
City of Jenkins, Kentucky

Audited Financial Statements

June 30, 2020

CITY OF JENKINS

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Year Ended June 30, 2020

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

INDEPENDENT AUDITOR'S REPORT

To the Mayor and 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 the City of Jenkins (City) as of and for the year ended June 30, 2020, 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, as of June 30, 2020, 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 beginning on page 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 1, 2020, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Welch & Company, CPAs, PSC

Welch & Company, CPAs PSC
Nicholasville, Kentucky
October 1, 2020

City of Jenkins
Statement of Net Position
June 30, 2020

	Governmental Activities	Business-type Activities	Total
ASSETS			
Current Assets:			
Cash, including time deposits	\$ 75,521	\$ 23,627	\$ 99,148
Restricted cash	0	1,003	1,003
Accounts receivable, net	22,349	90,596	112,945
Total current assets	97,870	115,226	213,096
Noncurrent Assets:			
Capital assets (net)	2,153,939	15,563,664	17,717,603
Total Assets	2,251,809	15,678,890	17,930,699
LIABILITIES			
Current Liabilities:			
Accounts payable	34,037	13,986	48,023
Payroll related liabilities	8,713	6,672	15,385
Notes payable in the next 12 months	68,078	103,403	171,481
Total current liabilities	110,828	124,061	234,889
Noncurrent Liabilities:			
Water deposits	0	76,719	76,719
Notes payable after 12 months	396,298	2,526,388	2,922,686
Total noncurrent liabilities	396,298	2,603,107	2,999,405
Total Liabilities	507,126	2,727,168	3,234,294
NET ASSETS			
Invested in capital assets, net of related debt	1,689,563	12,933,873	14,623,436
Restricted	55,120	1,003	56,123
Unrestricted	0	16,846	16,846
Total Net Position	\$ 1,744,683	\$ 12,951,722	\$ 14,696,405

See accompanying notes to the basic financial statements.

City of Jenkins
Statement of Activities
Year Ended June 30, 2020

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants & Contributions	
Governmental Activities:					
General government	\$ 583,284	\$ -	\$ -	\$ -	\$ (583,284)
Depreciation	29,663	0	0	0	(29,663)
Interest	5,543	0	0	0	(5,543)
Public safety	274,076	0	0	0	(274,076)
Depreciation	50,219	0	0	0	(50,219)
Interest	4,215	0	0	0	(4,215)
Transportation	42,340	0	0	0	(42,340)
Streets-Depreciation	9,227	0	0	0	(9,227)
Streets-Interest	0	0	0	0	0
Cultural and recreation	69,928	0	0	0	(69,928)
Depreciation	29,984	0	0	0	(29,984)
Interest	7,442	0	0	0	(7,442)
Community development	0	0	0	0	0
Total governmental activities	1,105,921	0	0	0	(1,105,921)
Business-type activities:					
Water	945,002	546,885	0	0	(398,117)
Sewer	423,927	316,560	0	0	(107,367)
Solid waste	228,459	234,990	0	0	6,531
Total business-type activities	1,597,388	1,098,435	0	0	(498,953)
Total	\$ 2,703,309	\$ 1,098,435	\$ -	\$ -	\$ (1,604,874)

Changes In Net Assets:

	Governmental Activities	Business-type Activities	Total
Net (expense)/revenue	\$ (1,105,921)	\$ (498,953)	\$ (1,604,874)
General revenues:			
Taxes:			
Property	150,517	0	150,517
Payroll	159,973	0	159,973
Franchise and public service	157,888	0	157,888
Insurance	131,285	0	131,285
Building rent	30,148	0	30,148
Intergovernmental	163,920	0	163,920
Investment income	146	68	214
Reimbursements	56,258	0	56,258
Sale of surplus property	75,676	0	75,676
ABC Regulatory Fee	27,154	0	27,154
Other	29,737	0	29,737
Transfers	59,688	(59,688)	0
Total general revenues and transfers	1,042,390	(59,620)	982,770
Change in net assets	(63,531)	(558,573)	(622,104)
Net assets-beginning	1,808,214	13,510,294	15,318,508
Net assets-ending	\$ 1,744,683	\$ 12,951,721	\$ 14,696,404

See accompanying notes to the basic financial statements.

