includes the residual fund balance for the General Fund. The Unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of Assigned fund balance amounts.

The City would typically use Restricted fund balances first, followed by Committed resources, and then Assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend Unassigned resources first to defer the use of these other classified funds.

## **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.

City of Jenkins, Kentucky  
**Notes To Financial Statements**  
June 30, 2013

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.

**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.

City of Jenkins, Kentucky  
**Notes To Financial Statements**  
 June 30, 2013

**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, 2013. 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.

As of June 30, 2013 the City's deposits (\$812,618) 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>Totals</u>
Accounts receivable	\$ 15,877	\$ 158,653	\$ 174,530
Allowance for doubtful accounts	<u>0</u>	<u>(61,000)</u>	<u>(61,000)</u>
Net Accounts Receivable	<u>\$ 15,877</u>	<u>\$ 97,653</u>	<u>\$ 113,530</u>

City of Jenkins, Kentucky  
**Notes To Financial Statements**  
June 30, 2013

**NOTE 4. CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2013, was as follows:

	<u>Balance at July 1, 2012</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance At June 30, 2013</u>
<b><u>Governmental activities:</u></b>				
General	\$ 2,467,569	\$ 694,487	\$ 0	\$ 3,162,056
Less accumulated depreciation	<u>(465,315)</u>	<u>(83,480)</u>	<u>0</u>	<u>(548,795)</u>
Net	<u>\$ 2,002,254</u>	<u>\$ 611,007</u>	<u>\$ 0</u>	<u>\$ 2,613,261</u>
<b><u>Business-type activities</u></b>				
Land and improvements	\$ 3,936,799	\$ 0	\$ 0	\$ 3,936,799
Distribution and collection system	9,619,194	3,619,232	0	13,238,426
Buildings and equipment	<u>389,413</u>	<u>0</u>	<u>0</u>	<u>389,413</u>
Total	13,945,406	3,619,232	0	17,564,638
Less accumulated depreciation	<u>(6,798,086)</u>	<u>(360,063)</u>	<u>0</u>	<u>(7,158,149)</u>
Net	<u>\$ 7,147,320</u>	<u>\$ 3,259,169</u>	<u>\$ 0</u>	<u>\$ 10,406,489</u>

**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.

**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	\$(64,102)
L.G.E.A.	\$(126,478)
Road Aid	\$(20,150)
Water	\$(239,668)
Sewer	\$(35,177)
Solid Waste	\$(65,014)

City of Jenkins, Kentucky  
**Notes To Financial Statements**  
 June 30, 2013

**NOTE 8. LONG-TERM DEBT**

	Balance June 30, 2012	Additions	Reductions	Balance June 30, 2013	Current Portion
<b><u>Governmental Funds</u></b>					
Kentucky League of Cities:					
City Hall	\$ 121,663	\$	\$ 4,363	\$ 117,300	\$ 4,553
First State Bank Leasing Fire Truck	214,035		9,491	204,544	10,156
Kansas State Bank Police cruiser/Tahoe	0	53,637	1,449	52,188	9,879
Bond Issue 2012-C	0	175,000	2,084	172,916	5,000
Bond Issue 2013-A	0	190,000	1,818	188,182	5,265
<b>Total</b>	<b>\$ 335,698</b>	<b>\$ 418,637</b>	<b>\$ 19,205</b>	<b>\$ 735,130</b>	<b>\$ 34,853</b>

**Debt Service for the Years Ended June 30,**

	Principal	Interest	Total
2014	\$ 34,853	\$ 30,648	\$ 65,501
2015	35,956	29,031	64,987
2016	39,486	27,385	66,871
2017	43,935	25,612	69,547
2018	45,627	23,693	69,320
2019-23	212,641	92,266	304,907
2024-28	202,247	41,641	243,888
2029-33	109,551	10,693	120,244
2034	10,834	447	11,281
<b>Totals</b>	<b>\$ 735,130</b>	<b>\$ 281,416</b>	<b>\$ 1,016,546</b>

