
City of Jenkins, Kentucky

Audited Financial Statements

June 30, 2015

CITY OF JENKINS

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Year Ended June 30, 2015

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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, 2015, 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, 2015, 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 24-27 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.

Welch & Company, CPAs, PSC

Welch & Company, CPAs, PSC
Nicholasville, Kentucky
November 27, 2015

City of Jenkins
Statement of Net Assets
June 30 2015

	Governmental Activities	Business-type Activities	Total
ASSETS			
Current Assets:			
Cash, including time deposits	\$ 92,368	\$ 33,886	\$ 126,254
Restricted cash	0	810,865	810,865
Accounts receivable, net	43,470	84,317	127,787
Total current assets	135,838	929,068	1,064,906
Noncurrent Assets:			
Capital assets (net)	2,888,318	14,824,171	17,712,489
Total Assets	3,024,156	15,753,239	18,777,395
LIABILITIES			
Current Liabilities:			
Accounts payable	16,270	11,597	27,867
Payroll related liabilities	20,358	22,919	43,277
Notes payable	52,340	543,629	595,969
Total current liabilities	88,968	578,145	667,113
Noncurrent Liabilities:			
Water deposits	0	59,625	59,625
Notes payable	682,770	1,440,000	2,122,770
Total noncurrent liabilities	682,770	1,499,625	2,182,395
Total Liabilities	771,738	2,077,770	2,849,508
NET ASSETS			
Invested in capital assets, net of related debt	2,153,208	12,840,542	14,993,750
Restricted	0	810,865	810,865
Unrestricted	99,210	24,062	123,272
Total Net Assets	\$ 2,252,418	\$ 13,675,469	\$ 15,927,887

See accompanying notes to the basic financial statements.

City of Jenkins
Statement of Activities
Year Ended June 30, 2015

Functions/Programs	Expenses	Program Revenues			Net (Expense)/ Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants & Contributions	
Governmental Activities:					
General government	567,892	0	0	0	(567,892)
Depreciation	39,482	0	0	0	(39,482)
Interest	3,193	0	0	0	(3,193)
Public safety	213,217	0	0	0	(213,217)
Depreciation	46,863	0	0	0	(46,863)
Interest	16,682	0	0	0	(16,682)
Transportation	55,300				(55,300)
Streets-Depreciation	5,414	0	0	0	(5,414)
Streets-Interest	1,584				(1,584)
Cultural and recreation	156,420	0	0	0	(156,420)
Depreciation	39,571	0	0	0	(39,571)
Interest	9,372	0	0	0	(9,372)
Community development	32,406	0	0	0	(32,406)
Total governmental activities	1,187,396	0	0	0	(1,187,396)
Business-type activities:					
Water	748,687	456,607	0	1,521,712	1,229,632
Sewer	506,981	291,412	0	1,315,882	1,100,313
Solid waste	264,727	185,501	0	0	(79,226)
Total business-type activities	1,520,395	933,520	0	2,837,594	2,250,719
Total	2,707,791	933,520	0	2,837,594	1,063,323

Changes In Net Assets:

	Governmental Activities	Business-type Activities	Total
Net (expense)/revenue	\$ (1,187,396)	\$ 2,250,719	\$ 1,063,323
General revenues:			
Taxes:			
Property	193,586	0	193,586
Payroll	178,761		178,761
Franchise and public service	275,799	0	275,799
Insurance	110,313	0	110,313
License and permits	16,256	0	16,256
Intergovernmental	188,823	0	188,823
Investment income	120	83	203
Miscellaneous	99,127	76,157	175,284
Transfers	0	0	0
Total general revenues and transfers	1,062,785	76,240	1,139,025
Change in net assets	(124,611)	2,326,959	2,202,348
Net assets-beginning	2,377,029	11,348,510	13,725,539
Net assets-ending	\$ 2,252,418	\$ 13,675,469	\$ 15,927,887

See accompanying notes to the basic financial statements.