City of Jenkins
Balance Sheet
Governmental Funds
June 30, 2020

	General Fund	Municipal Road Aid	L.G.E.A.	Total Govern- mental Funds
Assets				
Cash and cash equivalents	\$ 47,143	\$ 16,834	\$ 11,544	\$ 75,521
Investments	0	0	0	0
Receivables, net	22,349	0	0	22,349
Total assets	\$ 69,492	\$ 16,834	\$ 11,544	\$ 97,870
Liabilities and Fund Balances				
Liabilities:				
Payroll liabilities	\$ 8,713	\$ -	\$ -	\$ 8,713
Accounts payable	34,037	0	0	34,037
Total Liabilities	42,750	0	0	42,750
Fund balances:				
Reserved for:				
Assigned	0	0	0	0
Unassigned	26,742	16,834	11,544	55,120
Total fund balances	26,742	16,834	11,544	55,120
Total liabilities and fund balances	\$ 69,492	\$ 16,834	\$ 11,544	
Amounts reported for governmental activities in the Statement of Net Assets are different because:				
Long-term liabilities are not due and payable in the current period and therefore, are not reported in the funds.				(464,376)
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds, net of accumulated depreciation of \$ 1,100,476				2,153,939
Net assets of governmental activities				<u>\$ 1,744,683</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, 2020

	General Fund	Municipal Road Aid	L.G.E.A.	Total Govern- mental Funds
Revenues				
Property taxes	\$ 150,517	\$ -	\$ -	\$ 150,517
Payroll taxes	159,973	0	0	159,973
Franchise taxes	157,888	0	0	157,888
Insurance tax	131,285	0	0	131,285
Licenses and permits	2,768	0	0	2,768
Intergovernmental	66,486	50,020	47,414	163,920
Proceeds from financing	125,062	0	0	125,062
Investment earnings	146	0	0	146
Rent	30,148	0	0	30,148
Parks and recreation	26,969	0	0	26,969
Sale of surplus property	75,676	0	0	75,676
Alcohol Beverage Control	27,154	0	0	27,154
Reimbursements	56,258	0	0	56,258
Total revenues	1,010,330	50,020	47,414	1,107,764
Expenditures				
Current:				
General government	527,273	0	56,011	583,284
Public Safety	274,076	0	0	274,076
Road	6,718	35,622	0	42,340
Parks and recreation	51,886	0	0	51,886
Community development	18,042	0	0	18,042
Debt service:				
Principal	172,387	0	0	172,387
Interest and other charges	17,200	0	0	17,200
Capital outlay	9,368	0	0	9,368
Total expenditures	1,076,950	35,622	56,011	1,168,583
Excess (deficiency) of revenues over expenditures	(66,620)	14,398	(8,597)	(60,819)
Other Financing Sources (Uses)				
Transfers in	59,688	0	0	59,688
Transfers out	0	0	0	0
Grants	0	0	0	0
Total other financing sources and uses	59,688	0	0	59,688
Net Change in Fund Balances	(6,932)	14,398	(8,597)	(1,131)
Fund Balances-beginning	33,674	2,436	20,141	56,251
Fund Balances-Ending	\$ 26,742	\$ 16,834	\$ 11,544	\$ 55,120

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, 2020

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	\$ (1,131)
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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	172,387
Loan financing	(125,062)
Capital outlay	9,368
Depreciation expense	<u>(119,093)</u>
	<u>(62,400)</u>

Change in Net Assets of Governmental Activities	\$ <u><u>(63,531)</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, 2020