	Balance June 30, 2012	Additions	Reductions	Balance June 30, 2013	Current Portion
<b><u>Proprietary Funds</u></b>					
USDA RD 91-01	\$ 450,000	0	7,000	443,000	7,500
USDA RD 91-09	0	445,000	0	445,000	0
<b>Totals</b>	<b>\$ 450,000</b>	<b>\$ 445,000</b>	<b>\$ 7,000</b>	<b>\$ 888,000</b>	<b>\$ 7,500</b>

City of Jenkins, Kentucky  
**Notes To Financial Statements**  
 June 30, 2013

**Debt Service for the Years Ended June 30,**

	Principal	Interest	Total
2014	\$ 7,500	\$ 23,219	\$ 30,719
2015	13,500	22,949	36,449
2016	14,000	22,590	36,590
2017	14,500	22,218	36,718
2018	14,500	21,839	36,339
2019-23	81,500	103,058	184,558
2024-28	92,500	91,683	184,183
2029-33	107,500	78,646	186,146
2034-38	124,000	63,526	187,526
2039-43	142,000	46,100	188,100
2044-48	164,500	26,003	190,503
2049-52	112,000	5,120	117,120
	<u>\$ 888,000</u>	<u>\$ 526,951</u>	<u>\$ 1,414,951</u>
Totals	<u>\$ 888,000</u>	<u>\$ 526,951</u>	<u>\$ 1,414,951</u>

**Governmental Funds**

City Hall: Effective interest rate of 4.27% after considering all monthly fees. Payable monthly at \$792.34

Fire Truck: Effective interest rate of 6.88%, payable semiannually at \$12,030 per payment or \$24,060 per year.

Kansas State Bank: 60 month lease for a police cruiser and a Tahoe. Interest rate is approximately 4.50%

Bond Issue 2012-C: Calls for the City to deposit monthly into a sinking fund to cover the bonds and interest as they come due. Interest rate is approximately 1.50%. The original amount was \$175,000 and was used to purchase property to construct a community center and swimming pool.

Bond Issue 2013-A: Calls for the City to deposit monthly into a sinking fund to cover the bonds and interest as they come due. Interest rate is approximately 1.60%. The original amount was \$190,000 for the construction of a community center and swimming pool.

**Proprietary Funds**

The USDA-RD 91-01: loan is initially calculated at an annual interest rate of 2.5% with annual payments of approximately \$18,000. The City will pay interest only for the first two years and begin principal reduction in the fiscal year 2013.

The USDA-RD 91-09: loan is initially calculated at an annual interest rate of 3.375% with annual payments of approximately \$19,000. The City will pay interest only for the first two years and begin principal reduction in the fiscal year 2015.

**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 2013 will be established at a future date.

**NOTE 11. RETIREMENT BENEFITS**

The City participates in a retirement plan through the Kentucky Public Employees' Deferred Compensation Authority. All full time employees that wish to participate may do so. The City is currently not contributing to the employees' accounts.

**NOTE 12. EVALUATION OF SUBSEQUENT EVENTS**

The City has evaluated subsequent events through January 7, 2014, the date which the financial statements were available to be issued. The evaluation has disclosed the following events:

August 2013: City signed a contract for administrative services with the Kentucky River Area Development District (KRADD) to administer the loan funds the City will receive from the Kentucky Infrastructure Authority (KIA). The maximum amount KRADD will be paid under this contract is \$33,900.

September 2013: City awarded the Water Plant Filter Improvement Project for \$336,387. City received approval for the Payne Gap Phase III project in the amount of \$3,000,000.



City of Jenkins  
 Budgetary Comparison Schedule  
 General Fund  
 Year Ended June 30, 2013