City of Jenkins
Balance Sheet
Governmental Funds
June 30, 2015

	General Fund	Municipal Road Aid	L.G.E.A.	Total Govern- mental Funds
Assets				
Cash and cash equivalents	\$ 56,697	\$ 13,040	\$ 22,631	\$ 92,368
Investments	0	0	0	0
Receivables, net	43,470	0	0	43,470
Total assets	\$ 100,167	\$ 13,040	\$ 22,631	\$ 135,838
Liabilities and Fund Balances				
Liabilities:				
Payroll liabilities	\$ 3,055	\$ -	\$ -	\$ 3,055
Accounts payable	16,270	0	0	16,270
Total Liabilities	19,325	0	0	19,325
Fund balances:				
Reserved for:				
Assigned	0	0	0	0
Unassigned	80,842	13,040	22,631	116,513
Total fund balances	80,842	13,040	22,631	116,513
Total liabilities and fund balances	\$ 100,167	\$ 13,040	\$ 22,631	

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

Payroll related liabilities-Compensated absences	(17,303)
Long-term liabilities are not due and payable in the current period and therefore, are not reported in the funds.	(735,110)
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds, net of accumulated depreciation of \$ 788,798	<u>2,888,318</u>
Net assets of governmental activities	<u>\$ 2,252,418</u>

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, 2015

	General Fund	Municipal Road Aid	L.G.E.A.	Total Govern- mental Funds
Revenues				
Property taxes	\$ 193,586	\$ -	\$ -	\$ 193,586
Payroll taxes	178,761	0	0	178,761
Franchise taxes	275,799	0	0	275,799
Insurance tax	110,313	0	0	110,313
Licenses and permits	16,256	0	0	16,256
Intergovernmental	81,962	52,583	54,278	188,823
Proceeds from financing	15,365	0	0	15,365
Investment earnings	120	0	0	120
Miscellaneous	99,127	0	0	99,127
Total revenues	971,289	52,583	54,278	1,078,150
Expenditures				
Current:				
General government	522,153	0	45,739	567,892
Public Safety	213,217	0	0	213,217
Road	0	60,447	0	60,447
Parks and recreation	160,018	0	0	160,018
Community development	32,406	0	0	32,406
Debt service:				
Principal	48,139	0	0	48,139
Interest and other charges	30,831	0	0	30,831
Capital outlay	0	0	0	0
Total expenditures	1,006,764	60,447	45,739	1,112,950
Excess (deficiency) of revenues over expenditures	(35,475)	(7,864)	8,539	(34,800)
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	(35,475)	(7,864)	8,539	(34,800)
Fund Balances-beginning	116,317	20,904	14,092	151,313
Fund Balances-Ending	\$ 80,842	\$ 13,040	\$ 22,631	\$ 116,513

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, 2015

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 \$ (34,800)

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	48,139
Other expenses	(6,620)
Capital asset purchases capitalized	0
Depreciation expense	<u>(131,330)</u>
	<u>(89,811)</u>

Change in Net Assets of Governmental Activities \$ (124,611)

See accompanying notes to the basic financial statements.

City of Jenkins
Statement of Net Assets
Proprietary Funds
June 30, 2015

	Enterprise Funds			Totals
	Water	Sewer	Solid Waste	
Assets				
Current assets:				
Cash and cash equivalents	\$ (56,027)	\$ 130,806	\$ (40,893)	\$ 33,886
Investments	0	0	0	-
Restricted cash	77,172	733,693	0	810,865
Receivables, net	42,413	30,534	11,370	84,317
Other current assets	0	0	0	-
Total current assets	63,558	895,033	(29,523)	929,068
Noncurrent assets:				
Capital assets:				
Land and improvements	1,480,108	110,500	0	1,590,608
Distribution and collection systems	13,001,612	7,878,065	0	20,879,677
Buildings and equipment	7,037	149,386	238,615	395,038
Less accumulated depreciation	(3,511,985)	(4,412,409)	(116,758)	(8,041,152)
Total noncurrent assets	10,976,772	3,725,542	121,857	14,824,171
Total assets	11,040,330	4,620,575	92,334	15,753,239
Liabilities				
Current liabilities				
Accounts payable	5,069	1,863	4,665	11,597
Accrued compensated leave	11,381	8,336	3,202	22,919
Bonds, notes, and loans payable	533,629	10,000	0	543,629
Total current liabilities	550,079	20,199	7,867	578,145
Noncurrent liabilities:				
Water deposits	59,625	0	0	59,625
Bonds, notes, and loans payable	853,000	587,000	0	1,440,000
Total noncurrent liabilities	912,625	587,000	0	1,499,625
Total liabilities	1,462,704	607,199	7,867	2,077,770
Net Assets				
Invested in capital assets, net of related debt	9,590,143	3,128,542	121,857	12,840,542
Restricted(nonexpendable)	77,172	733,693	0	810,865
Unrestricted	(89,689)	151,141	(37,390)	24,062
Total net assets	\$ 9,577,626	\$ 4,013,376	\$ 84,467	\$ 13,675,469