	Enterprise Funds			
	Water	Sewer	Solid Waste	Totals
Assets				
Current assets:				
Cash and cash equivalents	\$ (101,336)	\$ 114,770	\$ 10,193	\$ 23,627
Investments	0	0	0	-
Restricted cash	1,003	0	0	1,003
Receivables, net	45,572	32,808	12,216	90,596
Other current assets	0	0	0	-
Total current assets	-54,761	147,578	22,409	115,226
Noncurrent assets:				
Capital assets:				
Land and improvements	1,480,108	110,500	0	1,590,608
Distribution and collection systems	16,251,638	8,597,597	0	24,849,235
Buildings and equipment	0	149,386	278,020	427,406
Less accumulated depreciation	(5,641,306)	(5,498,841)	(163,438)	(11,303,585)
Total noncurrent assets	12,090,440	3,358,642	114,582	15,563,664
Total assets	12,035,679	3,506,220	136,991	15,678,890
Liabilities				
Current liabilities				
Accounts payable	5,398	228	8,360	13,986
Accrued compensated leave	3,823	1,352	1,497	6,672
Bonds, notes, and loans payable	103,403	0	0	103,403
Total current liabilities	112,624	1,580	9,857	124,061
Noncurrent liabilities:				
Water deposits	76,719	0	0	76,719
Bonds, notes, and loans payable	2,526,388	0	0	2,526,388
Total noncurrent liabilities	2,603,107	0	0	2,603,107
Total liabilities	2,715,731	1,580	9,857	2,727,168
Net Assets				
Invested in capital assets, net of related debt	9,460,649	3,358,642	114,582	12,933,873
Restricted(nonexpendable)	1,003	0	0	1,003
Unrestricted	(141,704)	145,998	12,552	16,846
Total net assets	\$ 9,319,948	\$ 3,504,640	\$ 127,134	\$ 12,951,722

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, 2020

	Enterprise Funds			
	Water	Sewer	Solid Waste	Totals
Operating revenues:				
Charges for services	\$ 546,885	\$ 316,560	\$ 234,990	\$ 1,098,435
Miscellaneous	0	0	0	0
Total operating revenues	546,885	316,560	234,990	1,098,435
Operating expenses:				
Cost of goods sold	98,853	59,777	69,804	228,434
Personnel services	281,243	104,163	119,081	504,487
Materials and supplies	39,924	21,879	11,353	73,156
Other services and charges	30,330	16,671	18,885	65,886
Depreciation	448,638	221,437	9,336	679,411
Total operating expenses	898,988	423,927	228,459	1,551,374
Net operating income	(352,103)	(107,367)	6,531	(452,939)
Nonoperating revenue (expense):				
Investment income	63	6	0	69
Interest expense	(46,014)	0	0	(46,014)
Grant and Intergovernmental	0	0	0	0
Total nonoperating revenue (expense)	(45,951)	6	0	(45,945)
Net Income before contributions and transfers	(398,054)	(107,361)	6,531	(498,884)
Insurance proceeds	0	0	0	0
Operating transfers in (out)	(59,688)	0	0	(59,688)
Net income	(457,742)	(107,361)	6,531	(558,573)
Net assets-beginning of year	9,777,690	3,612,001	120,603	13,510,294
Net assets-end of year	\$ 9,319,948	\$ 3,504,640	\$ 127,134	\$ 12,951,722

See accompanying notes to the basic financial statements.

City of Jenkins
Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2020

	Enterprise Funds			
	Water	Sewer	Solid Waste	Totals
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	\$ 547,753	\$ 317,185	\$ 235,222	\$ 1,100,160
Payments to suppliers	(147,827)	(86,520)	(87,063)	(321,410)
Payments to employees	(281,243)	(104,163)	(119,081)	(504,487)
Other	(30,330)	(16,671)	(18,885)	(65,886)
Net cash provided (used) by operating activities	88,353	109,831	10,193	208,377
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Inter-fund transfers	0	0	0	0
Transfers (to) from other funds	(59,688)	0	0	(59,688)
Net Cash provided (used) by noncapital financing activities	(59,688)	0	0	(59,688)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Water deposits	2,833	0	0	2,833
Principal paid on capital debt	(101,836)	0	0	(101,836)
Interest paid on capital debt	(46,014)	0	0	(46,014)
Net cash provided (used) by capital and related financing activities	(145,017)	0	0	(145,017)
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest	63	6	0	69
Net increase (decrease) in cash and cash equivalents	(116,289)	109,837	10,193	3,741
Balances-beginning of year	15,956	4,933	0	20,889
Balances-end of year	(100,333)	114,770	10,193	24,630
Cash, including time deposits	(101,336)	114,770	10,193	23,627
Restricted cash, including time deposits	1,003	0	0	1,003
Total cash and cash equivalents, end of year	(100,333)	114,770	10,193	24,630
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES				
Operating income (loss)	(352,103)	(107,361)	6,531	(452,933)
Adjustments:				
Depreciation expense	448,638	221,437	9,336	679,411
Change in assets and liabilities:				
Change in accounts receivable	(868)	(628)	(231)	(1,727)
Change in accounts payable	(5,195)	(2,868)	(4,614)	(12,677)
Change in compensated leave	(2,119)	(749)	(829)	(3,697)
Net cash provided (used) by operating activities	\$ 88,353	\$ 109,831	\$ 10,193	\$ 208,377

See accompanying notes to the basic financial statements.