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
<b>Income</b>				
4110.00 · Tower Rent	\$ 4,800	\$ 4,800	\$ 4,700	\$ (100)
4111.00 · City Taxes	195,000	195,000	131,044	(63,956)
4111.01 · Bank Tax	10,000	10,000	7,179	(2,821)
4111.02 · Payroll Tax Income			89,564	89,564
4112.00 · Occupational License	20,000	20,000	14,524	(5,476)
4113.00 · Cable Franchise /Ch 99			45,000	45,000
4114.00 · Cable TV Franchise Fee	35,000	35,000	37,231	2,231
4114.01 · AEP Power Franchise	9,000	9,000	20,240	11,240
4116.00 · Base Ct Revenue	10,000	10,000	10,487	487
4117.00 · Ad Val Tax			43,864	43,864
4117.01 · Motor vehicle /watercraft	5,000	5,000	2,764	(2,236)
4117.02 · Omitted Tang	42,000	42,000	134	(41,866)
4119.00 · Delinquent Tax	30,000	30,000	9,134	(20,866)
4124.30 · Municipal Aid			67,601	67,601
4126.00 · Vehicle Stickers			9,939	9,939
4127.00 · Court Fines/Cita /Summons	2,000	2,000	1,053	(947)
4128.00 · Insurance Tax	110,000	110,000	101,781	(8,219)
4131.00 · LGEA Coal Sev Inc			64,734	64,734
4131.01 · Municipal Mineral Tax			57,121	57,121
4133.00 · Grants or Donations			292,807	292,807
4133.01 · Drdowns loan construction c ct			66,700	66,700
4134.00 · Public Service Tax	16,000	16,000	8,378	(7,622)
4137.00 · Demolition			1,447	1,447
4150.20 · Police Incentive	12,400	12,400	4,315	(8,085)
4160.10 · Misc Admin	1,000	1,000	430,124	429,124
4160.20 · Misc Police Inc			188	188
4161.00 · B & D Income	7,500	7,500	9,909	2,409
4162.00 · Health Reimburs Transfer Income			24,297	24,297
4169.00 · Building Rental	21,000	21,000	21,900	900
4172.00 · Parks and Recreation	1,000	1,000	380	(620)
4174.50 · Homecoming Days Festival			224	224
4180.10 · Reim Admin/Revenue Fund			21,334	21,334
4180.20 · Reimbursements police			3,139	3,139
4180.30 · Reimbursements Road			1,388	1,388
4180.80 · Reimbursement to LGEA			18,000	18,000
4310.10 · Interest Income-Admin	800	800	1,209	409
4310.11 · Interest B& D Act			30	30
4310.20 · Interest Income Police			3	3
4310.30 · Interest Income Road			124	124
4310.50 · Interest Income Parks and Rec			926	926
4310.70 · Interest Income Downtown Ren			80	80
4310.80 · Interest Income Economic Aid			412	412
4310.90 · Interest Income Revenue Fund			230	230
<b>Total Income</b>	<b>532,500</b>	<b>532,500</b>	<b>1,625,638</b>	<b>1,093,138</b>
<b>Expense</b>				
4180.40 · Reimbursements Fire			(169)	169
6109.10 · non -employee contract labor			29,742	(29,742)
6109.11 · Refunds			65	(65)
6110.00 · Payroll Exp				0
6110.10 · Payroll Expense Admin	96,650	96,650	135,619	(38,969)
6110.20 · Payroll Expense Police	56,059	56,059	107,783	(51,724)
6110.30 · Payroll Expense Road			28,146	(28,146)