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, 2015

	Enterprise Funds			
	Water	Sewer	Solid Waste	Totals
Operating revenues:				
Charges for services	\$ 433,624	\$ 291,287	\$ 185,501	\$ 910,412
Miscellaneous	22,983	125	0	23,108
Total operating revenues	<u>456,607</u>	<u>291,412</u>	<u>185,501</u>	<u>933,520</u>
Operating expenses:				
Cost of goods sold	142,689	66,461	62,267	271,417
Personal services	247,719	149,913	149,407	547,039
Materials and supplies	23,513	22,649	29,755	75,917
Other services and charges	42,799	42,037	8,703	93,539
Depreciation	269,018	225,921	14,595	509,534
Total operating expenses	<u>725,738</u>	<u>506,981</u>	<u>264,727</u>	<u>1,497,446</u>
Net operating income	<u>(269,131)</u>	<u>(215,569)</u>	<u>(79,226)</u>	<u>(563,926)</u>
Nonoperating revenue (expense):				
Investment income	64	19	0	83
Interest expense	(22,949)	0	0	(22,949)
Grant and Intergovernmental	1,521,712	1,315,882	0	2,837,594
Total nonoperating revenue (expense)	<u>1,498,827</u>	<u>1,315,901</u>	<u>0</u>	<u>2,814,728</u>
Net Income before contributions and transfers	1,229,696	1,100,332	(79,226)	2,250,802
Insurance proceeds	0	0	76,157	76,157
Operating transfers in (out)	0	0	0	0
Net income	1,229,696	1,100,332	(3,069)	2,326,959
Net assets-beginning of year	<u>8,347,930</u>	<u>2,913,044</u>	<u>87,536</u>	<u>11,348,510</u>
Net assets-end of year	<u>\$ 9,577,626</u>	<u>\$ 4,013,376</u>	<u>\$ 84,467</u>	<u>\$ 13,675,469</u>

See accompanying notes to the basic financial statements.

City of Jenkins
Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2015

	Enterprise Funds			
	Water	Sewer	Solid Waste	Totals
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	\$ 448,406	\$ 302,053	\$ 189,463	\$ 939,922
Payments to suppliers	(142,474)	(73,110)	(90,831)	(306,415)
Payments to employees	(247,719)	(149,913)	(146,407)	(544,039)
Other	(42,799)	(42,037)	(8,703)	(93,539)
Net cash provided (used) by operating activities	15,414	36,993	(56,478)	(4,071)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers (to) from other funds	0	0	0	0
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Grant receipts	1,521,712	1,315,882	0	2,837,594
Loan proceeds	749,239	307,054	0	1,056,293
Insurance proceeds	0	0	76,157	
Water deposits	2,019	0	0	2,019
Fixed asset additions	(2,456,842)	(901,747)	(76,157)	(3,434,746)
Principal paid on capital debt	(13,500)	0	0	(13,500)
Interest paid on capital debt	(22,949)	0	0	(22,949)
Net cash provided (used) by capital and related financing activities	(220,321)	721,189	0	424,711
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest	64	0		64
Net increase (decrease) in cash and cash equivalents	(204,843)	758,182	(56,478)	496,861
Balances-beginning of year	225,988	106,317	15,585	347,890
Balances-end of year	\$ 21,145	\$ 864,499	\$ (40,893)	\$ 844,751
Cash, including time deposits	(56,027)	130,806	(40,893)	33,886
Restricted cash, including time deposits	77,172	733,693	0	810,865
Total cash and cash equivalents, end of year	\$ 21,145	\$ 864,499	\$ (40,893)	\$ 844,751
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES				
Operating income (loss)	\$ (269,131)	\$ (201,432)	\$ (79,226)	\$ (549,789)
Adjustments:				
Depreciation expense	269,018	225,921	14,595	509,534
Change in assets and liabilities:				
Change in accounts receivable	14,782	10,641	3,962	29,385
Change in accounts payable	745	1,863	3,311	5,919
Change in compensated leave	0	0	0	0
Net cash provided (used) by operating activities	\$ 15,414	\$ 36,993	\$ (57,358)	\$ (4,951)

See accompanying notes to the basic financial statements.