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. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

While government-wide and fund financial statements are presented separately, they are interrelated. The governmental activities column of the government wide statements incorporates data from governmental funds and internal service funds, while business-type activities incorporate data from the City's enterprise funds. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds. However, data from the fiduciary funds is not incorporated in the government-wide financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, charges for services, and licenses, associated with the current fiscal period are all considered to be susceptible to accrual and accordingly have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). All other revenue items are considered to be measurable and available when cash is received.

City of Jenkins, Kentucky
Notes To Financial Statements
June 30, 2020

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Water and Sewer Enterprise Fund and the Solid Waste Fund are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

The City reports the following major governmental fund:

The general fund is the City of Jenkins' primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. 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. 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.

The City reports the following major proprietary funds:

The water and sewer fund accounts for the activities related to the provision of water and sewer services to Jenkins businesses, residents, schools, and churches. It operates the water treatment and sewer treatment plants, water distribution systems, sewer collection systems, and pump stations. The solid waste fund accounts for the activities of the City's trash collection operations.

During the course of operations, the City has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental funds and internal service funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as internal balances in the business-type activities column.

1.B. ASSETS, LIABILITIES, AND EQUITY

Cash and Investments

For the Statement of Net Assets, "cash, including time deposits" includes all demand, savings accounts, and certificates of deposits of the City. For 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 operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Those related to goods and services type transactions are classified as "due to and from other funds." Short-term interfund loans are reported as "interfund receivables and payables." Long-term interfund loans (noncurrent portion) are reported as "advances from and to other funds." Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Assets.

Receivables

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

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

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.

City of Jenkins, Kentucky
Notes To Financial Statements
June 30, 2020

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 principal 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:

City of Jenkins, Kentucky
Notes To Financial Statements
June 30, 2020

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, 2020 the proprietary funds had restricted Net Assets of \$1,003, to fund future obligations. 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.C. REVENUES, EXPENDITURES, AND EXPENSES

Property Tax

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

Insurance Premium Tax

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

Operating Revenues and Expenses

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

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

City of Jenkins, Kentucky
Notes To Financial Statements
June 30, 2020

1.D. 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, 2020. 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, 2020, the City's deposits, \$100,151, 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	\$ 22,349	\$ 312,600	\$ 334,949
Allowance for doubtful accounts	<u>0</u>	<u>(222,004)</u>	<u>(222,004)</u>
Net Accounts Receivable	\$ <u>22,349</u>	\$ <u>90,596</u>	\$ <u>112,945</u>

City of Jenkins, Kentucky
Notes To Financial Statements
June 30, 2020

NOTE 4. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2020, was as follows:

		Balance At				Balance At
		July 1, 2019	Additions	Disposals		June 30, 2020
Governmental activities:						
Transportation equipment	\$	487,223	\$ 0	\$ 0	\$	487,223
Buildings		2,027,222	0	0		2,027,222
Land		392,985	0	0		392,985
Machinery and equipment		337,617	9,368	0		346,985
Totals		3,245,047	9,368	0		3,254,415
Less Accumulated depreciation		(981,383)	(119,093)	0		(1,100,476)
Net	\$	2,263,664	\$ (109,725)	\$ 0	\$	2,153,939
Business-type activities						
Land and improvements	\$	1,590,608	\$ 0	\$ 0	\$	1,590,608
Distribution and collection		24,849,235	0	0		24,849,235
Buildings and equipment		427,406	0	0		427,406
Totals		26,867,249	0	0		26,867,249
Less Accumulated depreciation		(10,624,174)	(679,411)	0		(11,303,585)
Net	\$	16,243,075	\$ (679,411)	\$ 0	\$	15,563,664

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

In the ordinary course of business, the City has and expects to continue to have transactions with its employees and elected officials. In the opinion of management, such transactions were on substantially the same terms, including interest rates and collateral, as those prevailing at the time of comparable transactions with other persons and did not involve more than a normal risk of collectability or present any other unfavorable features to the City.