	Budget Amounts		Actual Amounts	Final Budget Positive (Negative)
	Original	Final		
6110.60 · Payroll Expense Depot	14,040	14,040	14,003	37
6110.00 · Payroll Exp - Other			1,508	(1,508)
Total 6110.00 · Payroll Exp	166,749	166,749	287,059	(120,310)
6110.70 · Payroll Exp LGEA			31,340	(31,340)
6120.00 · Payroll Tax Expense				0
6120.10 · Payroll Tax Expense Admin	8,000	8,000	0	8,000
6120.20 · Payroll Tax Expense Police	5,000	5,000	0	5,000
6120.60 · Payroll Tax Expense Museum	1,500	1,500	0	1,500
6120.00 · Payroll Tax Expense - Other			24,357	(24,357)
Total 6120.00 · Payroll Tax Expense	14,500	14,500	24,357	(9,857)
6185.10 · AEP Street Lights Admin	30,000	30,000	34,294	(4,294)
6190.10 · AEP Expense Admin	9,500	9,500	10,877	(1,377)
6190.30 · AEP EXP RD			1,579	(1,579)
6190.40 · AEP Expense Fire Dept			8,330	(8,330)
6190.50 · AEP Exp Parks and Rec	6,500	6,500	8,630	(2,130)
6190.60 · AEP Expense Museum	2,500	2,500	2,540	(40)
6200.10 · AEP Outdoor Lights	5,000	5,000	3,271	1,729
6400.10 · Advertisement Exp Admin	2,500	2,500	5,489	(2,989)
6420.00 · Architectural Exp			6,600	(6,600)
6440.10 · Accounting Fees Admin Exp	10,000	10,000	15,520	(5,520)
6445.10 · City Attn Retainer	12,000	12,000	0	12,000
6445.30 · Legal Fees Admin	20,000	20,000	20,011	(11)
6445.32 · B & D EXPENSES	7,500	7,500	2,807	4,693
6445.33 · B&D Pride clean up			911	(911)
6450.10 · Fleet One Admin	6,000	6,000	6,678	(678)
6450.20 · Fleet One Police Dept	10,000	10,000	21,119	(11,119)
6450.30 · Fleet One Road			4,349	(4,349)
6450.40 · Fleet One Fire Dept	3,000	3,000	6,980	(3,980)
6560.10 · Bank Service Charges			1,711	(1,711)
6600.10 · Mayor Expense Admin			2,226	(2,226)
6660.00 · Expenses on buildings			34,785	(34,785)
6660.10 · Supplies and Equip Admin	95,931	95,931	13,095	82,836
6660.20 · Supplies and Equip Police	7,500	7,500	59,530	(52,030)
6660.21 · Police Vehicles Lease Pmt			3,012	(3,012)
6660.30 · Supplies and Equip Road			14,737	(14,737)
6660.40 · Supplies and Equipment Fire			11,340	(11,340)
6660.41 · Fire Equip Lease Purchase			24,310	(24,310)
6660.50 · Supplies/ Park & Rec			19,571	(19,571)
6660.51 · Special Projects Swimming Pool			399,150	(399,150)
6661.10 · Comm. CT Loan Purchase			17,371	(17,371)
6661.11 · Comm CT Loan Renovation			4,062	(4,062)
6661.12 · Comm Ct Construction Cost			66,700	(66,700)
6700.10 · Council Member Pay Admin	1,800	1,800	1,800	0
6710.10 · Health Ins Expense Admin	22,746	22,746	34,412	(11,666)
6710.11 · Health Ins Deductables	9,500	9,500	31,389	(21,889)
6710.20 · HEALTH INS POLICE DEPT			10,811	(10,811)
6710.30 · health Ins Road			4,406	(4,406)
6716.10 · Dental Ins Admin	1,035	1,035	1,580	(545)
6716.20 · Dental Expense Police	1,065	1,065	478	587
6719.10 · Property Ins Admin	16,045	16,045	465	15,580
6720.10 · Gen/Liab Insurance	8,500	8,500	18,313	(9,813)
6724.10 · Work/comp Ins Admin	380	380	914	(534)
6724.20 · Workers comp Police	6,250	6,250	6,058	192
6724.30 · Work/Comp Ins Road			2,168	(2,168)
6740.10 · Bond Ins Admin			1,082	(1,082)
6740.20 · Bond Ins Police			407	(407)
6741.21 · Auto Insur Police			8,474	(8,474)
6741.30 · Auto Ins Road			6,714	(6,714)
6741.40 · Auto Ins Fire Dept			13,386	(13,386)
6750.10 · Tax Roll Prep Fee Admin			2,686	(2,686)