City of Jenkins, Kentucky
Notes To Financial Statements
June 30, 2015

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

City of Jenkins, Kentucky
Notes To Financial Statements
June 30, 2015

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:

Fund	Brief Description
Major: 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.

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.

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

City of Jenkins, Kentucky
Notes To Financial Statements
June 30, 2015

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

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 1st earns 48 hours of sick leave.

Equity Classifications

Government-wide Statements

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

1. 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.
2. 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.
3. 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

Proprietary fund equity is classified the same as in the government-wide statements, as of June 30, 2015 the proprietary funds had restricted Net Assets of \$810,865 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

City of Jenkins, Kentucky
Notes To Financial Statements
June 30, 2015

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.

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

City of Jenkins, Kentucky
Notes To Financial Statements
June 30, 2015

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.

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, 2015. 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.

City of Jenkins, Kentucky
Notes To Financial Statements
 June 30, 2015

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, 2015 the City's deposits, \$937,119, 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.

	Governmental Activities	Business-Type Activities	Totals
Accounts receivable	\$ 43,470	\$ 254,958	\$ 298,428
Allowance for doubtful accounts	0	(170,641)	(170,641)
Net Accounts Receivable	\$ 43,470	\$ 84,317	\$ 127,787

City of Jenkins, Kentucky
Notes To Financial Statements
June 30, 2015

NOTE 4. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2015, was as follows:

	Balance at July 1, 2014	Additions	Disposals	Balance At June 30, 2015
Governmental activities:				
General	\$ 3,677,116	\$ 0	\$ 0	\$ 3,677,116
Less accumulated depreciation	(657,468)	(131,330)	0	(788,798)
Net	<u>\$ 3,019,648</u>	<u>\$ (131,330)</u>	<u>\$ 0</u>	<u>\$ 2,888,318</u>
Business-type activities				
Land and improvements	\$ 1,590,608	\$ 0	\$ 0	\$ 1,590,608
Distribution and collection system	17,444,931	3,434,746	0	20,879,677
Buildings and equipment	395,038	0	0	395,038
Total	19,430,577	3,434,746	0	22,865,323
Less accumulated depreciation	(7,531,618)	(509,534)	0	(8,041,152)
Net	<u>\$ 11,898,959</u>	<u>\$ 2,925,212</u>	<u>\$ 0</u>	<u>\$ 14,824,171</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	\$ (35,475)
Road Aid	\$ (7,864)
Water	\$(269,131)
Sewer	\$(215,569)
Solid Waste	\$ (79,226)

City of Jenkins, Kentucky
Notes To Financial Statements
June 30, 2015

NOTE 8. LONG-TERM DEBT

	June 30, 2014	Additions	Reductions	June 30, 2015	Current Portion
<u>Governmental Funds</u>					
Kentucky League of Cities:					
City Hall	\$ 112,570	\$	\$ 4,574	\$ 107,996	\$ 4,958
First State Bank Leasing					
Fire Truck	212,895		10,867	202,028	11,627
1992 ladder truck	30,073	0	5,344	24,729	5,660
Kansas State Bank					
Snow plow	33,836	0	6,283	27,553	7,194
Police cruiser/Tahoe	41,430	0	9,459	31,971	10,818
Bond Issue 2012-C	167,916	0	5,000	162,916	7,083
Bond Issue 2013-A	182,917	0	5,000	177,917	5,000
Total	\$ 781,637	\$ 0	\$ 46,527	\$ 735,110	\$ 52,340

Debt Service for the Years Ended June 30,

	Principal	Interest	Total
2016	\$ 52,340	\$ 30,079	\$ 82,419
2017	57,497	27,598	85,095
2018	59,935	24,932	84,867
2019	51,436	22,459	73,895
220	41,120	20,328	61,448
2021-25	227,241	72,915	300,156
2026-30	182,781	25,569	208,350
2031-65	62,760	4,256	67,016
Totals	\$ 735,110	\$ 228,136	\$ 963,246