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	\$	(1,131)
Water	\$	(457,742)
Sewer	\$	(107,361)

NOTE 8. LONG-TERM DEBT

	Balance	June 30	Current		Balance	June 30	Current
Governmental Funds							

Proprietary Funds									
	June 30		Additions	Reductions	June 30	Current	Portion		
KIA A12-30	\$	362,027	\$	-	\$	21,540			
KIA F14-005		1,005,100	0	53,957	951,143	54,363			
USDA RD 91-01		395,500	0	8,500	387,000	9,000			
USDA RD 91-09		413,000	0	7,000	406,000	7,500			
USDA RD 92-12		556,000	0	11,000	545,000	11,000			
Total	\$	2,731,627	\$	-	\$	103,403			
Debt Service for the Years Ended June 30,									
2021			\$	103,403	\$	41,634	\$	145,037	
2022				104,473		40,393		144,866	
2023				106,048		39,130		145,178	
2024				107,126		37,844		144,970	
2025				108,209		36,541		144,750	
2026-2030				562,449		162,362		724,811	
2031-2035				600,193		126,065		726,258	
2036-2040				301,390		90,699		392,089	
2041-2045				239,500		62,685		302,185	
2046-2050				273,000		31,469		304,469	
2051-2054				124,000		4,701		128,701	
Total			\$	2,629,791	\$	673,523	\$	3,303,314	

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 4.12%, payable semiannually at \$13,095 per payment or \$26,190 per year. The final payment is due February 1, 2024.

Bond Issue 2015-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 2016-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.

1997 HME Fire Truck-EMT: Purchased August 8, 2017, four annual payments of \$7,489.18 each including interest at 3.54%.

City of Jenkins, Kentucky
Notes To Financial Statements
June 30, 2020

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 2016.

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 2016.

The USDA-RD 95-12: 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, 2016 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 requires the City to deposit \$1,250 per year in a Repair & Maintenance (R&M) until the balance reaches \$12,500 and maintain that balance for the life of the loan. The loan is for \$500,000 with KIA forgiving \$50,000 (10%). As of June 30, 2018, \$500,000 had been drawn down and \$50,000 (10%) forgiven.

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 requires the City to deposit \$6,000 per year in a Repair & Maintenance (R&M) until the balance reaches \$60,000 and maintain that balance for the life of the loan. The loan is for \$2,400,000 with KIA forgiving \$1,200,000 (50%). As of June 30, 2018, \$2,400,000 had been drawn down and \$1,200,000 (50%) forgiven.

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. For the last three years, settled claims have not exceeded commercial insurance coverage, nor has there been any reduction in insurance coverage.

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 2020 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.

City of Jenkins, Kentucky
Notes To Financial Statements
June 30, 2020

NOTE 12. EVALUATION OF SUBSEQUENT EVENTS

The City has evaluated subsequent events through October 1, 2020, the date which the financial statements were available to be issued.

City of Jenkins
 Budgetary Comparison Schedule
 General Fund
 Year Ended June 30, 2020