	Budget Amounts		Actual Amounts	Final Budget Positive (Negative)
	Original	Final		
6770.10 · Loan Pmt New City Hall	9,500	9,500	7,267	2,233
6770.20 · Main/Repair Police			349	(349)
6770.30 · Repairs RD Streets/Sidewalks			45,453	(45,453)
6770.40 · Maint/Repair Fire			0	0
6771.10 · Bridge Loan payoff Fields prop			176,556	(176,556)
6771.31 · Main/Repair Euip RD			1,048	(1,048)
6784.10 · Main/Repair Rental Bldg	21,000	21,000	1,570	19,430
6785.10 · Registration Fees Admin			718	(718)
6796.10 · Training Exp Admin	3,000	3,000	604	2,396
6796.20 · Training Exp Police	4,000	4,000	1,629	2,371
6796.40 · Training Expense Fire	1,000	1,000	2,731	(1,731)
6796.61 · City Pool Training Exp			2,000	(2,000)
6803.00 · Pride grt exp			971	(971)
6810.10 · Misc Exp Admin			7,271	(7,271)
6810.20 · Misc Expense Police			429	(429)
6810.30 · Misc Expense Road			5,385	(5,385)
6810.40 · Misc Expense Fire			100	(100)
6810.50 · Misc Parks and Rec			660	(660)
6837.10 · Jen Festival Expense			5,388	(5,388)
6837.11 · Jenkins Centennial Exp			1,777	(1,777)
6840.10 · Telephone Admin	4,500	4,500	3,688	812
6840.40 · Telephone Fire	550	550	666	(116)
6840.60 · Telephone Museum	6,000	6,000	483	5,517
6841.10 · Telephone Cell Admin	2,000	2,000	4,872	(2,872)
6841.11 · TELEPHONE CELL RD			1,030	(1,030)
6841.20 · Telephone Cell Police	2,000	2,000	2,149	(149)
6841.40 · Telephone Cell Fire	600	600	276	324
6842.10 · Internet Exp			175	(175)
6845.10 · DUES & SUBSCRIPTIONS			785	(785)
6850.10 · Travel Expense City Admin			11,266	(11,266)
6860.10 · KRADD Admin	1,849	1,849	1,696	153
6865.10 · Rental Equipment Admin			705	(705)
6870.00 · Grt Funds Reimbursement			10,056	(10,056)
6870.10 · Reimbursements Admin			176	(176)
6870.20 · Reimbursement Police			276	(276)
6876.10 · Computer supplies & Maint Admin			254	(254)
6877.10 · Supplies Admin			5,966	(5,966)
6877.20 · Supplies Police			4,051	(4,051)
6877.30 · Supplies Road			22,498	(22,498)
6877.40 · Supplies Fire			1,373	(1,373)
6880.10 · Office Supplies Admin			3,167	(3,167)
6886.10 · Lic/Permit/bonds/ Tags/Deeds			1,651	(1,651)
6886.20 · Lic/Permit/bond/Tags/Deed Polic			104	(104)
6887.10 · Service Agreement Admin			385	(385)
6896.10 · Computer Programmer Service			700	(700)
Total Charges	532,500	532,500	1,689,876	(1,287,543)
Net Change	\$ -	\$ -	\$ (64,238)	\$ (194,405)
Adjustments to conform with GAAP:				
Non-budgetary receipts			1,488,119	
Non-budgetary outflows			<u>1,297,571</u>	
Net Change-GAAP			190,548	
Fund Balance Beginning			<u>270,615</u>	
Fund Balance Ending			<u>\$ 461,163</u>	

**City of Jenkins, Kentucky**

**Single Audit Section**

**Year Ended June 30, 2013**

City of Jenkins  
**Schedule Of Expenditures Of Federal Awards**  
 For The Year Ended June 30, 2013

Federal Grantor/Pass-Through Grantor/ Program Title:	Federal CFDA Number	Pass-Through Grantor Number	Expenditures
<b>Department of the Interior:</b>	15.252	KY-S09AP1537	\$2,223,196
Abandoned Mine Lands Reclamation (AMLR) Program			
<b>United States Department of Agriculture-Rural</b>			
<b>Development:</b>	10.760	Water Phase III	\$494,126
<b>Appalachian Regional Commission:</b>	23.002	Water Phase III	\$500,000
Homeland Security	97.067	Police	\$33,803
<b>Total Expenditures of Federal Awards</b>			\$3,251,125

See Accompanying notes to schedule of expenditures of federal awards.

City of Jenkins  
**Notes To The Schedule Of Expenditures Of Federal Awards**  
For The Year Ended June 30, 2013

Note 1-Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Jenkins 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.