City of Jenkins, Kentucky
Notes To Financial Statements
 June 30, 2015

Proprietary Funds

	June 30, 2014	Additions	Reductions	June 30, 2015	Current Portion
KIA A12-30	\$ 77,444	\$ 368,502	\$ 0	\$ 445,946	\$ 445,946
KIA F14-005	0	73,683	0	73,683	73,683
USDA RD 91-01	435,500	0	7,500	428,000	8,000
USDA RD 91-09	445,000	0	6,000	439,000	6,000
USDA RD R-1	289,946	307,054	0	597,000	10,000
Total	\$ 1,247,890	\$ 749,239	\$ 13,500	\$ 1,983,629	\$ 543,629

Debt Service for the Years Ended June 30,

	Principal	Interest	Total
2016	\$ 543,629	\$ 35,170	\$ 578,799
2017	24,500	34,586	59,086
2018	25,000	33,989	58,989
2019	26,000	33,375	59,375
2020	26,500	32,740	59,240
2021-25	144,000	153,565	297,565
2026-30	162,500	135,073	297,573
2031-35	185,000	114,026	299,026
2036-40	210,000	90,012	300,012
2041-45	239,500	62,685	302,185
2046-50	273,000	31,468	304,468
2051-54	124,000	4,691	128,691
Totals	\$ 1,983,629	\$ 761,380	\$ 2,745,009

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%

City of Jenkins, Kentucky
Notes To Financial Statements
June 30, 2015

Kansas State Bank: 60 month lease for a snow plow. Interest rate is approximately 5.1%, monthly payments are \$702 each.

1992 Ladder Truck: Financed with local bank at approximately 6%, payable in five annual payments of \$7,124 each beginning on June 30, 2015.

Bond Issue 2014-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 2015-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 2015.

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.

The USDA-RD R-1: loan is initially calculated at an annual interest rate of 2.125% with annual payments of approximately \$22,500 maturing in January of 2054. The drawdowns during the year ended June 30, 2015 and additional drawdowns between July 1, 2015 and October 6, 2015 were converted to permanent financing of \$597,000 as of October 6, 2015. The first principal payment will be due January 1, 2016, interest will be paid semi-annually in January and July.

Kentucky Infrastructure Authority (KIA):

A12-30 loan is initially calculated at an annual interest rate of 0.75% with semi-annual payments of approximately \$12,200 amortized over 20 years. The loan is for \$500,000 with KIA forgiving \$50,000 (10%). As of June 30, 2015 \$495,510.98 had been drawn down and \$49,551.00 (10%) forgiven. The balance of this loan as of June 30, 2015 is \$445,959.98. When all the drawdowns have been completed and the forgiveness of \$50,000 the City will then enter into a loan of \$450,000.

F14-005 loan is initially calculated at an annual interest rate of 0.75% with semi-annual payments of approximately \$32,400 amortized over 20 years. The loan is for \$2,400,000 with KIA forgiving \$1,200,000 (50%). As of June 30, 2015 \$147,366.83 had been drawn down and \$73,682.83 (50%) forgiven. The balance of this loan as of June 30, 2015 is \$73,682.83. When all the drawdowns have been completed and the forgiveness of \$1,200,000 the City will then enter into a loan of \$1,200,000.

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 2015 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 November 27, 2015, the date which the financial statements were available to be issued. The evaluation has disclosed the following event:

July 2015

The council voted to sale as Surplus Property the LKLP building.

City of Jenkins
 Budgetary Comparison Schedule
 General Fund
 Year Ended June 30, 2015