	Actual Jul '19 - Jun 20	Original and Final Budget	\$ Over Budget	% of Budget
Income				
4109.00 · ABC Regulatory Fee	27,154	20,000	7,154	135.77%
4110.00 · Tower Rent	1,500	0	1,500	100.0%
4111.00 · City Taxes	101,375	103,000	(1,625)	98.42%
4111.01 · Bank Tax	0	6,291	(6,291)	0.0%
4111.02 · Payroll Tax Income	159,973	150,500	9,473	106.29%
4112.00 · Occupational License	2,768	15,310	(12,542)	18.08%
4114.00 · Telecommunications Tax	35,475	35,000	475	101.36%
4114.01 · AEP Power Franchise	100,265	100,000	265	100.27%
4114.02 · Channell 99 Income	7,350	0	7,350	100.0%
4116.00 · Base Ct Revenue	5,999	7,480	(1,481)	80.2%
4117.00 · Ad Val Tax	26,951	32,500	(5,549)	82.93%
4117.01 · Motor vehicle /watercraft	4,325	3,800	525	113.81%
4119.00 · Delinquent Tax	14,378	21,000	(6,622)	68.47%
4124.30 · Municipal Aid	50,020	45,000	5,020	111.16%
4125.00 · Omitted Tangibles	0	0	0	0.0%
4127.00 · Court Fines/Cita /Summons	322	1,000	(678)	32.24%
4128.00 · Insurance Tax	131,285	117,000	14,285	112.21%
4131.00 · LGEA Coal Sev Inc	21,947	8,250	13,697	266.03%
4131.01 · Municipal Mineral Tax	25,467	31,000	(5,533)	82.15%
4133.00 · Grants or Donations	47,188	0	47,188	100.0%
4133.03 · Comm Trust Bank Loan (Insurance	115,694	57,686	58,008	200.56%
4134.00 · Public Service Tax	14,798	14,300	498	103.48%
4135.30 · Camden Bridge Income	0	0	0	0.0%
4150.20 · Police Incentive	12,777	16,000	(3,223)	79.86%
4160.10 · Misc Admin	(100)	2,200	(2,300)	-4.55%
4161.00 · B & D Income	0	5,404	(5,404)	0.0%
4168.00 · Mexican R Bldg Rent	4,300	0	4,300	100.0%
4169.00 · Building Rental	24,188	45,450	(21,263)	53.22%
4170.00 · Old Jenkins High Rental	260	1,600	(1,340)	16.25%
4171.00 · Inc/Property Sale	75,676	0	75,676	100.0%
4172.00 · Parks and Recreation	90	600	(510)	15.0%
4172.80 · Pool Admissions	17,386	37,116	(19,730)	46.84%
4172.81 · Pool Concessions	6,818	0	6,818	100.0%
4172.82 · Pool Parties	2,675	0	2,675	100.0%
4180.10 · Reim Admin/Revenue Fund	18,760	0	18,760	100.0%
4180.30 · Reimbursements Road	200	0	200	100.0%
4310.10 · Interest Income-Admin	26	300	(274)	8.81%
4310.11 · Interest B& D Act	5	0	5	100.0%
4310.20 · Interest Income Police	8	0	8	100.0%
4310.30 · Interest Income Road	26	0	26	100.0%