City of Jenkins  
**Schedule of Findings and Questioned Costs**  
For The Year Ended June 30, 2013

**Summary of Audit Results:**

1. The auditor's report expresses an unqualified opinion of the basic financial statements of the City of Jenkins.
2. No instances of noncompliance material to the basic financial statements of the City of Jenkins were disclosed during the audit.
3. No instances of significant deficiencies were disclosed during the audit of the major federal award programs.
4. The auditor's report on compliance for the major federal award programs for the City of Jenkins expresses an unqualified opinion.
5. The program tested as major program was:
  - i. Department of The Interior  
Abandoned Mine Lands Reclamation (AMLR) Program  
CFDA 15.252
  - ii USDA-Rural Development  
Water Phase III  
CFDA 10.760
  - iii Appalachian Regional Commission  
Water Phase III  
CFDA 23.002
6. The threshold for determining Type A programs was \$300,000 or 3% of federal awards expended. Federal programs that do not meet the Type A criteria are considered Type B programs.
7. The City of Jenkins was determined to be a low-risk auditee

**Findings and Questioned Costs – Major Federal Award Program:**

NONE

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**Report on Compliance With Requirements That Could Have a Direct and Material  
Effect on Each Major Program and on Internal Control Over Compliance  
In Accordance with OMB Circular A-133**

The Mayor and City Council  
City of Jenkins  
Jenkins, Kentucky

**Compliance**

We have audited the compliance of the City of Jenkins, 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, 2013. The City of Jenkins' 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 Jenkins' management. Our responsibility is to express an opinion of the City of Jenkins' 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 Jenkins' 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 Jenkins' compliance with those requirements.

In our opinion, the City of Jenkins complied, in all material respects, with the requirements referred to above that are applicable to each of its major programs for the year ended June 30, 2013.

**Internal Control Over Compliance**

The management of the City of Jenkins is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City of Jenkins' 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, 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 Jenkins' internal control over compliance.



A *deficiency in internal control over compliance* exists when the design or operations 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 would not necessarily identify all deficiencies in internal control that might be 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.

The purpose of this report is solely to describe the scope of our testing of compliance with the types of compliance requirements to each of the City's major programs and our testing of internal control over compliance and the results of our testing, and to provide an opinion of the City's compliance but not to provide an opinion on the effectiveness of the City's internal control over compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's compliance with requirements applicable to each major program and its internal control over compliance. Accordingly, this report is not suitable for any other purpose.

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Welch & Company, CPAs, PSC

January 7, 2014

Welch & Company, CPAs, PSC  
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Nicholasville, Kentucky 40356  
859.224.8909

**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***

The Mayor and City Council  
City of Jenkins  
Jenkins, Kentucky

We have audited the financial statements of City of Jenkins as of and for the year ended June 30, 2013, and have issued our report thereon dated January 7, 2014. 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**

Management of City of Jenkins is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered City of Jenkins's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Jenkins's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of City of Jenkins's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, the deficiency described in Finding 2013-1 is considered to be a significant deficiency. A *significant deficiency* is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether City of Jenkins'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 that are required to be reported under *Government Auditing Standards*.

City of Jenkins's response to the finding identified in our audit is described in the accompanying "Schedule of Findings and Response." We did not audit City of Jenkins's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of those individuals charged with governance, others within the entity, and is not intended to be and should not be used by anyone other than these specified parties.

Welch & Company, CPAs, PSC  
January 7, 2014

**City of Jenkins**  
**SCHEDULE OF FINDING AND RESPONSE**  
**For the Year Ended June 30, 2013**

**Finding 2013-1**

**Neither those charged with governance nor the individual who performs the accounting functions have been education or trained so that they may prepare financial statements in accordance with generally accepted accounting principles.**

**Criteria:** In order for those charged with governance and Management to make financial decisions affecting the organization, accurate and timely financial statements need to be available.

**Cause:** Management and the individual who performs the accounting functions have not received an accounting education or training in preparation of financial statements in accordance with generally accepted accounting principles.

**Effect:** The financial statements that those charged with governance and management receive are not prepared in accordance with generally accepted accounting principles.

**Recommendation:** No recommendation is made.

**Management Response:** City of Jenkins is a small organization and as such does not have the resources to hire a CPA. The operating budget is small and until the economy begins to improve and more income is generated, they are limited in their selection. The bookkeeper has received some limited software and accounting training for regular and routine transactions. If unusual or difficult to record transactions are encountered, advice from a CPA is sought.