Income	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
4109.00 · ABC Regulatory Fee	36,000	36,000	4,701	(31,299)
4110.00 · Tower Rent	4,800	4,800	1,800	(3,000)
4111.00 · City Taxes	132,000	132,000	116,172	(15,828)
4111.02 · Payroll Tax Income	172,000	178,531	178,761	230
4112.00 · Occupational License	15,000	15,000	16,256	1,256
4114.00 · Telecommunications Tax	38,000	38,000	34,363	(3,637)
4114.01 · AEP Power Franchise	130,000	160,544	174,359	13,815
4116.00 · Base Ct Revenue	11,000	11,000	7,372	(3,628)
4117.00 · Ad Val Tax	0	0	56,088	56,088
4117.01 · Motor vehicle /watercraft	3,000	3,000	3,106	106
4119.00 · Delinquent Tax	10,000	11,057	12,233	1,176
4124.30 · Municipal Aid	68,000	68,000	52,583	(15,417)
4125.00 · Omitted Tangibles	45,000	60,230	5,987	(54,243)
4127.00 · Court Fines/Cita /Summons	3,000	3,000	695	(2,305)
4128.00 · Insurance Tax	111,000	111,000	110,313	(687)
4131.00 · LGEA Coal Sev Inc	84,500	84,500	54,278	(30,222)
4131.01 · Municipal Mineral Tax	57,000	57,000	57,003	3
4133.00 · Grants or Donations	0	23,475	24,475	1,000
4133.02 · Drawdowns sidewalk	0	11,112	11,048	(64)
4133.10 · Pride Grant			0	0
4134.00 · Public Service Tax	16,000	67,071	67,077	6
4150.20 · Police Incentive	12,500	12,500	13,766	1,266
4160.10 · Misc Admin	1,000	1,000	1,757	757
4160.20 · Misc Police Inc			27	27
4169.00 · Building Rental	38,250	38,250	37,270	(980)
4172.00 · Parks and Recreation	1,600	1,600	465	(1,135)
4172.80 · Pool Admissions		0	29,708	29,708
4172.81 · Pool Concessions/Pizza incoi	30,000	30,509	23,400	(7,109)
4174.50 · Homecoming Days Festival		0	0	0
4180.10 · Reim Admin/Revenue Fund		0	13,431	13,431
4180.20 · Reimbursements police		0	76	76
4310.10 · Interest Income-Admin	4,500	4,500	34	(4,466)
4310.11 · Interest B& D Act		0	10	10
4310.30 · Interest Income Road		0	11	11
4310.50 · Interest Income Parks and Rec		0	10	10
4310.70 · Interest Income Downtown Ren		0	8	8
4310.80 · Interest Income Economic Aid		0	16	16
4310.90 · Interest Income Revenue Fund		0	31	31
B&D Fund	17,000	18,100	0	(18,100)
Bank Franchise	7,200	7,200	0	(7,200)
Total Income	1,048,350	1,188,979	1,108,690	(80,289)
Expense				

	Budget Amounts		Actual	Final Budget
	Original	Final	Amounts	Positive (Negative)
6109.10 · non -employee contract labor			40,709	(40,709)
6109.11 · Refunds			7,713	(7,713)
6110.00 · Payroll Exp			495	(495)
6110.00 · Payroll Exp:6110.10 · Admi	195,200	195,200	191,706	3,494
6110.00 · Payroll Exp:6110.20 · Polic	122,982	122,982	142,171	(19,189)
6110.00 · Payroll Exp:6110.30 · Road	19,000	19,000	18,599	401
6110.00 · Payroll Exp:6110.60 · Depc	14,800	14,800	13,040	1,760
6110.80 · Payroll Exp Pool	97,000	97,000	43,910	53,090
6120.00 · Payroll Tax Expense	25,000	25,000	31,752	(6,752)
6122.00 · City 401K Exp	5,303	5,303	2,881	2,422
6185.10 · AEP Street Lights Admin	34,000	34,000	40,256	(6,256)
6190.10 · AEP Expense Admin	12,000	12,000	11,976	24
6190.11 · AEP EXP RENTAL BLDG			3,469	(3,469)
6190.30 · AEP EXP RD			2,847	(2,847)
6190.40 · AEP Expense Fire Dept	11,000	11,000	9,075	1,925
6190.50 · AEP Exp Parks and Rec	8,600	8,600	8,225	375
6190.60 · AEP Expense Museum	2,600	2,600	2,867	(267)
6190.80 · AEP Pool Area			8,738	(8,738)
6200.10 · AEP Outdoor Lights	3,200	3,200	3,822	(622)
6244.40 · Equipment EXp Sol Waste			7,477	(7,477)
6400.10 · Advertisement Exp Admin	2,804	2,804	3,145	(341)
6420.00 · Architectural Exp			16,927	(16,927)
6440.10 · Accounting Fees Admin E	5,000	5,000	8,000	(3,000)
6445.30 · Legal Fees Admin	22,000	22,000	23,887	(1,887)
6445.32 · B & D EXPENSES			12,725	(12,725)
6445.33 · B&D Pride clean up	17,000	17,000	2,663	14,337
6450.10 · Fleet One Mayor Exp	6,000	6,000	4,379	1,622
6450.20 · Fleet One Police Dept	20,000	20,000	21,329	(1,329)
6450.30 · Fleet One Road	4,300	4,300	5,588	(1,288)
6450.40 · Fleet One Fire Dept	6,000	6,000	6,443	(443)
6450.50 · Fleet One Pks & Rec			1,928	(1,928)
6560.10 · Bank Service Charges			454	(454)
6600.10 · Mayor Expense Admin			1,351	(1,351)
6660.00 · Expenses on buildings			12,134	(12,134)
6660.10 · Supplies and Equip Admin			15,972	(15,972)
6660.20 · Supplies and Equip Police			18,547	(18,547)
6660.21 · Police Vehicles Lease Pmt	12,048	12,048	11,043	1,005
6660.30 · Supplies and Equip Road			20,515	(20,515)
6660.31 · Rd Dept Vehicle Lease	8,425	8,425	7,722	703
6660.40 · Supplies and Equipment Fire			0	0
6660.41 · Fire Equip Lease Purchase	24,350	24,350	13,095	11,255
6660.50 · Supplies/ Park & Rec			2,994	(2,994)
6660.80 · Pool Expenses			10,850	(10,850)
6661.10 · Pool Property Loan Purch	10,226	10,226	10,226	0
6661.11 · Pool Building Loan Renov	11,838	11,838	10,923	915
6661.12 · Restaurant Renovation Exp			10,699	(10,699)
66900 · Reconciliation Discrepancies			0	0
6700.10 · Council Member Pay Admi	3,600	3,600	2,650	950
6710.10 · Health Ins Expense Admin	38,750	38,750	37,137	1,613
6710.11 · Health Ins Deductables	10,000	10,000	36,311	(26,311)
6710.20 · HEALTH INS POLICE DEP1	24,850	24,850	22,212	2,638