	Actual	and Final		
	Jul '19 - Jun 20	Budget	\$ Over Budget	% of Budget
4310.50 · Interest Income Parks and Rec	1	0	1	100.0%
4310.70 · Interest Income Downtown Ren	8	0	8	100.0%
4310.80 · Interest Income Economic Aid	12	0	12	100.0%
4310.90 · Interest Income Revenue Fund	60	0	60	100.0%
4312.20 · School Resource Officer	37,498	37,498	0	100.0%
Total income	1,094,907	915,285	179,622	119.63%
Expense				
6109.10 · non -employee contract labor	15,400	0	15,400	100.0%
6109.11 · Refunds	0	0	0	0.0%
6110.00 · Payroll Exp				
6110.10 · Payroll Expense Admin	199,832	165,000	34,832	121.11%
6110.20 · Payroll Expense Police	149,740	144,698	5,042	103.48%
6110.30 · Payroll Expense Road	0	13,500	(13,500)	0.0%
6110.60 · Payroll Expense Museum	9,100	14,314	(5,214)	63.57%
6110.00 · Payroll Exp - Other	4,368	0	4,368	100.0%
Total 6110.00 · Payroll Exp	363,039	337,512	25,527	107.56%
6110.80 · Payroll Exp Pool	19,715	43,911	(24,196)	44.9%
6120.00 · Payroll Tax Expense				
6120.10 · Payroll Tax Expense Admin	0	32,700	(32,700)	0.0%
6120.00 · Payroll Tax Expense - Other	31,874	0	31,874	100.0%
Total 6120.00 · Payroll Tax Expense	31,874	32,700	(826)	97.48%
6122.01 · 401A Employer Match	5,222	5,000	222	104.43%
6185.10 · AEP Street Lights Admin	28,478	46,000	(17,522)	61.91%
6190.10 · AEP Expense Admin	14,391	30,000	(15,609)	47.97%
6190.11 · AEP EXP RENTAL BLDG	1,649	0	1,649	100.0%
6190.30 · AEP EXP RD	3,490	4,500	(1,010)	77.56%
6190.40 · AEP Expense Fire Dept	5,016	8,000	(2,984)	62.7%
6190.50 · AEP Exp Parks and Rec	10,889	11,000	(111)	99.0%
6190.60 · AEP Expense Museum	2,403	3,200	(797)	75.11%
6190.80 · AEP Pool Area	6,176	8,700	(2,524)	70.99%
6200.10 · AEP Outdoor Lights	1,704	700	1,004	243.45%
6400.10 · Advertisement Exp Admin	1,773	0	1,773	100.0%
6400.40 · Advertisement Exp Fire Dep	1,410	0	1,410	100.0%
6440.10 · Accounting Fees Admin Exp	5,500	7,500	(2,000)	73.33%
6445.10 · City Attn Retainer	0	12,000	(12,000)	0.0%
6445.30 · Legal Fees Admin	15,335	6,000	9,335	255.59%
6445.31 · B & D Legal fees	1,049	0	1,049	100.0%
6445.32 · B & D EXPENSES	0	5,404	(5,404)	0.0%
6450.10 · Fleet One Mayor Exp	5,247	4,500	747	116.6%
6450.20 · Fleet One Police Dept	14,773	12,000	2,773	123.11%
6450.30 · Fleet One Road	0	1,000	(1,000)	0.0%
6450.40 · Fleet One Fire Dept	4,270	3,800	470	112.38%
6450.50 · Fleet One Pks & Rec	3,365	2,300	1,065	146.32%
6560.10 · Bank Service Charges	1,224	0	1,224	100.0%
6660.00 · Expenses on buildings	725	0	725	100.0%
6660.10 · Supplies and Equip Admin	18,244	30,447	(12,203)	59.92%
6660.20 · Supplies and Equip Police	24,072	4,000	20,072	601.8%

	Actual	and Final		
	Jul '19 - Jun 20	Budget	\$ Over Budget	% of Budget
6660.30 · Supplies and Equip Road	23,741	26,000	(2,259)	91.31%
6660.40 · Supplies and Equipment Fire	42,509	545	41,964	7,799.74%
6660.41 · Fire Equip Lease Purchase	26,190	26,190	0	100.0%
6660.50 · Supplies/ Park & Rec	444	3,000	(2,556)	14.8%
6660.60 · Supplies and Equip Museum	0	3,896	(3,896)	0.0%
6660.80 · Pool Expenses	7,071	18,700	(11,629)	37.82%
6661.10 · Pool Property Loan Purchase	14,279	15,615	(1,336)	91.44%
6661.11 · Renovation Loan Resturant	15,193	0	15,193	100.0%
6661.12 · Restaurant Renovation Exp	0	12,000	(12,000)	0.0%
6700.10 · Council Member Pay Admin	3,600	3,600	0	100.0%
6710.10 · Health Ins Expense Admin	59,278	50,000	9,278	118.56%
6710.11 · Health Ins Deductables	17,477	6,000	11,477	291.29%
6710.20 · HEALTH INS POLICE DEPT	25,218	14,605	10,613	172.66%
6716.10 · Dental Ins Admin	1,590	0	1,590	100.0%
6716.20 · Dental Expense Police	791	0	791	100.0%
6719.10 · Property Ins Admin	15,179	0	15,179	100.0%
6720.10 · Gen/Liab Insurance	73,932	0	73,932	100.0%
6724.10 · Work/comp Ins Admin	16,904	0	16,904	100.0%
6740.10 · Bond Ins Admin	674	0	674	100.0%
6740.20 · Bond Ins Police	305	0	305	100.0%
6750.10 · Tax Roll Prep Fee Admin	2,451	0	2,451	100.0%
6770.10 · Loan Pmt New City Hall	9,424	0	9,424	100.0%
6771.00 · Purchase of New city Hall	0	9,500	(9,500)	0.0%
6784.10 · Main/Repair Rental Bldg	136	0	136	100.0%
6796.10 · Training Exp Admin	175	0	175	100.0%
6796.20 · Training Exp Police	603	0	603	100.0%
6800.10 · Postage Admin	484	0	484	100.0%
6810.10 · Misc Exp Admin	495	1,200	(705)	41.22%
6810.20 · Misc Expense Police	648	0	648	100.0%
6810.50 · Misc Parks and Rec	583	0	583	100.0%
6837.10 · Jen Festival Expense	2,658	5,000	(2,342)	53.15%
6838.60 · Museum Expense	211	0	211	100.0%
6840.10 · Telephone Admin	4,337	5,500	(1,163)	78.85%
6840.40 · Telephone Fire	1,599	1,765	(166)	90.62%
6840.60 · Telephone Museum	315	0	315	100.0%
6840.80 · Phone Exp Pool	1,387	1,700	(313)	81.61%
6841.10 · Telephone Cell Admin	4,796	4,093	703	117.18%
6845.10 · DUES & SUBSCRIPTIONS	1,614	0	1,614	100.0%
6860.10 · KRADD Admin	1,696	1,696	0	100.0%
6865.10 · Rental Equipment Admin	178	0	178	100.0%
6870.10 · Reimbursements Admin	448	0	448	100.0%
6870.30 · Reimbursement Road	117	0	117	100.0%
6877.10 · Supplies Admin	3,098	0	3,098	100.0%
6877.20 · Supplies Police	2,101	0	2,101	100.0%
6883.00 · Old Jenkins High Gym	4,148	6,000	(1,852)	69.13%
6886.10 · Lic/Permit/bonds/ Tags/Deeds	16	0	16	100.0%
6887.10 · Service Agreement Admin	1,054	0	1,054	100.0%