	Budget Amounts		Actual Amounts	Final Budget Positive (Negative)
	Original	Final		
6710.30 · health Ins Road	6,500	6,500	4,355	2,145
6716.10 · Dental Ins Admin			1,480	(1,480)
6716.20 · Dental Expense Police			897	(897)
6716.30 · Dental Rd Dept			69	(69)
6720.10 · Gen/Liab Insurance	49,286	49,286	64,655	(15,369)
6724.10 · Work/comp Ins Admin	9,100	9,100	1,372	7,728
6740.10 · Bond Ins Admin			1,082	(1,082)
6740.20 · Bond Ins Police			407	(407)
6750.10 · Tax Roll Prep Fee Admin			2,655	(2,655)
6770.10 · Loan Pmt New City Hall	7,220	7,220	7,944	(724)
6770.30 · Repairs RD Streets/Sidewalk	28,325	28,325	2,250	26,075
6771.31 · Main/Repair Equip RD			630	(630)
6785.10 · Registration Fees Admin			359	(359)
6796.10 · Training Exp Admin			20	(20)
6796.20 · Training Exp Police	4,000	4,000	2,043	1,957
6796.40 · Training Expense Fire	2,000	2,000	1,350	650
6800.10 · Postage Admin			616	(616)
6810.00 · Sponserhips & donations			200	(200)
6810.10 · Misc Exp Admin			8,025	(8,025)
6810.11 · Wings Contact			7,994	(7,994)
6810.20 · Misc Expense Police			59	(59)
6810.50 · Misc Parks and Rec	21,160	21,160	26	21,134
6837.10 · Jen Festival Expense	5,000	5,000	9,000	(4,000)
6838.60 · Museum Expense			61	(61)
6840.10 · Telephone Admin	3,700	3,700	13,740	(10,040)
6840.40 · Telephone Fire	600	600	1,438	(838)
6840.60 · Telephone Museum	600	600	592	8
6840.80 · Phone Exp Pool			1,242	(1,242)
6841.10 · Telephone Cell Admin	5,000	5,000	4,523	477
6841.20 · Telephone Cell Police	2,000	2,000	2,113	(113)
6841.40 · Telephone Cell Fire	300	300	275	25
6841.50 · Cell Ph Parks/Rec			91	(91)
6842.10 · Internet Exp			113	(113)
6845.10 · DUES & SUBSCRIPTIONS			2,764	(2,764)
6850.10 · Travel Expense City Admin	10,000	10,000	954	9,046
6850.20 · Travel Exp Police			300	(300)
6850.40 · Travel Expense Fire Dept			240	(240)
6860.10 · KRADD Admin	1,695	1,695	1,696	(1)
6865.10 · Rental Equipment Admin			632	(632)
6870.00 · Grt Funds Reimbursement	10,000	10,000	7,100	2,900
6870.10 · Reimbursements Admin			560	(560)
6870.30 · Reimbursement Road			24	(24)
6877.10 · Supplies Admin			7,682	(7,682)
6877.20 · Supplies Police	7,000	7,000	3,139	3,861
6877.30 · Supplies Road	11,550	11,550	6,563	4,987
6877.80 · Supplies Pizza Concessior	50,000	50,000	20,180	29,820
6880.10 · Office Supplies Admin			1,383	(1,383)
6886.10 · Lic/Permit/bonds/ Tags/Deeds			81	(81)
6887.10 · Service Agreement Admin			662	(662)
6896.80 · Sales & Use Tax Pool			2,522	(2,522)
6898.50 · Little Shpherd Drama			12,707	(12,707)

	Budget Amounts		Actual Amounts	Final Budget Positive (Negative)
	Original	Final		
6899.20 · Homeland Security Grt Exp			13,552	(13,552)
6900.30 · Drawdown Sidewalk Exp			11,160	(11,160)
Payroll-Fire Chief	4,550	4,550		4,550
Computer programmer	8,000	8,000		8,000
General Government and Miscellaneous	44,177	147,619		147,619
LGEA Expense	20,000	20,000		20,000
Health Insurance-Parks and Rec	4,750	4,750		4,750
Total Charges	<u>1,094,389</u>	<u>1,197,831</u>	1,179,156	18,675
Net Change	<u>\$ (46,039)</u>	<u>\$ (8,852)</u>	\$ (70,467)	\$ (61,615)
 Adjustments to conform with GAAP:				
Non-budgetary receipts			(30,540)	
Non-budgetary outflows			<u>(4,260)</u>	
Net Change-GAAP			(34,800)	
Fund Balance Beginning			<u>151,313</u>	
Fund Balance Ending			<u><u>\$ 116,513</u></u>	

City of Jenkins, Kentucky

Single Audit Section

Year Ended June 30, 2015

Welch & Company, CPAs, PSC

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the financial statements of the City of Jenkins, Kentucky as of and for the year ended June 30, 2015, and have issued our report thereon dated November 27, 2015, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditure of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

Welch & Company, CPAs, PSC

Welch & Company, CPAs, PSC
Nicholasville, Kentucky
November 27, 2015

City of Jenkins
Schedule Of Expenditures Of Federal Awards
For The Year Ended June 30, 2015

Federal Grantor/Pass-Through Grantor/ Program Title:	Federal CFDA <u>Number</u>	Pass-Through Grantor Number	<u>Expenditures</u>
Environmental Protection Agency Clean Water State Revolving Funds	66.458	Sewer Rehab Phase III	\$749,198
Environmental Protection Agency Drinking Water state Revolving Funds	66.468	Sewer Rehab Phase III	\$483,817
Appalachian Regional Commission Appalachian Area Development	23.002	Waterline Improvement Phase II	\$346,512
Department of the Interior Abandoned Mine Land Reclamation Program	15.252	AMLR-Payne Gap	\$1,233,948
Total Expenditures of Federal Awards			\$2,813,475

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, 2015

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, 2015

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. The programs tested as major programs were:

Environmental Protection Agency
Clean Water State Revolving Funds
CFDA: 66.458

Environmental Protection Agency
Drinking Water State Revolving Funds
CFDA: 66.468

Appalachian Regional Commission
Appalachian Area Development
CFDA: 23.002

5. 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.
6. The City of Jenkins was determined to be a low-risk auditee

Findings and Questioned Costs – Major Federal Award Program:

NONE

Welch & Company, CPAs, PSC
101 A Wind Haven drive, Suite 101
Nicholasville, Kentucky 40356

**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, 2015. 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, 2015.

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.

Welch & Company, CPAs, PSC

Welch & Company, CPAs, PSC

November 27, 2015

Welch & Company, CPAs, PSC
101 A Wind Haven drive, Suite 101
Nicholasville, Kentucky 40356

**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, 2015, and have issued our report thereon dated November 27, 2015. 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 2015-1 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

Welch & Company, CPAs, PSC
November 27, 2015

City of Jenkins
SCHEDULE OF FINDING AND RESPONSE
For the Year Ended June 30, 2015

Finding 2015-1

Neither those charged with governance nor the individual who performs the accounting functions have the education or training 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.