	Actual	and Final		
	Jul '19 - Jun 20	Budget	\$ Over Budget	% of Budget
6896.10 · Computer Programmer Service	2,829	0	2,829	100.0%
6896.80 · Sales & Use Tax Pool	2,256	0	2,256	100.0%
6897.90 · Channell 99 EXP	7,800	0	7,800	100.0%
6898.50 · Little Shpherd Drama	3,328	6,500	(3,172)	51.2%
6900.30 · Drawdown Sidewalk Exp	220	11,515	(11,295)	1.91%
6902.00 · Loan pmt Comm TR Ins services	55,080	57,686	(2,606)	95.48%
6902.50 · Property / Amp Theatre	1,636	2,805	(1,169)	58.33%
6907.20 · K-9 Unit Expense	1,021	0	1,021	100.0%
6908.30 · Kona/Jenkins Road	5,950	0	5,950	100.0%
Total expense	1,075,700	915,285	160,415	117.53%
Income more (less) that expenses	19,207	0	19,207	100.0%
Adjustments to conform with GAAP:				
Non-budgetary inflows/outflows	(20,338)			
Fund Balance Beginning	<u>56,251</u>			
Fund Balance Ending	<u><u>\$ 55,120</u></u>			

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

**Independent Auditor's 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, in accordance with the 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, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Jenkins, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the City of Jenkins' basic financial statements, and have issued our report thereon dated October 1, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Jenkins' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Jenkins' internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Jenkins' internal control.

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. 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did identify a deficiency in internal control that we consider to be a material weakness described in the Schedule of Findings and Questioned Costs.

Compliance and Other Matters

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

City of Jenkins' Response to Findings

City of Jenkins' response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. City of Jenkins' response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Welch & Company, CPAs, PSC

Welch & Company, CPAs, PSC
October 1, 2020

City of Jenkins
Schedule of Findings and Questioned Costs
For The Year Ended June 30, 2020

Summary of Auditor's Results:

Basic Financial Statements

- A. Type of report issued on the financial statements: Unmodified
- B. Internal control of financial reporting:
 - Significant deficiencies identified that are not considered a material weakness? Yes
 - Material weakness identified? Yes
- C. Noncompliance material to financial statements noted? None Reported
- D. Noncompliance related to state specifications? No

Findings related to the Financial Statements Reported in Accordance with *Government Auditing Standards*:

Finding 2019-1

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 (GAAP). This is a material weakness in internal control.

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 accounting staff has received some software and accounting training for regular and routine transactions. If unusual or difficult to record transactions are encountered, advice from a CPA is sought.